

# JAKARTA | OFFICE

## Office Sector

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**Outlook for the office sector is quite positive. In the short term, however, the volume of leasing activities is still limited. We have seen a sign of recovery, as there is an increasing number of space enquiries compared to last year, but only a few transactions are so far recorded. Asking rents in the CBD continue to fall QoQ, albeit slightly. Meanwhile, occupancy rate was relatively flat within a quarter's period.**

### Forecast at a glance



#### Supply

Construction progress on some of the forthcoming office buildings are being conducted quiet slowly. Completion of such buildings would most likely be rescheduled. This situation will moderately ease the pressure on the oversupply situation primarily from 2017 to 2019 when office supply is forecasted to reach almost 700,000 sq m per annum.



#### Occupancy

Occupancy is forecasted to relatively hover up to the end of 2017. Going forward, occupancy rate might subside in 2018-2019, according to Colliers' projection.



#### Rent

The future office stock in 2018-2019 mainly consists of high-specification office buildings, and they are anticipating a higher rental tariff above average market prices due to the quality, thus the overall rental tariff might be adjusted because of this factor. Asking rent might be stable but landlords are generally more accommodative in dealing with their occupants.

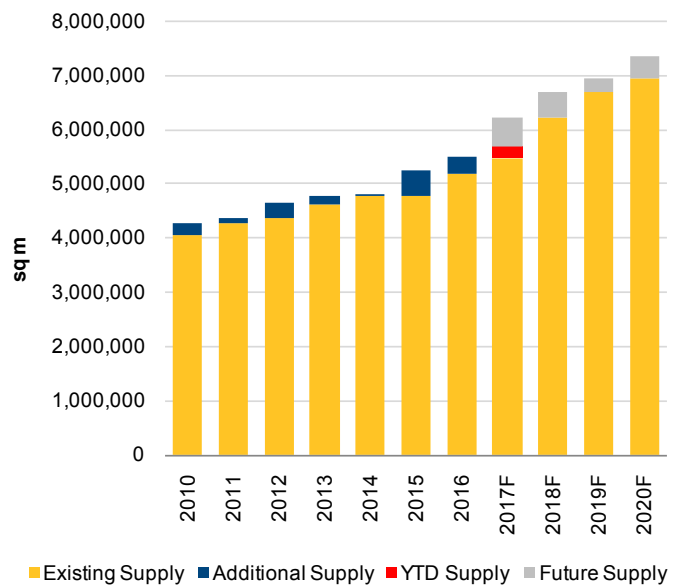
## Supply

### Office Spaces Offered For Lease

#### CBD

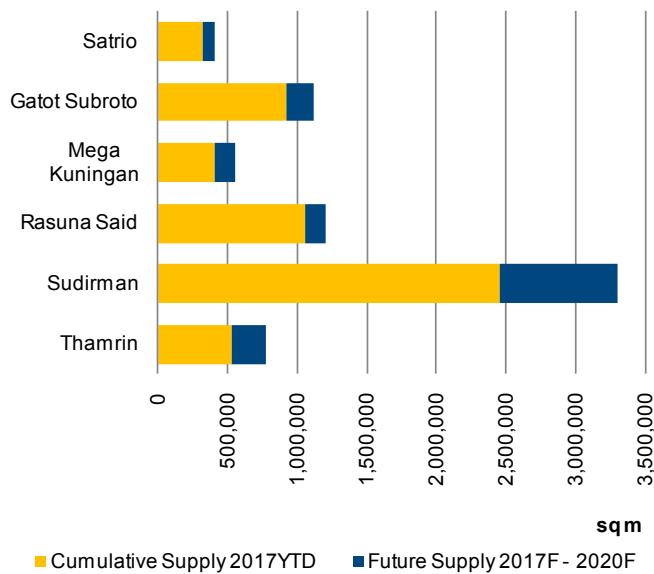
Two office buildings, Ciputra World Jakarta Tower 2 and Sopo Del Tower B, recently opened and contributed 109,200 sq m of new additional office spaces in the CBD. On the contrary, at the same period, Wisma Sudirman terminated its operation and thus it was taken out from our inventory, bringing the total supply in the CBD at 5.69 million sq m as of Q2 2017. A total of five new office buildings already began operation during the first half of 2017, and Colliers expects to see seven more office buildings to be completed in the remaining months of 2017. This year, the projected 12 new office buildings will bring a total of 730,000 sq m, as supply will increase by 13.3% YoY by the end of the year. There are 17 other office buildings that are now being constructed in order to meet completion by the end of 2020. These future office buildings will bring the annual supply to grow by 6%, and by 2020, the total office stock in the CBD will reach 7 million sq m.

#### CBD Office Cumulative Supply



Source: Colliers International Indonesia - Research

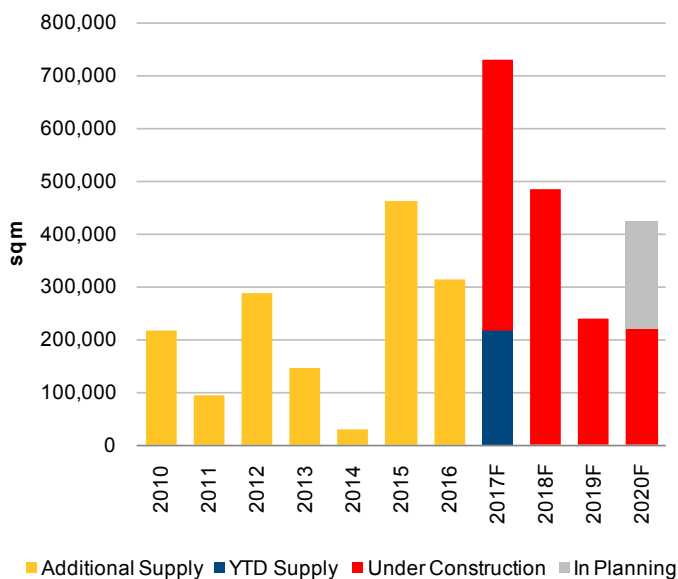
## CBD Office Cumulative Supply Based on Area



Source: Colliers International Indonesia - Research

Apart from the supply pipeline up to 2020, additional supplies after that year will continue to grow in the CBD. The following projects could begin construction in 2020: Social Security Tower (at Rasuna Said), The Hundred (at Mega Kuningan), Gayanti City (at Gatot Subroto), Tower 2 at Ciputra World Jakarta 1 (at Satrio), Office Towers at Sampoerna Strategic Square, MORI Building and Icon Tower (at Sudirman), including the redevelopment of Wisma Sudirman.

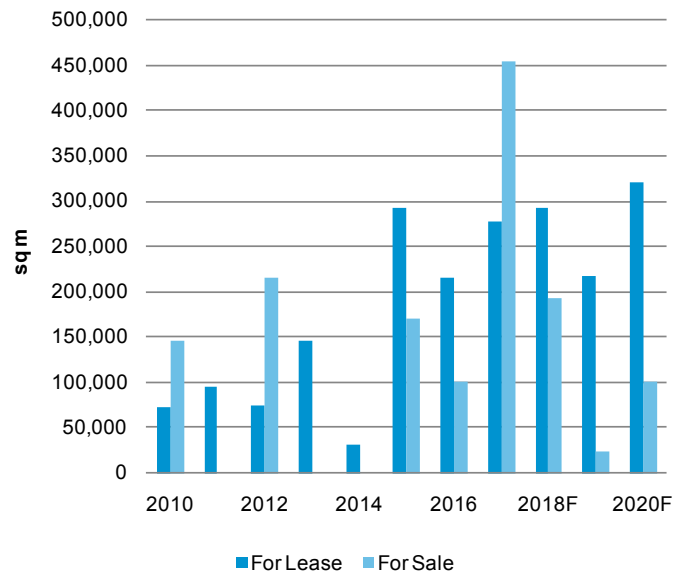
## CBD Office Annual Supply



Source: Colliers International Indonesia - Research

The projected total annual supply for 2017 will be very high, but will go down in 2018-2020. All of the office projects scheduled for completion in 2018-2019 are under construction, whilst only three office buildings scheduled to operate in 2020 are still in the planning stage.

## CBD Office Annual Supply Based on Marketing Scheme



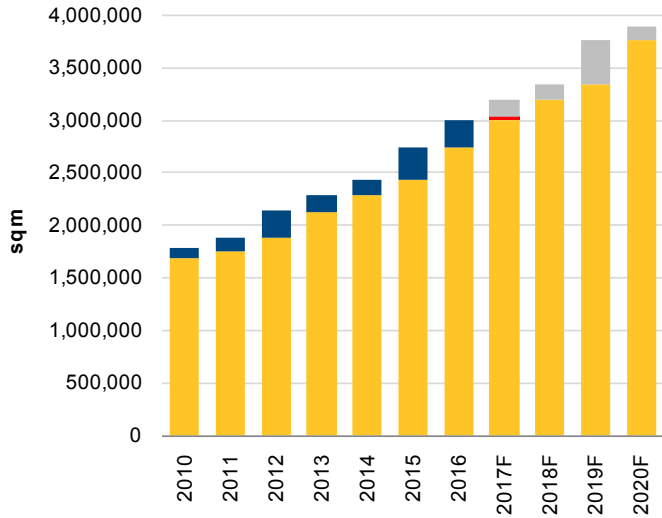
Source: Colliers International Indonesia - Research

## Outside the CBD

Puri Indah Financial became the only new office building that began operating outside the CBD in the first half of 2017. There are no additional office spaces this quarter, and thus the cumulative supply remains at 3.03 million sq m. There are currently eight office buildings under construction and which will be completed in the remaining months of 2017. These office buildings will bring the cumulative supply to 3.20 million sq m by the end of 2017. Colliers estimates that that 20 office buildings that are scheduled to open between 2018 and 2020 outside the CBD will contribute around 700,000 sq m of additional office spaces, particularly in Kemayoran, Cengkareng and TB Simatupang; 60% of the abovementioned is currently under construction, which means the supply projection could change.

As one of the most progressive areas in providing office spaces, TB Simatupang will only see five future office buildings up to 2020. The Manhattan Square, Arkadia Tower G and The Sima office buildings will provide a leasable area larger than 30,000 sq m each.

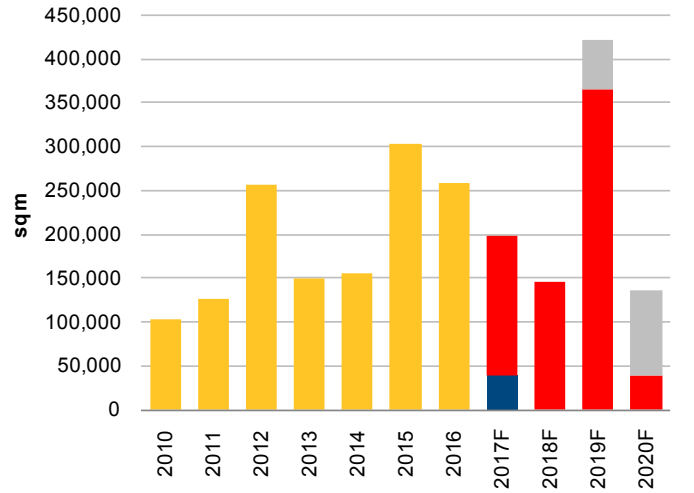
### Outside the CBD Office Cumulative Supply



Existing Supply Additional Supply YTD Supply Future Supply

Source: Colliers International Indonesia - Research

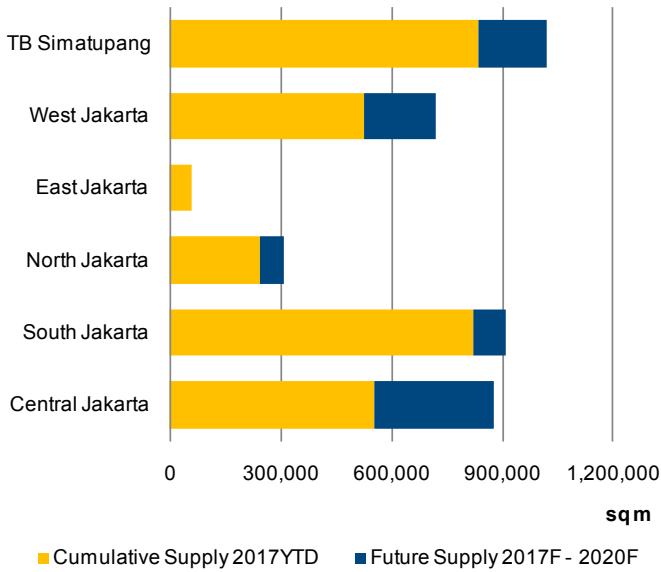
### Outside the CBD Office Annual Supply



Additional Supply Supply YTD Under Construction In Planning

Source: Colliers International Indonesia - Research

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



Cumulative Supply 2017YTD Future Supply 2017F - 2020F

Source: Colliers International Indonesia - Research

New Supply Pipeline					
PROJECTED COMPLETION	OFFICE BUILDING PROJECTS NAME	LOCATION	SGA* (SQ M)	MARKETING SCHEME	STATUS DEVELOPMENT
<b>CBD</b>					
2017	Pacific Century Place Tower	Sudirman	90,500	For Lease	Under Construction
2017	Revenue Tower	Sudirman	40,000	For Lease	Under Construction
2017	Telkom Landmark Tower II	Gatot Subroto	65,000	For Lease	Under Construction
2017	Menara Palma 2	Rasuna Said	50,000	For Lease	Under Construction
2017	The Tower	Gatot Subroto	56,492	For Lease & Sale	Under Construction
2017	Prosperity Tower @ Distict 8	Sudirman	71,545	For Sale	Under Construction
2017	Treasury Tower @ District 8	Sudirman	139,000	For Sale	Under Construction
2018	Mangkuluhur Tower	Gatot Subroto	53,000	For Lease & Sale	Under Construction
2018	Lippo Thamrin Office Tower	Thamrin	16,500	For Sale	Under Construction
2018	Sequis Tower	Sudirman	78,000	For Lease	Under Construction
2018	Sopo Del Tower A	Mega Kuningan	64,000	For Lease & Sale	Under Construction
2018	Sudirman 7.8	Sudirman	52,000	For Lease & Sale	Under Construction
2018	World Capital Tower	Mega Kuningan	72,000	For Sale	Under Construction
2018	World Trade Center III	Sudirman	70,000	For Lease	Under Construction
2018	Astra Tower	Sudirman	80,000	For Lease	Under Construction
2019	T Tower	Gatot Subroto	24,000	For Lease	Under Construction
2019	Thamrin Nine	Thamrin	97,500	For Lease	Under Construction
2019	Millenium Centennial Center	Sudirman	93,588	For Lease	Under Construction
2020	Tower Two at The City Center	Sudirman	101,260	For Lease & Sale	Under Construction
2020	Chitaland	Satrio	90,000	For Lease	Under Construction
2020	Indonesia Satu North Tower	Thamrin	43,000	For Lease	Under Construction
2020	Indonesia Satu South Tower	Thamrin	88,500	For Lease	Under Construction
2020	Redevelopment Graha Binakarsa	Rasuna Said	20,000	For Lease	In Planning
2020	SSI Tower	Rasuna Said	80,000	For Lease	In Planning
<b>OUTSIDE CBD EXCLUDE TB SIMATUPANG</b>					
Q1 2017	Puri Indah Financial Tower	Puri Indah	38,500	For Sale	Operate
2017	Gallery West	Kebun Jeruk	29,000	For Sale	Under Construction
2017	Tamansari Parama	Wahid Hasyim	10,800	For Sale	Under Construction
2017	One Belpark Office	Pondok Labu	17,800	For Lease	Under Construction
2017	St Moritz Office Tower	Puri Indah	30,000	For Sale	Under Construction
2017	BKP Office Tower	Sunter	16,000	For Lease	Under Construction
2017	Hermira Office Building	Kemayoran	20,000	For Sale	Under Construction
2017	Puri Matahari	Meruya	28,925	For Lease	Under Construction
2018	One Tower	Kemayoran	21,400	For Sale	Under Construction
2018	Soho Pancoran	Pancoran	30,000	For Sale	Under Construction
2018	Ciputra International Puri 1 Phase 1	Puri	15,000	For Lease	Under Construction
2018	Ciputra International Puri 2 Phase 1	Puri	20,000	For Lease	Under Construction
2019	MNC Tower II	Kebon Sirih	60,000	For Lease	Under Construction
2019	Jakarta Box Tower	Kebon Sirih	36,000	For Lease	Under Construction
2019	Ciputra Business District Kemayoran Tower 1	Kemayoran	40,000	For Sale	Under Construction
2019	Ciputra Business District Kemayoran Tower 2	Kemayoran	40,000	For Lease	Under Construction

*continued*

PROJECTED COMPLETION	OFFICE BUILDING PROJECTS NAME	LOCATION	SGA* (SQ M)	MARKETING SCHEME	STATUS DEVELOPMENT
<i>continuation</i>					
2019	The Unity	Casablanca	80,000	For Lease	Under Construction
2019	Ciputra International Puri 3 Phase 1	Puri	30,000	For Lease	Under Construction
2019	Ciputra International Puri Phase 2	Puri	15,000	For Lease	In Planning
2019	Ciputra International Puri 1 Phase 3	Puri	15,000	For Lease	In Planning
2019	Ciputra Internatinal Puri 2 Phase 3	Puri	15,000	For Lease	In Planning
2019	Agung Sedayu Tower	Pantai Indah Kapuk	50,000	For Lease	In Planning
2020	Lippo Tower Holland Village	Cempaka Putih	27,000	For Sale	In Planning
2020	Menara Jakarta Office Tower	Kemayoran	70,000	For Sale	In Planning
<b>TB SIMATUPANG</b>					
2017	Zuria		6,584	For Lease	Under Construction
2018	The Sima		60,000	For Lease	Under Construction
2019	Beltway Office Park Tower 4		30,839	For Lease	In Planning
2019	Arkadia Tower G		30,000	For Lease	Under Construction
2020	The Manhattan Square Tower 2		39,375	For Lease & Sale	In Planning

Source: Colliers International Indonesia - Research

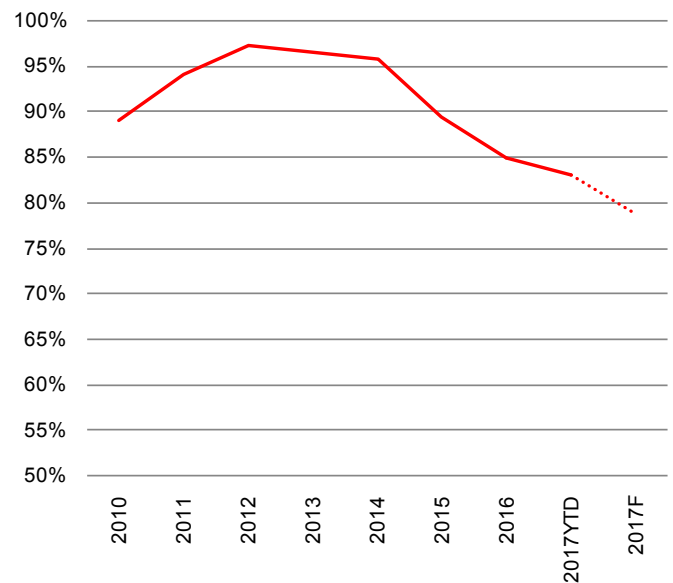
## The Occupancy

### CBD

Occupancy was maintained at 83%, which is relatively flat QoQ. Office demand benefits from the growing infrastructure development, such as construction of the MRT and LRT, involving consultants and contractors of this industry that require more office spaces. In addition, start-up and online platform companies continue to expand business, and as a result create the requirement for larger office spaces in the CBD. Meanwhile, technology-based companies, training centres and finance-related institutions such as banking and insurance continue to actively look for office spaces. The upcoming large supply in the remaining months of 2017 may correct the overall occupancy for 2017 and might possibly go below 80% by the year-end.

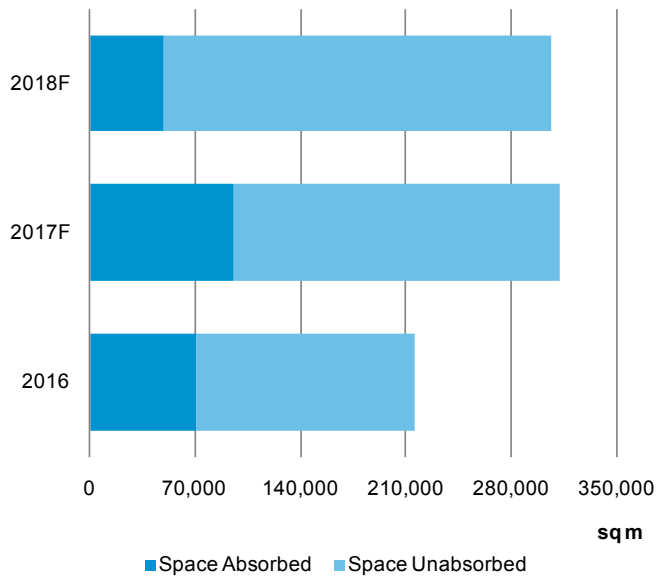
For office buildings for lease operating between 2016 and 2017, a pre-committed absorption rate is still challenging because they still have vacancy of around 70% as of Q2 2017.

### Average Occupancy in the CBD



Source: Colliers International Indonesia - Research

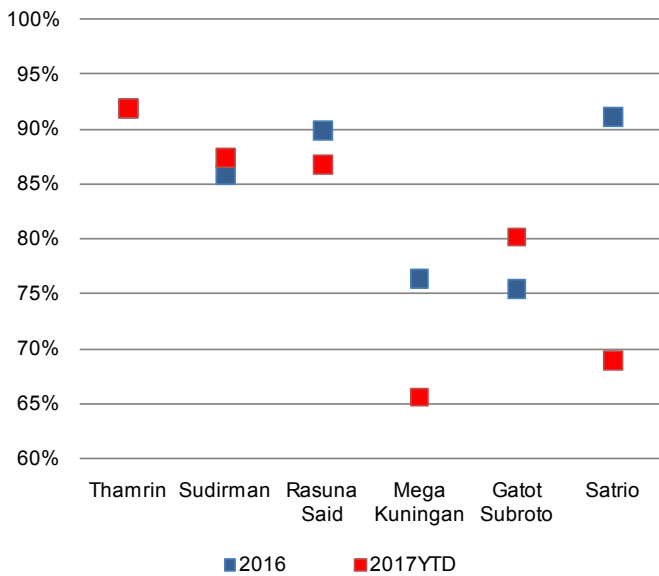
## Pre-Committed Absorption at Office Buildings for Lease in the CBD in 2016 – 2018



Source: Colliers International Indonesia - Research

The average occupancy in Mega Kuningan and Satrio dropped mainly because the newly operating office buildings have yet to perform for the last two consecutive quarters.

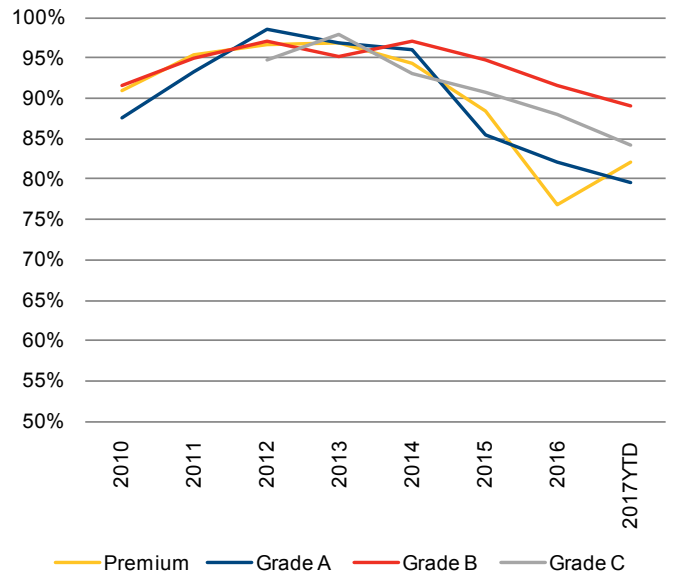
## Averages Occupancy Based on Area



Source: Colliers International Indonesia - Research

Whilst occupancy in almost all grades of buildings continues to weaken, occupancy for premium grade buildings bounced back mainly because of the relatively limited space at the buildings in this grade.

## Averages Occupancy in the CBD Based on Office Building Grade



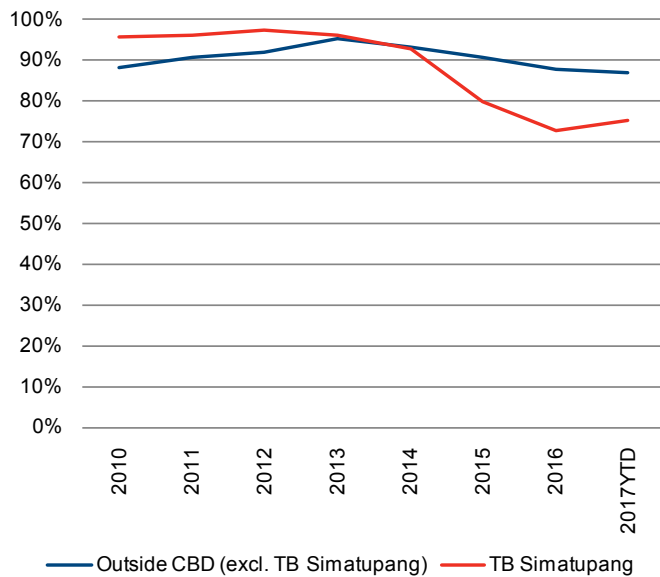
Source: Colliers International Indonesia - Research

## Outside the CBD

For the first time in the last three years, occupancy rate slightly increased at TB Simatupang to 74.1% primarily due to the absence of additional supply during the first half of 2017. Currently, some office buildings at TB Simatupang still have occupancy rates below 50%. However, we are quite firm that occupancy will continue to climb given a limited future supply in the last months of 2017.

Outside the CBD excluding TB Simatupang, occupancy also experienced a decreasing trend although it was kept above 85% since 2016. Currently, it is recorded at 86.6%. Nevertheless, we anticipate a large supply coming that could drop occupancy rate outside the CBD towards the end of 2017, particularly in West Jakarta.

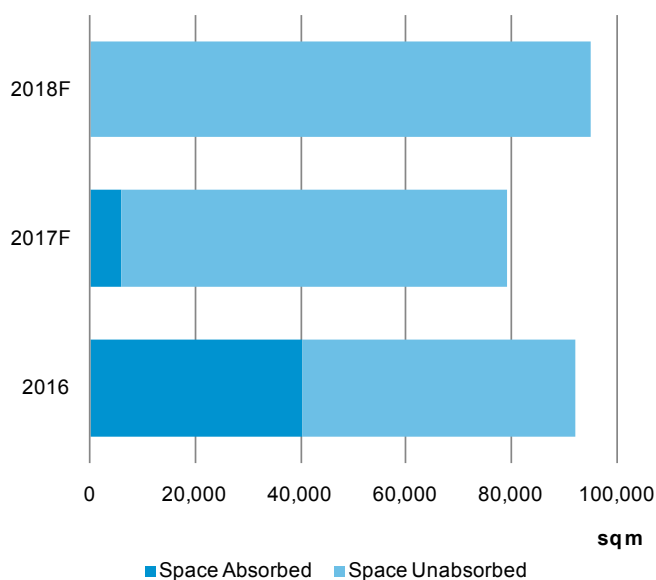
## Average Occupancy in Outside the CBD



Source: Colliers International Indonesia - Research

Similarly, office buildings that opened in 2016-2018 outside the CBD have low pre-committed absorption rates, below 20%. Besides West Jakarta, other regions such as Central and South Jakarta will contribute to increasing overall vacancy.

## Pre-Committed Absorption at Office Buildings for Lease in Outside the CBD in 2016 – 2018



Source: Colliers International Indonesia - Research

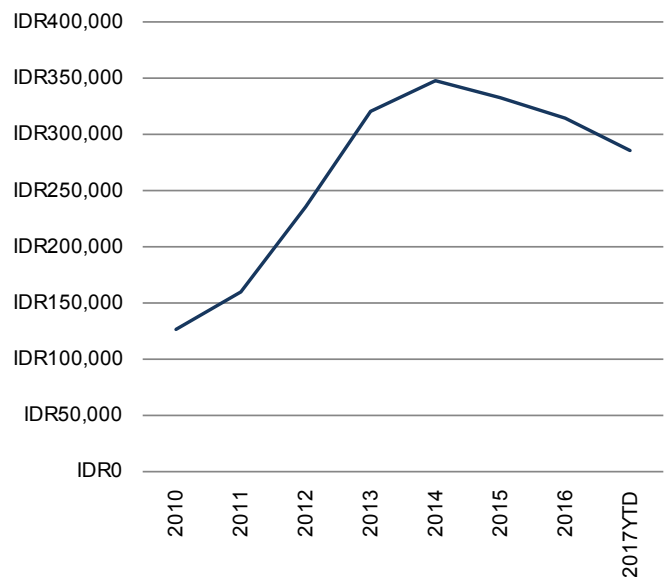
## Asking Rents

### CBD

Asking Rents Based on Grade			
	2016	2017YTD	6-MONTH CHANGE
Premium	445,463	442,624	-0.6
Grade A	315,282	289,391	-8.2
Grade B	244,669	250,068	+2.2
Grade C	205,422	178,430	-13.1

Source: Colliers International Indonesia - Research

## Average Asking Rents in the CBD

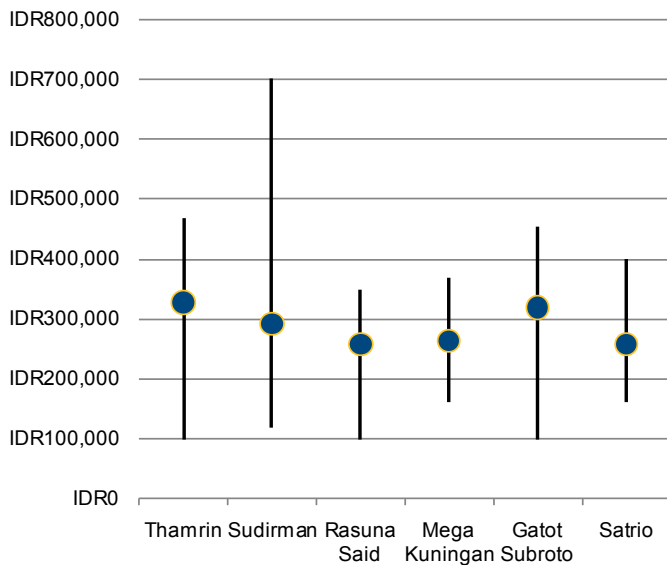


Source: Colliers International Indonesia - Research

The current tenant market situation that has led to the escalating competition amongst landlords has pushed them to accommodate a more acceptable rental tariff for their occupants. Amidst the challenging market situation, two office buildings located in Senayan and SCBD had to adjust rent and offered a more attractive rate quite substantially by around 20% QoQ. We also recorded other premium class office buildings that lowered their base rental from 5% up to 15% QoQ. In this challenging market, newly operating office buildings have to offer rental costs below market tariff, starting from IDR250,000 to IDR275,000/sq m/month, which brought the current average rents in the CBD to slump by 3% QoQ to IDR285,815/sq m/month.

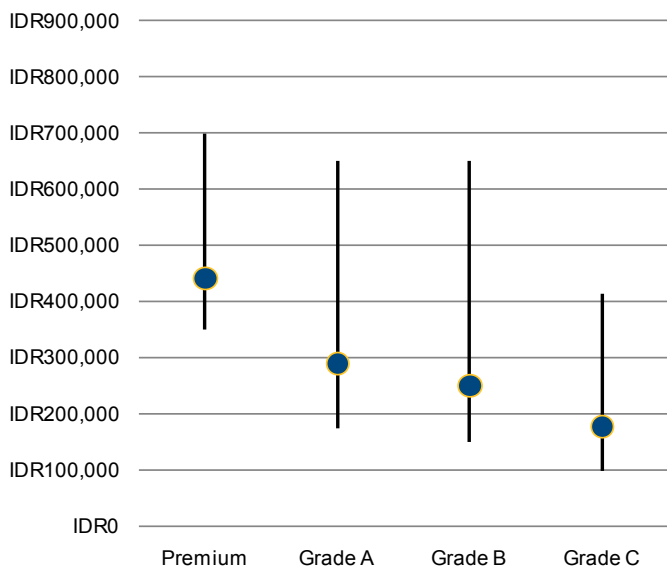
Developers of high quality buildings in premium locations inevitably offer rent above current market prices, from IDR350,000 to IDR550,000/sq m/month. Nevertheless, rental tariff will continue to receive pressure, primarily when demand is still considerably weak and further inflow of new office spaces keep pouring into the market.

## The Range of Asking Rents based on Each Market



Source: Colliers International Indonesia - Research

## Average Asking Rents in the CBD Based on Building Grade



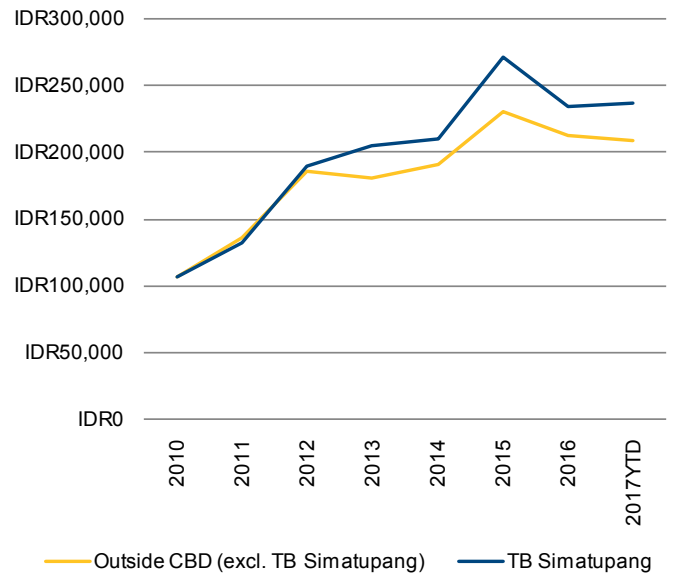
Source: Colliers International Indonesia - Research

## Outside the CBD

Asking Rents Based on Grade			
	2016	2017YTD	6-MONTH CHANGE
Grade A	269,728	292,815	+8.6%
Grade B	225,035	219,615	-2.4%
Grade C	150,223	151,084	+0.6%

Source: Colliers International Indonesia - Research

## Average Asking Rents in Outside the CBD



Source: Colliers International Indonesia - Research

After recording an upward trend for the last two quarters, average rents decreased 3.4% QoQ to IDR221,968/sq m/month outside the CBD. Some developers adjusted their base rental lower QoQ in order to maintain their occupancy level and try to boost space absorption by offering a more appealing rental tariff. The latter was mainly applied by newly operating office buildings.

Only less than 10% of the total number of office buildings outside the CBD offers asking base rental at above market prices. Most of these office buildings generally maintain good occupancy rates of above 70%. It will be tough for the majority of office buildings to charge rent above market prices, particularly for those that have just begun operation for the last two years.

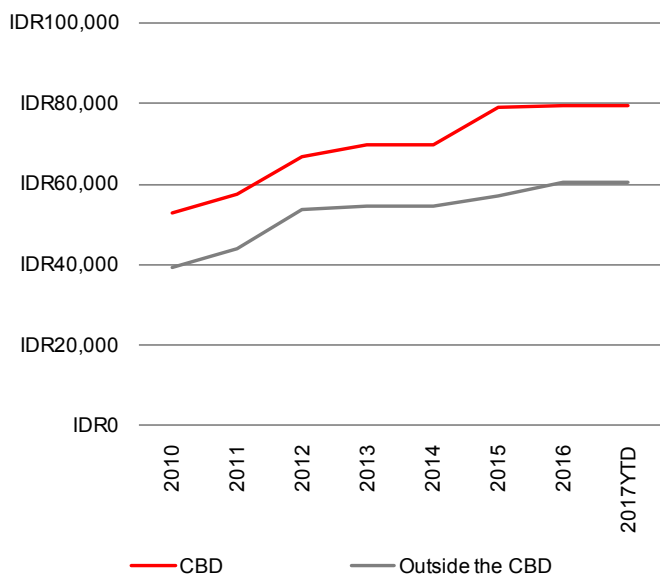


Rental adjustment in the CBD has indirectly impacted office buildings outside the CBD area. The average rental rate of Grade A office buildings located outside the CBD area is now about the same as the rental tariff of the same grade office buildings within the CBD. This creates a challenging situation for office buildings located outside the CBD because they now have to compete with establishments with the same rental cost but at a better location (within the CBD).

As of Q2 2017, the average rents for office buildings outside the CBD (excluding TB Simatupang) were recorded at IDR209,000/sq m/month, which is a 4% decrease QoQ, whilst in the TB Simatupang itself, average rents were recorded at IDR237,100/sq m/month, which is slight decrease QoQ.

## Service Charges

### Average Service Charges in Jakarta

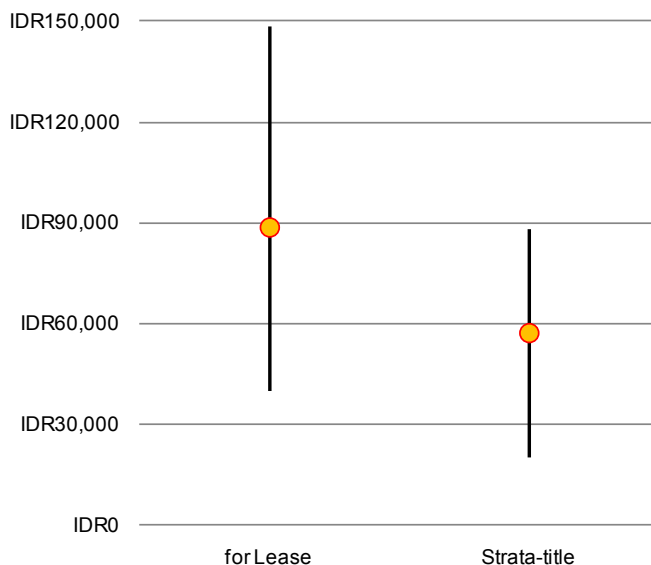


Source: Colliers International Indonesia - Research

Service charges were currently recorded at an average of IDR79,467/sq m/month in the CBD. This maintenance tariff of office buildings for lease was recorded at IDR88,584/sq m/month, whilst IDR57,214/sq m/month was the average for strata-title office buildings.

Service charges remained stable YTD, and in addition, the trend should continue since the Ministry of Energy and Resources recently confirmed to maintain basic electricity tariff stable for all industry categories at least up to the end of 2017. Meanwhile, future strata-title office buildings have announced their service charges will be between IDR50,000 and IDR55,000/sq m/month.

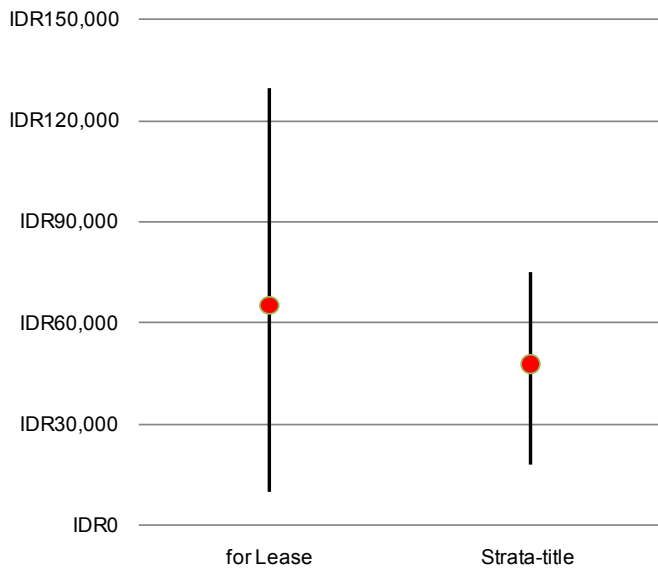
### The Range of Service Charge Based on Marketing Scheme in the CBD



Source: Colliers International Indonesia - Research

Outside the CBD, maintenance tariff rose moderately by 5% YTD and is now recorded at IDR60,379/sq m/month as of Q2 2017. The increase was mainly contributed by some office buildings that adjusted their service charge significantly higher (mainly because their service charges were much lower than market prices). The average maintenance tariff of office buildings for lease was IDR65,261/sq m/month, and for strata-title office building, IDR47,912/sq m/month. Outside the CBD, the average service charges for Grade A office buildings was recorded the lowest amongst other classes mainly because the majority of Grade A office buildings outside the CBD are strata-title buildings, which currently charge between IDR40,000 and IDR60,000/sq m/month.

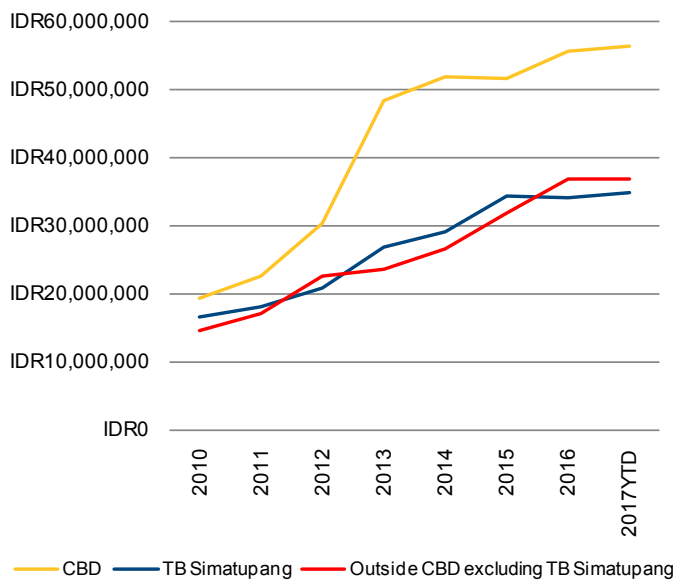
## The Range of Service Charge Based on Marketing Scheme in Outside the CBD



Source: Colliers International Indonesia - Research

## Strata-title Office

### Average Asking Prices Based on Available Spaces

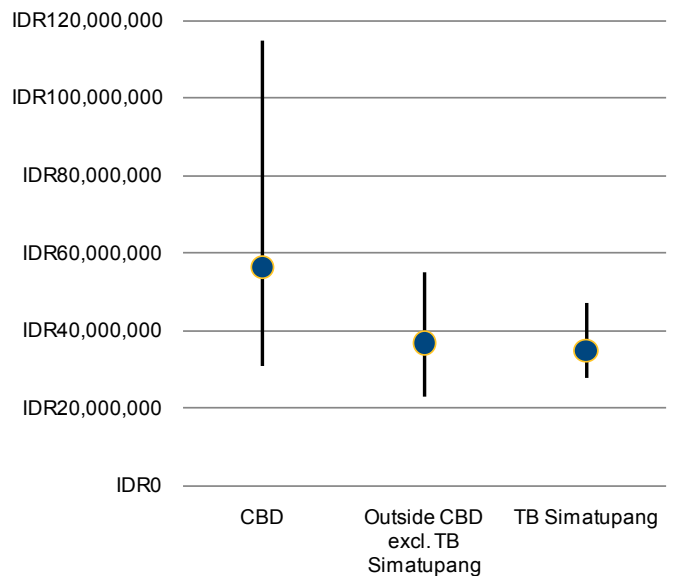


Source: Colliers International Indonesia - Research

Asking prices of strata-title office spaces are generally between IDR30 million and IDR60 million/sq m; only in certain premium location and for a few premium buildings, prices were quoted up to IDR85 million / sq m. By average prices, the CBD recorded IDR56.4 million/sq m as of Q2 2017, a minor increase of below 2% in the first semester this year.

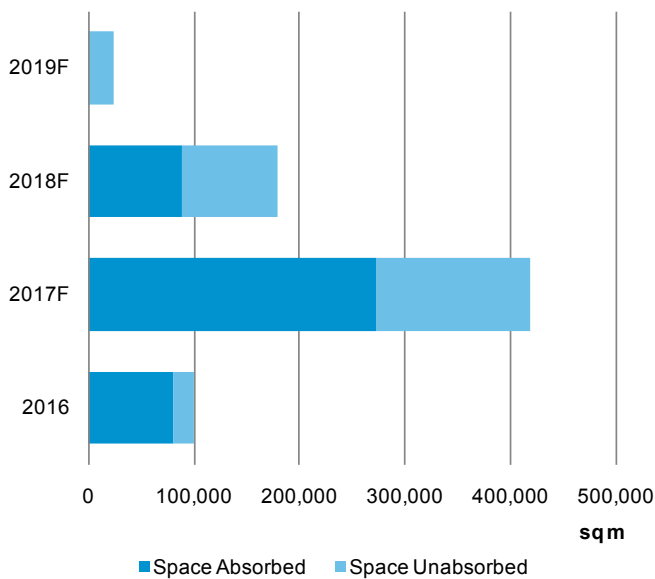
There is a considerable gap between take-up rates (space sold) and occupancy rates (spaces occupied) at strata-title office buildings, i.e. 65% versus 50% respectively for buildings that began operation from 2015 to 2017 YTD. It will be hard for developers to adjust prices and record the same growth as in the previous year of 5% YoY. Colliers estimates that asking rents will be relatively flat by the end of 2017. Expecting the economy to improve and without strata-title offices for sale currently, developers would likely increase their asking prices at least in 2018.

## The Range of Asking Prices Based on Area



Source: Colliers International Indonesia - Research

## Pre-Committed Take-Up Rate of Strata-Title Office Buildings for Sale in the CBD



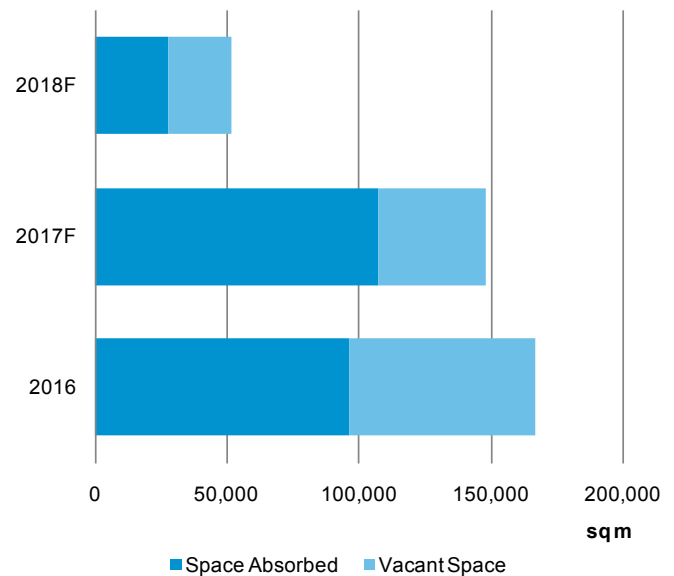
Source: Colliers International Indonesia - Research

The take-up rates for strata-title offices located outside the CBD was registered at 75%. However, only 50% is occupied. Consequently, the market only saw a slight increase in price, by only 1%, during the first half of 2017 to IDR36.2 million/sq m.

Outside the CBD, about 80% of the current available office-for-sale spaces (170,000 sq m) was contributed by existing office buildings, with prices starting from IDR27 million up to IDR55 million/sq m as of Q2 2017. Prices of office buildings under construction are quoted in the range of IDR28 million to IDR49 million/sq m.

In H1 2017, TB Simatupang contributed around 30-35% of the total spaces available outside the CBD and left a large amount of unsold spaces that pushed prices to stay relatively flat at IDR34.9 million/sq m. Similarly, the average asking prices outside the CBD (excluding TB Simatupang) remained stable at IDR36.8 million/sq m.

## Pre-Committed Take-Up Rate of Strata-Title Office Buildings for Sale in Outside the CBD



Source: Colliers International Indonesia - Research

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