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**Demand rose slightly this quarter, highlighted by several transactions involving large space. The office market, and particularly the CBD, is anticipating the highest ever amount of new supply, which is scheduled for completion in 2018. Landlords should ideally pursue a minimum of 60% occupancy to cover their operating costs. However, in this tenant market situation, tenants demand more room for negotiation. In anticipation for market recovery in the next two or three years, contractual leasing should not exceed five years.**

## Forecast at a glance



### Demand

YOY demand in the CBD is should increase by 15% through the end of 2018. Flexible workspace and ecommerce will continue to actively expand their operations, benefiting from the current tenant's market. Over the next three years, the expanding sectors will include a contractor (from the infrastructure works) and technology-based, mining and energy companies.



### Supply

More sizeable future office buildings (as compensation of higher plot ratio) are in the pipeline to come online through 2021. From 2018 to 2021, the total anticipated supply is 1.8 million sq m in the CBD and approximately 890,000 sq m outside the CBD.



### Occupancy

The large quantity of future supply will push occupancy rates to erode further this year. Occupancy rates in the CBD should hit bottom at 79.1% by the end of 2018.



### Rents

The overall change in the asking rental rates very much depends on the availability of expensive office spaces supplied by Grade A and premium buildings. In a tenants' market, however, we believe that landlords are generally in the stance of prioritising occupancy, becoming more flexible in rental negotiations. We believe that contracted rents will still receive more pressure in the current market.



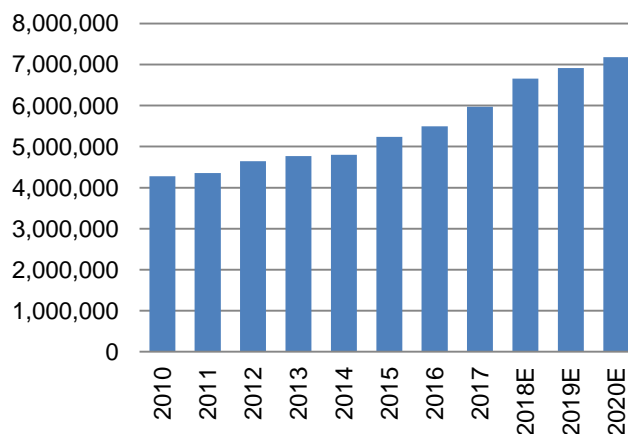
### Prices

Landlords maintain their price levels from last quarter. Going forward, we do not see any room for price adjustment primarily when the market is expecting a substantial amount of new supply going forward.

# Central Business District (CBD)

## Office Space for Lease Supply

Cumulative Office Supply in the CBD



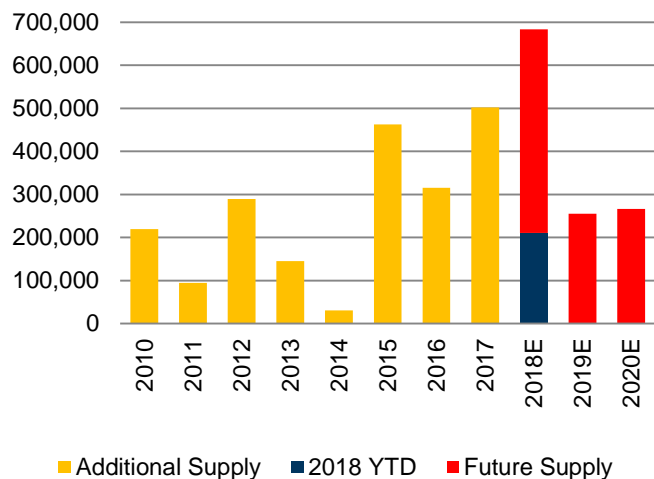
Source: Colliers International Indonesia - Research

Adding office inventory in the CBD are two new buildings, Prosperity and Treasury Tower, located in the SCBD area. These high-rise buildings contributed approximately 200,000 sq m, bringing cumulative supply to 6.2 million sq m as of Q1 2018. This is an increase of 10.6% YOY.

Furthermore, the CBD office market is projected to see another 470,000 sq m of new supply in 2018. We expect approximately 10 new buildings will begin operation this year, the largest addition of new supply ever. From 2018 to 2020, the total new supply will be 1.2 million sq m.

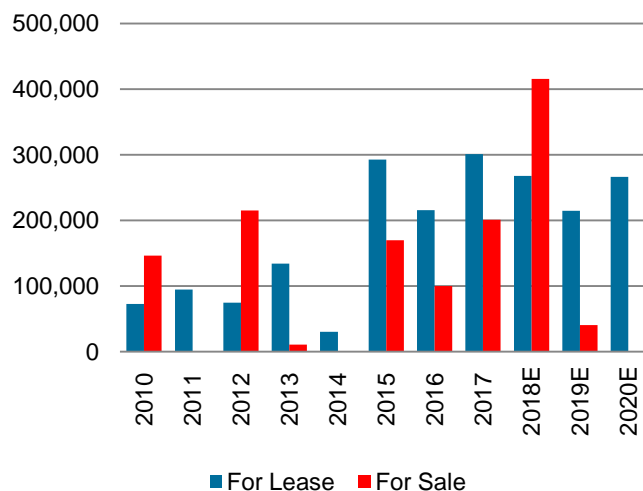
Projected annual new supply for 2019-2020 should be lower compared to previous years, however, we expect this will rebound with projects in the pipeline from 2020 onward. Three future establishments, namely Icon Tower, Mori Building and Daswin Tower, have started construction. In addition, future projects including Mangkuluhur and The City Center are planned to be built next to the office building within their mixed-use complex. Other future plans include the redevelopment of SSI (Surya Semesta Internusa) Tower and Wisma Sudirman.

### Annual Office Supply in the CBD



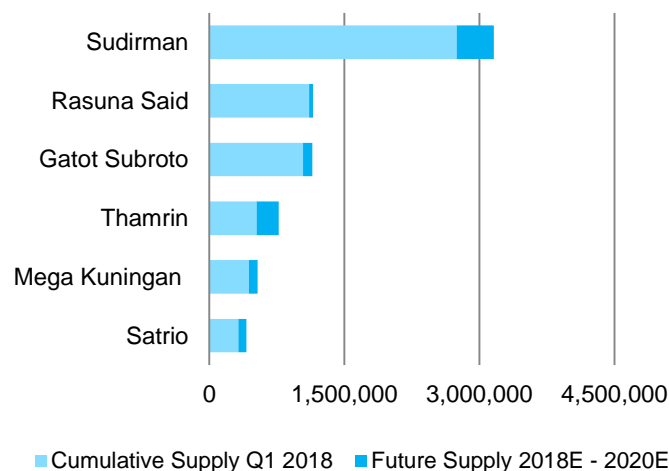
Source: Colliers International Indonesia - Research

### Annual Office Supply in the CBD Based on Marketing Scheme



Source: Colliers International Indonesia - Research

### Cumulative Office Supply in the CBD Based on Area



Source: Colliers International Indonesia - Research

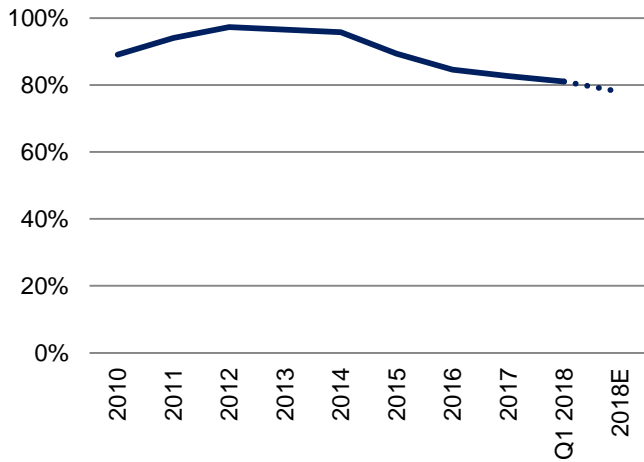
## SUPPLY PIPELINE IN THE CBD

OFFICE BUILDING	LOCATION	SGA (SQ M)	MARKETING SCHEME	STATUS DEVELOPMENT
2018				
Menara Astra	Sudirman	80,000	For Lease	Under Construction
Revenue Tower	Sudirman	40,000	For Lease	Under Construction
The Tower	Gatot Subroto	56,492	For Sale	Under Construction
Sequis Tower	Sudirman	78,000	For Lease	Under Construction
Sopo Del Tower B	Mega Kuningan	24,300	For Sale	Under Construction
Sudirman 7.8 Tower 1	Sudirman	52,000	For Sale	Under Construction
World Trade Center III	Sudirman	70,000	For Lease	Under Construction
World Capital Tower	Mega Kuningan	72,000	For Sale	Under Construction
2019				
Lippo Thamrin Office Tower	MH Thamrin	16,500	For Sale	Under Construction
T Tower	Gatot Subroto	24,000	For Sale	Under Construction
Thamrin Nine	MH Thamrin	97,500	For Lease	Under Construction
Millenium Centennial Tower	Sudirman	93,588	For Lease	Under Construction
Social Security Tower	HR Rasuna Said	23,500	For Lease	Under Construction
2020				
Graha Binakarsa (redevelopment)	HR Rasuna Said	20,000	For Lease	Under Construction
Chitaland	Satrio	90,000	For Lease	Under Construction
Indonesia Satu North Tower	MH Thamrin	43,000	For Lease	Under Construction
Indonesia Satu South Tower	MH Thamrin	88,500	For Lease	Under Construction
Gayanti City	Gatot Subroto	25,000	For Lease	Under Construction
2021				
Daswin Tower	HR Rasuna Said	100,000	For Lease	Under Construction
Jakarta Office Tower by MORI	Sudirman	90,000	For Lease	Under Construction
Icon Tower	Sudirman	200,000	For Lease	Under Construction
SSI Tower (Graha Surya Internusa)	HR Rasuna Said	80,000	For Lease	In Planning
Mangkuluhur Tower II	Gatot Subroto	81,000	For Sale	In Planning
Tower Two at The City Center	Sudirman	101,260	For Sale	In Planning
The Hundred	Mega Kuningan	45,000	For Lease	In Planning
Synthesis Square	Gatot Subroto	20,000	For Lease	In Planning
Wisma Sudirman (redevelopment)	Sudirman	35,000	For Lease	In Planning

Source: Colliers International Indonesia - Research

## Occupancy

### Average Occupancy Rates in the CBD



Source: Colliers International Indonesia - Research

### Average Occupancy Rates in the CBD Based on Building Grade

Building Grade	Q1 2017	Q4 2017	Q1 2018
Premium	78.9%	76.0%	68.7%
Grade A	78.2%	78.5%	77.8%
Grade B	90.6%	91.7%	91.9%
Grade C	88.7%	86.7%	86.2%

Source: Colliers International Indonesia - Research

### Average Occupancy Rates in the CBD Based on Area

Area	Q1 2017	Q4 2017	Q1 2018
Thamrin	91.8%	91.3%	91.6%
Sudirman	85.9%	85.3%	80.0%
Rasuna Said	86.7%	86.2%	89.3%
Mega Kuningan	67.2%	71.5%	68.5%
Gatot Subroto	75.0%	77.1%	76.7%
Satrio	80.2%	68.1%	76.0%

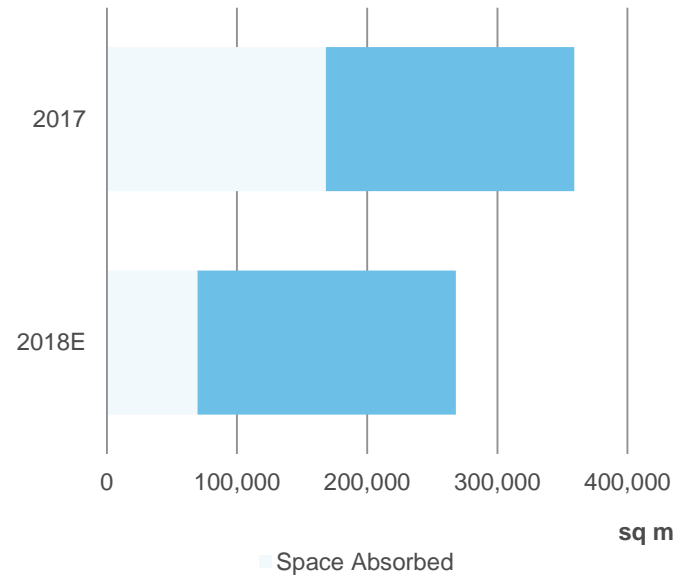
Source: Colliers International Indonesia - Research

Occupancy fell to 81.1% in Q1 2018, particularly from vacant spaces in office buildings completed in 2017 and 2018. Furthermore, several office buildings that were completed in 2015 and 2016 are still approximately 50% occupied as of Q1 2018.

The sharp decline in occupancy in Premium Grade office buildings was more due to the influx of new supply in Q1 2018. Several Premium Grade buildings showed moderate improvements in occupancy. Due to additional new supply of upscale buildings coming online this year, we anticipate a declining occupancy trend at least

through Q3 2018. A similar situation is likely for Grade A buildings, despite their stable occupancy since last year.

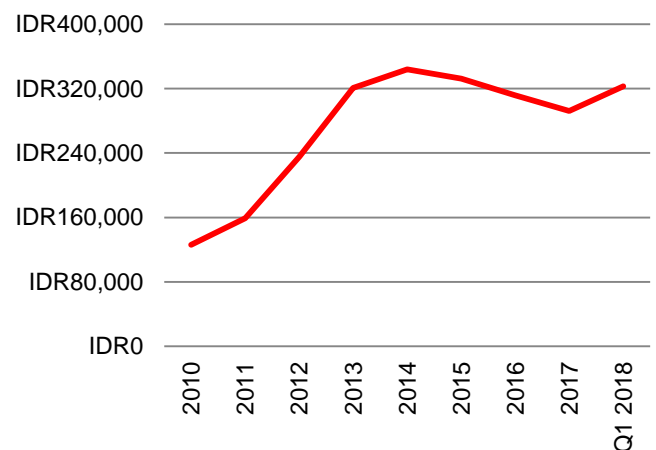
### Pre-Committed Absorption of Office Supply in 2017 – 2018



Source: Colliers International Indonesia - Research

## Rents

### Average Asking Base Rents in the CBD



Source: Colliers International Indonesia - Research

The average base rental rates for office buildings in the CBD strengthened by 10% to reach IDR322,866/sq m/month, mainly because of the new premium office buildings. Premium and Grade A office buildings saw rental increases of 15.6% and 4.1% YOY respectively. In contrast, rental rates for Grade B and C buildings were down 6% to 16% YOY respectively, particularly because landlords are prioritising lifting the occupancy level.

## CBD Average Asking Base Rents by Grade (IDR/sq m/month)

	Q1 2017	Q4 2017	Q1 2018
Premium	397,050	449,283	459,110
Grade A	298,929	280,854	311,055
Grade B	240,069	234,746	226,399
Grade C	207,706	177,343	175,445

Source: Colliers International Indonesia - Research

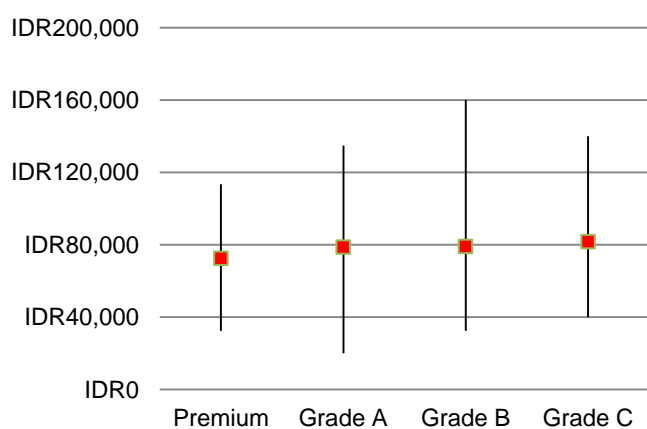
## CBD Average Asking Base Rents by Submarket (IDR/sq m/month)

	Q1 2017	Q4 2017	Q1 2018
Thamrin	351,369	291,535	275,499
Sudirman	304,556	310,964	355,228
Rasuna Said	273,105	246,696	250,929
Mega Kuningan	268,183	252,665	255,862
Gatot Subroto	303,144	338,600	349,096
Satrio	262,000	234,679	268,810

Source: Colliers International Indonesia - Research

## Service Charges

### CBD Service Charges by Grade



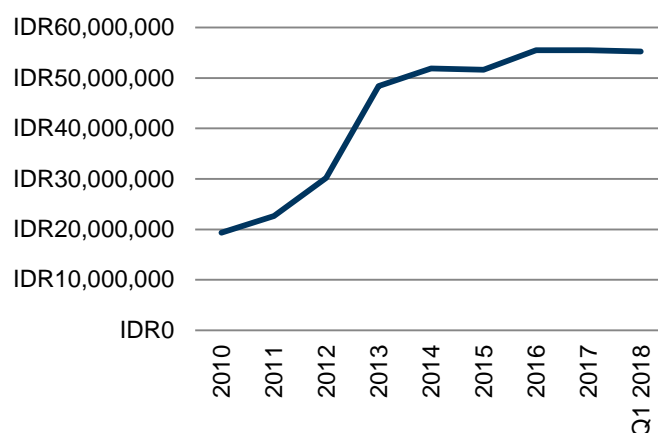
Source: Colliers International Indonesia - Research

The overall service charge tariffs were relatively stable at IDR78.344 /sq m/month as of Q1 2018. The maintenance tariff of buildings for lease was quoted at an average of IDR88,633/sq m/month, whilst for strata-title buildings for sale the tariff was IDR48,329/sq m/month.

About 20% of the total office buildings in the CBD have service charge tariffs starting at IDR100,000/sq m/month. Surprisingly, the most expensive service charge tariff was offered by Grade C office buildings, even higher than their basic rental rates.

## Strata-title

### CBD Average Asking Prices

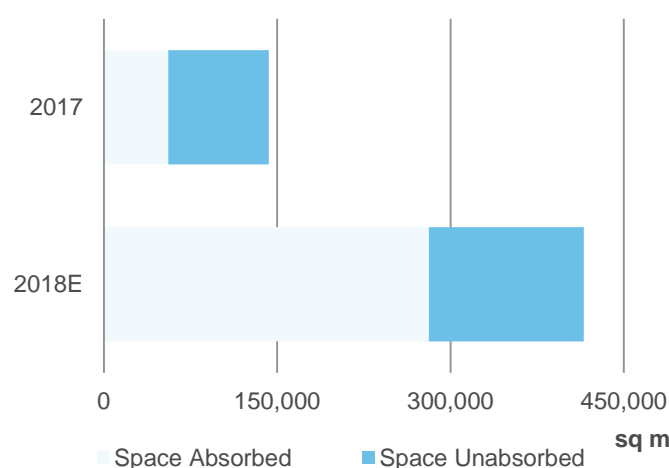


Source: Colliers International Indonesia - Research

The cumulative supply of office space for sale in the CBD was 1.6 million sq m, representing about 26% of the total office supply in the CBD as of Q1 2018. The new Prosperity and Treasury Tower are offered as strata-title offices. Thus far in 2018, the total office space for sale in the CBD is around 415,000 sq m.

Almost 70% of the strata space was precommitted for supply coming online in 2018. Although this is relatively high, the level was flat QOQ. Without any significant increase in absorption, prices were also flat at IDR55 million/sq m in Q1 2018.

### Pre-Committed Absorption of Strata-title Office Buildings in 2017 – 2018



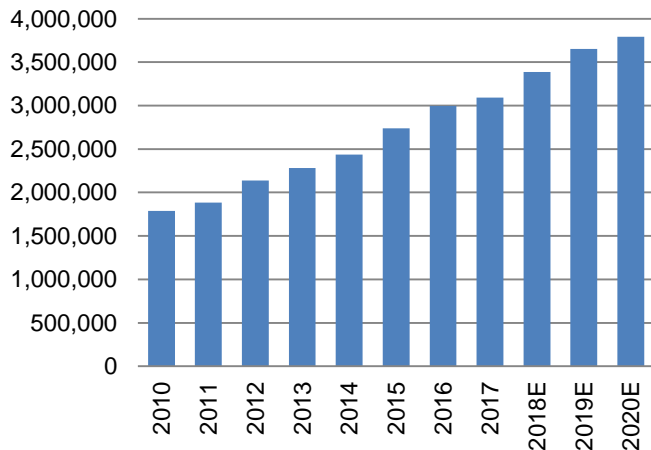
Source: Colliers International Indonesia - Research

# Outside the CBD

## Office Spaces Offered for Lease

### Supply

#### Cumulative Office Supply Outside the CBD



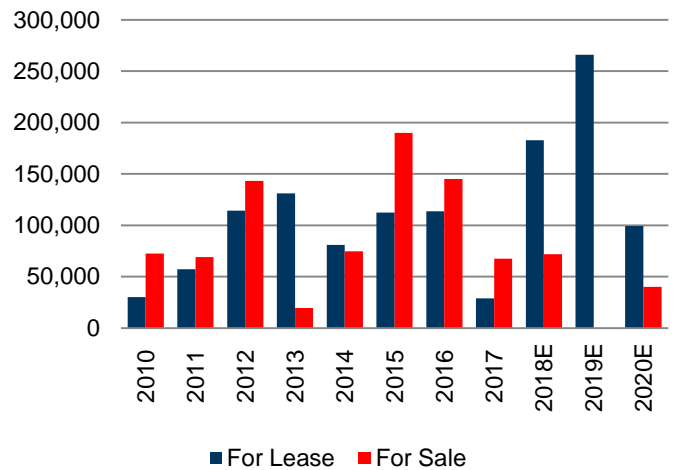
Source: Colliers International Indonesia - Research

This quarter marked two notable buildings coming online, although comparatively smaller to those in the CBD. The Premium Office Suites (located in Sunter, North Jakarta) and Hermina Tower (located in Kemayoran, Central Jakarta) officially opened in Q1 2018. The total additional 40,000 sq m from these two buildings brought the cumulative supply outside the CBD to 3.1 million sq m, an increase of 3.2% YOY. In the remainder of 2018, there should be additional supply from 11 office buildings that will complete construction and start operation. These 11 office buildings will contribute around 250,000 sq m of space.

Pantai Indah Kapuk (PIK), one of the main commercial areas in North Jakarta, should see the addition of at least two buildings through the end of 2019. The increase of commercial office buildings at PIK, namely Arcade Business Center and Agung Sedayu Office Tower, will complement the concept of an integrated business area, where retail centres and upscale residential developments already exist.

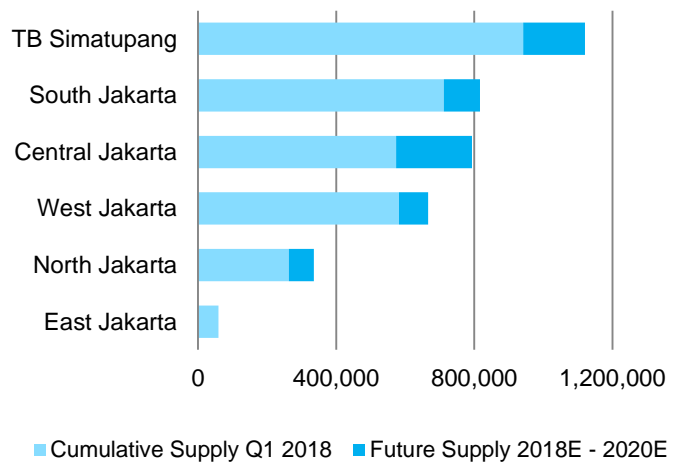
TB Simatupang are expecting two office buildings in 2018, The Sima and Zuria Tower. These establishments will bring the cumulative supply in TB Simatupang to 1 million sq m in 2018.

#### Annual Supply Based on Marketing Scheme



Source: Colliers International Indonesia - Research

#### Annual Office Supply Outside the CBD Based on Area



Source: Colliers International Indonesia - Research

## SUPPLY PIPELINE OUTSIDE THE CBD

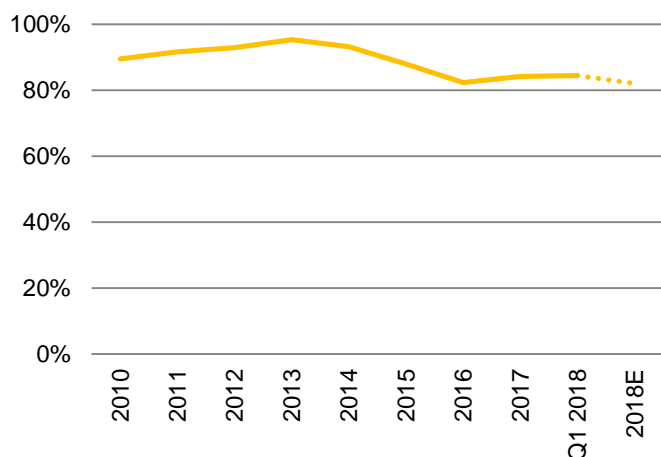
OFFICE BUILDING	LOCATION	AREA	SGA (SQ M)	MARKETING SCHEME	STATUS DEVELOPMENT
2018					
St Moritz Office Tower	Puri Indah	West Jakarta	30,000	For Sale	Under Construction
SOHO Pancoran	Pancoran	South Jakarta	30,000	For Sale	Under Construction
One Tower	Kemayoran	Central Jakarta	21,400	For Sale	Under Construction
The Sima	TB Simatupang	South Jakarta	60,000	For Lease	Under Construction
Ciputra International Office Tower 1	Kembangan	West Jakarta	34,603	For Lease	Under Construction
Arcade Business Center	Pantai Indah Kapuk	North Jakarta	22,000	For Lease	Under Construction
Zuria	TB Simatupang	South Jakarta	6,584	For Lease	Under Construction
Tamansari Parama	Wahid Hasyim	Central Jakarta	10,800	For Sale	Under Construction
Robina Tower	Tendean	South Jakarta	9,600	For Lease	Under Construction
Wisma Kartika	Grogol	Central Jakarta	11,770	For Lease	Under Construction
One Belpark Office	Pondok Labu	South Jakarta	17,800	For Lease	Under Construction
2019					
Jakarta Box Tower	Kebon Sirih	Central Jakarta	36,000	For Lease	Under Construction
The Unity	Casablanca	South Jakarta	80,000	For Lease	Under Construction
Arkadia Tower G	TB Simatupang	South Jakarta	30,000	For Lease	Under Construction
Agung Sedayu Office Tower	Pantai Indah Kapuk	North Jakarta	50,000	For Lease	Under Construction
Beltway Office Park Tower 4	TB Simatupang	South Jakarta	10,000	For Lease	In Planning
MNC Tower II	Kebon Sirih	Central Jakarta	60,000	For Lease	In Planning
2020					
Ciputra Twin Tower 1	Kemayoran	Central Jakarta	40,000	For Sale	Under Construction
Ciputra Twin Tower 2	Kemayoran	Central Jakarta	40,000	For Lease	Under Construction
Ciputra International Office Tower 2	Cengkareng	West Jakarta	20,000	For Lease	In Planning
The Manhattan Square Tower 2	TB Simatupang	South Jakarta	39,375	For Lease	In Planning

Source: Colliers International Indonesia - Research

## Occupancy

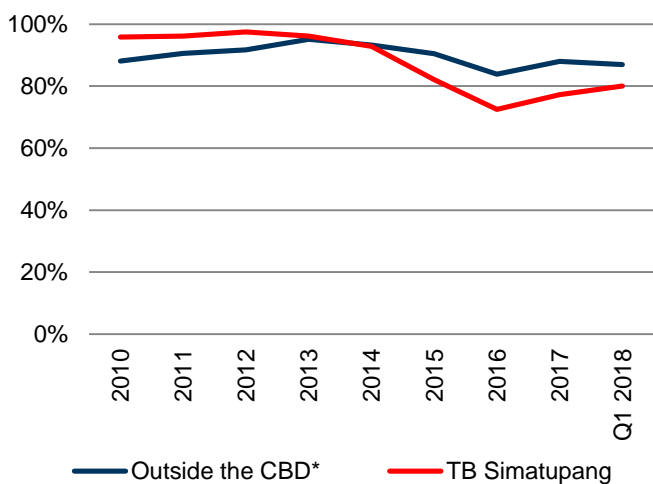
The occupancy rate moderately increased in early 2017 to 84% in Q1 2018, which is a 2.5% increase YOY. Meanwhile, the occupancy performance of five Grade B office buildings in South Jakarta, particularly in TB Simatupang, reported an increasing in occupancy of more than 5% QOQ. This helped push occupancy in TB Simatupang to 80.1% in Q1 2018, an increase of 6% YOY.

### Average Occupancy Rates Outside the CBD



Source: Colliers International Indonesia - Research

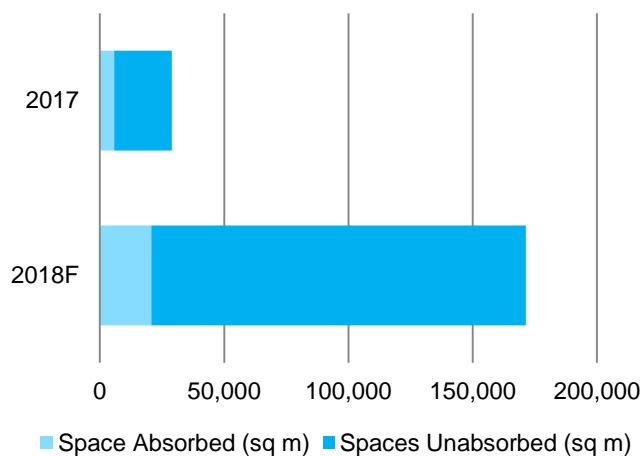
### Average Occupancy Rates Outside the CBD vs TB Simatupang



\*exclude TB Simatupang

Source: Colliers International Indonesia - Research

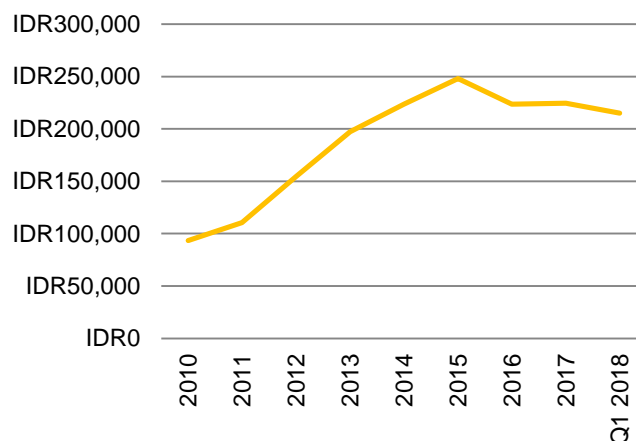
### Pre-Committed Absorption of Office Spaces for Lease in 2017 – 2018



Source: Colliers International Indonesia - Research

### Rents

#### Average Asking Base Rents Outside the CBD



Source: Colliers International Indonesia - Research

Asking rents outside the CBD were IDR215,051/sq m/month as of Q1 2018, dropping by 6.4% YOY. Some office buildings lowered rents by IDR50,000 – IDR75,000/sq m/month to push occupancy upward.

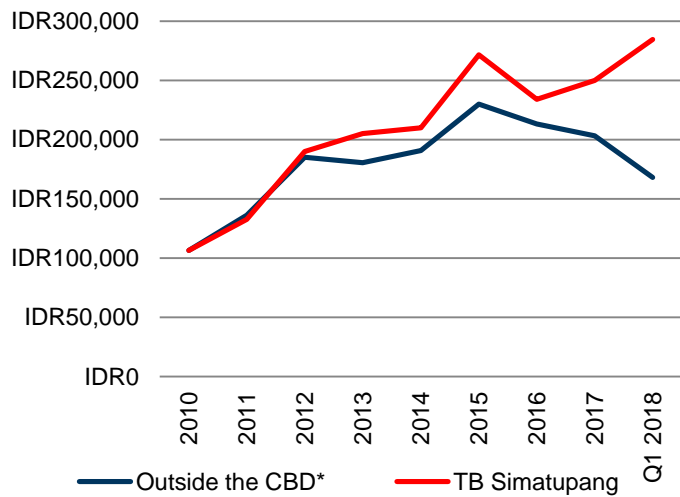
Decreasing rental rates were recorded across all classes of office buildings; with Grade A and C office buildings experiencing the biggest YOY drop. The average rent of Grade A office buildings outside the CBD is currently IDR280,553/sq m/month, which is about 10% lower than Grade A office buildings in the CBD.

The rental rate in South Jakarta was IDR234,643/sq m/month, the highest in all regions outside the CBD. This is mainly underpinned by the expensive buildings in TB Simatupang. Some office buildings in TB Simatupang are still confident in offering rents starting at



IDR250,000/sq m/ month, bringing the average rental cost to IDR284,537/sq m/ month, an increase of 16.4% YOY.

### Asking Base Rents Outside the CBD vs TB Simatupang



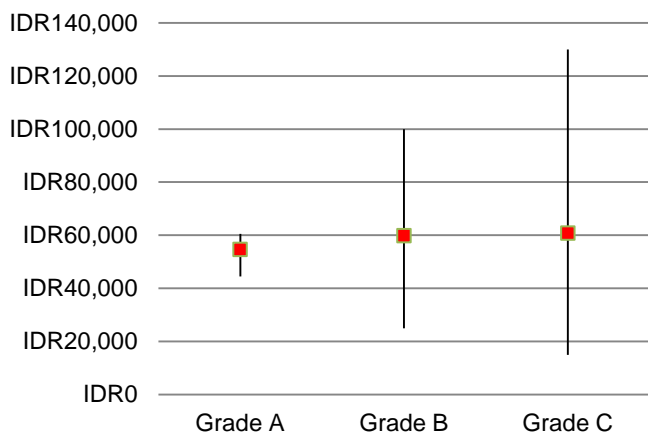
\*exclude TB Simatupang

Source: Colliers International Indonesia - Research

### Service Charges

Service charges are currently quoted at IDR59,544/sq m/month with South and Central Jakarta having higher tariffs, averaging IDR63,865 and IDR60,473/sq m/month respectively. In fact, some office buildings in Central and South Jakarta have already set their maintenance tariff above IDR100,000/sq m/month. Meanwhile, the average tariff for leases is IDR62,441, whilst strata-title building tariffs are IDR57,399/sq m/month.

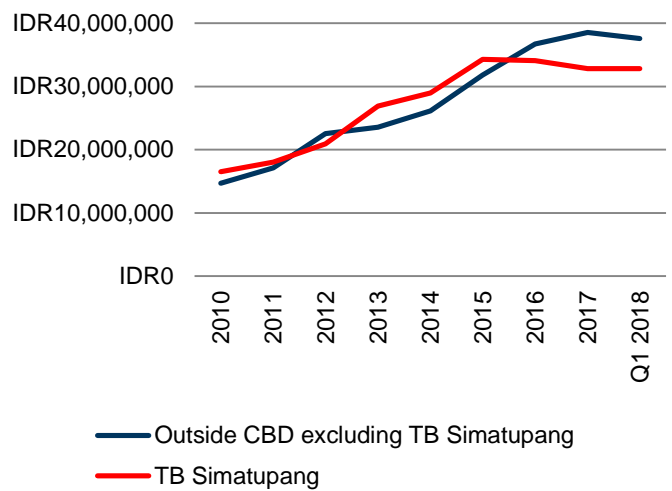
### Service Charges Tariffs Outside the CBD Based on Building Grade



Source: Colliers International Indonesia - Research

## Strata-title

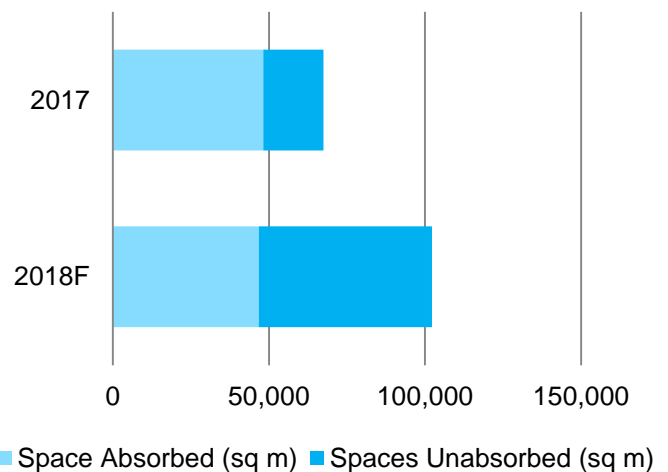
### Average Asking Prices Outside the CBD



Source: Colliers International Indonesia - Research

In 2017, prices of strata-title office space outside the CBD hovered around IDR37 to IDR38 million/sq m (IDR37.6 million/sq m on average). Through Q1 2018, strata-title office building asking prices were flat.

### Pre-Committed Absorption of Strata-title Offices in 2017 – 2018



Source: Colliers International Indonesia - Research

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