COLLIERS INTERNATIONAL | JAKARTA, BALI, SURABAYA

The Knowledge Report

MARKET OVERVIEW | APRIL | 2009

Property Market Overview

ECONOMIC INDICATORS

INDONESIAN ECONOMIC INDICATORS

	2005	2006	2007	2008	2009
Economic Growth (% YoY)	5.70	5.50	6.30	6.30	4.50[1]
Inflation Rate (%)	17.11	6.60	6.59	11.06	1.59[2]
Exchange Rate (Rp/US$)	9,695	8,980	9,124	9,672	9,264[2]
Interest Rate - Central Bank Rate (%)	12.75	9.75	8.00	9.25	7.50[3]

Notes:

[1] APBN 2009 [2] January - March 2009 [3] April 2009

Source: Statistics Indonesia, Finance Department, Bank Indonesia

HIGHLIGHT FOR THIS REPORT

- Office: Developers continued to maintain asking prices this quarter, but are demonstrating more flexibility in giving either discounts or incentives. The absorption rate is projected to decline for 2009 and 2010 as demand contracts.
- Apartment: The number of new projects completed this quarter has dropped compared to new supply in the previous quarters. On the rental front, some corporations have reduced budgets for their expatriates' accommodations. Actual apartment lease rates could be 7 to 10% lower than the published rates while actual strata-title prices could be 10 to 25% lower than asking prices.
- Retail: Many retailers have reported declining sales and have decided to freeze the opening of new outlets. To counter this, landlords are giving attractive incentives to lure tenants including 3 to 6 months of free rent and free leasehold improvements.
- Industrial: Two major transactions of more than 40 hectares of industrial land in two industrial estates in Bekasi, stabilized the sector. However, we do not anticipate that sales will remain at this level as the majority of industrial estates have reported slowing activity.

COLLIERS INTERNATIONAL

OFFICE SECTOR

SUPPLY

Despite the gloomy outlook of economic projections in the country, a higher number of office building constructions are predicted to come on stream in 2009 compared to the total stock in 2008. Some of the under-construction buildings projected to come on stream in 2009 have been experiencing a delay in their operation schedules, however, their operation this year is inevitable as part of the space has been committed prior to the crisis occurring. Thus the market is expecting to see more developments during 2009 with an additional eight buildings providing around 338,000 sq m. The latter figure is 84% higher than the total supply in 2008. Of the total office space projection in 2009, two buildings have started operation i.e. The Energy, located in the Sudirman CBD and Prudential Tower, located in Sudirman. Both buildings in total provided another 89,700 sq m to the market and bring the cumulative supply in the CBD to 3.87 million sq m.

The CBD area is anticipating receiving more office space with the initial announcement of two office towers i.e. the Tempo Scan Tower which will be built on the demolished Bina Mulia Building 3 land. The developer reported that the construction will begin in May, and the expected completion is scheduled for early 2011. Another tower scheduled within the same period is Menara 45 which belongs to BP Migas in the Mega Kuningan area. When both two buildings complete, our supply projection in 2011 will have another 76,000 sq m added (out of our previous projection for that year).

Amid the global economic uncertainties, the projected supply for 2009 will be larger than that in 2008.

LIST OF UNDER CONSTRUCTION OFFICE BUILDINGS IN THE CBD

BUILDING NAME	LOCATION	EXPECTED COMPLETION
The Energy	Sudirman	2009
Menara DEA 2	Mega Kuningan	2009
Menara Palma	Rasuna Said	2009
UOB Plaza	MH Thamrin	2009
Bakrie Tower	Rasuna Said	2009
Cyber 2	Rasuna Said	2009
The Plaza	MH Thamrin	2009
Prudential Tower	Sudirman	2009
Life Tower	Rasuna Said	2010
Equity Tower	SCBD	2010
Sentral Senayan 3	Asia Afrika	2010
Menara Bidakara 2	Gatot Subroto	2010
Graha 18	SCBD	2011
Ciputra Office Tower	Satrio	2011
Eighty8	Kasablanka	2011
The Office	Satrio	2011
	Total Space	766,368 sqm

Source: Colliers International Indonesia - Research Department

Further south of the CBD, the market only saw the operation of Arcadia Tower F (the sixth tower of Arcadia Office Park) located in TB Simatupang. This building operation added up the total cumulative supply in the outside CBD area by around 21,300 sq m to 1.64 million sq m. The outside CBD area is anticipating a number of office buildings in 2009 and the majority of them are about to operate. Treva building has actually been ready for operation, however, the building has remained vacant for some period. Most of the office stock in 2009 is in the finishing stages. The Boulevard in Tanah Abang is reaching its completion as well as KEM Tower in Kemayoran, Grand Kebon Sirih in Kebon Sirih, Menara MTH in MT Haryono and a small office, Graha 55, in Tanah Abang.

Just recently, Gapura Prima group announced their mixed-use project consisting of office, apartment and shopping arcade in the Slipi area. This GP Tower, Gatot Subroto, will provide approximately 12,000 sq m of office for strata-title sale. The development is scheduled to be completed in 2011.

LIST OF UNDER CONSTRUCTION OFFICE BUILDINGS IN THE OUTSIDE CBD

BUILDING NAME	LOCATION	EXPECTED COMPLETION
Treva	Kebayoran Baru	2009
The Boulevard	Tanah Abang	2009
Menara MTH	MT Haryono	2009
KEM Tower	Kemayoran	2009
Grand Kebon Sirih	Kebon Sirih	2009
Central Office Park	S. Parman	2010
Gandaria Office	Gandaria	2011
Menara 165	TB Simatupang	2011
MT Haryono Square	Cawang	2011
	Total Space	214,874 sq m

Source: Colliers International Indonesia - Research Department

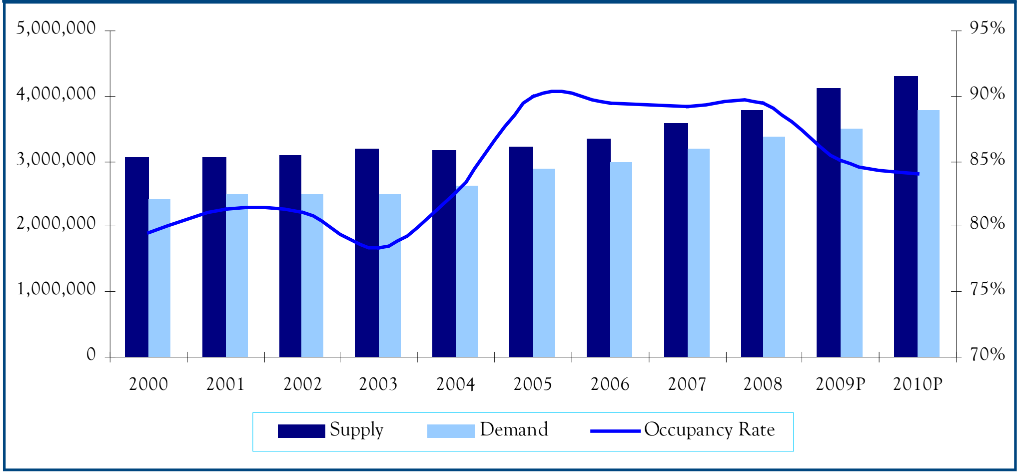
DEMAND

As the impact of the global financial crisis filtered through the economy, securing a sizeable office space transaction is a real challenge for most landlords. As economic activity was relatively cautious with the anticipation of any additional costs, expanding business operations is not the priority at the current time.

The occupancy rate experienced a contraction quarter-on-quarter (QoQ) by around 2% firstly because demand is decreasing, secondly because the influx of new buildings with committed tenants which are not entirely in operation. In the reviewed quarter, the overall occupancy in the CBD area registered at 88.3%. In a similar trend, the occupancy rate in the outside CBD area was at the same level as in the CBD i.e. 88.7%.

Despite a general slowdown in occupation demand, office rental rates were firm.

CBD OFFICE: CUMULATIVE SUPPLY, DEMAND AND OCCUPANCY RATE



Source: Colliers International Indonesia - Research Department

The quarter was mostly characterized by the movements of tenants from the old buildings to their new premises. Tenants like BCA, ANZ and Standard Chartered Bank consolidated their offices previously scattered in several locations into their respective premises. Also in the quarter, we recorded that part of the vacant space left by BCA was occupied by Barclays Bank.

On the other front, securities companies have been cost-conscious following the contraction volume in the business following the downturn in the global economy. Such tenants have frozen their expansion plans or started downsizing the space. A case in point is a securities company that secured a sizeable space in the CBD which is looking for sub-tenants for the space they decided not to utilize. Further, tenants with export-oriented products are very conservative and are anticipating the current crisis with acuity.

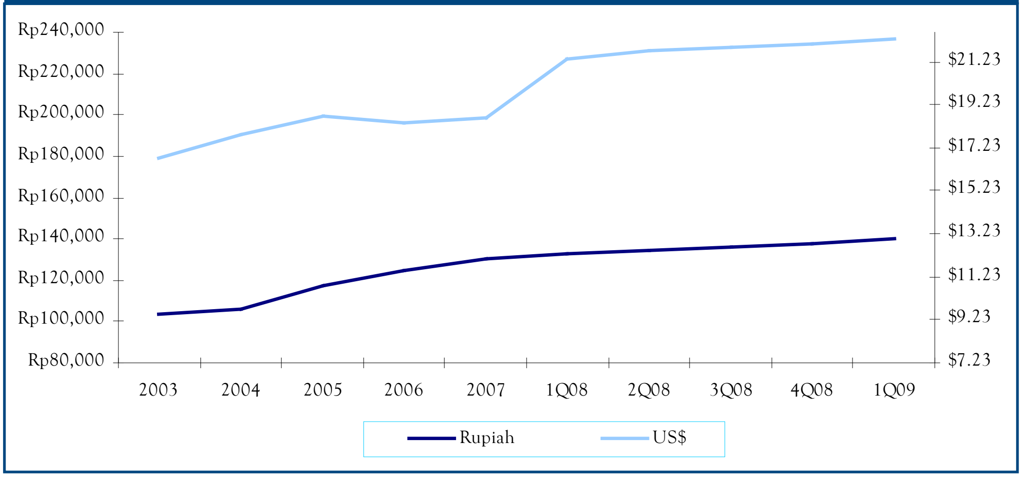
One of the factors driving the movement is cost efficiency. This issue would be raised primarily when the expiry date draws near where tenants have the full option to decide whether to stay or move. For relatively small tenants this issue could be very considerable but not for those taking a sizeable space because concern on the fitting out cost should also be taken into account. Still, we noticed a number of tenants moved out for cost efficiency reasons or those contriving to move.

Of the transactions we recorded during the reviewed period, we hardly saw any transaction of more than two floors. Some industries seem to be resilient with the economic storm like the Islamic bank (Syariah) or food and consumer goods industries.

RENTAL RATES

In the aftermath of the global financial turmoil where most of the countries in the Asia Pacific region experiences softening rental rates, the overall asking rental rates in Jakarta showed a somewhat different trend. The average asking rental rates remained resilient and from our survey we even registered several office buildings edging up their published rates. Most buildings in our survey did not specifically mention reasons behind the adjustment but we notice that they are large buildings with asking rental rates below the average market rates and also those with low vacancy levels. Further to the influx of The Energy and Prudential Tower which quoted average asking rent above the average market, the quarter's rental figure edged up moderately by 2% to Rp90,994/sq m/month. The average rental rates in the quality premises with US$-denominated rentals also posed a similar trend with a minor increase from US$16.02/sq m/month to US$16.37/sq m/month. The increase was predominately contributed by the influx of The Energy building.

AVERAGE ASKING GROSS RENT (ALL CLASSES) FOR THE CBD OFFICE SPACE



Note: Gross Rental Rates are Base Rental Rates cum Service Charge Cost

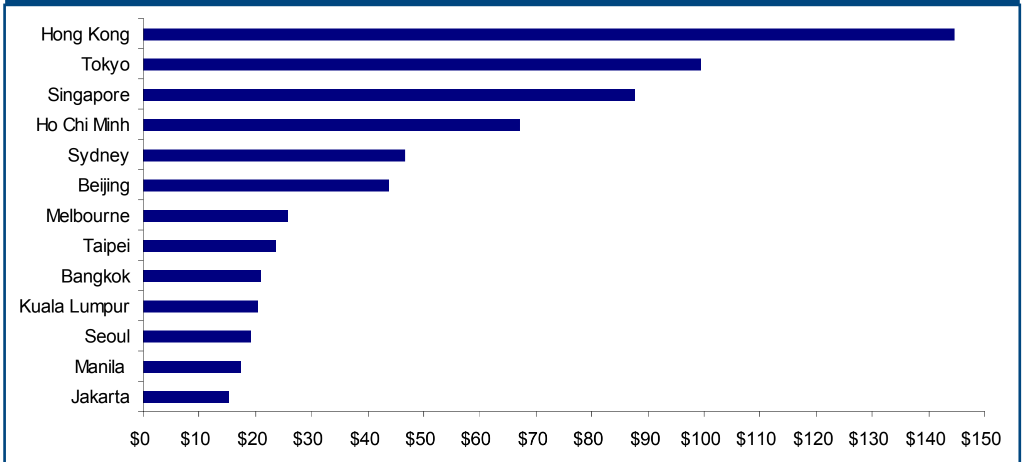
Source: Colliers International Indonesia - Research Department

In spite of the continued demand ebb, office landlords were reluctant to adjust their published rate down. Believing that economic conditions would recover at least by the end of this year, most landlords were quite optimistic that the office leasing business would regain its strength in the period ahead. On the other hand, lowering the asking rental rates is not popular particularly when it is associated with the building image.

Nevertheless, all in all, securing office transactions is a real challenge nowadays where tenants have more bargaining power than the landlords. In our records, transactions concluded during the quarter were relatively small in size (maximum of two floors). This condition is emphasized by the statements of quite a few landlords who confirmed this difficult situation. On a regional scale, a number of multinational occupiers have determined to rationalize their resources by streamlining their workforces and reducing their recurrent outgoings to levels within a comfortable range. The effect of this is inevitable in Indonesia where we are witnessing a limited number of transactions coming from multinational companies.

On the other hand, it is difficult to reconcile the steady rental performance with the current slackening market. The other Asia Pacific office markets reported a sluggish rental performance (according to Colliers International's Asia Pacific Office Survey), however, the Jakarta office market continues to maintain its rental rates at their current level. Further if we go through the report, Jakarta is one of the cities with the lowest average rental rates. A moderate upward trend in the office rental of Jakarta is basically insignificant compared to the rental rates in the other Asian countries. Further, in the graph below that we have presented from time to time, the figures represent the average asking rental rate and not transacted rate. A situation best reflecting the current market condition is that rental rates are now more negotiable than before. Buildings with US Dollar rates might see heavier pressure as the discrepancy between rental rates in US Dollars and rental rates in Rupiah become wider as a result of weakening Rupiah value against the US Dollar.

PRIME OFFICE RENTALS OF SEVERAL BIG CITIES IN THE ASIA PACIFIC REGION



Source: Colliers International Regional Research "Asia Pacific Office Market Overview"

In the same trend, the average asking rental rates in the outside CBD area moved upward from Rp59,495 to Rp62,206/sq m/month. In our record, around eight buildings introduced new published rate by an increase of around Rp5,000/sq m/month. A large number of the buildings with new rates had low average vacancy. Others indicated that the adjustment was made because of mounting operational costs.

The adjustment of asking rental by US$1.00 by one building in the TB Simatupang area has moved up the average asking rental rate of US$-denominated buildings in the outside CBD area from previously US$11.29/sq m/month to US$12.06/sq m/month. The overall adjustment was also contributed by the introduction of a new tower in the same area.

SERVICE CHARGES

Because of escalating operational cost, several buildings in the CBD area promoted new maintenance tariffs. This is also quite an unpopular measure amidst the tenants' market situation. On average, buildings introducing new service charge tariffs were mostly those with lower service charge tariffs. With an average increase of Rp5,000/sq m/month, the average service charge in the CBD rose from Rp48,578/sq m/month to Rp49,557/sq m/month. Likewise, several buildings outside the CBD area also registered a climb in the service charge tariff for the reasons. The average service charge in this area is recorded at Rp34,934/sq m/month from the previous Rp33,589/sq m/month.

On the other hand, the average service charge cost for buildings in the CBD area dropped very modestly from US$6.00 to US$5.94/sq m/month. None of the US$-denominated buildings in our record adjusted their service charge cost, however the influx of new buildings with service charges below the average market has changed the overall calculation for the service charge cost in the CBD. Meanwhile, the average service charge cost of US$-denominated building in the outside CBD area showed a moderate increasing trend to US$4.56/sq m/month.

OUTLOOK

Going forward, the Jakarta office market will be challenged by a weakening global economy and slowing leasing demand for office space. However, relatively healthy vacancy rates and the high pre-commitment rates for new office developments are expected to help cushion the market from any significant future downslide.

On the other front, the abundant new supply coming online will not enjoy the golden period as in the 2007-2008 years where new developments had enjoyed high pre-commitment levels even before they were ready for operation. In general, new office developments will benefit from the movement of tenants looking for new and better space and from the tenants planning to expand their businesses. Such motives are hardly found during this difficult time where a number of occupiers prefer to adopt a wait-and-see attitude towards their business plans. Further, the key threat to demand will be the cost-cutting initiatives adopted by many companies.

Looking ahead, the occupancy rate is predicted to experience a further downward adjustment due to the consolidation of the local economy and uncertainty about the global economic outlook in 2009. Moreover, with a number of upcoming new office towers in 2009, the level of office occupancy should drop quite substantially in 2009, but nonetheless we are still confident that office market business will remain active.

APARTMENT SECTOR

APARTMENT STRATA-TITLE FOR SALE

SUPPLY

The pressure on apartment sales has resulted from the tremendous supply growth and further from the global financial tsunami. Nevertheless, the crisis which hit Indonesia in the 1998 period posed a greater impact than the current crisis, recording an annual supply growth of below 5% (1998 - 2003 period). Looking at the current under-construction progress with completion target in 2009, supply would still grow by 16.1%. In our record, a number of 10,867 units from a total of 12 projects are prepared to enter the market in year 2009 itself.

Nonetheless, supply projection might dwindle in the period ahead as several of under-construction projects showed slowing progress and might possibly be postponed. One Park Residence and Residence Darmawangsa in South Jakarta and Monaco Residence in Kemayoran Central Jakarta were some projects which officially suspended their projects due to financing difficulties. In fact, between January and March 2009, Colliers survey revealed a growth in supply of only 1.2% quarter-on-quarter (QoQ). The market received 799 additional units from a total of three completed projects i.e. Kuningan Place Apartment at Rasuna Said; Permata Hijau Residence at Permata Hijau; and The Boulevard at Tanah Abang.

Slower construction progress will result in the lengthening of project completion. In year 2010 and 2011, if all future projects meet their completion date, supply will grow by 30.8% and 17.3%, respectively, so in the other words, cumulative supply of apartment for strata-title sale will be around 120,085 units in 2011, almost double the stock in 2008.

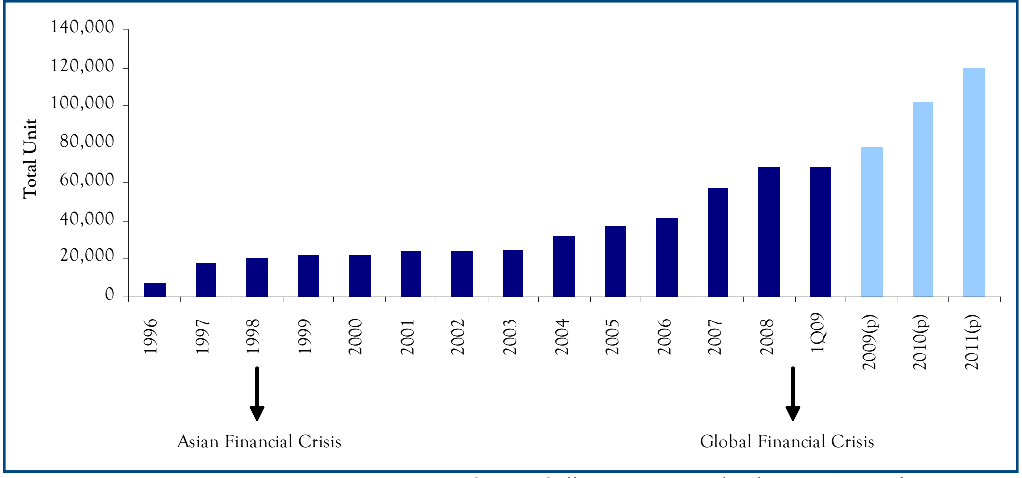
Apartment supply in the quarter is subdued as developers anticipated the incoming huge supply.

LIST OF PROJECTS PROJECTED TO BE COMPLETED IN 2009

DEVELOPMENT	LOCATION	REGION
Sahid Sudirman Residence	Sudirman	CBD
Keraton Grand Hyatt Residence	Thamrin	CBD
Regatta Miami and Monte Carlo Tower	Pantai Mutiara	North Jakarta
Regatta Rio De Janeiro Tower	Pantai Mutiara	North Jakarta
Menara Cawang	Cawang	East Jakarta
Maple Park Golf View Kemayoran	Danau Sunter Barat	Central Jakarta
Grand Aston SOHO Hotel and Residence	S. Parman	West Jakarta
Palladian Park	Bukit Gading Raya	North Jakarta
Intan Apartment	Intan Simatupang	South Jakarta
Thamrin Residence Tower C, D & E	Thamrin	CBD
Gardenia Boulevard	Warung Buncit	South Jakarta
The Lavande	Supomo	South Jakarta
Kebagusan City (2 Towers)	Baung	South Jakarta
Grand Surya	Pegadungan	West Jakarta
Ambassade Residence	Puri Denpasar	South Jakarta
Aston Mangga Dua	Mangga Dua Abdad	North Jakarta
	Total	10,867 Units

Source: Colliers International Indonesia - Research Department

CUMULATIVE SUPPLY OF APARTMENT FOR STRATA-TITLE SALE



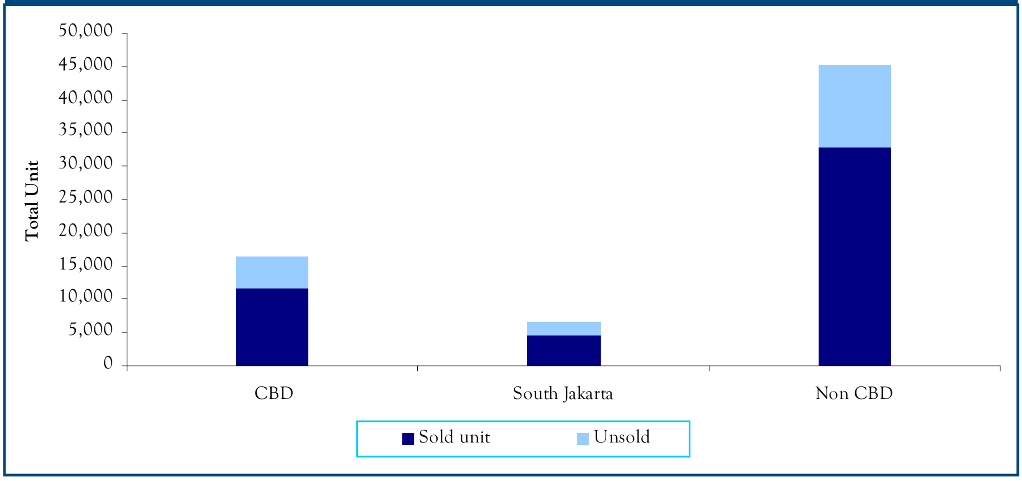
Source: Colliers International Indonesia - Research Department

DEMAND

With all the gloomy indicators like the uncertainty in the global economic prospects and relatively high loan interest rates, the sales of apartment for strata-title sale are slowing down. Nevertheless, there were projects still recording good absorption rates like Cosmo Terrace in Mas Mansyur area, Kemang Village in South Jakarta and Taman Sari Sudirman in CBD area. These projects have positioned themselves to suitably meet market requirements like worthy pricing and desirable unit size. Thus, the three projects have maintained the continuation of development.

All in all, the overall performance was not entirely good. The average absorption rates of apartment for strata-title sale went down to an average of 71.6% during 1Q2009, leaving 19,386 units remaining unsold. This downward trend has been seen in the last three consecutive years since 2007.

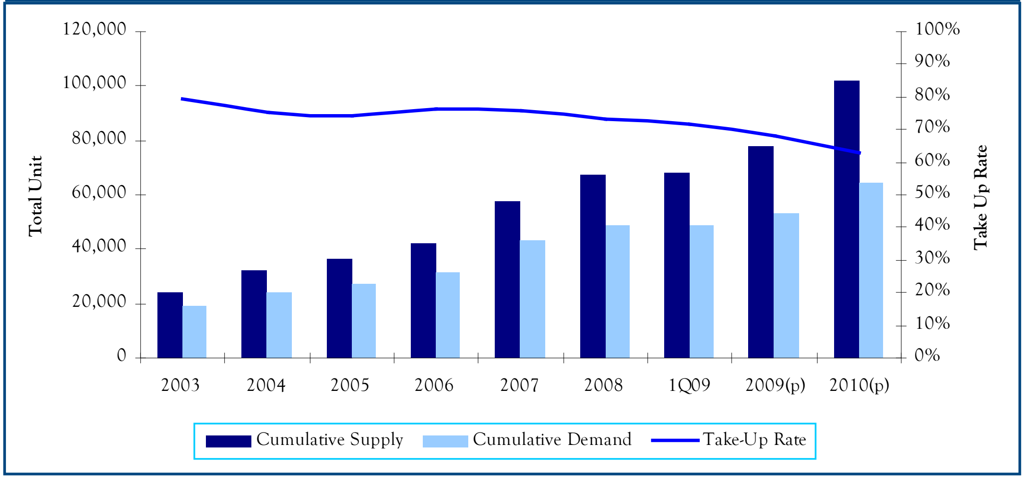
SOLD VS UNSOLD UNITS OF APARTMENT FOR STRATA-TITLE SALE



Source: Colliers International Indonesia - Research Department

With huge supply projection in future years, we anticipate a further decline on take-up rates. By the end of 2009, the take-up rates are projected to move downward to 67.9% and further drop to 62.7% in 2010.

TAKE-UP RATE OF APARTMENTS FOR STRATA-TITLE SALE



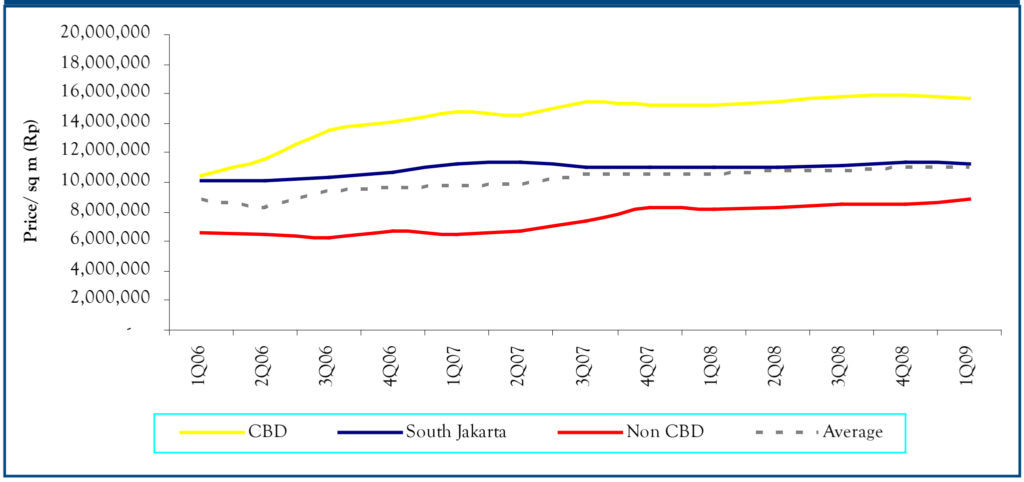
Source: Colliers International Indonesia - Research Department

PRICING

Despite the tougher situation faced by apartments for strata-title sale, developers still maintained the current price level. In terms of asking price, the average rate of the overall market stabilized at around Rp11 million/sq m with CBD area posing the highest rate of Rp15.7 million/sq m. In real transactions, this figure might possibly fall by around 15% to 30% from the published price, but still depends a lot on the location of the project, quality of development and developers' willingness to sell their products. In the same trend, the outside CBD area continued to maintain the lowest rate of around Rp8.8 million/sq m.

Apartment price maintained at its current level, however, landlords are more flexible in giving more incentives.

AVERAGE ASKING PRICE OF APARTMENT FOR STRATA-TITLE SALE



Source: Colliers International Indonesia - Research Department

As depicted in the chart, the average asking price in the South Jakarta area was relatively stable for the last three years as only a small number of new projects in the area were being built. On the other front, with quite a few project developments in the CBD and the outside CBD area, the average asking price showed a moderate climb. Since early year 2008, the market began to see smaller pricing gap between the Non-CBD and South Jakarta area as developments targeting at middle-up market in Central Jakarta (Menteng area) and North Jakarta (Kelapa Gading and Pluit area) have shifted up the average price of the outside CBD projects.

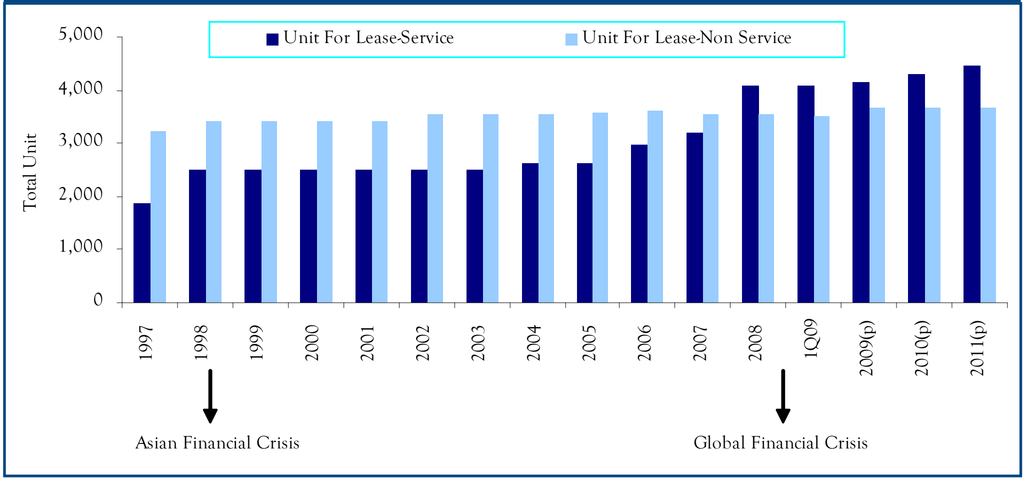
APARTMENT FOR LEASE (SERVICED AND NON SERVICED)

SUPPLY

In the current economic uncertain time, we see no new apartment projects for lease being launched; instead we have either serviced apartments (apartments with service) or non-serviced apartments (apartments fully for lease). However, the market is expecting a supply growth in the apartments for lease in the next two years. In the period of 2009 to 2011 there will be 547 units from the current under-construction projects. By the end of 2009 itself, total cumulative supply of apartments for lease would be 7,836 units. Subsequently, by the next two years (2010-2011), apartments for lease are projected to increase by 2%.

It is now the buyers/tenants market!

SUPPLY OF JAKARTA APARTMENT FOR LEASE



Source: Colliers International Indonesia - Research Department

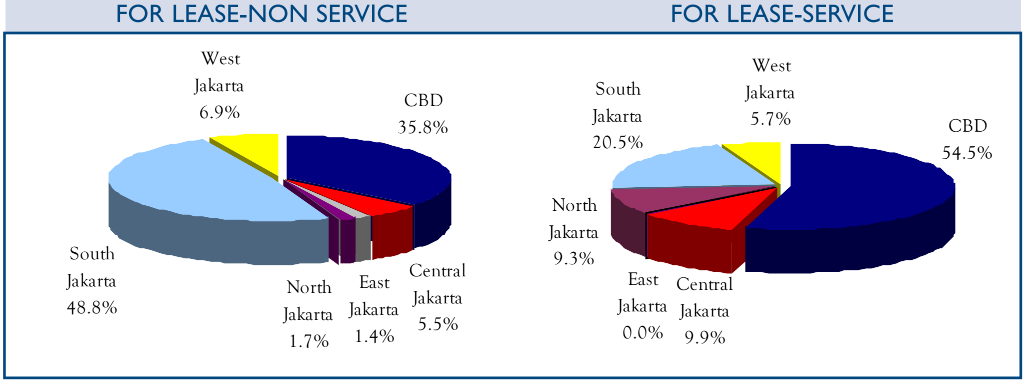
LIST OF FUTURE PROJECTS OF APARTMENT FOR LEASE

DEVELOPMENT	LOCATION	APARTMENT SCHEME	EXPECTED COMPLETION YEAR
Keraton Grand Hyatt	CBD	with Service	Mid 2009
Golf Pondok Indah Tower 3	South Jakarta	non Service	End 2009
Grand Aston SOHO Residence	West Jakarta	with Service	End 2009
Citiloft Gajah Mada	Central Jakarta	with Service	End 2010
Somerset at Ciputra World	CBD	with Service	2011
		Total	547 Units

Source: Colliers International Indonesia - Research Department

In the first quarter of 2009, apartments for lease registered a negative growth as the 36 units of Puri Denpasar apartment located in Rasuna Said – Gatot Subroto area was converted into a non-star hotel. As such, the total stock of apartments for lease (non-service) was at 3,514 units while serviced apartments remained at 4,088 units. The CBD and South Jakarta areas provided the biggest number of units for lease.

SUPPLY OF APARTMENTS FOR LEASE (SERVICED AND NON-SERVICED) BASED ON LOCATION



Source: Colliers International Indonesia - Research Department

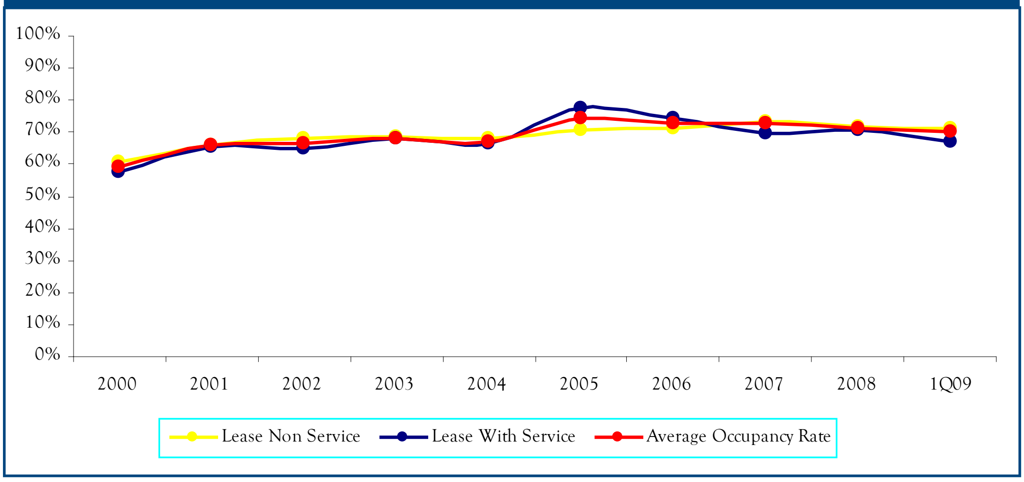
DEMAND

The financial turmoil has inevitably impacted all business sectors, the market for apartments for lease notwithstanding. During the survey, we found that several international companies have decided to suspend assigning their expatriates to Jakarta. Thus within the reviewed quarter, apartments for lease experienced softening inquiries. Even worse, some projects underwent contract terminations from corporate tenants as they have to send back their expatriates to their home countries. In some cases, corporations which were assigning their expatriates would maintain them but with a lower budget. Another option for corporations is sending their expatriates to stay in hotel accommodation to get flexible short term leasing. Also during the period, we noticed the relocation of expatriate tenants to apartment projects with lower budgets or to landed houses.

All those measures have created a tenants' market since tenants have more bargaining power due to versatile options for apartments. This also led tenants to put more pressure on landlords like asking for more discounts on the rental rates and requesting a shorter leasing period of one to three months instead of normal practice of one year leasing period.

All the findings mentioned above were endorsed by the figures calculated during the first quarter. Average occupancy rates fell in all apartment lines. Apartment for lease (non-service) experienced a modest drop from previously 71.8% to 70.9%, thanks to the existing long lease occupiers who maintained the vacancy rate at its current level. On the contrary, due to higher rental rates of serviced apartments, the average occupancy rate of this type of apartment contracted to an average of 66.8% from the previous 70.5%. By calculation, as of April 2009 there were 1,649 serviced apartment units and 1,023 apartments for lease (non-service) units remaining vacant.

AVERAGE OCCUPANCY RATES OF JAKARTA APARTMENT FOR LEASE



Source: Colliers International Indonesia - Research Department

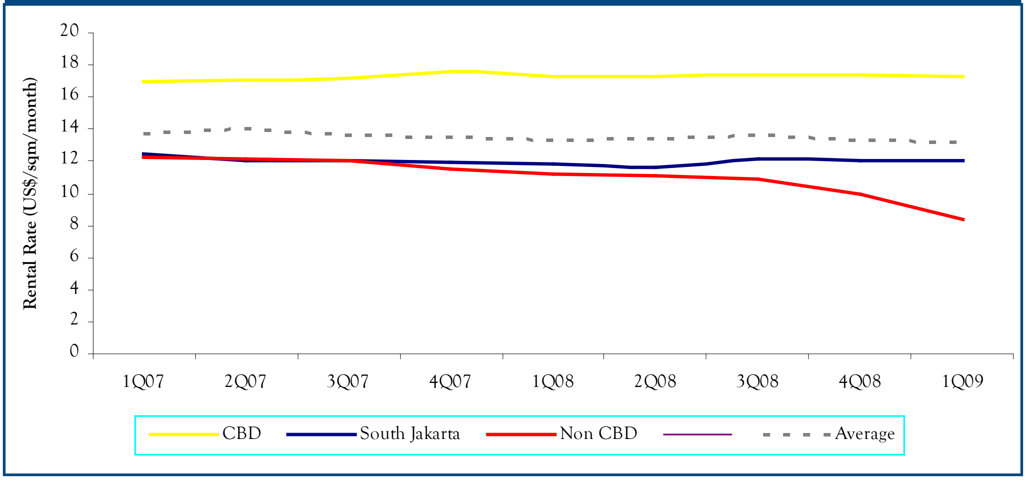
RENTAL RATE

The current drop in inquiries in the market and the pressure from new potential tenants should force landlords to lower the rental rate in order to minimize the vacancy rate. This measure has been applied by some old developments in the outside CBD area. As at the date of the survey, we found the average asking rental rates in the outside CBD area decreased to US$8.40/sq m/month from previous US$9.98/sq m/month.

However the CBD and South Jakarta areas maintained relatively resilient asking rental rates which remained at US$13.27 and US$12.09/sq m/month, respectively. Rather than giving lower published rates, a large number of landlords in these two areas prefer to give higher discounts for particular leasing periods or offer attractive staying packages.

The average rental rates for projects outside the CBD area dwindled in anticipation of a weakening leasing market.

THE AVERAGE ASKING RENTAL RATES OF APARTMENT FOR LEASE (SERVICED AND NON SERVICED)



Source: Colliers International Indonesia - Research Department

OUTLOOK

In general, many apartment owners still maintained their price at the current level and it became an extra task to market their projects more competitively in particular amidst the abundant supply available in the market. This tenants' market situation means buyers would have more opportunity than apartment landlords in demanding better prices and terms of payment.

Given the current economic turmoil coupled with huge supply projection, the serious buyer is king now. We felt that this is the time to buy apartments because currently developers would be willing to give more incentives like more interesting discount schemes and flexible terms of payment. In some cases, ready-to-occupy apartment units are offered at the level when they were first launched, meaning that there were no significant price changes during the period. Location-wise the CBD area and South Jakarta area are still preferable since leasing activities within these two areas are still high.

RETAIL SECTOR

SUPPLY

The economic downswing is not the only factor to blame for the slowing retail business. For some periods, the influx of new shopping centres, in particular strata-title shopping centre for sale, has been quite significant in terms of numbers, while, on the other hand, the speed of retail space absorption was relatively low. From what we see in the market, the absorption rate for the incoming new retail space is slowing down, leaving a number of vacant spaces in several new projects, notwithstanding that other operating shopping centres experienced high vacancy rates.

Nevertheless, the retail market seems to be continuing to grow, with and additional around 82,500 sq m from the operation of Emporium Pluit and Koja Trade Mall, both located in North Jakarta. Emporium Pluit is quite a large mall with leaseable space of around 61,500 sq m, while Plaza Koja is offered as a strata-title shopping centre of around 21,000 sq m. Another shopping centre, the Plaza Indonesia extension project in Central Jakarta, is now being furnished for completion, but has been in partial operation with XXI Cinema. The Plaza Indonesia extensions, which will complement the existing shopping centre, will counterbalance the existence of Grand Indonesia Shopping Town, located just across the Plaza Indonesia compound. Another project launched in this quarter is also located in North Jakarta. Similar to the Plaza Indonesia shopping mall, the project is an extension of one of the first and most successful malls in Kelapa Gading, i.e. Mall Kelapa Gading 5.

The addition of the above shopping centres has boosted the cumulative supply in the Jakarta area to 3.58 sq m.

A number of new retail centres in Jakarta invigorated the market in the quarter but none is ready for operation in the Greater Jakarta area.

CUMULATIVE RETAIL SUPPLY IN JAKARTA

Source: Colliers International Indonesia - Research Department

Even so, not all projects have been completed as scheduled. The current condition, i.e. the global economic storm and the slowing retail market business, has inevitably put more pressure on the completion of a project. This has been experienced largely by projects under construction, even those scheduled for the next two years. A retail centre in West Jakarta was first scheduled for operation at the beginning of this year, but will now open in the third quarter. This condition is being experienced widely, not only by large-scale projects, but also by relatively small projects in Jakarta and the Greater Jakarta area. Before the global financial crisis itself, the retail market had been tough and current conditions have worsened the situation, particularly when many branded retailers are consolidating their business in anticipation of a further downturn in sales. If we go through the new retail developments under construction, the background of the developers (in some cases) is a new profile in the shopping centre business. In general, these new players in this sector were not familiar with initial operating costs and have had to allocate a certain amount of funds in advance for at least one year before expecting income from leases. This tends to put the initial plans to open the shopping centres on hold.

Unlike the capital city, the Greater Jakarta area, which comprises Depok, Bogor, Tangerang and Bekasi (abbreviated as Debotabek), witnessed no new shopping centres in this quarter. Possible projects coming in the near future are Teraskota in Tangerang, which is expected to open in June 2009, and Plaza Dua Raja in Bogor, which is still under construction and is expected to be completed by the end of 2009. In Tangerang, the completion of Tangerang City was rescheduled; it was originally set to open this year. Likewise, the Alam Sutra Mall will not be a priority as the developer will focus more on developing its residential projects instead. Thus, Mall Harapan Indah showed no further progress after the initial development.

LIST OF UNDER CONSTRUCTION RETAIL CENTERS

IN JAKARTA

RETAIL NAME	LOCATION	MARKETING SCHEME	EXPECTED COMPLETION
Seasons City	Latumenten	for Strata-title Sale	2009
Pusat Grosir Senen Jaya	Senen	for Strata-title Sale	2009
Rasuna Epicentrum (Epicentrum Walk)	Rasuna Said	for Lease	2009
Central Park Mall	S. Parman	for Lease	2010
Gajah Mada Square	Gajah Mada	for Lease	2010
City Walk at Gajah Mada	Gajah Mada	for Lease	2010
Kuningan City	Satrio	for Lease	2010
Kota Kasablanka	Kasablanka	for Lease	2010
Shopping Mall Gandaria	Gandaria	for Lease	2010
Kemang Village	Kemang	for Lease	2011
Pulomas Place	Pulomas	for Lease	2011
MT Haryono Square	Otista	for Strata-title Sale	2011
Ciputra World	Satrio	for Lease	2011
		Total Space	713,963 sq m

IN GREATER JAKARTA

RETAIL NAME	LOCATION	MARKETING SCHEME	EXPECTED COMPLETION
Teraskota	Tangerang	for Lease	2009
Plaza Dua Raja	Bogor	for Strata-title Sale	2010
Mall Harapan Indah	Bekasi	for Lease	2011
Tangerang City	Tangerang	for Strata-title Sale	2011
Alam Sutera Mall	Tangerang	for Lease	2011
		Total Space	199,420 sq m

Source: Colliers International Indonesia - Research Department

DEMAND

Although the crisis has forced retailers to be conservative, there were no significant pull-outs during the quarter. Emporium Pluit has secured Sogo as the anchor tenant, along with Carrefour and Gramedia. Several tenants have also joined Mall Kelapa Gading 5, among them Best Denki, Paper Clip, Café Bean, Burger King, etc. The number of tenants moving out and those moving in was mostly in balance. For example, one trade centre in East Jakarta recorded higher occupancy levels, while another centre in South Jakarta experienced higher vacancy rates due to the movement of tenants looking for more affordable space. Occupancy levels in general in Jakarta have dropped somewhat to 85.3%. This figure encompasses some premium and established malls experiencing low vacancy rates, as well as some trade centres suffering from high vacancy rates.

The Greater Jakarta area achieved somewhat similar occupancy levels at 85.7%. The occupancy rate in this area has moved downward gradually since 4Q2007. The negative trend is due mostly to the continued new supply and relatively small demand growth.

During the quarter, certain tenants have reported that their business is growing only very slowly. For example, one shopping centre in Bekasi reported a drop in occupancy as a number of their tenants closed down due to low sales volume. On the other hand, traffic flow was not an issue, although, from a revenue perspective, it is quite tough to survive under these circumstances. This quarter, in general, retailers have reported a slowdown in sales, notwithstanding the F&B sector, which has been enjoying good times.

The occupancy rates stabilised both in Jakarta and the Greater Jakarta area, although pressure from slow sales was felt by most retailers.

CUMULATIVE SUPPLY, DEMAND AND OCCUPANCY RATE IN JAKARTA

Source: Colliers International Indonesia - Research Department

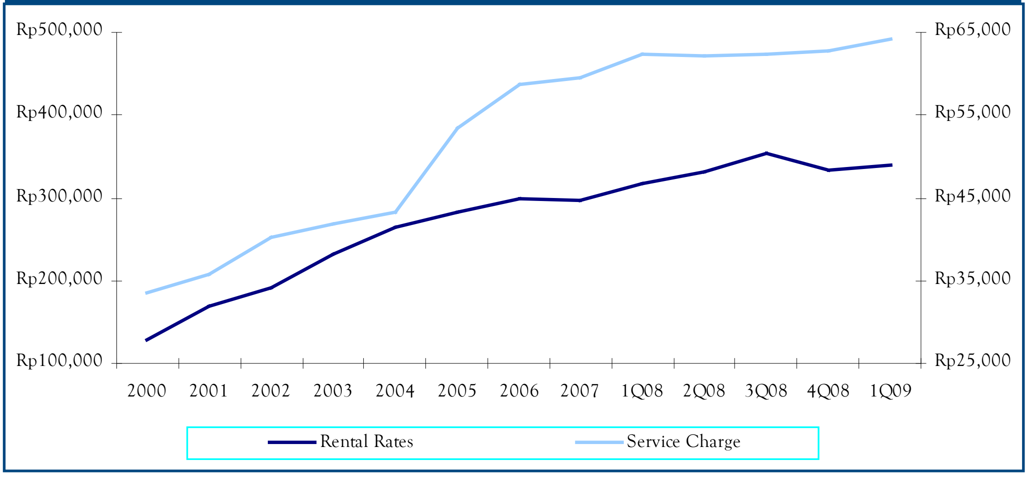
ASKING RENTAL RATES AND SERVICE CHARGES

Asking rental rates in the quarter were stable, with no changes quarter on quarter (QoQ). Landlords are currently more cautious about their tenants and retaining tenants in their shopping centres is the landlords' priority during a time of slow sales. Therefore, all landlords maintained their asking rental levels during the quarter. The influx of Emporium Pluit this quarter, with its relatively higher rental rates compared to the market average, boosted the average asking rental rate somewhat to Rp340,750/sq m/month.

In the Greater Jakarta area, due to the pegged rate adjustment made by Bintaro Plaza, overall average asking rental rates climbed by 1.5% to Rp263,140/sq m/month. This was the only adjustment made by a shopping centre in the Debotabek area.

Average published rental rates remained stable, but are negotiable.

ASKING RENTAL RATES AND SERVICE CHARGES IN JAKARTA



Source: Colliers International Indonesia - Research Department

STRATA-TITLE ASKING PRICES

The table below provides information on the price of strata-title retail centres in some regions within Jakarta and the Greater Jakarta area. In Jakarta, the prime areas for grocery location remain Mangga Dua and Tanah Abang. In general, the average asking prices of strata-title properties contracted due to a low take-up rate, particularly in the new shopping areas.

STRATA-TITLE ASKING PRICES IN JAKARTA AND THE GREATER JAKARTA AREA

LOCATION	PRICE/SQ M	
	MINIMAL	MAXIMAL
Mangga Dua	Rp 30,000,000	Rp 150,000,000
Tanah Abang	Rp 25,000,000	Rp 250,000,000
Other Area in Jakarta	Rp 25,000,000	Rp 60,000,000
Bogor	Rp 10,000,000	Rp 35,000,000
Tangerang	Rp 16,000,000	Rp 75,000,000
Depok	Rp 20,000,000	Rp 60,000,000
Bekasi	Rp 28,000,000	Rp 70,000,000

Source: Colliers International Indonesia - Research Department

SERVICE CHARGES

The average operational cost of each shopping centre in Jakarta hovered at the same level, although the operation of Emporium Pluit this quarter shifted the average cost upward. Emporium Pluit charges a maintenance cost per sq m that is higher than the average market rate and has thus adjusted the average service charge cost in Jakarta to Rp64,170/sq m/month. During this difficult time, tenants are more sensitive to any adjustment that may be requested or made.

Service charge tariffs in the Greater Jakarta area also rose from the previous Rp52.650/sq m/month to an average of Rp53,050. A trade centre in Cikarang adjusted its service charge tariff, while a mall in Bintaro adjusted the pegged rate, which resulted in an increase in the tariff. Both adjustments have contributed to an escalation in the overall service charge cost in the Greater Jakarta area.

OUTLOOK

It used to be a good recipe to have a hypermarket as the anchor tenant to pull crowds into a shopping centre. As hypermarkets are nowadays fairly ubiquitous, their ability to attract crowds has subdued. Furthermore, one hypermarket located in the North Jakarta area has reported a bloodbath in transaction volume.

It is currently a time of depression for both developers and retailers. The projected future supply will compete to grab market share, while retailers will remain conservative about expansion plans. Sustaining the sales volume amidst the weakening purchasing power will be the challenge of many retailers, with suspending business operation the worst scenario possible.

The quarter saw no additional industrial land come on to the market.

INDUSTRIAL ESTATE SECTOR

SUPPLY

For several years, the take-up rate of industrial land has grown quite steadily, although this does not necessarily show that the industrial market has recovered as this phenomenon is due mostly to the lack of supply growth. Hardly any existing industrial estates have expanded their land, even though there is plenty of remaining land stock, and no new industrial estates have come on line for quite a long time.

Plans to extend existing industrial estates, particularly in the Bekasi area, have yet to be brought to fruition in the short term. The global financial storm has changed landlords' perspectives and they are now more realistic because spending on clearing the land is not a priority. Most landlords now focus more either on consolidating their existing tenants or selling the remaining industrial land available, rather than planning expansions.

This quarter, due to the pressure caused by the economic retrenchment, none of the existing industrial estates offered new supply and so the overall amount of industrial land remained at 8,662 hectares scattered in six regions, i.e. Jakarta, Bogor, Bekasi, Tangerang, Karawang and Serang.

DEMAND

The pattern of industrial sales was somewhat different this quarter. Karawang, which regularly recorded transactions every quarter, reported zero sales. With continued inquiries from investors looking for industrial space, industrial estates in Karawang, which benefits from instant access via the Jakarta-Cikampek toll road, had always secured transactions, as had the neighbouring region of Bekasi.

With a gloomy outlook for industrial prospects this year, the Bekasi area surprisingly recorded an historic high in industrial sales for the past three years, thanks to the two industrial estates within this region recording remarkable sales in this quarter, i.e. Greenland International Industrial Centre (GIIC) at Kota Deltamas and Bekasi Fajar Industrial Estate (BFIE). The same company in the Greenland Centre that previously took a sizeable plot of land in 4Q2006 decided to acquire another plot in the same estate. With some deliberation, this carpet manufacturer will resell the old plot they have (in the form of a warehouse or factory-standard building) and will erect a manufacturing building for their own use on the new land. This 20-hectare transaction was not the only one recorded in this estate. Another company from Japan that makes a disposable sanitary napkin product bought around seven hectares of land. Development will start around August this year, with the factory expected to go into operation next year. Other significant transactions on the record include the acquisition of around 23 hectares by a leading automotive manufacturer from Japan. This transaction materialised at the very end of 2008 but was recognised only in early 2009. Thus far, the land will be allocated to store premium-class sedans from a previous location in Sunter.
Another large transaction within this quarter was made by PT. Timah Tbk, which took around 8.5 hectares for their reversed tin stabiliser manufacturing plant in KIEC. Additionally, the same industrial estate closed a deal with Cheetam Salt from Australia, which leases around 2.5 hectares of industrial land. In the same region as KIEC, Modern Cikande also performed well with their deal with a frozen food factory from Surabaya for around five hectares. Modern Cikande also concluded a relatively small transaction for 6,000 sq m from a steel industry company in China.

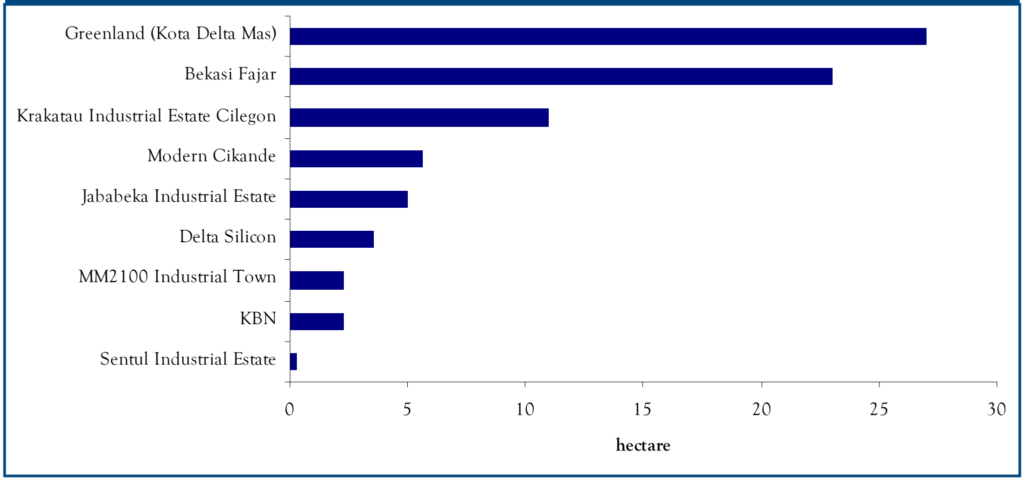
Of the total of around five hectares transacted in Jababeka IE in Bekasi, three hectares were part of the deal with an electro-plating industry representative from Malaysia. Still in Bekasi, MM2100 recorded the sale of 2.28 hectares within this period in a transaction with a heavy-equipment manufacturer from Japan. The latter transaction was concluded after a long negotiation that started last year. In the other location, Delta Silicon industrial estate registered a total of 3.58 hectares in various transactions, such as the acquisition by an LPG gas station company from Korea of around 1.1 hectares. This transaction was part of the expansion of their business and diversification to other types of industries. The remaining transactions in Delta Silicon were from other industries, such as workshops for an oil engineering company, and plastic and automotive companies.

In Bogor, only Sentul Industrial Estate (SIE) registered sales, albeit only 2,689 sq m. This transaction was for a milk factory for industrial purposes (e.g. a supplier for a chocolate factory). In the Kawasan Berikat Nusantara in Jakarta, we recorded a total of 3,252 -sq m lease transactions of factory buildings and a total of 19,461 sq m of industrial land for lease. A large number of transactions are in the garment industry from Korea and mostly part of the expansion plan of the existing factory operations.

All in all, this quarter's significant transaction volume (80 hectares) comprised mainly two large transactions by GIIC and BFIE. This quarter's total sales comprised one third of the total sales in 2008, although we are not confident that the trend will continue as many industrial landlords have reported slow sales at the beginning of the year. The significant sales within this quarter were experienced by only a limited number of industrial estates. Many industrial developers have set lower sales targets for 2009 and will focus mainly on retaining existing tenants.

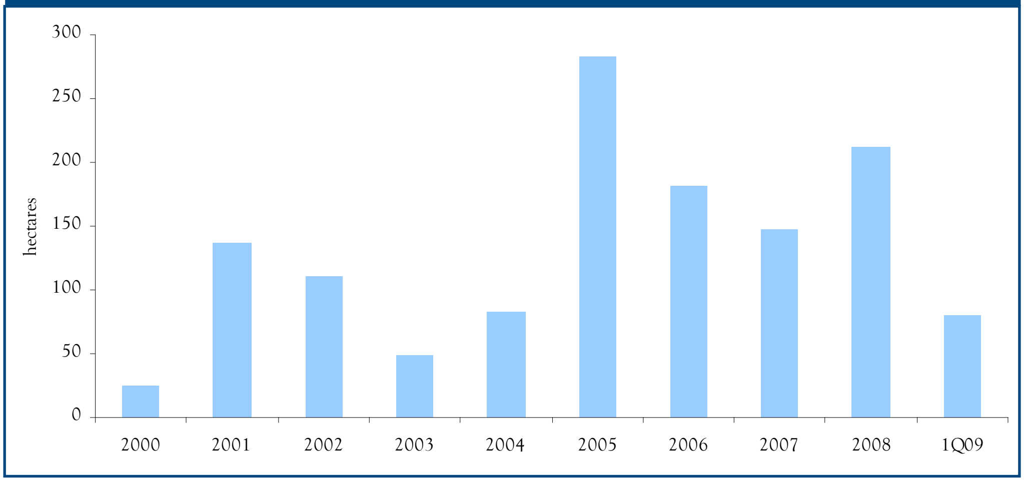
Sales volume this quarter was one third of the total sales in 2008, although industrial landlords were quite moderate in projecting sales for 2009.

INDUSTRIAL LAND SALES RECORDED IN 1Q09



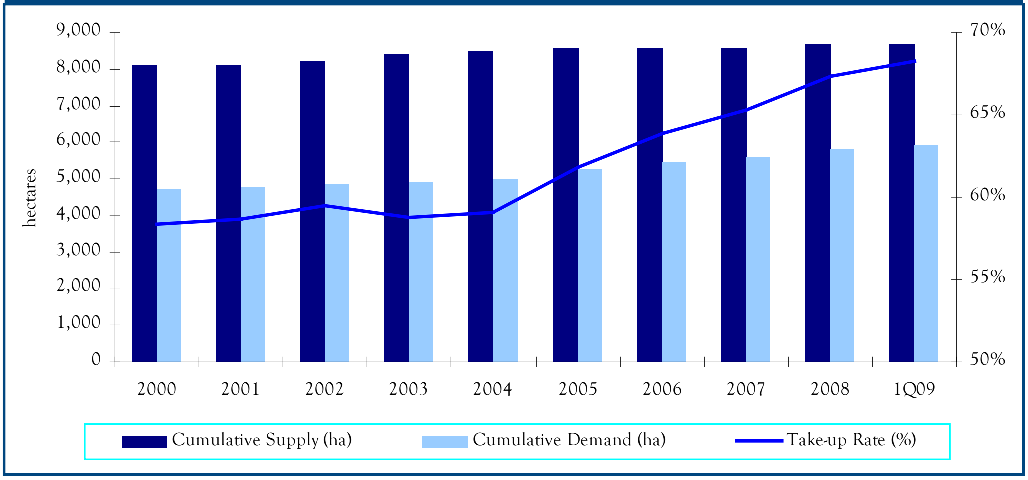
Source: Colliers International Indonesia - Research Department

ANNUAL INDUSTRIAL LAND SALES



Source: Colliers International Indonesia - Research Department

CUMULATIVE SUPPLY, DEMAND AND TAKE-UP RATES



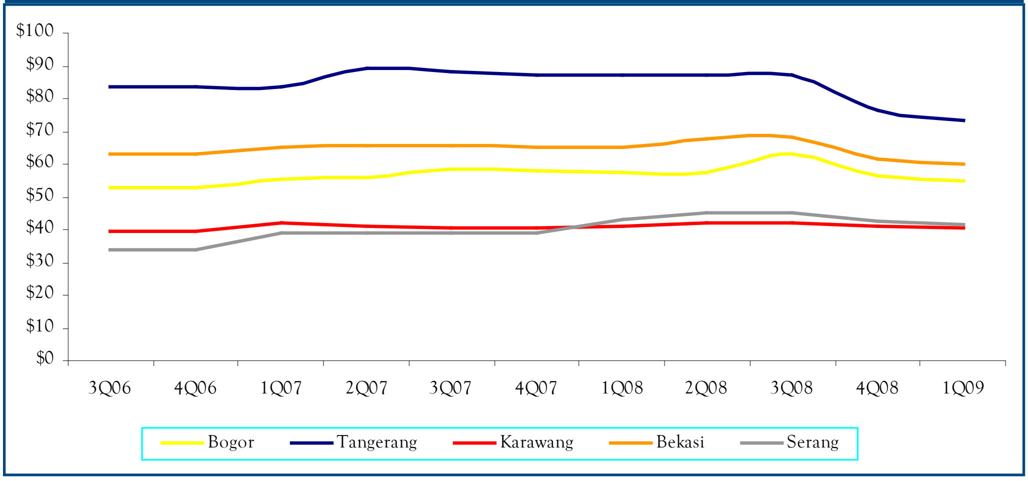
Source: Colliers International Indonesia - Research Department

INDUSTRIAL LAND PRICES AND MAINTENANCE COST

Again, no industrial estate reported a price adjustment this quarter, but the increase in the exchange rate has made industrial land offered in US dollar denominations more expensive if converted into Rupiah. Since the prices presented in the table below are in US dollars (including the industrial land price originally offered in Rupiah), the trend is somewhat down. According to our survey, industrial developers will maintain prices at the current level, at least during the current difficult time. However, it is indicated that a plan to adjust industrial land prices will be implemented in May this year by one industrial estate in the Bekasi area.

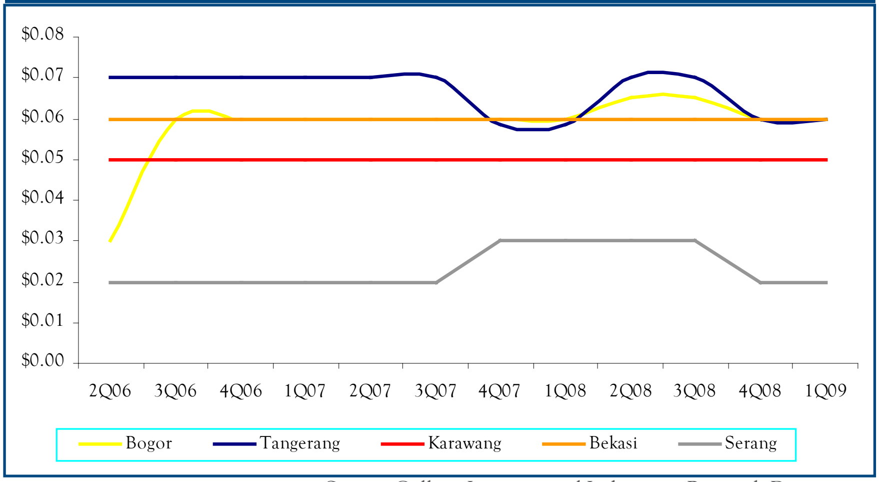
Price and maintenance costs remained unchanged.

GREATER JAKARTA INDUSTRIAL LAND VALUES



Source: Colliers International Indonesia - Research Department

GREATER JAKARTA AVERAGE MAINTENANCE COSTS



Source: Colliers International Indonesia - Research Department

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 500,000	US$ 70.00	Rp 734,928	US$ 0.05	US$ 0.07	Rp 744
Karawang	Rp 300,000	US$ 50.00	Rp 466,635	US$ 0.05	US$ 0.06	Rp 614
Bogor	US$ 45.00	Rp 750,000	Rp 682,947	US$ 0.065	US$ 0.10	Rp 849
Serang	Rp 300,000	US$ 57.50	Rp 597,970	Rp 220	Rp 280	Rp 257
Tangerang	Rp 600,000	Rp 1.265 mill	Rp 641,886	US$ 0.04	Rp 1,000	Rp 610

Source: Colliers International Indonesia - Research Department

OUTLOOK

Despite registering remarkable sales this quarter, it is hard to forecast a good projection for industrial sales in 2009. Large numbers of industrial developers have indicated a downturn in sales during the quarter and have set a moderate sales target for this year.

On the other front, in the transactions conducted this quarter, there was a red line that indicated that sales were concluded by industries with a captive market, i.e. their products are necessities. Furthermore, certain industries think that the economy will rebound by 2010 and are, therefore, taking advantage of this momentum to start moving forward with preparations so that, when the right time comes, they are ready for production.

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

CONTACT INFORMATION

Colliers International Indonesia
World Trade Centre 10th floor
Jalan Jenderal Sudirman Kav 29 - 31
Jakarta 12920
Tel : 62 21 521 1400
Fax : 62 21 521 1411

Mike Broomell
Managing Director
Tel : 62 21 521 1400
Fax : 62 21 521 1411
Email : Mike.Broomell@colliers.com

Ferry Salanto
Division Manager, Research Service
Tel : 62 21 521 1400
Fax : 62 21 521 1411
Email : Ferry.Salanto@colliers.com

COLLIERS INTERNATIONAL