

JAKARTA | APARTMENT

Apartment Sector

Ferry Salanto Senior Associate Director | Research

The period saw very limited sales activities both in strata-title apartment and apartment for lease markets. Despite the successful Jakarta election and tax amnesty programme, buyers have not returned to the market en masse. The sluggish market may be explained by the following reasons. First, this was related when people shifted their spending in line with the recent festivities and new school year. Second, potential buyers still wait and see until the elected governor takes his seat and what would happen regarding the regulation of their properties. Moreover, the repatriated money is still in the bank and has not been transformed into apartment investment due to the fact that financial instruments (e.g. government bond) currently offer more competitive return compared to the property sector. On the other hand, the weakening enquiry for apartments for lease during the traditionally slow month of Ramadan (May-June) is due to the lacklustre hiring of expatriates and the evolving nature of the leasing landscape, from senior level Western expats to younger, single Asian expats. However, in light of the recent S&P rating upgrade, we are highly optimistic to see a boost to Indonesia's Foreign Direct Investment (FDI), which in turn will benefit the property market in a few years to come.

Forecast at a glance



Supply

For the first semester, 3,130 new units have entered the market, almost 15% of the total 21,167 projected units in the full year of 2017. Furthermore, we expect a huge supply of 55,087 new apartment units in the next three years.



Demand

Many factors are now in place for Jakarta's apartment market to improve. Aside from the country's recent rating upgrade by S&P to investment grade, if the government could maintain the current economic stability and remain proactive to stimulate the market, we may see improvements in the near to mid-term, as prospective buyers, particularly investors, need more assurance and a more comfortable environment in order to execute their investment plan.



Rent

The on-going injection of newly completed serviced apartments will place further downward pressure on rents, as leasing demand from expatriates is still weak.



Price

The average asking price of apartments in Jakarta rose by 1% QOQ and 4.5% YOY to IDR32.4 million/sq m during the quarter. Given the tight competition in the market, apartment price should experience moderation, particularly in the non-prime areas, or edged up slightly in the South Jakarta and CBD areas in the upcoming quarter.

APARTMENT FOR STRATA-TITLE

Supply

The construction of new apartments was relatively quiet in April until June 2017, as reflected by the limited new completion and newly introduced/launched projects in Jakarta. By the end of June 2017, three upscale projects have been handed over, totalling to 340 units, scattered in South and West Jakarta. As such, the total stock of strata-title apartments in the Jakarta market has reached 179,308 units, increasing modestly by 0.2% QOQ or 6.92% YOY.

In the beginning of the year, we anticipated a huge jump in annual supply at 21,167 units until the end of 2017. However, during the first semester of 2017, only 3,130 units have entered the market or 14.7% from the total units

anticipated to enter the market this year. Also, according to developers, the delay in construction was partly due to the shortage of interior materials and limitation of labour due to the approaching Eid al-Fitr holiday.

Apart from those completed projects, two brand new projects were introduced to the market, totalling to 355 units, and will be completed in the next three to four years. Location-wise, West Jakarta has been a popular location to develop apartments in the past three years, especially within the surrounding area of Puri Indah and the western part of outer ring road. On the other hand, due to the scarcity of land, which is a result of high land price, apartment development in Menteng is more focused on upper to luxury projects with a pre-sale price of almost IDR50 million/sq m, aiming at high-net-worth individual buyers. All in all, the number of projects being introduced this period is 50% lower than during the same period in 2016. This suggests that developers adopted a wait-and-see attitude since the tax amnesty has had a limited impact to the property market, so far.

List of Completed Apartment Projects During Q2 2017

NAME OF DEVELOPMENT	LOCATION	REGION	DEVELOPER	UNITS
Senopati Suites 3	Jl. Senopati	South Jakarta	Mahkota Asiana Graha	54
Veranda Apartment	Jl. Pesanggrahan No.28, Kembangan	West Jakarta	PT. Mutirara Puri Indah	174
The Hamilton	Jl. KH. M. Syafei Hadzami no.1	South Jakarta	Intiland	112
Total				340

Source: Colliers International Indonesia - Research

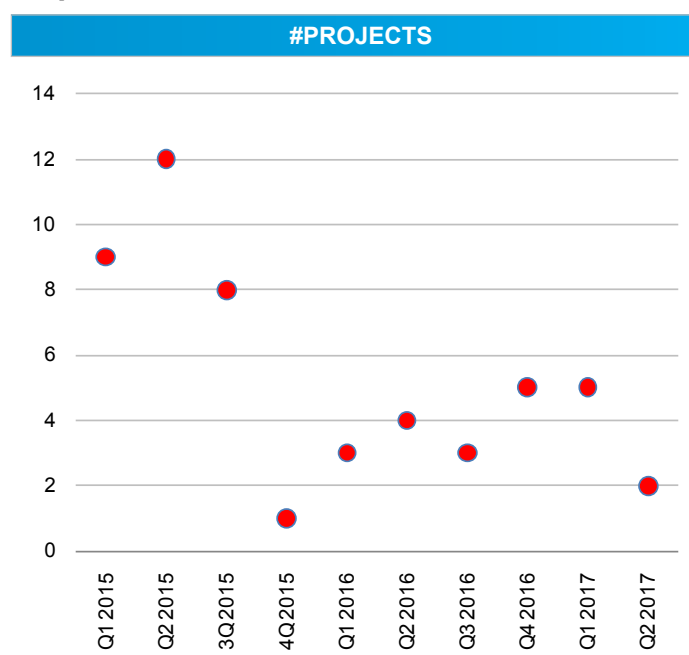
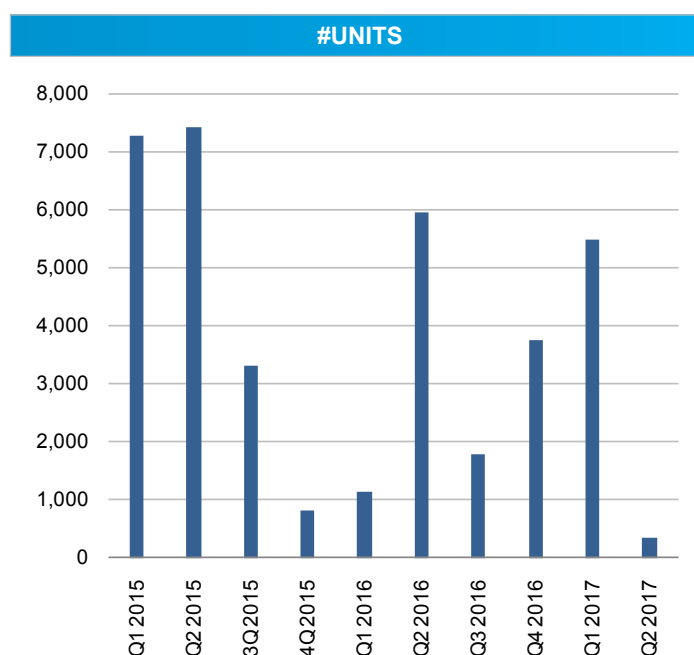
Newly Introduced Projects in Q2 2017

NAME OF DEVELOPMENT	LOCATION	REGION	EXPECTED COMPLETION TIME	ESTIMATED PRICE (IDR/SQ M)*	TOTAL UNITS
Prosperity Residence (The Lotus)	Jl. Raya Kembangan No.12	West Jakarta	2021	TBD	272
The Stature Jakarta	Jl. Kebon Sirih	Central Jakarta	2020	46 - 48 million	83

*) Price based on hard cash excludes VAT 10%

Source: Colliers International Indonesia - Research

New Introduced/Launched Apartment in Q2 2017



Source: Colliers International Indonesia - Research

Source: Colliers International Indonesia - Research

New Pipeline					
APARTMENT NAME	LOCATION	REGION	DEVELOPER	#UNITS	STATUS
2017					
Sudirman Suites	Jl. Jend. Sudirman	CBD	Pikko Group	380	Under-construction
Casa Domaine	Jl. Jend. Sudirman Kav 1	CBD	Lyman Group	186	Under-construction
T - Plaza Residence (Tower A)	Jl. Penjernihan I Kav.1	Central Jakarta	PT. Prima Kencana	307	Under-construction
Elpis Residence	Gunung Sahari	Central Jakarta	Sioeng Group	790	On Operation
Menteng Park	Jl. Cikini Raya No.79	Central Jakarta	Agung Sedayu Group	756	Under-construction
The H Residence Kemayoran (Amethyst)	Jl. Rajawali Selatan	Central Jakarta	Hutama Karya Realtindo	800	Under-construction
The Green Pramuka (Tower Nerine)	Jl. Jenderal Ahmad Yani	Central Jakarta	PT Duta Paramindo	1,000	On Operation
Green Signature Apartment	Jl. MT. Haryono	East Jakarta	KSO Fortuna Indonesia (Pikko)	800	Under-construction
Bassura City (Tower Jasmine) 2 towers	Jl. Basuki Rahmat	East Jakarta	Synthesis Development	2,000	Under-construction
Bassura City (Tower Heliconia)	Jl. Basuki Rahmat	East Jakarta	Synthesis Development	700	Under-construction
Regatta London Tower	Jl. Pantai Mutiara	North Jakarta	Intiland	186	Under-construction
Pluit Seaview (Tower Belize)	Pluit	North Jakarta	Binakarya Propertindo Group	300	Under-construction
LA City Apartment (Tower A)	Jl. Raya Lenteng Agung, Jagakarsa	South Jakarta	Pancanaka Samaktha	980	Under-construction
Nine Residence	Warung Buncit	South Jakarta	Lippo Karawaci	246	Under-construction
Senopati Suites 3	Jl. Senopati	South Jakarta	Mahkota Asia Graha	54	On Operation
District 8 (Tower Eternity)	Jl. Senopati	South Jakarta	Agung Sedayu	400	Under-construction
District 8 (Tower Infinity)	Jl. Senopati	South Jakarta	Agung Sedayu	280	Under-construction
Izzara Apartment (South and North Tower)	TB. Simatupang	South Jakarta	Grage Group	542	Under-construction
Lexington Residence	Pondok Pinang	South Jakarta	Cowwel Development	275	Under-construction
The Aspen Peak at Admiralty (Tower C)	Jl. Fatmawati	South Jakarta	PT. Harmas Jelasveva	322	Under-construction

continued

APARTMENT NAME	LOCATION	REGION	DEVELOPER	#UNITS	STATUS
<i>continuation</i>					
Kebayoran Icon	Jl. Ciledug Raya	South Jakarta	Tamara Land	256	Under-construction
One Casablanca Residence	Jl. Pal Batu	South Jakarta	Forza Land	215	Under-construction
La Terrasse	Jl. Deplu Raya No.12	South Jakarta	Cowell Development	111	Under-construction
The Langham Residences	Senopati	South Jakarta	Agung Sedayu Group	57	Under-construction
The Hamilton	Jl. KHM Syafi'i Hadzami	South Jakarta	Intiland	112	On Operation
St. Moritz (New Presidential Tower)	Jl. Puri Indah	West Jakarta	Lippo Karawaci	159	Under-construction
Puri Mansion Apartment (Tower Amethyst)	Jl. Lingkar Luar Barat, Puri Kembangan	West Jakarta	Agung Sedayu Group	900	Under-construction
Puri Orchard (3 Tower)	Jl Raya Adicipta	West Jakarta	PT Adicipta Graha Kencana (Serenity Group)	3,000	Under-construction
Maqna Residence	Jl. Meruya Ilir No. 88	West Jakarta	PT. Graha Meruya	312	Under-construction
Veranda	Jl. Pesanggrahan Raya, Kembangan	West Jakarta	PT. Mutirara Puri Indah	174	On Operation
Wang Residence	Jl. Panjang No 18	West Jakarta	PT. Citicon Propertindo	250	Under-construction
St Moritz (The New Ambassador Suite Tower)	Jl. Puri Indah Kembangan	West Jakarta	Lippo Karawaci	200	Under-construction
Taman Anggrek Residence (6 towers)	Tanjung Duren	West Jakarta	Agung Sedayu	3,000	Under-construction
Pancoran China Town (Lucky Tower)	Jl. Pancoran No.42 A, Glodok	West Jakarta	PT. Supra Megah Utama	117	Under-construction
Paradise Mansion (2 tower)	Jl. Paradise Boulevard Selatan	West Jakarta	Palm Group	1,000	On Operation
2018					
Gayanti City (2 Towers)	Jl. Gatot Subroto	CBD	PT Buana Pasifik International	318	Under-construction
Verde Two	Jl. Rasuna Said	CBD	Farpoint Realty	152	Under-construction
Anandamaya Residences (3 towers)	Jl. Jend Sudirman	CBD	Hongkong Land	500	Under-construction
Lavie	Jl. Denpasar Raya	CBD	Wilsor Group	302	Under-construction
South Hill	Jl. Denpasar Raya	CBD	Tan Kian	611	Under-construction
Le' Parc	Jl. MH Thamrin	CBD	PT. Putragaya Wahana	100	Under-construction
Regent Residences (tower 1)	Semanggi	CBD	PT. Kencana Graha Global	100	Under-construction
The Hundred Residence	Mega Kuningan	CBD	PT. Farpoint Realty Indonesia	100	Under-construction
The Elements Epicentrum (2 Towers)	Rasuna Said	CBD	Sinar Mas Land	372	Under-construction
Sudirman Hill Residence	Jl. Karet Pasar Baru Barat	Central Jakarta	PT. Muliaguna Propertindo Development	299	Under-construction
Capitol Suites	Jl. Prapatan Raya	Central Jakarta	The Capitol Group	327	Under-construction
Royal Suites	Kemayoran	Central Jakarta	Springhill Golf Group	450	Under-construction
Holland Village (Phase II)	Cempaka Putih	Central Jakarta	Lippo Karawaci	230	Under-construction
Signature Park Grande	Jl. MT. Haryono	East Jakarta	KSO Fortuna Indonesia (Pikko)	1,100	Under-construction
The Sahid Asena Apartment and Garden (was Sahid Garden Residence)	Ciracas	East Jakarta	Sahid Group	476	Under-construction
Pluit Seaview (Tower Ibiza)	Pluit	North Jakarta	Binakarya Propertindo Group	500	Under-construction
Gold Coast Apartment (Atlantic Tower)	Pantai Indah Kapuk	North Jakarta	Agung Sedayu	568	Under-construction
Regatta Apartment (Tower New York)	Pantai Mutiara	North Jakarta	Intiland	186	Under-construction
Sedayu City (Tower Melbourne)	Jl. Pegangsaan Dua Raya	North Jakarta	Agung Sedayu	912	Under-construction
Sedayu City (Tower Darwin)	Jl. Pegangsaan Dua Raya	North Jakarta	Agung Sedayu	936	Under-construction
The Kensington Royal Suites (4 Tower)	Kelapa Gading	North Jakarta	Summarecon	790	Under-construction
<i>continued</i>					

APARTMENT NAME	LOCATION	REGION	DEVELOPER	#UNITS	STATUS
<i>continuation</i>					
Gold Coast Apartment (Bahama Tower)	Pantai Indah Kapuk	North Jakarta	Agung Sedayu	600	Under-construction
Gold Coast Apartment (Carribbean 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
Grand Marina Ancol	Ancol	North Jakarta	PT. Bangun Setia Cipta (Jaya Ancol)	672	Under-planning
Pakubuwono Terrace Grand Tower	Kebayoran Lama	South Jakarta	PT. Selaras Mitra Sejati	435	Under-construction
Bellevue Place	MT Haryono, Tebet	South Jakarta	Gapura Prima	240	Under-construction
The Foresque	Pasar Minggu, Ragunan	South Jakarta	PT Griya Karunia Sejahtera (Binakarya Properindo Group)	660	Under-construction
Antasari Heights	Jl. Pangeran Antasari No.8	South Jakarta	PT Radinka Quatro Land	360	Under-construction
The Aspen Peak at Admiralty (Tower D)	Jl. Fatmawati	South Jakarta	PT. Harmas Jalsasveva	322	Under-construction
Casa Grande Residence 2 (Tower Angelo)	Jl. Casablanca	South Jakarta	Pakuwon Group	350	Under-construction
Casa Grande Residence 2 (Tower Bella)	Jl. Casablanca	South Jakarta	Pakuwon Group	350	Under-construction
Casa Grande Residence 2 (Tower Chianti)	Jl. Casablanca	South Jakarta	Pakuwon Group	350	Under-construction
Pondok Indah Residences (3 Towers)	Pondok Indah	South Jakarta	Metro Pondok Indah	880	Under-construction
Selatan 8 (Tower Prabu)	Jl. Raya Ulujami	South Jakarta	Karya Cipta Group	344	Under-construction
45 Antasari (2 Tower)	Antasari	South Jakarta	Cowell Development	1,924	Under-construction
Arzuria Apartment	Jl. Tendean	South Jakarta	Tolaram Group	210	Under-construction
Pakubuwono Spring (2 towers)	Jl. Teuku Nyak Arief No.9	South Jakarta	PT. Simprug Mahkota Indah (Agung Podomoro Group)	545	Under-construction
Branz Simatupang (2 tower)	TB. Simatupang	South Jakarta	Tokyuland	381	Under-construction
Synthesis Residence Kemang (3 towers)	Jl. Ampera Raya No.17	South Jakarta	PT. Synthesis Development	1,100	Under-construction
Gianetti Apartment	Jl. Kebon Jeruk Raya, Kemanggisan	West Jakarta	Bangun Investa Graha	500	Under-construction
Gallery West	Jl. Panjang No 5	West Jakarta	AKR	280	Under-construction
Vittoria Residence (3 tower)	Jl. Daan Mogot	West Jakarta	PT. Duta Indah Kencana	1,100	Under-construction
Ciputra International Puri Indah (Tower Amsterdam)	Jl. Lingkar Luar Barat	West Jakarta	Ciputra	12	Under-construction
Grand Madison Park	Tanjung Duren	West Jakarta	Agung Podomoro Group	300	Under-construction
Citra Lake Suites (Tower Rosewood)	Jl. Raya Kresek	West Jakarta	Ciputra Group	104	Under-construction
Citra Lake Suites (Tower Greenwood)	Jl. Raya Kresek	West Jakarta	Ciputra Group	126	Under-construction
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
Aerium Taman Permata Buana (2 towers)	Taman Permata Buana	West Jakarta	Sinar Mas Land and Itochu	491	Under-construction
Ciputra International Puri Indah (Tower Barcelona)	Jl. Lingkar Luar Barat	West Jakarta	Ciputra	335	Under-construction
Puri Mansion Apartment (Tower Crystal)	Jl. Lingkar Luar Barat, Puri Kembangan	West Jakarta	Agung Sedayu Group	700	Under-construction
West Vista (2 towers)	Jl. Lingkar Luar Barat No.8, Duri Kosambi	West Jakarta	PT. Harapan Global Niaga	2,840	Under-construction
Citra Living Apartment (Somerset Tower)	Jl. Citra 7, Kalideres	West Jakarta	Citra Mitra Graha KSO	312	Under-construction
Citra Living Apartment (Orchad Tower)	Jl. Citra 7, Kalideres	West Jakarta	Citra Mitra Graha KSO	312	Under-construction
<i>continued</i>					

APARTMENT NAME	LOCATION	REGION	DEVELOPER	#UNITS	STATUS
<i>continuation</i>					
2019					
The Suites (W Hotel Tower)	Jl. Prof. Dr. Satrio	CBD	Ciputra	200	Under-construction
The Residences at The St. Regis Jakarta	Jl. H.R Rasuna Said	CBD	Rajawali Property Group	164	Under-construction
Arandra Residence	Jl. Cempaka Putih Raya No.1	Central Jakarta	Gamaland	687	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 37	Central Jakarta	Pikko Group & Wijaya Wisesa (JV)	99	Under-planning
Sentra Timur Residence (Tower Safir)	Pulo Gebang	East Jakarta	Bakriland Development	605	Under-construction
Pluit Seaview (Tower Bahama)	Pluit	North Jakarta	Binakarya Propertindo Group	650	Under-construction
Jaya Ancol Seafont - Oceana Tower	Pademangan, Ancol	North Jakarta	Jaya Ancol	524	Under-construction
Orient Residence	Jl. Yos Sudarso, No 76	North Jakarta	PT Tri Raton Mega	225	Under-construction
La Foret Vivante	Jl. Limo, Permata Hijau	South Jakarta	PT. Mahkota Properti Indo Permata	253	Under-construction
Fatmawati City Center - Corona Park Suite Tower	Fatmawati	South Jakarta	Agung Sedayu	620	Under-planning
Ratu Prabu 3 Residences	TB. Simatupang	South Jakarta	PT Ratu Prabu Tiga	61	Under-planning
Samara Suites	Jl. Gatot Subroto	South Jakarta	Synthesis Development	300	Under-planning
Lavish Kemang Residence	Jl. Kemang Raya No.3, Bangka	South Jakarta	PT Kemang Karya Utama	474	Under-planning
Permata Hijau Suites	Jl. Raya Kebayoran Lama	South Jakarta	PT Palmerindo Properti	649	Under-planning
19 Avenue Apartment (Tower B)	Daan Mogot	West Jakarta	Margahayu Land	416	Under-construction
Green Sedayu Apartment (Tower Pasadena)	Jl. Kamal Raya, Cengkareng	West Jakarta	Agung Sedayu	644	Under-construction
Daan Mogot City (3 towers)	Daan Mogot	West Jakarta	PT China Harbour Jakarta Real Estate Development	700	Under-construction

Source: Colliers International Indonesia - Research

Demand

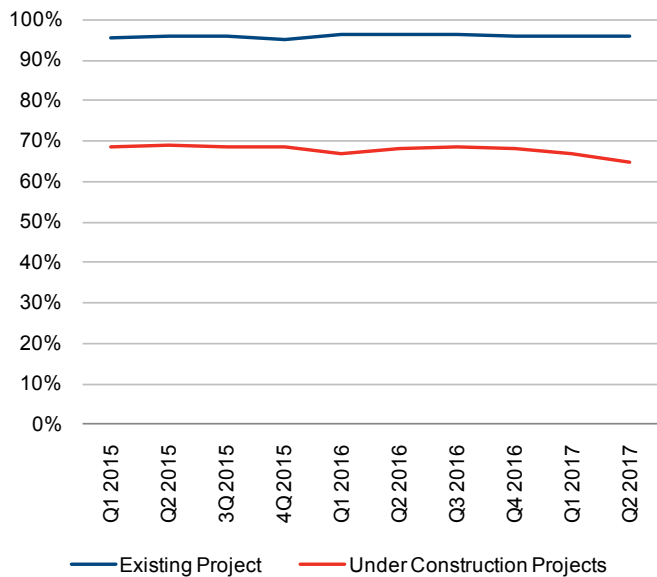
Overall, the Jakarta apartment market saw a quiet period in Q2 2017 with a cumulative average take-up rate of 84.8%, marking a decline of 1.04% QOQ and 1.05% YOY. The sluggish market condition in the reviewed period was partly due to people's increased spending due to recent festivities and the new school year, based on our view. Moreover, end-user buyers seem to be more active at present, as reflected by the modest increase in the take-up rate of existing projects, 0.1% QOQ. On the other hand, despite the successful Jakarta election, investors still wait and see until the elected governor takes his seat and see his policy. Investors are waiting to see any developments related to the regulation of their properties.

Furthermore, the tax amnesty has ended but the impact on the apartment market has been limited. The reason why until now apartment market has not been significantly affected is that the repatriated money is still in the bank and not transformed into apartment investment. Financial instrument seems to offer a return that is a bit attractive, e.g., 6.8% for Indonesian government bond (10 years) compared to apartment at 4-5% (capital gain per annum). In addition, the over-all take up rate of apartments under construction, including the continuing newly launched/introduced projects, declined by 2.2% during the reviewed period.

Take-up Rates					
	Q2 2016	Q1 2017	Q2 2017	QoQ	YoY
Existing projects	96.2%	96.1%	96.1%	0.0%	-0.1%
Under-construction projects	68.1%	66.8%	64.6%	-2.2%	-3.5%
Average	85.90%	85.91%	84.86%	-1.0%	-1.0%

Source: Colliers International Indonesia - Research

Take-up Rates Between Existing and Under-Construction Projects

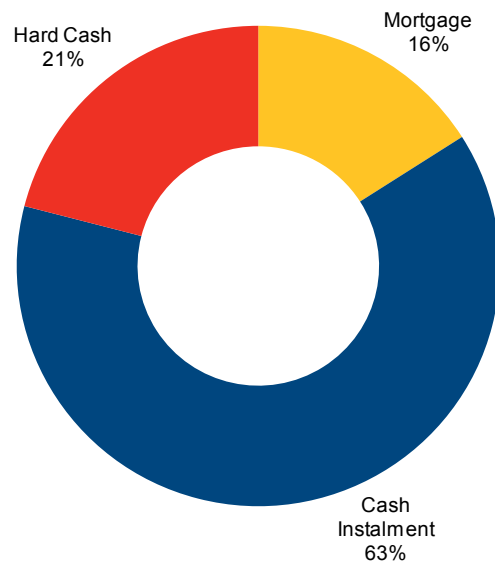


Source: Colliers International Indonesia - Research

On the other front, regarding payment method, we are seeing a dramatic shifting trend from cash instalment to mortgage between 2013 and H1 2017. Based on Colliers' survey conducted during the end of March to early of June 2017 on 120 apartment projects (both existing projects and those under construction), we found that buyers who utilise mortgage facilities to purchase an apartment unit show an increasing trend compared to that in 2013, which is mostly driven by more competitive mortgage rates. This is also in line with the combination of the relaxation of the loan-to-value threshold (LTV) and lower mortgage rates following Bank Indonesia's rate cut. We expect this trend to continue and mortgage would become the preferred payment method, thus should support the apartment demand.

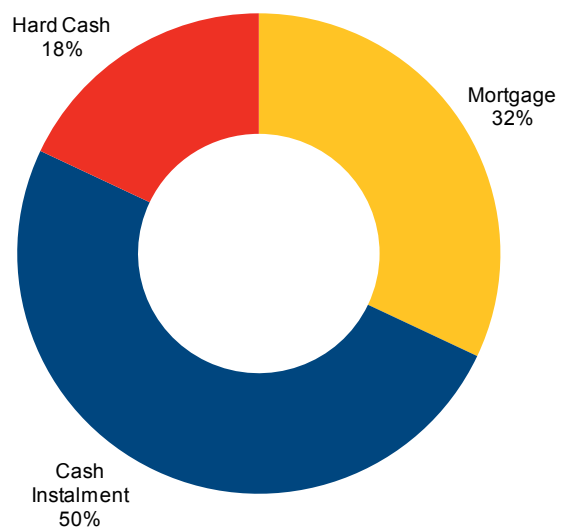
Payment Method Composition in Purchasing Apartment

Q4 2013



Source: Colliers International Indonesia - Research

Q2 2017



Source: Colliers International Indonesia - Research

Mortgage Rates for Apartment Ownership

	BCA	CIMB	BTN	Maybank	BNI
Fixed 1 year	8.75%			8.50%	
Fixed 2 years			9.00%		7.75%
Fixed 3 years	8.50%	8.50%	9.50%	8.90%	8.00%
Fixed 5 years	9.00%	8.75%	10.25%	8.90%	8.75%

Source: bca.co.id, cimbniaga.com, btn.co.id, maybank.co.id, bni.co.id



All in all, in light of the recent S&P rating upgrade, we are highly optimistic that Indonesia's Foreign Direct Investment (FDI) will be boosted. We also believe Indonesia's household consumption will improve in line with controlled inflation and expectation of rising commodity prices. Moreover, the new infrastructure under way may lead to increased consumer confidence and optimism in a few years to come, and thus help to support property demand.

Asking Price

Despite weak sales, developers still retained their current asking price. Developers would rather lower their sales target rather than make a cutback in price, as reducing price will mainly create a negative image and reputation for them. However, developers are keen to give extra discounts as well as to facilitate easy payment if the buyer is serious to make deals. Overall, as of Q2 2017, the average asking price of strata-title apartments in Jakarta was IDR32.4 million/sq m, which increased by 1% QoQ and 4.5% YoY, and continuing on an upward trend.

Location-wise, South Jakarta posted the highest quarterly increment amongst the other areas, largely due to some particular projects heading into the hand-over process. On the other hand, the market perceived that the current price of apartments in the CBD had reached upper range, thus resulting to a downward pressure on price to go further. Also, with a number of new developments and significant new launches in the market, such as in West Jakarta and East Jakarta, the competition amongst developers is also more intense, thus resulting to a downward pressure on price growth in non-prime areas.

Average Asking Price (in IDR) in Three Different Areas					
	Q2 2016	Q1 2017	Q2 2017	QoQ	YoY
CBD	48,246,435	49,617,622	50,076,415	0.9%	3.8%
South Jakarta	36,421,523	37,239,230	37,705,647	1.3%	3.5%
Non-prime Area	23,300,386	24,236,441	24,356,919	0.5%	4.5%
Average	31,008,439	32,084,792	32,404,090	1.0%	4.5%

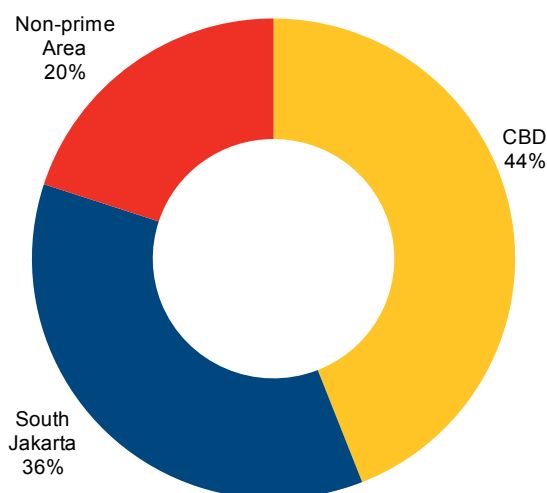
Source: Colliers International Indonesia - Research

APARTMENT FOR LEASE

Supply

No new serviced apartment projects were completed in Q2 2017, with the next supply of apartments expected to come in the second semester of 2017, namely Somerset Kencana Jakarta, Fraser Suites at Ciputra World Jakarta 2 and Oakwood Premiere Jakarta at District 8 Senopati. As there is no change in the amount of existing apartments for lease, the total stock remained at 8,860 units, with distribution composition still concentrated in the CBD and South Jakarta areas, representing around 44% and 36% respectively. Looking forward, the market expects to receive 628 new serviced apartment units in the next two years, still concentrated within the CBD and South Jakarta areas.

Apartment for Lease Distribution by Area



Source: Colliers International Indonesia - Research

Serviced Apartment Projects Pipeline

NAME OF PROJECT	YEAR OF OPERATION	LOCATION	AREA	#UNIT
Somerset Kencana Jakarta	2017	Jl. Sultan Iskandar Muda, Pondok Indah	South Jakarta	148
Fraser Suites at Ciputra World 2	2017	Jl. Prof. Dr. Satrio	CBD	150
Oakwood Premiere Jakarta at District 8 Senopati	2017	Senopati	South Jakarta	180
Ascott Menteng Jakarta	2019	Jl. Kebon Sirih	Central Jakarta	150

Source: Colliers International Indonesia - Research

Occupancy

During the traditionally slow month of Ramadan (May-June), the average occupancy rate of apartments for lease was down moderately by 1.7% compared to that in the previous quarter to 70.2%. We saw a weakening enquiry, especially in serviced apartments located in the CBD area, on the back of a lacklustre expatriate hiring. On the other hand, the non-serviced apartment sector continued to maintain its occupancy level at 74.6%, due to the fact that most tenants are long-staying tenants. With no notable expansion activities, the leasing activities were dominated by renewals.

Occupancy Rate					
	Q2 2016	Q1 2017	Q2 2017	QoQ	YoY
Non-serviced	77.0%	74.6%	74.6%	0.0%	-2.4%
Serviced	62.6%	66.9%	62.2%	-4.7%	-0.1%

Source: Colliers International Indonesia - Research

Occupancy Rate of Apartment for Lease					
	Q2 2016	Q1 2017	Q2 2017	QoQ	YoY
CBD	76.1%	77.3%	72.5%	-4.8%	-3.6%
South Jakarta	70.4%	68.3%	68.4%	0.1%	-2.0%
Non-Prime area	68.0%	69.2%	69.3%	0.1%	1.2%

Source: Colliers International Indonesia - Research

Looking forward, the serviced apartments will face increasing competition with individually owned apartments that are offered at smaller lump sum rentals amid the on-going tenant downgrading trend. Furthermore, in conjunction with future supplies that are still in the pipeline, the vacancy rate is projected to climb up as the market takes time to absorb the incoming supply.

Rental Rate

Overall, the rental rates of apartments for lease edged down in the reviewed period, given the weak demand in the market. As of Q2 2017, the average rental rate of apartments for lease in the CBD decreased by 1% QOQ to IDR361,789/sq m/month, whilst the South Jakarta area (including the non-prime area) showed a relatively stable rate at IDR218,038/sq m/month.

The on-going injection of newly completed serviced apartments will place further downward pressure on rents, as leasing demand from expatriates is still weak. Due to business challenges and increased compliance costs faced by companies, the leasing landscape is evolving, as there are now fewer senior level expatriates with family coming as tenants and increasing number of younger single Asian employees. This new landscape will benefit individually owned strata-title apartment units where such demand is targeted. At the other end of this condition, however, supply of new units, particularly middle-upper to upper class, continues to balloon over the remainder of 2017 and 2018. Also, although the demand is increasing, new supply seems to outrun the occupancy rate, thus creating downward pressure on the rental rates for the near to medium term.

Average Rental Rate of Apartment for Lease			
	Q1 2017	Q2 2017	QOQ
CBD	365,610	361,789	-1.0%
South Jakarta (incl. Non-Prime)	218,625	218,038	-0.3%

Source: Colliers International Indonesia - Research

Concluding Thought

Despite improving sentiment due to better economic fundamentals and the government's active steps to stimulate the market, buyers have not returned to the market en masse. We believe that it is only a matter of time until the economy stabilises and improves sufficiently so that sales could pick up on the ground. On the other hand, the recent slump has served to bring prices more or less stagnant, which, in our opinion, vastly improves the rationale for purchasing an apartment, especially for upgrades. This is an ideal time to make such a decision, especially those who live around the outskirts of Jakarta and those within the downtown area.

For more information:

Ferry Salanto

Senior Associate Director | Research
+62 21 3043 6888

ferry.salanto@colliers.com

Contributors:

Hern Rizal Gobi

Manager | Research

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