

## Optimistic retail outlook, modest growth expected

**Ferry Salanto** Senior Associate Director | Jakarta

The retail business outlook started with optimism, albeit still with modest growth. The downswing in consumer spending should be watched carefully by the current retail business. The Central Bureau of Statistics (BPS) revealed that household consumption grew by a relatively stagnant 4.95% in H1 2018, compared to the same period last year. Furthermore, the average income of the five big retail companies listed on Indonesia's stock exchange only grew modestly.

However, the momentum of the long mid-year Eid al-Fitr holiday should give a boost to the retail industry, with the likelihood of increasing consumption. The government increased the Eid al-Fitr holiday bonuses for civil servants, military and police personnel through a new government regulation, which stipulates that retirees living on pension funds also received a bonus. The Association of Indonesian Retail Entrepreneurs (APRINDO) reported that retailers' performance during the holiday grew by 20%, compared to only 5% in 2017. The Association of Indonesian Shopping Centre Management (APPBI), reported the increase in spending during the holiday period was driven by an increase in clothing and food consumption. Similarly, the Indonesian Shopping Centres Tenants Association (HIPPINDO) said that the trend in modern retail turnover during Eid al-Fitr is estimated to have increased between 15% and 20%, compared to that in 2017. We believe that the Asian Games 2018, starting in Q3 2018, and the Jakarta Great Sale Festival (JGSF) 2018 should also contribute to the increase in consumption in the second half of 2018.

### Forecast at a glance



#### Demand

We expect demand from tenants with requirements of 200-500 sq m to continue in 2018. Meanwhile, F&B and fashion retailers should still dominate enquiries, whilst the market is also anticipating the expansion of lifestyle-related merchants, as well as home and interior decorating products.



#### Supply

Retail space in Jakarta and in the Greater Jakarta Area is likely to grow 2.9% YOY by the end of 2018, contributed by four projects (approx. 200,000 sq m). From 2019 to 2020, the market should see almost 400,000 sq m of additional space in Jakarta and the Greater Jakarta Area from the opening of six shopping centres.



#### Occupancy

Jakarta: occupancy should gradually improve, albeit slightly. We expect to see a slight increase to 84% by the end of 2018. However, the completion of some future shopping centres should bring occupancy rates down by 2% in 2019 and likely further drop 5% in 2020. Greater Jakarta Area: with three shopping centres coming online in H2 2018, we expect the occupancy rate to fall by 4.8% to 78.5% at the end of 2018. The limited new supply next year should help lift occupancy to 81% in 2019 and 82% in 2020.



#### Rent

Jakarta: we anticipate very slight or flat rental growth through the end of 2018. As the retail market situation remains challenging, the rent in new shopping centres will likely be offered below market prices, thus average rents in Jakarta should decline by 1% in 2019

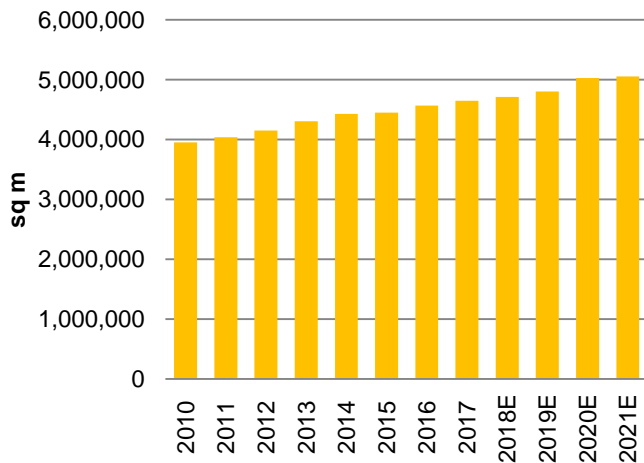
and drop by 4% in 2020.

Greater Jakarta Area: we expect rents in the Greater Jakarta Area to increase about 1.8% through the end of 2018. A 7% average annual increase in 2019-2020 may happen, given that the supply of new shopping centres will probably be limited.

# Jakarta

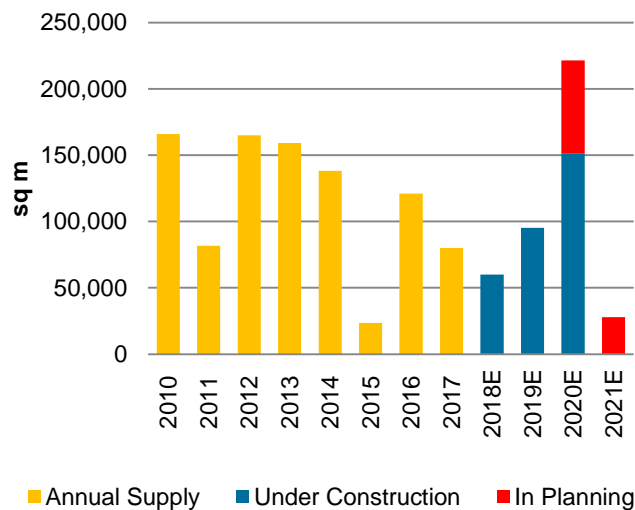
## Supply

### Cumulative Retail Supply



Source: Colliers International Indonesia - Research

### Annual Retail Supply



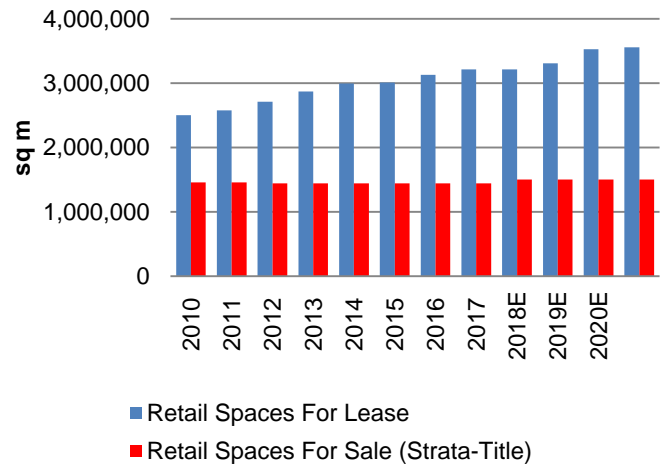
Source: Colliers International Indonesia - Research

For the last six months, there were no new shopping centres in Jakarta, thus supply continued to be 4.65

million sq m in 129 shopping centres. About 70% of total supply is offered as shopping malls for lease. Future supply in Jakarta continues to be limited, with only five future shopping centres providing about 380,000 sq m of retail space in 2018-2020.

The development trend has been shifting to an integrated development concept, which is mainly triggered by a higher plot ratio and land scarcity, particularly in Jakarta. Some of the retail projects in the supply pipeline are part of an integrated development involving Daan Mogot City, Prajawangsa, namely Holland Village Mall and Shopping Mall at South Gate.

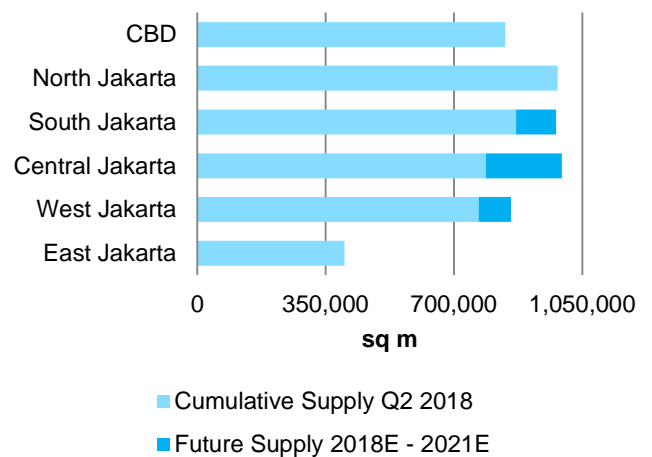
### Cumulative Retail Supply Based on Marketing Scheme



Source: Colliers International Indonesia - Research

Retail space for lease in Jakarta will likely remain at 3.21 million sq m in 2018, whilst strata-title retail space will likely reach 1.44 sq m with the operation of New Harco Plaza in the second half of 2018.

### Total Retail Space by Region



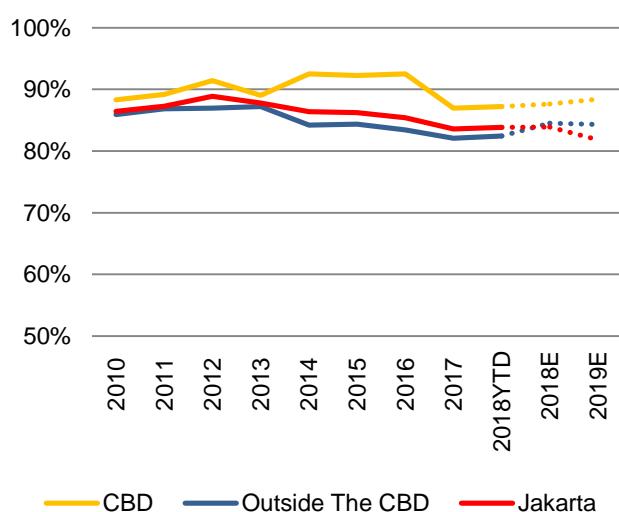
Source: Colliers International Indonesia - Research

SUPPLY PIPELINE					
SHOPPING CENTER	LOCATION	REGION	DEVELOPER	NLA (SQ M)	DEVELOPMENT STATUS
2018					
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	39,200	Under Construction
Holland Vilage Mall	Cempaka Putih	Central Jakarta	Lippo Karawaci Tbk	40,000	Under Construction
2020					
Menara Jakarta Shopping Mall	Kemayoran	Central Jakarta	Agung Sedayu Permai	151,560	Under Construction
Pondok Indah Mall 3	Pondok Indah	South Jakarta	Metropolitan Kentjana	60,000	In Planning
2021					
Daan Mogot City	Daan Mogot	West Jakarta	China Harbour	28,000	In Planning

Source: Colliers International Indonesia - Research

## Occupancy

### Occupancy Rates Based on Submarket



Source: Colliers International Indonesia - Research

During the first six months of 2018, several shopping centres have returned to operation after being refurbished and renovated, with both existing and new tenants. This has helped increase occupancy rates in Jakarta, albeit insignificantly. Overall occupancy in Jakarta was 83.8%, moving upward by less than 1%.

Since Q3 2017, occupancy rates in the CBD have been relatively stable at 87%. With moderate leasing activities, we anticipate a marginal increase to 88% by the end of 2018.

CBD OCCUPANCY RATES BY GRADE			
	Q2 2017	2017	Q2 2018
Premium	97.7%	94.6%	94.6%
Middle Upper	91.1%	88.8%	87.8%
Middle	85.6%	82.8%	84.2%
Middle Lower	76.6%	74.5%	76.2%

Source: Colliers International Indonesia - Research

NON-CBD OCCUPANCY RATES BY REGION			
	Q2 2017	2017	Q2 2018
South Jakarta*	89.7%	87.3%	87.1%
Central Jakarta*	70.4%	68.8%	68.7%
North Jakarta	86.3%	86.7%	86.7%
West Jakarta	82.1%	81.0%	81.3%
East Jakarta	84.3%	72.6%	75.4%

\*excluding CBD

Source: Colliers International Indonesia - Research

The key to survive in the currently sluggish market is to improve the physical appearance and upgrade the tenant mix. There has been a shift in the concept of shopping centres that is now drawing visitors' attention, in the era of online shopping and e-commerce. In general, we expect malls to still rely on the domination of F&B retailers. Speciality stores or boutique concepts are likely to be the alternative, replacing the less desirable department store format.

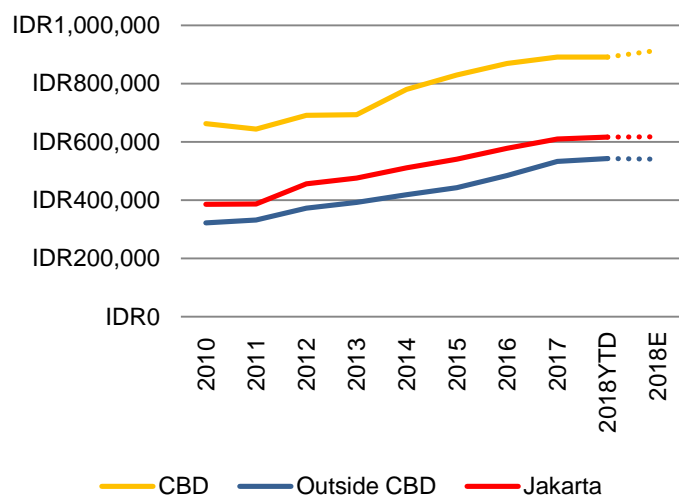
## SELECT COMMITTED SHOPPING CENTRE TENANTS

SHOPPING CENTER	AREA	TENANT NAME	PRODUCT	OCCUPIED SPACES (SQ M)	EXPECTED OPENING
Grand Indonesia	Thamrin, CBD	Victoria's Secret Beauty & Accessories	Fashion	280	Q3 18
Plaza Senayan	Senayan, CBD	Marks & Spencer	Fashion	340	Q3 18
Grand Galaxy Park	South Bekasi, Bekasi	H & M	Fashion	2,000	Q3 18
Revo Town	South Bekasi, Bekasi	Ace Hardware	Home Equipment	2,000	Q3 18
Sunter Mall	Sunter, North Jakarta	Starbucks Coffee	Food & Beverages	350	Q3 18
Sunter Mall	Sunter, North Jakarta	The Foodhall	Supermarket	800	Q3 18
Epicentrum Walk	Rasuna Said, CBD	Informa	Home Equipment	2,400	Q3 18
Mall Of Indonesia	Kelapa Gading, North Jakarta	Flix Cinema	Entertainment	4,500	Q4 18

Source: Colliers International Indonesia - Research

## Rents

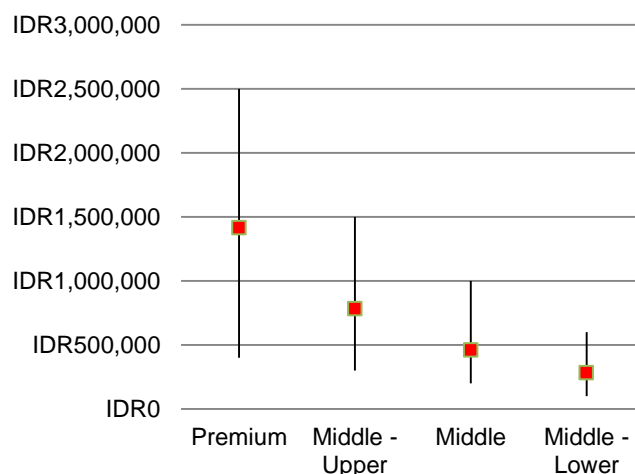
### Average Asking Rents in Jakarta



Source: Colliers International Indonesia - Research

The average rent in Jakarta was IDR616,491 per sq m per month, up only 1% compared to 2017. The relatively unchanged rental tariff is likely continue in H2 2018. The CBD fetched the highest rents at IDR891,726 per sq m per month, which is flat compared to Q1.

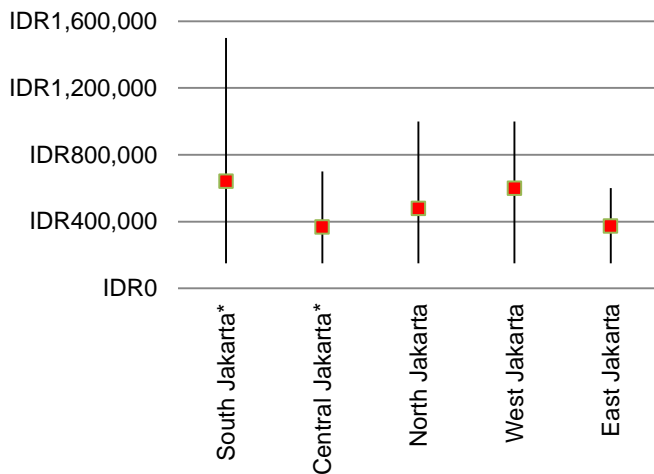
### CBD Asking Base Rents by Mall Grade



Source: Colliers International Indonesia - Research

Outside the CBD, rents stood at IDR533,568 per sq m per month. We anticipate a modest growth of less than 2% by the end of 2018, given the absence of new shopping centres, especially middle-upper class establishments.

## Asking Base Rents by Area Outside the CBD

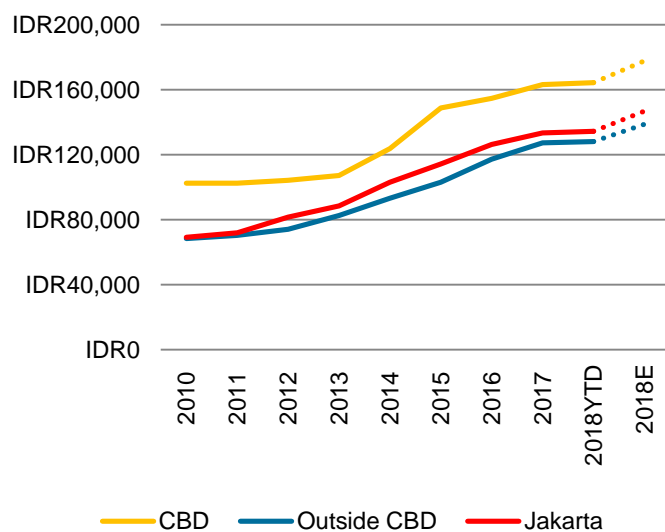


\*excluding CBD

Source: Colliers International Indonesia - Research

## Service Charges

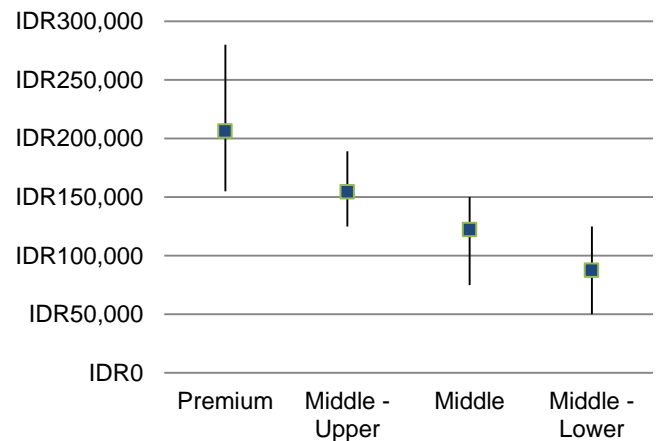
### Average Service Charges in Jakarta



Source: Colliers International Indonesia - Research

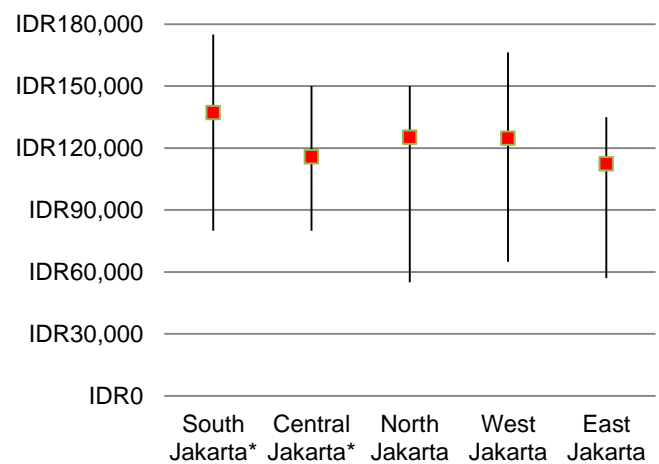
The average service charge was IDR134,350 per sq m per month, strengthening by only 0.9% compared to that in 2017. Based on Colliers research, about 40-45% of all operating shopping centres in Jakarta have yet to increase their tariffs for the last 18 months.

## Average Service Charges by Mall Grades



Source: Colliers International Indonesia - Research

## Average Service Charges by Area Outside the CBD



\*exclude CBD

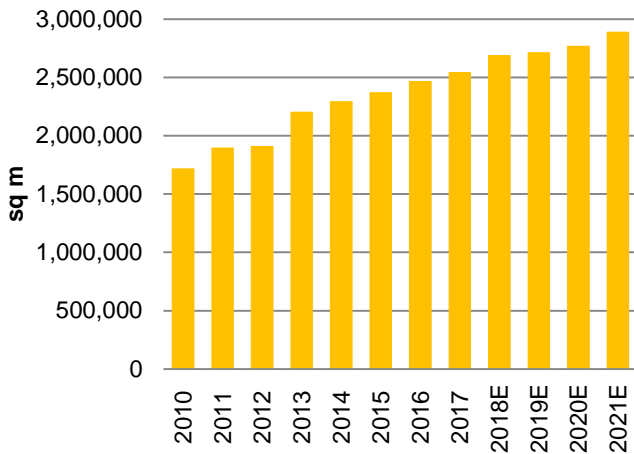
Source: Colliers International Indonesia - Research

# Greater Jakarta

(Bogor, Depok, Tangerang and Bekasi)

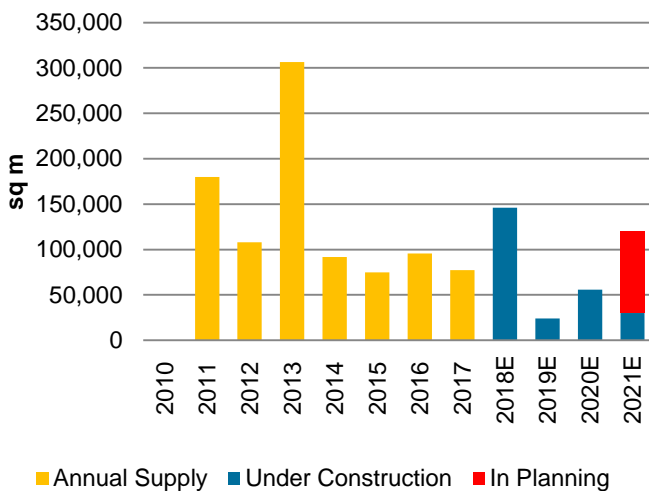
## Supply

### Cumulative Retail Supply



Source: Colliers International Indonesia - Research

### Annual Retail Supply



Source: Colliers International Indonesia – Research

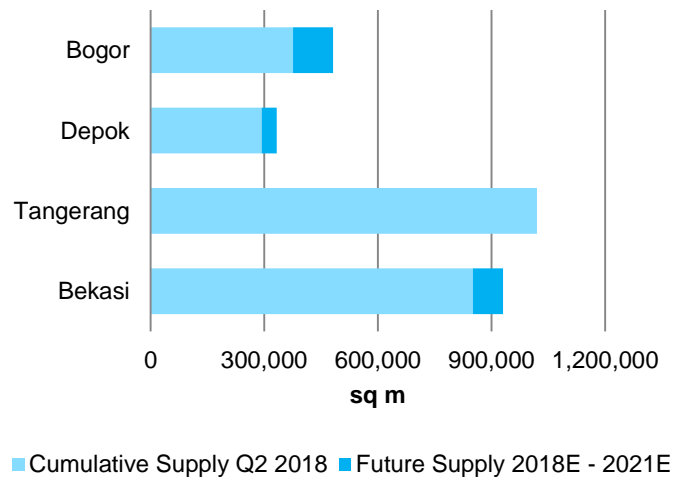
The lack of new shopping centres in Q2 kept cumulative supply in the Greater Jakarta Area at 2.55 million sq m. Three new shopping centres are scheduled to enter the market, bringing about 145,000 sq m of space to Greater Jakarta in the remainder of 2018.

In addition to the confirmed future projects in the supply pipeline table below, some projects currently under

planning are scheduled to be developed in Bekasi between 2022 and 2023.

Shopping centre expansions will also probably contribute to the future supply in Greater Jakarta. For example, the well-known developer of Bintaro Jaya plans to expand this existing shopping centre, which was built in 2014.

### Total Retail Spaces by Region



Source: Colliers International Indonesia - Research

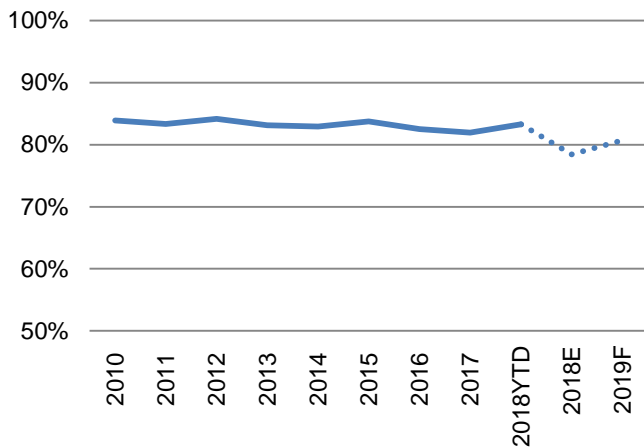
## SUPPLY PIPELINE

SHOPPING CENTER	LOCATION	REGION	DEVELOPER	NLA (SQ M)	DEVELOPMENT STATUS
2018					
Galeria Vivo Sentul	Sentul	Bogor	Megapolitan	35,000	Under Construction
AEON Mall Sentul City	Sentul	Bogor	AEON & Sentul City	71,000	Under Construction
Pesona Square Shopping Mall	Juanda	Depok	Menara Depok Asri	40,000	Under Construction
2019					
Grand Dhika City Mall	Bekasi	Bekasi	Adhi Persada Property	24,000	Under Construction
2020					
Plaza Indonesia Jababeka	Cikarang	Bekasi	Plaza Indonesia Realty & Graha Buana Cikarang	55,685	Under Construction
2021					
Mall at Transpark Cibubur	Cibubur	Depok	Transcorp	30,000	Under Construction
AEON Mall Deltamas	Deltamas	Bekasi	AEON & Deltamas	90,000	In Planning

Source: Colliers International Indonesia - Research

## Occupancy

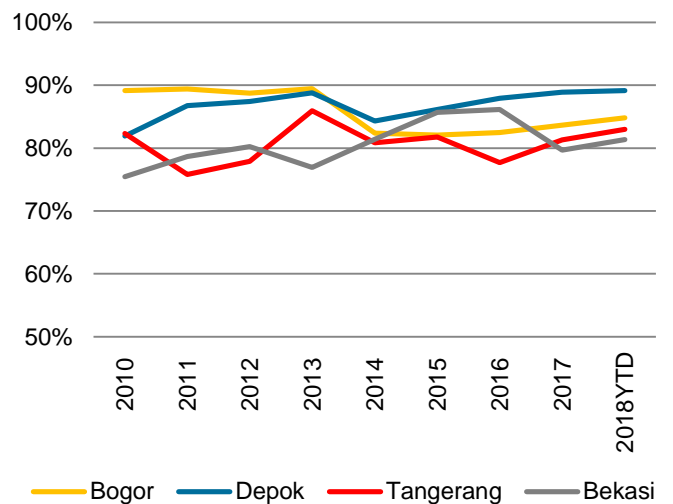
### Average Occupancy in Greater Jakarta



Source: Colliers International Indonesia - Research

Quarterly occupancy in Greater Jakarta rose 1.3% to 83.3% in Q2 2018. Occupancy might drop by 4.8% at the end of 2018, not only because of external factors such as the downswing in economy but also because of the large quantity of new supply in H2 2018.

### Average Occupancy by Region in Greater Jakarta



Source: Colliers International Indonesia - Research

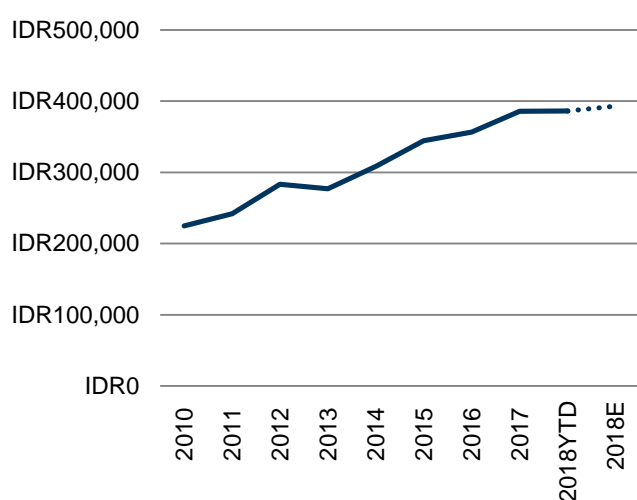
## SELECT TENANT COMMITMENTS IN FUTURE SHOPPING CENTERS

SHOPPING CENTER	AREA	TENANT NAME	YEAR OPERATION
Pesona Square Mall	Juanda, Depok	H&M, Nike, Sport Station, Planet Sport, Starbucks, J'Co, Ta Wan, Skechers, Kidz Station, Pizza Hut	2018
Galleria Mall Vivo Sentul	Cibinong, Bogor	Starbucks, Centro Dept Store, Lulu Hypermarket	2018

Source: Colliers International Indonesia - Research

## Rents

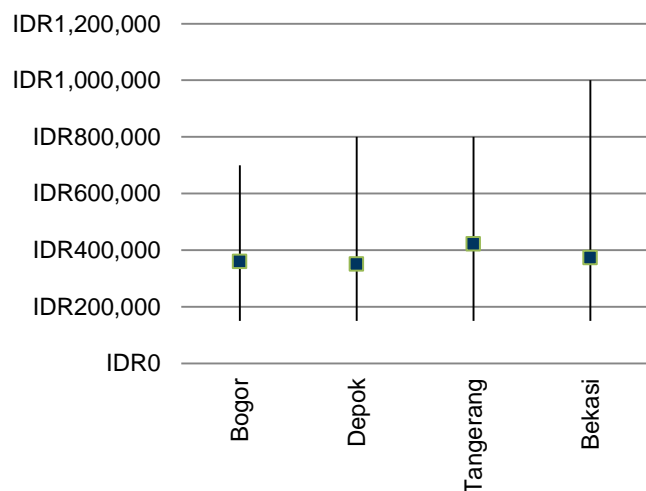
### Average Rents in Greater Jakarta



Source: Colliers International Indonesia - Research

Compared to the 2017 figure, average rents in Greater Jakarta climbed only a modest 0.2% to IDR386,253 per sq m per month.

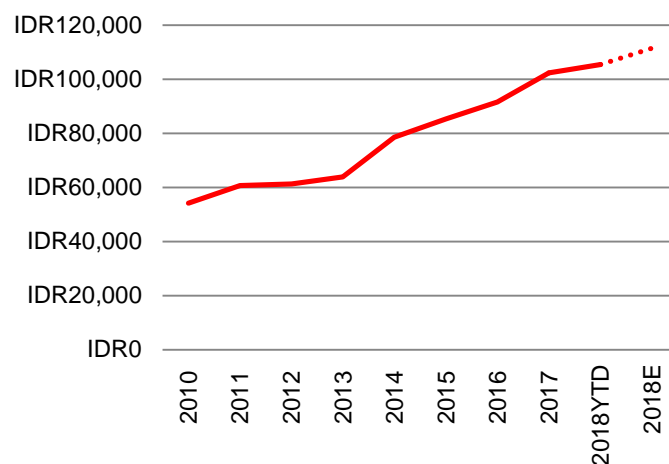
### Average Rents by Region in Greater Jakarta



Source: Colliers International Indonesia - Research

## Service Charges

### Service Charges in Greater Jakarta



Source: Colliers International Indonesia - Research

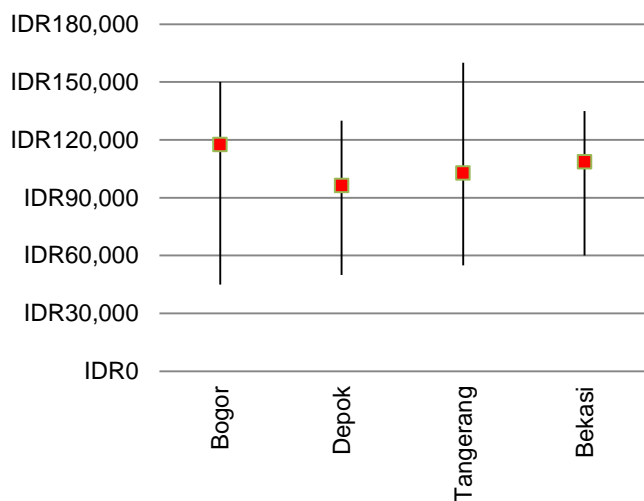
As of Q2 2018, average service charges were IDR105,466 per sq m per month. Some shopping centres adjusted their service charges 10-25% higher, which increased the average figure 3% compared to 2017. All in all, there are some middle and middle-upper class shopping centres in Greater Jakarta that still quote the same tariff for the last year.

Additionally, as we expect the minimum wage to increase in 2019, we expect some landlords to apply and introduce a new tariff for service charges by the end of 2018.

Notably, almost 20% of the total number of shopping centres (middle-low class) in Greater Jakarta still quote relatively low tariffs, starting from IDR35,000 to IDR70,000 per sq m per month.



## Service Charges by Region in Greater Jakarta



Source: Colliers International Indonesia - Research

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