

OFFICE SERVICES FORECAST REPORT

Landlords expected to continue attractive strategies to retain and attract tenants






Quarterly | Jakarta | July 2024

Insights & recommendations

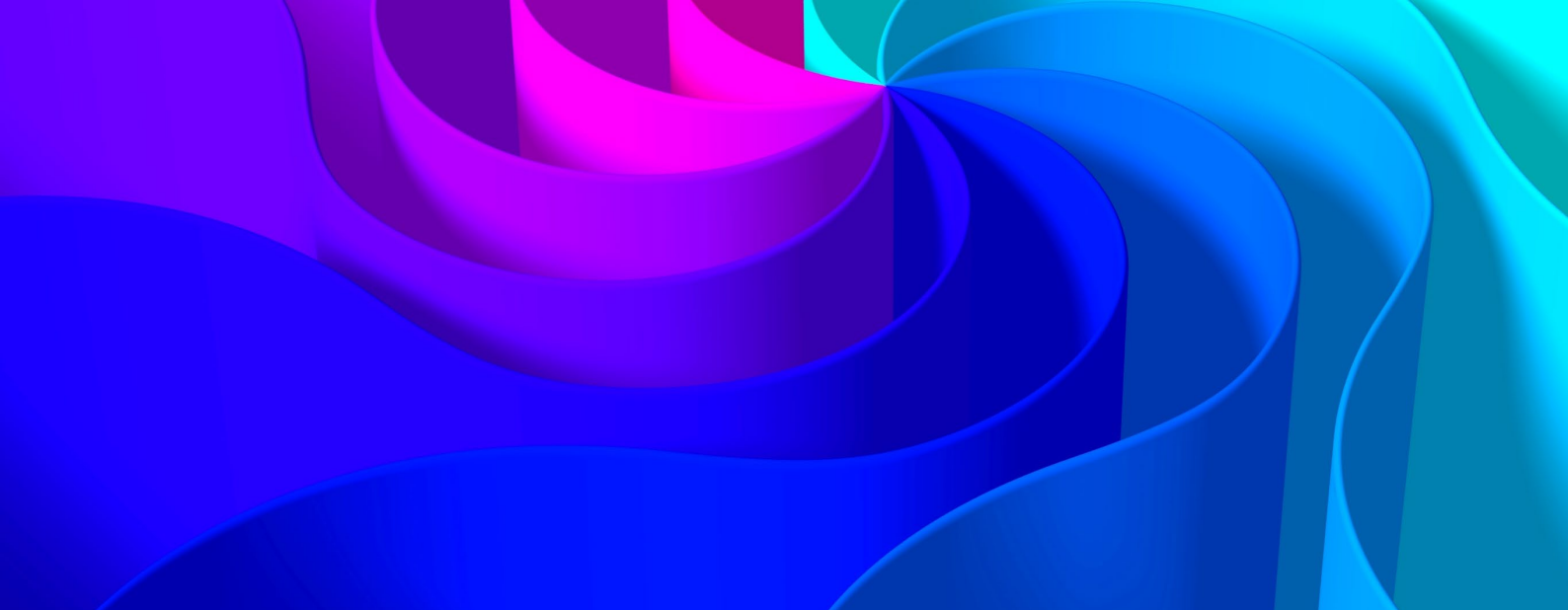
The abundant availability of ready-to-occupy office spaces is expected to persist in the Jakarta market, fostering a competitive environment. With a significant uptick in space absorption unlikely in the near term, tenants are capitalizing on this scenario to secure advantageous leasing deals.

In contrast, landlords must devise effective tenant retention strategies to sustain profitability. Being attuned to tenants' preferences and concerns is crucial for landlords. Minor enhancements to amenities and services may be necessary to bolster the competitiveness of their assets in the evolving market landscape.

Optimistically, the projected limitation in future supply is likely to align with tenant demand, setting the stage for a potential recovery in the office market.

		Q2 2024	Full Year 2024	2024-26 Annual Avg
	The CBD is expected to remain a significant contributor to the overall projected demand for office space in Jakarta in the 2024-2026 period. Key sectors actively seeking available office space include banking, venture capital, coal mining and healthcare.	↑ 0 sq m	↓ 320,630 sq m	↓ 310,175 sq m
	Despite the absence of new project initiations, the cumulative supply of office space is anticipated to rise by about 2% annually in the 2024-2026 period.	↓ 0 sq m	↓ 245,035 sq m	↓ 164,061 sq m
		QOQ/ End Q2	YOY/ End 2024	Annual Avg Growth 2024-26/ End 2026
	A forecast improvement in office demand is likely to boost the optimism of landlords. However, rental rates are expected to grow moderately, by about 1% per year through 2024-2026.	-1.83% ↓ IDR211,188	2.21% ↑ IDR204,118	3.44% ↑ IDR218,192
	Apart from a forecast strengthening in demand due to limited future supply, vacancy rates are expected to decline during the 2024-2026 period.	-2.38 ↓ 24.5%	-2.01 ↓ 24.8%	-1.62 ↓ 21.2%
	The investment climate is expected to improve, however, sales volume has yet to fully recover. Landlords are expected to carefully adjust selling prices in response to market conditions.	0% ↑ IDR49.1mio	0.9% ↓ IDR49.6mio	1.6% ↑ IDR51.6mio

Source: Colliers. Note: IDR16,174 = 1 USD. 1 square m = 10.76 square ft.



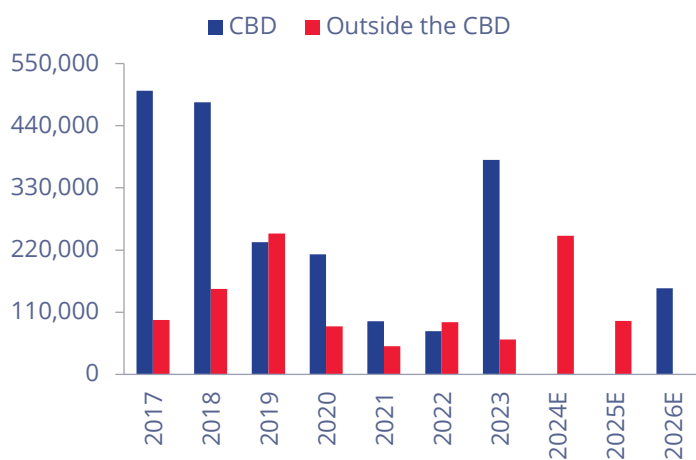
Supply

Supply to expand at a modest rate

In the absence of new completions, cumulative supply in the CBD remained at 7.38 million sq m in Q2 2024. Furthermore, with no new project announced, the cumulative supply figure is likely to remain unchanged at least until 2025.

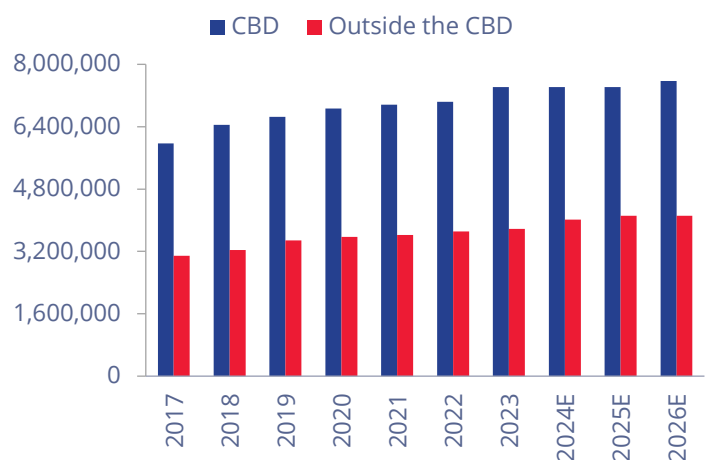
Outside the CBD, cumulative supply was 3.75 million sq m in Q2 2024. Some developments are nearing the end of the construction phase but may need to gather more momentum before reaching completion. The anticipated increase in office investment is expected to intensify in Central, North, and East Jakarta, primarily driven by ongoing public transportation developments. These include the Jakarta LRT Phase 1B (Velodrome Rawamangun to Manggarai) and the MRT Phase 2A (Bundaran HI to Kota).

Annual supply (sq m)



Source: Colliers

Cumulative supply (sq m)



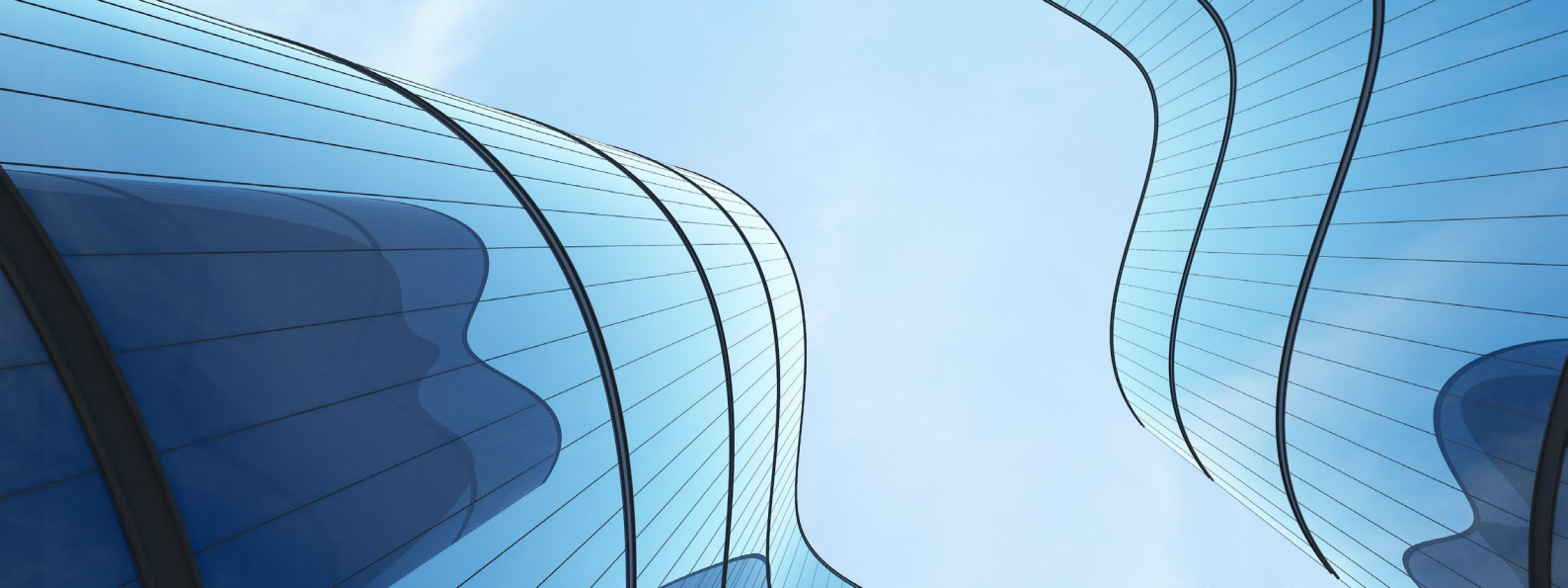
Source: Colliers

Demand

Landlords need to focus on tenant retention strategies and anticipate potential demand

The Jakarta office market, characterized by abundant available space, sees tenants prioritizing high-quality over floor area. Despite the wide array of options, office demand is expected to remain relatively modest throughout 2024. Factors such as the growing number of young professionals, increasing business confidence and a more stable global economy may contribute to a positive outlook for the office market.

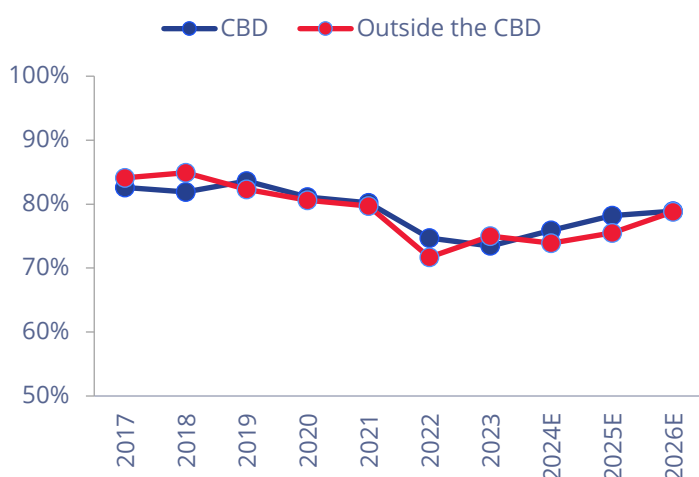
Companies are expected to diversify their business lines as certain sectors show positive performance. Thoughtful strategies are necessary, but post-pandemic recovery is likely to open opportunities for business growth. Indonesia's economic outlook and the controlled inflation in Q2 2024 could boost local purchasing power. The post-election period offers the government a chance to implement fiscal policies



aimed at fostering robust economic growth, which could signal landlords to prepare for increased space absorption.

While these external factors are beyond the control of landlords, greater emphasis should be placed on tenant retention strategies. With tenant satisfaction becoming increasingly crucial, landlords should be attentive to tenants' preferences and concerns. Minor upgrades to facilities may be needed to maintain and enhance space appeal. With an eye on the future of business, landlords should prioritize sustainability initiatives, given the growing awareness of environmental, social, and governance (ESG) practices among companies.

Occupancy

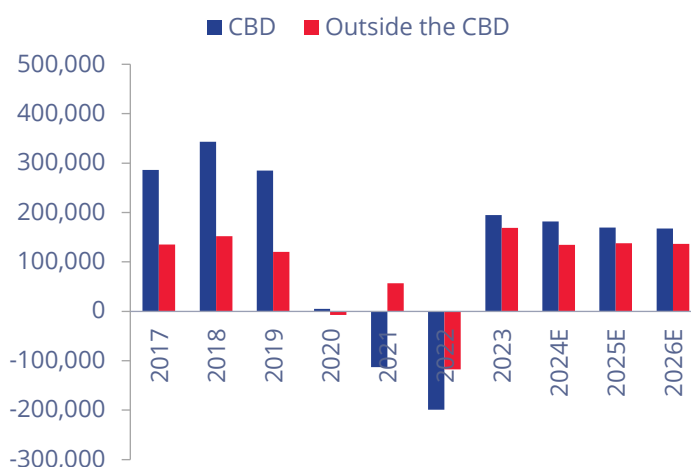


Source: Colliers

As of Q2 2024, average occupancy rates were documented at 74.7% within the CBD and 77.9% outside the CBD area. In the CBD, the absence of new project completions is expected to lead to increased average occupancy by the end of 2024.

Conversely, outside the CBD, a substantial influx of additional supply in the latter part of the year is expected to significantly decrease occupancy by the end of 2024.

Annual demand (sq m)

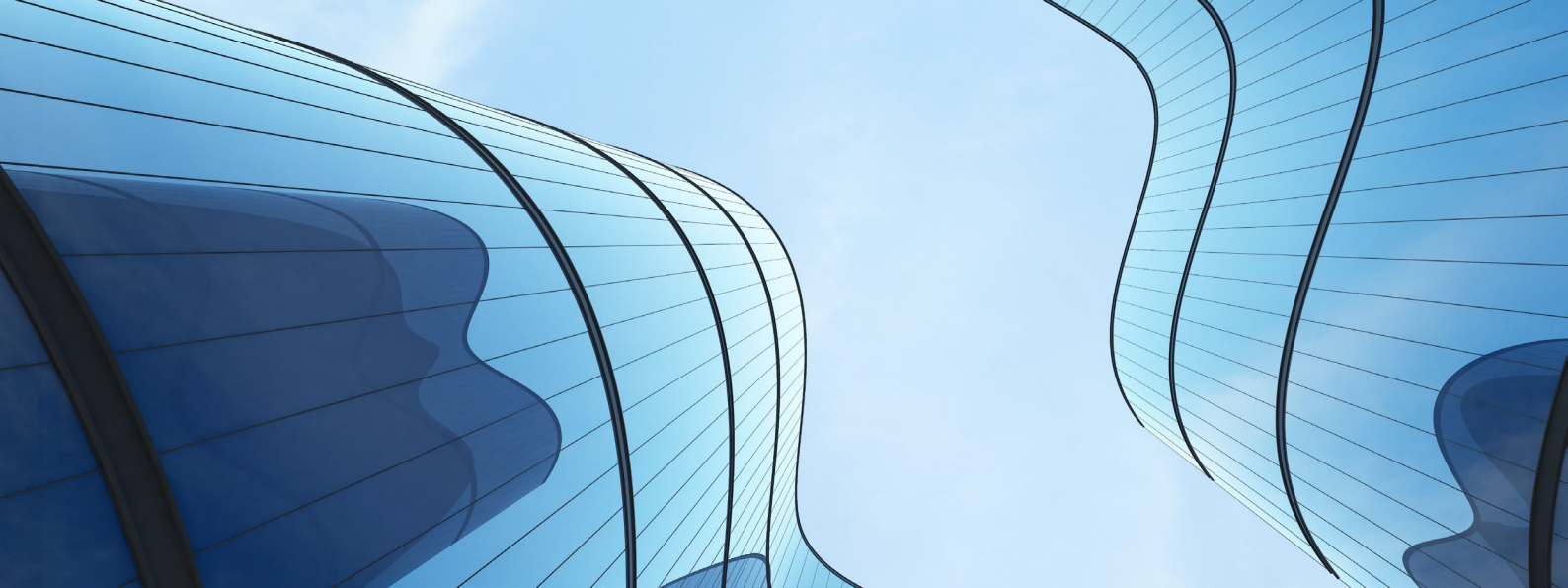


Source: Colliers

Rental rate and Service charge

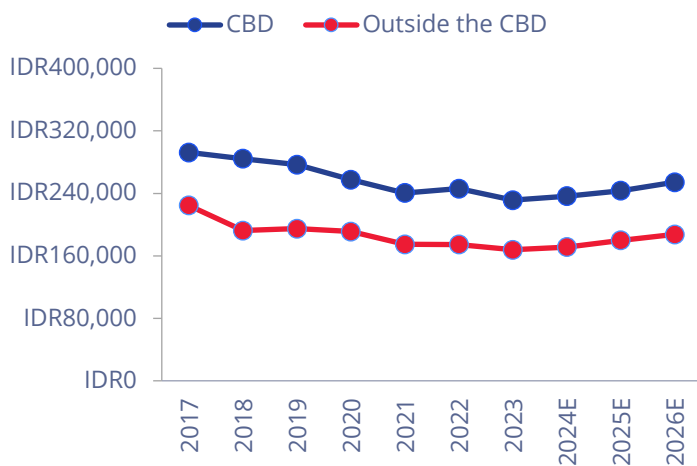
Public transportation and ease of accessibility may affect building values

In Q2 2024, the CBD recorded a steady average base rental rate of IDR231,222. Landlords are maintaining this base rent to retain a competitive edge and attract more tenants. Meanwhile, outside the CBD, the average base rent remained modestly stable over the past three months, registering at IDR167,758. Looking ahead, the average rent is expected to improve, particularly outside the CBD, driven by the completion of office buildings by the end of 2024. Improved demand forecasts are anticipated to boost landlords' confidence in setting base rent for 2025.



Office rent remains a competitive area for landlords. However, some landlords see an opportunity to increase rental rates, influenced by public transportation developments. As these developments enhance connectivity and convenience for office workers, the desirability of neighbouring office spaces is likely to rise. Consequently, landlords of properties near public stations may leverage the increased demand and improved accessibility to justify higher rents in the future.

Average rent (/sq m/month)



Source: Colliers

Selling Price

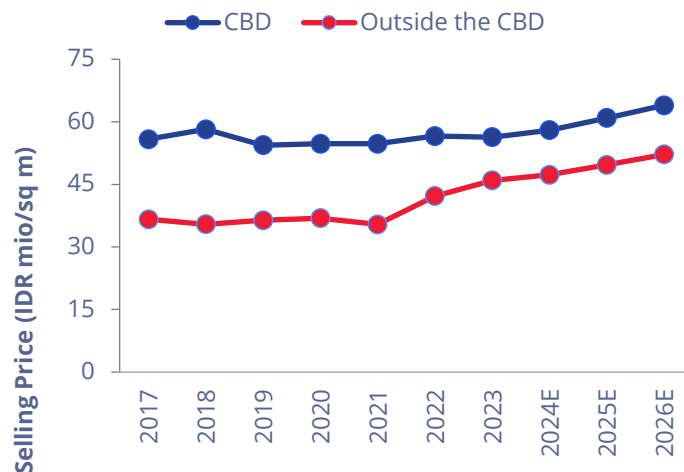
Landlords need to monitor economic movements and keep prices steady

Although sales activities remained subdued over the past three months, the average asking selling price held steady at around IDR58 million per sq m in the CBD and about IDR46 million per sq m outside the CBD area, as of Q2 2024.

Indonesia's economic stability and growth prospects are likely to contribute to a favourable investment climate. Economic stability encourages businesses to expand and seek office space, thereby driving demand in the office market, including the purchase of office properties.

Both landlords/investors and buyers may require assistance in understanding market preferences, mitigating risks, developing investment strategies and aligning financial goals before deciding to buy or sell properties.

Average asking selling price



Source: Colliers

Appendix

Under construction projects

Project Name	Location	Developer	SGA (sq m)	Marketing Scheme
CBD				
2026				
Indonesia-1 North Tower	Thamrin	Media Group	79,486	For Lease
Indonesia-1 South Tower	Thamrin	Media Group	72,814	For Sale
Outside the CBD				
2024				
Sanggala Tower	TB Simatupang, South Jakarta	Sapta Tunggal Mulia	9,900	For Lease & Sale
One Belpark Office	Fatmawati, South Jakarta	Harmas Jalesveva	17,800	For Lease
Menara Jakarta Office Tower	Kemayoran, Central Jakarta	Agung Sedayu	90,000	For Lease & Sale
ADR Office	Pantai Indah Kapuk, North Jakarta	Griya Inti Perkasa	48,000	For Lease
Blueray Office Tower	Batu Ceper, Central Jakarta	Putra Indonesia Berjaya	9,335	For Lease
IT Mandiri Bumi Slipi	Letjen S. Parman, West Jakarta	Bank Mandiri	70,000	For Lease
2025				
The Sima	TB Simatupang, South Jakarta	Grage Trimitra Usaha	59,169	For Lease & Sale
Sun & Moon	Dharmawangsa, South Jakarta	Dharma Tatemono	35,678	For Sale

Source: Colliers



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