

RETAIL SERVICES FORECAST REPORT

The ability to transform into space for interaction, rather than solely a place to shop, will sustain the retail business






Quarterly | Jakarta | April 2024

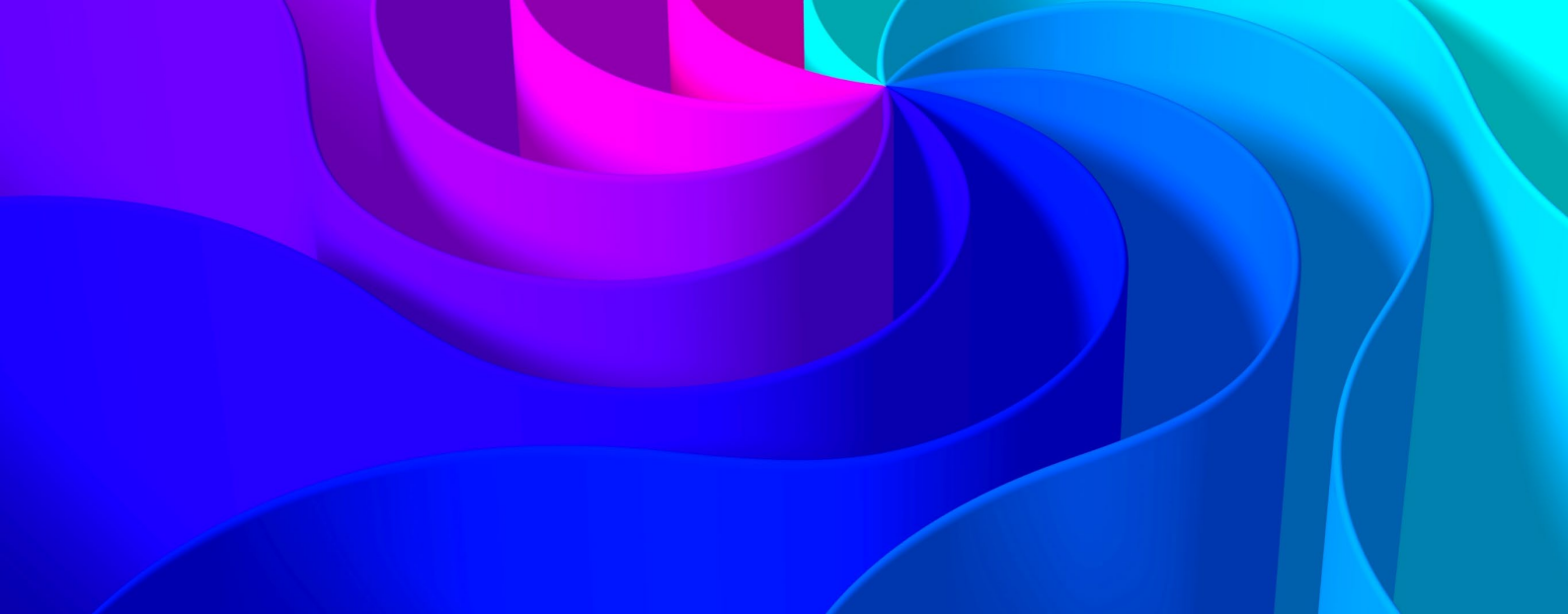
Insights & recommendations

Retail business performance is gradually returning to pre-pandemic levels, with several brands expanding their presence, including those newly entering the Indonesian market. Mall visitation has surpassed last year's levels by between 15% and 20%. However, competition remains intense due to the opening of new malls, and landlords are brainstorming ways to attract more visitors.

Attraction is paramount to staying relevant in the competitive landscape. Several malls are trying new approaches to draw in visitors by offering entertainment options. Additionally, traditional major tenants, such as supermarkets, are experiencing a resurgence in popularity, benefiting both existing and upcoming malls. Several malls are rejuvenating their physical structures to attract new potential tenants, thus becoming magnets for visitors.

Landlords are expected to continue to identify emerging trends as a well-planned tenant mix is a crucial factor in distinguishing one mall from another.

		Q1 2024	Full Year 2024	2024-26 Annual Avg
	Policies aimed at taxing and restricting imports will slightly slow down expansion, especially for fashion retailers. Retailers connected to lifestyle and entertainment, including supermarkets, continue to influence tenant mixes adopted by malls.	↑	↓	↑
Demand		100,593 sq m	184,037 sq m	282,310 sq m
	Supply is expected to grow by less than 1% per year between 2024-2026, with additional space contributed by new malls in the Greater Jakarta area.	↑	↑	↑
Supply		175,900 sq m	352,018 sq m	144,921 sq m
		QOQ/ End Q1	YOY/ End 2024	Annual Avg Growth 2024-26/ End 2026
	Maintaining healthy occupancy rates will be a key factor for landlords to confidently increase rents. Additionally, the completion of future middle-upper class malls will serve as another catalyst.	0.5% ↑	5.46% ↑	5.14% ↑
Rent		IDR478,202	IDR502,012	IDR553,271
	Newly constructed and upcoming malls are likely to have already secured a high number of committed tenants. As a result, the relatively limited future supply is expected to decrease vacancy rates in 2025-2026.	0.02 ↑	0 ↓	-0.03 ↓
Vacancy		29.6%	26.7%	18.4%
	Service charges are expected to increase by around 3% per year, especially with a significant number of future malls in the pipeline.	1.17% ↓	3% ↑	3% ↑
Service Charge		IDR138,418	IDR140,343	IDR148,890



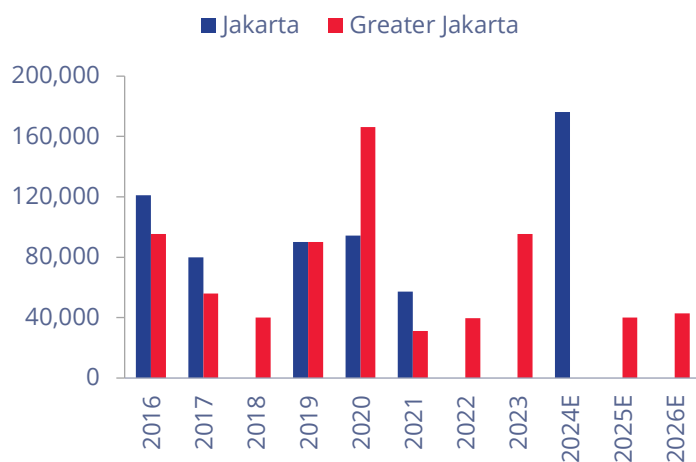
Supply

Renovations continue alongside the expectation of more projects being completed

Although construction progress is starting to accelerate, Jakarta has yet to see the emergence of any new malls, maintaining the cumulative supply at 4.86 million sq m in Q1 2024. With increasing competition amongst malls to secure tenants and a shift in retail concepts, landlords are continuing to evolve new concepts, as well as determining the most appropriate time to launch new mall projects.

In Jakarta, three malls - Agora, Lippo Mall East Side (within Holland Village) and the shopping mall at Menara Jakarta - are currently under construction and likely to be completed in the near future. With the addition of these three future malls, the cumulative supply in Jakarta is expected to reach 5 million sq m in 2024.

Annual supply (sq m)



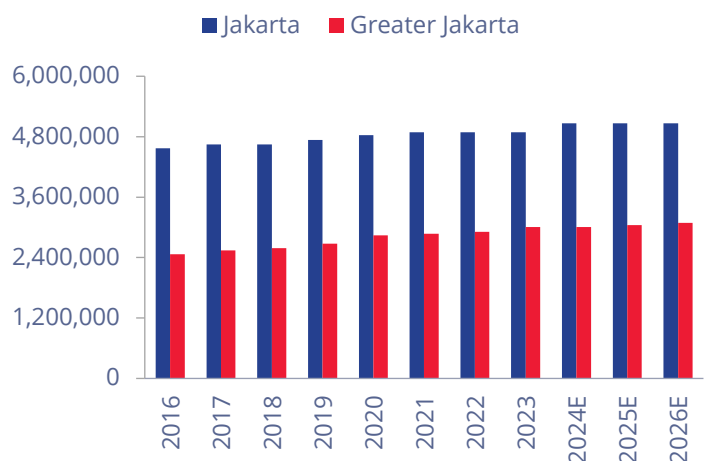
Source: Colliers

In the greater Jakarta area, Living World Kota Wisata (in Bogor) and Aeon Mall Deltamas (in Bekasi), have officially opened, bringing the cumulative supply to 3.18 million sq m in Q1 2024. Pakuwon Mall and Summarecon Mall Bekasi phase 2 are in the construction stage and expected to be ready in 2025 and 2026, respectively.

Several malls are continuing major renovations to rejuvenate their interiors and façades. Reconfiguring the layout is also crucial, especially for spaces previously occupied by major tenants. Unfortunately, only some shopping malls can develop and transform.

Apart from financial support, creativity to meet visitor needs will be the main factor in determining whether a shopping centre can survive.

Cumulative supply (sq m)



Source: Colliers

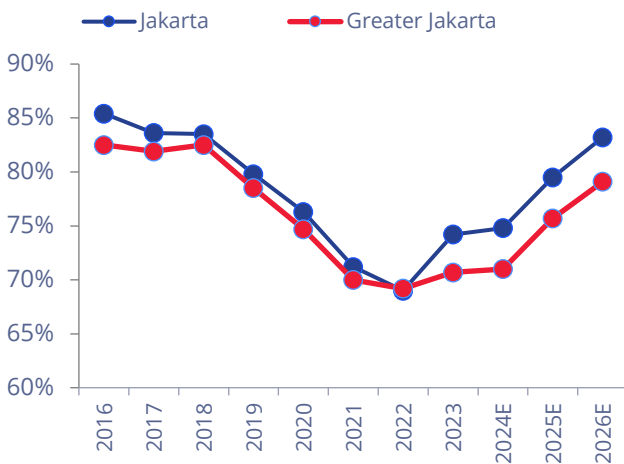


Demand

Tenants who able to attract more visitors are increasingly sought after, with supermarkets regaining popularity

The Lunar New Year celebrations in early 2024 increased visitation numbers to several malls. Apart from sales promotions, various events and exhibitions were also held, all aimed at encouraging retail businesses to reach pre-pandemic conditions.

Occupancy



Source: Colliers

Since the end of 2023, in pursuit of the holiday season, the number of stores opening continued to increase. F&B retailers remain dominant in occupied retail space. Encouraged by positive performance, several pastry businesses are growing, along with newly-established coffee shops planning to open more outlets. Anchor tenants such as multi-brand stores are expanding, particularly in the southern Jakarta area. In the fashion sector, especially in the

footwear category, several local brands are adding outlets. Additionally, household equipment, gym electronics and accessories are regaining traction .

In addition to physical improvements, several malls are establishing strategic partnerships with well-known tenants to maintain attractiveness for visitors and potential tenants. The results of these partnerships are slowly being felt by retailers, as they are expected to attract more visitors and, in turn, other retailers join in. Apart from specialty stores, supermarkets with specific merchandise specifications are expected to attract more visitors. Consequently, the increasing number of visitors is expected to instill more confidence in other tenants to commit to opening their shops.

The absence of new malls in the last two years has positively impacted the recovery of occupancy, especially in Jakarta. The average occupancy rate was 74% in 2023, a 5% increase compared to 2022. With most committed tenants in the fitting-out process, the average occupancy in Jakarta remained relatively stable at 74.2% in Q1 2024. More retailers will officially open their outlets in time for the next festive season, affecting the projected occupancy rate in Q2 2024. Despite the anticipated new supply, the average occupancy rate in Jakarta is expected to be maintained at 74%-75% until the end of 2024, thanks to committed tenants in upcoming malls.

In the Greater Jakarta area, the average occupancy was 70.3% in Q1 2024. Although newly operating malls have secured committed tenants, some retailers have yet to open at the opening of the malls. The average occupancy is expected to rebound; however, in view of the large additional supply, it may take longer for average occupancy to return to 80%.



Vacant space (sq m)



Source: Colliers

Rental rate and service charge

With a positive trend in sales and occupancy, landlords' confidence is expected to rise

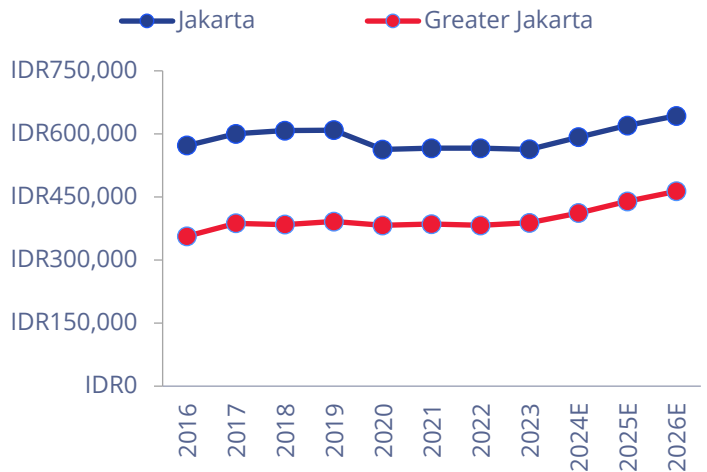
Even though they began to show positive performance, average rentals generally remained relatively stable. Most landlords seem to need more time to determine the right time to adjust rental rates. However, landlords currently have a stronger bargaining position and are offering more competitive discounts to both new and renewal tenants compared to during the pandemic.

Nevertheless, several malls have achieved higher revenues compared to last year, making it possible for landlords to consider increasing rental rates. However, negotiations may be more complicated for new tenants as it will be challenging to achieve the same rental rates as during the pandemic. Additionally, the calculation of the average rental

rate will be also influenced by newly operating malls, which are expected to set rental rates equivalent to existing malls.

In Q1 2024, the average rental rate in Jakarta was IDR 563,428, remaining relatively stable compared to the previous year. The contribution of new malls, which historically have been able to attract tenants and visitors, has resulted in an average rent of IDR 390,677 in the Greater Jakarta area, representing a slight increase compared to Q4 2023.

The average rent at specialty store

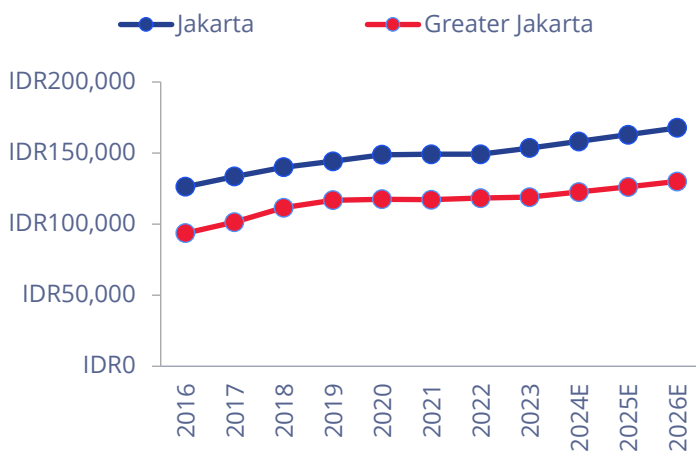


Source: Colliers

Service charges in Jakarta and the Greater Jakarta area were at IDR 153,519 and IDR 122,977, respectively. As with rentals, landlords are likely to consider gradually increasing service charges. However, adjustments will not be made by all landlords at the same time. Consequently, average service charges are expected to increase periodically throughout 2024.



Service charge



Source: Colliers

Appendix

Under construction projects

Shopping Centre Project	Location	Region	Developer	NLA (sq m)
Jakarta				
Lippo Mall East Side (within Holland Village)	Cempaka Putih	Central Jakarta	Lippo Karawaci Tbk	44,000
Agora (within Thamrin Nine)	Thamrin	Central Jakarta	Putragaya Wahana	41,758
Shopping Mall at Menara Jakarta	Kemayoran	Central Jakarta	Agung Sedayu Permai	90,360
Greater Jakarta				
Pakuwon Mall Bekasi	Bekasi	Bekasi	Pakuwon Group	40,000
Metrostater Depok	Margonda	Depok	Andyka Investa (Trivo Group)	30,000

Source: Colliers



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