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The expatriate housing sector will likely continue to be under market condition. The leasing activities of expatriates searching for homes in Indonesia typically picks up during summer, which falls from May to August, but thus far the volume has not been as expected. Reasons for the prolonged stagnancy include the expiration of existing work contracts, reduction in the number of arriving expatriates, and a lack of new, ongoing projects of nation-wide scale. On the other hand, despite the significant number of in-bound Chinese expatriates, the impact is nothing in light of the overall rental market, having a moderate impact in both apartments and housing for rent. Chinese expatriates typically opt for individually owned apartments or exclusive *kost-kostan* type boarding houses with a group of people staying in a single unit.

On the other hand, demand for upscale property including those located in a housing complex and in stand-alone houses remains healthy. Enquiries are made up primarily of white-collar workers and distinguished professionals, such as the country head of a company, diplomats or the chief executive director of a financial institution, as well as anybody with a strong housing budget. Typically, the landlords of such property are high-net-worth-individuals (HNWI) that do not care whether the property is vacant or not. Even when the property is vacant, they are still reluctant to lower the rent.

The number of younger Asian expatriates has grown recently, particularly from India, Singapore and China. This market is generally coming with a narrow budget (ranging from USD1,000 to USD1,500 per month), which is difficult to match with the available leased or serviced apartments units in this budget range. On a positive perspective, this provides opportunity for individually owned apartment units that are offered for lease. In general, the remuneration package for Asian expatriates is relatively small compared with Western expatriates, and schooling fee is not included in the budget. Having said that, this market segment usually does not bring their family and opts for affordable, smaller apartment units located near their workplace. In addition, about 25-

30% of young Asian expatriates who come to Indonesia are married, but in most cases their job does not accommodate spouses, nor children.

Kebayoran Baru and Kuningan (Patra Jasa) continue to receive high demand as preferred relocation areas, as reflected in the positive trend of enquiries. As a result, residential landlords in these locations managed to raise rents significantly after reaching high occupancy levels. It is common to see that owners of these most sought after properties do not chase after quick money, and they are not too worried if their property is vacant or occupied, as cash-flow is not an immediate issue for them.

In contrast, properties in the secondary areas, such as Lebak Bulus, Permata Hijau, Ampera and Menteng, continue to face challenges, including limited demand and the distance from amenities preferred by expats such as international schools, clubs, shopping malls and dining areas. Menteng is known as a cultural heritage area where most of the houses cannot be easily remodelled with a modern style, making it difficult for landlords to attract potential tenants. As a result, most landlords, particularly of individually owned stand-alone houses, are more accommodating in lease tenure, as well as in entertaining additional requests related to the renovations, improvements and inclusive features of the house.

It is common nowadays for employers to give the housing allowance directly to the employee, giving them liberty in choosing where they decide to reside. It is quite beneficial for the employee to pay the landlord directly, in order to obtain the lowest tax rate on amount of the housing allowance, as opposed to paying the allowance through the company. Thus, the employer may pay the rent in full and still deduct a yearly or monthly housing amount from the employee's compensation.

Currently, demand shifted from the oil and gas sector to broader industries, such as banking and insurance, energy, infrastructure, automotive, fast moving consumer goods, consultancy services and the real estate industry, including flexible workspace operators.

South Jakarta is still irreplaceable as an expatriate's home, as it provides almost all of their needs such as international schools, entertainment centres, shopping spots, golf courses and other points of interest. Moreover, we think areas such as Lippo Karawaci,

Bintaro, Bumi Serpong Damai (BSD) and Cikarang have good potential to develop as leading alternatives where expatriates might want to live, because these areas are still within the catchment of the expatriate community.

HOUSING RENTAL RATES IN SEVERAL EXPATRIATES AREAS			
EXPATRIATES HOUSING BY AREA	SIZE (SQ M)	OFFERING RENTAL RATE PER UNIT (IN USD/MONTH)	
		MIN	MAX
Menteng			
4 - 5BR House	500 - 1,200	4,000	12,000
Kuningan			
4 - 5BR House	500 - 900	3,000	4,500
Pondok Indah			
4 - 5BR House	450 - 1,000	3,000	12,000
Kebayoran Baru			
4 - 5BR House	600 - 1,500	3,000	9,000
3 - 4BR Townhouse/complex	250 - 700	2,000	5,000
Permata Hijau, Simprug			
4 - 5BR House	400 - 1,500	2,500	6,000
3 - 4BR Townhouse/complex	220	2,700	3,500
Kemang			
4BR Townhouse/complex	400 - 700	2,000	6,000
3BR House	400 - 750	2,500	4,000
4 - 5BR House	550 - 1,000	3,000	6,000
Cilandak			
4BR Townhouse/complex	300 - 700	2,500	5,000
3BR Apartment + Study	300 - 600	3,000	4,500
4 - 5BR House	450 - 750	3,000	6,000
Cipete			
3BR Townhouse/complex	200 - 300	2,500	4,000
4BR Townhouse/complex	400 - 700	3,000	5,000
3BR House	300 - 500	2,500	5,000
4 -BR House	300 - 500	3,000	5,000
Pejaten			
3BR Townhouse/complex	400 - 600	2,500	5,000
4BR House	500 - 900	3,000	5,500

Source: Colliers International Indonesia - Residential Tenant Representation

APARTMENT RENTAL RATES IN SEVERAL EXPATRIATES AREAS			
APARTMENT BY AREA	SIZE (SQ M)	RENTAL RANGE (IDR million/MONTH)	
		NON-SERVICED	SERVICED
Sudirman			
2BR	106 - 145	32 - 42	46 - 67
3BR	158 - 320	45.5 - 78	68 - 94.5
Menteng			
2BR	90 - 142	35 - 51	54 - 56
3BR	124 - 213	39 - 65	70
4BR	319		176
Kuningan			
2BR	120 - 145	20 - 32.5	45.5 - 67.5
3BR	157 - 166	32.5 - 39	49 - 52
4BR	440	45.5	
Pondok Indah			
2 + 1BR	117 - 190	42 - 48	45.5 - 55
3BR	190 - 455	45.5 - 68	52 - 70
4 - 5BR	285 - 455	66 - 71	73.5 - 83
Kebayoran Baru			
2BR	140 - 203	42 - 56	
3BR	243 - 302	58.5 - 78	
4 - 5BR	330 - 500	72 - 130	
Permata Hijau, Simprug			
2BR	105 - 115	40 - 41	
3 - 4BR	165 - 300	35 - 52	42 - 46
Kemang			
3BR	165 - 303	32.5 - 58.5	
Cilandak			
3 - 4BR	164	29	
3BR	300	58	
Cipete			
4 - 4BR	220 - 295	52 - 78	
Pejaten			
2 - 3BR	102 - 191	18 - 29	

Source: Colliers International Indonesia - Residential Tenant Representation

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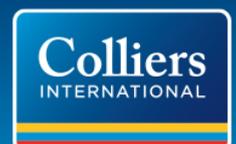
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