INDUSTRIAL SERVICES FORECAST REPORT

Greater Semarang's industrial evolution: from cost competitiveness to industrial ecosystems

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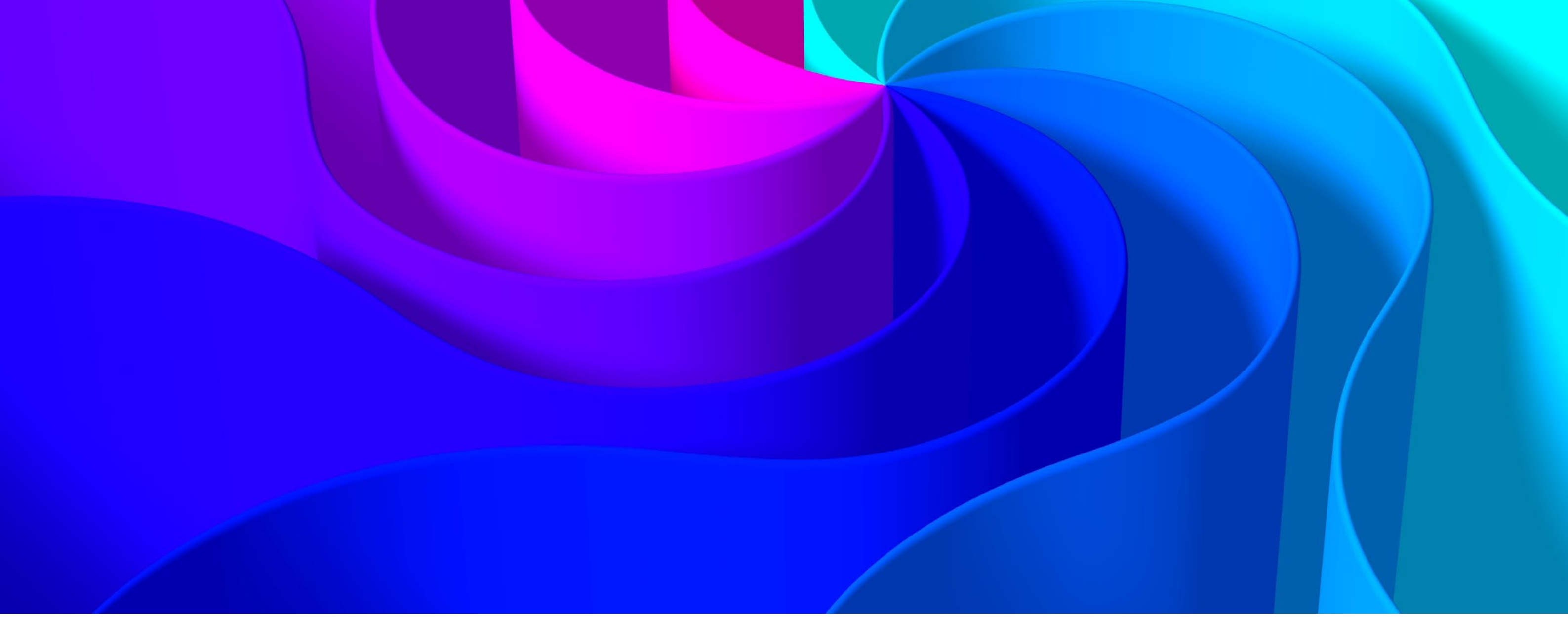
Insights & recommendations

Greater Semarang is entering a new stage of industrial development, evolving from a cost-competitive manufacturing destination into one of Indonesia's emerging integrated industrial corridors. Supported by expanding infrastructure, two Special Economic Zones (SEZs), and abundant industrial land, the region continues to attract both domestic and foreign investment despite ongoing global manufacturing uncertainty. Industrial land absorption remained resilient at approximately 51 hectares during H1 2026, while demand continued to diversify beyond traditional garment and textile manufacturers into higher value-added industries, including electronics, pharmaceuticals, logistics, and data centres. At the same time, industrial estates are increasingly competing through integrated business ecosystems, infrastructure readiness, and investor services rather than land prices alone, reflecting the market's gradual transition toward higher-quality industrial development.

To sustain long-term competitiveness, industrial estate developers should continue strengthening infrastructure readiness, utility reliability, logistics connectivity, and integrated business ecosystems rather than relying primarily on competitive land prices. Expanding ready-built factories and warehouse products will also enable developers to capture manufacturers adopting phased investment strategies before committing to permanent facilities. With continued infrastructure improvements and the ongoing China+1 strategy, Greater Semarang is well positioned to attract more diversified manufacturing activities and digital infrastructure investment over the medium term.

		H1 2026 vs H2 2025	Full Year 2026	Avg. 2026-2029 / End 2029
Demand	Industrial land demand is expected to remain resilient, with absorption in H1 2026 already accounting for nearly half of the market's historical average annual sales.	↓ 51.4 Ha	↑ 124.2 Ha	↑ 132 Ha
Supply	Industrial land supply is expected to remain stable, with no new estates planned. Future supply will be supported by phased expansions of existing estates.	↔ 0 Ha	↔ 0 Ha	↑ 386.3Ha
Price	Average prices are expected to maintain an upward trend, remaining competitive compared to other industrial markets in Java.	↑ IDR2.54mio	↑ IDR2.55mio	↑ IDR2.90mio

Source: Colliers. Note: 1 USD = IDR17,529. 1 square m = 10.76 square ft.



Market overview: Greater Semarang is entering a new stage of industrial development

Greater Semarang is no longer viewed solely as a lower-cost alternative to Indonesia's more established industrial regions. Supported by improving infrastructure, two Special Economic Zones (SEZs), and abundant industrial land, the region is gradually evolving into one of Java's most promising integrated industrial corridors. Rather than competing primarily on cost, Greater Semarang is increasingly attracting investment through a combination of infrastructure readiness, industrial ecosystems, and long-term expansion opportunities.

The market continues to benefit from several structural advantages. Competitive labour costs, improving toll road connectivity, access to Tanjung Emas Port and Ahmad Yani International Airport, together with the availability of large-scale industrial land, continue to strengthen the region's attractiveness for both domestic and foreign manufacturers. The establishment of the Kendal Industrial Park SEZ and Batang Industropolis SEZ further reinforces Greater Semarang's competitiveness by offering fiscal incentives, streamlined licensing procedures, and integrated industrial environments.

Industrial activity remained resilient during the first half of 2026 despite continued uncertainty surrounding the global manufacturing sector. Land absorption reached approximately 51 hectares, representing almost half of the market's historical annual average, demonstrating continued investor confidence in the region's long-term manufacturing prospects. While labour-intensive industries, particularly garment and textile manufacturers, continued to dominate transactions, demand has become progressively more diversified with growing interest from electronics, pharmaceuticals, logistics, automotive components, and digital infrastructure projects such as data centres.

This gradual diversification reflects a broader structural transition taking place across Greater Semarang. Industrial estates are no longer competing primarily by offering competitively priced land, but by developing integrated business ecosystems that combine reliable infrastructure, utilities, logistics connectivity, workforce accessibility, and investor support services. At the same time, foreign manufacturers are increasingly adopting phased investment strategies by leasing warehouses or standard factory buildings before committing to permanent manufacturing facilities, creating new opportunities for industrial estate developers beyond conventional land sales.

Looking ahead, Greater Semarang is well positioned to benefit from regional manufacturing diversification driven by the China+1 strategy, Indonesia's expanding domestic market, and growing investment in digital infrastructure. As industrial estates continue evolving from land providers into ecosystem developers, the region is expected to strengthen its position as one of Indonesia's most competitive industrial investment destinations over the medium to long term

Greater Semarang's next phase of industrial growth will be defined less by the availability of land and more by the quality of industrial ecosystems. As industrial estates continue expanding existing platforms instead of developing entirely new estates, competitive advantage will increasingly depend on infrastructure readiness, operational certainty, and the ability to support higher-value manufacturing and digital industries.

Industrial estates are no longer selling land—they are building business ecosystems

Perhaps the most significant transformation occurring within Greater Semarang is not reflected in land absorption statistics, but in the way industrial estates themselves are evolving. Interviews with major industrial estate operators consistently indicate that developers are moving beyond the traditional role of land providers. Increasingly, they position themselves as long-term ecosystem developers, offering integrated solutions that combine utilities, logistics connectivity, environmental infrastructure, workforce support, supply-chain clustering, commercial amenities, and business facilitation. As competition among industrial estates intensifies, the quality of the ecosystem is expected to become a more important competitive differentiator than land price alone.

Industrial expansion is shifting towards existing industrial ecosystems

The development of industrial estates in Greater Semarang began in the mid-1990s with the establishment of Kawasan Industri Wijayakusuma (KIW) in 1994, followed by Kawasan Industri Candi in 1995. Over the following decades, industrial development gradually expanded beyond Semarang City through the introduction of BSB Industrial Park, JatengLand Industrial Park Sayung, Kendal Industrial Park, Batang Industrial Park, and Kawasan Industri Terpadu Batang (KITB). Supported by continuous infrastructure improvements and abundant land availability, industrial activities have progressively extended across Batang, Kendal, Semarang, and Demak, transforming Greater Semarang into one of Central Java's most important industrial corridors.

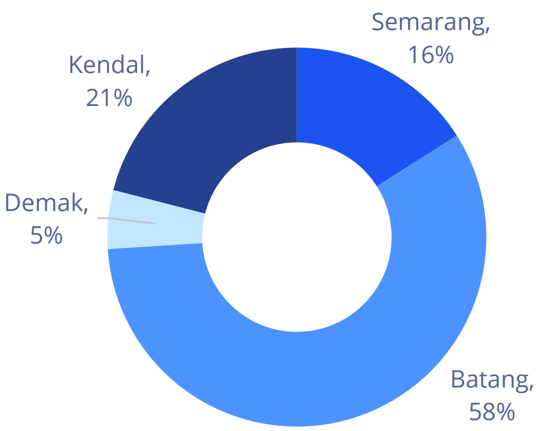
As of H1 2026, Greater Semarang accommodates approximately 4,100 hectares of industrial estate supply, with Batang accounting for the largest share of total inventory. The region's attractiveness is further strengthened by the presence of two Special Economic Zones (SEZs)—Kendal Industrial Park SEZ and Batang Industropolis SEZ—which provide fiscal incentives, streamlined licensing procedures, and integrated industrial environments that continue to attract both domestic and foreign investment.

Unlike more mature industrial markets where expansion is increasingly constrained by land scarcity, Greater Semarang continues to benefit from substantial land reserves held by existing industrial estate developers. Consequently, future industrial growth is expected to be driven primarily by the phased expansion of established industrial estates rather than the development of entirely new industrial parks. This approach allows developers to leverage existing infrastructure, utilities, management capabilities, and established tenant ecosystems, enabling investors to commence operations with greater speed and operational certainty while reducing overall development risks.

Future expansion remains concentrated in Batang and Kendal, where extensive land banks continue to support large-scale industrial development. Meanwhile, established estates in Semarang and Demak are pursuing selective expansion to accommodate future demand. Collectively, these expansion plans are expected to contribute approximately 2,700 hectares of additional industrial land over the coming years, ensuring that land availability is unlikely to become a major constraint to industrial investment in the medium term.

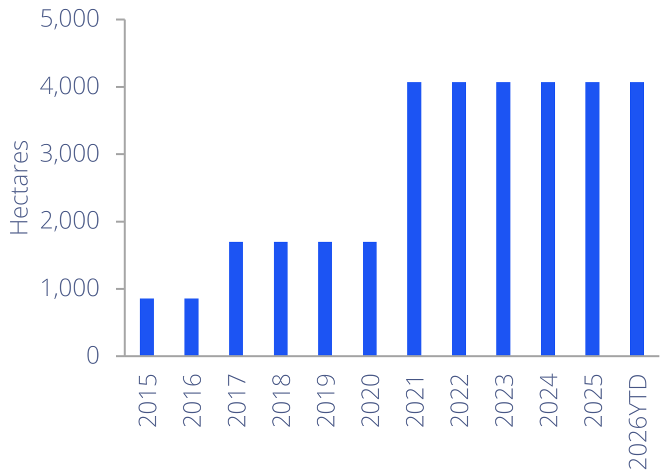
At the same time, industrial estate developers are placing greater emphasis on development quality rather than land quantity. Ongoing investment in internal road networks, utilities, environmental infrastructure, digital connectivity, and estate facilities reflects growing recognition that investors increasingly prioritise operational readiness alongside land availability. As a result, future competitiveness will depend not only on how much land is available, but on how effectively industrial estates provide an integrated business environment capable of supporting increasingly sophisticated manufacturing and technology-based industries.

Supply distribution



Source: Colliers

Cumulative supply



Source: Colliers

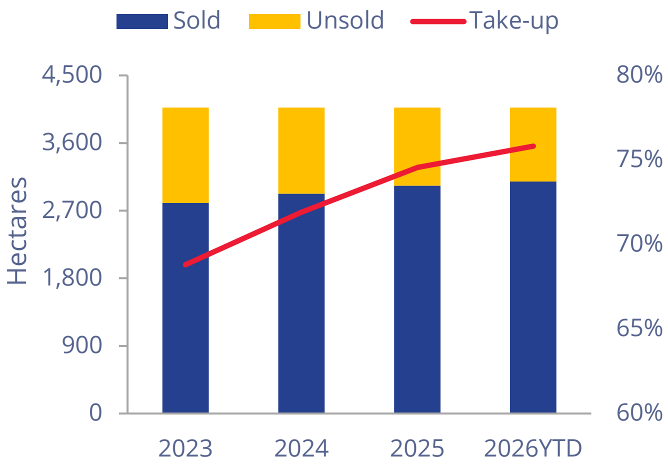
Supply by area

Source: Colliers

Greater Semarang's competitive advantage is no longer defined solely by the strength of its labour-intensive manufacturing sector. The market is gradually evolving towards a more diversified industrial economy, where higher value-added manufacturing and digital infrastructure complement traditional industries, creating a broader and more resilient investment base.

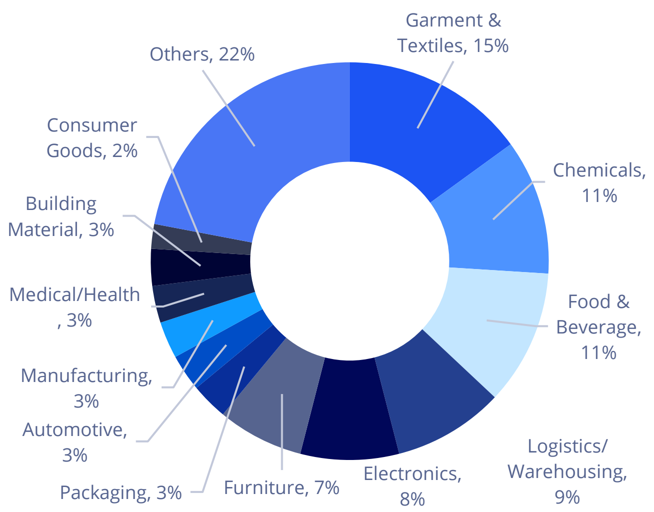
Garment & textile continues as the demand-driving sector

Land availability



Source: Colliers

Existing tenancy mix*



Source: Colliers
*Notes: *Excluding Kawasan Industri Candi & Batang Industrial Park*

Manufacturing demand becomes more diverse

Industrial land demand remained resilient throughout the first half of 2026 despite continued uncertainty surrounding the global manufacturing sector. Approximately 50 hectares of industrial land were absorbed during the period, equivalent to almost half of Greater Semarang's historical annual average. More than half of total land absorption was recorded in Kawasan Industri Wijayakusuma (KIW), while sustained demand pushed the average industrial estate occupancy rate to approximately 76%, up from below 70% in 2023. These figures reflect continued investor confidence in Central Java as one of Indonesia's leading manufacturing destinations.

Labour-intensive manufacturing continued to underpin industrial demand. Garment and textile manufacturers remained the largest contributors to land absorption, followed by chemicals and food & beverage industries. The continued dominance of these sectors reflects Greater Semarang's long-established competitive advantages, including competitive labour costs, a large productive workforce, and relatively lower operating costs compared with more mature industrial regions such as Greater Jakarta.

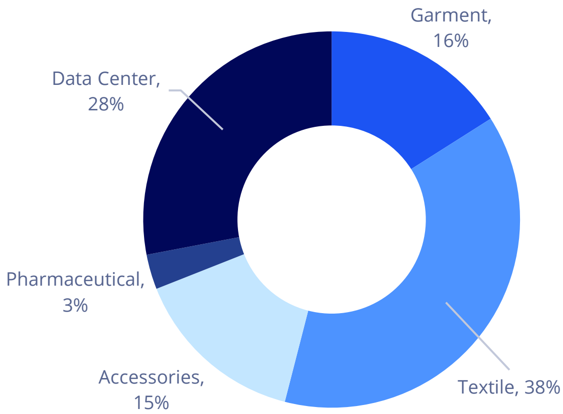
However, the most significant development during H1 2026 was not the volume of land absorption itself, but the gradual diversification of industries entering the market. Beyond traditional labour-intensive manufacturing, industrial estate developers reported increasing enquiries and transactions from electronics, pharmaceuticals, automotive components, packaging, furniture manufacturing, logistics, and medical-related industries. This broader tenant profile indicates that Greater Semarang is gradually evolving into a more balanced manufacturing base with reduced dependence on a single industry.

Another notable structural shift is the emergence of digital infrastructure as a new source of industrial demand. Several industrial estates, particularly Kawasan Industri Terpadu Batang (KITB), reported increasing enquiries and transactions from data centre developers seeking locations supported by reliable electricity, abundant water supply, and high-capacity fibre-optic connectivity. Although data centres currently contribute only a relatively small proportion of total land absorption, their presence signals the beginning of a broader transformation in Greater Semarang's industrial profile.

Unlike conventional manufacturing, data centres are driven primarily by infrastructure readiness rather than labour availability. Their emergence therefore complements the region's traditional manufacturing strengths while broadening its investment base towards higher-value industries and digital infrastructure.

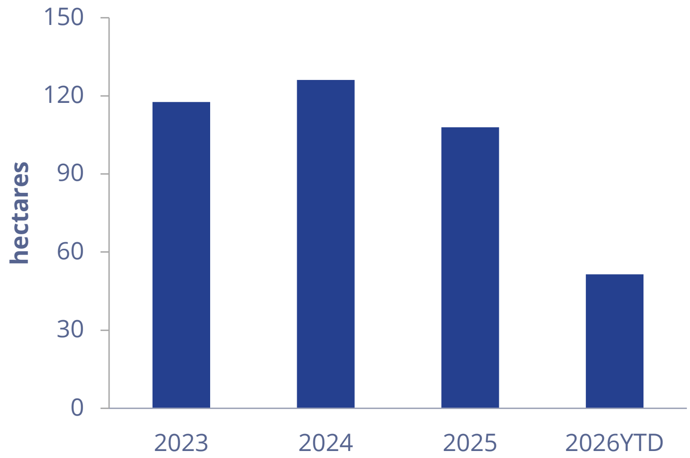
Looking ahead, labour-intensive manufacturing is expected to remain the primary driver of industrial demand. Nevertheless, the continued expansion of higher value-added manufacturing together with digital infrastructure investment is expected to further diversify Greater Semarang's industrial economy, strengthening its long-term competitiveness and resilience against cyclical fluctuations affecting individual industries.

Active sectors in H1 2026



Source: Colliers

Annual absorption



Source: Colliers

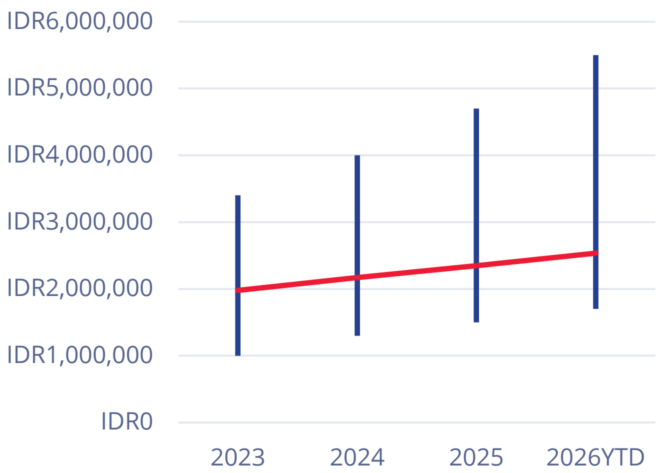
Competitive pricing alone is no longer sufficient to attract industrial investment. As Greater Semarang's industrial market matures, investors increasingly prioritise operational certainty, infrastructure quality, and integrated industrial ecosystems. Competitive land prices therefore serve as a complementary advantage rather than the primary reason for investment.

Competitive pricing is now supported by stronger investment fundamentals

Greater Semarang continues to offer one of the most competitive industrial land pricing structures among major industrial regions in Java. Compared with more mature industrial markets such as Greater Jakarta, where land prices have increased significantly due to limited expansion opportunities, Greater Semarang remains relatively affordable while offering substantial land availability and ongoing infrastructure improvements.

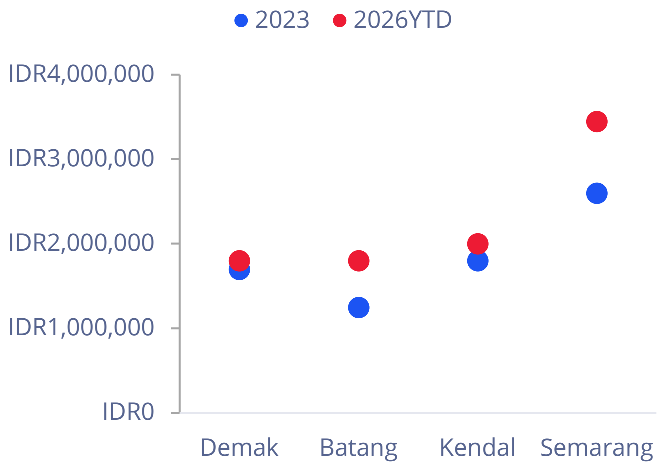
Competitive land pricing has traditionally been one of the region's principal investment advantages, particularly for labour-intensive manufacturers seeking to optimise operating costs. However, discussions with industrial estate developers indicate that investment decisions are increasingly influenced by a much broader range of considerations beyond land prices alone.

Asking land price range



Source: Colliers

Average land price by area



Source: Colliers

Manufacturers now place greater emphasis on infrastructure readiness, reliable utilities, logistics connectivity, workforce availability, regulatory support, and long-term expansion opportunities. Consequently, competitive pricing has become an important supporting factor rather than the sole determinant of investment decisions. This shift reflects the gradual maturation of Greater Semarang's industrial market, where developers compete by delivering greater operational certainty instead of simply offering lower land acquisition costs.

Despite ongoing infrastructure investment and strengthening investor demand, industrial land prices across Greater Semarang remain relatively stable. The availability of extensive land banks across Batang, Kendal, Semarang, and Demak continues to provide developers with sufficient flexibility to accommodate future industrial expansion without creating significant upward pressure on land values. This stable pricing environment enables investors to plan

long-term manufacturing expansion with greater confidence while preserving the region's cost competitiveness.

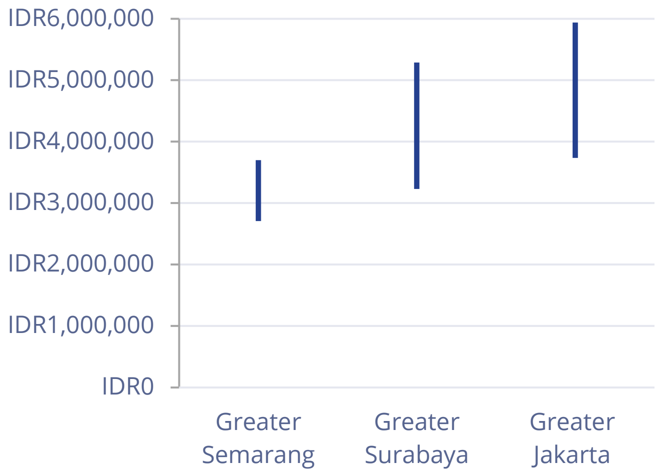
Looking ahead, industrial land prices are expected to continue increasing gradually in line with improving infrastructure, expanding industrial ecosystems, and stronger investment demand. Nevertheless, Greater Semarang is expected to maintain its pricing advantage relative to more mature industrial markets, reinforcing its attractiveness as a destination for both manufacturing and emerging digital infrastructure investment.

Cost advantage strengthens Central Java's industrial appeal

The industrial landscape in Java remains dominated by Greater Jakarta, due to its extensive infrastructure network, developed industrial ecosystem and supply chain, and proximity to key consumer markets. However, rising labour costs and intensifying competition for industrial land have pushed manufacturers to seek alternative locations.

In Greater Semarang, minimum wages across the region range from IDR 2.7 to IDR 3.7 million, significantly lower than Greater Jakarta Surabaya. The lower labour cost structure has been a major factor driving manufacturing relocation and expansion to Central Java, particularly among labour-intensive industries

Minimum wage



Source: Statistics Indonesia

Asking land price*

Source: Colliers
*Notes: *excluding BSB City in Greater Semarang (IDR 5.5 million), SIER in Greater Surabaya (IDR 7-8 million)*

Aspect	Greater Semarang	Greater Surabaya	Greater Jakarta
Coverage Area	Semarang, Kendal, Batang, Demak	Surabaya, Gresik, Sidoarjo, Pasuruan, Mojokerto	Bekasi, Karawang, Purwakarta, Subang, Tangerang, Cilegon, Bogor
Typical Industry	• Labour-intensive • Food & beverage • Consumer goods	• Technology • Logistics • Labour-intensive	• High-tech (East) • Heavy industries (West) • Food & beverage (South)
Total Population	6 million	9.8 million	26.6 million
Labour Force (Productive Age)	73.7%	73.5%	70.0%

Source: Statistics Indonesia, Colliers

As companies continue to diversify their production bases and seek operational efficiencies, Greater Semarang is increasingly viewed as a strategic middle ground between the mature industrial ecosystems of Greater Jakarta and Greater Surabaya. Supported by a large workforce, competitive wage levels, and expanding industrial infrastructure, the region is expected to continue attracting both foreign and domestic investment

Market transformation: industrial estates are evolving beyond land development

One of the most significant structural changes identified through Colliers' discussions with industrial estate operators is that industrial estates are no longer competing primarily through land sales. Instead, developers are increasingly positioning themselves as providers of integrated industrial ecosystems that support investors throughout the entire investment lifecycle.

Rather than focusing solely on competitive land prices, industrial estate developers are strengthening infrastructure readiness, utility reliability, logistics connectivity, supply-chain integration, workforce accessibility, and business support services. As

manufacturers become increasingly selective in choosing investment locations, these operational factors are playing a much greater role in investment decisions than in previous years.

Each industrial estate has adopted a distinct development strategy. KIW focuses on supply-chain integration and industrial clustering, Kendal Industrial Park differentiates itself through international management standards and integrated township development, KITB continues expanding cost-efficient industrial products including warehouses and standard factory buildings, while BSB Industrial Park targets environmentally compatible industries within its mixed-use township. This growing specialisation provides investors with a broader range of industrial solutions while strengthening Greater Semarang's overall competitiveness.

Manufacturers are adopting a more flexible investment strategy

Another important structural change is the way manufacturers enter the Indonesian market.

Rather than immediately acquiring industrial land and constructing factories, many foreign manufacturers—particularly those from China—are increasingly adopting a phased investment strategy. Leasing warehouses or standard factory buildings allows companies to recruit employees, establish supplier networks, test production processes, and assess domestic demand before committing to permanent manufacturing facilities.

This trend has encouraged industrial estate developers to expand warehouse and ready-built factory products alongside conventional industrial land offerings. Consequently, industrial estates are gradually evolving into multi-product investment platforms capable of accommodating investors at different stages of their expansion journey while generating more diversified revenue streams beyond land sales.

Digital infrastructure is creating a new source of industrial demand

Although manufacturing remains the dominant source of industrial investment, digital infrastructure is beginning to emerge as one of Greater Semarang's most promising long-term growth opportunities.

Several industrial estates have reported increasing enquiries from domestic and international data centre operators seeking sites with reliable electricity, abundant water supply, and high-capacity fibre-optic connectivity. While data centres currently represent only a relatively small share of total industrial demand, their emergence signals an important structural transition.

Unlike conventional manufacturing, data centres prioritise infrastructure quality rather than labour availability. Their presence therefore broadens Greater Semarang's industrial profile beyond traditional manufacturing while creating opportunities for future investment in cloud computing, artificial intelligence, digital logistics, and other technology-driven industries

Industrial expansion is supporting broader urban development

The expansion of industrial activity is also generating positive spillover effects across the wider property market.

Growing manufacturing investment has increased demand for executive housing, particularly from expatriates, senior management personnel, and technical specialists. At the same time, integrated townships offering residential, retail, healthcare, education, and lifestyle facilities are becoming increasingly important in supporting the region's expanding industrial workforce.

Commercial property is expected to benefit as well, particularly neighbourhood retail centres, restaurants, convenience services, and supporting amenities serving workers, businesses, and surrounding communities. These developments demonstrate that industrial growth is no longer occurring in isolation, but is increasingly driving the evolution of Greater Semarang into a more integrated metropolitan economy.

Outlook

Greater Semarang is no longer competing to become Indonesia's lowest-cost industrial destination. Its long-term competitiveness will increasingly depend on the quality of its industrial ecosystem, infrastructure readiness, and its ability to attract a more diversified mix of manufacturing and digital industries. As this transformation continues, the region is well positioned to emerge as one of Indonesia's most competitive industrial corridors over the next decade.

For further information, please contact:

Ferry Salanto
Senior Associate Director
Research | Jakarta
62(21) 3043 6888
Ferry.Salanto@colliers.com

Eko Arfianto
Senior Manager
Research | Jakarta
62(21) 3043 6888
Eko.Arfianto@colliers.com

John Bennedict
Research Executive
Research | Jakarta
62(21) 3043 6888
John.Bennedict@colliers.com

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