

RETAIL SERVICES FORECAST REPORT






Malls must enhance their appeal and build dynamic experiences for visitors

Quarterly | JaBoDeTaBek | July 2024

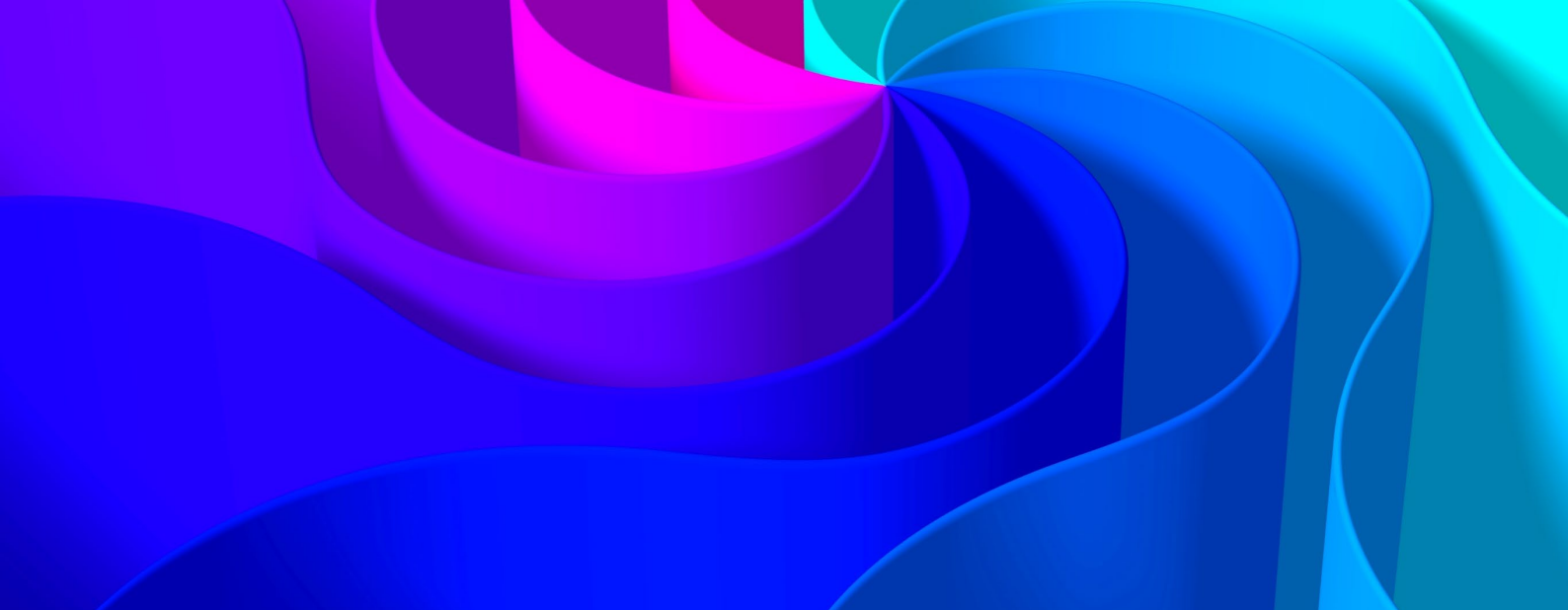
Insights & recommendations

Positive trends are increasingly noticeable in the retail sector. With foot traffic steadily improving, many mall owners are gearing up to optimise their operations and facilities. Nevertheless, landlords must carefully curate the tenancy mix to ensure their malls remain competitive. Beyond shopping, transforming shopping malls into hangout and lifestyle destinations continues to be crucial today. Dining and entertainment experiences are particularly attractive and serve as major draws for visitors. This necessitates that landlords stay creative and adapt to ever-changing trends.

Competition among retailers is intensifying as they vie for popularity and revenue. The F&B landscape is highly competitive, demanding the strategic deployment of attractive menu packages and deals. Both landlords and retailers should devise short- and long-term strategies to retain loyal customers and attract new ones. Collaborations between landlords and tenants, such as offering temporary pop-up shops, can raise awareness about tenant offerings. In addition, some landlords are likely to provide competitive leasing packages with flexible rent payment options.

		Q2 2024	Full Year 2024	2024-26 Annual Avg
 <p>Demand</p>	Retailers, particularly those in the lifestyle and F&B sectors, remain optimistic. Cinemas and supermarkets continue to be major crowd pullers, while fashion retailers, particularly in the footwear category, are confident about capitalising on the growing trend towards active lifestyles.	↓ 31,723 sq m	↑ 283,072 sq m	↑ 288,817 sq m
 <p>Supply</p>	Supply growth is projected to be very moderate up to 2026, with renovation works expected to continue. In light of having a relatively larger land bank than Jakarta, future supply is expected to be driven by developments in the Greater Jakarta area.	↑ 175,900 sq m	↑ 352,018 sq m	↑ 144,921 sq m
		QOQ/ End Q2	YOY/ End 2024	Annual Avg Growth 2024-26/ End 2026
 <p>Rent</p>	Landlords are focused on maintaining occupancy levels. While rental rates have remained steady, they are expected to rise continuously from 2024 to 2026.	↔ 0% IDR475,874	↑ 5.4% IDR499,102	↑ 5.2% IDR551,055
 <p>Vacancy</p>	As upcoming malls successfully secure leasing deals and brand expansions receive positive responses, vacancy rates are expected to trend upward through 2026..	↓ 0.01 28.5%	↔ 0 26.3%	↓ 0.03 17.9%
 <p>Service Charge</p>	Service charges are expected to increase at a normal rate of about 3% per year from 2024 to 2026.	↔ 0% IDR137,859	↑ 3% IDR140,001	↑ 3% IDR148,527

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

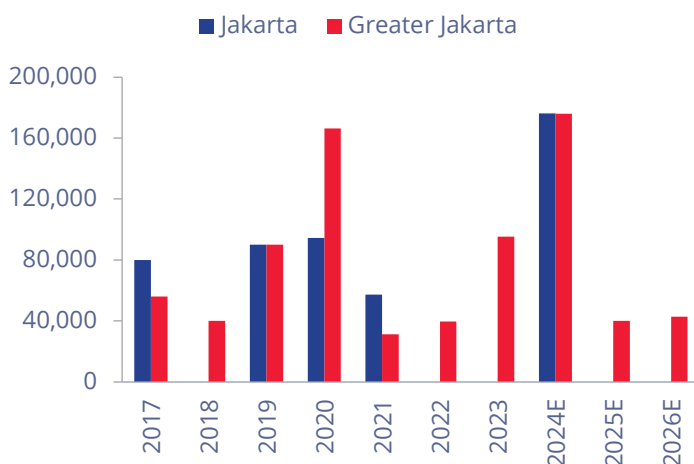


Supply

Innovative retail approaches are crucial for enhancing competitiveness, requiring careful consideration

As of Q2 2024, Jakarta has not seen any projects complete, keeping the cumulative supply steady at 4.89 million sq m. However, by the end of 2024, Lippo Mall East Side, Menara Jakarta shopping mall and Agora Lifestyle Center are expected to increase Jakarta's total supply by approximately 3% compared to 2023. Conversely, there has been no new supply completed in the Greater Jakarta area during H2 2024. Pakuwon Mall Bekasi is scheduled for completion in 2025, and Summarecon Mall Bekasi Phase 2 is currently under construction with an expected completion in 2026.

Annual supply (sq m)

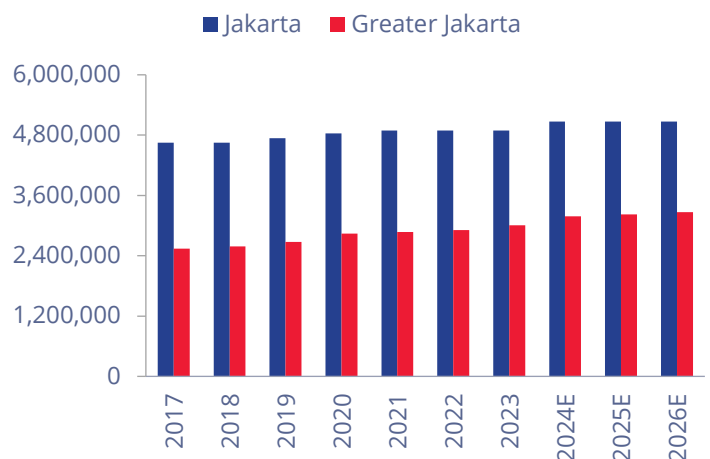


Source: Colliers

There is significant interest among developers in exploring innovative retail concepts to meet the rising demand for lifestyle and open-space retail centres.

However, landlords should approach these opportunities cautiously, carefully assessing the timing and feasibility of investments in these unique retail spaces.

Cumulative supply (sq m)



Source: Colliers

Demand

Retailers and mall owners are leveraging long holidays to boost visitor numbers, yet occupancy remains stable amid competition and tenant retention challenges

Retailers and mall owners are leveraging the Ramadan and Eid al-Fitr holidays to significantly boost visitor numbers. Despite this positive trend in the mall visitation, the absence of new supply has yet to increase occupancy levels in Jakarta. Some malls continue to struggle with competition and tenant retention. As a result, the average occupancy rate in Jakarta remained stable at 74% in Q2 2024, similar to Q1 2024. However, with the completion of new malls, occupancy rates are expected to slightly decrease by the end of 2024.



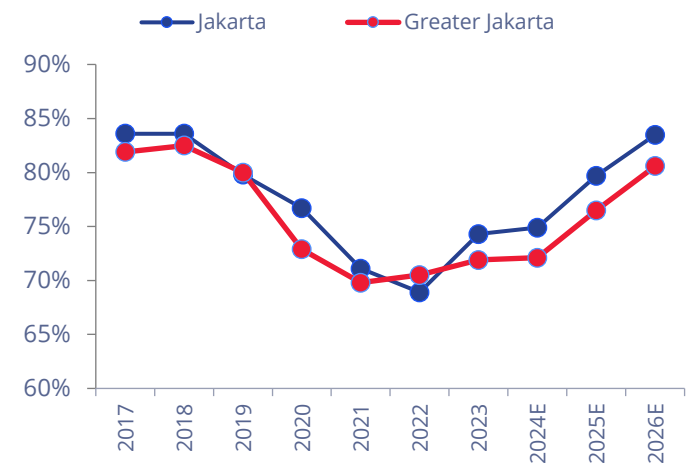
In the Greater Jakarta area, the average occupancy rate was 68.8% in Q2 2024, a 1% increase from Q1 2024. With no new retail spaces completed, occupancy levels may continue to improve throughout the rest of 2024. Retailers are increasingly eager to introduce a broader range of products and innovative to align with customers preferences. They are more willing to seize opportunities and expand their presence. A competitive battle is emerging among supermarkets, which are now expected to offer fresh products and affordable cuisine.

Several F&B retailers, particularly beverages, are expanding their presence as sweetened beverages gain popularity among younger consumers. F&B businesses are pursuing aggressive expansion strategies, opening multiple branches to capitalize on the burgeoning consumer market. The trend for popular desserts is anticipated to rise, further energizing the retail landscape. International brands such as Teazzi (Taiwan), Sweet7 (China), Tealive (Malaysia) and Shuyi Grass Jelly (Hong Kong) are increasingly focusing on Indonesia, recognizing its vast potential and growing middle class.

International brands are also opening new stores in Jakarta. For example, the popular South Korea activewear brand Alo Yoga has recently opened a store in a prestigious location. Looking ahead to the second half of 2024, the retail sector is poised for continued growth, driven by strategic initiatives and evolving consumer preferences. The retail landscape is set for a vibrant future with new brands entering the market.

New retail developments are experiencing encouraging levels of tenant commitment, with many projects securing significant tenant numbers before opening. This success is attributed to strategic location choices and innovative design concepts. Nevertheless, the market is rapidly evolving, and under construction malls face mounting pressure. To capitalize on current market interest and avoid potential setbacks, these malls may need to accelerate their timelines to meet market demand more quickly. Swift completion and opening are crucial to meeting market expectations and ensuring high tenant satisfaction from the outset.

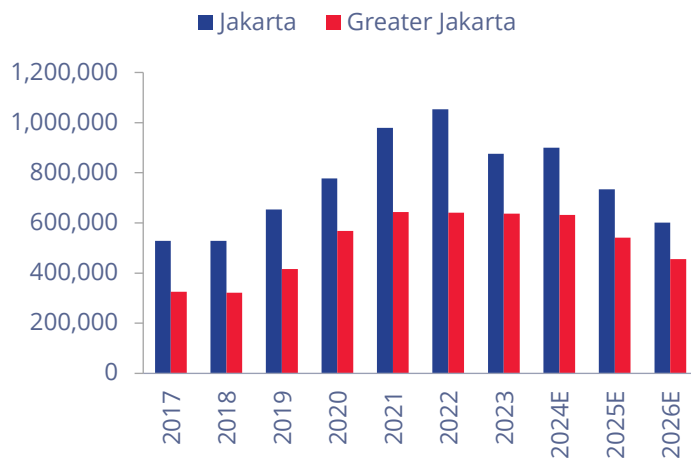
Occupancy



Source: Colliers



Vacant space (sq m)



Source: Colliers

Rental rate and Service charge

Retail performance in Jakarta remains stable with steady rental rates, supported by improved amenities and strategic efforts to attract and retain tenants

Retail performance has been gradually improving, but most mall owners kept rental rates stable during H1 2024. As a result, the average rent in Jakarta was IDR 564,111, with a service charge of IDR 153,690 as of Q2 2024. In the Greater Jakarta area, the average rent was IDR 387,638 in Q2 2024, marking an almost 3% increase compared to Q2 2023. The service charge remained stable at IDR 122,027.

The second quarter of 2024 saw minimal fluctuation in the gap between asking and transacted rents in the retail market. This stability indicates a balance between landlord expectations and tenant willingness to pay, reflecting a mature and well-adjusted market.

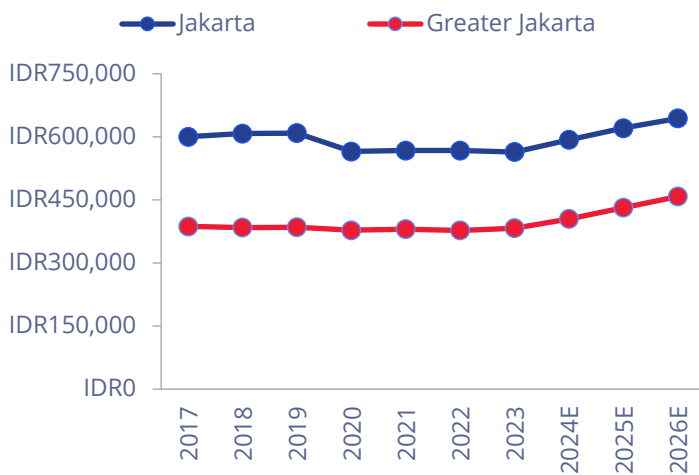
Investments in amenities and facilities aimed at enhancing the customer experience and profitability have not significantly impacted rental rates. Mall owners are making these upgrades to improve service and attract more visitors, rather than to justify higher rents. Slight increases may occur as landlords regain leverage to raise rents, especially in malls with healthy occupancy rates.

Landlords need to focus on attracting more tenants and cautiously approach rent increases. Understanding the dynamics of each zone and floor, such as the differences in foot traffic, is crucial for improving performance and developing effective tenancy-mix strategies. Recognizing these variations helps landlords make informed decisions that benefit all parties. Maintaining harmony between tenants and landlords is essential for the mall's optimal performance.

In response to the dynamic market environment, mall owners are adapting strategies to attract and retain high-quality tenants. One effective approach is to maintain competitive base rents. By offering attractive lease terms, landlords can entice desirable brands, ensuring a diverse and appealing tenancy mix that draws foot traffic and enhances the overall shopping experience.

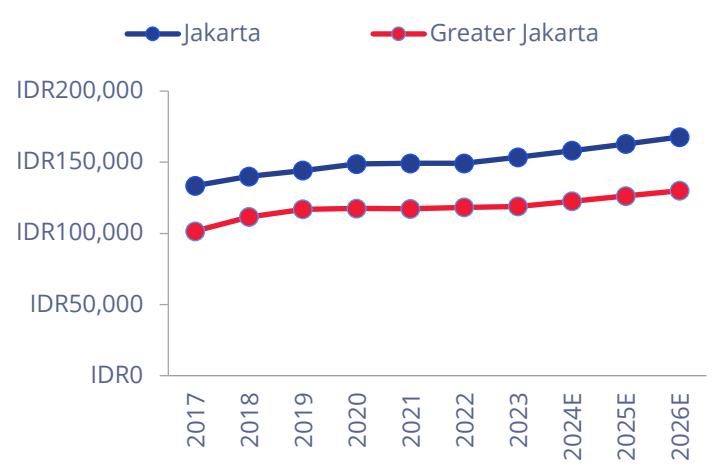


The average rent at specialty store



Source: Colliers

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
Summarecon Mall Bekasi phase 2	Bekasi	Bekasi	Summarecon	42,744

Source: Colliers



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