

GREATER JAKARTA | INDUSTRIAL ESTATE

Industrial Estate Sector

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This quarter, transaction volume reduced in number, registering only 22.75 hectares from 67.31 in the previous quarter. Landlords opted to keep prices unchanged in this particularly slow market.

Forecast at a glance



Demand

The needs for logistics infrastructure were derived from other sectors such as manufacturing, food, trading and even automotive. These industries will continue to invigorate demand for industrial land and building, at least in the near future.



Supply

A significant amount of new land supplies will significantly come from the operation of several industrial estates within the consortium of Trans Hexa Karawang. The combination of six different companies composed a total of more than 2,100 hectares of land. Furthermore, the expansion of several existing industrial estates in other areas in Karawang, as well as other operating estates in Tangerang and Serang, will potentially provide a substantial amount of land in the future.



Vacancy Rate

If there is no significant new industrial land plot being introduced, vacancy rate would reduce moderately by 2018.



Rent

Rental tariff of land and standard factory building remains unchanged and will likely stay by at least the first semester of 2018.



Price

We do not anticipate price increase at least until the end of the year. Most industrial landlords have so far indicated industrial land price will remain stable at least until the early part of 2018.

Industrial Land Supply

Land inventory issue in the eastern part of Greater Jakarta may be resolved by the intense construction activity taking place in some new industrial estates within the consortium of Trans Hexa Karawang (THK). The THK consortium consists of several major developers such as Gajah Tunggal, Salim, Artha Graha, Agung Podomoro and foreign developer CFLD.

Gajah Tunggal Group developed GT Techpark @ Karawang with a total gross area of around 400 hectares. Some of the plots were predominantly taken by companies of their group or affiliated to the group. GT allocated around 100 hectares for the proving ground of their tyre product.

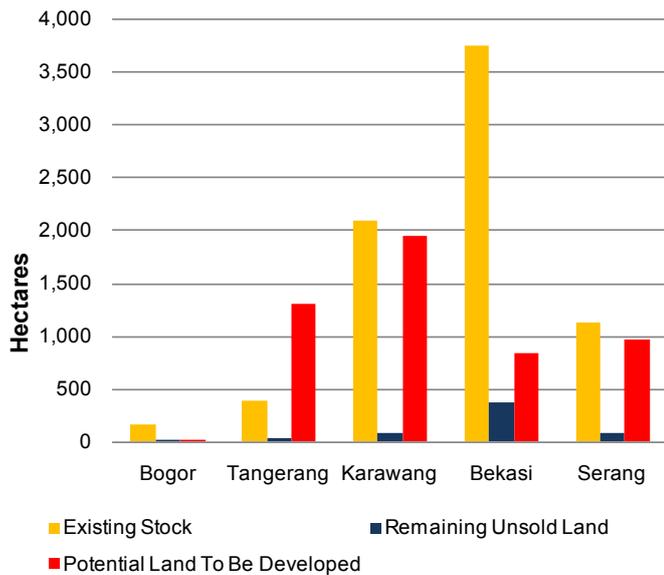
Artha Graha Group, which holds a total of 390 hectares of land (or 273 hectares of saleable industrial land), developed Artha Industrial Hill. Thus far, two blocks are already available to sell, comprising a total of 73 hectares, of which around 5.2 hectares were sold to a Korean-based textile company.

This year, a giant Chinese developer, China Fortune Land Development (CFLD) formally acquired part of Agung Podomoro land property with a total gross area of around 205 hectares. CFLD named the estate as Karawang New Industry City (KNIC) and will commence land cut, land fill and infrastructure works in Q4 2017. The KNIC comprises three industrial clusters – automotive industry park, construction material park and logistics service industry park.

Other operating industrial estates in Karawang holding a considerable amount of ready-to-use land for sale are KIIC and Suryacipta. KIIC is now focused on selling their latest stage of development totalling around 160 hectares, whilst Suryacipta has approximately 70 hectares of land to sell. Further east, part of Kota Bukit Indah managed by Indotaisei has yet to start the expansion of their current raw land (Phase 3), which could potentially provide more than 200 hectares.

The shortage in land bank remains the main drawback for the Bekasi region. Two estates stopped selling land parcel for more than 10 years, whilst other estates may find it difficult selling sporadic and small land parcels because they do not have enough stock to sell. Only a few industrial estates in Bekasi still have the ability to sell land in considerable size, and some are even shifting in selling industrial buildings on small land plots due to land scarcity.

Industrial Land Stock Status in Some Active and Future Industrial Estates



Source: Colliers International Indonesia - Research

Demand

Sales volumes diminished this quarter, with so far a total transaction of only 1/3 of last quarter's sales, i.e., 22.75 hectares. In 2017 YTD, however, total industrial land absorption accounts for about 82% of the total sales last year of 144.1 hectares, suggesting that sales volume is still in line with the trend in 2016. There was no noteworthy transaction during the quarter, as sales recorded below 10 hectares for one industrial estate.

There was no big discrepancy amongst active industrial regions (Bekasi, Karawang and Serang) in the number of land being absorbed. Two industrial estates registered two transactions including KIIC and the newly operating Artha Industrial Hill. KIIC sold 3.5 hectares to the expanding German-based container system company. Meanwhile, Artha Industrial Hill concluded a single transaction of 5.16 hectares to a Korean-based textile company, which also became the outset of their sales. These two transactions were so far the biggest in Karawang since 2013. For Karawang, the total sales this quarter was so far the biggest compared to those in Q1 and Q2 2017. For some periods, two industrial estates, Suryacipta and KIIC, have been the main drivers for industrial transactions in Karawang. Going forward, however, transactions would seemingly come from other new industrial estates located within THK. Artha Industrial Hill is seemingly ready to offer their ready-to-use land. Meanwhile, Kota Bukit Indah (Indotaisei) has yet to report any transaction since the last one they recorded in 2014. The classic land issue is still the main reason for the absence of sales in this location. Total sales in Karawang this quarter was registered at 8.66 hectares, the highest compared with other regions.

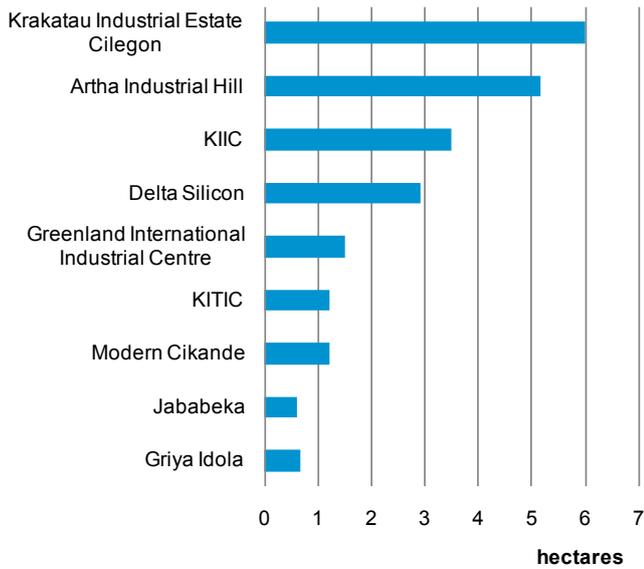
There are more active industrial estates selling land in Bekasi than any other regions, including Jababeka, Delta Silicon, Bekasi Fajar, GIIC and KITIC. Mainly due to the lack of ready-to-use land, we have not recorded any transaction in MM2100 since early 2016. After reporting a significant transaction of around 20 hectares last quarter, Bekasi Fajar has no transaction during this period. Similarly, GIIC recorded the highest amount of sales last quarter, but only registered 1.5 hectares this quarter from selling land to an automotive vendor. Two estates including Jababeka and Delta Silicon saw a moderate increase in sales volume QOQ. Jababeka reported multiple small transactions done by trading, manufacturing, food processing, machinery and auto parts companies, which accounted for only 0.6 hectare. Meanwhile, Delta Silicon reported a total of 2.93 hectares (slightly higher than last quarter) from also relatively small transactions involving industrial sectors such as the expansion of a distributor warehouse and workshop and cold storages for fish and meat products. KITIC intended to sell around 1.2 hectares to a company for warehouse purposes. Total sales in Bekasi was 6.23 hectares, as contributed by the four industrial estates.

The only transactions concluded in Tangerang this quarter occurred at Griya Idola Industrial Park, selling three SFB units (warehouses for furniture and food, and pharmacy) and one land plot sold to a traditional medicine company with a total land size of about 6,605 sq m. Albeit small, Griya Idola has showed consistent sales since it was launched in 2015. On the other hand, Millennium industrial estate experienced land stock issue that hindered them from selling during the quarter.

The last is Serang, with two active industrial estates. For the last two consecutive quarters, Modern Cikande has been selling less than two hectares for each period. We recorded two relatively small transactions totalling to 1.2 hectares made by a local company in the transportation business and a Korean company in drum packaging. KIEC reported a single but fairly big transaction to a building material company of around six hectares. This was so far the biggest transaction for KIEC in 2017, and it helped lift the overall sales performance for the Serang region that reached 7.20 hectares.

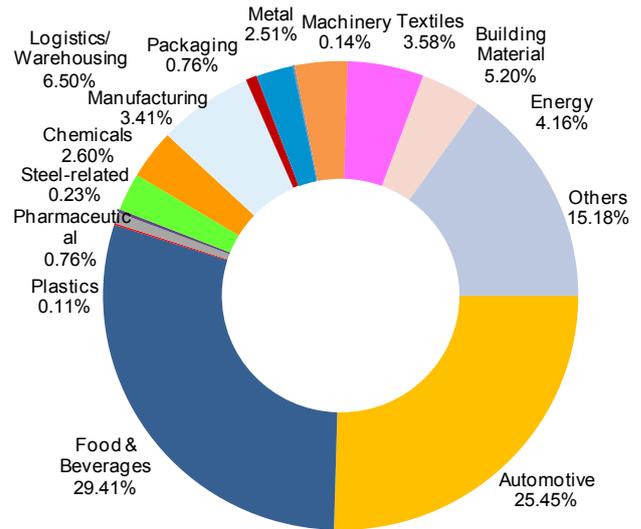
The overall land transactions recorded in 2017 YTD were mainly with food-related industries, reaching 42.41 hectares or 29% of the total transaction, as well as automotive-related industries with a total of 36.70 hectares (25%). Demand for land for warehouse or logistics purposes was somewhat reduced compared to last year. It only represents around 7% or 9.38 hectares thus far. If no single significant transaction would be made in the next quarter, the composition of the active sector would remain the same.

Land Absorption in Q3 2017



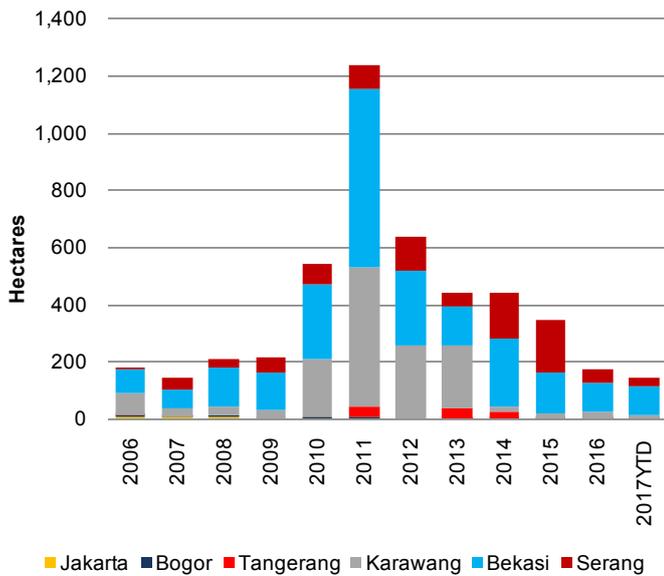
Source: Colliers International Indonesia - Research

Types of Activities Industries During 2017YTD



Source: Colliers International Indonesia - Research

Annual Industrial Land Absorption



Source: Colliers International Indonesia - Research

Land Price

In line with the sluggish sales performance, industrial landlords decided to maintain prices. For some periods during the current slow-moving market, prices have been relatively flat. The overall price increase in Tangerang was mainly due to the operation of Griya Idola that came to the market in 2015 and they are offering a relatively higher price compared to the other estates in the region. Bekasi still fetched the highest average price, for reasons that include land scarcity, continued and stable enquiries, and the good quality of overall industrial estates located in this region.

Increasing land price will not be an option particularly in the short term. However, price increase may be possible for estates with asking price below the average market, particularly when the enquiry volume rises and land availability remains the issue.

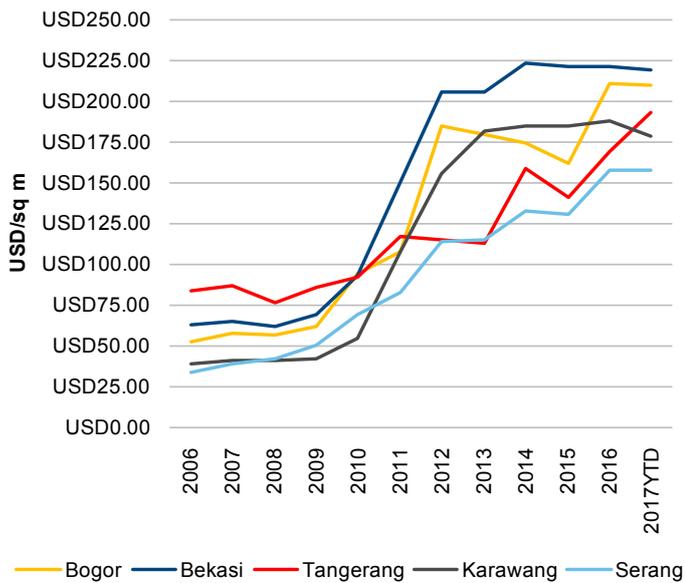
Industrial Land Prices and Maintenance Costs (in USD equivalent)

REGION	LAND PRICE (IN USD/SQ M)			MAINTENANCE COSTS (IN USD/SQ M/MONTH)		
	LOWEST	HIGHEST	AVERAGE	LOWEST	HIGHEST	AVERAGE
Bogor	120.00	300.53	210.26	0.06	0.06	0.06
Bekasi	180.32	240.42	219.80	0.06	0.08	0.07
Tangerang	150.26	187.83	194.09	0.03	0.08	0.06
Karawang	170.00	185.00	177.00	0.05	0.10	0.06
Serang	150.26	165.29	157.78	0.03	0.05	0.04

*1USD = Rp 13,330

Source: Colliers International Indonesia - Research

Greater Jakarta Industrial Land Prices



Source: Colliers International Indonesia - Research

Rental Market

Only a few industrial estates offer land or industrial building for lease, including three industrial estates in Karawang, namely Kota Bukit Indah (Besland Pertiwi), Suryacipta and state-owned Kawasan Industri Kujang Cikampek; Cibinong Centre Industrial Estate (CCIE) in Bogor and KIEC in Serang.

The average rents for industrial buildings in Karawang ranged from IDR50,000 to IDR53,000 per sq m/month. For Suryacipta, renting industrial buildings is also optional and which is now offered at IDR70,000/sq m/month. Meanwhile, the leasing tariff for industrial building in Serang and Bogor is similar at around IDR45,000/sq m/month.

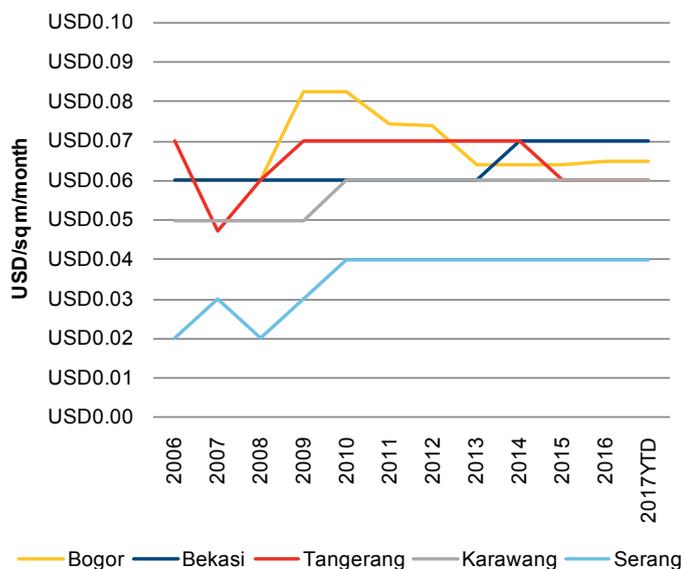
Land is also available for lease in certain industrial estates. In Karawang, the average cost for land leasing is IDR13,500/sq m/month, whilst in Serang, the same object is offered for lease at an average of IDR15,000/sq m/month. In Bogor, the tariff is relatively lower at IDR5,000/sq m/month.

This quarter, there was no leasing transaction recorded.

Maintenance Cost

For several years, maintenance tariff has remained unchanged and will likely continue at least until the end of the year. The majority of industrial estates in greater Jakarta still quote the tariff in USD. The average service charge costs in Karawang, Bekasi and Bogor still remain the highest at an average of USD0.07 or around IDR875 – 900/sq m/month.

Greater Jakarta Industrial Maintenance Costs



Source: Colliers International Indonesia - Research

Concluding Thought

The year-to-date overall transaction activities including land and SFB sales, as well as building and land leasing, have been weakening particularly in Q3 2017. Such condition seems to continue particularly because the anticipation for big transactions that might occur by the end of the year is low, and such pre-enquiries looking for industrial space are relatively small to medium size, ranging from manufacturing industries and mainly for logistics purpose. Thus far, the total transaction during the three quarters represents 82.5% of last year's total sales, suggesting that sales performance for this year might possibly catch up with that in 2016.

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