

**Ferry Salanto** Senior Associate Director | Jakarta

With sales performance hitting a plateau, developers are conservative about their sales targets for 2018. This fact is reflected in the limited number of projects being introduced or launched in Q1. Since the middle class is considered the pillar of the property market, developers have been forced to rethink their marketing strategy to cater to the sweet spot of apartments priced at between IDR500 million and IDR1.5 billion. This range reflects the buying power of Indonesia's growing middle class.

## Forecast at a glance



### Demand

Overall, the Jakarta apartment market has yet to change from Q4 2017 and still features slow take-up. Looking ahead, we think Indonesia's property market will stabilise, but expect a slow recovery until 2019. We also expect the average take-up rate to be 83-85% by end-2019. Furthermore, with the expectation that the new government will settle well after the election in 2019, the take-up rate is expected to reach 87% in 2020.



### Supply

We expect heavy supply of new apartments in the next three years, with a total of 59,968 units, 32% increase from current stock. The fact that Jakarta is the most populated province with limited vacant land will induce new developers to develop their land, either with JV or in collaboration with local land owners or overseas developers.



### Rent

The average rental rate has increased by 1.7% QOQ in the CBD and 2.5% QOQ in South Jakarta (including non-prime). With additional future supply and weak demand, we expect rents to come under more pressure. We forecast the average rent to increase by 1.5-2.5% in the next three years.



### Price

Overall, the asking price of apartments experienced a moderate correction of 0.4% QOQ. This is likely because newly launched projects applied a price that is lower than the overall market. Currently, developers are being more competitive in setting prices. As a result, we expect apartments prices to increase a moderate 4 to 5.5% per annum over the next three years.

# Strata-title Apartment

## Supply

After a dismal period in 2017 with supply projection off the mark, the first quarter of 2018 witnessed 5,589 units of additional supply coming from the completion of nine projects. This figure is more than double last year's supply and represents 22% of the total projected supply in 2018, consisting of 25,410 units. Furthermore, five of the nine projects completed this quarter, namely Sudirman Suites, District 8, Signature Park Grande, Bassura City and St. Moritz, were previously expected to open in 2017. Including the newly completed projects, the total number of existing apartments in Jakarta has reached 189,882 units, or an increase of 3% compared to the previous quarter and 6.1% YOY.

We revise our supply projection for 2018-2020 in the light of slow construction progress, delayed ground-breaking schedule and prevailing issues of receiving timely development permits. We expect the total supply from 2018 to 2020 to reach 59,968 units, more specifically 25,410 in 2018, 20,234 in 2019 and 14,324 units in 2020.

## COMPLETED APARTMENT PROJECTS DURING Q1 2018w

APARTMENT NAME	LOCATION	REGION	DEVELOPER NAME	NO. OF UNITS
Sudirman Suites	Sudirman	CBD	Pikko Group	380
District 8 (Tower Eternity & Infinity)	Senopati	CBD	Agung Sedayu Group	901
Signature Park Grande	MT Haryono	East Jakarta	KSO Fortuna Indonesia	1,100
Bassura City (Tower Jasmine & Heliconia)	Basuki Rahmat	East Jakarta	Synthesis Development	1,180
Pondok Indah Residences	Pondok Indah	South Jakarta	PT Metropolitan Kentjana	880
Gallery West	Kebon Jeruk	West Jakarta	AKR Group	280
St Moritz (The New Ambassador Suite Tower)	Puri Indah	West Jakarta	Lippo Karawaci	200
Ciputra International Puri Indah (Tower Amsterdam)	Lingkar Luar Barat	West Jakarta	Ciputra Group	412
Citra Lake Suites (Tower A & B)	Raya Kresek	West Jakarta	Ciputra and Mitsui Fudosan	256

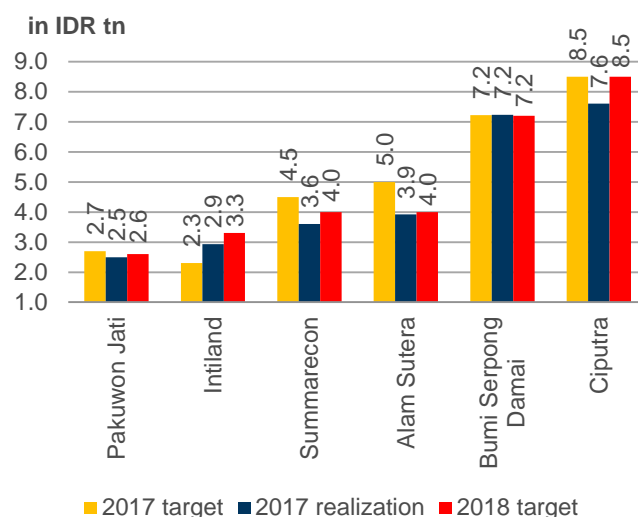
Source: Colliers International Indonesia - Research

Looking forward, developers are becoming more conservative with their 2018 sales target, as the market has been performing slower than expected. Almost all developers were off their 2017 sales target, with only Intiland surpassing their 2017 target. This was also reflected in the limited number of projects introduced in Q1 2018, with only three projects launched for a total of 715 units scattered in the CBD and West Jakarta.

In general, apartment investors are still taking a wait-and-see attitude, given the current lukewarm market that offers a low yield, since the price is already high but with a lower opportunity for capital gains. We believe that buy-and-hold investors are still active in the market. Some evidence may support our thesis, with certain upscale projects being launched successfully despite the current sluggish market. We believe that nowadays investors tend to be pickier and more risk-averse amidst the sluggish economy.

However, as the current market is more driven by end users, the low to middle markets posted better sales last year, bolstering that such markets are resilient even during the slow market condition. Moreover, currently the government of DKI Jakarta declared to promote not only the MRT but also a transit-oriented development (TOD) model that combines transit infrastructure and property development, focusing on delivering better public transport services, whilst at the same time improving connectivity and maximising both the public and private sectors.. Whilst the TOD concept is relatively new for Jakartans, the market seems flat until now since people are waiting to see how the development would progress before making a decision to buy.

## Sales Target and The Realization of Some Property Developers



Source: Developers Press Release

**NEWLY LAUNCHED APARTMENT PROJECTS DURING Q1 2018**

APARTMENT NAME	LOCATION	REGION	EXPECTED COMPLETION YEAR	ESTIMATED PRICE/SQ M	NO. OF UNITS
Casa Domaine (Prive Tower)	Sudirman	CBD	2018	IDR40 - 42 mio	137
Verde Two (Monteverde Tower)	HR Rasuna Said	CBD	2019	IDR43 - 45 mio	124
Cluny Residence (2 towers)	Arjuna Selatan	West Jakarta	2021	IDR31 - 32 mio	454

Source: Colliers International Indonesia - Research

**NEW PIPELINE**

APARTMENT NAME	LOCATION	REGION	DEVELOPER	NO. OF UNITS	DEVELOPMENT STATUS
2018					
Sudirman Suites	Jl. Jend. Sudirman	CBD	Pikko Group	500	Under Construction
Casa Domaine	Jl. Jend. Sudirman	CBD	Lyman Group	302	Under Construction
The Suites Satrio	Jl. Prof. Dr. Satrio	CBD	Ciputra Group	100	Under Construction
Gayanti City (2 Towers)	Jl. Gatot Subroto	CBD	PT Buana Pasifik International	137	Under Construction
Anandamaya Residences (3 towers)	Jl. Jend. Sudirman	CBD	Hongkong Land	614	Under Construction
Lavie	Jl. Denpasar Raya	CBD	Wilsor Group	800	Under Construction
Regent Residences (tower 1)	Semanggi	CBD	PT Kencana Graha Global	1,100	Under Construction
The Elements Epicentrum (2 Towers)	Jl. HR Rasuna Said	CBD	Sinarmas Land	480	Under Construction
T - Plaza Residence (Tower A & C)	Jl. Penjernihan	Central Jakarta	PT Prima Kencana	700	Under Construction
The H Residence Kemayoran (Amethyst)	Jl. Rajawali Selatan	Central Jakarta	Hutama Karya Realtindo	186	Under Construction
Signature Park Grande	Jl. MT. Haryono	East Jakarta	KSO Fortuna Indonesia (Pikko)	500	In Operation
Bassura City (Tower Jasmine)	Jl. Basuki Rahmat	East Jakarta	Synthesis Development	980	In Operation
Bassura City (Tower Heliconia)	Jl. Basuki Rahmat	East Jakarta	Synthesis Development	246	In Operation
Regatta London Tower	Jl. Pantai Mutiara	North Jakarta	Intiland Development	435	Under Construction
Pluit Seaview (Tower Ibiza)	Pluit	North Jakarta	Binakarya Propertindo Group	461	Under Construction
LA City Apartment (Tower A)	Jl. Raya Lenteng Agung	South Jakarta	Pancanaka Samaktha	440	Under Construction
Nine Residence	Warung Buncit	South Jakarta	PT Lippo Karawaci	542	Under Construction
Pakubuwono Terrace Grand Tower	Kebayoran Lama	South Jakarta	PT Selaras Mitra Sejati	240	Under Construction
District 8 (Tower Eternity)	Jl. Senopati	South Jakarta	Agung Sedayu	215	In Operation
District 8 (Tower Infinity)	Jl. Senopati	South Jakarta	Agung Sedayu	660	In Operation
Izzara Apartment (South and North Tower)	TB. Simatupang	South Jakarta	Grage Group	57	Under Construction
Bellevue Place	MT Haryono, Tebet	South Jakarta	Gapura Prima	322	Under Construction
One Casablanca Residence	Jl. Palbatu	South Jakarta	Forza Land	350	Under Construction

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APARTMENT NAME	LOCATION	REGION	DEVELOPER	NO. OF UNITS	DEVELOPMENT STATUS
<i>continuation</i>					
The Foresque	Pasar Minggu	South Jakarta	PT Griya Karunia Sejahtera (Binakarya Propertindo Group)	350	Under Construction
The Langham Residences	Senopati	South Jakarta	Agung Sedayu Group	350	Under Construction
The Aspen Peak at Admiralty (Tower D)	Jl. Fatmawati	South Jakarta	PT Harmas Jalasveva	880	Under Construction
Casa Grande Residence 2 (Tower Angelo)	Jl. Casablanca	South Jakarta	Pakuwon Group	545	Under Construction
Casa Grande Residence 2 (Tower Bella)	Jl. Casablanca	South Jakarta	Pakuwon Group	381	Under Construction
Casa Grande Residence 2 (Tower Chianti)	Jl. Casablanca	South Jakarta	Pakuwon Group	200	Under Construction
Pondok Indah Residences (3 Towers)	Pondok Indah	South Jakarta	Metro Pondok Indah	500	In Operation
Pakubuwono Spring (2 towers)	Jl. Teuku Nyak Arief	South Jakarta	PT Simprug Mahkota Indah (Agung Podomoro Group)	280	Under Construction
Branz Simatupang (2 tower)	Jl. TB Simatupang	South Jakarta	Tokyuland	900	Under Construction
Synthesis Residence Kemang (3 towers)	Jl. Ampera Raya	South Jakarta	Synthesis Development	1,050	Under Construction
Gianetti Apartment	Jl. Kebon Jeruk Raya	West Jakarta	Bangun Investa Graha	400	In Operation
Gallery West	Jl. Panjang	West Jakarta	AKR	3,000	Under Construction
Puri Mansion Apartment (Tower Amethyst)	Jl. Lingkar Luar Barat	West Jakarta	Agung Sedayu Group	412	Under Construction
Puri Orchard (Cedar Heights tower)	Jl. Raya Adicipta	West Jakarta	PT Adicipta Graha Kencana (Serenity Group)	300	Under Construction
Vittoria Residence (3 tower)	Jl. Daan Mogot	West Jakarta	PT Duta Indah Kencana	116	Under Construction
Taman Anggrek Residence (6 towers)	Jl. Tanjung Duren	West Jakarta	Agung Sedayu	140	Under Construction
Ciputra International Puri Indah (Tower Amsterdam)	Jl. Lingkar Luar Barat	West Jakarta	Ciputra Group	412	In Operation
Grand Madison Park	Jl. Tanjung Duren	West Jakarta	Agung Podomoro Group	300	Under Construction
Citra Lake Suites (Tower Rosewood)	Jl. Raya Kresek	West Jakarta	Ciputra Group	116	In Operation
Citra Lake Suites (Tower Greenwood)	Jl. Raya Kresek	West Jakarta	Ciputra Group	140	In Operation
Ciputra International Puri Indah (Tower Barcelona)	Jl. Lingkar Luar Barat	West Jakarta	Ciputra Group	335	Under Construction
Puri Mansion Apartment (Tower Crystal)	Jl. Lingkar Luar Barat	West Jakarta	Agung Sedayu Group	700	Under Construction
West Vista (2 towers)	Jl. Lingkar Luar Barat	West Jakarta	PT Harapan Global Niaga	2,840	Under Construction
<i>continued</i>					

APARTMENT NAME	LOCATION	REGION	DEVELOPER	NO. OF UNITS	DEVELOPMENT STATUS
<i>continuation</i>					
<b>2019</b>					
South Hill	Jl. Denpasar Raya	CBD	Dua Mutiara Group	611	Under Construction
The Residences at The St. Regis Jakarta	Jl. HR Rasuna Said	CBD	Rajawali Property Group	164	Under Construction
Arandra Residence	Jl. Cempaka Putih Raya	Central Jakarta	Gamaland	687	Under Construction
Sudirman Hill Residence	Jl. Karet Pasar Baru Barat	Central Jakarta	PT Muliaguna Propertindo Development	299	Under Construction
Menara Jakarta (Tower Equinox)	Kemayoran	Central Jakarta	Agung Sedayu	396	Under Construction
Menara Jakarta (Tower Azure)	Kemayoran	Central Jakarta	Agung Sedayu	860	Under Construction
The Linq Kemayoran (2 towers)	Kemayoran	Central Jakarta	KG Global	1,020	Under Construction
Menteng 37	Jl. Menteng	Central Jakarta	Pikko Group & Wijaya Wisesa (JV)	99	Under Construction
Sentra Timur Residence (Tower Safir)	Pulogebang	East Jakarta	Bakrieland Development	605	Under Construction
Pluit Seaview (Tower Bahama)	Pluit	North Jakarta	Binakarya Propertindo Group	650	Under Construction
Regatta Apartment (Tower New York)	Pantai Mutiara	North Jakarta	Intiland Development	186	Under Construction
Sedayu City (Tower Melbourne)	Jl. Pegangsaan Dua Raya	North Jakarta	Agung Sedayu	912	Under Construction
Jaya Ancol Seafront - Oceana Tower	Ancol	North Jakarta	Jaya Ancol	524	In Planning
Orient Residence	Jl. Yos Sudarso	North Jakarta	PT Tri Raton Mega	225	Under Construction
Gold Coast Apartment (Bahama Tower)	Pantai Indah Kapuk	North Jakarta	Agung Sedayu	600	Under Construction
Gold Coast Apartment (Carribean Tower)	Pantai Indah Kapuk	North Jakarta	Agung Sedayu	600	Under Construction
Gold Coast Apartment (Honolulu Tower)	Pantai Indah Kapuk	North Jakarta	Agung Sedayu	600	Under Construction
La Foret Vivante	Permata Hijau	South Jakarta	PT Mahkota Properti Indo Permata	253	In Planning
45 Antasari (2 Towers)	Jl. P. Antasari	South Jakarta	Cowell Development	1,924	Under Construction
Arzuria Apartment	Jl. Tendean	South Jakarta	Tolaram Group	210	Under Construction
Fatmawati City Center - Corona Park Suite Tower	Jl. Fatmawati	South Jakarta	Agung Sedayu	620	Under Construction
Ratu Prabu 3 Residences	Jl. TB Simatupang	South Jakarta	PT Ratu Prabu Tiga	61	Under Construction
Samara Suites	Jl. Gatot Subroto	South Jakarta	Synthesis Development	300	Under Construction
Lavish Kemang Residence	Jl. Kemang Raya	South Jakarta	PT Kemang Karya Utama	474	Under Construction
Permata Hijau Suites	Jl. Raya Kebayoran Lama	South Jakarta	PT Palmerindo Properti	649	Under Construction
TBS Tower Apartment	TB Simatupang	South Jakarta	PT Mahkota Asia Graha	162	Under Construction
Kasamara Residence	Jl. Kesehatan Raya	South Jakarta	PT MGM Propertindo	151	In Planning
19 Avenue Apartment (Tower B)	Daan Mogot	West Jakarta	Margahayu Land	416	Under Construction

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APARTMENT NAME	LOCATION	REGION	DEVELOPER	NO. OF UNITS	DEVELOPMENT STATUS
<i>continuation</i>					
Green Sedayu Apartment (Tower Pasadena)	Jl. Kamal Raya	West Jakarta	Agung Sedayu	644	Under Construction
Daan Mogot City (3 towers)	Jl. Daan Mogot	West Jakarta	PT China Harbour Jakarta Real Estate Development	700	Under Construction
Verde Two (Tower West)	HR Rasuna Said	CBD	Farpoint Realty	152	Under Construction
Royal Suites	Kemayoran	Central Jakarta	Springhill Golf Group	450	Under Construction
Gold Coast Apartment (Atlantic Tower)	Pantai Indah Kapuk	North Jakarta	Agung Sedayu	568	Under Construction
The Kensington Royal Suites (4 Tower)	Kelapa Gading	North Jakarta	Summarecon	790	Under Construction
Selatan 8 (Tower Prabu)	Jl. Raya Ulujami	South Jakarta	Karya Cipta Group	344	Under Construction
St Moritz (The New Ambassador Suite Tower)	Puri Indah Kembangan	West Jakarta	Lippo Karawaci	200	Under Construction
Puri Orchard (Magnolia Spring tower)	Jl. Raya Adicipta	West Jakarta	PT Adicipta Graha Kencana (Serenity Group)	544	Under Construction
Citra Living Apartment (Somerset Tower)	Jl. Citra 7	West Jakarta	Citra Mitra Graha KSO	312	Under Construction
Citra Living Apartment (Orchard Tower)	Jl. Citra 7	West Jakarta	Citra Mitra Graha KSO	312	Under Construction

## 2020

Verde Two (Tower East)	Jl. HR Rasuna Said	CBD	Farpoint Realty	182	Under Construction
Le' Parc	Jl. MH Thamrin	CBD	PT Putragaya Wahana	100	Under Construction
The Newton at Ciputra World 2	Jl. Karet Sawah	CBD	Ciputra Group	450	Under Construction
Holland Village (Phase II)	Cempaka Putih	Central Jakarta	PT Lippo Karawaci	230	Under Construction
The Stature Jakarta	Jl. Kebon Sirih	Central Jakarta	Capitaland and Credo Group	87	Under Construction
The Sahid Asena Apartment and Garden	Ciracas	East Jakarta	Sahid Group	476	In Planning
Prajawangsa City (8 towers)	Jl. Raya Bogor	East Jakarta	Synthesis Development	4,000	In Planning
East 8 (2 towers)	Cibubur	East Jakarta	Karya Cipta Group	1,172	Under Construction
Sedayu City (Tower Darwin)	Jl. Pegangsaan Dua Raya	North Jakarta	Agung Sedayu	936	In Planning
Regatta (Tokyo, Acapulco, Sydney Towers)	Jl. Pantai Mutiara	North Jakarta	Intiland Development	276	In Planning
Kemang Penthouse	Jl. P. Antasari	South Jakarta	PT Senopati Aryani Prima & PT Mahardika Gagas Sejahtera	114	In Planning
Antasari Heights (One Otium Residence)	Jl. P. Antasari	South Jakarta	PT Radinka Quatro Land	360	Under Construction
Selatan 8 (Tower Sultan)	Kebayoran Lama	South Jakarta	Karya Cipta Group	336	Under Construction
Fatmawati City Center(5 towers)	Fatmawati	South Jakarta	Agung Sedayu	2,080	Under Construction
Aerium Taman Permata Buana (South Tower)	Taman Permata Buana	West Jakarta	PT Itomas Kembangan Perdana (Sinarmas Land & ITOCHU)	366	Under Construction

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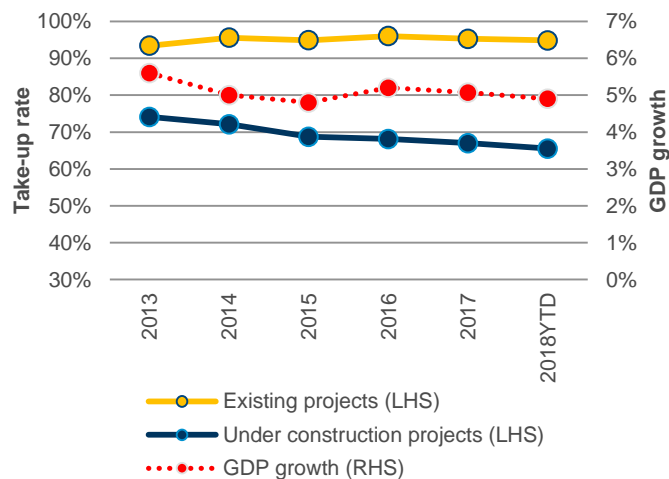
APARTMENT NAME	LOCATION	REGION	DEVELOPER	NO. OF UNITS	DEVELOPMENT STATUS
Green Sedayu Apartment (Tower New York)	Jl. Kamal Raya	West Jakarta	Agung Sedayu	920	In Planning
Tomang Park Apartment (2 towers)	Jl. Tawakal Ujung Raya	West Jakarta	PT Phoenix Property	2,000	In Planning
Citra Lake Suites (Tower Oakwood)	Jl. Raya Kresek	West Jakarta	Ciputra Group	117	Under Construction
Citra Lake Suites (Tower Sherwood)	Jl. Raya Kresek	West Jakarta	Ciputra Group	122	Under Construction
<b>2021</b>					
The Hundred Residence	Mega Kuningan	CBD	PT Farpoint Realty Indonesia	100	Under Construction
57 Promenade	Jl. Kebon Melati	CBD	Intiland	496	Under Construction
The Pakuwono Menteng	Jl. Sabang	Central Jakarta	Pakuwono Development	340	Under Construction
Southeast Capital (Cattleya Tower)	Jl. Bina Marga	East Jakarta	PT Sayana Integra Properti (Trivo Group)	823	Under Construction
West Point Apartment	Jl. Macan	West Jakarta	PT Andaland Property	272	Under Construction
Cluny Residence (2 towers)	Jl. Arjuna Selatan	West Jakarta	PT Alam Makmur Property	454	In Planning

Source: Colliers International Indonesia - Research

## Demand

Overall, the performance of the apartment market in Jakarta has yet to change from the last quarter of 2017 and is still characterised by slow take-up, due to softening demand, particularly from investors. This is despite several banks offering aggressive mortgage promotions with extremely low rates of 3-5% for the first two years, applied to certain products from certain cooperating developers. Developers offering attractive marketing gimmicks and flexible payment methods have yet to spark demand. However, some upscale developments have seen some success. We believe that brand image and suitable concepts play crucial roles in the marketability of an apartment. Furthermore, the average take-up rate for both existing apartments and those under construction experienced a very slight decrease of less than 1% to 85.7% QOQ.

## Take-up Rate of Apartments and How It Relates with GDP Growth



Source: Colliers International Indonesia - Research, Statistics Indonesia

Indonesia's GDP has been trending downward since 2013, which might impact to the overall affordability. Since the middle class is considered as the pillar of the property market, developers have been forced to rethink their marketing strategy to cater to the sweet spot of apartments priced between IDR500 million and IDR1.5 billion. This range reflects the buying power of Indonesia's growing middle class.

Looking forward, we believe Indonesia's property market will stabilise, but a slow recovery is expected in the near

to medium term. Indeed, we remain cautious on the prospects for property demand given the upcoming presidential elections which may create political uncertainty. This, along with the prospect of rising interest rates and the limited room for the Bank Indonesia to conduct further monetary easing leaves buyers taking a wait-and-see stance.

## Asking Price

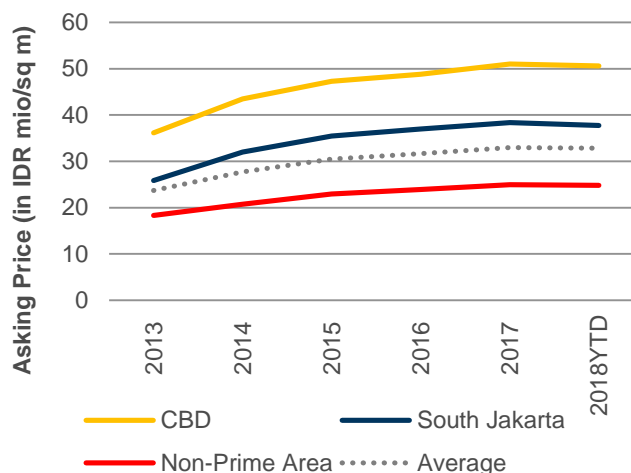
The asking price of apartments experienced a moderate correction due to newly launched apartment projects applying a price lower than the overall market price. This resulted in a 0.4% decrease in price QOQ in Q1 2018 to IDR32.8 million/sq m. Furthermore, comparing the three submarkets, the price decline in South Jakarta was the steepest, as these projects in the second tier areas such as Cipulir, Ciledug and surrounding Kebayoran Lama target the low to middle segments. In addition, with a number of new developments and significant new launches in the market, the competition amongst developers is also becoming more intense, thus resulting in downward pressure on price growth.

### Average Asking Price (in IDR mil/sq m) in Three Areas

	Q1 2017	Q4 2017	Q1 2018	QOQ	YOY
CBD	49.6	51.0	50.6	-0.7%	2.0%
South Jakarta	37.2	38.4	37.8	-1.7%	1.4%
Non-prime Area	24.2	24.9	24.8	-0.6%	2.3%
Average	32.1	33.0	32.8	-0.4%	2.3%

Source: Colliers International Indonesia - Research

### Asking Prices of Jakarta Apartment (2013 - 2018YTD)



Source: Colliers International Indonesia - Research

We believe that developers will continue with their existing strategy, which is to carefully set the price in order to maintain sales volume. Considering the current market condition, when potential buyers are more cautious in buying an apartment, developers have to provide more incentives and appealing marketing gimmicks, as well as become more competitive on pricing. Furthermore, we believe that weakening demand will make it more difficult to sell expensive properties, thus higher discounts will be needed to attract buyers. As a result, we expect a moderation in apartment prices in the next couple of quarters.

## Apartment for Lease

### Supply

No new serviced or non-serviced apartments were completed in Q1 2018, leaving current market supply at 8,860 units. This consists of approximately 60% serviced apartments and 40% non-serviced apartments. The CBD and South Jakarta are irreplaceable as living areas for expatriates due to their proximity to the business district and international schools, with more rental apartments in the CBD than in South Jakarta.



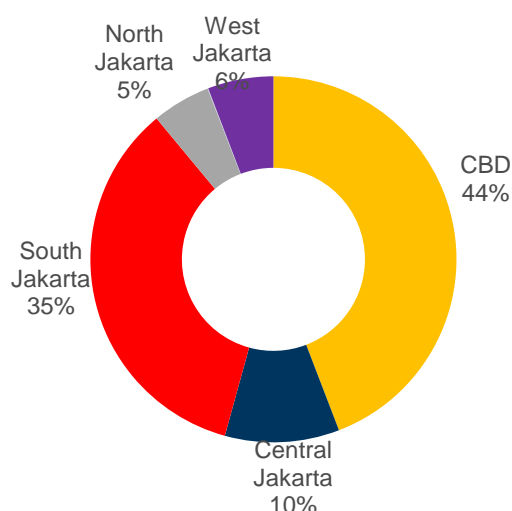
## PIPELINE OF FUTURE SERVICED APARTMENT PROJECTS

APARTMENT NAME	LOCATION	REGION	EXPECTED COMPLETION YEAR	NO. OF UNITS
Ascott Sudirman Jakarta	Jl. Prof Dr Satrio	CBD	2018	192
Oakwood Premier	SCBD	CBD	2018	180
Somerset Kentjana Jakarta	Pondok Indah	South Jakarta	2018	148
Somerset Sudirman Jakarta	Jl. Kemang Raya	South Jakarta	2020	162
Ascott Menteng Jakarta	Menteng	CBD	2021	151
Fraser Suites Kebon Melati	Kebon Melati	CBD	2022	TBA

Source: Colliers International Indonesia - Research

Three serviced apartment projects are expected to start their operation in 2018, namely Ascott Sudirman Jakarta, Oakwood Premiere at District 8 Senopati, and Somerset Kentjana, bringing the total number of units to 523.

### Distribution of Apartment for Lease



Source: Colliers International Indonesia - Research

## Occupancy

In general, demand for apartments for lease in Jakarta remains weak in the first quarter of 2018. Dealing with increased competition from individually owned strata-title apartments and the shrinking number of arriving expatriates is a double whammy, making it harder for vacant units to be absorbed. This pushed the average occupancy rate from 71.2% in Q4 2017 to around 71% in Q1 2018.

### Occupancy Rate Changes of Apartment for Lease by Type

	Q1 2017	Q4 2017	Q1 2018	QOQ	YOY
Non-serviced	74.6%	74.4%	73.9%	-0.5%	-0.7%
Serviced	66.9%	65.3%	65.6%	0.3%	-1.3%

Source: Colliers International Indonesia - Research

### Occupancy Rates in Different Locations in Jakarta

	Q1 2017	Q4 2017	Q1 2018	QOQ	YOY
CBD	77.3%	75.1%	75.1%	0.0%	-2.2%
South Jakarta	68.3%	68.5%	68.0%	-0.5%	-0.3%
Non-prime Area	69.2%	69.6%	69.3%	-0.3%	0.1%

Source: Colliers International Indonesia - Research

In early March, the Indonesian government reiterated its intention to simplify the work permits process for foreign workers as a move to fulfil the country's needs for experts, improve the business climate and support the spirit of openness regarding the country's economy. We think that the soon-to-be-released new regulation will have several benefits for both Indonesia and expatriates who wish to work in Indonesia. Expatriates will have easier access to work, whilst the country will attract more investments and at the same time benefit from the transfer of knowledge from the expatriates.

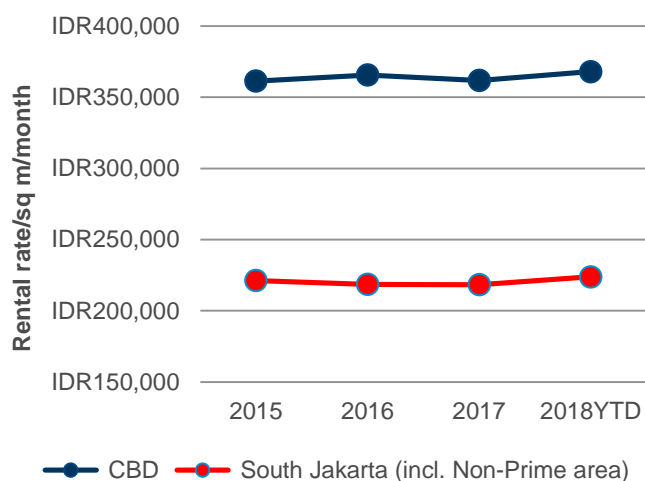
On the other hand, there will be a number of new serviced apartment projects in the upcoming years that are expected to enrich Jakarta's serviced apartment market by providing more choice for tenants, but which will also intensify market competition. As such, we predict the average occupancy level for apartments for lease in Jakarta to be corrected, albeit moderately, to 68-70% in the next three years.

## Rental Rates

Almost all serviced and non-serviced apartments kept their rental rates unchanged, whilst only a few chains of international serviced apartments confidently increased their average rates by between 3% and 15%. The average rental rate has showed an upward trend by recording a moderate increment of 1.7% and 2.5% QOQ in the CBD and South Jakarta (including non-prime areas) respectively.

Even with the flat rents, it is still tough to attract tenants in the currently soft rental market. As it is currently a tenants' market, landlords or operators are typically open for negotiation and willing to reduce rents. Furthermore, in order to keep the units occupied, landlords are willing to offset the reduction in the rents with the long-term leases. Based on our findings in several serviced and non-serviced apartments, the real transaction rates could be reduced by 10% and a maximum of 30% from the published rental rates.

### Average Rental Rates of Apartment for Lease in Different Locations in Jakarta



Source: Colliers International Indonesia - Research

Going forward, rental rates are expected to decline in the next year, particularly for old apartments, as the key drivers of the leasing market remain weak.

With the leasing landscape evolving, from senior level executives to more younger single Asian expatriates, this will benefit individually owned strata-title apartments, where such demand is targeted. However, the supply of new units, particularly in middle-upper to upper class apartments, continues to balloon in 2018 in sought after areas for expatriates. And although demand is expected to increase as the government will ease work permit regulations in Indonesia, new supplies seem to outrun occupancy rate, thus giving downward pressure on the rental rates for the near to medium term.

## Concluding Thought

Demand for apartments has been under pressure over the last three years as a result of the overall economic slowdown, weakening purchasing power and discussions of a revision of the property tax. Big developers with strong financial background had offered financing incentives, such as accepting cash instalments for up to 60 months in an effort to provide payment flexibility. Even with the aggressive mortgage promotions provided by several banks, there are still no signs of improvement for the apartment market.

On the other hand, the leasing market will benefit from the existence of both senior level executives and younger single Asian expatriates who might be interested in renting individually owned strata-title apartments. Although demand is expected to increase, along with the government's plan to ease work permit regulations, it may be difficult to offset the abundant supply in 2018 and thus downward pressure on rental rates may continue for the near to medium term.

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