

JAKARTA | APARTMENT

Apartment Sector

Ferry Salanto Senior Associate Director | Research

Measures introduced in 2016 were meant to boost property demand, including six policy rate cuts, relaxation for second home buyers and tax cut final sales tax for developers (to 2.5% from previously 5%), and on title transfer, on the acquisition of rights to property (BPHTB). Nonetheless, the overall take-up rate, particularly for projects under construction, has not improved significantly. In the current soft market, developers tended to set the price carefully in order to keep sales active and attract potential buyer, but were unsuccessful. However, several developers still have positive perception toward the market, as reflected by the number of newly introduced and launched projects in the end of the year, with 3,972 units, more than doubled the previous quarter's number.

Forecast at a glance



Supply

We expect a huge supply of newly completed apartments in the next two years, with 28,014 and 24,298 units in 2017 and 2018, respectively. By location, apartment stock will be concentrated in West Jakarta and South Jakarta, representing around 22% and 20%, respectively.



Demand

We foresee an improvement in the demand for apartments in the next year, due to the impact of a set regulation relaxation introduced in 2016, as well as better macro environment in 2017.



Rent

We expect further easing in the rental of apartments for lease amid a weak demand. With the market generally looking pessimistic, management continues to offer rental discounts ranging between 10% and 15% from the asking rents.



Price

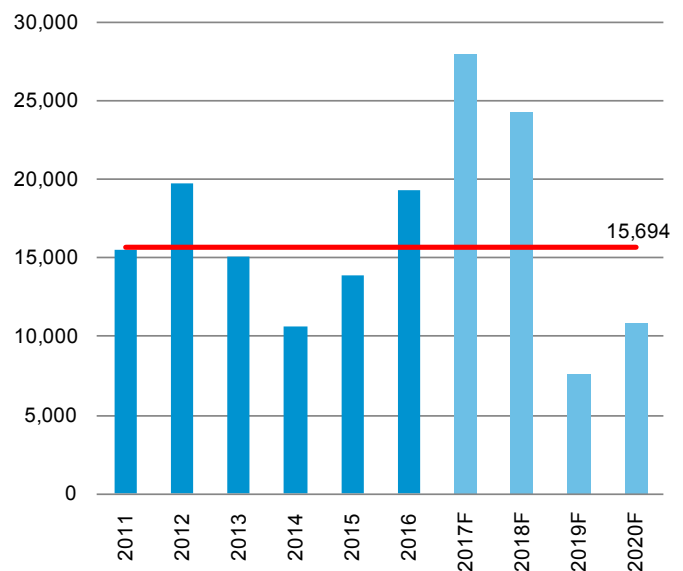
Through a moderate to optimistic scenario, we expect apartment price to grow by 4% to 6% in the end of 2017, on the back of better economic projection, which in turn improves sales performance.

APARTMENT FOR STRATA-TITLE

Supply

Following the completion of 10 new apartment projects consisting of 5,164 units, the cumulative supply of apartments in Jakarta increased by 3.0% QoQ and 12.3% YoY, bringing the total stock to 176,178 units. As such, the annual supply in 2016 reached 19,271 units, which accounts for 72.5% from our projection in the beginning of the year, with a total of 26,853 units to be completed this year. However, 82% of those completed units were delayed projects that were supposed to have opened in 2014 and 2015, accounting for 26% and 74%, respectively. Looking ahead, the market will receive an additional 70,833 units in the next four years, which would bring the total stock of apartments in Jakarta to exceed 247,000 units in 2020.

Annual Supply from 2011 – 2020F



Source: Colliers International Indonesia - Research

The new projects that completed during the reviewed quarter are mostly coming from brand new projects. West Jakarta has become the largest contributor from the non-prime area. In term of market segment, the middle to lower segment dominated by 65% upon the completion of Bassura City (Tower Alamanda), Green Park View (Tower Gardenia), Belmont Residence (Tower Athena)

and The Nest Apartment. South Jakarta contributed to the additional supply of middle-upper segment with the completion of Pejaten Park Residence and 1 Park Avenue, whilst the supply of upper segment projects was dominated by those located in the CBD area, including The Grove (Masterpiece and Empyrean), The Residence, The Orchard Satrio and Senopati Suites 2 from South Jakarta.

List of Completed Apartment Projects During Q4 2016

NAME OF DEVELOPMENT	LOCATION	REGION	DEVELOPER	UNITS
The Grove (Empyrean and Masterpiece)	Jl. HR Rasuna Said	CBD	Bakrieland Development	438
The Residence	Jl. Prof Dr Satrio Kav 6,	CBD	Ciputra	119
The Orchard Satrio	Jl. Prov Dr Satrio Kav 6	CBD	Ciputra	349
Bassura City (Tower Alamanda)	Jl. Basuki Rahmat	East Jakarta	Synthesis Development	600
Pejaten Park Residence	Jl. Warung Buncit Raya No.21	South Jakarta	Bahama Group	560
1 Park Avenue	Jl. KHM Syafi'i Hadzami	South Jakarta	Intiland	279
Senopati Suites 2	Jl. Senopati	South Jakarta	Mahkota Asia Graha	81
Green Park View (Tower Gardenia)	Jl. Daan Mogot	West Jakarta	PT. Inten Cipta Sejati, Cempaka Group	1,200
Belmont Residence (Tower Athena)	Jl. Meruya Ilir	West Jakarta	Gapura Prima	438
The Nest Apartment	Jl. Raden Saleh Raya, Meruya Utara	West Jakarta	PT. Karya Cipta Sukses Selaras	1,100
Total				5,164

Source: Colliers International Indonesia - Research

Despite the fact that the Jakarta apartment market showed a sluggish trend during the year, several developers still have positive perception toward the market, particularly after various regulations and policies to boost the property market were rolled out by the government, as reflected by the number of new projects in the end of the year. Five projects were introduced and launched in Q4 2016, with a total potential stock of 3,972 units, more than double compared to the previous quarter.

Location-wise, the CBD area contributed around 12% of the total number of newly launched projects during the reviewed quarter from two projects, Ayala Apartment and The Suites. Ayala Apartment is the extension of the first tower of Gayanti City mixed-use projects, whilst The Suites consists of 60 units, targeting the expatriate market. Equipped with five-star hotel amenities and modern furnishings, The Suites will sell at a price ranging from IDR 5 to 12 billion per unit.

On the other hand, West Jakarta contributed the highest portion of newly launched and introduced projects during the reviewed quarter in the non-prime area, accounting for 50%, followed by Central and East Jakarta with 29% and 9%, respectively. A new project located in Grogol area, West Jakarta, comes from Tomang Park Residence, which was developed by a joint venture company between Phoenix Property Investors, a private equity real estate firm from Hong Kong, and Republik Capital, a local partner. These two companies will develop a two-tower apartment with 2,000 units ranging between studio type and two-bedroom type.

The other middle-lower apartment projects are coming from The Asena Apartment and Garden, which was previously launched as Sahid Garden Residence, and The H Residence Kemayoran (Sapphire Tower). Benefiting from easy access to public transportation, such as commuter line, bus rapid transit, and LRT, these projects are mainly targeted to workers in the surrounding area and newly married couples.

Newly Introduced Projects During Q4 2016

NAME OF DEVELOPMENT	LOCATION	REGION	EXPECTED COMPLETION TIME	ESTIMATED PRICE (/SQ M)*	TOTAL UNITS
Ayala Apartment at Gayanti City	Gatot Subroto	CBD	2018	IDR34,000,000.00	420
The Suites	Jl. Prov Dr Satrio Kav 6,	CBD	2017	TBD	60
The H Residence Kemayoran (Sapphire Tower)	Kemayoran	Central Jakarta	2018	IDR19,150,000.00	1,152
The Sahid Asena Apartment and Garden	Jl H. Baping, Ciracas	East Jakarta	2018	IDR18,150,000.00	340
Tomang Park Residence (2 towers)	Jl Tawakal Ujung Raya, Tomang	West Jakarta	2020	IDR22,500,000.00	2,000

*) Price based on hard cash excludes VAT 10%
Source: Colliers International Indonesia - Research

New Pipeline

APARTMENT NAME	LOCATION	REGION	DEVELOPER	#UNITS	STATUS
2017					
Sudirman Suites	Jl. Sudirman	CBD	Pikko Group	380	Under-construction
Domaine	Jl. Jend. Sudirman Kav 1	CBD	Lyman Group	186	Under-construction
Verde Two (Tower East)	Jl. Rasuna Said	CBD	Farpoint Realty	182	Under-construction
Anandamaya Residences (3 towers)	Jl. Jend Sudirman	CBD	Hongkong Land	500	Under-construction
T - Plaza Residence (Tower A)	Jl. Penjernihan I Kav.1 Pejompongan	Central Jakarta	PT. Prima Kencana	307	Under-construction
Elpis Residence	Gunung Sahari	Central Jakarta	Sioeng Group	790	Under-construction
Menteng Park	Jl. Cikini Raya No.79	Central Jakarta	Agung Sedayu Group	756	Under-construction
Holland Village	Cempaka Putih	Central Jakarta	Lippo Karawaci	400	Under-construction
Royal Suites	Kemayoran	Central Jakarta	Springhill Golf Group	450	Under-construction
The H Residence Kemayoran (Amethyst)	Jl. Rajawali Selatan	Central Jakarta	Hutama Karya Realtindo	800	Under-construction
The Green Pramuka (Tower Nerine)	Jl. Jenderal Ahmad Yani	Central Jakarta	PT Duta Paramindo	1,000	Under-construction
Green Signature Apartment	Jl. MT. Haryono	East Jakarta	KSO Fortuna Indonesia (Pikko)	800	Under-construction
Sentra Timur Residence (Tower Brown)	Pulo Gebang	East Jakarta	Bakrieland Development	605	Under-construction
Bassura City (Tower Jasmine) 2 tower	Jl. Basuki Rahmat	East Jakarta	Synthesis Development	2,000	Under-construction
Bassura City (Tower Heliconia)	Jl. Basuki Rahmat	East Jakarta	Synthesis Development	700	Under-construction
Regatta London Tower	Jl. Pantai Mutiara	North Jakarta	Intiland	186	Under-construction
Pluit Seaview (Tower Belize)	Pluit	North Jakarta	Binakarya Properindo Group	300	Under-construction
Pluit Seaview (Tower Ibiza)	Pluit	North Jakarta	Binakarya Properindo Group	500	Under-construction
Pluit Seaview (Tower Bahama)	Pluit	North Jakarta	Binakarya Properindo Group	650	Under-construction

continued

APARTMENT NAME	LOCATION	REGION	DEVELOPER	#UNITS	STATUS
<i>continuation</i>					
LA City Apartment (Tower A)	Jl. Raya Lenteng Agung, Jagakarsa	South Jakarta	Pancanaka Samaktha	980	Under-construction
Nine Residence	Warung Buncit	South Jakarta	Lippo Karawaci	246	Under-construction
Senopati Suites 3	Jl. Senopati	South Jakarta	Mahkota Asia Graha	54	Under-construction
Pakubuwono Terrace Grand Tower	Kebayoran Lama	South Jakarta	PT. Selaras Mitra Sejati	435	Under-construction
District 8 (Tower Eternity)	Jl. Senopati	South Jakarta	Agung Sedayu	400	Under-construction
District 8 (Tower Infinity)	Jl. Senopati	South Jakarta	Agung Sedayu	280	Under-construction
Izzara Apartment (South and North Tower)	TB. Simatupang	South Jakarta	Grage Group	542	Under-construction
Lexington Residence	Pondok Pinang	South Jakarta	Cowell Development	275	Under-construction
The Aspen Peak at Admiralty (Tower C)	Jl. Fatmawati	South Jakarta	PT. Harmas Jalasveva	322	Under-construction
Kebayoran Icon	Jl. Ciledug Raya	South Jakarta	Tamara Land	256	Under-construction
One Casablanca Residence	Jl. Pal Batu	South Jakarta	Forza Land	215	Under-construction
La Terrasse	Jl. Deplu Raya No.12	South Jakarta	Cowell Development	111	Under-construction
The Foresque	Pasar Minggu, Ragunan	South Jakarta	PT Griya Karunia Sejahtera (Bina-karya Propertindo Group)	660	Under-construction
The Langham Residences	Senopati	South Jakarta	Agung Sedayu Group	57	Under-construction
Antasari Heights (One Otium Residence)	Jl. Pangeran Antasari No.8	South Jakarta	PT Radinka Quatro Land	360	Under-construction
La Foret Vivante	Jl. Limo, Permata Hijau	South Jakarta	PT. Mahkota Properti Indo Permata	253	Under-construction
Selatan 8 (Tower Sultan)	Kebayoran Lama	South Jakarta	Karya Cipta Group	336	Under-construction
The Hamilton	Jl. KHM Syafi'i Hadzami	South Jakarta	Intiland	112	Under-construction
St Moritz (The New Ambassador Suite Tower)	Jl. Puri Indah Kembangan	West Jakarta	Lippo Karawaci	200	Under-construction
St. Moritz (New Presidential Tower)	Jl. Puri Indah	West Jakarta	Lippo Karawaci	159	Under-construction
Puri Mansion Apartment (Tower Amethyst)	Jl. Lingkar Luar Barat, Puri Kembangan	West Jakarta	Agung Sedayu Group	900	Under-construction
Puri Orchard (3 Tower)	Jl Raya Adicipta	West Jakarta	PT Adicipta Graha Kencana (Serenity Group)	3,000	Under-construction
Maqna Residence	Jl. Meruya Ilir No. 88	West Jakarta	PT. Graha Meruya	312	Under-construction
Veranda	Jl. Pesanggrahan Raya, Kembangan	West Jakarta	PT. Mutirara Puri Indah	174	Under-construction
Vittoria Residence (3 tower)	Jl. Daan Mogot	West Jakarta	PT. Duta Indah Kencana	1,100	Under-construction
Wang Residence	Jl. Panjang No 18	West Jakarta	PT. Citicon Propertindo	250	Under-construction
<i>continued</i>					

APARTMENT NAME	LOCATION	REGION	DEVELOPER	#UNITS	STATUS
<i>continuation</i>					
Taman Anggrek Residence (6 towers)	Tanjung Duren	West Jakarta	Agung Sedayu	3,000	Under-construction
Pancoran China Town (Lucky Tower)	Jl. Pancoran No.42 A, Glodok	West Jakarta	PT. Supra Megah Utama	117	Under-construction
Paradise Mansion (2 tower)	Jl. Paradise Boulevard Selatan	West Jakarta	Palm Group	1,000	Under-construction
19 Avenue Apartment (Tower B)	Daan Mogot	West Jakarta	Margahayu Land	416	Under-construction
2018					
Gayanti City (2 Towers)	Jl. Gatot Subroto	CBD	PT Buana Pasifik International	318	Under-construction
Verde Two (Tower West)	Jl. Rasuna Said	CBD	Farpoint Realty	152	Under-construction
Lavie	Jl. Denpasar Raya	CBD	Wilsor Group	302	Under-construction
South Hill	Jl. Denpasar Raya	CBD	Tan Kian	611	Under-construction
Le' Parc	Jl. Thamrin	CBD	PT. Putragaya Wahana	100	Under-construction
Regent Residences (tower 1)	Semanggi	CBD	PT. Kencana Graha Global	100	Under-construction
The Hundred Residence	Mega Kuningan	CBD	PT. Farpoint Realty Indoneasia	100	Under-construction
The Elements Epicentrum (2 Towers)	Rasuna Said	CBD	Sinar Mas Land	372	Under-construction
Sudirman Hill Residence	Jl. Karet Pasar Baru Barat	Central Jakarta	PT. Muliaguna Propertindo Development	299	Under-construction
Capitol Suites	Jl. Prapatan Raya	Central Jakarta	The Capitol Group	327	Under-construction
Holland Village (Phase II)	Cempaka Putih	Central Jakarta	Lippo Karawaci	230	Under-construction
Signature Park Grande	Jl. MT. Haryono	East Jakarta	KSO Fortuna Indonesia (Pikko)	1,100	Under-construction
The Sahid Asena Apartment and Garden (was Sahid Garden Residence)	Ciracas	East Jakarta	Sahid Group	476	Under-construction
Gold Coast Apartment (Atlantic Tower)	Pantai Indah Kapuk	North Jakarta	Agung Sedayu	568	Under-construction
Regatta Apartment (Tower New York)	Pantai Mutiara	North Jakarta	Intiland	186	Under-construction
Sedayu City (Tower Melbourne)	Jl. Pegangsaan Dua Raya	North Jakarta	Agung Sedayu	912	Under-construction
Sedayu City (Tower Darwin)	Jl. Pegangsaan Dua Raya	North Jakarta	Agung Sedayu	936	Under-construction
The Kensington Royal Suites (4 Tower)	Kelapa Gading	North Jakarta	Summarecon	790	Under-construction
Gold Coast Apartment (Bahama Tower)	Pantai Indah Kapuk	North Jakarta	Agung Sedayu	600	Under-construction
Gold Coast Apartment (Caribbean Tower)	Pantai Indah Kapuk	North Jakarta	Agung Sedayu	600	Under-construction
Gold Coast Apartment (Honolulu Tower)	Pantai Indah Kapuk	North Jakarta	Agung Sedayu	600	Under-construction
Grand Marina Ancol	Ancol	North Jakarta	PT. Bangun Setia Cipta (Jaya Ancol)	672	Under-planning
<i>continued</i>					

APARTMENT NAME	LOCATION	REGION	DEVELOPER	#UNITS	STATUS
<i>continuation</i>					
Bellevue Place	MT Haryono, Tebet	South Jakarta	Gapura Prima	240	Under-construction
The Aspen Peak at Admiralty (Tower D)	Jl. Fatmawati	South Jakarta	PT. Harmas Jalasveva	322	Under-construction
Casa Grande Residence 2 (Tower Angelo)	Jl. Casablanca	South Jakarta	Pakuwon Group	350	Under-construction
Casa Grande Residence 2 (Tower Bella)	Jl. Casablanca	South Jakarta	Pakuwon Group	350	Under-construction
Casa Grande Residence 2 (Tower Chianti)	Jl. Casablanca	South Jakarta	Pakuwon Group	350	Under-construction
Pondok Indah Residences (3 Towers)	Pondok Indah	South Jakarta	Metro Pondok Indah	880	Under-construction
Selatan 8 (Tower Prabu)	Jl. Raya Ulujami	South Jakarta	Karya Cipta Group	344	Under-construction
45 Antasari (2 Tower)	Antasari	South Jakarta	Cowell Development	1,924	Under-construction
Arzuria Apartment	Jl. Tendean	South Jakarta	Tolaram Group	210	Under-construction
Pakubuwono Spring (2 towers)	Jl. Teuku Nyak Arief No.9	South Jakarta	PT. Simprug Mahkota Indah (Agung Podomoro Group)	545	Under-construction
Branz Simatupang (2 tower)	TB. Simatupang	South Jakarta	Tokyuland	381	Under-construction
Synthesis Residence Kemang (3 towers)	Jl. Ampera Raya No.17	South Jakarta	PT. Synthesis Development	1,100	Under-construction
Royal Olive Residence (Tower 3)	Jl. Buncit Raya	South Jakarta	PT. AD Realty	231	Under-construction
Gianetti Apartment	Jl. Kebon Jeruk Raya, Kemanggisan	West Jakarta	Bangun Investa Graha	500	Under-construction
Gallery West	Jl. Panjang No 5	West Jakarta	AKR	280	Under-construction
Ciputra International Puri Indah (Tower Amsterdam)	Jl. Lingkar Luar Barat	West Jakarta	Ciputra	412	Under-construction
Grand Madison Park	Tanjung Duren	West Jakarta	Agung Podomoro Group	300	Under-construction
Citra Lake Suites (Tower Rosewood)	Jl. Raya Kresek	West Jakarta	Ciputra Group	104	Under-construction
Citra Lake Suites (Tower Greenwood)	Jl. Raya Kresek	West Jakarta	Ciputra Group	126	Under-construction
Citra Lake Suites (Tower Oakwood)	Jl. Raya Kresek	West Jakarta	Ciputra Group	117	Under-construction
Citra Lake Suites (Tower Sherwood)	Jl. Raya Kresek	West Jakarta	Ciputra Group	122	Under-construction
Aerium Taman Permata Buana (2 towers)	Taman Permata Buana	West Jakarta	Sinar Mas Land and Itochu	491	Under-construction
Ciputra International Puri Indah (Tower Barcelona)	Jl. Lingkar Luar Barat	West Jakarta	Ciputra	335	Under-construction
Puri Mansion Apartment (Tower Crystal)	Jl. Lingkar Luar Barat, Puri Kembangan	West Jakarta	Agung Sedayu Group	700	Under-construction
West Vista (2 towers)	Jl. Lingkar Luar Barat No.8, Duri Kosambi	West Jakarta	PT. Harapan Global Niaga	2,840	Under-construction
Citra Living Apartment (Somerset Tower)	Jl. Citra 7, Kalideres	West Jakarta	Citra Mitra Graha KSO	312	Under-construction
Citra Living Apartment (Orchad Tower)	Jl. Citra 7, Kalideres	West Jakarta	Citra Mitra Graha KSO	312	Under-construction
<i>continued</i>					

APARTMENT NAME	LOCATION	REGION	DEVELOPER	#UNITS	STATUS
<i>continuation</i>					
2019					
The Suites (W Hotel Tower)	Jl. Prof. Dr. Satrio	CBD	Ciputra	200	Under-planning
The Residences at The St. Regis Jakarta	Jl. H.R Rasuna Said	CBD	Rajawali Property Group	164	Under-construction
Menara Jakarta (Tower Equinox)	Kemayoran	Central Jakarta	Agung Sedayu	396	Under-construction
Menara Jakarta (Tower Azure)	Kemayoran	Central Jakarta	Agung Sedayu	860	Under-construction
Arandra Residence	Jl. Cempaka Putih Raya No.1	Central Jakarta	Gamaland	687	Under-construction
The Linq Kemayoran (2 towers)	Kemayoran	Central Jakarta	KG Global	1,020	Under-construction
Menteng 37	Jl. Menteng 37	Central Jakarta	Pikko Group & Wijaya Wisesa (JV)	99	Under-planning
Jaya Ancol Seafront - Oceana Tower	Pademangan, Ancol	North Jakarta	Jaya Ancol	524	Under-construction
Orient Residence	Jl. Yos Sudarso, No 76	North Jakarta	PT Tri Raton Mega	225	Under-construction
Fatmawati City Center - Corona Park Suite Tower	Fatmawati	South Jakarta	Agung Sedayu	620	Under-planning
Ratu Prabu 3 Residences	TB. Simatupang	South Jakarta	PT Ratu Prabu Tiga	61	Under-construction
Samara Suites	Jl. Gatot Subroto	South Jakarta	Synthesis Development	300	Under-planning
Lavish Kemang Residence	Jl. Kemang Raya No.3, Bangka	South Jakarta	PT Kemang Karya Utama	474	Under-planning
Permata Hijau Suites	Jl. Raya Kebayoran Lama	South Jakarta	PT Palmerindo Properti	649	Under-planning
Green Sedayu Apartment (Tower Pasadena)	Jl. Kamal Raya, Cengkareng	West Jakarta	Agung Sedayu	644	Under-construction
Daan Mogot City (3 towers)	Daan Mogot	West Jakarta	PT China Harbour Jakarta Real Estate Development	700	Under-planning
2020					
The Newton at Ciputra World 2	Jl. Karet Sawah	CBD	Ciputra	450	Under-planning
Prajawangsa City (8 towers)	Jl. Raya Bogor, Cijantung	East Jakarta	Synthesis Development	4,000	Under-planning
East 8 (2 towers)	Cibubur	East Jakarta	Karya Cipta Group	1,172	Under-planning
Regatta Tokyo, Acapulco, Sydney Tower	Jl. Pantai Mutiara	North Jakarta	Intiland	276	Under-planning
Fatmawati City Center(5 towers)	Fatmawati	South Jakarta	Agung Sedayu	2,080	Under-planning
Green Sedayu Apartment (Tower New York)	Jl. Kamal Raya, Cengkareng	West Jakarta	Agung Sedayu	920	Under-planning
Tomang Park Apartment (2 towers)	Jl. Tawakal Ujung Raya, Tomang	West Jakarta	PT Phoenix Property and Republik Capital	2,000	Under-planning

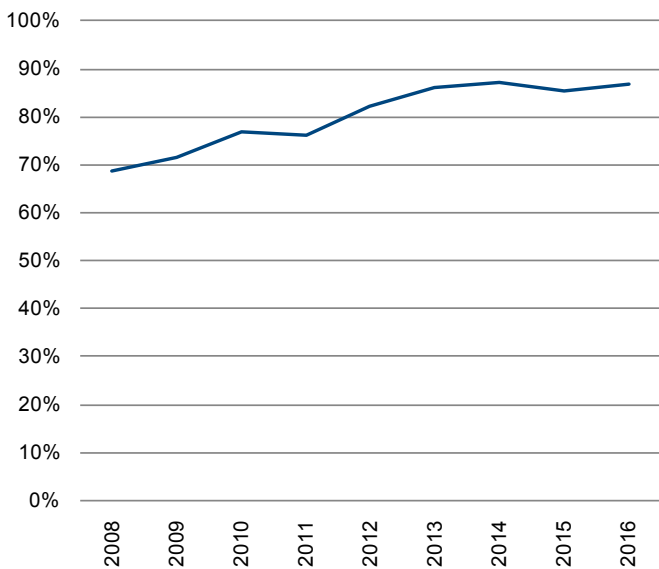
Source: Colliers International Indonesia - Research

Demand

Overall, Jakarta's apartment market has yet to show a significant recovery after the government rolled out a few measures to rejuvenate the market. The slower-than-expected macro economy condition and government efforts to pursue tax collection revenue in order to fund its budget had hampered the buying sentiment, as investors continue to tread with caution and are mindful before making purchases. On the other hand, many listed developers revised down their marketing sales, mostly due to a slower-than-expected demand during the year. This reflected in a flat performance through 2016. Furthermore, during the reviewed quarter, the take-up rate declined by 0.2% from the previous quarter to 86.8%. However, amid the decline approaching the close of the year, the demand for apartments is still on a positive level, as evidenced by the YoY increment of take-up rate.

The slight increment of cumulative take-up rate this year is partly due to the smaller number of projects launched, which is 50% less than those recorded in the previous year, which in turn helped developers to focus on selling the remaining stocks. Moreover, in the current sluggish market, developers were keen to offer big discounts and very flexible payment schemes if potential buyers ended into real transactions. Taking this into account, we think it is still too early to consider this as evidence of market recovery, instead of short-term panacea.

Average Take-up Rate of Jakarta Apartment (2008 – 2016)



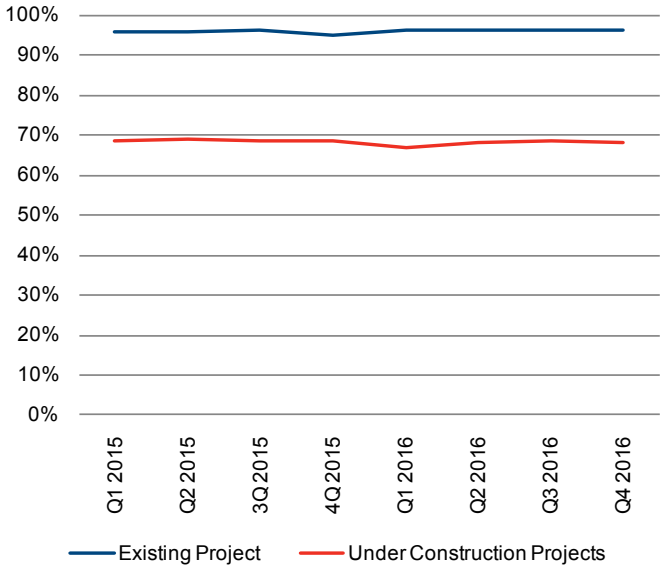
Source: Colliers International Indonesia - Research

Average Take-up Rate of Jakarta Apartment During 2016

	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Take-up rate	86.22%	86.72%	86.92%	86.77%

Source: Colliers International Indonesia - Research

Take-up Rate Between Existing and Under-Construction Projects (2015 – 2016)



Source: Colliers International Indonesia - Research

As mentioned above, although the government has been proactive in attempting to stimulate the market, plateauing sales, particularly for apartments under construction (pre-sales market), remain to exist. It seems that majority of investors are still not sure if they will purchase an apartment, especially for middle to upper segment, despite a successful first stage of the tax amnesty programme. Several reasons may be described from this evidence. First, most buyers are still using cash instalment, and because of that, the mortgage rate decline is still an insignificant trigger for them to make a purchase. Second, the slower growth of apartment price could linger in line with the overall market's sluggishness. However, we believe recovery is just a matter of time, as the government is on the right track to support the property market. The successful tax amnesty programme, stable exchange rates, infrastructure development and lower interest rate environment will be the key factors to improve buyer sentiment, which would in turn encourage the sustained demand of apartment in the long term.



Take-up Rate Changes in Different Locations in Jakarta					
	Q4 2015	Q3 2016	Q4 2016	QoQ	YoY
CBD	93.8%	94.4%	90.8%	-3.6%	-3.0%
South Jakarta	86.6%	86.1%	85.8%	-0.3%	-0.8%
Non-Prime area	83.7%	86.1%	86.6%	0.5%	2.9%

Source: Colliers International Indonesia - Research

The take-up rates in different sub markets are varied, and still, the CBD area achieved the highest at 90.8%, followed by South Jakarta and non-prime area with 85.8% and 86.6%, respectively. Both the CBD and South Jakarta areas exhibited a downward trend in the reviewed quarter, due to the continuing supply, which mainly attributed to the fact that higher price cannot be easily absorbed. Meanwhile, apartments in non-prime area comparatively have lower prices and improved accessibility, as benefitting from improved infrastructure. The non-prime area will remain attractive to buyers who are looking to purchase for self-use as opposed to investing.

Asking Price

Average asking prices for strata-title apartment have continued to demonstrate an upward trend. As of Q4 2016, the average apartment price in Jakarta increased slightly by 1.3% QoQ, the highest quarterly increment in 2016, and 3.8% YoY to IDR31.65 million/sq m. South Jakarta recorded the highest YoY increment of 4.4%, followed by the non-prime area (including West Jakarta, East Jakarta, North Jakarta and Central Jakarta) and CBD area with 4.1% and 3.3%, respectively.

Average Asking Price (in IDR) in Three Different Areas					
	Q4 2015	Q3 2016	Q4 2016	QoQ	YoY
CBD	47,250,375	48,949,148	48,823,182	-0.3%	3.3%
South Jakarta	35,430,002	36,923,783	36,985,992	0.2%	4.4%
Non-prime Area	22,947,092	23,454,168	23,893,962	1.9%	4.1%
Average	30,507,768	31,252,369	31,653,103	1.3%	3.8%

Source: Colliers International Indonesia - Research

On a quarterly basis, the non-prime area posted the highest increment due to positive performance on particular projects, which in turn drives the price to climb modestly by 1.9% from the previous quarter. On the other hand, as most of the projects in the CBD kept their prices unchanged, the newly launched Newton at Ciputra World 2, which caters to the middle-upper segment, quoted a price below the average rate, thus dragging the average price to edge down by 0.3% from the previous quarter.

Looking ahead, although various measures in order to boost the property market have not yet shown significant impact, nonetheless, they are likely to translate into higher private consumption and investment growth in 2017, which in turn increase household purchasing power. On this basis, through moderate to optimistic scenario, we projected apartment price to increase at least higher than the inflation rate, by 4% to 6% in 2017.

APARTMENT FOR LEASE

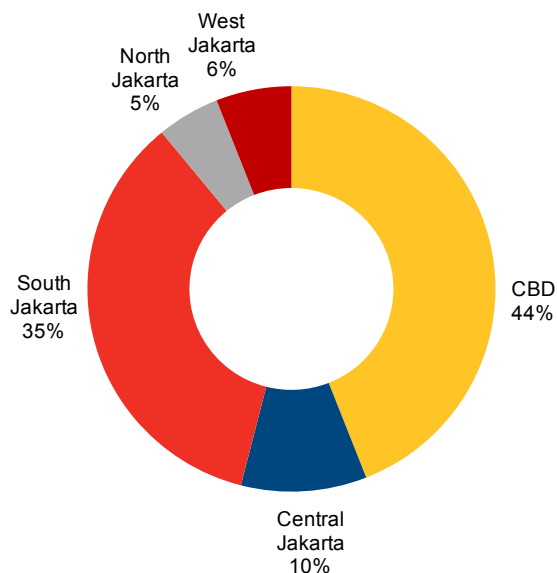
Supply

During the reviewed quarter, one serviced apartment opened, namely Oakwood Suites La Maison Jakarta, located on Jalan Barito, South Jakarta. Oakwood Suites La Maison Jakarta, whose target market is high-level management, offers a total of 80 fully furnished units, consisting of two to three-bedroom units 127 sq m to 169 sq m in size, respectively. Due to the new supply, the total stock apartments for lease in Jakarta increased by 0.9% to 8,860 units; 60% of the total stock is serviced apartment. Looking at supply distribution, the CBD area still remains as the most prominent location for serviced apartment development, followed by South Jakarta.

Going ahead, the market is expected to receive two serviced apartment projects in the next year from the completion of Fraser Suites at Ciputra World 2 and Oakwood Premiere at District 8 Senopati. From 210 units planned from Fraser Suites, 60 units have been converted to strata-title apartment, named The Suites, which we mentioned above. Moreover, another four serviced apartment projects are still under planning stage and are expected to open between 2019 and 2020. As such, the total future pipeline supply

until 2020 is at least 642 units from six serviced apartment projects. Despite limited supply, the rental apartment sector is still expected to experience intense competition from future upscale buy-to-let strata-title apartments.

Apartment for Lease Distribution by Area



Source: Colliers International Indonesia - Research

Serviced Apartment Projects Pipeline				
NAME OF DEVELOPMENT	LOCATION	YEAR OF OPERATION	OPERATOR	#UNITS
Fraser Suites at Ciputra World Jakarta 2	Jl. Prof Dr Satrio	2017	Frasers Hospitality	150
Oakwood at District 8 Senopati	Jl. Senopati	2017	Oakwood	180
Ascott Menteng Jakarta	Menteng	2019	Ascott	150
Fraser Residence Serenia Hills	Cilandak, Lebak Bulus	2019	Frasers Hospitality	TBA
Fraser Suites Kebon Melati	Kebon Melati	2019	Frasers Hospitality	TBA
Serviced Apartment at Lavish Kemang Residence	Kemang	2020	Local Operator	162

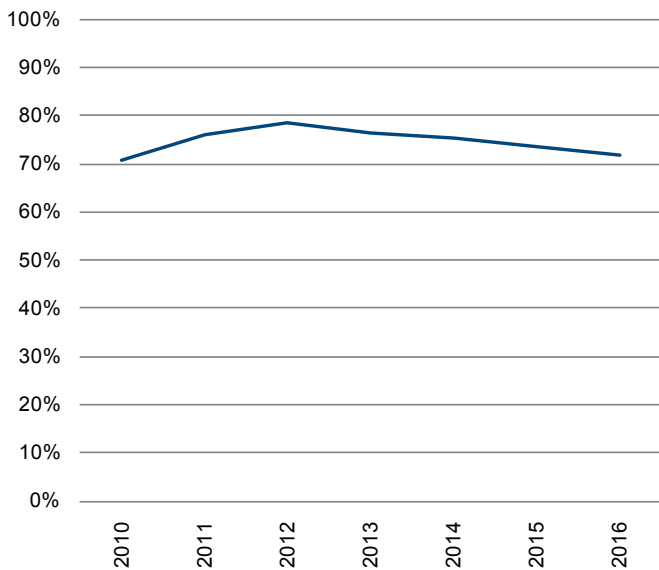
Source: Colliers International Indonesia - Research

Occupancy

Occupancy rate of apartments for lease in Jakarta fell to 71.7% during the reviewed quarter – a modest decrease of 1.2% QoQ. Work contract expiration and fewer amount in expatriate arrivals remained the two main factors that led to the downward trend in the last three years. In addition, there is a growing trend of shorter leases being taken out on serviced apartments as MNCs, in attempt to cut costs, are transferring employees to Jakarta for shorter secondments. Short secondments are a money-saver for companies as they do not need to relocate entire families. This has been a continuing trend for the last two years.

Location-wise, compared to the previous quarter, occupancy rate for the CBD and South Jakarta has been underperformed, down by 0.9% and 3.6%, respectively. This shows that there are tough competitions from new upscale strata-title apartments in those areas. In addition, low commodity prices are expected to continue to impact the oil and gas and mining sectors, meaning expatriate demand from this segment is likely to remain thin.

Average Occupancy Rate of Apartment for Lease



Source: Colliers International Indonesia - Research

Looking forward, the completion of new serviced apartment projects in the upcoming years are expected to enrich Jakarta's serviced apartment market by providing more choices for tenants, albeit increasing competition in the market. Furthermore, vacant units are expected to experience difficulties being digested by the market in the face of weakening demand. As such, we predicted the average occupancy level for apartments for lease in Jakarta will be corrected to 70%-72%.

Rental Rate

In the challenging local and global economies, many multinational companies are imposing cost-cutting measures by tightening housing budgets for their expats.

Companies tend to prefer employing single expats and expats with small-sized families to be stationed in Jakarta. This, combined with the increase in competition from new supply serviced apartment as well as upscale strata-title apartment, saw some landlords lowering rents in order to attract new tenants, but were unsuccessful.

Overall, with the market generally looking pessimistic, many serviced and non-serviced apartments continued to offer rental discounts in order to close deals. In general, discounts are varied, ranging between 10% and 15% from the asking rental rate (published rate). Moreover, in the current sluggish market, real transaction rates could be much lower by 30% if the tenant makes a deal with longer-term tenure. Going forward, rental rates are expected to decline, particularly for old apartments in the next year, as the key drivers of the leasing market remain weak.

Concluding Thought

Although a significant surge in apartment demand might still be far off, we believe that subtle improvements in underlying demand could be seen next year, due to slight increment in GDP growth in 2017, which can be seen as purchasing power improvement. Furthermore, together with unaggressive pricing strategy from developers, this should translate into better and increasing sales rate ahead.

All in all, the apartment market has been highly relying on people's perception on the macroeconomic conditions. Hence, the demand is likely in line with the economic outlook of Indonesia. Although the economy seems stuck in the 5% growth range next year, there are reasons to believe that it is on track for stronger growth going forward. The government's investment on infrastructure, the successful tax amnesty programme, interest rate cuts and increase in foreign direct investment (FDI) should potentially raise private investments, which in turn, would become a positive catalyst for the growth of the property market, but not in the near term.

For more information:

Ferry Salanto

Senior Associate Director | Research
+62 21 3043 6888
ferry.salanto@colliers.com

Contributors:

Hern Rizal Gobi

Assistant Manager | Research

Copyright © 2016 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.



Accelerating success.