

JAKARTA | EXPATRIATE HOUSING

Expatriate Housing Sector

Ferry Salanto Senior Associate Director | Research

The tenants' market situation continued to happen during the whole year of 2016 as a result of diminishing number of expatriates working in sectors that have been shore up expatriate housing business, such as oil and gas and mining industry. On the other hand, besides South Jakarta, BSD (Bumi Serpong Damai) and Lippo Karawaci have good potential as secondary choices as those areas are still within the catchment of the expatriate community and proximity to the international school as well as easy accessibility to Soekarno-Hatta International Airport. Today, the number of houses being offered in the sublease market is a lot due to some multinational companies have had to cancel projects or have decided to pull back on projects which has resulted with early termination of the expatriates they hired.

Further, the current market situation creates opportunities for the tenants to get competitive rental rates of homes that offer more value for their rental budgets from the sublease market.

Supply

South Jakarta continues to be the choice residential location for expatriates as it provides almost all the requisite facilities for expatriates such as international school, entertainment center, shopping spots, golf courses and other point of interests. Until now, certain locations in South Jakarta in particular Kemang, Cipete, Pondok Indah, Kebayoran Baru and the surrounding remain preferred location, although alternative areas like the outer east and west of Jakarta are also offering home accommodation with expatriates' standard. Regardless that these outer areas are offering expatriate standard housing, the existence of international standard schools like JIS, BSJ, etc. continues to be one of the main reason for expatriates wanting to be located in South Jakarta. Such schools offer an international experience and environment because of the international staff and the multicultural nationalities of the students that composes the student body.

As land becomes more limited in traditional expat locations like Kemang, Cilandak and Cipete area some developers have elected to develop townhouses to make more efficient use of land. This type of development however has also slowed with under 20 units being developed in 2016. These brand new townhouses range from three to four bed-room type sitting on 300 to 700 sq m land and are equipped with swimming pool. The 300 – 350 sq m three bed-room houses are offered for rent ranging from USD2,500 - USD3,000/month, while the 400 – 700 sq m four bedroom house are quoted at between USD3,800 and USD5,000 per month.

Because of the declining number of expats in Indonesia this has continued to create a “tenants Market” through 2016. Diminishing number of expatriates working in previous dominate sectors such as Oil and Gas has seriously effected the expatriate housing business. As owners realize the numbers of expats has drastically diminished, landlords , particularly of individually-owned stand-alone houses, are becoming more cooperative and more flexible. Shorter contract term leases as well as willingness to entertain additional request related to the renovations, improvements and inclusive features of the house are now being accepted. This market condition however is not true for the entire expat housing market. Parties with limited knowledge of the market, may assume the downturn is a general situation but this is not entirely true. Favored properties especially those within housing compounds like Executive Paradise, Astoria Residence, Atmaya Residence and certain property complex belong to long-established landlords continue to be in high demand and thus can maintain to be firm regarding the rental tariff. Other residential compounds may be willing to slightly decrease rental tariff but not as much as the tenants expect.. Good housing compounds generally offer integrated security system, responsive maintenance service and a desired community situation which puts them in a better bargaining position compared to other individually owned and stand alone houses.

Demand

The terms of overseas workers coming to Jakarta are dominantly for much shorter tenures than before. Two years ago expatriates typically would be deployed for two-year assignments; currently, many companies are starting to cut budgets that results in a shorter deployment period. Because of these shorter assignments, apartment living is typically the preferred choice and will often determine that the family will not accompany the working spouse. .The current immigration regulation requires that the working permit has to be renewed annually. This immigration regulation will often impact not only the type of accommodation that the assignee will choose but decisions associated with other aspects of the relocation. If the working permit is less than 365 days, their shipment of personal belonging is taxable and thus making them reluctant to bring personal items. This makes the option of serviced apartments complete with furnishing and basic household needs an attractive option. If however the working visa is issued for more than one year, this entitles the expat to a tax-free shipment for their personal belongings and therefore they might be more apt to consider a landed house and relocate with their family.

While the upstream activities such as drilling and oil exploration are at somewhat of a standstill now in the oil and gas sector, other areas of the business is showing strong activity. Downstream business such as lubricants, polyester and by products of petroleum are taking advantage of the lower raw material cost.

In certain locations, landlords of high end landed houses have substantially increased their rental rates in response to the drastic hike of Tax Office Appraised Value (NJOP – Nilai Jual Obyek Pajak) of their properties which was introduced in 2014. As an example, in the Kebayoran Baru area which experienced a 105% increase in NJOP has in turn increased the rental rate in 2016 for a 5-bedroom house that was previously rented at USD10,000 per month increased to USD13,000 per month reflecting a 30% increase.

Amidst the global weakening of oil business, oil companies are currently struggling to reduce cost by either cutting the number of expatriates or replacing western senior management executive with cost-saving single Asian executives. This current situation is noticeable not only in the oil industry, but is also evident for an European automotive manufacture that is also changing their top-level management with executives from various Asian countries.

Number of Expatriate Working in Indonesia							
	2010	2011	2012	2013	2014	2015	Jan – Nov 2016
#expatriates	101,056	77,307	72,427	68,957	68,762	69,025	74,183

Source: Ministry of Manpower of the Republic of Indonesia

Number of Expatriate Working in Indonesia Based on Country of Origin				
COUNTRY	2014	2015	Jan – Nov 2016	Jan – Nov 2016 vs 2015
China	16,328	17,515	21,271	21%
Japan	10,838	12,653	12,490	-1%
South Korea	8,172	7,590	8,424	11%
India	4,981	5,900	5,059	-14%
Malaysia	4,022	4,306	4,138	-4%
USA	2,658	3,731	2,812	-25%
Thailand	1,002	3,340	2,394	-28%

Source: Ministry of Manpower of the Republic of Indonesia

There was an increasing number of expatriates entering Indonesia in 2016 which were mostly coming from Asian countries, particularly China and South Korea while the others countries showed a decreasing trend according to the latest figures from the Ministry of Manpower. In contrast with previous year, the number of Japanese and Westerners, especially from USA, appeared to slow down while workers from China and South Korea exhibit large increment of increase. China saw the biggest percentage increment (21%) followed by South Korea (11%) compared to last year figure, while the number of Americans and Japanese fell by about 25% and 1% respectively. Indonesian government has recently built a close and strategic partnership with China and South Korea in the energy and infrastructure sector. Based on data from Indonesia Investment Coordinating Board or BKPM, investment realisation from South Korea amounted for USD700 million, almost 50% of what was made by China; mostly in energy, utilities and infrastructure which have resulted in the increasing number of expatriates from those countries being needed in Indonesia. Those numbers however did not impact to the overall occupancy rate of apartment for lease in Jakarta because most of their projects are located outside the greater Jakarta area.

During the last six months we have seen an increasing number of Chinese expatriates coming to Jakarta. Many of these employees are placed in apartments with close vicinity of the factories or projects they are working. Most Chinese expatriates come without their family, even the top-management level. This is partly due to a Chinese regulation that stipulates Chinese must study their national language. Once their children study outside of China; it will take a strenuous process to reenter the school they were previously attending in their origin country or a school of similar standard. Chinese expatriates are often restricted with very tight accommodation budgets when picking a residence and often the location preferences must be located near the factory or their workplace.

Demand in the high-end property including in the housing complex and some stand-alone houses remained constant. Demand was made up primarily of white-collar workers and high-profile executives, such as country head or chief executive, director from oil & gas company or financial institutions with high budget capacity. Supply of houses for such VIP tenants is limited and are only provided by property landlords that are typically also of high net worth income (HNWI). This type of landlords is reluctant to negotiate for lower offers and would prefer to let the premise vacant and wait for better rental return rather than to rent it out at below market value.

As mentioned previously South Jakarta offers all the pivotal needs for most expatriates like the proximity to the international school, international clubs, international hospital, entertainment center & restaurant, shopping spots, offices and

other point of interests for them however in a small scale some expatriates may need to consider other areas rather than South Jakarta as a home location. Areas like Lippo Karawaci and Bumi Serpong Damai (BSD) have good potential as a secondary choice for expatriates living after South Jakarta area. These areas are still within the catchment of the expatriate community and proximity to specific international schools. These locations also still maintain an acceptable commute for expatriates that work within TB. Simatupang area, Cikarang Industrial Estate or Cilegon. In addition, expatriates who are living in Lippo Karawaci area may benefit from the accessibility to Soekarno-Hatta International Airport. In certain cases however, most single (with no family) expatriates who are working at the suburban areas, such as Bekasi and Karawang, still prefer to choose apartment living in the downtown sector rather than living near their factory since access to a social life within their communities is considered a primary need for them. Apartments located in the greater Jakarta area often offer a better selection and better facilities which makes this option attractive to the single expat.

Sublease Market Opportunity

Due to the softening global economy as well as the declining pace of economy in Indonesia, some multinational companies have had to cancel projects or have decided to pull back on projects that were previously planned on a larger scale. Consequently, this has resulted with early termination of the expatriates they hired in association with these projects which has in turn had implication on the house they have rented. These early vacated houses have created a sublease market however sometimes this situation may be dependent on the corporate policy. Certain corporations may opt to leave the house vacant until the end of leasing period but some may think about recovering the money by subleasing the property (house or apartment) at or lower than the average market rate. Today, there is a number of houses being offered in the sublease market. Highly-demanded housing compounds, such as Executive Paradise and Astoria Residence in Kemang, also Atmaya Boutique Residence in Cilandak, and some stand-alone housing compound by Lembong House in Cipete – Cilandak, will also be open to a sublease situation however will not be as accommodating to renovations or “wish list” items due to the shorter lease period. Typically a sublease will be negotiated as a “take as is” condition. Unless the lease has a diplomatic clause which is only standard for diplomats of embassies or diplomatic institutions, landlords do not need to refund the rental money for the remaining contract should the expats posting in Indonesian be terminated early. This current market situation creates opportunities for the tenants to get competitive rental rates of homes that offer more value for their rental budgets from the sublease market.

Housing Rental Rates in Several Expatriate Areas

EXPATRIATE HOUSING BY AREA	SIZE (SQ M)	OFFERING RENTAL RATE PER UNIT (IN USD/MONTH)	
		MINIMUM	MAXIMUM
Menteng			
4 - 5 Bedrooms House	500 - 1,200	4,000	12,000
Kuningan			
4 - 5 Bedrooms House	500 - 900	3,000	4,500
Pondok Indah			
4 - 5 Bedrooms House	450 - 1,000	3,000	7,000
Kebayoran Baru			
4 - 5 Bedrooms House	600 - 1,500	3,000	7,000
3 - 4 Bedrooms Townhouse/complex	250 - 700	2000	4,000
Permata Hijau, Simpruk			
4 - 5 Bedrooms House	400 - 1,500	2500	6,000
3 - 4 Bedrooms Townhouse/complex	220	2700	3500
Kemang			
4 Bedrooms Townhouse/complex	400 - 700	2,000	6,000
3 Bedrooms House	400 - 750	2,500	4,000
4 - 5 Bedrooms House	550 - 1,000	3,000	6,000
Cilandak			
4 Bedrooms Townhouse/complex	300 - 700	3,500	5,000
3 Bedrooms Apartment + Study	300 - 600	3000	4,000
4 - 5 Bedrooms House	450 - 750	3,000	6,000
Cipete			
3 Bedrooms Townhouse/complex	200 - 300	2,500	3,500
4 Bedrooms Townhouse/complex	400 - 700	3,000	5,000
3 Bedrooms House	300 - 500	2,500	5,000
4 - 5 Bedrooms House	400 - 800	3,000	500
Pejaten			
3 Bedrooms Townhouse/complex	400 - 600	2,500	5,000
4 Bedrooms House	500 - 900	3,000	5,500

Source: Colliers International Indonesia - Research and Residential Tenant Representation

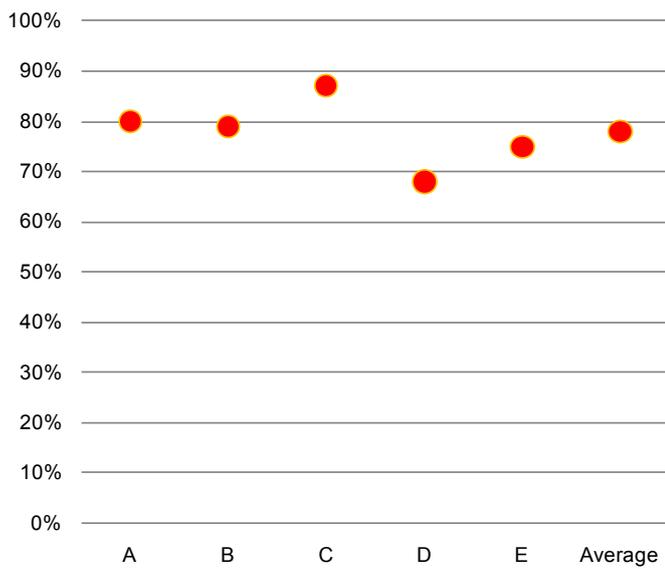
Apartment Rental Rates in Several Expatriate Areas

APARTMENT BY AREA	SIZE (SQ M)	RENTAL RATE (IN MILLION IDR/UNIT/MONTH)	
		NON-SERVICED APARTMENT	SERVICED APARTMENT
Sudirman			
2 Bedrooms Apartment	106 - 145	32 – 52	46 – 67
3 Bedrooms Apartment	158 - 320	45.5 - 78	68 – 94.5
Menteng			
2 Bedrooms Apartment	90 - 142	35 – 51	54 – 56
3 Bedrooms Apartment	124 - 213	39 – 65	70
4 Bedrooms Apartment	319		176
Kuningan			
2 Bedrooms Apartment	120 - 145	20 – 32.5	45.5 – 67.5
3 Bedrooms Apartment	157 - 166	32.5 – 39	49 – 52
4 Bedrooms Apartment	440	45.5	
Pondok Indah			
2 + 1 Bedrooms Apartment	117 - 190	42 – 48	45.5 - 55
3 Bedrooms Apartment	190 - 455	45.5 – 68	52 – 70
4 - 5 Bedrooms Apartment	285 - 455	66 – 71	73.5 – 83
Kebayoran Baru			
2 Bedrooms Apartment	140 - 203	42 – 56	57
3 Bedrooms Apartment	243 - 302	58.5 – 78	69
4 - 5 Bedrooms Apartment	330 - 500	72 - 120	
Permata Hijau, Simpruk			
2 Bedrooms Apartment	105 - 115	34 – 40	
3 - 4 Bedrooms Apartment	165 - 300	35 – 54	42 - 46
Kemang			
3 Bedrooms Apartment	165 - 303	32.5 – 58.5	
Cilandak			
3 - 4 Bedrooms Apartment	164	39	
3 Bedrooms Apartment + Study	300	45 - 58	47
Cipete			
3 - 4 Bedrooms Apartment	220 - 295	52 – 78	
Pejaten			
2 - 3 Bedrooms Apartment	102 - 191	16 – 29	

* exclude breakfast

Source: Colliers International Indonesia - Research and Residential Tenant Representation

Average Occupancy Rate of Selected Apartments Preferred By Expatriates



Source: Colliers International Indonesia - Research

Notes:

- A: Dharmawangsa, The Capital Residence, SCBD Suites, Pakubuwono Residence, Oakwood
- B: The Residence at Ritz Carlton, Plaza Senayan, The Plaza Residence, Airlangga Apartment, Senayan City
- C: Setiabudi Residence, Golf Pondok Indah, Somerset Grand Citra, The Ascott, Menteng Executive
- D: Aston Rasuna, Somerset Berlian, Puri Casablanca, Casablanca
- E: Taman Rasuna, Palm Court, Puri Imperium

For more information:

Ferry Salanto

Senior Associate Director | Research
+62 21 3043 6888

ferry.salanto@colliers.com

Contributors:

Hern Rizal Gobi

Assistant Manager | Research

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