

GREATER JAKARTA | INDUSTRIAL ESTATE

Industrial Estate Sector

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Notwithstanding having only six performers this quarter, the total industrial land sales reached more than 50 hectares, reflecting around 30% of the total sales last quarter. Thanks to two industrial estates i.e. GIIC and Modern Cikande, which recorded a significant volume of transactions that helped fuel the overall sales in the earlier year.

Forecast at a glance



Supply

KIIC may finish delivering the total 160 hectares expansion by the end of the year, whilst the other possible expansion plans from several industrial estates might.



Demand

The quarter's land absorption rate suggests that industrial market started seeing a pick-up in demand. Looking ahead, with all the good assumptions in the economic performance, we expect to see a growth in demand over the next quarter, which potentially makes the overall sales this year better than last year.



Price

Landlords tend to maintain land price at the current level. Industrial land price would likely be adjusted when sales show an increasing trend.

Supply

While the other estate still focus on selling the remaining land, KIIC has already started selling their extension land of around 160 hectares. Most parts of the land have been developed while in some other part is waiting for hardening process. The whole construction process including the road infrastructure is scheduled to complete by the end of 2017.

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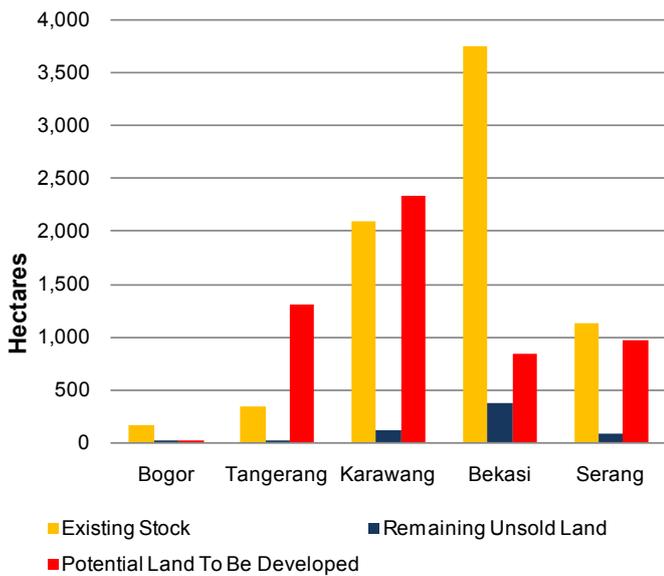
Parts of Podomoro Industrial Park, which is around 216 hectares, have been acquired by CFLD, a developer and operator of new industries cities based in China. CFLD will run their own industrial estate but has yet to get a name, whilst Podomoro Industrial Park will run the remaining 325 hectares under their brand. Within the same area called Trans Hexa Karawang, GT Techpark @ Karawang has started to offer the land for sale.

In Bekasi region, Delta Silicon 8 with a total industrial development of 150 hectares has developed around 83% of the land, of which 48% has already been sold.

Another significant amount of industrial land will come from two industrial estates in Serang of more than 2,000 hectares. This expansion plan will be delivered in stages.

Quite a few upcoming industrial estates in Karawang are holding big parcels of land for future market expansions, which will remain as land stock until there is a trigger from big companies to require sizeable land. Similarly, the two industrial estates in Serang have also introduced the next stage of their development. Similar to other sectors, industrial landlords will wait for serious investors with commitment to buy before starting any development work on their land.

Industrial Land Stock Status in Some Active and Future Industrial Estates



Source: Colliers International Indonesia - Research

Land Sales Activities

Industrial market in the greater Jakarta area starts the year with moderate amount of land sales this quarter. In general, sales performance has been relatively low in the early year and will likely accelerate approaching the year-end. The trend of industrial sales during four consecutive quarters in 2016 had been in the upward trajectory, providing optimism for a brisk sales performance this year. Despite the slow sales in the early part of 2017, we believe the industrial market should move on the right path particularly on the back of sound economic projection.

Total industrial sales this quarter was registered at 51.8 hectares, not big enough but already represented 30% of the total transaction last year. In fact, this quarter sales are even higher than Q1 and Q2 2016 transactions of 19.4 hectares and 29.0 hectares, respectively.

Sales performances were again underpinned by substantial amount of transactions concluded at Modern Cikande Industrial Estate (MCIE). The biggest sales this quarter, however, was recorded by Greenland International Industrial Centre (GIIC), coming from two automotive-related industries and one supplement company, totalling to 29 hectares.

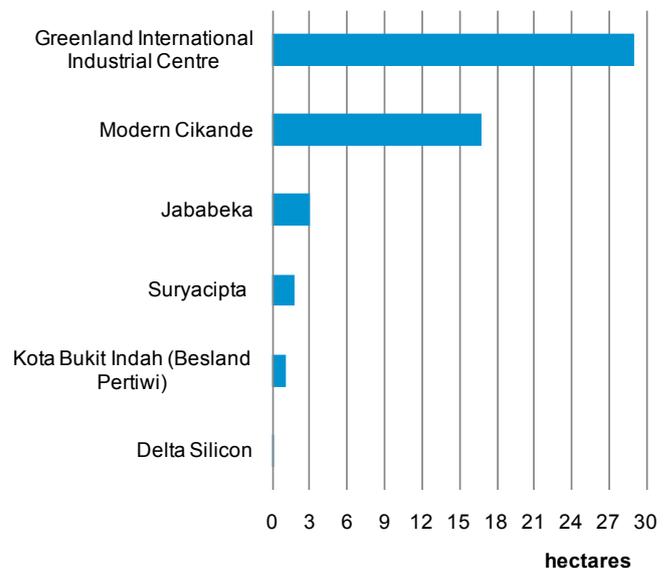
This quarter, MCIE recorded seven land transactions from four local companies, two from China and one from Singapore, involving the biggest deal of six hectares for an energy company. Other smaller transactions in this industrial estate include chemical, logistic, metal, food and others, which take up 16.76 hectares of land. KIEC, which is also in Serang, reported zero sales this quarter after concluding significant transactions in the previous quarter.

In Bekasi, Delta Silicon continued to focus on selling Delta Silicon 8. This quarter, Delta Silicon only sold small parcels of land (0.16 hectare) as part of the expansion plan from the operating company. Bekasi Fajar Industrial Estate basically reported a substantial transaction this quarter of around 11 hectares. However, we excluded this deal because the purpose is for non-industrial uses.

Suryacipta sold a total of 1.8 hectares to a Chinese company (building material) and a local packaging company. Despite smaller than in the previous quarter, this transaction was the biggest in Karawang, as other active industrial estates reported nil sales this quarter. Other transactions of around 1.1 hectares were basically leasing transactions from an automotive company (one hectare) and two warehouse units from a plastic company and warehouse use. These leasing transactions occurred in Kota Bukit Indah (Besland Pertiwi), an industrial estate focusing on leasing industrial land and building.

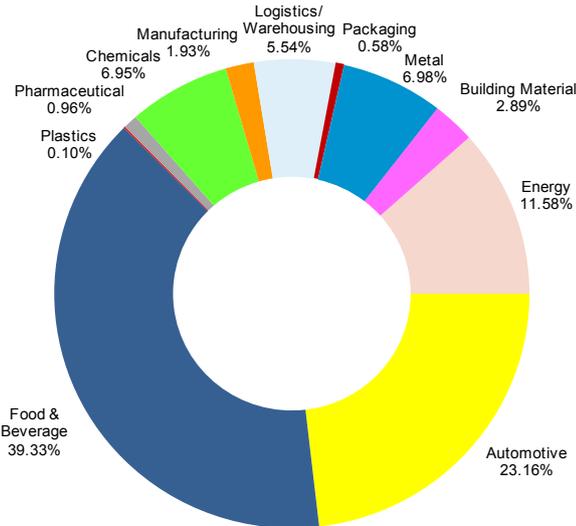
For several quarters, Millennium has sold not more than two hectares per quarter, but quite consistently. Only in this quarter they reported zero sales, partly because the land stock is limited and they are now consolidating on the next stage of land preparation.

Land Absorption in Q1 2017



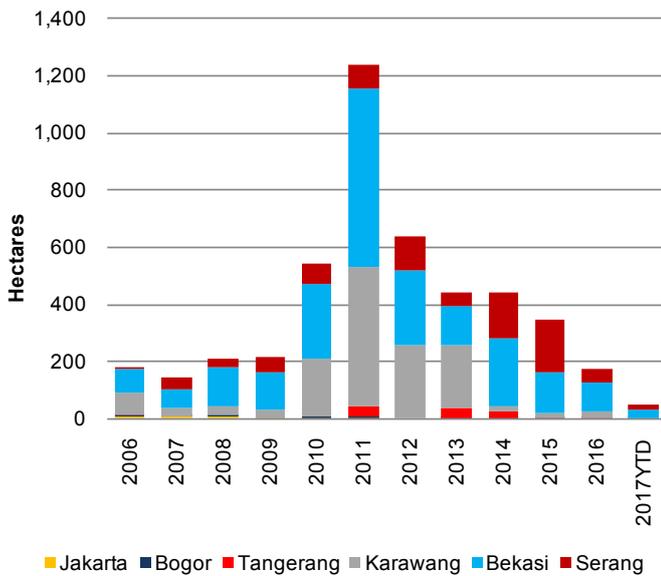
Source: Colliers International Indonesia - Research

Types of Active Industries During Q1 2017



Source: Colliers International Indonesia - Research

Annual Industrial Land Absorption



Source: Colliers International Indonesia - Research

Land Price

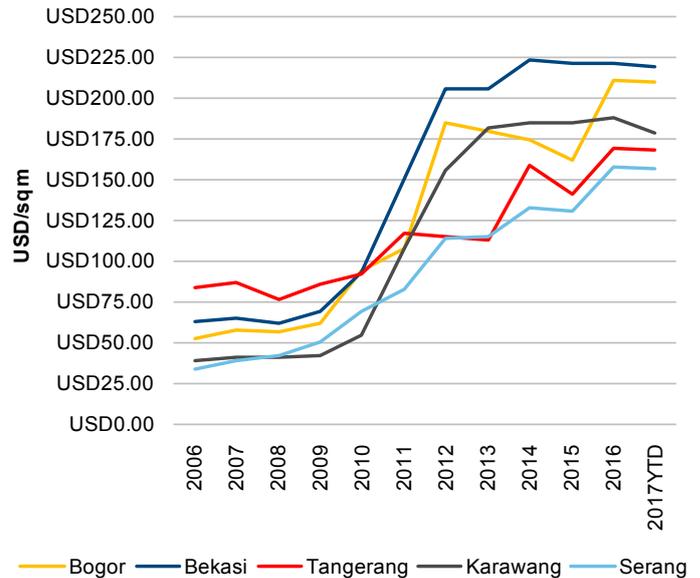
The slow absorption gives more pressure on price, particularly when buyers are looking for sizeable space. Some industrial estates have already adjusted prices last year and decided to maintain the prices this quarter. In general, prices remained unchanged with none of the estates introducing higher price. One industrial estate in Bekasi even lowered the bottom price.

Historically, the current prices quoted by most estates have been in a plateau. The most active regions with significant price changes are Serang and Tangerang, because of the land scarcity and limited number of active industrial estates

in these regions. Meanwhile, prices in established industrial regions such as Karawang and Bekasi are less volatile mainly because prices here are already high.

Price adjustment will only occur when sales outperform. Industrial sales reached its peak in 2011. Since then, the sales volume has gradually reduced and price tend to hover with minor volatility, except in certain areas such as Serang, where industrial prices were way below the average market and at the same time industrial sales were registered higher than in other regions. Going ahead, sales performance will greatly determine industrial land price, whilst sales performance is very much dependent on the macro economic performance.

Greater Jakarta Industrial Land Prices



Source: Colliers International Indonesia - Research

Industrial Land Prices and Maintenance Costs (in USD equivalent)

REGION	LAND PRICE (IN USD/SQ M)			MAINTENANCE COSTS (IN USD/SQ M/MONTH)		
	LOWEST	HIGHEST	AVERAGE	LOWEST	HIGHEST	AVERAGE
Bogor	120.00	299.65	209.82	0.06	0.06	0.06
Bekasi	179.79	239.72	219.30	0.06	0.08	0.07
Tangerang	149.82	187.28	168.55	0.03	0.08	0.06
Karawang	170.00	185.00	178.75	0.05	0.10	0.06
Serang	149.82	164.81	157.32	0.03	0.05	0.04

*1USD = Rp 13,349

Source: Colliers International Indonesia - Research

Rental Rate

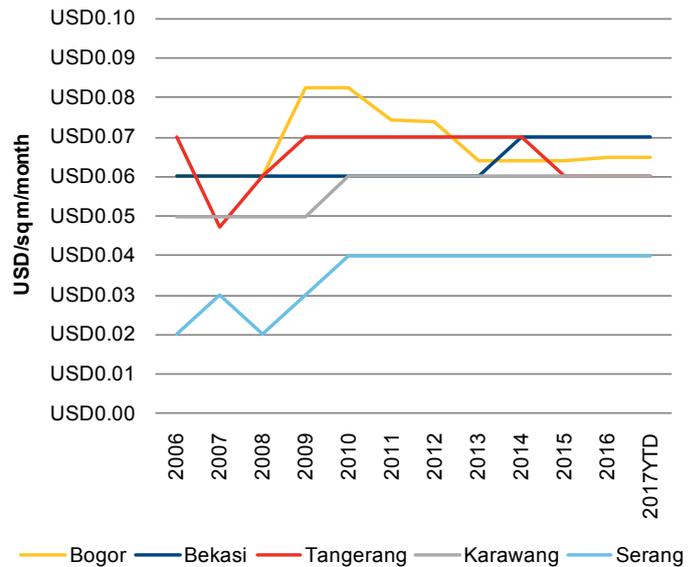
There are a few industrial estates focus on leasing industrial building or land. In Karawang one industrial estate quote for industrial building rental tariff at IDR50,000 to IDR60,000/sq m/month which has been set for several years. Other industrial estate within the same region that primarily sells land also offer industrial buildings for lease at USD7.25/sq m/month. This industrial estate also offers industrial land plots for lease at IDR1.00/sq m/month. One under-construction industrial estate in Karawang has also indicated their rental tariffs for industrial buildings at IDR40,000 / sq m / month.

Bekasi offers higher rental tariff than Karawang. One industrial estate that only focuses on selling industrial land indicated that the secondary rental market for industrial buildings is generally quoted between IDR40,000 and IDR100,000/sq m/month. Meanwhile, standard industrial buildings within one industrial estate in Serang are offered at IDR45,000/sq m/month.

Maintenance Cost

Industrial estate operator saw no reason to make adjustment in the maintenance tariff. Bekasi continues to capture the highest tariff. Next quarter we anticipate one industrial estate in Serang will increase service charge cost by 20% just to catch up with the average market rate.

Greater Jakarta Industrial Maintenance Costs



Source: Colliers International Indonesia - Research

Concluding Thought

The industrial market began with slow start of which the majority of industrial landlords reported a slow sales condition highlighted by decreasing amount of sales volume during the quarter. Nonetheless, most landlords have anticipated such condition and believe that Indonesia economy is in the preparation period to rebound. On the other hand, potential inquiries coming from logistics sector followed by automotive and food industry and others continued to occur. Such interested companies are typically small to medium scale corporation.

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