

RESIDENTIAL SERVICES FORECAST REPORT

Rental rate increases and alternatives for limited budgets

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Asian expatriates continue to dominate, and most arrive without their families

The expatriate housing market has been exhibiting a steady increase and can be said to have consistently improved compared to previous semesters. As we enter this semester, quite a few expatriates from various countries have been observed, predominantly from Asian nations, notably India, Korea and China. Moreover, we are witnessing a renewed arrival of expatriates from Japan. These expatriates' occupations represent a range of various sectors, such as mining, banking, pharmacy, consulting and logistics, and they typically hold managerial to directorial positions.

At present, a number of expatriates tend to arrive without their families (single), and 90% of them opt to stay in apartments over landed houses. This trend can be attributed to corporate budgets that have remained stagnant since the pandemic, with a reduction of roughly 30%, while property owners have already increased their property rental prices.

In terms of location, single expatriates tend to favour areas such as SCBD and Sudirman, prioritising proximity to their workplaces. On the other hand, families are inclined to choose residential complexes in Cilandak, Cipete or Pondok Indah, which are conveniently located near educational institutions. Furthermore, there are instances where expatriates, despite their offices being located outside Jakarta, prefer residing in South Jakarta, such as Pondok Indah, due to the established communities there. In general, they tend to opt for residential areas where communities from their respective countries are already well established.

As for housing preferences, expatriates generally seek new, modern and minimalist designs, with a growing

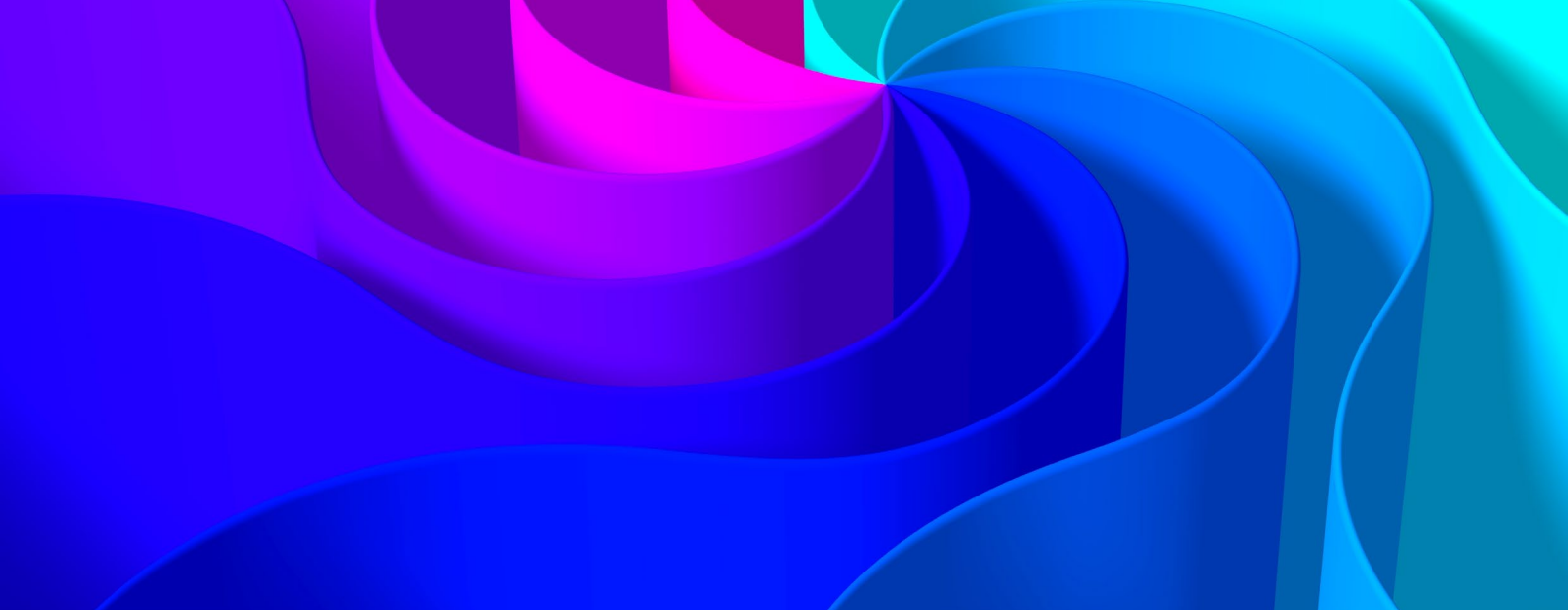
demand for amenities such as water filters and air purifiers in their accommodations.

The landlord market conditions continue to intensify, marked by rising rental rates, while companies remain largely unprepared for this trend

Since 2023, most homeowners specialising in leasing to expatriates have increased rental rates by 5 to 10%. In favoured housing areas, this increase can even reach 15 to 30%. Currently, the expatriate housing market has entered what is known as a "landlord market," a condition applicable to almost all housing, especially those with high demand. Colliers Residential has been advising expatriates renting homes to anticipate rental increases when they renew their leases.

In reality, signs of this "landlord market" condition and the subsequent rise in rental rates have been apparent since last year. The extended pandemic period necessitated a market price correction to prevent a significant disparity from the pandemic era. Upfront payment methods naturally benefit landlords, making them more willing to negotiate price reductions, while they also consider the tenants' employer, the expatriate's duration of stay and the number of expatriates employed by the company.

The reasons for this rental increase are a surge in demand and the influx of expatriates. Additionally, rental prices had decreased in previous years, leading homeowners to believe that now is the appropriate time to raise rates. The numerous requests from prospective tenants for enhanced operational comfort of the homes also contributed to the rationale for the increase.



In the current situation, prospective tenants have limited options and generally accept the increases. However, the issue for tenants is that their companies, since the pandemic, have reduced housing allowance budgets and have not yet restored them to pre-pandemic levels. The negotiation process with landlords is typically left to the prospective tenants, and if an agreement on rental prices cannot be reached, the tenants must cover the shortfall with personal funds or find alternative accommodations that fit their budgets. This scenario frequently occurs, with the majority of expatriates (around 80%) opting to seek alternative housing that aligns with their budgets.

On the other hand, homeowners and housing complexes focusing on the expatriate market are striving to restore rental rates to pre-pandemic levels. Historically, the current rental adjustments are more about restoring rates to their original state than introducing new increases.

Not only are rental rates starting to adjust, but payment methods have also returned to pre-pandemic norms, requiring tenants to pay two years in advance for both lease renewals and new leases. Although some landlords still accept annual payments, the payment method has generally reverted to "normal."

Expatriate housing rental rates

Housing by area	Size (sq m)	Offering rental rate/unit (in USD/month)	
		Min	Max
Menteng			
4 - 5BR	500 - 1,200	4,500	15,000
Kuningan			
4 - 5BR	500 - 900	4,500	9,000
Pondok Indah			
4 - 5BR	450 - 1,000	4,000	7,500
Kebayoran Baru			
4 - 5BR	600 - 1,500	4,500	15,000
3 - 4BR Townhouse/complex	250 - 700	3,000	5,000

Housing by area	Size (sq m)	Offering rental rate/unit (in USD/month)	
		Min	Max
Permata Hijau, Simprug			
4 - 5BR	400 - 1,500	3,500	10,000
3 - 4BR Townhouse/complex	220		3,500
Kemang			
4BR Townhouse/complex	400 - 800	4,000	5,500
3BR	400 - 750	2,500	3,500
4 - 5BR	550 - 1,000	4,500	6,000

continued



Housing by area	Size (sq m)	Offering rental rate/unit (in USD/month)	
		Min	Max
<i>continuation</i>			
Cilandak			
4BR Townhouse/complex	300 - 700	3,000	5,000
3BR + Study	300 - 600	3,500	4,500
4 - 5BR	450 - 750	4,000	6,000
Cipete			
3BR Townhouse/complex	200 - 300	2,500	3,500
4BR Townhouse/complex	400 - 700	4,000	6,000
3BR	300 - 500	2,500	3,500
4 - 5BR	400 - 800	4,500	6,000
Pejaten			
3BR Townhouse/complex	400 - 600	4,000	6,500
4BR	500 - 900	2,800	4,500

Source: Colliers

Apartment Living as a Solution for Those with Limited Budgets

Homes within exclusive complexes equipped with comprehensive facilities and robust security remain the primary choice for expatriates. For multinational companies, whose expatriates often arrive with their families, the priority is invariably housing within well-known residential complexes, a preference also recommended by these companies. Given the high demand, rental rates for houses in these complexes are expected to continue adjusting, potentially even into next year. Consequently, apartment accommodation has become the most realistic option, considering the limited stock of houses in preferred areas.

In favoured expatriate areas in South Jakarta, several apartment complexes have remained stable in terms of leasing performance, including Pakubuwono Residence, Pakubuwono Signature, Botanica, District 8 and Pondok Indah Residence. Prospective tenants often find it challenging to secure apartment units in these locations, and the prices offered by unit owners are also quite high. However, this situation does not apply to other apartment projects, mainly because there are currently ample apartment choices, and those outside the aforementioned list have yet to become the primary preference for expatriates.

Amid the "landlord market" conditions specific to the landed house market for expatriates, apartments should be able to capitalise on this momentum. Nevertheless, due to the high expectations of prospective tenants for comfortable living, apartments must now cater to market preferences and the standards sought by most expatriates. This begins with the management of the building and enhancing apartment facilities to create a more comfortable living environment. Additionally, apartment owners



should start redesigning interiors to align with current lifestyle trends and preferences, renovate units as needed, upgrade kitchen areas, equip them with home appliances that facilitate operations and furnish them in harmony with the design.

In conclusion, expatriate activity in seeking accommodation shows a positive, albeit modest, increase. We expect this trend to continue positively, especially in the second half of 2024, particularly in October with the inauguration of the new administration, thereby attracting more expatriates.

Apartment rental rates in several expatriate areas

Apartment by area	Size (sq m)	Price (USD)	
		Unserviced	Serviced
Sudirman			
2BR	106 - 257	2,000 - 3,000	3,000 - 4,500
3BR	156 - 500	3,200 - 5,000	3,500 - 5,500
Menteng			
2BR	90 - 142	2,300 - 2,900	2,600 - 4,000
3BR	124 - 213	3,500 - 5,000	5,200
4BR	319		17,000
Kuningan			
2BR	120 - 145	1,700 - 3,000	2,500 - 3,500
3BR	157 - 323	3,500 - 4,500	3,000 - 4,500
4BR	440	5,500 - 7,000	
> 5BR		4,500 - 12,000	

Apartment by area	Size (sq m)	Price (USD)	
		Unserviced	Serviced
Pondok Indah			
2BR + 1Study	117 - 190	1,900 - 2,500	3,500 - 4,200
3BR	190 - 455	3,000 - 3,500	4,000 - 5,400
4 - 5BR	285 - 455	4,000 - 5,000	5,650 - 6,400
Kebayoran Baru			
2BR	140-203	3,500 - 3,800	2,800 - 3,000
3BR	243 - 302	4,000 - 5,000	3,200 - 3,400
4 - 5BR	400 - 500	5,000 - 6,000	3,800 - 4,000

continued



Apartment by area	Size (sq m)	Price (USD)	
		Unserviced	Serviced

continuation

Permata Hijau, Simpruk

2BR	105 - 115	3,100 - 3,150	1,700 - 2,000
3 - 4BR	165 - 300	2,700 - 4,000	2,000 - 2,500
4 - 5BR		4,500 - 12,000	

Kemang

3BR	165 - 303	2,500 - 4,500	
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Cilandak

3 - 4BR	262 - 300	3,450 - 5,000	
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Cipete

3 - 4BR	220 - 295	4,000 - 6,000	
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Pejaten

1 - 3 Br	70 - 191	1,500 - 3,000	
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Source: Colliers



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