

Ferry Salanto Senior Associate Director | Jakarta

To improve infrastructure, government efforts, which include ameliorating logistics and transportation infrastructure, are expected to provide better domestic and regional connectivity and integration. This planned integration is expected to help customers and service providers improve logistic solutions. The logistics sector, along with automotive and the food industry, has been quite active in creating demand for industrial land.

Forecast at a glance



Demand

We believe that enquiries from the logistics sector will remain strong in line with the government plan to improve transportation infrastructure.



Supply

The potential amount of industrial land supply will generally come from the industrial estates in Karawang, either from the new estates or from the expansion of existing ones. Apart from that, supply pipeline may come from further west of greater Jakarta.



Price

Unless there is a significant absorption of industrial land, developers may consider adjusting their land prices, particularly those having limited stock of land.

Land Supply

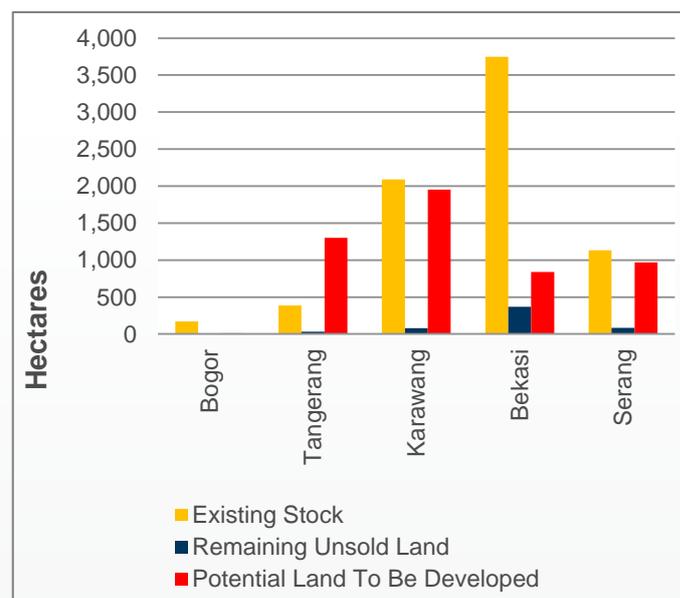
New industrial estates in Trans Hexa Karawang officially announced their presence in the industrial market. After acquiring around 205 hectares of gross land from Agung Podomoro Group, China Fortune Land Development (CFLD), a leading industry city developer in China, introduced their new industrial estate, called Karawang New Industry City. This estate is currently in the cut-and-fill work stages and infrastructure construction.



Other land construction works seem to slowdown, but some industrial estates are now in the stage of preparing undeveloped land for future expansion.

The growing amount of companies operating in industrial locations in the eastern part of greater Jakarta, as well as the intense transportation infrastructure project, has raised the middle class population. As a result, lands in both Bekasi and Karawang are becoming commercially valuable. We have witnessed that some land banks previously allocated for industrial uses are transformed into more expensive lands for commercial or residential use. A few industrial estates have already started with commercial development, benefitting from the increasing number of operating companies.

Industrial Land Stock Status in Some Active and Future Industrial Estates



Source: Colliers International Indonesia - Research

Land Sales Activity

In the last minute, total sales of industrial land in Q4 2017 surprisingly surpassed sales in the previous period, registering 64.03 hectares, compared to only 22.75 hectares in Q3 2017. Thus, total land sales for 2017 was 208.22 hectares, 19.1% higher than in 2016. A large portion of the transactions (61.3%) in 2017 were contributed by Bekasi, followed by Serang (22.1%) and Karawang (13.6%). With only two active industrial

estates, sales in Serang outstripped Karawang, which now has 10 industrial estates. This has been happening since 2014 with Modern Cikande as the main seller of industrial land in Serang.

The Greenland International Industrial City (GIIC) has consistently secured a notable amount of transactions in Q4 for a total of 21.6 hectares from three transactions with logistics, food and sanitary companies. This bolstered GIIC position as the most active industrial estate in selling land for several years. Although selling much less land this quarter at only 3.7 hectares, total sales of Bekasi Fajar for 2017 accounted for 23.7 hectares.

This quarter, Modern Cikande concluded nine land transactions, with the size ranging from below one hectare to more than five hectares. Main new clients include manufacturers of film plastic, building materials, steel, pharmacy and others. In 2017, Modern Cikande recorded a total of 36.2 hectares, the second-most active IE in selling land after GIIC that sold 88.1 hectares. Meanwhile, a chemical company acquired 2.3 hectares at KIEC in Serang together with a steel-related company that also bought one hectare in Q4, for a total sales of 9.8 hectares by KIEC in 2017. The Serang region has always been reported to have continuous sales for the last couple of years, making it one of the most active regions in the greater Jakarta area.

Three land plots in GIIC were sold to logistics, food and sanitary companies that helped fuel the overall sales performance in Bekasi. Smaller amount of land transactions in this region were reported by Bekasi Fajar with around 3.7 hectares. Four expanding companies bought land for warehouse purposes in Bekasi Fajar. Much smaller sales occurred in Jababeka, around 0.5 hectare to new companies, and in Delta Silikon to two individual buyers for a total of 0.22 hectare during the quarter. Total industrial land sales in Bekasi was 26 hectares in Q4 2017.

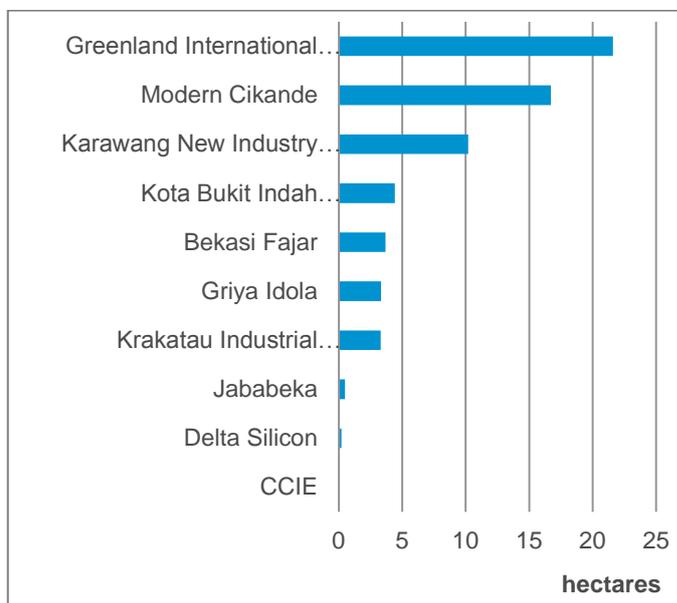
The new industrial estate Karawang New Industry City (KNIC) will start operating with three parcels of land sales from two Chinese companies (food processing and construction) and one local logistics company for a total of 10.2 hectares. This was a good start for a new industrial estate. However, these are likely pre-committed transactions made whilst the estate itself is in preparation stage. There are other transactions in Karawang totalling to 2.42 hectares during the same period. They comprised leasing activities that occurred in Kota Bukit Indah (KBI), operated by Besland Pertiwi, from the expansion of four tenants (textile, food and automotive part companies). Within the same estate, a 2-hectare land was sold to a food company. With the

lack of sales registered by two most active estates in Karawang, total transactions in the Karawang region in Q4 were only reported by KBI, and the new KNIC had 14.62 hectares.

Griya Idola raised the overall sales performance in Tangerang after Millennium, indicating zero sales during the year. Sales stagnation was mainly due to the lack of ready-to-use land to sell, particularly in the delay in providing infrastructure. Several existing industrial estates in Tangerang lagged behind the need for sophisticated requirement, primarily due to the lack of land to be developed. For some years, industrial transactions only happened at Griya Idola and Millennium but in a moderate number, making Tangerang the second-lowest region in selling land after Bogor. In Q4, Griya Idola registered five transactions totalling to 3.32 hectares, raising the entire sales for the whole year to 6.29 hectares. Four local expanding clients consisted of beverage, FMCG, marker and medical equipment companies, whilst one local company, an auto parts manufacturer, was new.

In Bogor, CCIE reported a small leasing transaction of an 810-sq m industrial building to a British pesticide company. This was the only leasing transaction recorded for the entire year.

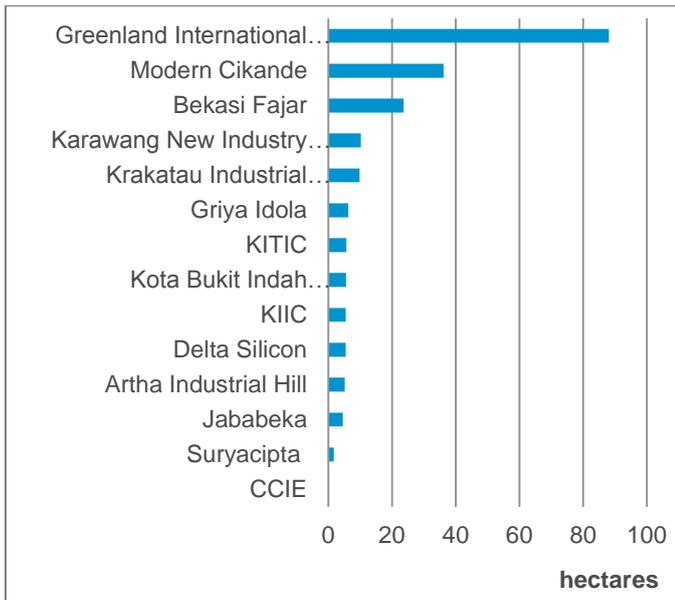
Land Absorption in Q4 2017



Source: Colliers International Indonesia - Research



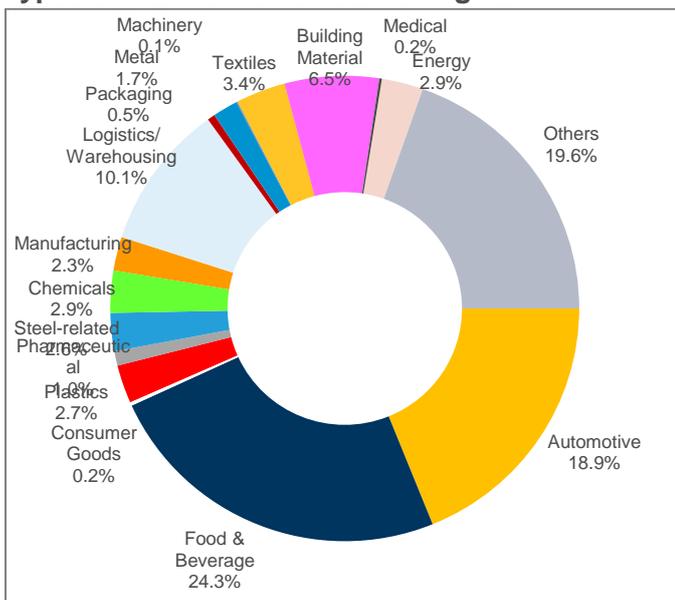
Land Absorption in 2017



Source: Colliers International Indonesia - Research

Bekasi will still continue to capture more industries, not only because of the proximity and good accessibility to several key places, but also because of infrastructure quality provided by most of industrial estates within this region. Meanwhile, some industrial estates in Karawang have good quality infrastructure. However, for the last couple of years we have not seen any estate selling substantial amounts of land in the region, despite the fact that the new and upcoming industrial estates hold a considerable size of land. One industrial estate in Serang has been recorded to have impressive sales for the last few years, underpinning the whole performance of Serang region.

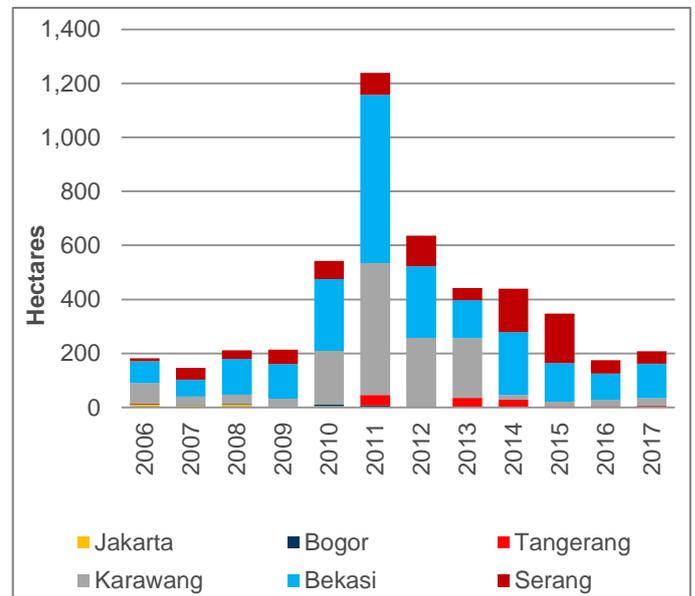
Types of Active Industries During 2017



Source: Colliers International Indonesia - Research

The biggest GDP contributor in the manufacturing sector outside of oil and gas is food and beverages at 32.84%, followed by metal, computer, electronics, optical and electric equipment at 10.71%, transportation equipment 10.47%, and chemicals, pharmaceutical products and herbs 9.86%.

Annual Industrial Land Absorption



Source: Colliers International Indonesia - Research

Land Price and Maintenance Costs

The overall industrial land prices in the greater Jakarta area has been relatively flat in 2017, which was in line with the lackadaisical industrial market for the last couple of years. In our record, none of the operating industrial estate introduced a new price in 2017. The climbing trend for the average asking price in Tangerang was basically because of the inclusion of Griya Idola, offering prices into our calculation. Griya Idola is priced at a higher rate, compared to other industrial estates in the region particularly because of its proximity to the western part of Jakarta. Also, it is equipped with complete facilities and amenities within the estate.

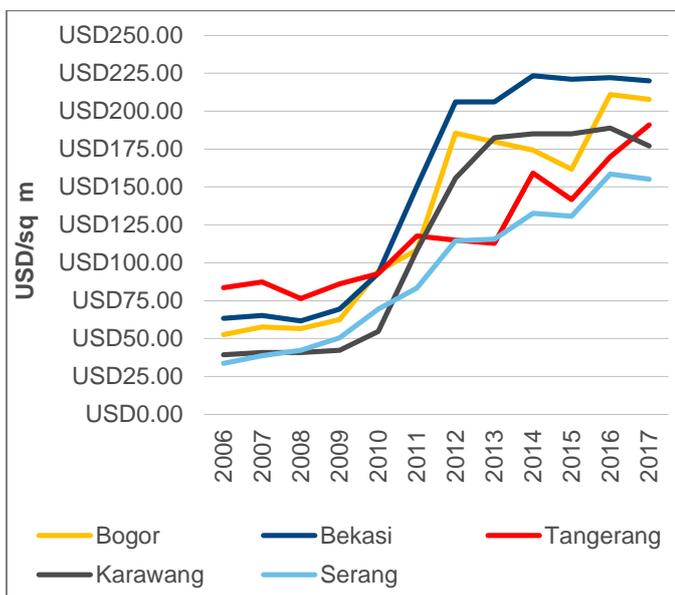
In our view, industrial developers opt to be more focused on achieving their sales target by maintaining their current prices as buyers are generally less active in expanding.

INDUSTRIAL LAND PRICES AND MAINTENANCE COSTS (IN USD EQUIVALENT)

Apartment Name	Land Price (/sq m)			Maintenance Cost (/sq m/month)		
	Lowest	Highest	Average	Lowest	Highest	Average
Bogor	120.00	295.01	207.75	0.06	0.06	0.06
Bekasi	177.30	236.41	219.92	0.06	0.08	0.07
Tangerang	147.75	240.10	190.85	0.03	0.08	0.06
Karawang	170.00	185.00	177.00	0.05	0.10	0.06
Serang	147.75	162.53	155.14	0.03	0.05	0.04

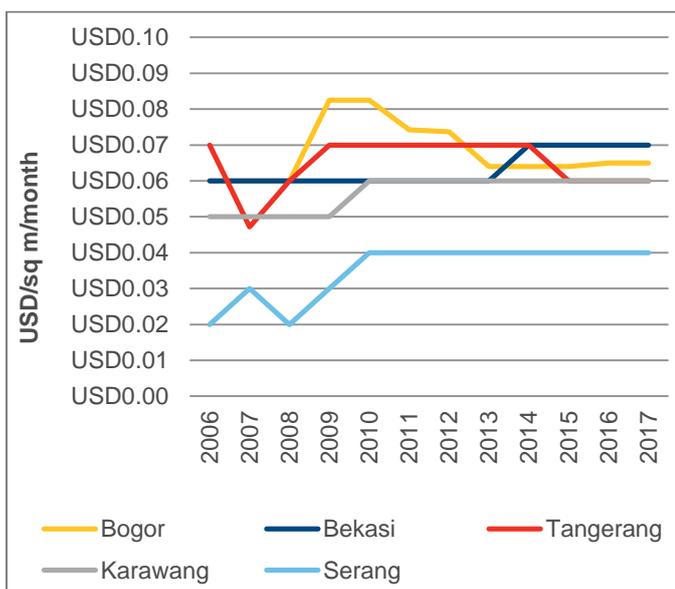
Source: Colliers International Indonesia - Research

Greater Jakarta Industrial Land Prices



Source: Colliers International Indonesia - Research

Greater Jakarta Industrial Maintenance Costs



Source: Colliers International Indonesia - Research

There is no change in the overall maintenance tariff in 2017.

Concluding Thought

Indonesia's overall economic growth was mainly underpinned by the manufacturing sector, contributing 0.92% to the total economic growth of 5.02% in 2017. Other contributing sectors were trade with 0.53%, followed by construction with 0.51%, and information and communication 0.42%. Nevertheless, the manufacturing sector's contribution has gone down over the past three years, dropping from 1.01% in 2014 to 0.94% in 2015.

For the last few years, the industrial market has been buoyed by the expansion of the logistics sector, either from logistics operators or other companies needing logistics. The logistics industry in Indonesia has gained significant momentum with the growth of Indonesia's economy. The Indonesian logistics industry is expected to grow at an estimated 15% for the next four years. It will benefit from the increasing trade, investments and growth in private consumption. Indonesia's logistics industry continues to record strong value growth, as supported by increasing freight movements in Indonesia, the rising middle class and growing disposable income that helps drive demand for goods.

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