

Ferry Salanto Senior Associate Director | Jakarta

Indonesia's on-going massive infrastructure development had attracted overseas developers, especially from Japan, China, Singapore and other Asian countries. Local property developers, such as Sinar Mas Land, Intiland Development, Alam Sutera and Sentul, have already benefitted from the inflow through the establishment of JVs and collaboration with several foreign developers. We believe this situation will improve further as many institutions forecast Indonesia's economy to grow and be better in 2018.

In our view, the government policy is likely to be more populist next year as we are approaching election years 2018 and 2019. Anything to be decided, such as raising electricity tariffs and gas and subsidised fuel prices, which may increase living costs, are likely to be the last option, we believe.

Moreover, compared to alternative investments, residential properties, particularly apartments, generate relatively high yields with lower risks. Gold and benchmark currencies such the US dollar are conventionally considered the safest method of hedging in Jakarta. However, both have generated marginal or even negative returns in recent years. Apartment yields are relatively similar to commercial bank deposit rates. This helps maintain investment appeal to local buyers who still perceive property as safer than bank deposit.

Forecast at a glance



Demand

We believe that next year, sales will be supported by real homebuyers rather than investors. Furthermore, we expect the average take-up rate to increase modestly by 2-3% from now, to be at 87-88% level by the end of 2018.



Supply

The market will receive an additional of 62,116 units from 104 projects: 32,429 units in 2018, 15,602 in 2019 and 14,085 in 2020.



Rent

With vacancy creeping up in the serviced apartment market, landlords are likely to remain conservative in rental negotiation. Coupled with downgrading trends in the market, we expect the average rent to increase modestly, in the range of 2-3% for the entire 2018.



Price

In 2018, we do not foresee much improvement in demand and the number of incoming apartments that are targeted to end-users. Therefore, we project the average apartment price would increase modestly, a little bit higher than 2017's by 5% to 6%, to IDR34.5-35.5 million /sq m.

Strata-title Apartment

Supply

With the completion of eight new apartment projects consisting of 3,181 units, the cumulative supply of apartments in Jakarta increased by 1.8% QOQ or 4.6% YOY to 184,293 units. The annual supply in 2017 reached 8,115 units, the lowest in the last seven years, which account for 21,167 units. Such situation happened mainly due to soft absorption that may lead to the financial issue and thus delay delivery of the projects. Looking ahead in 2018-2020, the market will receive 62,116 units, which is a substantial number, bringing apartment inventory in Jakarta to exceed 246,000 units in 2020.

COMPLETED APARTMENT PROJECTS DURING Q4 2017

APARTMENT NAME	LOCATION	REGION	DEVELOPER NAME	NO. OF UNITS
Green Signature Apartment	Jl. MT Haryono	East Jakarta	Pikko Group	840
Pluit Seaview (Tower Belize)	Pluit	North Jakarta	Binakarya Propertindo Group	300
Menteng Park (Diamond Tower)	Jl. Cikini Raya	Central Jakarta	Agung Sedayu Group	756
Lexington Residence (The Tower)	Pondok Pinang	South Jakarta	Cowell Development	275
The Aspen Peak at Admiralty (Tower C)	Jl. Fatmawati	South Jakarta	PT. Harmas Jalasveva	322
Capitol Suites	Jl. Prapatan Raya	Central Jakarta	The Capitol Group	327
Lexington Residence (La Terrasse)	Jl. Deplu Raya	South Jakarta	Cowell Development	111
Wang Residence	Jl. Panjang	West Jakarta	PT. Citicon Propertindo	250

Source: Colliers International Indonesia - Research

NEWLY LAUNCHED APARTMENT PROJECTS DURING Q4 2017

APARTMENT NAME	LOCATION	REGION	EXPECTED COMPLETION YEAR	ESTIMATED PRICE/SQ M	NO. OF UNITS
Kasamara Residence	Jl. Kesehatan Raya	South Jakarta	2020	IDR36 - 38mio	151
Arumaya Simatupang	Jl. Kartini	South Jakarta	2021	IDR35 - 36mio	289
Solterra Place Apartment	Jl. Condet Pejaten	South Jakarta	2021	IDR28 - 29mio	521
Simprug Signature (Thames Tower)	Jl. Ciledug Raya	South Jakarta	2021	IDR20mio	544
Cleon Mansions	Jakarta Garden City	East Jakarta	2021	IDR14 - 16mio	613

Source: Colliers International Indonesia - Research

Optimism remains and is highlighted by sustainable apartment construction over the next few years. Five projects were launched in Q4 2017 with a total potential stock of 2,118 units, showing a 30% growth, compared to the previous quarter. With about 10 million people, the majority of which are in their productive age, Jakarta presents huge market potential for residential developers and investors. Through JV and outright purchases, many overseas investors have decided to partner with local developers to share risks and increase their funds, as both local and foreign developers recognise the importance of having local knowledge and foreign capital, as well as expertise to boost the marketability of their projects.

Jakarta is transforming its transportation system into a Transit-Oriented Development (TOD) concept, which advocates property development along mass transit stations. The aim of this transportation system is to encourage citizens to walk and use public transportation whilst dissuading the ownership of automobiles. We think that TOD will be the future in urbanisation, and that it will have a major impact on various sectors. Moreover, properties near transit hubs can have significant capital appreciation, for example 10% in China and Thailand, and 32% in Hong Kong. Nonetheless, the appreciation of property price is supposed to be non-equitable and quite higher at the exit points of city spots.

NEW PIPELINE

APARTMENT NAME	LOCATION	REGION	DEVELOPER	NO. OF UNITS	DEVELOPMENT STATUS
2018					
Sudirman Suites	Jl. Jend. Sudirman	CBD	Pikko Group	380	Under Construction
Casa Domaine	Jl. Jend. Sudirman	CBD	Lyman Group	186	Under Construction
The Suites Satrio	Jl. Prof. Dr. Satrio	CBD	Ciputra Group	200	Under Construction
Gayanti City (2 Towers)	Jl. Gatot Subroto	CBD	PT Buana Pasifik International	598	Under Construction
Verde Two (Tower West)	Jl. HR Rasuna Said	CBD	Farpoint Realty	152	Under Construction
Anandamaya Residences (3 towers)	Jl. Jend. Sudirman	CBD	Hongkong Land	500	Under Construction
Lavie	Jl. Denpasar Raya	CBD	Wilsor Group	302	Under Construction
Regent Residences (tower 1)	Semanggi	CBD	PT Kencana Graha Global	100	Under Construction
The Elements Epicentrum (2 Towers)	Jl. HR Rasuna Said	CBD	Sinarmas Land	372	Under Construction
T - Plaza Residence (Tower A & C)	Jl. Penjernihan	Central Jakarta	PT Prima Kencana	614	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
Signature Park Grande	Jl. MT. Haryono	East Jakarta	KSO Fortuna Indonesia (Pikko)	1,100	Under Construction
Bassura City (Tower Jasmine)	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 Development	186	Under Construction
Pluit Seaview (Tower Ibiza)	Pluit	North Jakarta	Binakarya Propertindo Group	500	Under Construction
Gold Coast Apartment (Atlantic Tower)	Pantai Indah Kapuk	North Jakarta	Agung Sedayu	568	Under Construction
The Kensington Royal Suites (4 Tower)	Kelapa Gading	North Jakarta	Summarecon	790	Under Construction
LA City Apartment (Tower A)	Jl. Raya Lenteng Agung	South Jakarta	Pancanaka Samaktha	980	Under Construction
Nine Residence	Warung Buncit	South Jakarta	PT Lippo Karawaci	246	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)	Jl. TB Simatupang	South Jakarta	Grage Group	542	Under Construction
Bellevue Place	Jl. MT Haryono	South Jakarta	Gapura Prima	240	Under Construction
One Casablanca Residence	Jl. Palbatu	South Jakarta	Forza Land	215	Under Construction
The Foresque	Jl. Pasar Minggu	South Jakarta	PT Griya Karunia Sejahtera (Binakarya Propertindo Group)	660	Under Construction
The Langham Residences	Jl. Senopati	South Jakarta	Agung Sedayu	57	Under Construction

continued

APARTMENT NAME	LOCATION	REGION	DEVELOPER	NO. OF UNITS	DEVELOPMENT STATUS
<i>continuation</i>					
The Aspen Peak at Admiralty (Tower D)	Jl. Fatmawati	South Jakarta	PT Harmas Jalsveva	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
Pakubuwono Spring (2 towers)	Jl. Teuku Nyak Arief	South Jakarta	PT Simprug Mahkota Indah (Agung Podomoro Group)	545	Under Construction
Branz Simatupang (2 tower)	Jl. TB Simatupang	South Jakarta	Tokyuland	381	Under Construction
Synthesis Residence Kemang (3 towers)	Jl. Ampera Raya	South Jakarta	Synthesis Development	1,100	Under Construction
Gianetti Apartment	Jl. Kebon Jeruk Raya	West Jakarta	Bangun Investa Graha	500	Under Construction
St Moritz (The New Ambassador Suite Tower)	Jl. Puri Indah Kembangan	West Jakarta	PT Lippo Karawaci	200	Under Construction
Gallery West	Jl. Panjang	West Jakarta	AKR	280	Under Construction
Puri Mansion Apartment (Tower Amethyst)	Jl. Lingkar Luar Barat	West Jakarta	Agung Sedayu Group	900	Under Construction
Puri Orchard (Cedar Heights tower)	Jl. Raya Adicipta	West Jakarta	PT Adicipta Graha Kencana (Serenity Group)	1,050	Under Construction
Puri Orchard (Magnolia Spring tower)	Jl. Raya Adicipta	West Jakarta	PT Adicipta Graha Kencana (Serenity Group)	544	Under Construction
Vittoria Residence (3 tower)	Jl. Daan Mogot	West Jakarta	PT Duta Indah Kencana	1,100	Under Construction
Taman Anggrek Residence (6 towers)	Jl. Tanjung Duren	West Jakarta	Agung Sedayu	3,000	Under Construction
Ciputra International Puri Indah (Tower Amsterdam)	Jl. Lingkar Luar Barat	West Jakarta	Ciputra Group	412	Under Construction
Grand Madison Park	Jl. 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
Ciputra International Puri Indah (Tower Barcelona)	Jl. Lingkar Luar Barat	West Jakarta	Ciputra Group	335	Under Construction
Puri Mansion Apartment (Tower Crystal)	Jl. Lingkar Luar Barat	West Jakarta	Agung Sedayu	700	Under Construction
West Vista (2 towers)	Jl. Lingkar Luar Barat	West Jakarta	PT Harapan Global Niaga	2,840	Under Construction
<i>continued</i>					

APARTMENT NAME	LOCATION	REGION	DEVELOPER	NO. OF UNITS	DEVELOPMENT STATUS
<i>continuation</i>					
Citra Living Apartment (Somerset Tower)	Jl. Citra 7	West Jakarta	Citra Mitra Graha KSO	312	Under Construction
Citra Living Apartment (Orchard Tower)	Jl. Citra 7	West Jakarta	Citra Mitra Graha KSO	312	Under Construction
2019					
South Hill	Jl. Denpasar Raya	CBD	Dua Mutiara Group	611	Under Construction
The Residences at The St. Regis Jakarta	Jl. HR Rasuna Said	CBD	Rajawali Property Group	164	Under Construction
Arandra Residence	Jl. Cempaka Putih Raya	Central Jakarta	Gamaland	687	Under Construction
Sudirman Hill Residence	Jl. Karet Pasar Baru Barat	Central Jakarta	PT Muliaguna Propertindo Development	299	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
The Linq Kemayoran (2 towers)	Kemayoran	Central Jakarta	KG Global	1,020	Under Construction
Menteng 37	Jl. Menteng	Central Jakarta	Pikko Group & Wijaya Wisesa (JV)	99	Under Construction
Sentra Timur Residence (Tower Safir)	Pulogebang	East Jakarta	Bakrieland Development	605	Under Construction
Pluit Seaview (Tower Bahama)	Pluit	North Jakarta	Binakarya Propertindo Group	650	Under Construction
Regatta Apartment (Tower New York)	Pantai Mutiara	North Jakarta	Intiland Development	186	Under Construction
Sedayu City (Tower Melbourne)	Jl. Pegangsaan Dua Raya	North Jakarta	Agung Sedayu	912	Under Construction
Jaya Ancol Seafont - Oceana Tower	Ancol	North Jakarta	Jaya Ancol	524	In Planning
Orient Residence	Jl. Yos Sudarso	North Jakarta	PT Tri Raton Mega	225	Under Construction
Gold Coast Apartment (Bahama Tower)	Pantai Indah Kapuk	North Jakarta	Agung Sedayu	600	Under Construction
Gold Coast Apartment (Carribean 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
La Foret Vivante	Permata Hijau	South Jakarta	PT Mahkota Properti Indo Permata	253	In Planning
45 Antasari (2 Towers)	Jl. P. Antasari	South Jakarta	Cowell Development	1,924	Under Construction
Arzuria Apartment	Jl. Tendean	South Jakarta	Tolaram Group	210	Under Construction
Fatmawati City Center - Corona Park Suite Tower	Jl. Fatmawati	South Jakarta	Agung Sedayu	620	Under Construction
Ratu Prabu 3 Residences	Jl. TB Simatupang	South Jakarta	PT Ratu Prabu Tiga	61	Under Construction
Samara Suites	Jl. Gatot Subroto	South Jakarta	Synthesis Development	300	Under Construction
Lavish Kemang Residence	Jl. Kemang Raya	South Jakarta	PT Kemang Karya Utama	474	Under Construction
<i>continued</i>					

APARTMENT NAME	LOCATION	REGION	DEVELOPER	NO. OF UNITS	DEVELOPMENT STATUS
<i>continuation</i>					
Permata Hijau Suites	Jl. Raya Kebayoran Lama	South Jakarta	PT Palmerindo Properti	649	Under Construction
TBS Tower Apartment	Jl. TB Simatupang	South Jakarta	PT Mahkota Asia Graha	162	Under Construction
Kasamara Residence	Jl. Kesehatan Raya	South Jakarta	PT MGM Propertindo	151	In Planning
19 Avenue Apartment (Tower B)	Jl. Daan Mogot	West Jakarta	Margahayu Land	416	Under Construction
Green Sedayu Apartment (Tower Pasadena)	Jl. Kamal Raya	West Jakarta	Agung Sedayu	644	Under Construction
Daan Mogot City (3 towers)	Jl. Daan Mogot	West Jakarta	PT China Harbour Jakarta Real Estate Development	700	Under Construction
2020					
Verde Two (Tower East)	Jl. HR Rasuna Said	CBD	Farpoint Realty	182	Under Construction
Le' Parc	Jl. MH Thamrin	CBD	PT Putragaya Wahana	100	Under Construction
The Newton at Ciputra World 2	Jl. Karet Sawah	CBD	Ciputra Group	450	Under Construction
Holland Village (Phase II)	Cempaka Putih	Central Jakarta	PT Lippo Karawaci	230	Under Construction
The Stature Jakarta	Jl. Kebon Sirih	Central Jakarta	Capitaland and Credo Group	87	Under Construction
The Sahid Asena Apartment and Garden	Ciracas	East Jakarta	Sahid Group	476	In Planning
Prajawangsa City (8 towers)	Jl. Raya Bogor	East Jakarta	Synthesis Development	4,000	In Planning
East 8 (2 towers)	Cibubur	East Jakarta	Karya Cipta Group	1,172	Under Construction
Sedayu City (Tower Darwin)	Jl. Pegangsaan Dua Raya	North Jakarta	Agung Sedayu	936	In Planning
Regatta Tokyo, Acapulco, Sydney Tower	Jl. Pantai Mutiara	North Jakarta	Intiland Development	276	In Planning
Kemang Penthouse	Jl. P. Antasari	South Jakarta	PT Senopati Aryani Prima & PT Mahardika Gagah Sejahtera	114	In Planning
Antasari Heights (One Otium Residence)	Jl. P. Antasari	South Jakarta	PT Radinka Quatro Land	360	Under Construction
Selatan 8 (Tower Sultan)	Kebayoran Lama	South Jakarta	Karya Cipta Group	336	Under Construction
Fatmawati City Center(5 towers)	Fatmawati	South Jakarta	Agung Sedayu	2,080	Under Construction
Aerium Taman Permata Buana (South Tower)	Taman Permata Buana	West Jakarta	PT Itomas Kembangan Perdana (Sinarmas Land & ITOCHU)	366	Under Construction
Green Sedayu Apartment (Tower New York)	Jl. Kamal Raya	West Jakarta	Agung Sedayu	920	In Planning
Tomang Park Apartment (2 towers)	Jl. Tawakal Ujung Raya	West Jakarta	PT Phoenix Property	2,000	In Planning

LIST OF APARTMENT PROJECTS WITHIN THE TOD SYSTEM

APARTMENT NAME	LOCATION	REGION	PROJECTED OPENING YEAR	DEVELOPER	#UNITS
Eastern Green Bekasi	Jl. HM Joyomartono	Bekasi	2019	PT Adhi Karya (Persero) Tbk.	634
Urban Signature LRT City Ciracas	Jl. Penganten Ali	East Jakarta	2020	PT Adhi Karya (Persero) Tbk.	1,480
Apartment @Stasiun Tanjung Barat	Stasiun Tanjung Barat	South Jakarta	2020	Perum Perumnas & PT Kereta Api Indonesia (Persero)	820
Apartment @Stasiun Pondok Cina	Stasiun Pondok Cina	Depok	2020	Perum Perumnas & PT Kereta Api Indonesia (Persero)	1,848
Apartment @Stasiun Pasar Senen	Stasiun Senen	Central Jakarta	2020	PT Wijaya Karya Bangunan Gedung	908
Apartment LRT City Gateway Park	Jl. Kampung Baru STM Kapin	Bekasi	2020	PT Adhi Karya (Persero) Tbk.	1,254
Apartment @Stasiun Tanah Abang	Jl. Jati Baru	Central Jakarta	2020	PT Kereta Api Indonesia (Persero) & PT PP Properti Tbk.	800
Apartment @Stasiun Juanda	Jl. Ir. H Juanda	Central Jakarta	2020	PT Kereta Api Indonesia (Persero) & PT PP Properti Tbk.	628
Conexio Dhika City Bekasi	Jl. Suliki Cempaka	Bekasi	2020	PT Adhi Persada Properti	558
Royal Sentul Park	Jl. Raya Babakan Madang	Bogor	2020	PT Adhi Karya (Persero) Tbk.	1,600

Source: Colliers International Indonesia - Research

Demand

Overall, apartment sales activities in Jakarta have not been discernible, evidenced by the modest take-up rate increase by less than 1% from the previous quarter to 85.9%. At a glance, during the whole year of 2017, the apartment market in Jakarta was not as we expected earlier in the year. Weaker-than-expected demand recovery, lack of catalysts, issues on property-related regulations and Jakarta's gubernatorial election had affected consumers' appetite in buying apartment units. However, we saw a trend in which the number of mortgage users is increasing along with a relatively low interest rate policy.

Approaching political year 2018, the government should have preferences to a more populist measures for grassroots, including social-welfare budget, electricity tariffs and energy subsidies, rather than produce a pro-market policy for the property sector, in order to increase popularity and electability. This trend is particularly evident when the incumbent is to get into the elections, as will be the case in 2019. During the pre-election years of 2008 (election was in July 2009 with incumbent candidates) and 2013 (election was in July 2014), it was found that the Jakarta Composite Index was not bullish at those times. In 2008, amid the global financial crisis, the JCI fell by 23%, and in 2013, despite strong market

expectation for then newly elected president, Joko Widodo, the JCI only experienced a modest increase by 6.7%. Furthermore, incumbent candidates will run in the 2019 elections, so we expect the elections to be as dynamic as those in 2009, compared with the 2014. However, contrary to the conditions in 2009, the current economic condition is much better in terms of fiscal, macro economy and global economic environment. Therefore, we believe the upcoming elections should not pose a significant impact towards buyer confidence.

Take-up Comparison Between Existing and Under Construction Projects

	Q4 2016	Q3 2017	Q4 2017	QOQ	YOY
Existing	96.0%	96.1%	95.3%	-0.8%	-0.7%
Pre-sales Rate	68.1%	66.5%	67.0%	0.5%	-1.1%
Average	86.8%	85.6%	85.9%	0.3%	-0.9%

Source: Colliers International Indonesia - Research

We expect higher sales volume in response to lower interest rate, which ought to incentivise mortgage users. We think the middle to low apartments, which mainly target end-users, will take benefit from the low interest rate environment. GDP growth is set to rise at a steady pace moving forward, on the back of lower interest rates

and inflation, easing credit and a recovery in commodity prices.

There are several key catalysts that we believe should be in favour of the residential property market going ahead:

- > Assuming the political situation is conducive and under control, it will likely spur people to spend more, including buying property product.
- > Fitch Ratings has upgraded Indonesia's credit ratings by one notch to the second-lowest investment grade from BBB- to BBB with a stable outlook.
- > There are lower financing and lending costs due to the easing on monetary policy. Following a seven-day repo rate cut in August and September, it should boost demand for property purchase using mortgage, particularly for the first home buyer.
- > Underpinned by the government's measures to promote business spending and the revision of negative investment lists, the investment activity is envisaged to accelerate in 2018.

Nonetheless, the following other factors should also be anticipated:

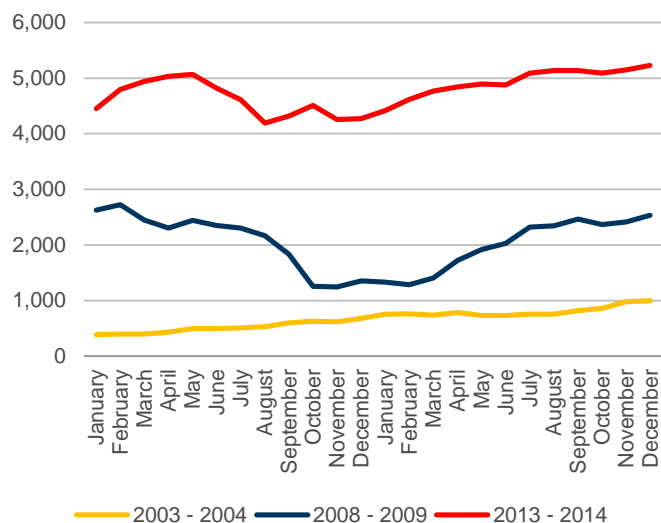
- > Domestic consumption may possibly decelerate, despite multiple interest rate cuts. In our opinion, this is mainly due to the slow transmission from monetary policy to actual domestic interest rate.
- > China is slowing down. A large correction in Chinese industrial demand would have a profound impact on global commodity prices and thus Indonesian export commodities account for over half of the goods exports.

Investors are pickier these days as they are more risk averse amid the sluggish economy. From investors' perspective, we see that due to the current market condition, investors may have less benefit from investing in apartments than in other alternative investments, such as foreign currencies or gold. Residential properties, particularly apartments, generate relatively high yields with lower risks. Gold and benchmark currencies such the US dollar are conventionally considered the safest method of hedging for the Indonesian people. However, both have generated marginal or even negative returns in recent years.

The outlook for high-rise residential market in 2018 remains cautiously optimistic with opportunities and challenges. On-going and planned infrastructure projects are expected to accelerate and see an increased

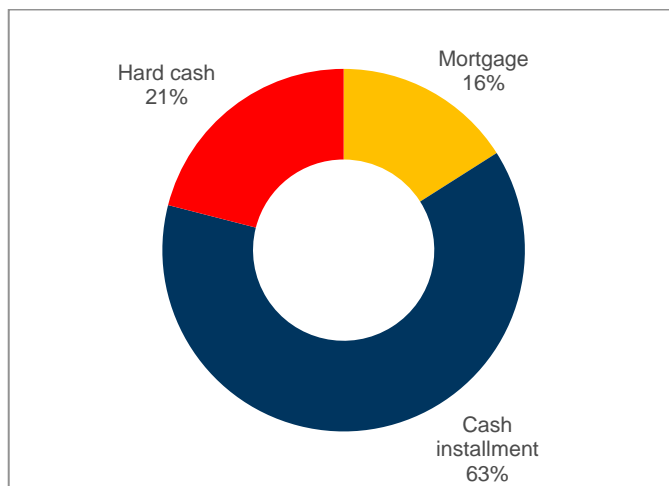
consumer confidence and optimism in the near term. Furthermore, the plan to introduce spatial LTV scheme should create positive sentiment, albeit in the short term, on the apartment market all over Indonesia.

Indonesia Composite Index - A Year before Election



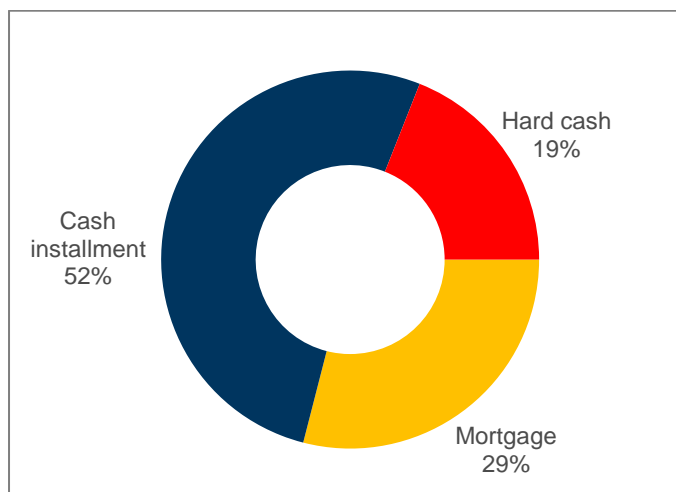
Source: IDX

Payment Method Composition in Purchasing Apartment (Q4 2013)



Source: Colliers International Indonesia - Research

Payment Method Composition in Purchasing Apartment (Q4 2017)



Source: Colliers International

Interest Rates for Property Ownership Financing in Several Major Bank

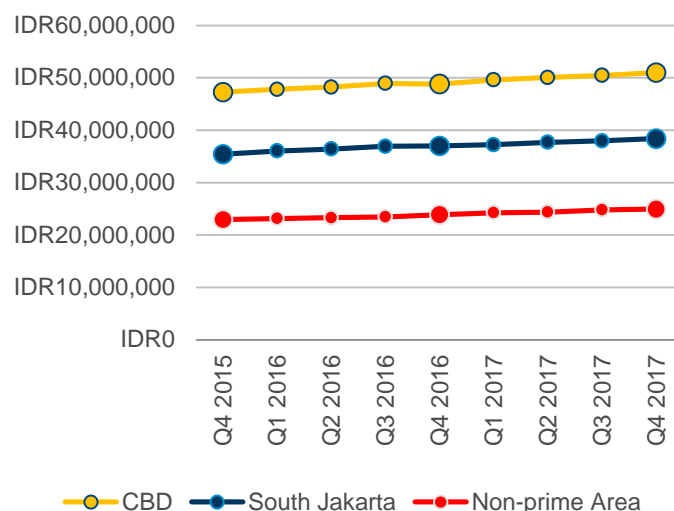
INTEREST RATES (%)	
National Bank	
BRI	10.25
Bank Mandiri	10.25
BNI	10.50
BTN	10.25
BCA	10.00
Bank Danamon	10.50
OCBC NISP	12.50
Bank Mayapada	11.50
Overseas Bank	
Citibank	8.25
CTBC Bank	9.65
UOB	10.65
HSBC	9.00

Source: OJK

Asking Price

Overall, as of Q4 2017, the average asking price of strata-title apartment in Jakarta was approximately IDR33 mio/sq m, which is an increase of less than 1% QOQ and 4.2% YOY. Apartment prices will likely continue their upward trend, underpinned by recovering market sentiment. However, it is still possible to see a slower growth on price or even a short turmoil if a wave of new launches from middle to low projects occurs, which typically have massive units coming into the market that cannot be absorbed quickly.

Quarterly Asking Prices of Apartment in Three Different Areas



Source: Colliers International

There is likely a tendency that investors become reluctant to invest in residential property considering the limited price appreciation, whilst real homebuyers will dominate the sales profile for immediate use. Given this, we project the price increment to increase modestly in 2018, a little bit higher than in the previous year, by as much as 5-6%.

Apartment for Lease

Summary

There are no additional apartments for lease in Jakarta during the last quarter of 2017. Accordingly, the total supply for both serviced and non-serviced apartments in Jakarta remained at 8,860 units. Furthermore, three new serviced apartment projects are preparing to operate in 2018, including Ascott Sudirman Jakarta, Oakwood @ District 8 and Somerset Kencana. Looking forward, there will be an addition of at least 313 units from 2019 to 2022. Most of these have branded operators such as Ascott, Somerset and Fraser.

SUPPLY PIPELINE OF SERVICED APARTMENT IN JAKARTA

APARTMENT NAME	LOCATION	REGION	EXPECTED COMPLETION YEAR	NO. OF UNITS
Ascott Sudirman Jakarta	Jl. Prof Dr Satrio	CBD	2018	192
Oakwood at District 8 Senopati	SCBD	CBD	2018	180
Somerset Kencana Jakarta	Pondok Indah	South Jakarta	2018	148
Somerset Residence Jakarta	Jl. Kemang Raya	South Jakarta	2020	162
Ascott Menteng Jakarta	Menteng	CBD	2021	151
Fraser Suites Kebon Melati	Kebon Melati	CBD	2022	TBA

Source: Colliers International Indonesia - Research

Demand in the leasing market is largely driven by expatriates characterised by increasingly high number of young Asian executives in managerial position. As of Q4 2017, the average occupancy rate for apartment for lease in Jakarta was relatively similar to the previous quarter, staying at 71.2%. Despite the gloomy condition in the oil and gas industry, there are other industries or sectors that are still growing here including banking, embassy staff and financial services. In addition, there are also potential demands from the on-going major infrastructure projects, such as the construction of Jakarta Mass Rapid Transit (MRT), Jakarta-Bandung High-Speed Railway and Asian Games-related works, including refurbishment and renovation of sport venues and stadiums. We also expect potential expatriates looking for home accommodation from the abovementioned sector. Other possible targets are e-commerce, IT and other tech industry sectors that would be the next market in the longer term.

Occupancy Rates of Apartment for Lease

	Q4 2016	Q3 2017	Q4 2017	QOQ	YOY
Leased	74.5%	74.5%	74.4%	-0.1%	-0.1%
Serviced	66.7%	65.6%	65.3%	-0.2%	-1.3%

Source: Colliers International

In line with budget constraint policy set out by multinational companies, the profile of expatriate workers has evolved from those coming here as a family to single workers or couples without children. It is expected that the rental rate will remain soft in the near term, one to two years ahead, and continue to face downward pressure, with larger units bearing the brunt during the period. However, with lower rental budgets, the smaller apartment units may still find demand and hold up better.

Hence, in this environment where there is a combination of factors, such as a slower arrival of foreigners, reduced rental budgets and increasing supply, the landlord of serviced apartments will have to excogitate to draw in tenants. In the meantime, the key performance indicator

for landlords or management should ideally be based on relative peer performance and opportunity cost rather than benchmarking the new sign-on rent against the previous contracted one. By opportunity cost, we mean excess revenue over the course of a typical lease that could be earned if the unit is rented out realistically rather than leaving it un-contracted for an uncertain period of time due to unrealistic high asking rents.

Average Rental Rates Changes of Apartment for Lease Based on Region

	Q2 2017	Q3 2017	Q4 2017
CBD	IDR361,788	IDR361,789	IDR361,789
South Jakarta (incl. Non-Prime)	IDR218,037	IDR218,369	IDR218,369

Source: Colliers International

To sum up, the on-going injection of new stock (which is coming from individual owners of strata-title apartments offering their units for lease) is placing further downward pressure on rents, as leasing demand from expatriates is still weak. We expect a smaller number of expat workforce in the future, partly because of tighter controls in hiring foreigners since the Ministry of Manpower is encouraging companies to hire more local Indonesian workers and is tightening scrutiny of the work permit applications for foreigners, as we have heard from our channel on the ground.

Concluding Thought

Looking ahead to 2018, a year before the next election, we believe that more populist government policies will be implemented. Purchasing power should improve on the back of easing cost pressures given the government will increase energy and health subsidies. Although the apartment market has not yet shown imminent recovery given several stimuli in the market, we are optimistic

about seeing better 2018 results, albeit in a slow pace. Several key aspects such as steady economic growth, stable political situation, supportive regulation environment and on-going government infrastructure projects should significantly impact the property market, particularly the apartment market. Last but not least, Indonesia's huge population with the growing middle class economy and rising urbanisation will naturally create future demand for residential property. And for that reason, we can see foreign and local developers coming in and crowding the Indonesian property market.

For more information:

Ferry Salanto

Senior Associate Director
Research

+62 21 3043 6888

ferry.salanto@colliers.com

Contributors:

Hern Rizal Gobi

Manager | Research

Copyright © 2017 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.