Office sector is still stabilising, but the outlook is positive

Insights & recommendations

The pandemic is increasingly under control and government is likely to soon declare it over. More companies will require their employees to return to their offices to work, whilst some may continue to adopt hybrid working systems. Enquiries for office space are likely to improve despite forecast moderate growth. Nevertheless, vacant spaces left over due to downsizing activities have yet to be absorbed and still put great pressure on landlords who will need to adjust to flexible rental packages.

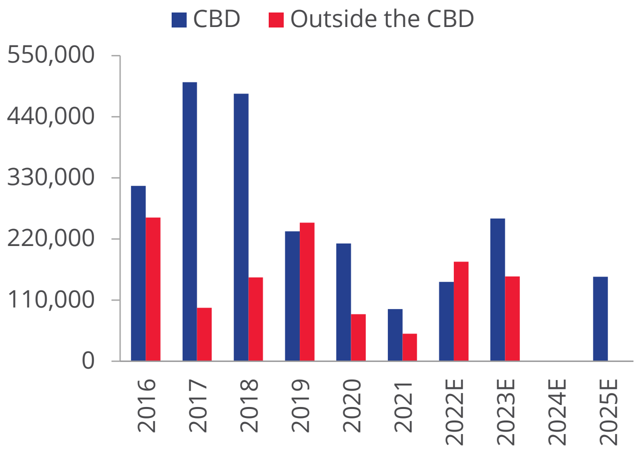
More available space in the market will continue to bring benefits for tenants. However, the current situation will likely soon end, and all benefits on offer should be taken as far as possible. It's still a very good time to expand and relocate by securing the best office space, in terms of location and lease terms.

		Q3 2022	Full Year 2022	2022–25 Annual Avg.
Demand	Office space enquiries have started to gradually increase. State-owned subsidiaries, especially in the energy and mining sectors, are seeking office space in commercial buildings.	-4,019 sq m	-72,000 sq m	63,961 sq m
Supply	The completion of some office buildings may be rescheduled. Supply will grow about 2% per year during 2022 – 2025.	0 sq m	321,841 sq m	185,050 sq m
		QOQ/ End Q3	YOY/ End 2022	Annual Avg. Growth 2022–25/ End 2025
Rent	Landlords are in a position to provide competitive rental packages. We expect a downward rental trend between 2022 – 2025.	-0.13% / IDR205,527	-4.33% / IDR199,566	-0.01% / IDR208,480
Vacancy	Although demand is projected to increase moderately, vacancies will decline about 1% as a result of the additional influx of new space in 2024 – 2025.	0.04 / 24.97%	2.96 / 25.72%	0.94 / 25.98%
Selling Price	Sales volume is still limited, whilst selling prices are likely to be stable up to 2025.	0% / IDR45.98mio	-2.33% / IDR45.98mio	0.80% / IDR48.60mio

Source: Colliers Indonesia. Note: IDR 14,935 = USD 1.00

We expect completion delays in some office projects

Annual supply

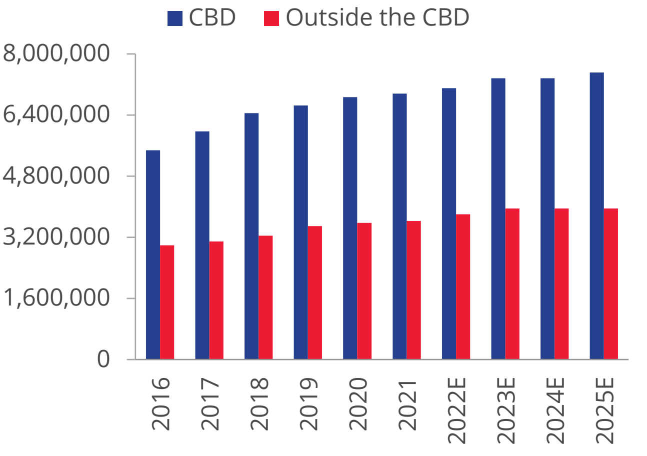


Source: Colliers Indonesia

Over the past six months, no new office building projects have been completed in Jakarta. As result, total cumulative supply remains at 7.04 million sq m in the CBD and 3.69 million sq m in outside the CBD, as at Q3 2022.

Completion delays are still very likely to occur, particularly as some office buildings are in the final stages of construction. The pandemic has brought a significant downturn in the business climate, including the office industry and across almost all sectors. In addition, the committed tenant rate will be one of the crucial factors for developers to determine the right time for their building to officially start to operate. In Jakarta, total office space inventory will potentially inflate with the addition of about 180,000 sq m in Q4 2022, contributed by six office buildings. These future projects will bring the cumulative supply to 7.1 million sq m and 3.8 million sq m, respectively, in the CBD and outside the CBD, by the end of 2022. Projects postponed from last year will add total office space of around 400,000 sq m and cumulative supply will stay at 11 million sq m in 2023.

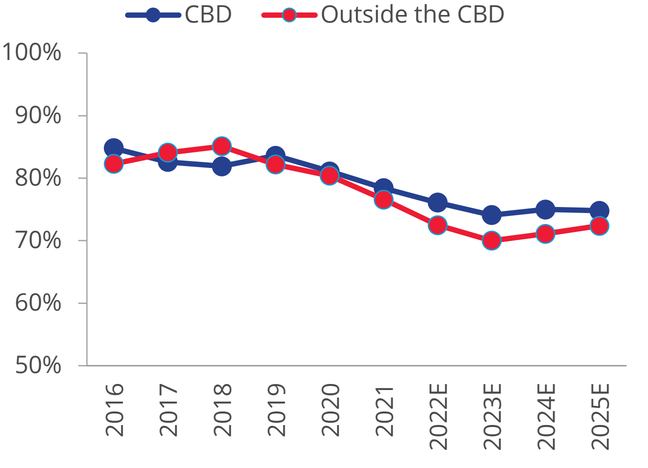
Cumulative supply



Source: Colliers Indonesia

With no supply influx, occupancy saw a slight improvement

Occupancy



Source: Colliers Indonesia

After the restrictions on office activity had been lifted, more leads were evident and more transactions from the previous quarters finally concluded. Demand for office spaces is expected to increase in the future. Several companies, such as technology, especially audio and video or other media services providers, freight forwarding, manufacturing, media, R&D (Research and Development) and fintech, continue to actively seek for office space.

Some new tenant activities during the quarter included the opening of the new head office of overseas companies with core businesses in toll road related electronic payment systems. In addition, a cosmetic company also leased a significant area of office space and there was expansion by insurance and state-owned companies. Businesses in the renewable energy sector will potentially create demand for office space in the future.

The hybrid working system is still being chosen by most companies but, in the long run, we believe most corporations will return to traditional arrangements where work is undertaken in the workplace. Many global companies have decided to revert to regulations for their employees to return to their offices as before. However, for companies which have already reduced their office space, they will need to adjust office hour regulations or working day arrangements. This policy will, of course, depend on the needs and culture of each company. In general, until now, most companies have still not determined when they will return to full office hours even though, for certain meeting or discussion activities, the adoption of virtual meetings will be more widely used.

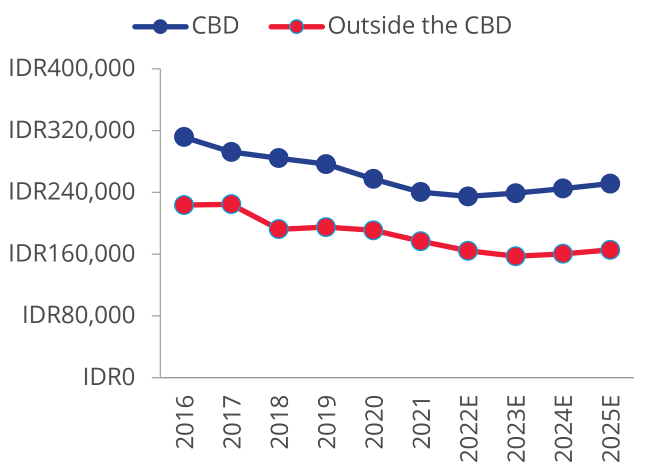
There is still considerable pressure on co-working office space operators. The delay in funding from venture capitalists has disrupted the development of start-up businesses and reduced the demand for flexible workspaces that rely on such companies as their main users. Efficiency in the form of reducing employees or downsizing business units is also common in start-up companies. Currently, many operators have closed their branches in office buildings if they using traditional leasing schemes. Most of those who are still operating are using a profit-sharing/joint venture scheme as their business model. Flexibility and short lease terms have become unique selling propositions when compared to traditional commercial offices.

The overall occupancy rate saw relatively stable compared to Q2 2022. In Q3 respectively, average occupancy was recorded at 75.0% and 75.1% in the CBD and Outside the CBD.

The many uncertainties especially on economic projections, supply chain disruption, the recent increase in fuel prices and the tightening of the benchmark interest rate by the Central Bank (BI), will likely impact indirectly the slowdown of office business recovery. The office business is still strongly aligned with economic growth and, therefore, these should be consistent in order for the office sector to target higher growth next year.

Tenants continue to try to reduce rents

Average asking base rent (/sq m/month)



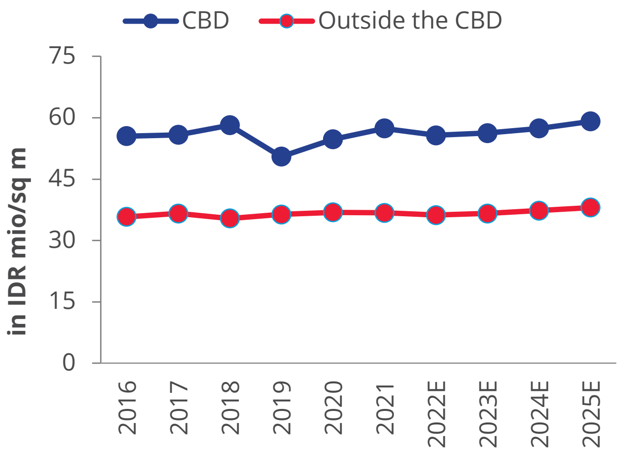
Source: Colliers Indonesia

For some time, landlords have maintained competitive rental packages, especially when their office buildings are still seeing low occupancy rates. Such situation allows more room for negotiation, predominantly when dealing with large transactions. In such cases, the gap between asking and transacted rental rate remains wide. The average asking rent in the CBD was IDR234,342, whereas outside the CBD it was stable at IDR176,711/sq m/month.

The upcoming premium buildings will have an effect on the overall rental levels in the CBD. On the other hand, landlords will reinforce their effort to secure more committed tenants in order for them to gradually improve rents.

Office prices will remain stable until year end

Selling price



Source: Colliers Indonesia

Prices of strata-title office space have yet to see any significant change in 2022. The average selling prices remains unchanged both in the CBD and outside the CBD, and these are IDR55.7 million and IDR36.2 million/sq m, respectively. With no strong catalyst in the office market, the average selling price is projected to stay stable until the end of 2022.

Nevertheless, some landlords still confidently expect higher prices, especially for buildings which have small available space for sale. In term of sub-markets, the selling prices in Jakarta show large gap variations.

Strata-title building owners of relatively newly operating projects are becoming more motivated to offer leasing schemes in order to cover operating costs. On the positive side, this will make the project become more interesting for strata-title buyers because the property will already have guaranteed rental income

Appendix

Under construction projects

Project Name	Location	Developer	SGA (sq m)	Marketing Scheme
CBD				
2022				
T Tower	Gatot Subroto	Sadini Arianda	24,000	For Lease & Sale
Rajawali Place (St Regis Office Tower)	Rasuna Said	Rajawali Group	40,000	For Lease
2023				
Autograph Tower (within Thamrin Nine Complex)	Thamrin	Putra Gaya Wahana	110,000	For Lease
Luminary Tower (within Thamrin Nine Complex)	Thamrin	Putra Gaya Wahana	51,000	For Lease

continued

Project Name	Location	Developer	SGA (sq m)	Marketing Scheme
				continuation
Jakarta MORI Tower	Sudirman	MORI Building	96,000	For Lease
2025				
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				
2022				
Sanggala Tower	TB Simatupang, South Jakarta	Sapta Tunggal Mulia	9,900	For Lease & Sale
The Sima	TB Simatupang, South Jakarta	Grage Trimitra Usaha	59,169	For Lease & Sale
One Belpark Office	Fatmawati, South Jakarta	Harmas Jalesveva	17,800	For Lease
MTH 27 Office Suite	MT Haryono, South Jakarta	Adhi Karya	25,000	For Lease & Sale
2023				
Sun Tower (The Owner Suite by Dharmawangsa)	Dharmawangsa, South Jakarta	Dharma Tatemono	35,678	For Sale
Lippo Tower Holland Village	Cempaka Putih, Central Jakarta	Lippo Karawaci	27,000	For Lease & Sale
Menara Jakarta Office Tower	Kemayoran, Central Jakarta	Agung Sedayu	90,000	For Lease & Sale

Source: Colliers Indonesia

For further information, please contact:

Eko Arfianto
Senior Manager | Research | Jakarta
62(21) 3043 6726
Eko.Arfianto@colliers.com

Ferry Salanto
Senior Associate Director | Research | Jakarta
62(21) 3043 6730
Ferry.Salanto@colliers.com

Quarterly | Apartment | Jakarta | 5 October 2022

The Apartment market not out of the woods yet

Insights & recommendations

Market optimism abounded in the early 2022, especially with more business activities opening up, but challenges in the property market remain. Several key factors are still impacting the market, these mainly being geopolitical instability, supply chain disruptions and the threat of higher inflation impacting the cost of living. With the current economic headwinds taking a toll on the property sector, overall growth will be limited this year, thus we expect apartment sales to remain at around the same level as in 2021.

Given subdued demand, developers will continue to provide attractive and innovative promotion and payment schemes, as well as highlighting the amenities that will differentiate their projects from other developments.

		Q3 2022	Full Year 2022	2022–25 Annual Avg.
Demand	The sales performance in 3Q 2022 was similar to the previous quarter. Colliers expects apartment sales to be around the same level as 2021.	0.2% 87.4%	87 - 88%	87 – 89%
Supply	One project has been completed this quarter, with 10 more project completions planned before the end of 2022. However, Colliers expects some adjustment due to delayed completions.	189 Units	6,019 Units	5,329 Units

		QOQ/ End Q3	YOY/ End 2022	Annual Avg Growth 2022–25/ End 2025
Price	Only a few projects have raised the asking price due to approaching completion date. Colliers forecasts prices to remain flat until the end 2022 given subdued demand.	0.13% IDR35.19mio	1% IDR35.5mio	4% IDR39.9mio

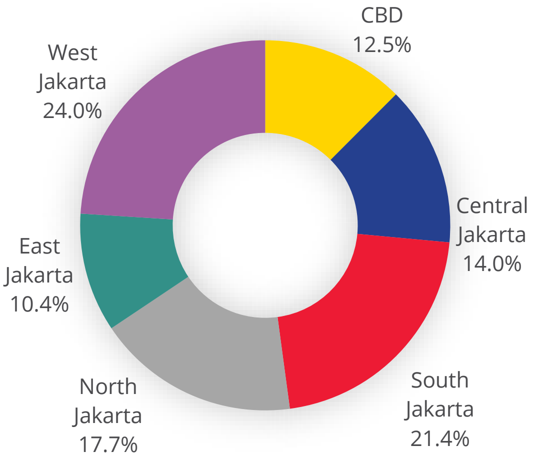
Source: Colliers Indonesia. Note: IDR 14,935 = USD 1.00

Additional supply will still be modest

The overall apartment market in Jakarta is still blighted by completion delays. Up until 3Q 2022, cumulative supply of apartments in Jakarta reached 219,859 units, a modest increase of 0.1% QOQ or 1.3% YOY. The only addition this quarter came from a middle-upper class project, Southgate Residence (Prime tower) in South Jakarta, which contributed 189 units. We expect to see another 21,319 units added from 2022 to 2025, and about 28% are scheduled for completion in 2022. Our recent survey revealed that about 37% of the total projected supply in 2022 will be potentially shifted to 2023 or 2024, due to construction targets not being met.

New supply will be mostly located in South Jakarta and East Jakarta over the next three years. A lack of development in the CBD is due to the scarcity and the high price of land driving investors and end-user buyers to consider apartment projects outside the CBD, including the eastern area of Jakarta. A massive infrastructure development that includes LRT and a new toll road should also play a pivotal role in priming the fringe area for development.

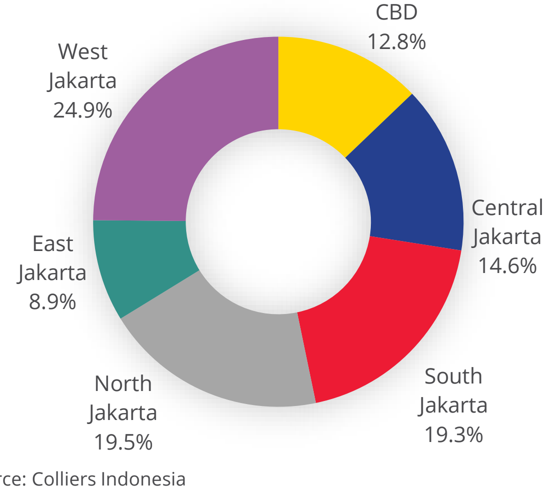
Cumulative supply 2025



Source: Colliers Indonesia

In the current slow-moving situation, we see no new projects being launched or introduced this quarter. A scaling back of new launches suggests that developers are waiting for the "right time", considering the rising prices of raw materials and the impact this could have on an increase in the cost of construction. Hence, developers might need to manage their pricing strategies as the market is now more price sensitive than before.

Existing supply of 2021



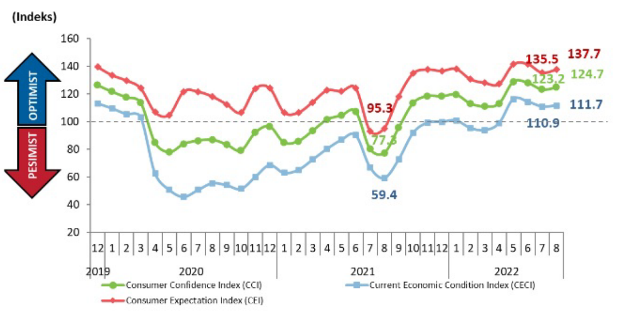
Source: Colliers Indonesia

No significant change in absorption, possibly until the end of 2022

The overall performance of the apartment market in Jakarta is quite similar to the previous quarter. As of 3Q 2022, take-up rate was registered at 87.4%, up modestly by 0.2% QOQ. There were grounds for optimism early in the year, especially with more economic sectors opening up and improving business activities, evidenced by the improvement in consumer confidence and business conditions. In theory, the improvement in consumer and business sentiment provides a glint of optimism in the property market and this should help fuel the take-up of more apartment units. However, the property market continues to face challenges due to various factors, such as geopolitical instability, supply chain disruptions and inflation, which increases the cost of living, thus eroding the purchasing power needed to buy property. Therefore, the high-rise residential market is expected to be flat this year, with the current economic headwinds taking a toll on the sector. We expect apartment sales to be around the same level as last year.

Further, Bank Indonesia has increased the interest rate (BI-7-day reverse repo rate) on the rising interest rate. We think the impact on the apartment sector will be gradual as the current mortgage rate is still relatively low.

Consumer confidence index

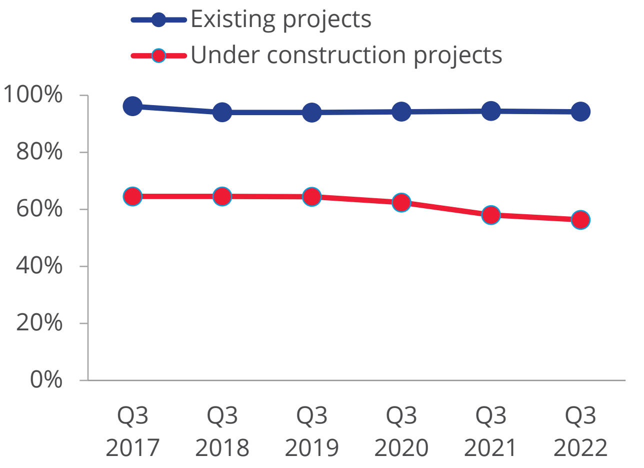


Source: Bank Indonesia

Apartment demand

Source: Colliers Indonesia

Take-up rates



Source: Colliers Indonesia

Given the subdued demand, we recommend developers continue to offer more attractive and innovative promotions, payment schemes and highlight the amenities that differentiate their projects to attract potential buyers and investors.

No expectations of a price increase before end of 2022

The weight of multiple downside pressures, such as negative sentiment prompted by macroeconomic conditions and lackadaisical demand, saw only a minor increase in the overall apartment price this quarter. The average asking price of an apartment in Jakarta registered at IDR35.2 million/sq m (based on hard-cash payment scheme excluding VAT) up by less than 1% on the previous quarter and the same period in the previous year, reflecting challenging market conditions. Therefore, developers have been adopting a more flexible and innovative pricing approach in an attempt to appeal to potential buyers who are flooded with choices in the market.

In addition, on the subject of rising raw material prices, we think the overall impact on developers will be relatively gradual, as some of them have locked in contracts earlier. If the rise in costs continues, developers will be forced to pass on a part of the rise to the buyers. Therefore, improving the delivery time (hand-over to the buyer) within the budgeted time and quality expectations has become crucial.

Further, given the downbeat economic outlook, investors may hold off making purchases. On the other front, developers have been trying hard to monetize their unsold units with various attractive discounts or incentives to entice prospective buyers. It is not surprising that we forecast prices to remain relatively flat until the end of 2022.

Asking prices across regions

	Q3 2021	Q2 2022	Q3 2022	QOQ	YOY
CBD	52,318,687	52,470,855	52,470,855	0.00%	0.29%
South Jakarta	39,391,128	39,543,742	39,668,964	0.32%	0.71%
Non-prime areas	26,616,742	26,868,599	26,887,930	0.07%	1.02%
Overall Jakarta	35,005,281	35,987,393	35,240,366	0.13%	0.67%

Source: Colliers Indonesia

Serviced Apartment

More serviced apartment projects coming

Citadines Sudirman Jakarta serviced apartment was officially opened in July 2022, adding 253 units to the inventory, which is now recorded at 6,474 units. Citadines Sudirman Jakarta offers studios to two-bedroom units, targeting single/couple tenants, as well as short-stay guests. Moving forward, Jakarta is expecting to see 10 serviced apartment project completions, totaling 1,776 units, in the next three years. We had expected a huge supply to come on stream up until 2024, but we now expect the supply to be reduced due to delays in construction activities as a result of the pandemic.

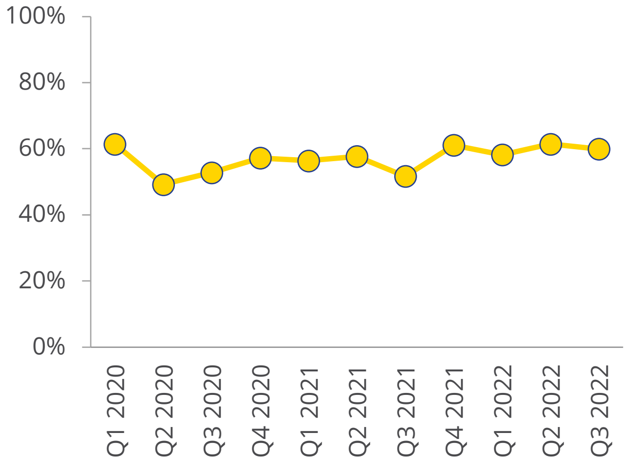
Occupancy and rental rates remain stable

The overall leasing activity of serviced apartments in Jakarta has shown signs of recovery since 2Q 2022, evidenced by an increase in leasing inquires and an increase in the occupancy rate of several serviced apartment projects. This has been primarily attributed to an easing of border entry policies and a loosening of post-entry Covid prevention and quarantine measures. However, additions to supply from the opening of new projects has resulted in a drop in overall occupancy by 1.5% QOQ to 59.8%.

Looking ahead, with several projects in the pipeline in the next three years, heightened competition in the serviced apartment market is anticipated, which from the perspective of consumers is positive. Demand, especially from expatriates, will return to the market, because multinationals are not going to stop operating and will keep sending their people out in attempts to stay ahead of the competition. The challenge for corporations is finding amenities for their staff that are of good quality whilst still within their budgets.

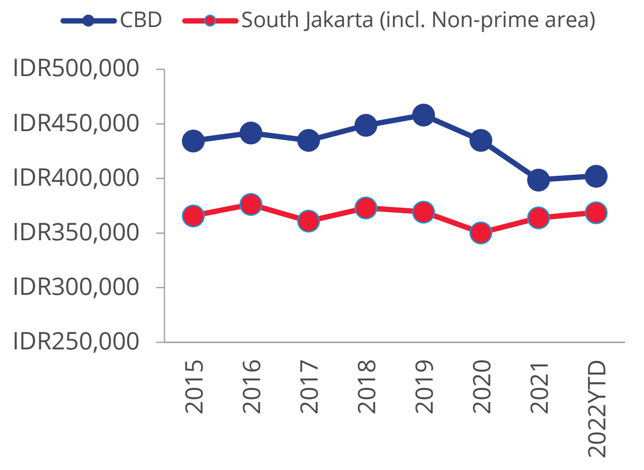
While the market has not fully recovered, the rental rates for all serviced apartments in Jakarta have remained steady, at averages of IDR402,324/sq m/month and IDR368,826/sq m/month in the CBD and South Jakarta (including non-prime area), respectively. We expect there will be an adjustment in the rental tariff given the more conducive business atmosphere following the decline in Covid-19 cases. On the flipside, we also realize that competition will be tighter as more new projects come into the market. As a consequence, the increment will be limited within the range of 1% to 3% in the next three years.

Occupancy rate



Source: Colliers Indonesia

Rental rate



Source: Colliers Indonesia

Appendix

Newly finished project

Name of Development	Location	Region	Developer	#units
Southgate Residence (Prime Tower)	Jl. Tanjung Barat Raya	South Jakarta	Sinar Mas Land	189

Source: Colliers Indonesia

Under construction project

Apartment Name	Location	Region	Developer	#Units
2022				
Aerium Taman Permata Buana (South Tower)	Taman Permata Buana	West Jakarta	PT Itomas Kembangan Perdana (Sinarmas Land & ITOCHU Indonesia)	366
Le' Parc	Jl. Thamrin	CBD	PT. Putragaya Wahana	100
The Residences at The St. Regis Jakarta	Jl. H.R Rasuna Said	CBD	Rajawali Property Group	164
Fatmawati City Center (2 towers)	Fatmawati	South Jakarta	Agung Sedayu	1240
Sakura Graden City (Tower Catleya)	Jl. Bina Marga	East Jakarta	PT Trivo Group and Daiwa House	1100

continued

Apartment Name	Location	Region	Developer	#Units
				continuation
The Stature Jakarta	Jl. Kebon Sirih	Central Jakarta	Capitaland and Credo Group	96
57 Promenade	Jl. Kebon Melati	CBD	Intiland	496
Solterra Place (Tower Suites)	Pejaten	South Jakarta	Waskita Realty	521
Southgate Residence (3rd Tower – Altuera Tower)	Jl. Tj Barat Raya, Jagakarsa	South Jakarta	Sinar Mas Land	450
JKT Living Star	Jl. Lapangan Tembak	East Jakarta	PT Sindeli Propertindo	594
2023				
Menara Jakarta (Tower Equinox)	Kemayoran	Central Jakarta	Agung Sedayu	396
Menara Jakarta (Tower Azure)	Kemayoran	Central Jakarta	Agung Sedayu	860
Cleon Park Apartment	Cakung, Jakarta Garden City	East Jakarta	Modern Land Realty	630
South Quarter Residence	TB Simatupang	South Jakarta	Intiland	336
Arumaya Residence	TB Simatupang	South Jakarta	Astra Land	262
Apple Residence 3	Jl. Karang Indah, Lebak Bulus	South Jakarta	PT Diamond Land Development	530
2024				
The Foresque	Pasar Minggu, Ragunan	South Jakarta	PT Griya Karunia Sejahtera (Binakarya Propertindo Group)	660
				continued

Apartment Name	Location	Region	Developer	#Units
				continuation
Rumapadu (was The Aspen Peak at Admiralty) (Tower D)	Jl. Fatmawati	South Jakarta	PT. Integrasi Transit Jakarta	322
Branz Mega Kuningan	Mega Kuningan	CBD	Tokyuland	480
The Premiere MT Haryono - LRT City MT Haryono	Jl. MT Haryono	East Jakarta	Adhi Karya	390
LRT City Ciracas – Urban Signature	Jl. Pengantin Ali, Ciracas	East Jakarta	Adhi Karya	1087
The Newton 2 at Ciputra World 2	Jl. Karet Sawah	CBD	Ciputra	624
Citra Landmark (Tower 1)	Jl. Ciracas	East Jakarta	Ciputra	600
Savyavasa (3 Towers)	Jl. Wijaya II	South Jakarta	Jakarta Setiabudi International & Swire Properties	600
South Quarter Residence (Tower 2)	TB Simatupang	South Jakarta	Intiland	336
B Residence Grogol	Jl. Daan Mogot 79	West Jakarta	MGM Propertindo	252
Apple Residence 5	Pejaten Barat	South Jakarta	PT Diamond Land Development	400
The Okura Residences	Jl. Gatot Subroto Kav 26 - 27	CBD	Mitsubishi Estate Group, Duta Putra Land, Rizki Bukit Abadi	29
Vittoria Residence (Tower C)	Jl. Daan Mogot	West Jakarta	PT. Duta Indah Kencana	312
2025				
Kebayoran Apartment (was Selatan 8) (Diamond Tower)	Jl. Raya Ulujami	South Jakarta	Karya Cipta Group	344
Antasari Place (was 45 Antasari) (2 Tower)	Antasari	South Jakarta	Prospek Duta Sukses	1924
				continued

Apartment Name	Location	Region	Developer	#Units
				continued
Tomang Park Apartment (2 towers)	Jl. Tawakal Ujung Raya	West Jakarta	PT Phoenix Property	2000
Alonia Kemayoran	Jl. Benyamin Sueb	Central Jakarta	Perumnas	209
The Veranda @ Lebak Bulus (2 Towers)	Lebak Bulus	South Jakarta	Pulau Intan & Nishitetsu	360
Kizo Residence	Jl. Fatmawati Raya	South Jakarta	Sinar Mas Land, Mitsubishi Estate Group	426
Sakura Garden City (Tower 2)	Jl. Bina Marga No.88	East Jakarta	PT Trivo Group and Daiwa House	1,100

Source: Colliers Indonesia

New pipeline for Serviced Apartment

Name of Development	Location	Region	#units
2022			
Somerset Kencana Jakarta	Pondok Indah	South Jakarta	148
Fraser Suites Kebon Melati	Kebon Melati, Tanah Abang	CBD	140
Citadines Gatot Subroto	Jl. Gatot Subroto	CBD	102
Ascott Menteng Jakarta	Menteng	CBD	151
Oakwood Premier Jakarta	SCBD	CBD	347
2023			
PARKROYAL Serviced Suites	Thamrin	CBD	180
Citadines Kemang	Kemang	South Jakarta	180
Somerset Mega Kuningan Jakarta	Mega Kuningan	CBD	168
Pan Pacific Serviced Suites Jakarta	Thamrin	CBD	179
2025			
The Okura Residences	Gatot Subroto	CBD	181

Source: Colliers Indonesia

Colliers

For further information, please contact:

Hern Rizal Gobi
Senior Manager | Research | Jakarta
62(21) 3043 6727
Rizal.Gobi@colliers.com

Ferry Salanto
Senior Associate Director | Research | Jakarta
62(21) 3043 6730
Ferry.Salanto@colliers.com

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 63 countries, our 17,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 27 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of 20% for shareholders. With annual revenues of $4.5 billion and $81 billion of assets under management, Colliers maximizes the potential of property and real assets to accelerate the success of our clients, our investors and our people. Learn more at corporate.colliers.com, Twitter @Colliers or LinkedIn

Quarterly | Retail | Jakarta & Greater Jakarta | 5 October 2022

The vacancy hit the worst level in history

Insights & recommendations

The existence of exhibitions, entertainment and events gradually helped increase mall visitation. More people and retailers returned to the malls. However, this has yet to impact occupancy costs particularly for malls that are still registering low occupancy. In addition to that, an unstable economic projection continues to put pressure on retail businesses. Fuel hikes very likely will have a domino effect on increasing production and operational costs. The increasing costs will have an impact on goods prices and very likely will decrease purchasing power.

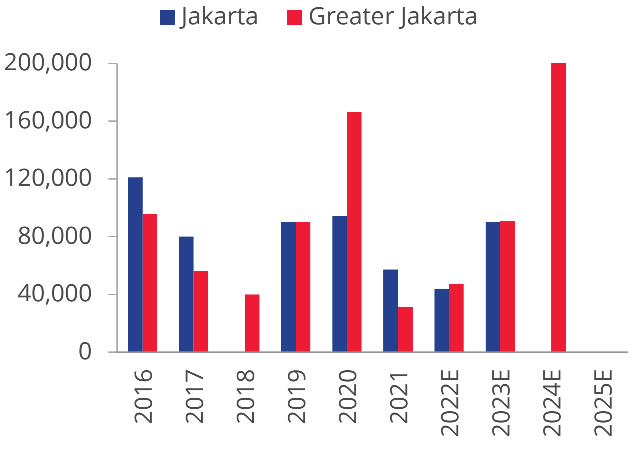
The pandemic is getting under control. However, landlords should still focus on health protocols and ensure that malls are safe for activities and visitation when things return to normal. It is suggested that mall owners revamp their malls, including tenancy mix, and updating interior and building facades to be more attractive and lure more visitors.

		Q3 2022	Full Year 2022	2022–25 Annual Avg
Demand	The F&B sector is still a demand generator. Some F&B retailers are expected to confidently start expanding at the malls, moving beyond standalone venues.	▼ - 56,740 sq m	▼ - 44,799 sq m	▲ 14,544 sq m
Supply	The average supply growth will be around 2.2% per year from 2022 to 2025, dominated by shopping mall projects in the Greater Jakarta area.	▼ 0 sq m	▲ 91,205 sq m	▲ 126,266 sq m
		QOQ/ End Q3	**YOY/ End 2022**	**Annual Avg Growth 2022–25/ End 2025**
Rent	The return of more retailers will encourage landlords, particularly in the middle-upper and premium malls, to consider increasing rental rates. Overall, the average rent is expected to increase around 1.5% per year from 2022 to 2025.	0.28% ▼ IDR473,757	1.35% ▼ IDR468,702	0.51% ▲ IDR484,961
Vacancy	The increase in vacancy will be heavily influenced by the amount of future supply. Supply growth is slowing down, and vacancy is expected to decrease starting in 2024.	1.02 ▲ 30.9%	1.94 ▲ 31.4%	0.34 ▲ 30.8%
Service Charge	The average service charge is expected to rise about 2.5-3.0% per year during 2022—2025.	0.39% ▲ IDR133,392	1.18% ▲ IDR134,444	2.4% ▲ IDR146,198

Source: Colliers Indonesia. Note: IDR 14,935 = USD 1.00

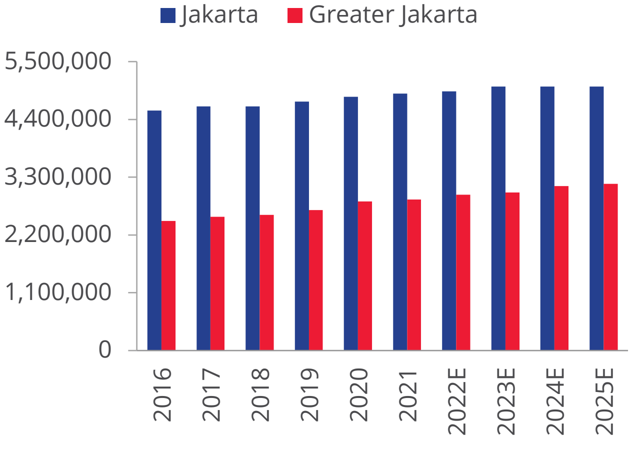
Construction still ongoing without new additions

Annual supply



Source: Colliers Indonesia

Cumulative supply

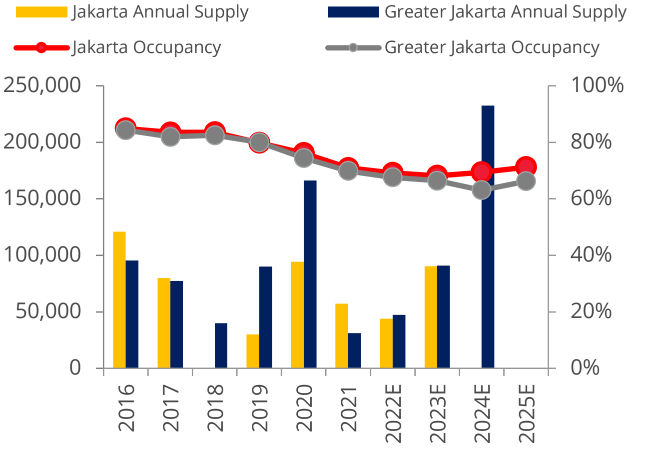


Source: Colliers Indonesia

A relatively sluggish retail market due to the prolonged pandemic has had an impact on the completion of construction and the planning of new mall projects. In Jakarta, it has been nine months with no new mall completions and the cumulative supply remains at 4.89 million sq m in Q3 2022. In the Greater Jakarta area, there was no change in supply in the last six months of 2022. The total retail space was registered at 2.89 million sq m. In the Greater Jakarta area where some large mall projects are currently under construction, future mall supply will be mainly located in Bekasi, which will contribute about 75% of total supply pipeline from now to 2025.

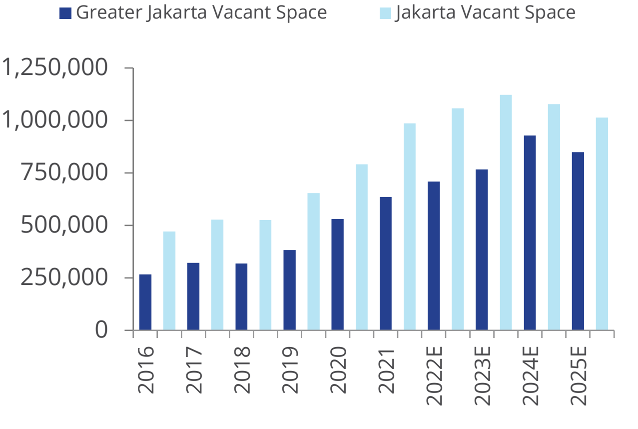
Large vacated spaces will be homework for landlord

Occupancy



Source: Colliers Indonesia

Vacant spaces



Source: Colliers Indonesia

In early Q3, new regulations that limit entry access to shopping malls was issued. Only visitors vaccinated with a third dose are allowed to enter shopping malls. This regulation resulted in a significant decrease of mall visitations. According to the Indonesian Shopping Centre Management

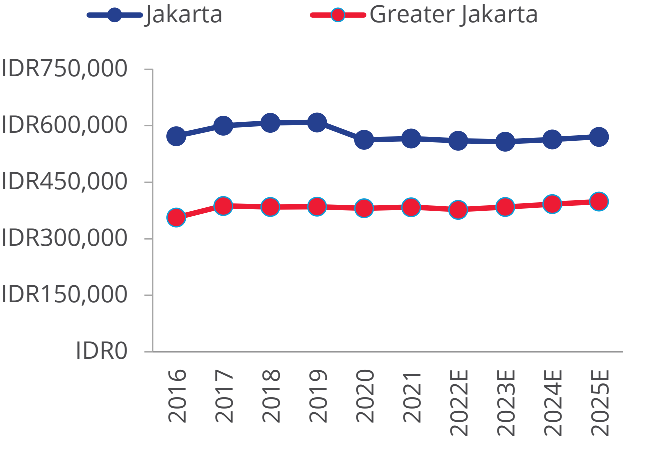
Association (APPBI), after the new regulation kicked-off, mall traffic decreased by around 10%. The mandatory booster shot slowed down the recovery momentum for the retail sector a little bit this year. This is further exacerbated by the current economic conditions where prices of goods and fuel started rising, which will be an additional consideration for people visiting a shopping centre.

Despite the impeding factors, some tenants keep expanding; in particular, F&B retailers that previously only focused on opening stores at standalone venues (shophouses) are now considering occupying shopping malls. Some of them have opened stores in upper-class malls. In the fashion industry, footwear retailers in particular are also expanding, both in Jakarta and the Greater Jakarta area. Sneaker culture in Indonesia has, indeed, kept growing over the past years, following the opening of overseas sportswear and footwear brands in early 2022.

The average occupancy rates in Jakarta and the Greater Jakarta area are currently recorded at around 69%. This is the first-time occupancy in these areas has registered less than 70%. The upcoming shopping centre will put pressure on landlords to fill vacant space in the next two years, especially in the Greater Jakarta area. Unable to get through the pandemic, some department stores closed, leaving some large vacant areas at shopping malls. On the other hand, some mall owners already filled the vacated spaces with other tenants that need large spaces, such as supermarkets and fast fashion retailers. In the reviewed quarter, the Uniqlo store re-opened at Summarecon Mall Serpong in Tangerang after leaving the space long time ago. Some malls entertain their visitors with more culinary stores and pop-culture festivals in order to increase mall traffic and raise occupancy rates.

Occupancy cost remains unchanged; incentive period likely ending

Average rent



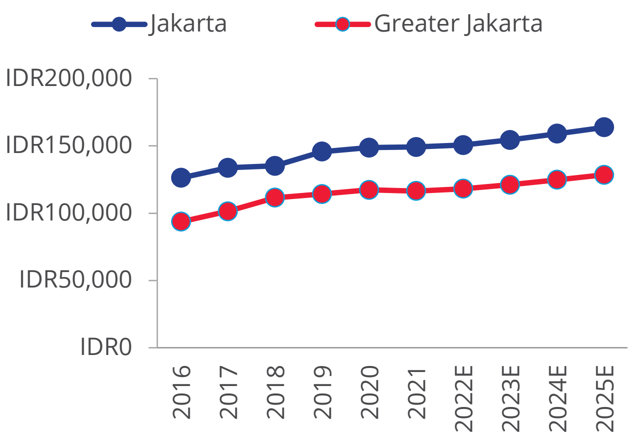
Source: Colliers Indonesia

After two years of pandemic, it seems that situation is more manageable and conditions are getting better compared to last year. Landlords will likely stop providing incentives as shopping malls have already opened at normal capacity. However, landlords will likely keep rental costs stable until the end of 2022.

Rents are offered at an average of IDR566,095 in Jakarta and IDR384,121 in the Greater Jakarta area, relatively stable QOQ. Additional rental costs, like service charges, are also quite stable and quoted at IDR148,971 and IDR117,812, in Jakarta and the Greater Jakarta area, respectively.

The negative outlook for the global economy in 2023 might impact Indonesia's economic projections, thus forcing landlords to considerably recalculate their targets for next year, while observing demand for retail space to improve.

Average service charge



Source: Colliers Indonesia

New wave of grocery shopping

The effect of Covid-19 on retail business, especially in the supermarket/grocery sector, is very much felt. About a year ago, one retail company changed its business strategy by closing one of its business lines (supermarket) and closing all existing outlets. Today, there are still many retail business in the supermarket sector that are implementing efficiency measures, like downsizing outlets.

Along with the growth in technology, many players began to provide services, like facilitating the community to shop for daily necessities with very fast delivery times, better known as "quick commerce". This business model mostly utilises microcentres/hubs, known as "dark stores", to store their inventory close to residential areas. That way, people will no longer need to go to the supermarket to grocery shop but simply use the application on their smartphone and orders will be delivered within hours; some even offer delivery services in just minutes.

Appendix

Under construction projects

Shopping Centre Project	Location	Region	Developer	NLA (sq m)
Jakarta				
2022				
Lippo Mall East Side (within Holland Village)	Cempaka Putih	Central Jakarta	Lippo Karawaci Tbk	44,000
2023				
Menara Jakarta Shopping Mall	Kemayoran	Central Jakarta	Agung Sedayu Permai	90,360

continued

Shopping Centre Project	Location	Region	Developer	NLA (sq m)
				continuation
Greater Jakarta				
2022				
Green Walk (Grand Dhika City)	Bekasi	Bekasi	Adhi Persada Property	24,000
OmotesandoLifestyle Mall (Embarcadero)	Bintaro	Tangerang	Lippo Karawaci Tbk	5,000
2023				
Bintaro x'Change 2	Bintaro	Tangerang	Bintaro Jaya	51,000
Pakuwon Mall Bekasi	Bekasi	Bekasi	Pakuwon Group	40,000
2024				
Aeon Mall Deltamas	Cikarang	Bekasi	AEON & Deltamas	90,000
Metrostater Depok	Margonda	Depok	Andyka Investa (Trivo Group)	30,000
Living World at Kota Wisata	Cibubur	Bekasi	Sinarmas Land	80,000
Cibinong City Mall 2	Cibinong	Bogor	Puri Wahid Pratama	32,500

Source: Colliers Indonesia

Colliers

For further information, please contact:

Eko.Arfianto
Senior Manager | Research |
Jakarta
62(21) 3043 6726
Eko.Arfianto@colliers.com

Ferry Salanto
Senior Associate Director |
Research | Jakarta
62(21) 3043 6730
Ferry.Salanto@colliers.com

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 63 countries, our 17,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 27 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of 20% for shareholders. With annual revenues of $4.5 billion and $81 billion of assets under management, Colliers maximizes the potential of property and real assets to accelerate the success of our clients, our investors and our people. Learn more at corporate.colliers.com, Twitter @Colliers or LinkedIn

The peak time since the pandemic

Insights & recommendations

The Q3 2022 seems to have achieved the peak of performance throughout 2022. Domestic and international travel regulations have become more relaxed, businesses have started taking off, and, most importantly, offline activities have resumed. This is not only pushing room occupancy upward, but it's also driving a moderate increase in the use of meeting rooms. The fear of global inflation and recession might create uncertainties in the hospitality industry, probably within the next year, but this year, most stakeholders in the hospitality industry will push the hotel market to perform better than last year.

Despite a more positive outlook, hoteliers should consistently focus on maintaining high occupancy because pricing adjustments will not be popular with customers. While maintaining pricing, adding more value to their services will be more effective in retaining customers.

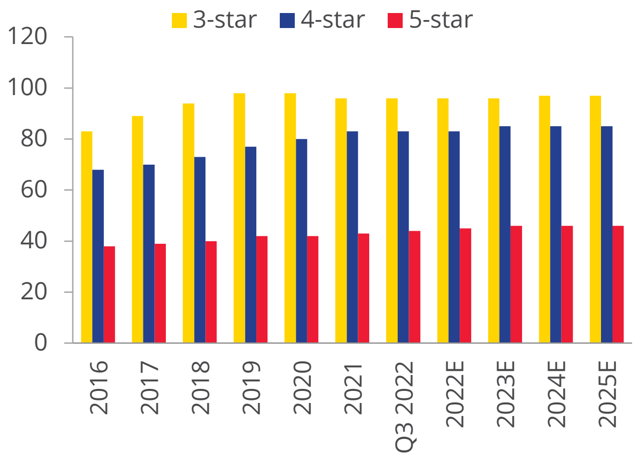
		Q3 2022	Full Year 2022	2022–25 Annual Avg.
Supply	Limited hotel projects in the pipeline will help maintain occupancy performance until 2023.	▲ 220 rooms	▲ 500 rooms	438 rooms
		QOQ/ End Q3	YOY/ End 2022	Annual Avg. Growth 2022–25/ End 2025
Occupancy	The occupancy rate will increase at least until the end of 2022, especially with quite a few business activities.	2.5% ▲ 58.7%	10.2% ▲ 50.5%	11.8%
Room rates	Room rates might be adjusted but they will be gradual.	2.7% ▲ USD56.1	19.8% ▲ USD57	3.6%

Source: Colliers Indonesia. Note: IDR 14,935 = USD 1.00

Supply

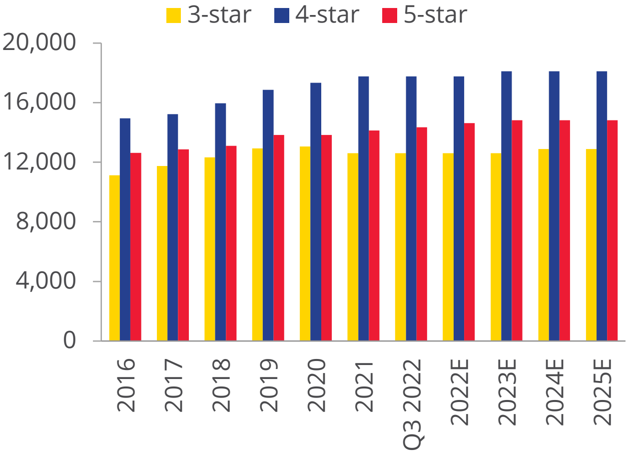
Jakarta finally got a new hotel project from the operation of Park Hyatt Hotel after 1.5 years without new supply. A total 223 operating hotels in Jakarta provides 44,696 room as of Q3. Given that the overall hotel market performance is still below par, with occupancy and room rates that have yet to reach a normal level, the addition of new rooms makes competition tighter.

Cumulative hotel projects



Source: Colliers Indonesia

Cumulative hotel rooms



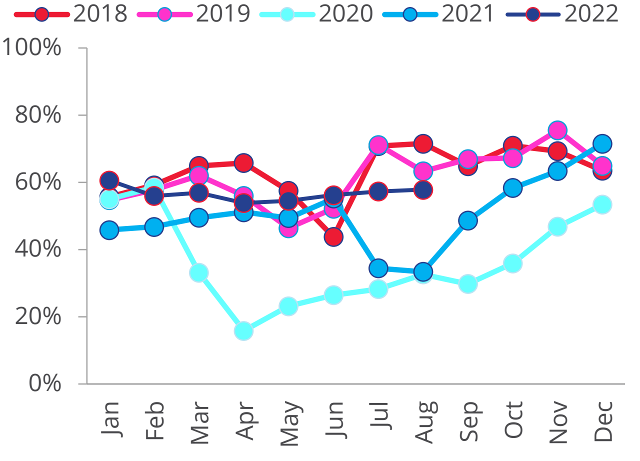
Source: Colliers Indonesia

Since the Covid outbreak in early 2020, the hospitality sector was one of the property industries that has been significantly affected. Since the outbreak, hotel supply in Jakarta only saw an additional 1,088 new rooms. The low demand forced hotels to take strategies to survive the onslaught of the pandemic. Some were forced to close their operations, but some are still operating, even if only partially. Some also took advantage of this time to improve their premises with renovations and refurbishments to the hotel.

The strategy taken by most hoteliers was to operate the hotel in stages. The main functions of a hotel, such as rooms and main restaurants, have been operating as before, but small outlets such as restaurants, bars, spas and other supporting facilities were operated in stages, adjusting to market conditions.

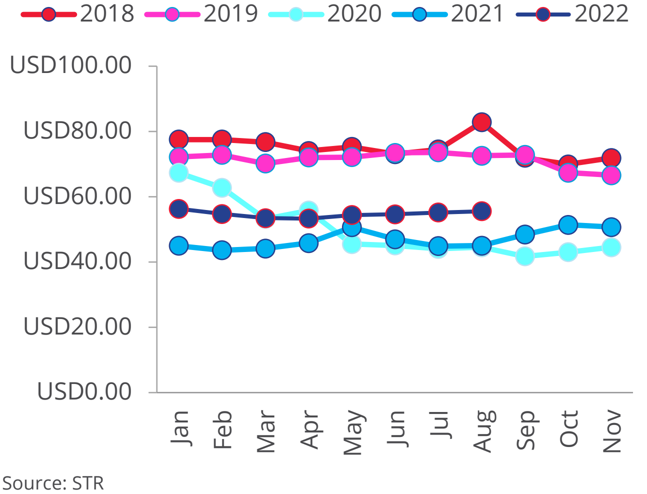
Performance

Average occupancy rate (AOR)



Source: STR

Average room rate (ARR)

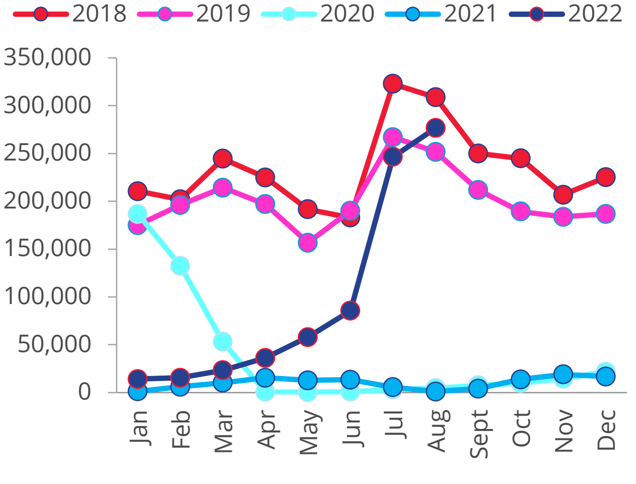


Source: STR

The performance of hotels in Jakarta in 2022 has been in a positive direction. Throughout 2022, monthly occupancy rates have not dropped below 50%. There was a decline in April but it mainly coincided with the fasting month (Ramadan) when many activities for both business and individuals were held off. After the slowdown, starting in May and running through August, the monthly performance was never less than 55%.

At the end of Q1 2022, the government abolished the repatriation requirement for all international travellers. As a result, hoteliers whose hotels had become repatriation locations lost some of their market. However, on the positive side, the abolition of repatriation and regulations regarding foreign travel agents has increased the number of foreign tourist arrivals through Soekarno-Hatta; ever since March the average monthly visit has grown by 50%.

The number of foreign tourists arrival to Indonesia through Soekarno-Hatta International Airport by month



Source: Central Bureau of Statistics

Currently, Jakarta is at PPKM (public activity restriction) level 1, so according to the regulations, the use of MICE venues can be optimised up to 100%; however, some guests still opt to use venues with 80% capacity. MICE revenue has yet to become optimum, but at least there has been an increase, especially now that the market is not merely from government activities. The corporate as well as individual market, such as for wedding and non-government/corporate events, are increasingly becoming more vibrant.

This is increasingly promising because Indonesia is currently the host of the G20 Summit. The highlight of the G20 event will be held in November 2022 in Bali, but a series of activities have started since the beginning of 2022 in several cities in Indonesia, one of which is in Jakarta. As a result, the performance of hotels in Jakarta has also lifted. This positive trend is expected to be maintained until mid Q4 2022 (November), but then will decline in mid-December due to the Christmas and New Year's holidays. Hotel performance in 2023 can only be estimated at the end of 2022; however, the increasingly uncertain global economic conditions are likely to impact the hospitality industry. At this stage it is difficult to predict the effect; however, if the number of travellers, both domestic and foreign, decreases, this will certainly contract the performance of hotels.

Appendix

New supply in Q3 2022

Hotel Name	STR Equivalent Rate	Location	Region	#Rooms
5-star				
Park Hyatt Hotel	Luxury	Kebon Sirih	Central Jakarta	220

Source: Colliers Indonesia

Under construction projects

Hotel Name	STR Equivalent Rate	Location	Region	#Rooms	Opening Time
4-star					
Park Regis Menteng	Upper midscale	Raden Saleh	Central Jakarta	180	2023
5-star					
St Regis	Luxury	HR Rasuna Said	CBD	280	2022
Waldorf Astoria	Luxury	Thamrin	CBD	183	2023

Source: Colliers Indonesia

For further information, please contact:

Nurul Yonasari
Senior Research Executive |
Research | Jakarta
62(21) 3043 6728
Nurul.Yonasari@colliers.com

Ferry Salanto
Senior Associate Director |
Research | Jakarta
62(21) 3043 6730
Ferry.Salanto@colliers.com

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 63 countries, our 17,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 27 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of 20% for shareholders. With annual revenues of $4.5 billion and $81 billion of assets under management, Colliers maximizes the potential of property and real assets to accelerate the success of our clients, our investors and our people. Learn more at corporate.colliers.com, Twitter @Colliers or LinkedIn