

JAKARTA & GREATER JAKARTA | RETAIL

Retail Sector

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A limited number of new local and international retailers opened their stores in Jakarta. Despite the fact that there were no additional retail spaces, occupancy only increased very moderately within the first half of 2017. Nevertheless, the average asking rents increased 5.2% YoY. Meanwhile, occupancy rates registered flat since the previous year in Greater Jakarta, whilst average rents grew 7.4% YoY.

Forecast at a glance



Supply

In Jakarta, the completion dates of some future shopping centres up to 2020 are expected to change. Based on construction progress, we only recorded around 30% of the total projected retail spaces of 650,000 sq m from H2 2017 to 2020, which began construction as of Q2 2017. Capitalising on the moderate growth of retail spaces in Jakarta, 12 future shopping centres are expected to meet completion in 2018-2020 in Greater Jakarta. These 12 shopping centres will contribute around 600,000 sq m of future supply up to 2020, 38% of which is currently under construction.



Demand

Hunting for new brands, particularly in fashion and culinary, is continuously becoming a common habit for shoppers in Jakarta. Indonesia's growing population causes both local and foreign retailers to keep eyeing Indonesia as a leading shopping destination. Certainly, the country is in line as it expects a projected economic growth in the near future.



Occupancy

Tight competition amidst retailers and shopping centres will pressure average occupancy. Despite expecting demand to improve, large additional retail spaces will cause occupancy to be relatively flat by the end of 2017.



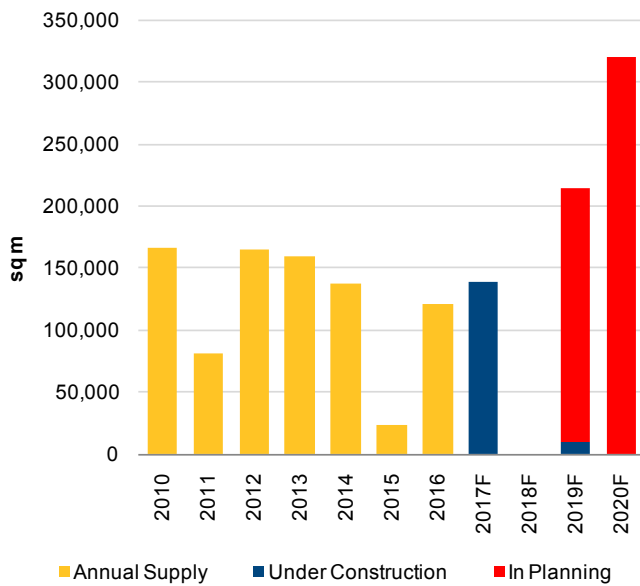
Rent

The limited available spaces particularly at main retail areas and maintaining occupancy relatively stable will cause landlords to confidently increase their rents, although moderately.

Supply

Jakarta

Annual Retail Space Supply in Jakarta



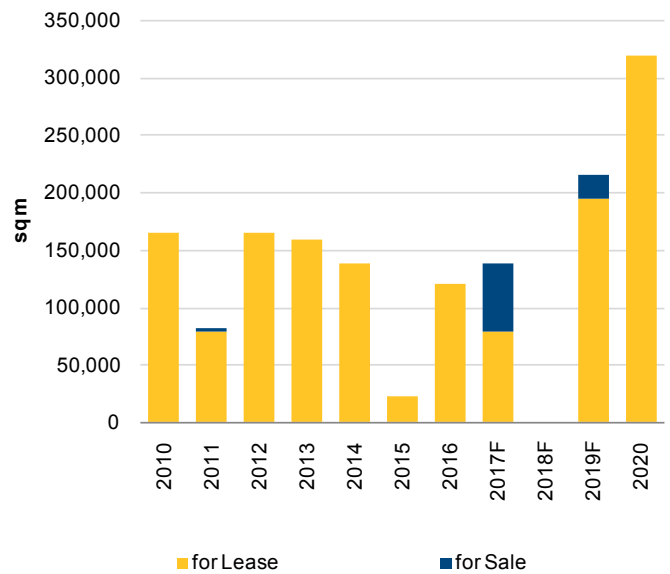
Source: Colliers International Indonesia - Research

In the last two quarters, not one shopping centre began operation in Jakarta. This situation caused the cumulative retail supply to register at 4.57 million sq m since 2016. Despite the absence of contribution in the first two quarters, we project that the total additional supply in 2017 will be larger than that in 2016. However, cumulative supply is expected to grow only around 3% YoY by the end of 2017. Although cumulative supply increased very moderately at least for the last six or seven years, not less than 15 shopping centres will meet completion up to 2020. Based on construction, only 28% of the total future supply is expected to complete in 2017-2019, contributed by five shopping centres. All of these five future shopping centres have currently commenced construction.

After PIK Avenue (North Jakarta) and Neo SOHO Mall (West Jakarta), Aeon Mall at Jakarta Garden City is expected to open during the remaining months of 2017 as a new shopping destination for people who live around eastern Jakarta. Other than Aeon Mall, we also monitor the progress of two retail centres owned by APL Land. One of these two shopping centres is New Harco Plaza (West Jakarta).

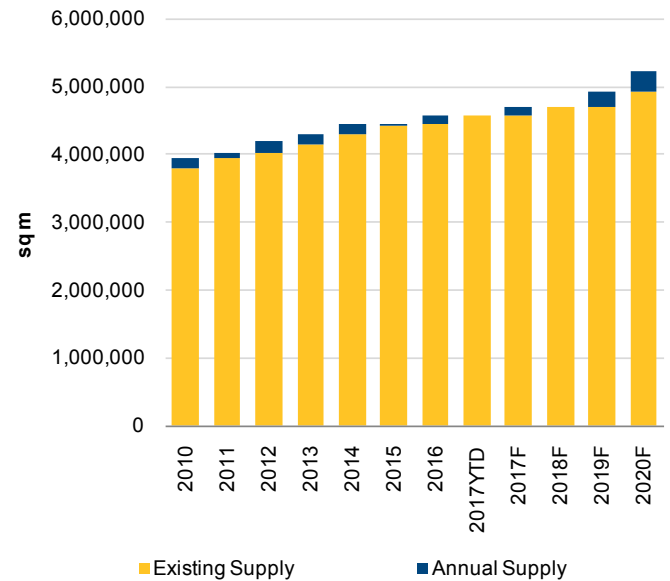
The completion of New Harco will again bring new retail spaces for sale, after not contributing for the last seven years. Based on marketing scheme, retail spaces for sale only contributed 32% of the current total supply in Jakarta. Based on area, Central and North Jakarta, which are well-known trading areas, contributed larger retail spaces for sale than in other areas, respectively 43% and 28% of the cumulative retail supplies for sale as of Q2 2017.

Annual Retail Space Supply Based on Marketing Scheme in Jakarta



Source: Colliers International Indonesia - Research

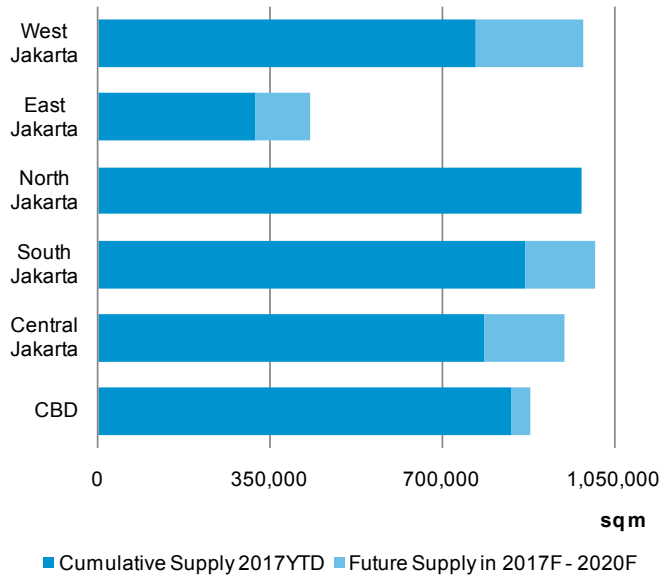
Cumulative of Retail Space in Jakarta



Source: Colliers International Indonesia - Research



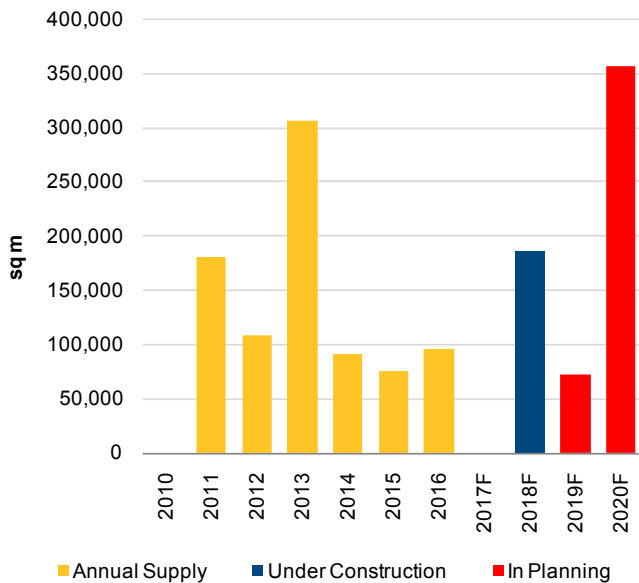
Cumulative Supply Based on Area in Jakarta



Source: Colliers International Indonesia - Research

Greater Jakarta (BoDeTaBek)

Annual Retail Space Supply in Greater Jakarta

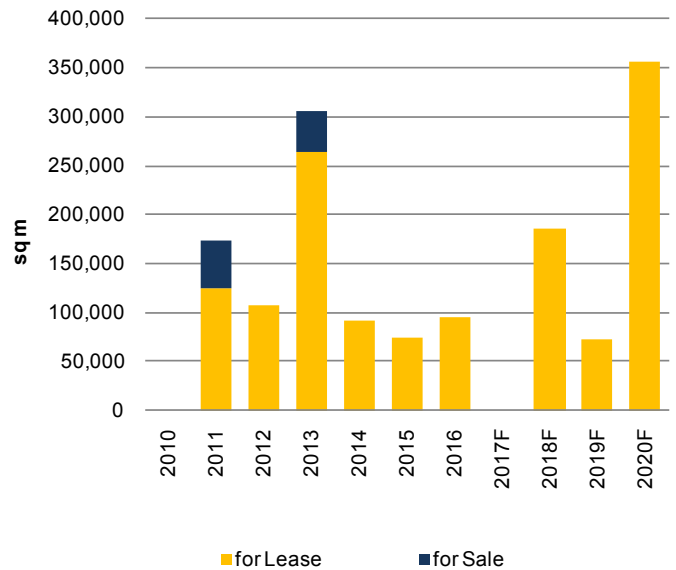


Source: Colliers International Indonesia - Research

Cumulative supply remained at 2.52 million sq m in Greater Jakarta as of Q2 2017. Besides confirming the absence of additional supply in the remaining months of 2017, we also recorded rescheduling of completion for some future shopping centres in Greater Jakarta. Despite having an appointed contractor, construction for a future shopping centre at Jababeka is progressing slowly. Notwithstanding the owner confirmed to reschedule, this project will be part of five future shopping centres to meet completion up to 2019 in Greater Jakarta. These five shopping centres will also raise the cumulative supply by 4.5% per year in 2018-2019.

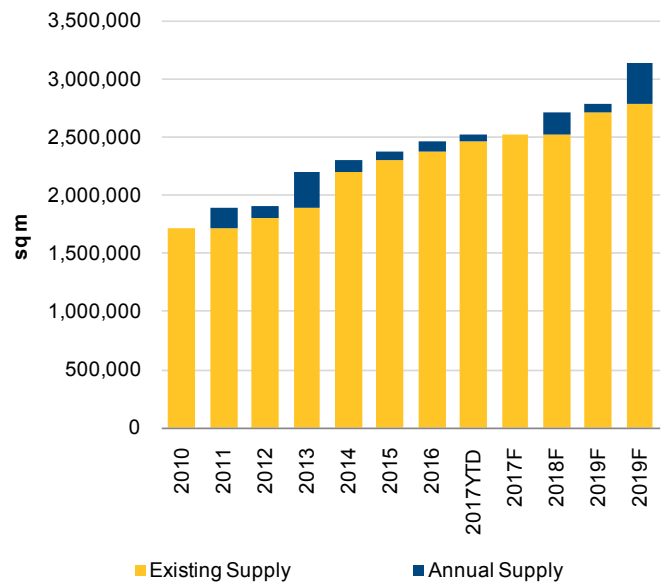
Based on construction progress, two shopping centres located at Sentul (Bogor), namely Galleria Vivo and Aeon Mall Sentul, are likely to meet completion in 2018. Apart from the projects under construction, at least the other seven shopping centres are currently in planning stages to contribute around 60% of the total future supply in Greater Jakarta up to 2020. Completion of all these shopping centres will bring the cumulative supply to 3 million sq m in 2020.

Annual Retail Space Supply Based on Marketing Scheme in Greater Jakarta



Source: Colliers International Indonesia - Research

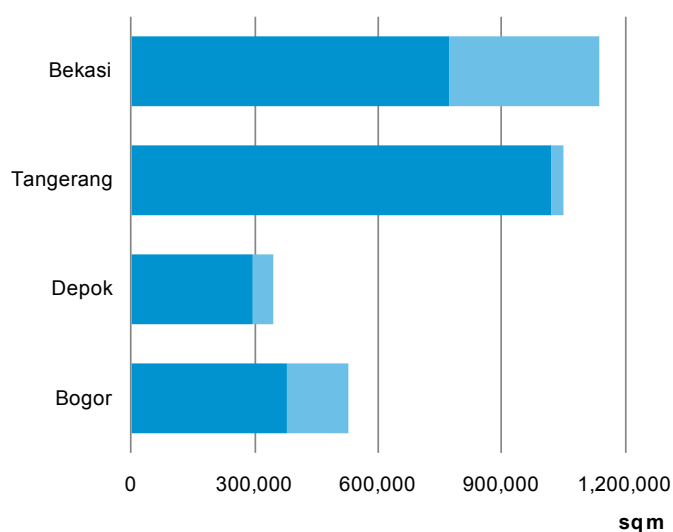
Cumulative of Retail Spaces in Greater Jakarta



Source: Colliers International Indonesia - Research



Cumulative Supply Based on Area in Greater Jakarta



■ Cumulative Supply 2016 ■ Future Supply in 2017F - 2019F

Source: Colliers International Indonesia - Research

New Supply Pipeline					
SHOPPING CENTRE	LOCATION	REGION	DEVELOPER	NLA (SQ M)	DEVELOPMENT STATUS
JAKARTA					
2017					
Aeon Jakarta Garde City	Cakung	East Jakarta	Metropolitan Land & Aeon	71,000	Under Construction
Shopping Mall @ Pancoran	Pancoran	South Jakarta	Agung Podomoro Land	8,000	Under Construction
New Harco Plaza	Glodok	West Jakarta	Agung Podomoro Land	60,000	Under Construction
2019					
Shopping Mall at South Gate	Lenteng Agung	South Jakarta	Sinarmas Land & Aeon	35,000	Under Construction
D'Entrance Arkadia	TB Simatupang	South Jakarta	Loka Mampang	10,000	Under Construction
2020					
Mal Puri Indah 2	Puri Indah	West Jakarta	Antilope Madju Puri Indah	50,000	In Planning
Holland Village Mall	Cempaka Putih	Central Jakarta	Lippo Karawaci Tbk	40,000	In Planning
Grand Metro Cipulir	Cipulir	South Jakarta	Priamanaya	30,000	In Planning
Shopping Mall at Podomoro Park	Klender	East Jakarta	Graha Cipta Kharisma (Agung Podomoro Land)	40,000	In Planning
Pondok Indah Mall 3	Pondok Indah	South Jakarta	Metropolitan Kentjana	60,000	In Planning
Menara Jakarta Shopping Mall	Kemayoran	Central Jakarta	Agung Sedayu Permai	100,000	In Planning
Daan Mogot City	Daan Mogot	West Jakarta	China Harbour	60,000	In Planning
Grand Dhika Mall Daan Mogot	Daan Mogot	West Jakarta	Adhi Karya	50,000	In Planning
Benhil Central Mall	Bendungan Hilir	Central Jakarta	JO WIKA & PD Pasar Jaya	20,000	In Planning
Benhil Central Trade Centre	Bendungan Hilir	Central Jakarta	JO WIKA & PD Pasar Jaya	20,000	In Planning

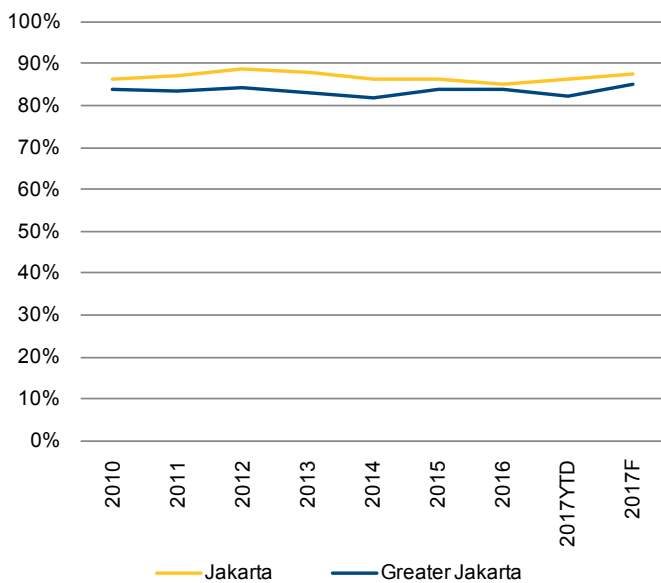
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SHOPPING CENTRE	LOCATION	REGION	DEVELOPER	NLA (SQ M)	DEVELOPMENT STATUS
<i>continuation</i>					
GREATER JAKARTA (BODETABEK)					
2018					
Galeria Vivo Sentul at Cilandak City	Sentul	Bogor	Megapolitan	35,000	Under Construction
AEON Mall Sentul City	Sentul	Bogor	AEON & Sentul City	71,000	Under Construction
2019					
Plaza Indonesia Jababeka	Cikarang	Bekasi	Plaza Indonesia Realty & Graha Buana Cikarang	55,685	under construction
Grand Dhika City Mall	Bekasi	Bekasi	Adhi Persada Property	24,000	under construction
Shopping Mall at Pesona Square	Juanda	Bogor	Menara Depok Asri	40,000	under construction
2020					
AEON Mall Deltamas	Deltamas	Bekasi	AEON & Deltamas	90,000	in planning
Living World Jababeka	Cikarang	Bekasi	Kawan Lama	18,000	in planning
Embarcadero	Bintaro	Tangerang	Lippo Karawaci Tbk	30,000	in planning
Kota Harapan Indah	Kota Harapan	Bekasi	Hasana Damai Putra	51,000	In planning
Lippo Grand Mall	Karawaci	Tangerang	Lippo Karawaci Tbk	120,000	In planning
Shopping Centre at Kota Wisata	Cibubur	Bekasi	Sinarmas Land	45,000	in planning
Shopping Mall at Green Lake	Cimanggis	Depok	Cempaka	20,000	in planning

Source: Colliers International Indonesia - Research

Absorption

Occupancy Rates in JaBoDeTaBek



Source: Colliers International Indonesia - Research

Without additional retail spaces in the first half of 2017, average occupancy rates recorded a slight improvement at 86.1% in Jakarta. The sluggish economic growth that was recorded since the end of 2016 caused landlords not to worry about the current stagnating occupancy rates. Furthermore, occupancy rates are expected to fall based on the large number of projected additional retail spaces in the remaining months of 2017. Nevertheless, we expect the economy to improve and that yearend sale will boost committed tenants to open their stores beginning on the shopping centre's first day of operation.

According to the Indonesia Stock Exchange, at least five chain retailers performed excellently in terms of growth of income and profit in 2016. These five chain retailers recorded income growth from 5% to 15% in 2015-2016. Retail business in Indonesia will still be promising both for local and international retailers. Miniso, a Japanese variety store chain that specialises in household and consumer goods including cosmetics, stationeries, toys and kitchenware, recently opened their fifth store at Mall Artha Gading (North Jakarta). Previously, this retailer opened four other stores at Mall Taman Anggrek and Lippo Mall Puri (West Jakarta). They also opened a store in Greater Jakarta, Margo City (Depok) and Supermall Karawaci (Tangerang). In addition, Russell Hobbs (from England), a well-known household

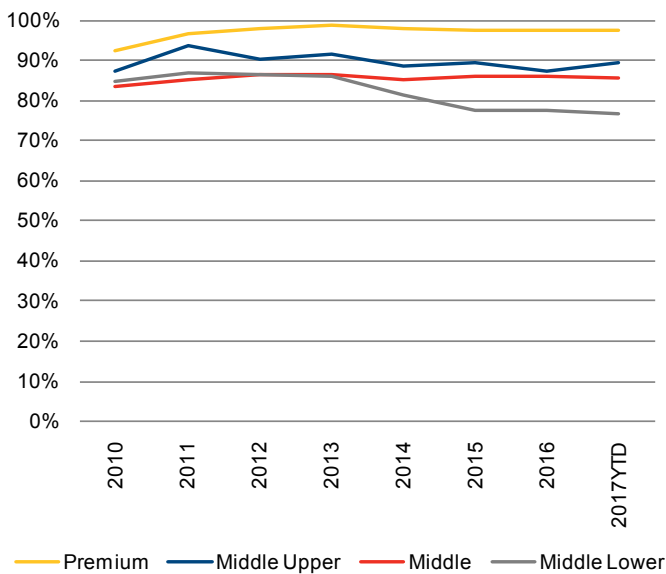
brand, officially penetrated the Indonesian market through Ravalindo Megah Perkasa. In Indonesia, this retailer sells its products through partner retailers such as Best Denki, Electronic City, SOGO Department Store, Metro Department Store and Hartono Electronic.

Based on grade, it has been almost two years that premium class shopping centres maintained occupancy rates at 97%. Conversely, lower class shopping centres showed a declining trend in occupancy rates, despite slightly.

In Greater Jakarta, occupancy rates were also recorded at 82% since the previous year. Shopping centres that are mainly located at the fringes of the city centre in Greater Jakarta still maintained a large number of available spaces and contributed in making occupancy stagnant.

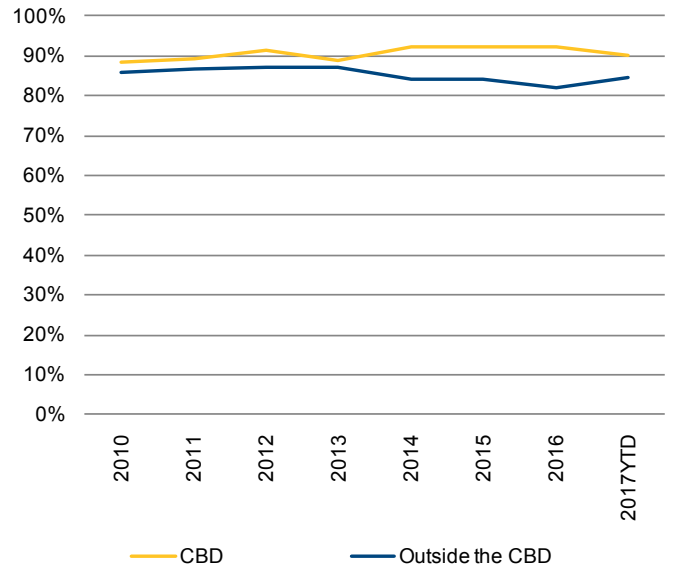
We expect more fresh retailers coming in and bringing a different shopping atmosphere in Indonesia. However, on the other side, the existence of new retailers will put a big challenge to existing stores. Due to tight competition with newly operating retailers within the same industry, not a few old tenants closed their stores.

Occupancy Based on Mall Grade in Jakarta



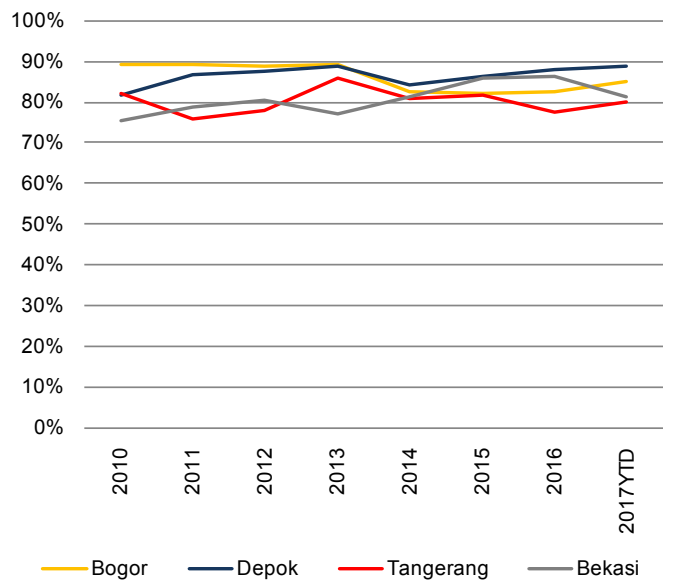
Source: Colliers International Indonesia - Research

Occupancy Based on Area in Jakarta



Source: Colliers International Indonesia - Research

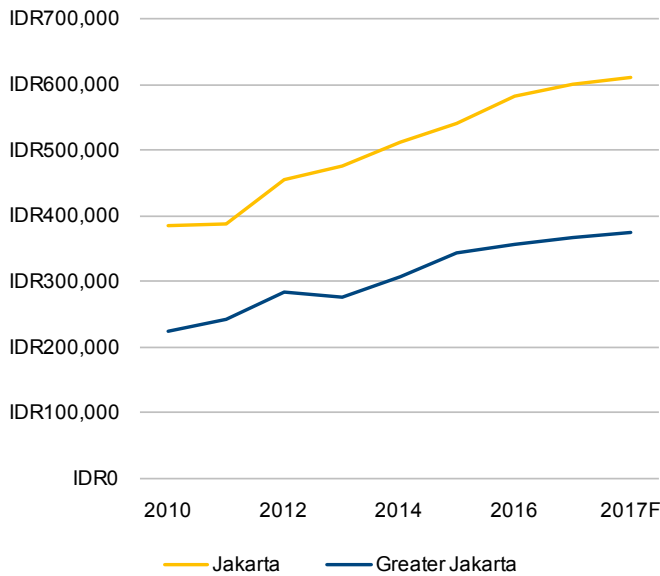
Occupancy Based on Area in Greater Jakarta



Source: Colliers International Indonesia - Research

Average Rental Rates

Average Asking Rents in JaBoDeTaBek



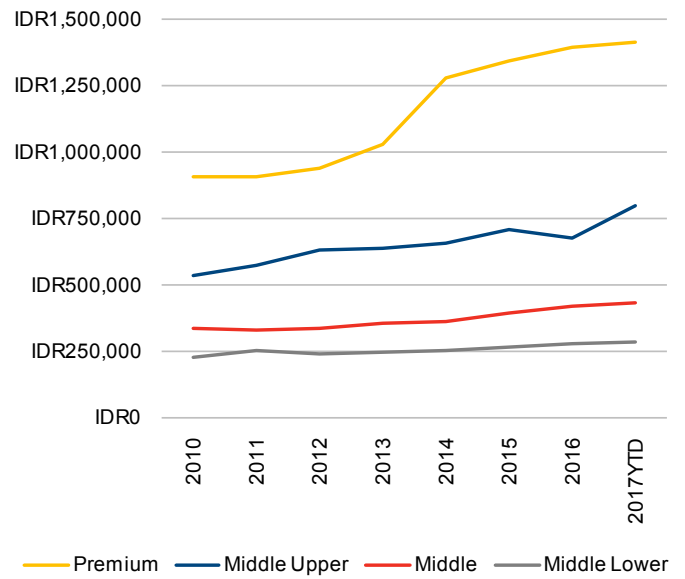
Source: Colliers International Indonesia - Research

Average rents increased by 3% YTD to IDR599,335/sq m/month as of Q2 2017. This YTD growth was recorded lower than in the same period in 2016. Based on mall grade, the growth of asking rents at middle-upper class shopping centres were higher than in other classes. YTD, the average rents for middle-upper class jumped 18% to IDR798,604/sq m/month. Currently, two middle-upper class shopping centres in South Jakarta confidently offered average rents starting from IDR1,000,000 up to IDR1,100,000/sq m/month.

Despite increasing, middle and middle-lower class shopping centres recorded a slower-moving growth of asking rents YTD. Both of these shopping centre classes prefer to focus on boosting their occupancy rates instead of their asking rents. However, we also recorded some middle-lower class shopping centres that kept their average rents stable despite enjoying high occupancy rates.

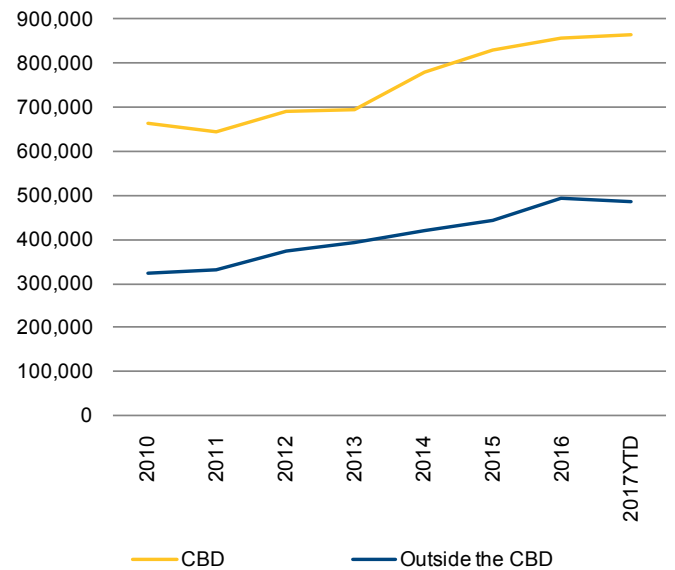
In Greater Jakarta, some shopping centres raised their average rents starting from IDR50,000 up to IDR100,000/sq m/month and helped the average rents increase by 3.2% YTD to IDR367,884/sq m/month. Summarecon Mall Bekasi, Mall at Alam Sutera, Margo City, Metropolitan Mall and Supermall Karawaci are in the same group that offers the highest rents in Greater Jakarta, between IDR500,000 and IDR700,000/sq m/month.

Average Asking Rents Based on Mall Grade in Jakarta



Source: Colliers International Indonesia - Research

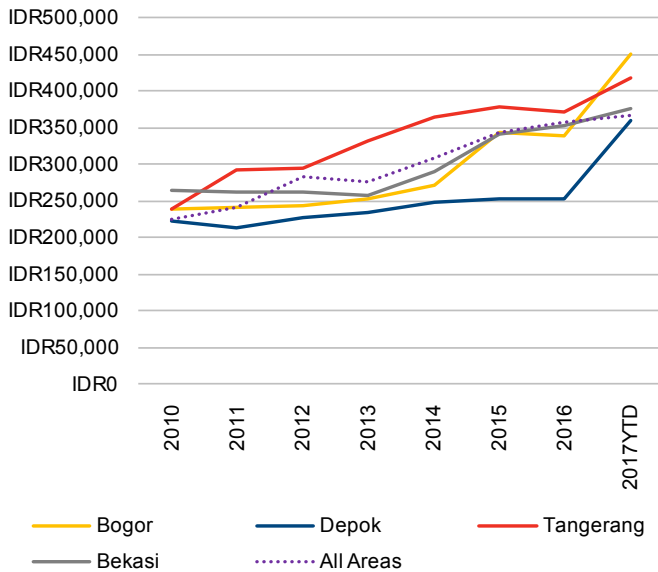
Average Asking Rents Based on Area in Jakarta



Source: Colliers International Indonesia - Research



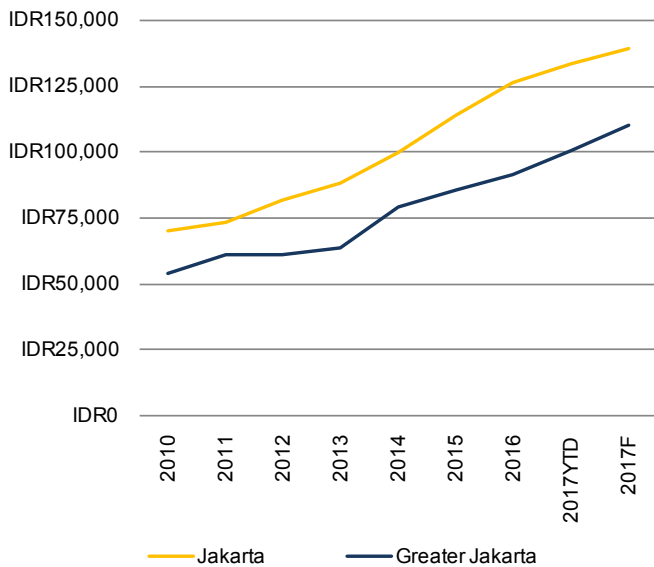
Average Asking Rents Based on Area in Greater Jakarta



Source: Colliers International Indonesia - Research

Service Charges

Service Charges in JaBoDeTaBek

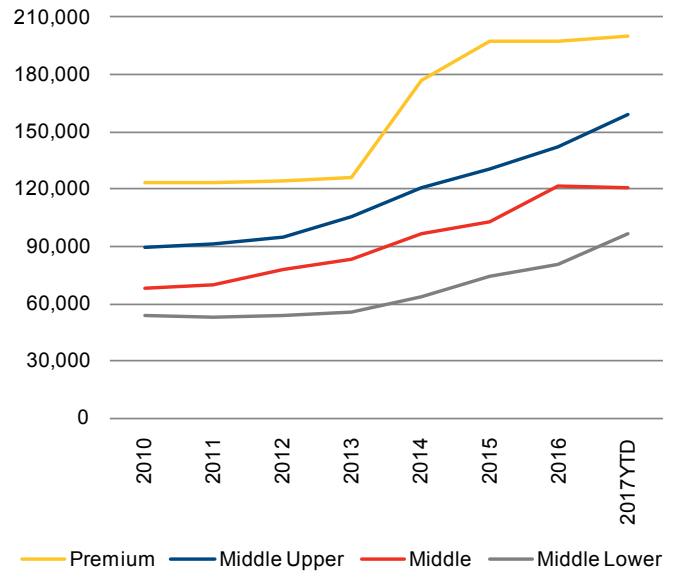


Source: Colliers International Indonesia - Research

Some shopping centres still quoted service charges below market prices. With improving services, these shopping centres will likely adjust their service charge higher, closer to the average market price. This situation often causes an increase in service charge, higher than inflation. Meanwhile, shopping centres that maintained their service charge in the average market prices will normally increase service charge from 5% to 10% yearly.

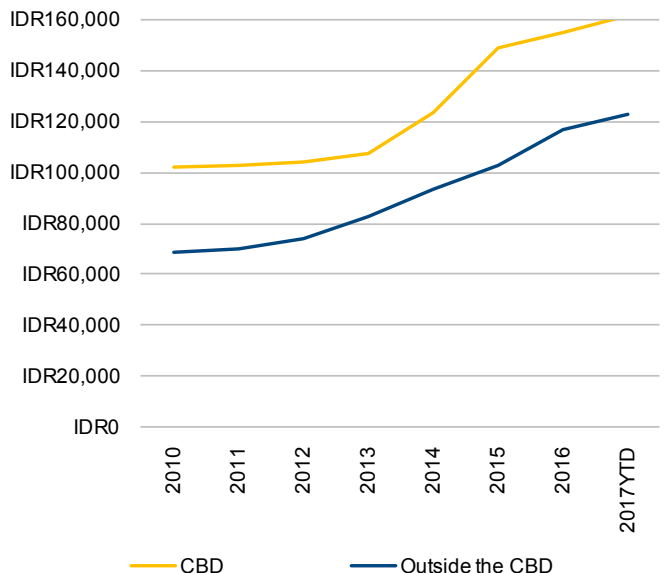
In Jakarta, service charges increased 3% YTD to IDR133,092/sq m/month as of Q2 2017. In Greater Jakarta, service charges were recorded slightly higher than in Jakarta in the same period. After registering flat in 2015-2016, some shopping centres increased their service charges by more than 20% YTD and helped service charges register at IDR100,749/sq m/month. This current service charge increased by 3.5% YTD.

Service Charges Based on Mall Grade in Jakarta



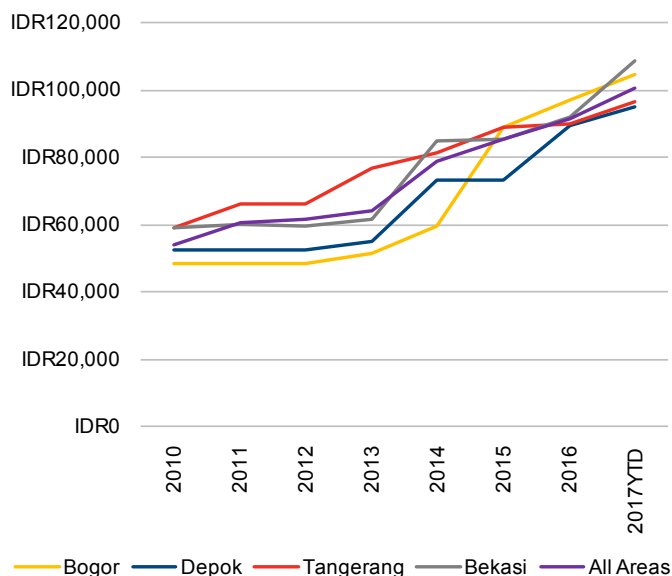
Source: Colliers International Indonesia - Research

Service Charges Based on Area in Jakarta



Source: Colliers International Indonesia - Research

Service Charges Based on Area in Greater Jakarta



Source: Colliers International Indonesia - Research

Concluding Thought

Online shopping will not become a threat to conventional shopping centres, even though online shopping will make shopping much convenient for people. Maximising social media will likely become the best way to promote shopping centres. Publishing more interesting displays on social media and offering attractive discounts will convince people to go shopping online. Some department stores began to benefit from increasing sales, as assisted by on-line shopping.

However, online shopping does not intimidate shopping centres since shopping centres are still well-loved family destinations. Conversely, the concept and condition of shopping centres will affect their performance and occupancy rate. People will be increasingly selective when visiting a shopping centre and competition amongst shopping centres is heightening, particularly for lifestyle shopping centres.

Hence, landlords are required to be increasingly creative in developing their shopping centres in the future. Relocating and re-laying out tenancy mix can also be a way of presenting more refreshing shopping centres. In addition, doing so could raise the number of visitors and shoppers. One shopping centre in South Jakarta confidently opened a coffee shop by reducing retail space that was occupied by a mini anchor. Also, a mall located in the CBD will seemingly do the same way by closing its department store. Later, landlords will open some boutique stores to occupy retail spaces.

In order to increase the number of store expansions, food and beverages were currently bought by private equity firms. Later, these private firms will inject incentives for retailers to open more stores in the future.

Existing shopping centres within mixed use developments are expected to grow instead of standing alone in a mall. Being attached with apartments, hotels and office buildings will be beneficial for shopping centres in terms of the number of visitors. Travellers will also become potential target market for retailers. In addition, availability of the MRT and LRT in the future will largely impact people's shopping habits. According to Colliers, people would more frequently go shopping daily than monthly.

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