

The Knowledge Report

MARKET OVERVIEW | NOVEMBER | 2008



Property Market Overview

ECONOMIC INDICATORS

INDONESIAN ECONOMIC INDICATOR

	2004	2005	2006	2007	3Q08
Economic Growth (% YoY)	5.00	5.70	5.50	6.30	6.40 ¹
Inflation Rate (%)	6.40	17.11	6.60	6.59	10.47 ²
Exchange Rate (Rp/US\$)	8,934	9,695	8,980	9,124	9,245 ²
Interest Rate - Central Bank Rate (%)	7.40	12.75	9.75	8.00	9.25 ³

Notes:

¹ 2Q08² January - September 2008³ September 2008

Source: Statistics Indonesia, Finance Department, Bank Indonesia

HIGHLIGHT FOR THIS REPORT

- In the quarter under review, the office market was still solid, however, the current intention of some multinational companies to put their expansion plans on hold will mean a negative outlook for the office market. On the other front, construction progress will slow down and this would delay the completion schedule of under-construction projects. Meanwhile, rental rates are expected to be stagnant but with the current condition where companies would reduce their expenses, the plan to relocate to buildings with lower rates will increase and this will drive landlords of office buildings to reduce their expected rates.
- Demand in the retail sector did not register any improvement quarter-on-quarter (QoQ) and this will slow down further at the end of this year. Rental rates were relatively stable but given the current economic turmoil, some shopping centers with remaining prime-location space are planning to adjust the rental rates downward as a result of the weakening economy. The retail market will be tougher over the next year particularly when all the under-construction projects are completed as scheduled.
- The apartment market will definitely be in a bubble situation particularly when considering an enormous amount of supply projection over the next two years. But we believe that, given this unstable economic conditions, the completion schedules of most future developments will be delayed. Further, there has been no action from the Government or parliament to stimulate the market by issuing regulations which will enable foreigner to individually own Indonesian property.

COLLIERS
INTERNATIONAL

- Industrial estate sales up to the third quarter have exceeded the performance of the whole of 2007 and, further, we expect that sales will still grow in the remainder of the year. However, with the expectation of the slowing down economy which will particularly impact the automotive related industry, demand for industrial land and standard factory buildings will weaken in 2009. Despite some export-oriented industries suffering from decreasing business, industries which emphasise the local market will still survive. Some of these industries have been the main demand generator particularly when they bought land for expanding their production capacity.
- Hotel in Bali performed well with only limited new supply from St. Regis and increasing trend in the Average Room Rate (ARR) and Average Occupancy Rate (AOR) in the quarter under review. The year-end projections remain positive since hotels in Bali are booked for the Christmas and New Year holidays. But unlike Bali, hotel performances in Jakarta and Surabaya posed moderate performance in the room rate and occupancy during the quarter under review. The outlook by end of this year for the two cities will not as brisk as in Bali since hotels in either Jakarta or Surabaya are dominated by business type hotels.

OFFICE SECTOR

SUPPLY

THE CBD

Most likely, the remaining office supply for 2008 will only come out in the last quarter this year as none of the under-construction office buildings are ready to operate within this quarter. The Energy as the most possible supply in the quarter is seemingly prepared to be in operation in 4Q08 while other buildings like City Tower, UOB Plaza, Menara DEA 2 and Menara Palma are approaching their

completion by the end of this year. However, during this tough time amidst the global financial crisis, some of the buildings above may slow down in the construction progress and might only be available early next year. With no projects completed during the quarter, office stock in the CBD remains at 3.71 million sq m, with around 70% of total stock found along Jalan Jenderal Sudirman corridor.

LIST OF UNDER CONSTRUCTION OFFICE BUILDING

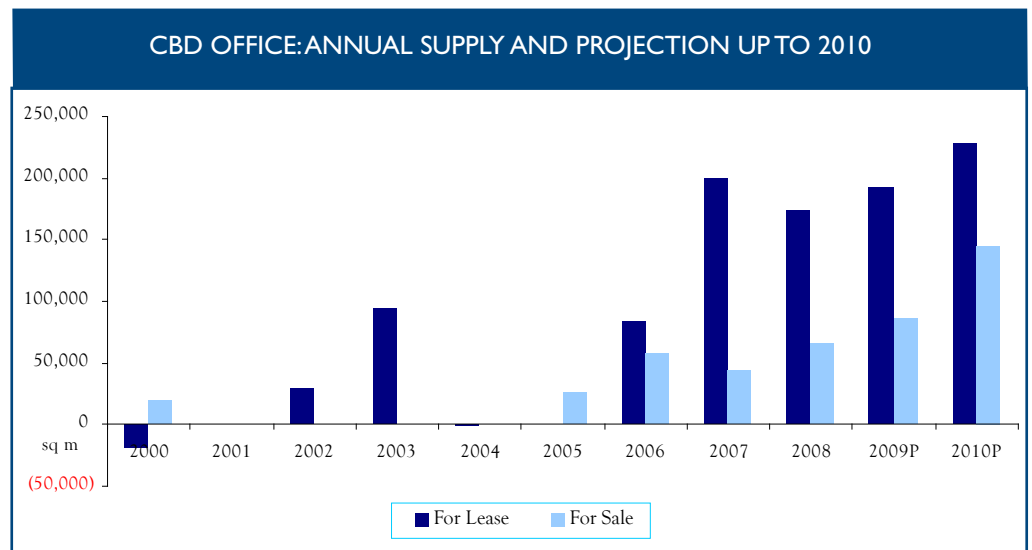
THE CBD

BUILDING NAME	LOCATION	EXPECTED COMPLETION
City Tower	MH Thamrin	2008
Boutique Office@Senayan City	Asia Afrika	2008
The Energy	SCBD	2009
Bakrie Tower (Rasuna Epicentrum)	Rasuna Said	2009
Cyber 2	Rasuna Said	2009
Prudential Tower	Sudirman	2009
The Plaza	MH Thamrin	2009
Menara Palma	Rasuna Said	2009
Menara DEA 2	Mega Kuningan	2009
UOB Plaza	MH Thamrin	2009
Life Tower	Rasuna Said	2010
Sentral Senayan 3	Asia Afrika	2010
Equity Tower	SCBD	2010
Eighty8 @Kota Kasablanka	Casablanca	2010
Menara Bidakara 2	Gatot Subroto	2010
Graha I8	SCBD	2010
The Office	Satrio	2010
Office @Ciputra World	Satrio	2011
Total Space		815,950 sq m

Source: Colliers International Indonesia - Research Department

A recently started office building located on Jalan Rasuna Said called Republic Plaza changed its name to Life Tower. This tower will provide around 50,000 sq m of office space. Meanwhile, Jakarta Setiabudi International has decided to suspend its plan of developing Setiabudi Tower. Previously the plan was to demolish the existing Setiabudi building and build a new tower on it. The existing building will remain and the developer will wait for another two years before proceeding with a new plan.

Since none of the projected supply will come on stream, the CBD office stock stood at its current figure of 3.71 million sq m. Should the remaining under-construction projects be completed as scheduled by the end of this year, total CBD office stock will be around 3.93 million sq m.



Source: Colliers International Indonesia - Research Department

No office building in the CBD was recognized to be in operation during the quarter. Only one office building on Jalan TB Simatupang started operating.

OUTSIDE THE CBD

TB Simatupang supplied another 26,275 sq m from the operation of Talavera Office Park. The newly launched tower brought the total supply in the outside CBD area to 1.62 million sq m. Within the remainder of the year, The Boulevard in Tanah Abang would likely be the only office building ready for operation. Furthermore we have revised our projection for the remainder of the year by slating Grand

Kebon Sirih as supply for next year. An issue to be highlighted within the quarter is the taking over of Vykira building located in Jalan TB Simatupang by Bata (shoe manufacturer). Bata has refurbished this building and renamed it Graha Bata. Still in the TB Simatupang corridor, Arcadia Tower F which will be completed in early 2009 seems to be on schedule.

LIST OF UNDER CONSTRUCTION OFFICE BUILDING

OUTSIDE THE CBD		
BUILDING NAME	LOCATION	EXPECTED COMPLETION
Talavera	TB Simatupang	2008
Grand Kebon Sirih	Kebon Sirih	2008
Arcadia Tower F	TB Simatupang	2008
The Boulevard	Tanah Abang	2008
Menara 165	TB Simatupang	2009
Menara MTH	MT Haryono	2009
KEM Tower	Kemayoran	2009
Gandaria Office	Sultan Iskandar Muda	2010
MT Haryono Square	Otista Raya	2010
Central Park	S. Parman	2010
Area 24	Pancoran	2010
Total Space		172,182 sq m

Source: Colliers International Indonesia - Research Department

DEMAND

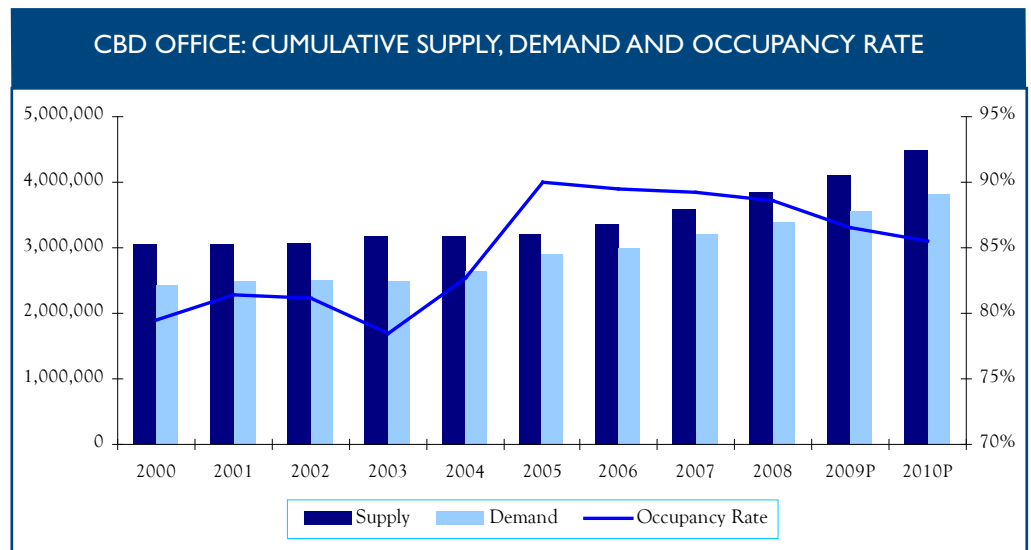
THE CBD

Several transactions made in the previous quarter have started coming on-line. Overall occupancy stabilized at 89.62% edging up slightly by less than 1% compared to last quarter. The occupancy rate has hovered around 88% to 90% for the last three years. Demand generators have been similar for several quarters like energy related companies such as oil & gas, mining; finance related companies like bank, insurance, securities, etc.; or other industries like advertising, media, IT, agriculture, etc. The demand pattern remains the same as well i.e. dominated by the expansion and relocation activities.

Transactions recorded in the quarter will impact the overall calculation for the consecutive quarter as tenants need time for the fitting out process. Some sizeable transactions that we managed to record included the deal of a local TV operator involving of around 4,000 sq m and trading company taking around 1,400 sq m in Menara Standard Chartered. A significant deal of almost 1,600 sq m also

occurred during the quarter within the half-constructed Cyber 2 building with a security company. Investment companies were also active in acquiring new office space like a significant deal involving around 2,500 sq m office space between an investment company and Sentral Senayan 2 building. A similar deal by another investment company also happened in Sentral Senayan 2, taking around 500 sq m of office space. During the reviewed quarter, the impact of the global financial crisis has yet to affect investment companies. The above-mentioned deals suggest that the crisis has yet to affect expansion decisions. A major transaction evidenced this is like what happening between the upcoming office building, The Energy with a big investment bank from the US which involved around 3,000 sq m of office space. Strata-title transactions were also brisk this quarter, highlighted by the purchase of sizeable space of around 6,700 sq m in The East by the growing CPO (Crude Palm Oil) company.

Occupancy stabilized at around 90% but as repercussions of financial turmoil hit, office market would expect a downturn in inquiries.



Source: Colliers International Indonesia - Research Department

OUTSIDE THE CBD

Talavera Office Park has only a small amount of office space left. Currently, the building is operating with major tenants related to the oil and gas industry like Leighton, Shell and Weatherford. It also has NISP bank and Marquee service office. With Talavera performing at around 97% occupancy and combined with some new tenant influx, the overall occupancy moved back moderately to 89.41%.

The overall occupancy in the TB Simatupang area is predicted to stay high at more than 95% on average. The under-construction Arcadia Tower F is negotiating with Siemens which will acquire around 6,000 sq m after the plan to relocate from their current premises in Pancoran. The building will also receive the expansion of BP from the other Arcadia Tower. BCA was one of the banks actively looking for space and it has been reported that it will acquire space in two under-construction office buildings: the Boulevard in Tanah Abang and KEM Tower in Kemayoran. Likewise, the under-construction Menara MTH on Jalan MT Haryono has captured shipping line tenants.

Rental rates were relatively stable during the reviewed period.

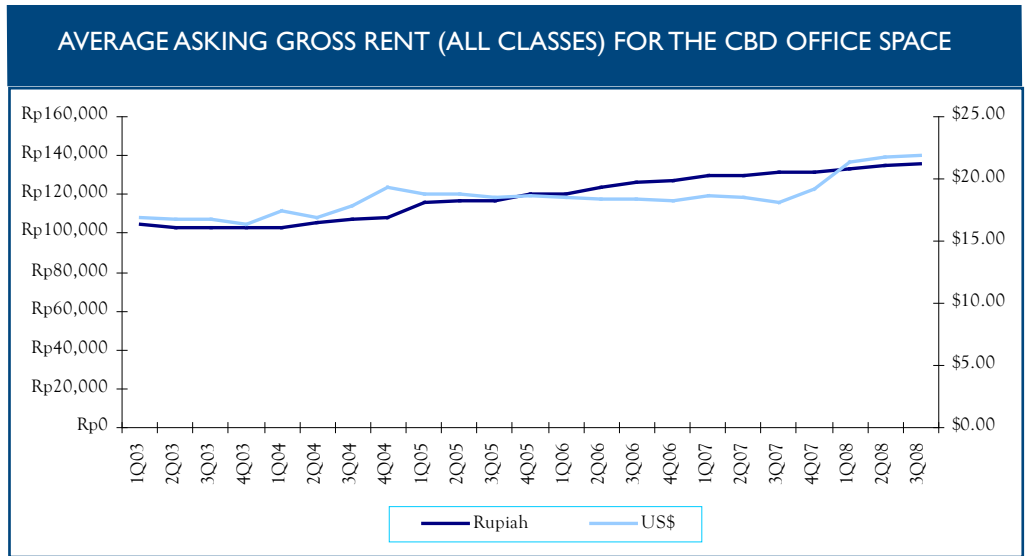
ASKING BASE RENTAL RATES

THE CBD

New pricing was introduced by several buildings during the quarter. The main reason behind the increase was mostly because they have only limited space to offer. As a result the new rates have shifted up the average rental rates for this quarter from a previous Rp87,268/sq m/month to Rp88,117/sq m/month. The range of the increase was largely between Rp5,000 and Rp10,000. Apart from the situation where buildings with increasing rates were almost full, other reasons included the adjustment made after the increase in the oil price. Two buildings in our record even came up with significant adjustments of

Rp30,000 to Rp40,000. One building needed to revise the rates in accordance with the average neighborhood rates while the other building increased the rates since they did not have much space to offer.

Similarly, around six buildings with US\$ rate also offered new tariffs. The climb ranged from US\$1.00 to US\$4.00/sq m/month. The decision to raise the rates was also alike i.e. not much space available to offer. With these adjustments, the average rental rates went to US\$15.83/sq m/month from the previous US\$15.71/sq m/month.



Source: Colliers International Indonesia - Research Department

OUTSIDE THE CBD

There were no changes in the rental rates in the outside CBD area and, therefore, with stabilizing conditions, the average rental rate was flat at Rp59,450/sq m/month. On the other hand, the influx of Talavera Office Park has changed the average rental rates for

buildings outside the CBD quoted in US\$ rate to US\$11.29 from the previous US\$11.00/sq m/month in the last quarter. Talavera's rates recorded the highest rates of US\$16.00 compared to other buildings in the outside CBD area.

SERVICE CHARGES

THE CBD

The response to the oil price hike during the second quarter period has been translated into the adjustment in service charge costs made by ten buildings. The increase ranged from Rp5,000 to as high as Rp10,000/sq m/month. Thus, the overall service tariff rose to Rp47,739/sq m/month from the previous Rp47,429/sq m/month.

Only one building with US\$ rates offered a minor increase by US\$1.00 this quarter and therefore the average service charge cost for this quarter was steady at US\$6.06/sq m/month.

OUTSIDE THE CBD

A moderate increase was registered at Rp33,553/sq m/month this quarter after adjustments made by a few buildings. The reason for the increase was also similar to those in the CBD. In the US\$ rate, service charge was recorded lower than in the previous quarter. It was at US\$4.30/sq m/month last quarter but due to the lower service charge rate introduced by Talavera i.e. US\$4.00/sq m/month the average service cost for this quarter dropped modestly to US\$4.28/sq m/month

We saw only four buildings outside the CBD area that increased their service charge tariffs. Three buildings increased the charge by Rp10,000, while the remaining building raised the rate by just Rp2,500. All in all, the average service charge did not register a wide discrepancy compared to the previous quarter, standing at Rp33.543/sq m/month.

OUTLOOK

In the quarter under review, signs of weakening performance have yet to be seen as the impact of the global financial crisis has just begun in the early part of the fourth quarter. However, after posing a brisk performance for some time, we expect that the market would slow down after the expected suspended expansion plans of some multinational companies. Thus far, the office market has been enjoying high occupancy from the growing business of financial related companies like banks, investment firms, insurance and security companies. Today, the global crisis has had an immediate impact on sentiment-driven financial activities such as wealth advisory groups. And as negative sentiment increases, this crisis is expected to have direct bearing on the office sector.

As for buildings charging premium rents, flexibility to adjust the rental rates is needed particularly to beat competition amidst tenants' plans to reduce expenses. Overall rental rates will experience pressure from the downturn in demand and might possibly undergo a correction. One of the many strategies to win transactions while maintaining the current rental rates is through giving more incentives like offering rent-free periods or providing fit-out allowance.

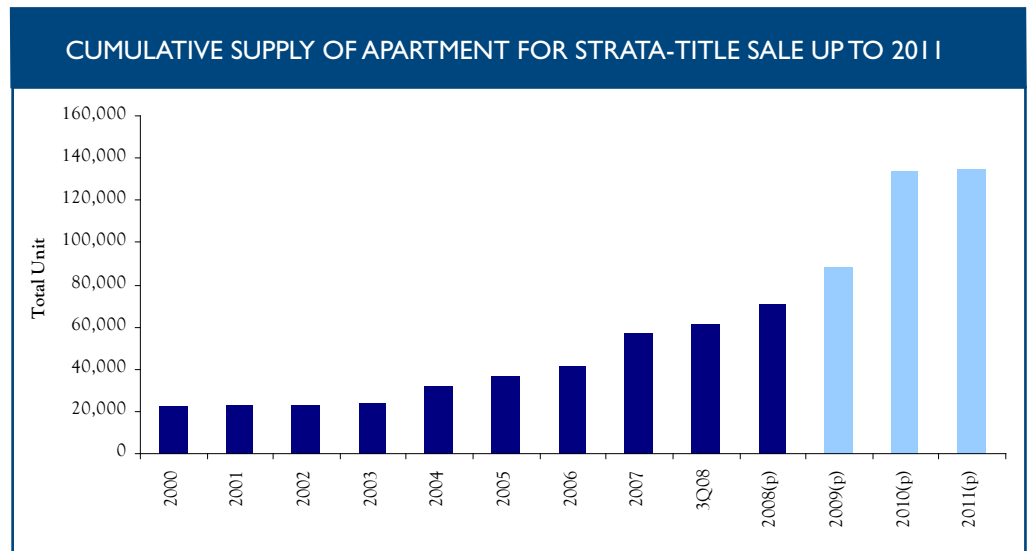
APARTMENT SECTOR

APARTMENT STRATA-TITLE FOR SALE

SUPPLY

Unlike in the previous quarter where apartment stock grew by 3% quarter-on-quarter (QoQ), in this quarter, total apartment stock increased slightly by only 0.91%. Only two projects (Nirvana Boutique Residence and Essence Darmawangsa tower Eminence) and two towers of Hampton's Park, Tower C and Bellezza Tower Albergo, have been operating within the reviewed quarter. These completed projects have cumulatively increased total supply to 61,391 units.

In spite of the above slower figure, more projects continue to launch their units. Two government-subsidised projects are targeting low scale market. They are Orchard Palace Residence and Green Park View, both located in Daan Mogot. One project located in the CBD area, Setiabudi Royal Residence is trying to grab young executives around Sudirman and Kuningan area with its middle price apartment units. Meanwhile, two projects of Residence8 and The Eaves, both located in Senopati, South Jakarta area are aiming at the higher market. There are no luxury projects with price per sq m of above Rp20 million offered in the market.



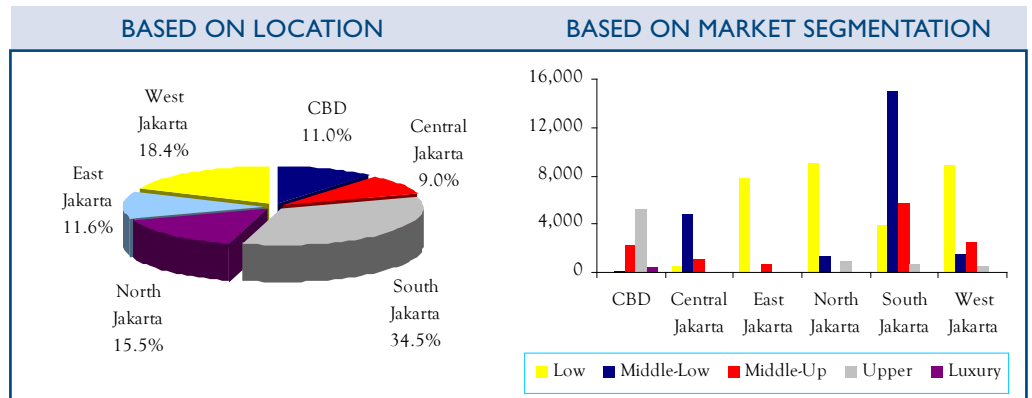
Supply grew modestly this quarter.

Source: Colliers International Indonesia - Research Department

From our records, around 9,500 new units are expected to come on stream by end of 2008 and should these new units finalize, they would increase the cumulative supply to 70,905 units. Further, in the period of 2009-2011, the completion of some low-cost apartment projects would be the biggest contribution to the growth. Within these three years, the apartment market should grow

two-fold to more than 134,600 units! These future supplies are dominantly targeted at low (41%) and middle-low market (31%) and in terms of location, these future supplies would mostly occupy South Jakarta area. From the total of 68 future projects, around 19 projects would be in South Jakarta. In the meantime, another 14 projects are planned to be built in the CBD area.

FUTURE APARTMENT

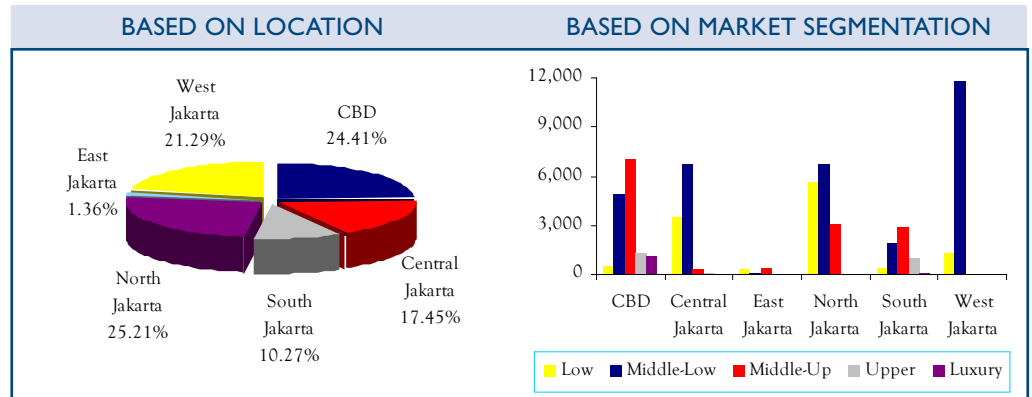


Source: Colliers International Indonesia - Research Department

Looking at the operating projects, there are no changes location-wise where most existing apartment projects were found in North Jakarta (25.2%), CBD (24.4%) and West Jakarta (21.3%). Apartments in the North and West Jakarta are characterized by low and middle-low class projects in the form of

mass-scale and government-subsidized projects. However, referring to the chart above, the projection of future development will be much different. South Jakarta will provide the most projects of which luxury class apartment projects will dominate.

EXISTING APARTMENT



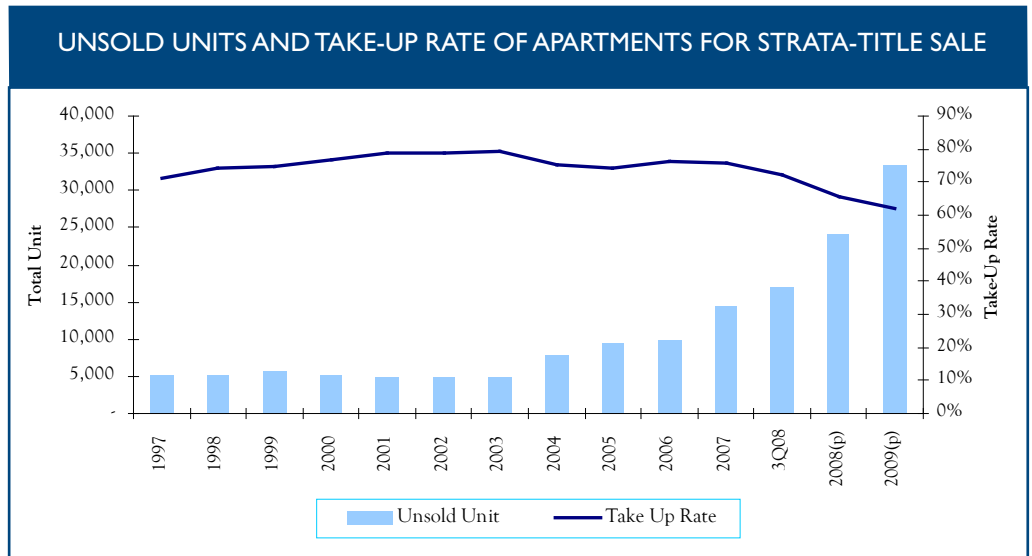
Source: Colliers International Indonesia - Research Department

DEMAND

During the third quarter of this year, demand for apartment remained slow with net absorption of only 459 units compared to 511 units in the previous quarter. In general, according to the information we gathered from the on-site marketing in each project, the Jakarta strata-title apartment market recorded a take-up rate of 72.41%. This figure included the transactions of both operating projects and projects under-construction but which are already being marketed. We believe that the actual take-up rate would be lower than reported since many of the early transactions marked with booking fee payment are considered as sold units.

As at 3Q08, of the total 61,391 operating units, around 79.8% units were absorbed in the market. While from a total of 73,277 units of the under-construction projects, Colliers Research recorded a 65% take-up rate but again also incorporating all transactions marked by paying booking fee. Combining both unsold units from the existing projects and unsold units from the under-construction projects, there will be a total of 31,713 units struggling to search for buyers as at 3Q08. With current total unsold units at about half of the total existing units and also anticipating additional supply from new projects over the next two years, the apartment market will be very tough in the future.

The take-up rate continued to decline, indicating that the market has started slowing down.



Source: Colliers International Indonesia - Research Department

In terms of location, the CBD continues to capture the highest take-up rate. From the total operating units, around 88% of them were successfully absorbed in the market

while from the under-construction project being marketed, developers claimed that around 68% were sold.

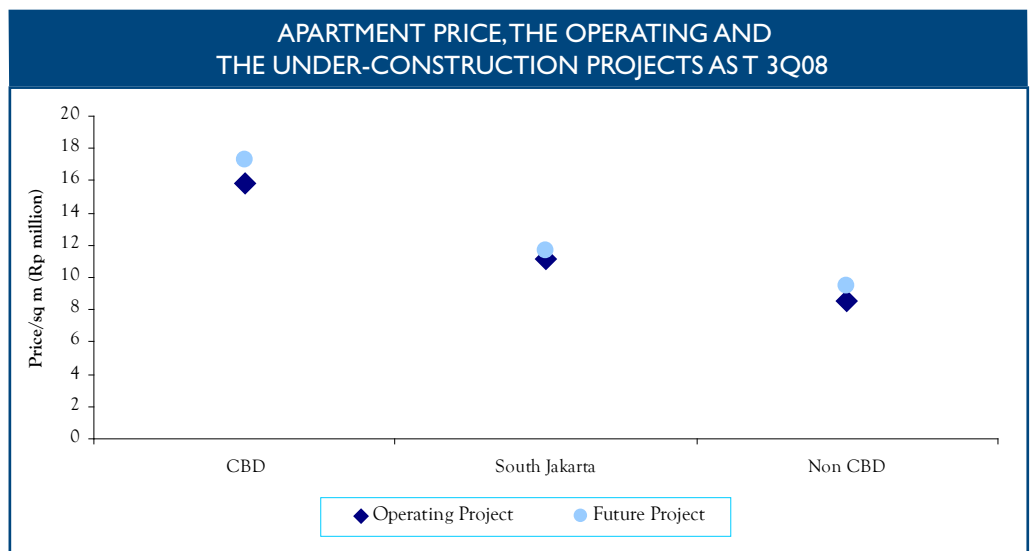
PRICING

A minor price increment of around 0.2% to Rp10.8 million/sq m occurred within 3Q08. The impact of the oil price increment in May 2008, still influenced the apartment pricing within this quarter where developers still maintained the price at current level due to mounting construction costs.

the CBD area had a lower increment of 1.2% and 1.7% to Rp11.1 million and Rp8.5 million/sq m respectively.

On average, all Jakarta regions showed a modest increment in the offering price. The CBD area which mostly provides middle-up to luxury projects experienced the highest increment by around 2.5% QoQ to an average of Rp15.8 million/sq m while South Jakarta and outside

Price adjustment was also applied to the under-construction projects. Our survey indicated that future projects located in the CBD area fetched prices at an average of Rp17.3 million/sq m and Rp11.7 million/sq m for South Jakarta area. Meanwhile, outside the CBD and South Jakarta areas middle- to low-class apartment projects dominated with the average price at Rp9.5 million/sq m.



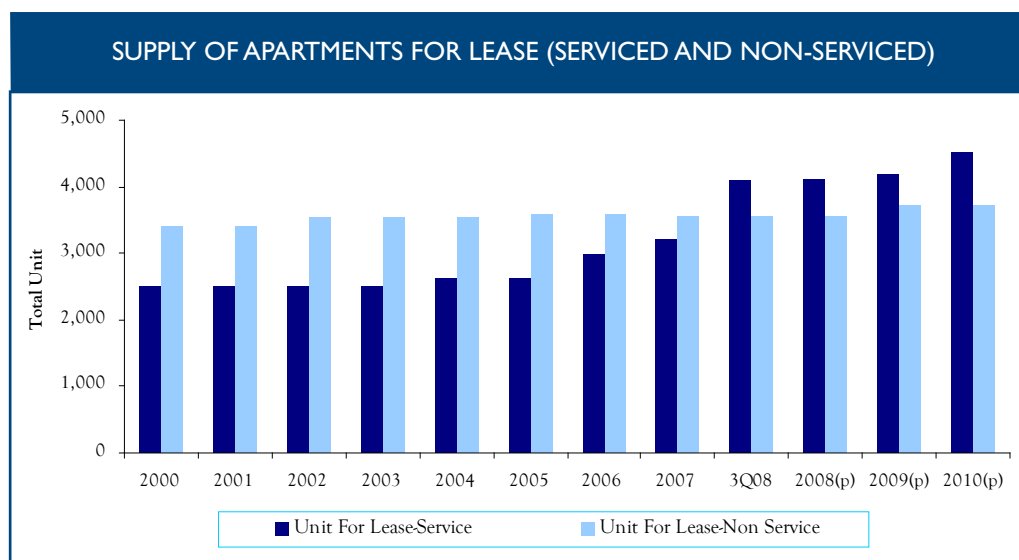
Source: Colliers International Indonesia - Research Department

APARTMENT FOR LEASE (SERVICED AND NON SERVICED)

SUPPLY

During 3Q08, apartment for lease experienced significant supply increment by 7.1% from the operation of Bellezza – Albergo Tower in South Jakarta and Aston Marina Hotel and Residence in North Jakarta. The two projects added up apartment stock in Jakarta by 505 units to a total of 7,638 units. As both projects are apartment for lease with service, the composition of serviced apartment units (apartment with service) in Jakarta was 54% of the total units of apartments for lease.

Apartment for lease with service is much preferred by the market for short- to medium-term stay for the last three years. The availability of international hotel chain as apartment operators will stimulate the development of similar types of apartment over the next three years. Our research recorded that up to year 2011, there would be five additional apartments for lease-service with a total of 662 units. The only future apartment for lease-non service would come from one project called Golf Pondok Indah – Tower 3 which is scheduled to complete in 2009.

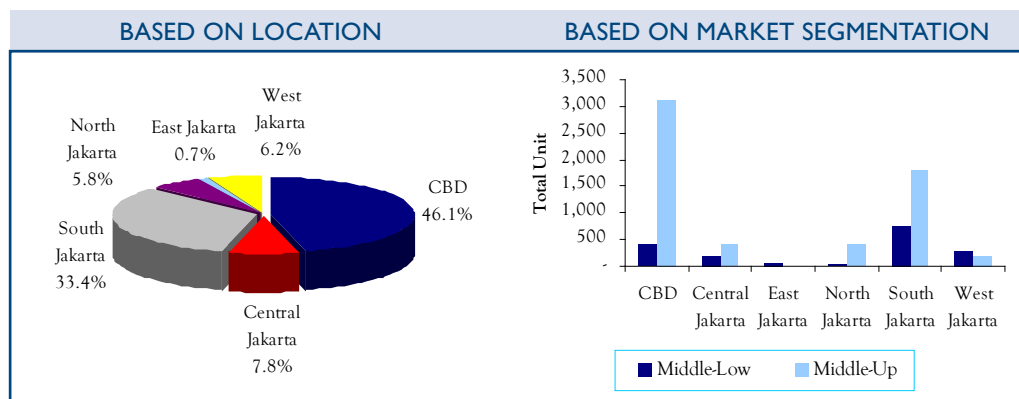


Source: Colliers International Indonesia - Research Department

Location-wise, the configuration remained the same where the CBD and South Jakarta captured the largest apartment units. Of the total of 7,638 units available in the market, around 46% are located in the CBD and 33% are in South Jakarta area. Most apartment

units within the above areas are targeted at middle-up class. Further, seven projects in Central Jakarta contributed around 8% while North and West Jakarta provided around 6% apartments for lease.

APARTMENT SUPPLY

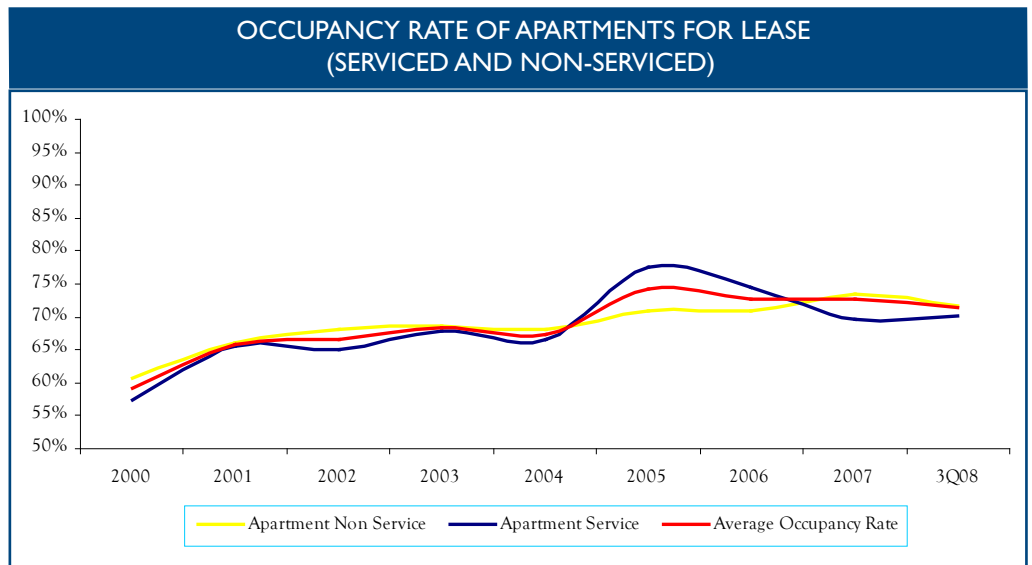


Source: Colliers International Indonesia - Research Department

DEMAND

On average the occupancy rate of apartments for lease in Jakarta decreased to 71.4%. The average was a combination of service and non-service apartment. The increasing demand for serviced units has moved upward modestly with the average occupancy rate of apartment for lease with service from the previous 70.0% to an average of 70.2%. This increment was generated from the rising occupancy rate occurring in new projects like Oakwood Premier Cozmo, Shangri-La Residence (both in the CBD area) as well as Somerset Berlian in South Jakarta area.

Non-service apartment for lease recorded a relatively lower occupancy rate to 71.6% from the previous 71.9%. In spite of competing with similar developments, the converted strata-title units into apartment for lease kept competing in the lease market. Newer buildings in a great location could appeal to long stay occupiers to relocate.



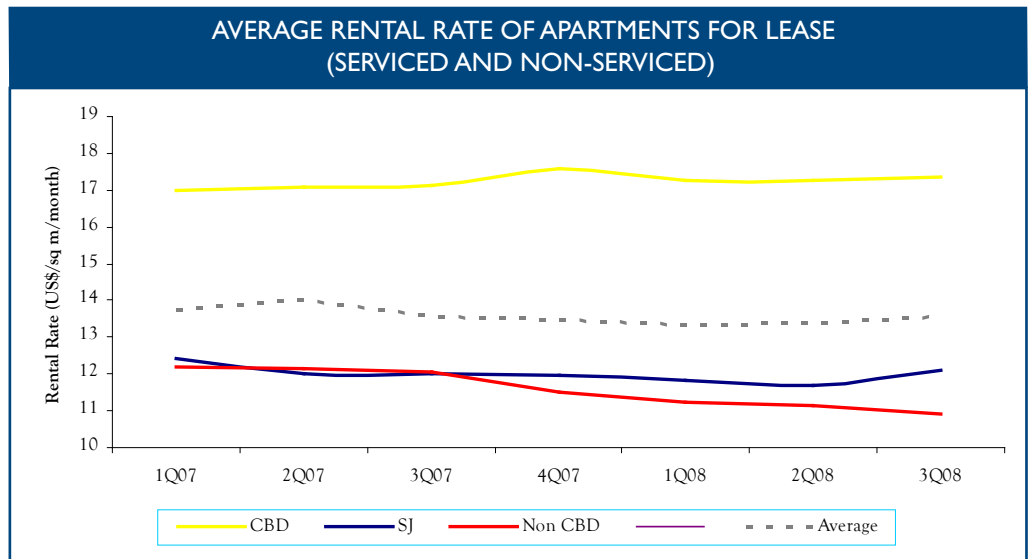
Source: Colliers International Indonesia - Research Department

Price and rental rate were relatively stable.

RENTAL RATES

The average rental rate of apartment for lease increased by 1.5% to US\$13.60/sq m/month. The highest increment was contributed by apartment projects in South Jakarta area which rose by 3.9% to an average

of US\$12.10/sq m/month. The rental rate in the CBD area remained at an average of US\$17.40/sq m/month while outside the CBD area it was US\$10.90/sq m/month.



Source: Colliers International Indonesia - Research Department

An expectation that supply will be enormous over the next three years would give a negative outlook for the market as demand would decline due to the current economic situation.

OUTLOOK

The increasing interest rate may withdraw the interest of potential buyers to buy apartments through bank loans although a large number of apartment buyers purchase apartment units using cash installments. However, the market needs to captivate other buyers who can only pay using bank loans. On the other hand, supply influx would be coming in smaller number than as planned. Particular under-construction projects financed by bank would re-schedule the completion as banks will be more prudent in lending.

The expectation that the apartment market will face tough times is evidenced by a situation where potential buyers will hold buying recently-constructed projects in anticipation of developers not delivering on schedule. On the other hand, the remaining unsold units from the existing projects would also struggle to compete in the market and there are a lot of them! Buyers will have more options to choose developments they like but the remaining problem is weakening purchasing power. Further, they may ask who will rent the unit if it is for investment purposes.

RETAIL SECTOR

SUPPLY

Mall of Indonesia (MoI), located in Kelapa Gading, was the only shopping centre in Jakarta launched in the quarter. Operating with around 100,000 sq m of net lettable area, the mall is operating with some major tenants like Carrefour, Centro, Blitz Cineplex and MoI Land (themepark). Total retail space in Jakarta in this quarter stood at 3.37 million sq m.

Outside the Jakarta area, Pamulang Square added around 28,000 sq m of lettable space to the retail market which brought the overall stock in the DeBoTaBek area to 1.69 million sq m.

The development projections for the quarter were partially put off and re-scheduled over the consecutive quarter. With the current global financial crisis, some under-construction projects have signaled that they might postpone their completion. The slowdown in the construction progress is seen in projects like those located in the North Jakarta, West Jakarta

and East Jakarta. The deceleration in the construction progress was also seen in super block projects like three projects in South Jakarta, one project in West Jakarta and one project in Tangerang.

As seen in the table below, two shopping centres in South Jakarta will be in operation by the end of this year i.e. Agung Podomoro Group project, Blok M Square, which will be offered in a strata-title scheme and Pejaten Mall by Lippo Group offered for lease. These two retail centres will add 75,075 sq m to the overall market in Jakarta.

With the projection of the two projects above, total retail space in 2008 will reach around 218,208 sq m. However, this figure represents only 47% compared to the projected total space in 2009 which would reach around 466,804 sq m. Around 42% of the projected figure in 2009 will be offered as strata-title centres for sale.

Significant supply came during the quarter from the operation of Mall of Indonesia in Kelapa Gading and Pamulang Square in Tangerang.



Source: Colliers International Indonesia - Research Department

LIST OF UNDER CONSTRUCTION RETAIL CENTERS

IN JAKARTA

BUILDING NAME	LOCATION	MARKETING SCHEME	EXPECTED COMPLETION
Blok M Square	Blok M	for Strata-title Sale	2008
Mall Pejaten Village	Buncit Raya	for Lease	2008
Seasons City	Latumenten	for Strata-title Sale	2009
Pulomas Place	Pulomas	for Lease	2009
Grand Paragon (Gajah Mada Square)	Gajah Mada	for Lease	2009
Emporium Pluit	Pluit	for Lease	2009
Koja Trade Mall	Koja	for Strata-title Sale	2009
Galeria Glodok/Citylofts	Glodok	for Lease	2009
Shopping Mall Gandaria	Sultan Iskandar Muda	for Lease	2009
Pusat Grosir Senen Jaya	Senen	for Strata-title Sale	2009
Central Park Mall	Grogol	for Lease	2009
Kuningan City	Satrio	for Lease	2009
Kota Kasablanca	Casablanca	for Lease	2010
MT Haryono Square	Otista Raya	for Strata-title Sale	2010
Total Space			708,618 sq m

IN DEBOTABEK

BUILDING NAME	LOCATION	MARKETING SCHEME	EXPECTED COMPLETION
City Mal Tangerang	Tangerang	for Lease	2008
Taman Topi Square	Bogor	for Lease	2008
Teraskota	Tangerang	for Lease	2009
Tangerang City	Tangerang	for Strata-title Sale	2010
Total Space			56,000 sq m

Source: Colliers International Indonesia - Research Department

Some of the under-construction projects may delay the completion schedule particularly under the pressure of the current global financial crisis.

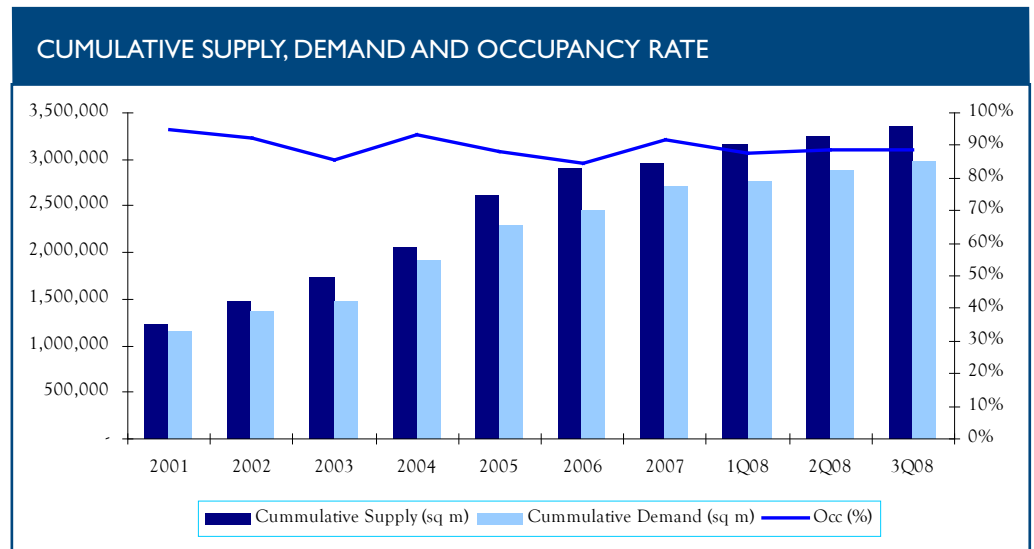
DEMAND

The newly launched Mall of Indonesia has secured 85% of its space committed by the tenants with around 40% of it in operation while the remaining will be in operation by end of November this year.

Minor adjustments in occupancy indicated that the market was relatively stagnant. This quarter, the occupancy rate dropped slightly to 88.75%. Despite reporting high occupancy (commitment by tenants), newly operating shopping centres operate with less occupancy as tenants require fitting out progress of one to three months before really being in operation.

The under-construction projects like Emporium Mall in Pluit will be flanked by Carrefour hypermarket taking around 15,000 sq m. Some other major tenants which have committed within this mall are Gramedia with around 2,000 sq m, and Sogo Department Store with around 16,500 sq m which will take the space in stages. Pejaten Mall which plans to open by the year end has acquired major tenants within their own group i.e. Matahari Department Store (taking around 11,000 sq m) and Hypermart (7,000 sq m). Gramedia bookstore which was quite expansive in penetrating new malls, secured a sizeable space of around 8,000 sq m in the Grand Indonesia mall. Gold's Gym owned by a famous body builder trainer was also quite active in expanding by opening a new branch in Grand Indonesia. Gold's Gym has invigorated the competition amongst fitness operators after the existence of the two most active fitness centres: Fitness First and Celebrity Fitness.

The occupancy rate in the DeBoTaBek area rose slightly to 84.54%. The newly operating Pamulang Square has secured Giant hypermarket as the anchor and other tenants like A&W, California Fried Chicken and Solaria. Previously, Bekasi Cyber Park engaged with Hari-Hari supermarket for around 2,000 sq m together with 1st Computer Square and Rumah Kita. Within the neighbourhood, Bekasi Square has also acquired tenants like Carrefour (around 7,000 sq m), Electronic City and Cinema 21. In Bogor, Taman Topi Square (Tatos) is physically finished but will be operational by the end of November this year. In our observation, Tatos has no anchor tenant but reportedly has sold 60% of the total space and it will be operated with the concept as the biggest centre for shoes and bag products in Indonesia. Further west, Tangerang City Mall which will be operational this year end, has secured 60% commitment and some major tenants include Giant hypermarket taking around 6,500 sq m and Matahari Department Store occupying around 2,300 sq m.



Source: Colliers International Indonesia - Research Department

ASKING RENTAL RATES AND SERVICE CHARGES

ASKING RENTAL RATES

In our calculation, there was an increment on the average rental rate compared to the previous quarter. Quite a significant jump by 7% to an average of Rp354,253/sq m/month compared to the previous quarter. Nevertheless, the upward adjustment did not immediately suggest that the market has ameliorated. In our survey, it was found that quite a lot of space available in the market was in prime locations (like on the ground floor and with immediate exposure to crowds) which affected

the overall calculation. We did not register any changes in the US\$ rate shopping centres. Upper class malls like Plaza Indonesia, eX Plaza, Plaza Senayan and Pondok Indah Mall did not made any adjustments in the rental price .

A similar condition as in Jakarta was also occurred in the DeBoTa Bek area where average rental rate rose by 4%. This quarter, the average asking rent edged higher to Rp280,125/sq

Rental rates and service charges are relatively stable.

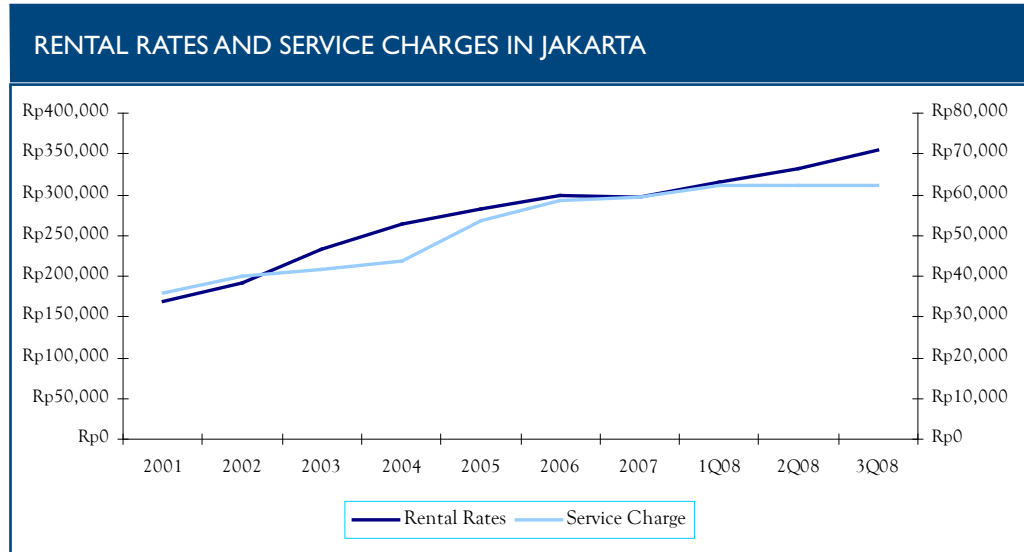
SERVICE CHARGE

Tariffs for maintenance costs moved upward modestly to Rp64,436/sq m/month this quarter. The minor increase was mainly contributed by the adjustment made by Slipi Jaya and Pusat Grosir Cililitan (PGC). Slipi Jaya introduced their new rates for service charge costs from US\$8.00 to US\$9.00/sq m/month while PGC announced their new rates from previously Rp60,000/sq m/month to Rp70,000/sq m/month. In Bekasi, Bekasi Trade Centre introduced new service charge costs from pre-

viously Rp37,500/sq m/month to Rp45,000/sq m/month. On average, service charge costs in DeBoTaBek area stood at Rp51,075/sq m/month.

The average pegged rate in Jakarta was recorded at Rp7,140/US\$ which was the same figure as at last quarter as none of shopping centres adjusted the pegged rate. Likewise, the average pegged rate in DeBoTaBek area hovered at Rp6,938/US\$.

Transaction activities were moderate and did not suggest any improvement compared to the last quarter.



Source: Colliers International Indonesia - Research Department

OUTLOOK

Prudent. And that is a word that best describes the condition of several retailers. Amidst the current financial turmoil which would possibly lead to the weakening expense power, retailers are now more cautious with their expansion plans. This, as a result, will impact the retail centres particularly the newly operating or future shopping centres in capturing tenants. Tenants will be more confident to opt for proven shopping centres to ensure crowds.

ants as possible but more on getting the most appropriate tenants according to their market target and demography. A case of this situation is best described by a new mall in Surabaya which decided to acquire a local player with proven reputation in the local market rather than getting a well-known brand from Jakarta.

And thus, retailers' expansion plans in the near term will not be as sound as before. An upper class supermarket has indicated that there will be no expansion in 2009. This plan will limit under-construction shopping centres from choosing the best anchor tenant. The real challenge for the new shopping centres now is not only getting as many ten-

All in all, we still believe that the performance of Grade-A malls will be sound, at least in the short term, the up-scale customers will not be much affected by the current conditions. However, given the figure of the total space projected to be completed in 2009, the retail market would be at an alarming level particularly since the global financial crisis and upcoming election would give negative sentiment to the overall retail market.

Construction is expected to be slow and, at the same time, retailers will be more prudent when planning for expansion.

INDUSTRIAL ESTATE SECTOR

SUPPLY

For some periods supply of industrial land has been stagnant but plans for expansion will be shortly materialised next year. Kota Deltamas in Bekasi, has released the next phase of Greenland Warehouse & Light Industrial which caters to industrialists who need sizeable space. Previously, Greenland only captured buyers with relatively small inquiries but as part of the expansion plan new areas of around 1,000 hectares gross will be opened by the end of this year starting with 30 hectares. The expansion is still within Kota Deltamas but separated from Greenland Warehouse & Light Industrial. The new expansion will be called Greenland International Industrial Centre providing a total net size of around 769 hectares. To date, stock of serviceable industrial land remains at 8,607 hectares.

Supply was stable but additional land from the expansion of several industrial estates in 2009 is anticipated.

DEMAND

While several significant transactions from automotive supporting industries occurred this quarter, however, they were not as dominant as before. There is a trend where car sales went up from 2006 and 2007 and, further, The Indonesian Automotive Industry Association (Gaikindo) projected that full-year car sales would exceed the target of 580,000 units despite the current high interest rate. Nevertheless, with Bank Indonesia having raised its benchmark rate to 9.5%, car sales are likely to slow down in the coming months and into next year. Higher interest rates would severely affect the industry as around 70 percent of transactions are normally financed by bank loans.

Given the conditions above, however, transactions made by auto related industries continue to occur in several industrial estates which have anchor tenant in the automotive industry. All transactions that happened in KIIC were concluded by two automotive parts companies. In our assessment, transactions made by auto related tenants took place in the Greenland and MM2100.

Meanwhile inquiries for warehouse purposes were quite large in the quarter as recorded in Bekasi Fajar with the size of around 5 hectares. Electronics business was also good during the period. Two plastic moulding companies from Korea bought two parcels of land to support the electronics industry there as well as the expansion of the electronics industry to Delta Silicon from the industrial estate adjacent to

it. Despite no definite time mentioned by the developer, another potential expansion will be Bekasi Fajar Industrial Estate which will possibly release industrial land next year. After recording persistent sales for several periods and with the shortage of ready to use land, BFIE is planning to clear the next stage of their expansion plan.

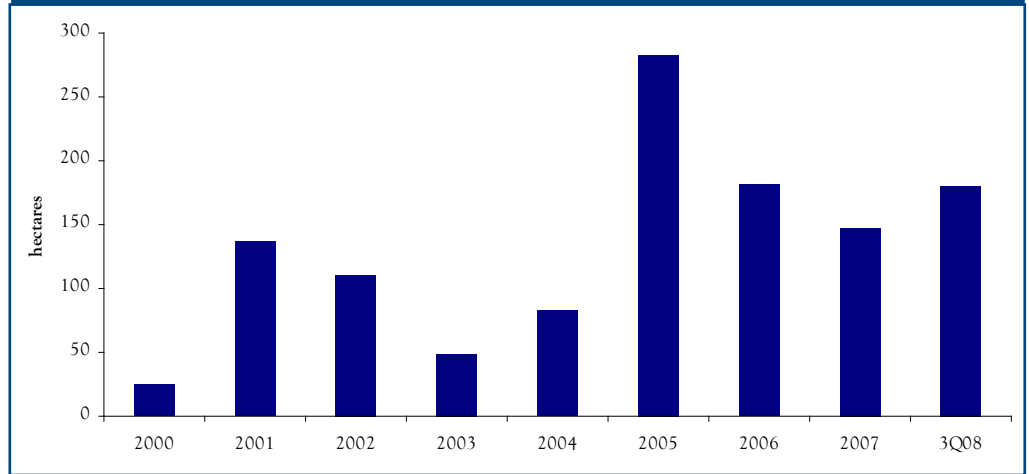
New supply is limited to the industrial estates which have expansion plans. So far land absorption in Bekasi went up higher than the realisation of opening new industrial land and, further, not all industrial estates in Bekasi have plans for expansion.

it.

Transactions in Serang continued from the expansion of existing tenants like the food industry and supporting industry for the oil and gas industry in KIEC. Meanwhile in Modern Cikande, transactions were made by the cosmetics industry, house equipment industry and shoes industry. In Bekasi, Delta Silikon witnessed the expansion of the printing and pharmacy industry which have been quite active for several periods. Further, despite a drop in the take-up compared to last quarter, the sales in Delta Silikon was quite good compared to others sales with additional transactions contributed by the steel structure industry and chemical industry.

All in all, the best performer for the quarter was BFIE with a total transaction of around 9.47 hectares largely composed from the expansion of a warehouse located outside the industrial estate. By region, again Bekasi contributed almost 60% of the total sales of the whole region. The transaction figure in Bekasi was slightly less than the previous figure last quarter. Overall, transaction figures in each region were less than the previous quarter, however, in total, sales figure for this year itself by 3Q08 has surpassed the total sales in 2007! We expect that total sales by this year would also outstrip sales in year 2006. We foresee that total land sales in 2008 will be the second highest for the last 10 years after the historical high in 2005.

ANNUAL INDUSTRIAL LAND SALES



Source: Colliers International Indonesia - Research Department

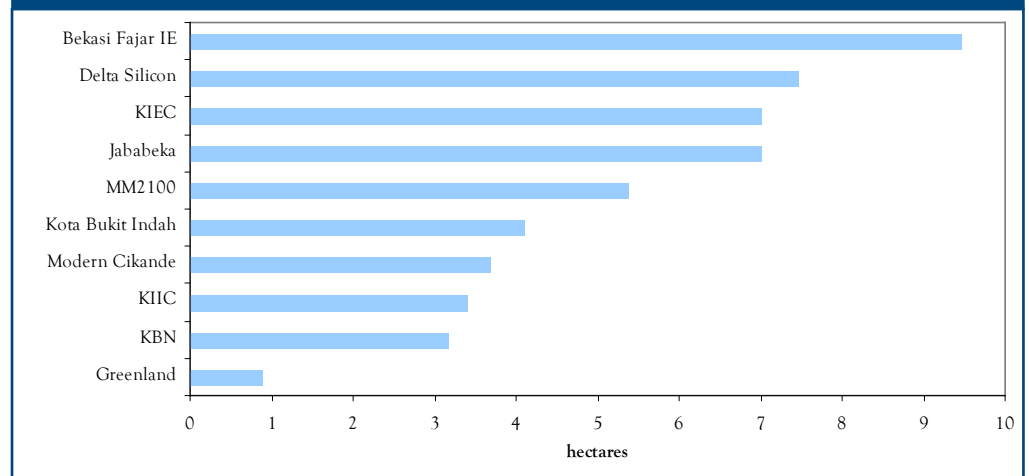
By this quarter, total sales have outperformed total sales in 2007 and they will potentially become higher by the end of this year.

So far we did not register any sales in the two industrial estates in Bogor and only a small size of land plot was recorded during the year. Nevertheless, the outlook for Bogor is still positive with the plan of existing tenants to expand and relocation plans from industries outside the estates. In Sentul IE, the outlook is quite good with the plan of PGN (state owned gas provider) to supply industrial gas for tenants in early 2009. In the capital city, Jakarta, KBN has reported good sales in this quarter. As the estate is located within the bonded zone, new tenants for the quarter are mostly garment related industry with export oriented market like garments and electronics

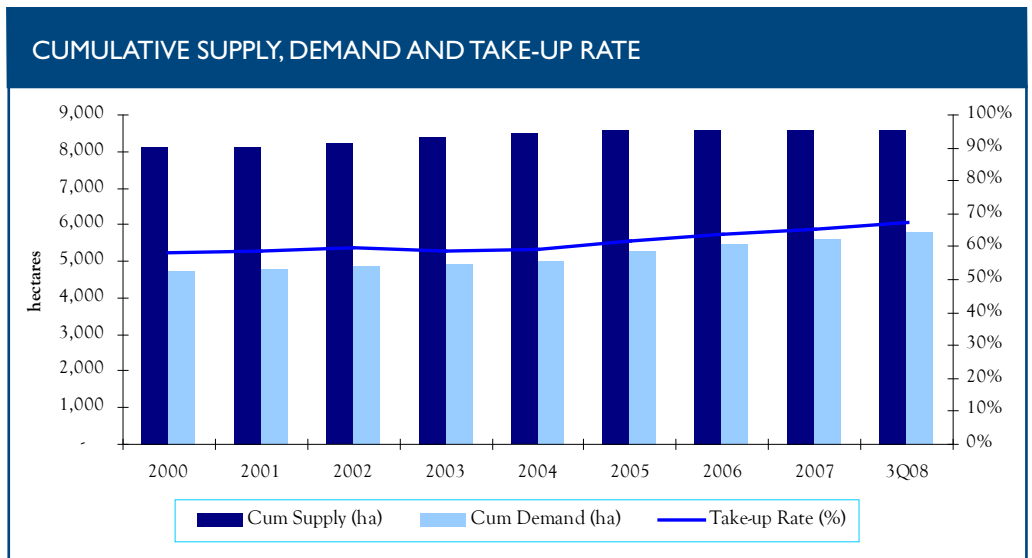
Having assessed the trend of transaction for industrial land sales, the pattern remains i.e. still dominated by expanding tenants. Some transactions may be derived from the relocation of industries located outside the industrial estates in anticipation of the new regulation which endorses industries operating within industrial estates. Very few transactions were made by new industries.

Besides automotive related industry, major transactions for this quarter came from warehouse, plastic, electronics and oil and gas related industries.

INDUSTRIAL LAND TRANSACTIONS RECORDED IN 3Q08



Source: Colliers International Indonesia - Research Department



Source: Colliers International Indonesia - Research Department

With no additional supply and a total land sales around 180 hectares itself in 3Q08 the industrial market for the six region i.e. Jakarta, Bekasi, Tangerang, Bogor, Karawang and Serang performed better compared to last year. The absorption rate as at 3Q08 was 67.4%.

This figure may be slightly corrected once the plans for expansion in several industrial estates are materialised in 2009. However, our projection for the year end is quite positive with the expectation that more transactions will occur.

INDUSTRIAL LAND PRICES AND MAINTENANCE COST

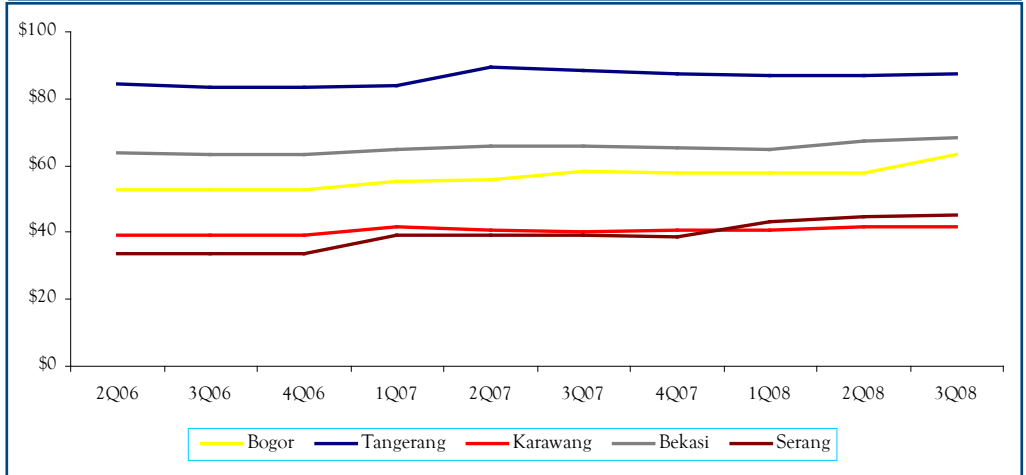
Good absorption and limited stock has led to price adjustments in two well-performing industrial estates. However, the two factors mentioned above were not the only reasons for developers to increase the sales price. Despite having slow take-up rates for several quarters, Sentul Industrial Estate came up with the new price in the quarter. The main reason for this is due to the increasing land cost of the Tax Object Value Sale (NJOP: Nilai Jual Objek Pajak) set up by the Government. Higher NJOP was also one of the reasons behind the adjustment of land prices in BFIE although the industrial land scarcity in Bekasi region was the main driver which triggered the increase.

Land prices recorded in this quarter which include three industrial estates i.e. Greenland, BFIE and Sentul IE ranged from 5 to 10%. Higher discounts were granted for large scale transactions.

The fact that certain industrial estates continued to record good sales is also interesting to note. The flexibility in the payment term has led to a good absorption rate in one industrial estate. Likewise, there were also some industrial estates with good absorption which was driven by the flexibility in negotiating the price.

Due to tough competition, new shopping centres should be more flexible in allowing good tenants to enter.

GREATER JAKARTA INDUSTRIAL LAND VALUES



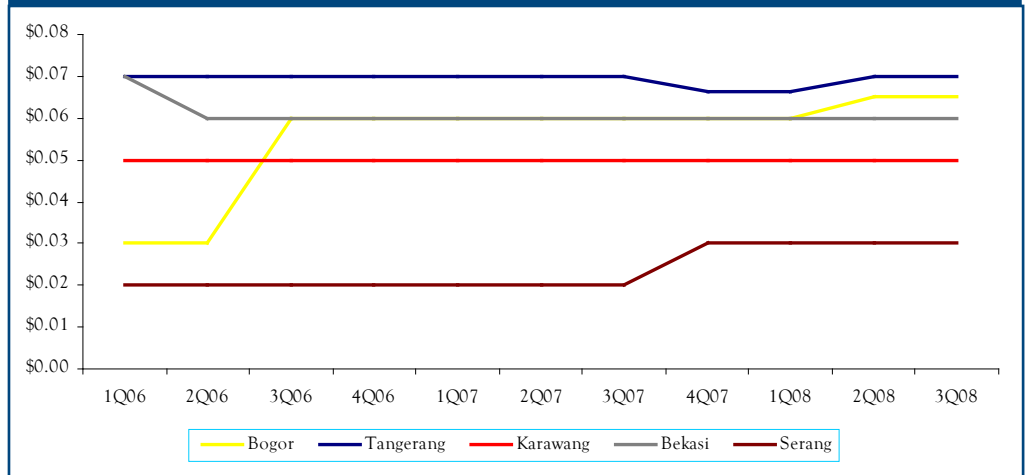
Source: Colliers International Indonesia - Research Department

With limited ready to use land reserves, some estates have decided to adjust prices in this quarter.

On average, price was relatively stable. Very minor adjustments do not obviously stick out in the graph above and this adjustment was mainly due to the volatility of the exchange rate and the minor increase in the three industrial estates mentioned above.

A plan to adjust the asking price would possibly occur next year. Developers will start comparing their price with the surroundings and their sales performance and, therefore, price adjustment would come from industrial estate with asking land prices below their competitors.

GREATER JAKARTA AVERAGE MAINTENANCE COSTS



Source: Colliers International Indonesia - Research Department

From our survey, none of the industrial estates came up with a new maintenance cost. Industrial landlords will be very prudent in

introducing new rates as it will affect all the operating tenants.

INDUSTRIAL LAND PRICES AND MAINTENANCE COST						
REGION	LAND PRICE (/SQ M)			MAINTENANCE COST (/SQ M/MONTH)		
	LOWEST	HIGHEST	AVERAGE (Rp)	LOWEST	HIGHEST	AVERAGE (Rp)
Bekasi	Rp 550,000	US\$ 75.00	Rp 607,532	US\$ 0.05	US\$ 0.07	Rp 589
Karawang	Rp 300,000	US\$ 50.00	Rp 382,956	US\$ 0.05	US\$ 0.06	Rp 486
Bogor	US\$ 45.00	Rp 750,000	Rp 650,652	Rp 600	US\$ 0.065	Rp 599
Serang	Rp 300,000	US\$ 57.50	Rp 485,569	Rp 220	Rp 280	Rp 257
Tangerang	US\$ 60.00	Rp 1.26 mill	Rp 614,221	US\$ 0.04	Rp 1,000	Rp 528

Source: Colliers International Indonesia - Research Department

OUTLOOK

The impact of the global financial crisis may affect the industrial market in the long-term. In the short-term we hear that some operating tenants with export oriented products have undergone declining orders from countries which have been severely impacted by the crisis. However, industries with strong demand from the local market still continue to perform and widen their operations. For several periods, these industries have propelled the market and created demand for industrial land.

On the other front, not all potential investors will be firm with their expansion plans. Some are still anticipating waiting and seeing the global situation and the upcoming US election.

As for the short-term projection, we still foresee that the overall industrial market will perform better than last year albeit it will not be as brisk as in 2005. Nevertheless, amidst the slowing down in the global economy, optimism still exists, in particular when anticipating additional supply expected to be launched in early 2009.

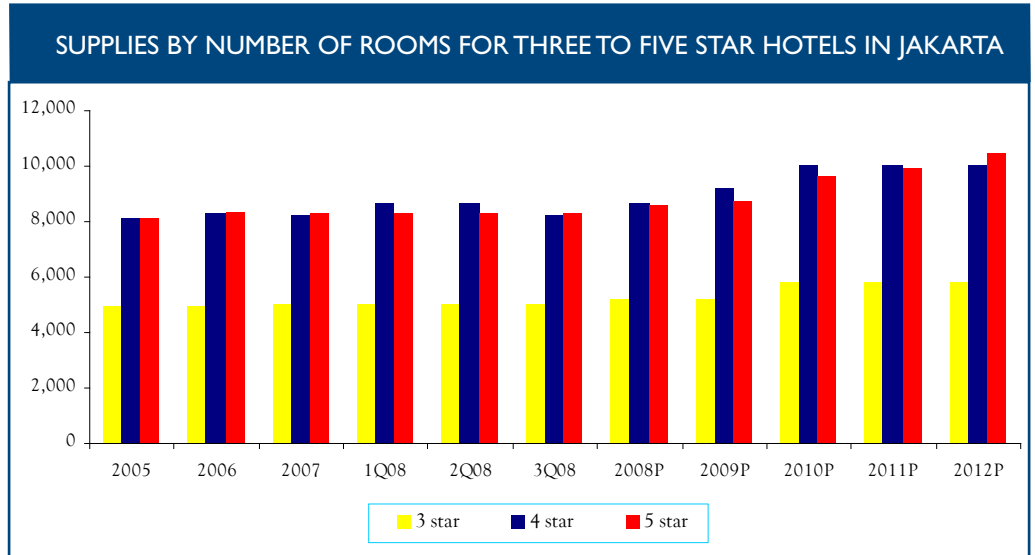
HOTEL SECTOR

JAKARTA MARKET

SUPPLY

In 3Q2008, no new hotel developments were introduced to the market, a situation similar to other quarters. The hotel market remained at 21,521 rooms, comprising 5,001 in 3-star hotels, 8,213 in 4-star hotels and 8,307 in

5-star properties. New 3-star hotels are expected to enter the market by the end of this year, among them the Harris Hotel, the Aston Marina Ancol and the Kempinski Hotel Indonesia



Source: Colliers International Indonesia - Research Department

Over the next three years, several international hotel operators have committed to entering the Jakarta hotel market, as indicated

in the table below. Between 2008 and 2011, the hotel stock is projected to grow by 4.79% per annum.

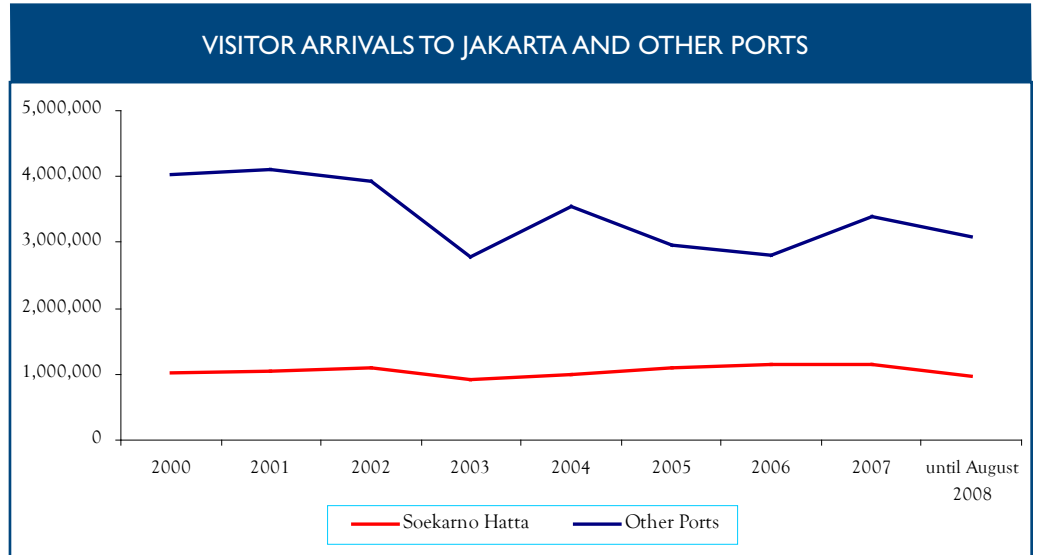
INTERNATIONAL HOTEL OPERATORS	HOTEL NAME	STAR RATED	LOCATION
2008			
Tauzia Management	Harris	3	Kelapa Gading
Aston International	Aston Marina Ancol, Tower A	4	Ancol
Kempinski	Hotel Indonesia Kempinski	5	Thamrin
2009			
Aston International	Aston Veranda (Grand Aston SOHO)	4	Slipi
Aston International	Aston Mangga Dua	4	Mangga Dua
Aston International	The Grand Aston Albergo	5	Permata Hijau
2010			
Best Western	Permata Gunung Sahari	3	Gunung Sahari
Accor	Ibis Simatupang	3	TB Simatupang
Swiss-BelHotel	Swiss-BelHotel @Grand Kartini	4	Gunung Sahari
2011			
Raffles Hotels & Resorts	Raffles Hotel @Ciputra World	5	Satrio
Starwood	St Regis Hotel and Residence	5	Sudirman

Source: Colliers International Indonesia - Research Department

AVERAGE OCCUPANCY RATE (AOR)

Between January and August 2008, Indonesia welcomed 4,069,474 visitors, an increase of 36.91% over the same period in 2007, which saw 2,972,394 visitors. Likewise, foreign visi-

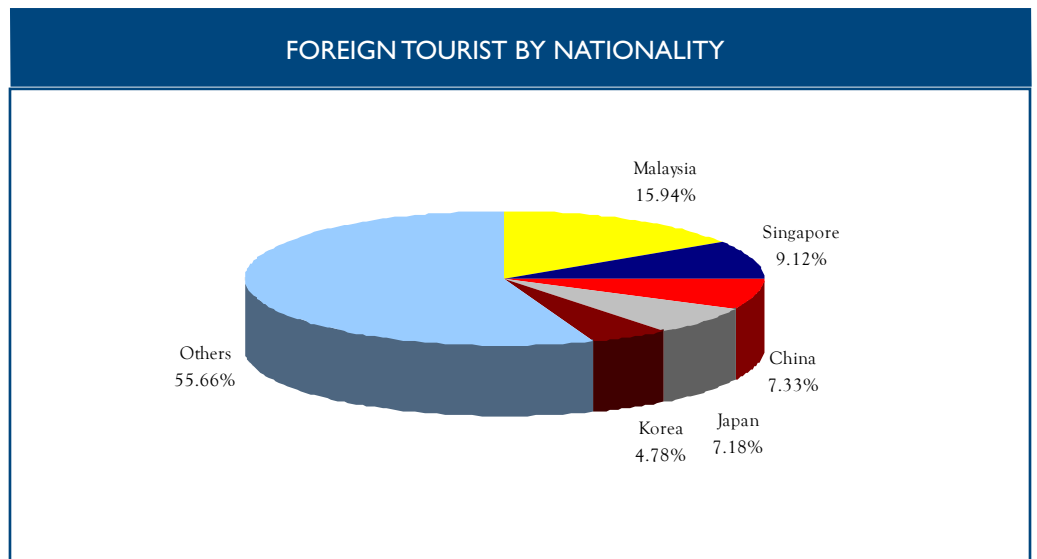
tors to Jakarta also increased to 979,053, up from 754,023, or an increase of 29.84% year-on-year.



Source: Colliers International Indonesia - Research Department

The five top markets for visitors to Jakarta were Asian countries, including Malaysia (15.94%), Singapore (9.12%), China

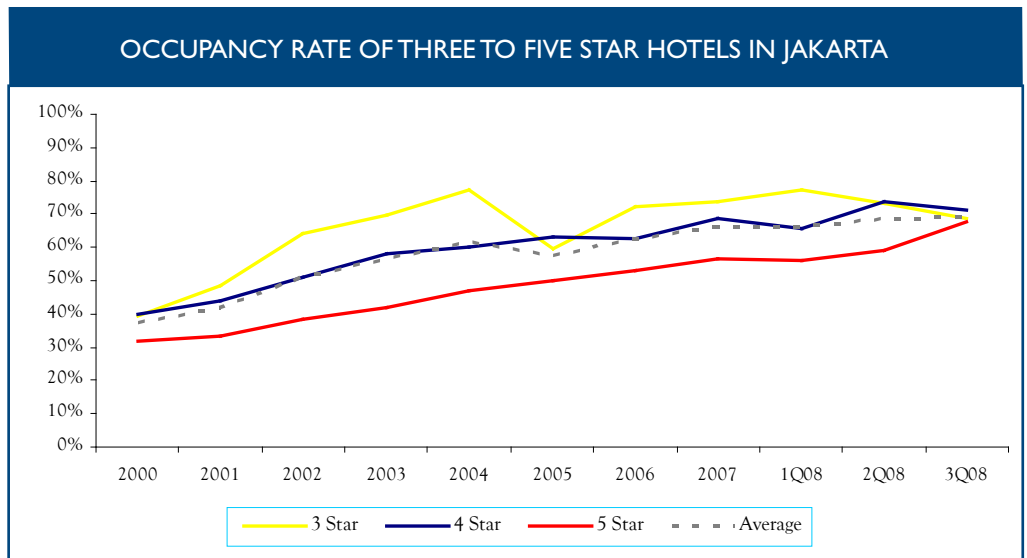
(7.33%), Japan (7.18%) and the Republic of Korea (4.78%).



Source: Department of Culture and Tourism

In general, the average occupancy rate (AOR) of star-rated hotels in Jakarta experienced a rise of 0.82% quarter-on-quarter (QoQ), with the 5-star category recording a positive growth of 14.94%. By contrast, the 3- and

4-star hotel categories registered a downturn in AOR of 6.07% and 3.59%, respectively, due mainly to the Moslem fasting seasons and school holidays.

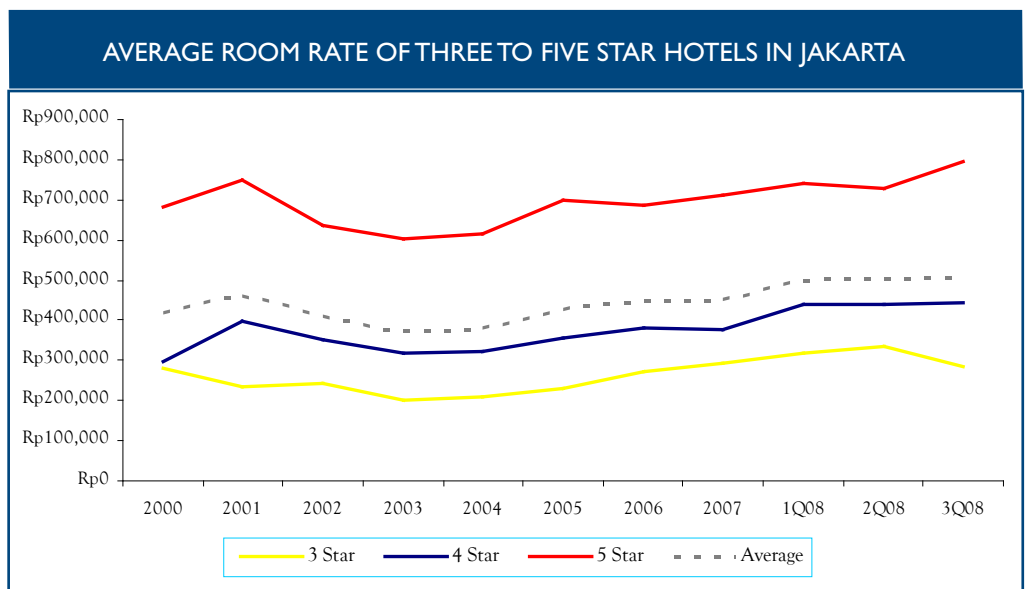


Source: Colliers International Indonesia - Research Department

AVERAGE ROOM RATE (ARR)

Only 3-star hotels registered a negative growth in this quarter, falling by 15.76% from Rp336,746 to Rp283,684. By contrast, 4- and 5-star hotels recorded an ARR of Rp443,486 and Rp794,464, respectively, an increase of 0.70% and 9.24%, respectively.

In general, the ARR grew by 1.15% to reach Rp507,211, up from Rp501,463, QoQ.

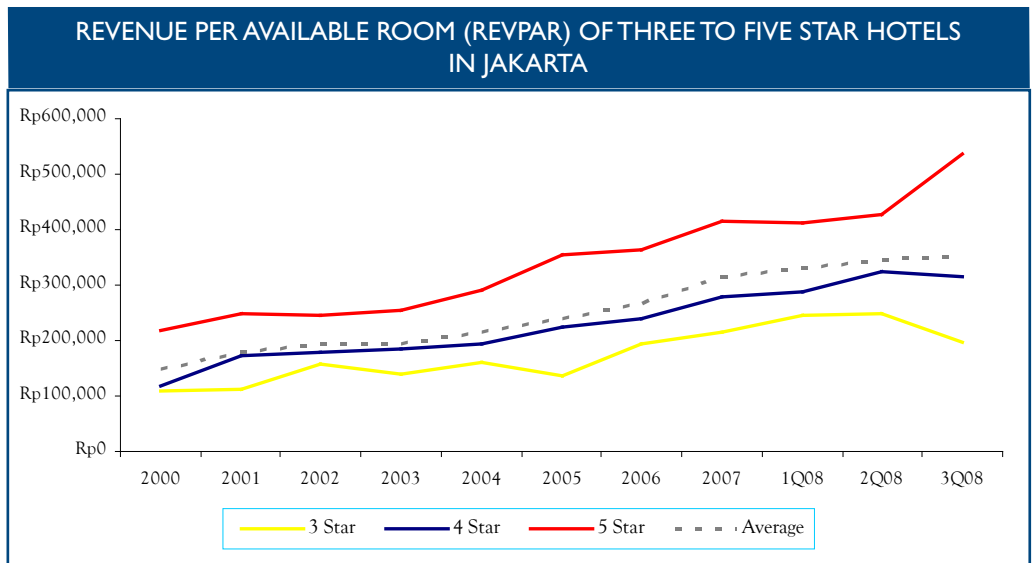


Source: Colliers International Indonesia - Research Department

REVENUE PER AVAILABLE ROOM (RevPAR)

Generally, since early 2008, the RevPAR has shown an upward trend. On average, the RevPAR grew by around 3.04% QoQ, which

indicates that the hotel market has stepped up steadily.



Source: Colliers International Indonesia - Research Department

OUTLOOK

With growing confidence in the security issues in the country, Indonesia has plenty of potential to become one of the big five destinations for MICE (Meeting, Incentive, Convention and Exhibition) activity within the Asia Pacific region over the next five years. This should encourage the government to provide

better infrastructure to welcome inbound tourists and train more human resources in the tourism industry. This action is necessary since Indonesia currently ranks 10 in the list of primary destinations for MICE activities in the Asia Pacific region.

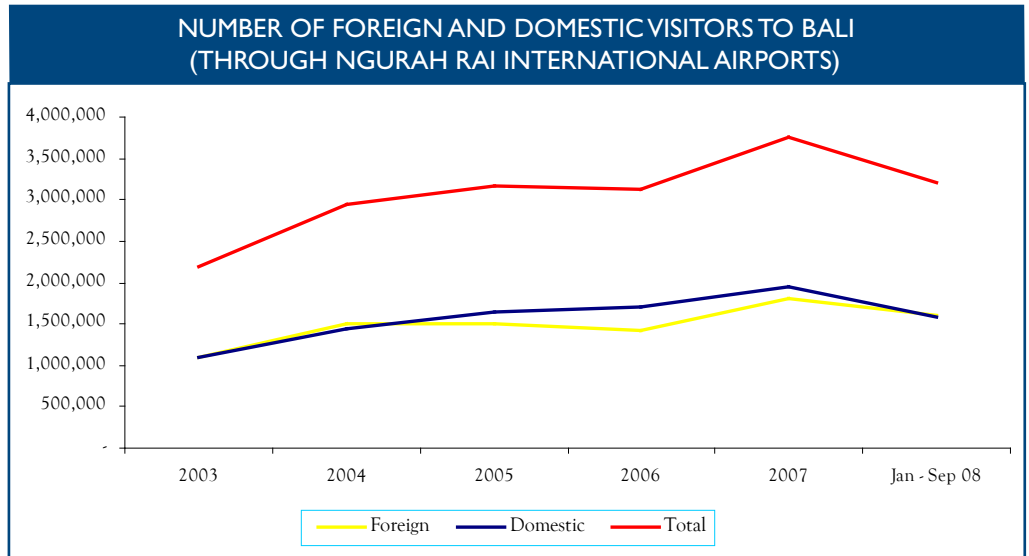
MAIN DESTINATIONS FOR MICE ACTIVITIES IN ASIA PACIFIC

1. Australia	6. Malaysia
2. Japan	7. Thailand
3. China	8. Hong Kong
4. Singapore	9. India
5. Republic of Korea	10. Indonesia

BALI MARKET



TOURISM OVERVIEW

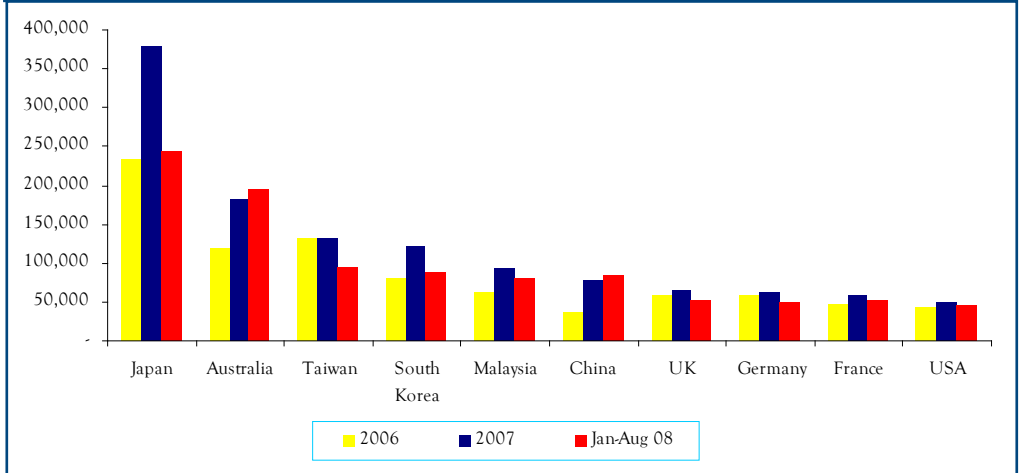


Source: Ngurah Rai Airports

Up to September 2008, the total number of domestic and foreign visitors entering Bali through Ngurah Rai International Airport was 3.2 million, 15% less than the total number of visitors in 2007 (3.7 million). However,

we expect these figures to increase further, particularly since Bali will welcome a large number of tourists for the year-end holiday. Within the period under review, the number of domestic and foreign visitors was almost

COMPARISON OF DIRECT TOURIST ARRIVALS TO BALI FROM 10 MAJOR MARKET



Source: Central Bureau Statistics

Japan and Australia remained the major suppliers of visitors to Bali. In particular for visitors from Australia and China, the figures in August 2008 surpassed the August 2007

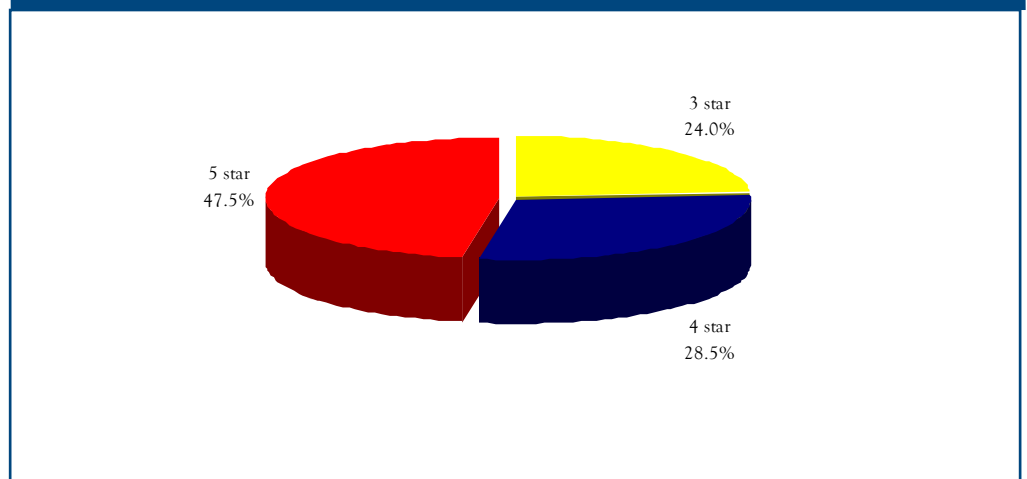
figure. In general, visitors from the 10 major markets almost all showed an increase during the period, except for visitors from Taiwan, which dropped by 7% month on month

HOTEL MARKET OVERVIEW

The completion of the St Regis Bali Resort increased the total supply of hotel rooms in Bali to 20,586 rooms in 160 developments. Hotels

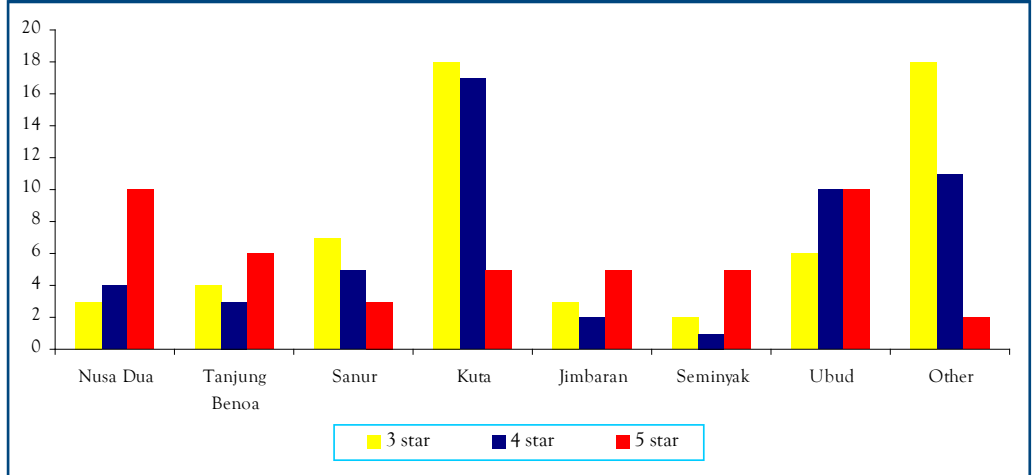
classified as 5-star dominated the market, with a total room share of 47.5% in 46 developments.

HOTEL ROOM SUPPLY BASED ON HOTEL CLASSIFICATION



Source: Colliers International Indonesia - Research Department

NUMBER OF 3-, 4- AND 5-STAR HOTELS OPERATING IN DIFFERENT AREAS

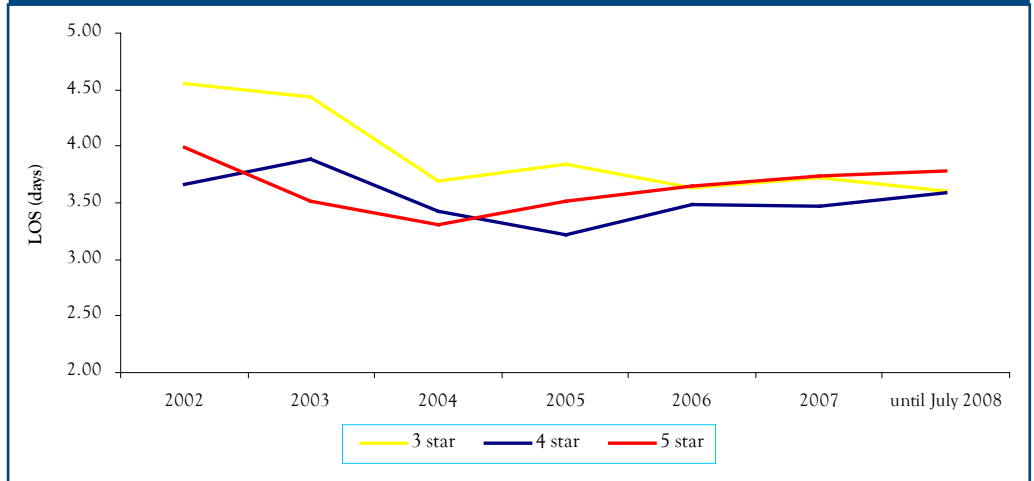


Source: Colliers International Indonesia - Research Department

Kuta remained the area with the highest number of hotels on Bali Island. As this area offers various tourist attractions, all hotel categories were available, with 3- and 4-star hotels accounting for the largest proportion. Other ar-

reas, such as Nusa Dua, Ubud, Tanjung Benoa, Jimbaran and Seminyak, provided more 5-star hotels than those in other categories, while hotel developments in Sanur and Denpasar were dominated by 3-star hotels.

AVERAGE LENGTH OF STAY (LOS) OF GUESTS AT 3-, 4- AND 5-STAR HOTELS



Source: Colliers International Indonesia - Research Department

Hotel guests staying in 3- and 4-star hotels had a similar average Length of Stay (LOS) of 3.6

days, while those staying in 5-star hotels continued to have a longer LOS of 3.8 days.

PERFORMANCE

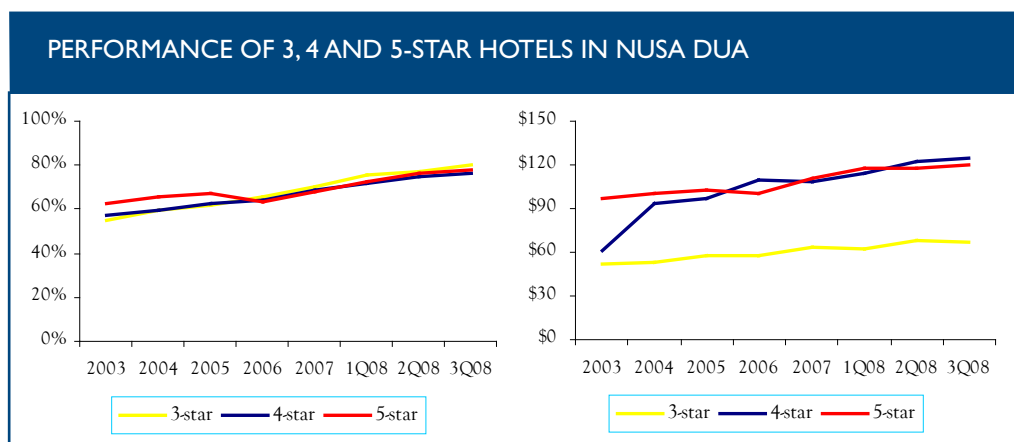
Overall, in terms of average occupancy rate (AOR), Ubud and Tanjung Benoa captured the highest figure of 80.5% and 80.2%, respectively. Other areas recorded an AOR of between 71.7% and 79.3%. Similar to

the previous period, in terms of Average Room Rate (ARR), hotels in the Ubud area achieved the highest rate, at US\$208.63, followed by those in the Jimbaran area, with an ARR of US\$152.49.

NUSA DUA

Managed by the BTDC (Bali Tourism Development Corporation), the Nusa Dua area provides many choices of 4- and 5-star hotels. Within 3Q2008, which is considered the peak season, the AOR jumped to 77.7% from 75.9% in the previous quarter. The highest AOR was in 3-star hotels, as reflected in its

80% rate, compared with other star-rated hotels, which achieved an AOR of between 76% and 77%. Among hotels within the Nusa Dua area, the Amanusa, Nusa Dua Beach and Spa and Westin Resort registered high AORs of above 85%.



Source: Colliers International Indonesia - Research Department

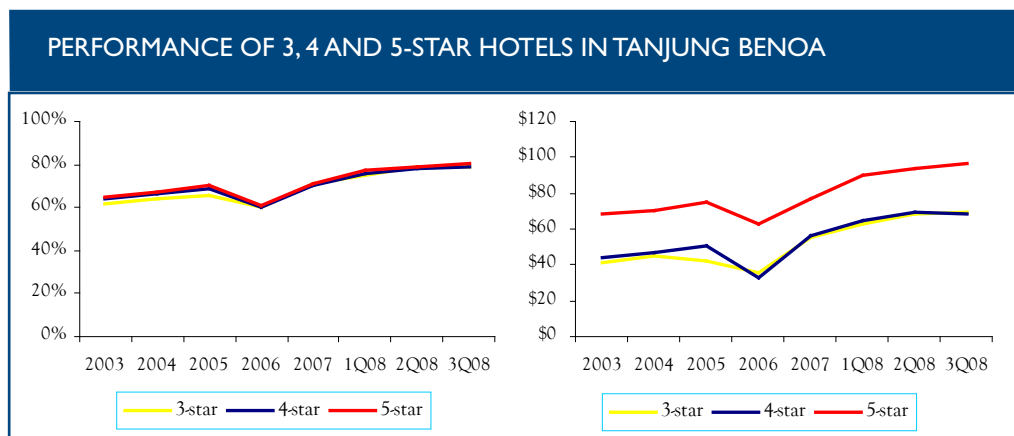
In 3Q2008, the Nusa Dua area recorded an ARR of US\$109 for all hotel categories, with 4-star hotels surprisingly recording the highest ARR (US\$124.50) compared to 5-star

hotels (US\$119.80). The Amanusa boutique hotel led the Nusa Dua area, with an ARR of more than US\$300.

TANJUNG BENOA

Located on a rather secluded peninsula, the Tanjung Benoa area offers scenic views both of the sea and Nusa Penida Island. Of the 13 star-rated hotels available here, all recorded

good AORs of 79.4%, although the Grand Mirage hotel had the highest AOR of above 85%.



Source: Colliers International Indonesia - Research Department

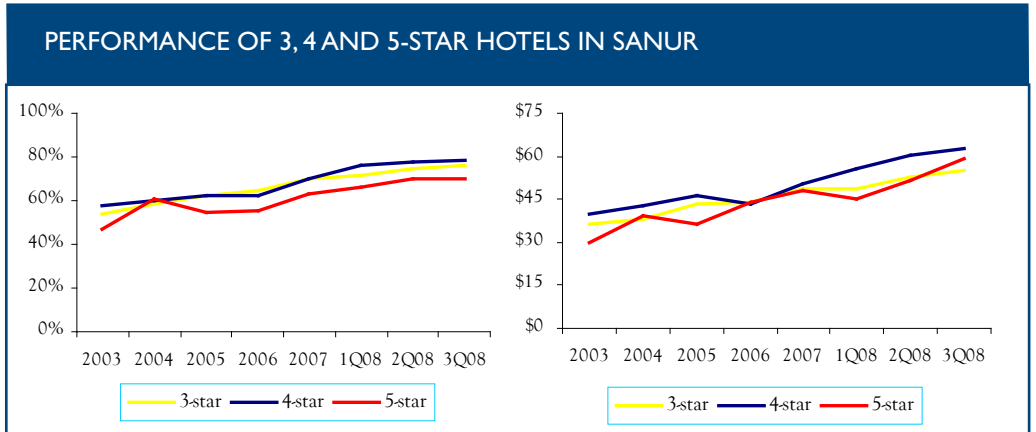
Similar to previous quarter, 5-star hotels recorded a high ARR of US\$96.30, far above the 3- and 4-star hotels, which recorded an

ARR of US\$69.31 and US\$68.59, respectively.

SANUR

With its mature market, Sanur remained attractive as a tourist destination and its AOR posted a slight rise to an average of 75.8% within the period under review, up from 75.3% in the previous quarter. Four-star hotels

recorded the highest AOR at 78.7%. Among the developments in Sanur, the Tanjung Sari hotel had the best performance, with an AOR of above 85%.



Source: Colliers International Indonesia - Research Department

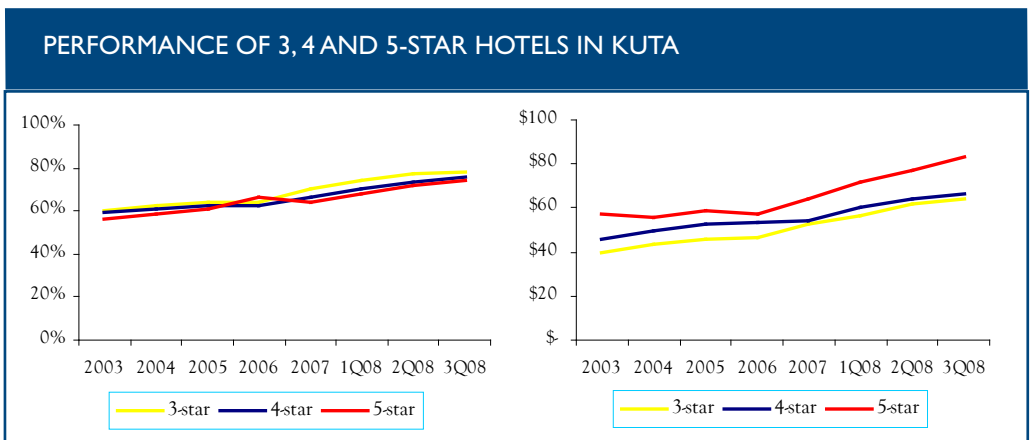
With the domination of 3-star hotels, the ARR in the Sanur area was the lowest compared with other tourist destinations in Bali. However, minor increments were recorded within the period under review. Our research

indicates that the ARR in Sanur reached US\$58.90, an increase over the US\$55.80 in the previous quarter. Four-star hotels performed the best, with an ARR of around US\$63.

KUTA

Kuta, the busiest tourist area in Bali, is the main attraction for both foreign and domestic tourists. With comprehensive facilities available, more and more villa and hotel develop-

ments that have been built in the area have made it the densest spot for tourist accommodation.



Source: Colliers International Indonesia - Research Department

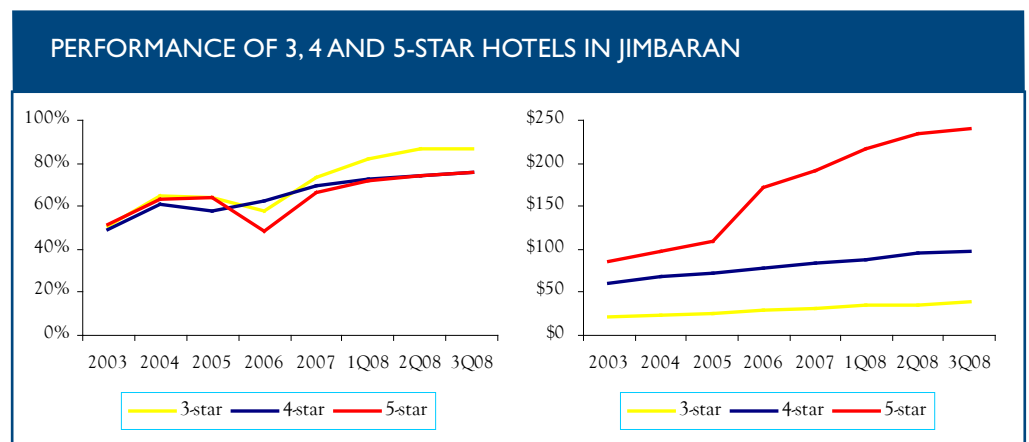
The AOR for all star-rated hotels in the Kuta area ranged from 74.3% to 78.4%. Three-star hotels registered a good AOR of more than 80%, suggesting that this category had the best performance.

With the domination of 3- and 4-star hotels, the Kuta area reported an ARR of US\$67.50 for the period, up from US\$64.80 in the previous quarter. Of the hotels in the Kuta area, we noted that The Patra Bali Resort and Villas achieved the highest ARR of around US\$100.

JIMBARAN

Comprising luxury hotels and resorts with top-class international brands, the Jimbaran area is one of Bali's most exclusive tourist areas. With its high-end target market, the AOR of hotels in the area reached 78.8%.

Five-star hotels recorded an AOR of 75.5%, with the Bvlgary Hotel and Resort performing the best. Benefiting from the exclusive image of the area, 3-star hotels achieved a better AOR of 86.5%.



Source: Colliers International Indonesia - Research Department

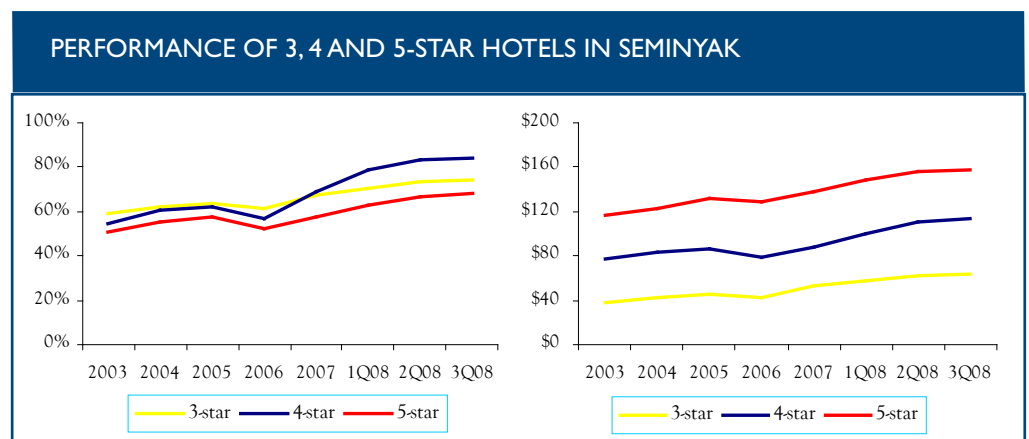
With a wide range of branded hotels available, the Jimbaran area recorded a very high ARR of US\$151.70. In fact, the ARR in Jimbaran was the second highest rate achieved in Bali. Five-star hotels reported an ARR of US\$241.10, far above other star-rated hotels,

which had an ARR of less than US\$100. The Bvlgary Hotel and Resort remained the market leader, with the highest ARR of almost US\$600, followed by the Four Seasons, which achieved a high ARR of around US\$330.

SEMINYAK

Beside Kuta, the Seminyak area is growing as one of Bali's favourite tourist destinations. With a wide range of nightlife options, this

area continues to perform well in the tourism industry.



Source: Colliers International Indonesia - Research Department

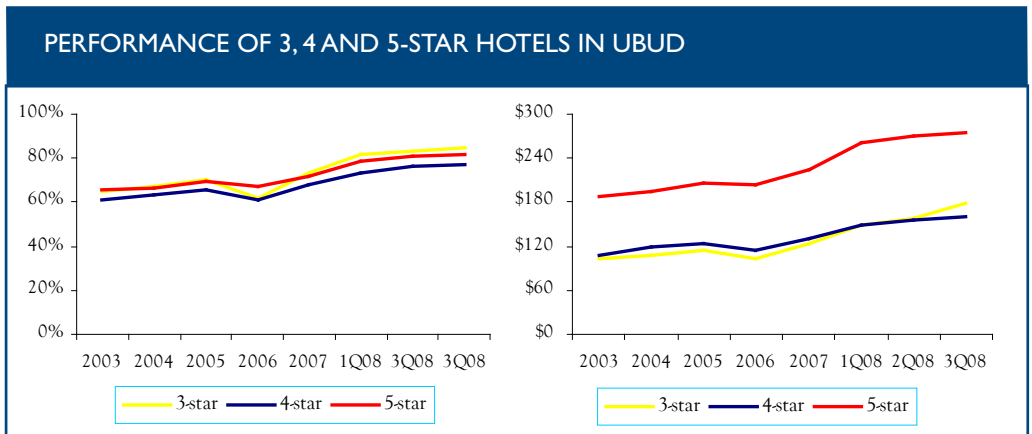
The domination of villa developments within this area helped the overall AOR for the Seminyak area to be lower than in any other area, at 71.3%. The 4-star hotels in the area recorded an AOR of 84%, while that of 5-star hotels was only 68%.

Despite low AORs, the ARR achieved in the Seminyak area was good. The ARR for 5-star hotels remained higher than the 4- and 3-star hotel categories. Overall, the ARR was recorded at US\$131.90, due largely to the high ARR achieved by 5-star hotels (US\$157.70).

UBUD

Benefiting from its beautiful scenery and quiet environment, hotels in the Ubud area are mostly exclusive resort concepts. Most of

the hotels provide their own spa facilities and some of them even have a yoga facility.



Source: Colliers International Indonesia - Research Department

Ubud maintained a good AOR of 80.5% in the period, leading the Bali market. Almost all the hotels in Ubud experienced very good AOR of above 80%.

Associated with its exclusive image, Ubud's high ARR was recorded at US\$208.10, the highest on the Island. Five-star hotels had an ARR of US\$274.30, with the Amandari continuing to be the leader in this area, with an ARR of US\$516, followed by the Puri Wulandari with a rate of US\$442.

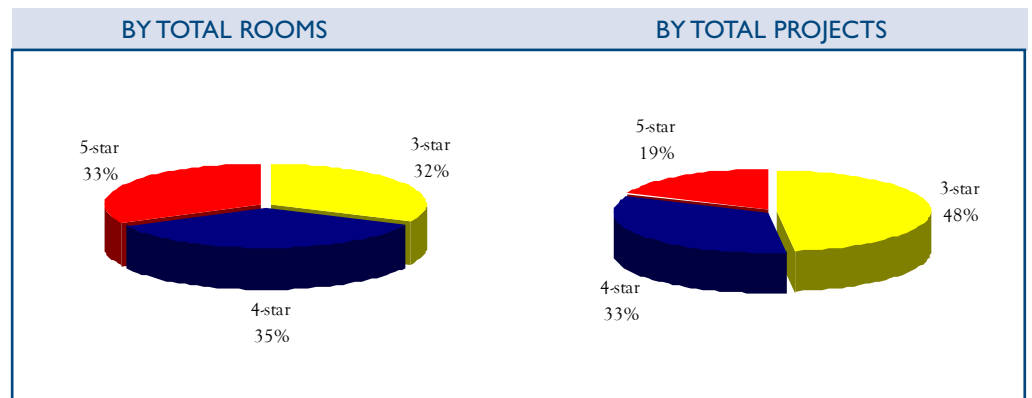
SURABAYA MARKET

SUPPLY

With no additional new hotel rooms within the reviewed quarter, Surabaya's hotel supply remained stable at 4,682 rooms. Of this figure, around 35%, or 1,653 rooms, was categorised as 4-star hotels, while the remaining portions

were 5-star (33%) and 3-star hotels (32%). However in terms of hotel developments, 3-star hotels continued to lead the market with a total of 13 projects (48%).

CUMULATIVE ROOMS IN 3-, 4- AND 5-STAR HOTELS IN SURABAYA

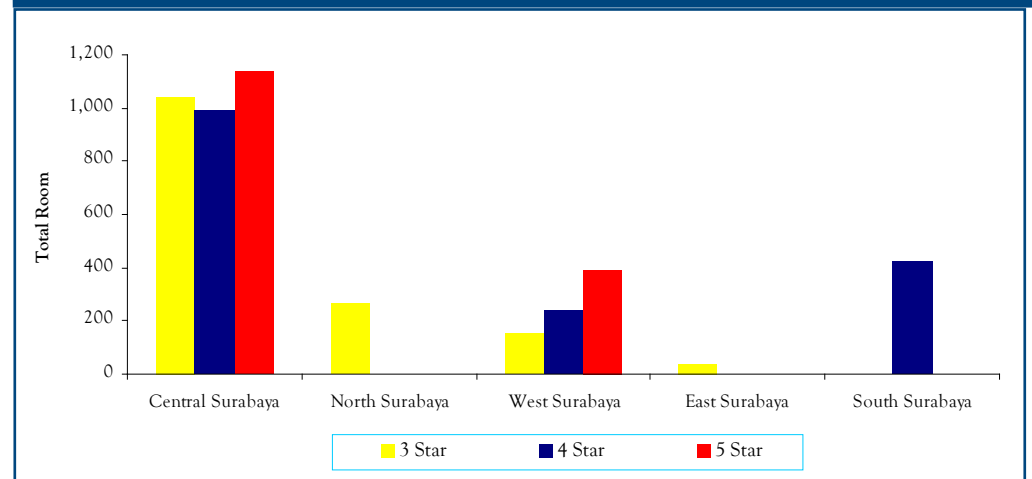


Source: Colliers International Indonesia - Research Department

Mercure Surabaya became the latest new hotel development in Surabaya, beginning operation in 2006. A total of 1,560 hotel rooms is expected to enter the market up to 2010 generated in three 3-star hotels, two 4-star hotels and two 5-star hotels. Around 24% of this future supply would come onto the market in 2009, with the remaining 76% coming online in 2010. With this supply, 5-star hotels with more than 600 rooms will be the largest hotel provider in Surabaya in 2010.

In terms of location, most of star-rated hotel projects were in the Central Surabaya area. The 5-star hotel developments were also found in the growing area of West Surabaya, while the North and East Surabaya areas provided only 3-star hotels, and South Surabaya provided only a 4-star hotel.

HOTEL SUPPLY BASED ON LOCATION IN SURABAYA



Source: Colliers International Indonesia - Research Department

AVERAGE OCCUPANCY RATES (AOR)

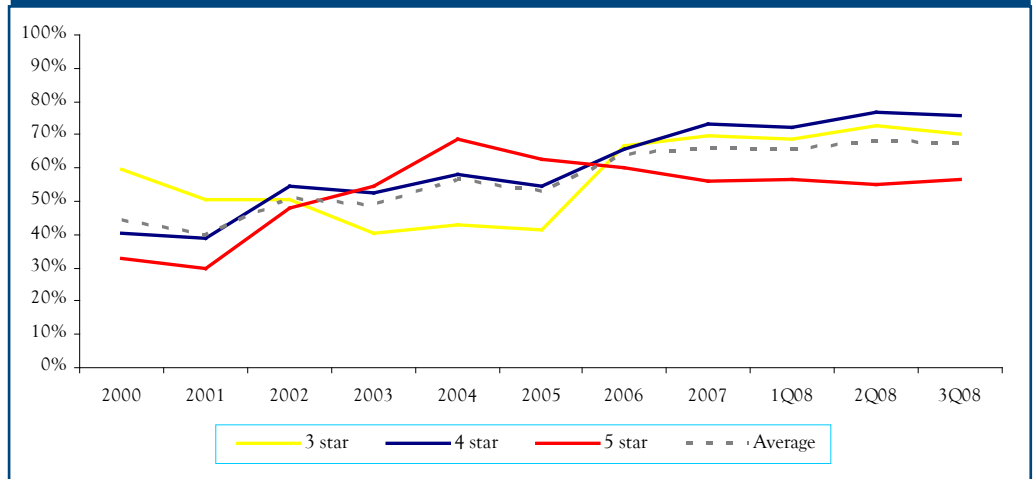
Generally, 5-star hotels in Surabaya posted the lowest performance compared with other star-rated hotels, a trend that has remained unchanged over the past two years.

After experiencing increases over the past two years, AORs at 3- and 4-star hotels started to decline. The performance of hotels classified as 3-star dropped significantly from 72.8% to 70.2%, while 4-star hotels saw only a minor decrease from 76.7% to 75.8%. Among the 3-star hotels, the Narita Hotel and the Santika Hotel continued to perform well within the

quarter, with an AOR of 92.5% and 82.7%, respectively, which is far beyond other developments, which recorded AORs of between 42% and 78%. Meanwhile, the Plaza Surabaya, Somerset, Tunjungan and Mercure hotels led the 4-star hotels with AORs of above 80%.

Different to the above, 5-star hotels experienced rising AORs, reaching 56.7% during the quarter, which was better than the 55.1% in the previous quarter. This rise was generated from an increasing AOR in the Majapahit, Sheraton and JW Marriott hotels.

AVERAGE OCCUPANCY RATES OF 3, 4 AND 5-STAR HOTELS IN SURABAYA



Source: Colliers International Indonesia - Research Department

AVERAGE ROOM RATES

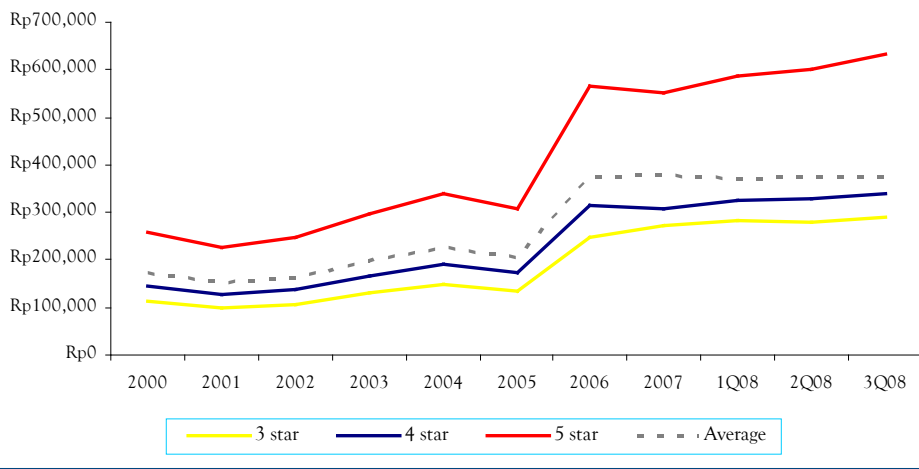
The ARR of Surabaya hotels reached Rp389,384 in 3Q2008, an increase of 4.0% compared with the previous quarter.

The ARR for 5-star hotels experienced the highest increment, of 5.0%, for the quarter. Targeting foreign visitors, this category of hotels achieved the highest ARR, at Rp633,000. Following its high occupancy rate, the Majapahit hotel also recorded the highest increase in ARR, up from Rp495,691 in the previous quarter, a jump of 20% to Rp593.963 for the quarter. The average ARR in respective hotels also rose.

A lower rise of an average 3% also occurred in 3- and 4-star hotels.

Four-star hotels achieved an ARR of Rp338,230, with the Tunjungan hotel recording the highest ARR of the other eight hotels. Of the 13 hotels classified as 3-star, the Elmi and Santika hotels performed best, with an ARR of above Rp300,000, higher than the entire ARR for 3-star hotels in Surabaya, which reached Rp288,274.

AVERAGE OCCUPANCY RATES OF 3, 4 AND 5-STAR HOTELS IN SURABAYA



Source: Colliers International Indonesia - Research Department

293 OFFICES IN 61 COUNTRIES ON 6 CONTINENTS

USA 99
 Canada 19
 Latin America 18
 Asia Pacific 62
 EMEA 95

\$2.0 billion in annual revenue

868 million square feet under management

15,573 Professionals

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