

Quarterly | Apartment | Jakarta | 10 January 2024

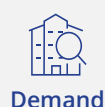
# The current apartment dynamic signals an ideal "time to buy" environment

## Insights & recommendations

The landscape of apartment buyers is currently dominated by end-users, while individual investors, targeting attractive capital gains and recurring income, continue to adopt a wait-and-see approach, anticipating a more favourable situation.

In terms of supply, competition has not escalated, as evidenced by the absence of new project launches, underscoring the stagnant state of the apartment market. Developers are prioritizing the clearance of unsold stocks, keeping prices essentially flat. Their focus is on boosting sales through enticing discounts and promotions rather than raising prices.

We are of the view that this is a favourable "time to buy", thanks to government stimuli and promotional offers provided by developers to clear their inventories. Furthermore, with the prevailing market favouring existing units over those under construction, potential buyers are likely to consider purchasing ready-to-occupy units.



**Demand**

Apartment sales have remained stable this year and are expected to achieve a level of 89-90% between 2024 and 2026.

Q4 2023

0.21%

88.1%

Full Year 2023

0.8%

88.1%

2024-2026  
Annual Avg.

1 - 2%

89 - 90%



**Supply**

Existing supply has reached 225,977 units, with the addition of 106 units. Another 9,743 units will be added by 2026.



106 units



5,526 units



3,248 units



**Price**

The asking price now stands at IDR 35.6 million, with an expected increase of 1-2% between 2024 and 2026.

QOQ/  
End Q4

0.11%

IDR35.56mio

YOY/  
End 2023

0.67%

IDR35.6mio

Annual Avg Growth  
2024-2026/  
End 2026

1 - 2%

IDR37.7mio

Source: Colliers. Note: IDR15,629 = 1 USD.

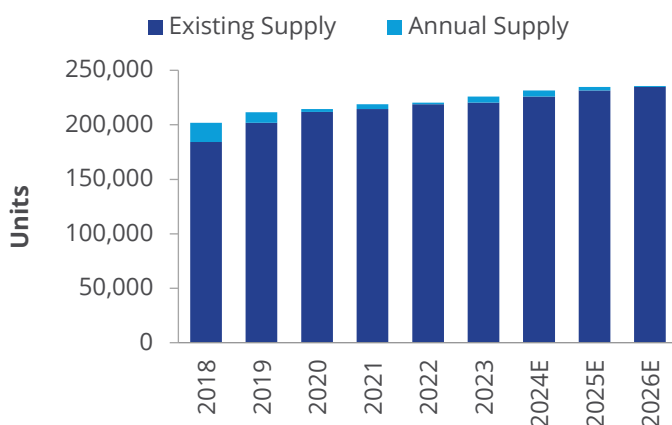


## Strata-title apartments

### Remarkable spike in apartment unit completions in 2023

The Le' Parc apartment project in the CBD has been completed. This project adds 106 units to the overall apartment supply in Jakarta. As of the last quarter of 2023, total supply now stands at 225,977 units, representing a QOQ marginal increase of less than 1% and a YOY increase of 2.51%. Notably, the number of units completed this year is almost four times higher than in the previous year. This signals that projects that had been delayed, particularly due to the impact of COVID-19, are now gaining momentum, with a significant number completed in 2023.

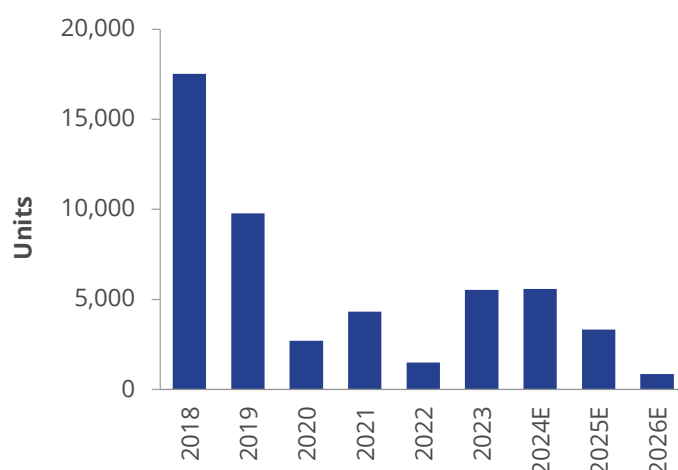
#### Cumulative supply



Source: Colliers

At the same time, developers have not launched any new apartment projects, choosing instead to prioritize the seamless continuation of ongoing construction projects. This strategic decision aims to foster trust among current and potential buyers while focusing on depleting existing ready-to-sell stock.

#### Annual supply



Source: Colliers

### Extra push from property stimulus measure in 2023

In Q3 2023, the Omnibus Law introduced two catalysts aimed at bolstering foreign interest in properties:

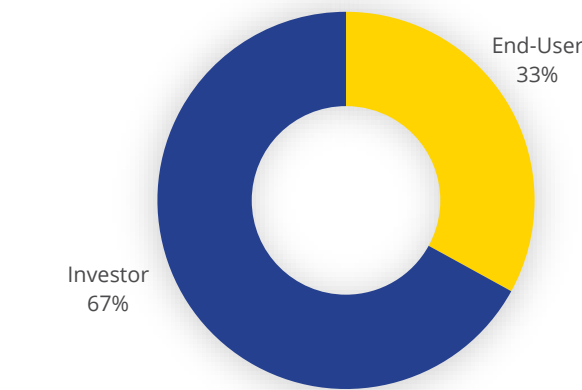
- 1) The qualification for property purchases was simplified, downgrading from KITAS/KITAP to temporary visas, including tourist visas.
- 2) The type of titles that foreigners can hold was upgraded to *Hak Guna Bangunan*/HGB (Right to Build) from the previously limited *Hak Pakai* (Right to Use). This potential additional demand boost has not yet been fully absorbed by the market.

Additionally, there was a government stimulus. The Ministry of Finance issued regulation PMK 120/2023 formalizing the extension of the value-added tax (VAT) incentive programme. This programme includes an 11% VAT subsidy until June 2024 and 5.5% from June to December 2024, applicable to all residential



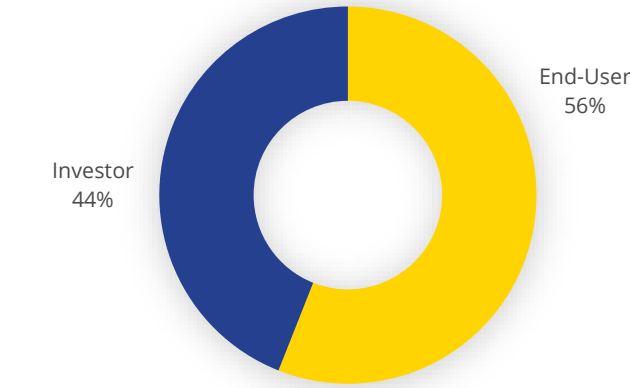
properties priced up to IDR5 billion per unit. However, the VAT cut will only apply to properties valued at up to IDR2 billion per unit. This implies a maximum VAT incentive ranging from IDR110 million to IDR220 million per person depending on the handover timeframe. This incentive is expected to mitigate the impact of increasing mortgage rates persisting into the first half of 2024, and, in our view, its significance would be more pronounced if it was extended to under-construction projects. All in all, we are of the view that this stimulus aligns with the current preferences of apartment buyers, catering more to end-users who currently dominate the market compared to investment buyers.

Buyers profile as of 2018



Source: Colliers

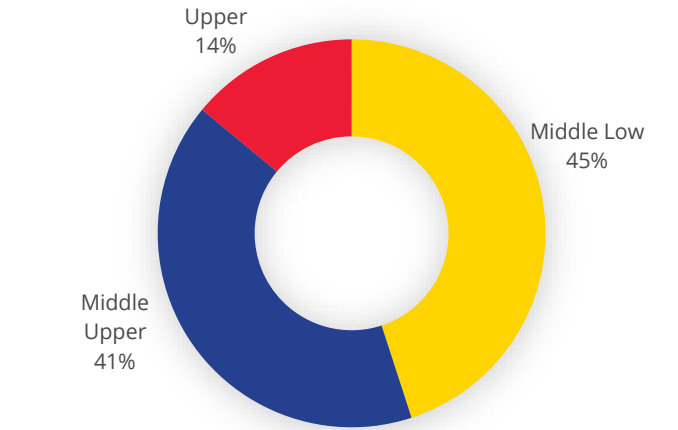
Buyers profile as of 2023



Source: Colliers

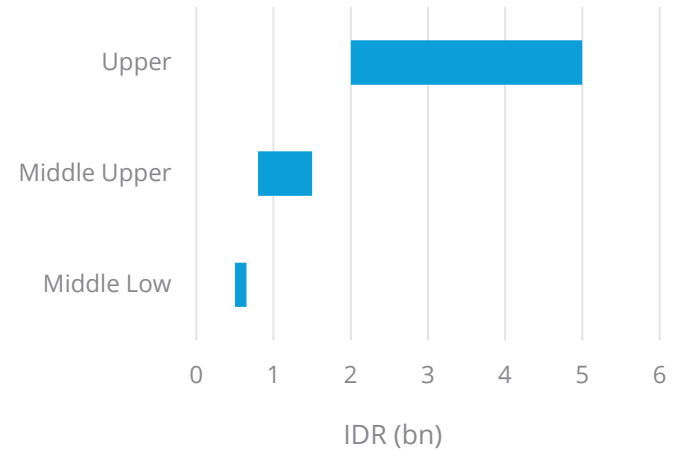
Up to this quarter, 10,581 units are eligible for this incentive. These units are categorized across various apartment classes, with the majority in the middle-low class market segment, comprising 45% of the total. The middle-upper class segment accounts for 41%, while the upper class comprises 14%.

Available stocks eligible for VAT Incentive



Source: Colliers

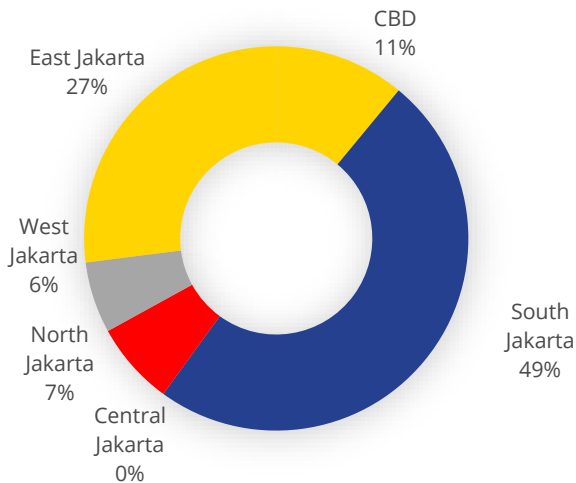
Range of Price



Source: Colliers

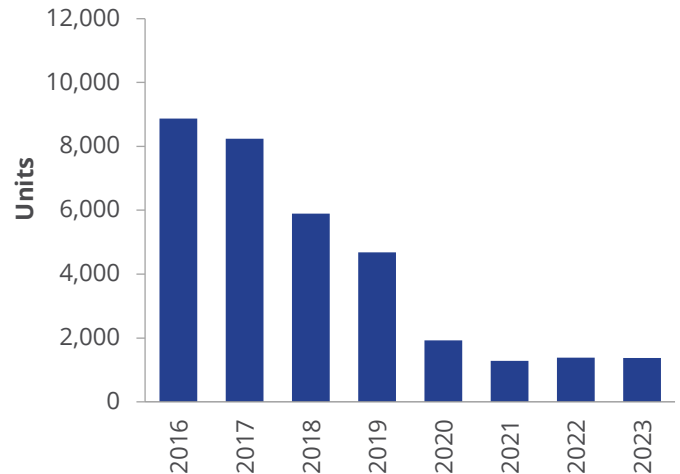
Looking ahead, we expect 9,743 units to be completed within the next three years. Geographically, nearly half of these units will be situated in the South Jakarta area, with an additional 27% in the East Jakarta area. A substantial amount of apartment development is consistently seen in these regions, primarily due to the availability of vacant land, especially compared to other areas, notably the CBD. Moreover, ongoing development in these areas includes comprehensive infrastructure such as MRT, LRT, and Jakarta-Bandung High-Speed Train, enhancing accessibility and adding significant value to the apartments.

### Future project based on number of units



Source: Colliers

### Annual apartment unit absorption



Source: Colliers

### Existing projects still the preferred option for buyers

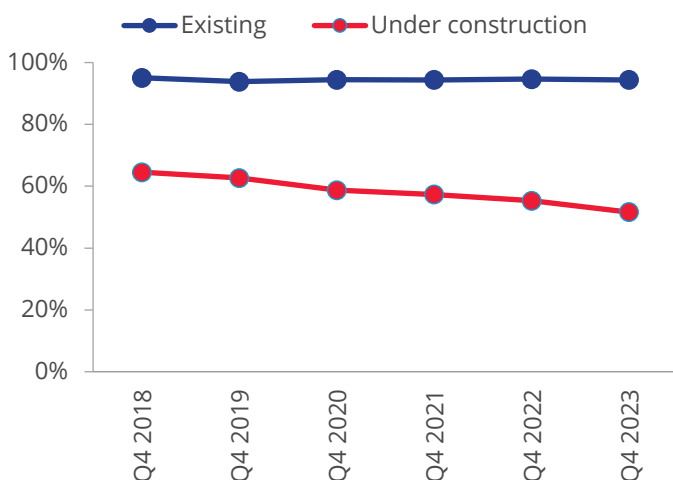
In general, apartment sales in 2023 have been stable, mirroring the trend observed in the previous year. The bulk of these sales were at existing projects, with developers actively promoting ready stock units to capitalize on current government incentives. This approach has contributed to an average take-up rate for both existing and under-construction projects of 88.12%, a 0.8% YOY increase.

On the demand side, there is a glimmer of confidence, particularly for 2024, driven by the reintroduction of the VAT incentive, which is expected to boost sales performance. We believe that the most significant impact will be on existing apartment projects, especially those in the middle-low segments. Furthermore, with approximately 50% of units priced below IDR 2 billion, we are optimistic that this incentive could lead to the sale of at least 5,000 units in 2024.

This confidence is further bolstered by the extension of the loan-to-value (LTV) ratio relaxation policy, which is set to remain in effect until the end of 2024. Additionally, ongoing promotions implemented across nearly all apartment classes, such as unit price discounts, complimentary furnished vouchers, free service charges for a specified period, and flexible payment terms, will likely attract potential buyers. We think it is a "time-to-buy" environment, given the following favourable conditions:

1. The possibility of a BI rate cut 2024.
2. Continuation of government-implemented VAT incentives throughout 2024.
3. A sevenfold increase in the income-to-apartment price ratio in the past three years.

### Take-up rate apartment Jakarta



Source: Colliers

| Ratio Increment | Apartment price (Avg.) | UMP DKI Jakarta (Avg.) |
|-----------------|------------------------|------------------------|
| 2020 - 2023     | 0.6%                   | 4.6%                   |

Source: Statistics Jakarta, Colliers

Assuming an absence of new project launches, we estimate that demand for 10,581 eligible units could reach 90%, a 2% uptick by 2024. However, some events may weigh on the abovementioned favourable conditions, particularly during the first half of 2024, such as the presidential election and the Eid al-Fitr holiday.

### Limited adjustment in the asking price

Nearly all developers have opted against price increases, resulting in a modest uptick of 0.11% QOQ and 0.67% YOY, reaching IDR 35.6 million. Several factors, including the holiday season, a rise in interest rates (currently at 6%), a lack of investor buyers, and heightened competition from secondary units, have contributed to this marginal price uptick.

The VAT incentive is expected to stimulate demand and potentially affect asking prices. However, the projected increase is expected to remain relatively moderate as developers focus primarily on depleting existing stock units and progressing ongoing constructions according to the predetermined schedules. We anticipate a price increase of 1-2% between 2024 and 2026.

### Asking prices across regions

|                 | Q4 2022    | Q3 2023    | Q4 2023    | QOQ   | YOY   |
|-----------------|------------|------------|------------|-------|-------|
| CBD             | 52,701,064 | 52,845,027 | 52,845,027 | 0.00% | 0.27% |
| South Jakarta   | 39,847,210 | 40,234,420 | 40,367,101 | 0.33% | 1.30% |
| Non-prime areas | 26,936,580 | 27,056,750 | 27,056,750 | 0.00% | 0.45% |

Source: Colliers

## Serviced apartments

### Supply

With no new serviced apartments opening in the fourth quarter, the total supply has remained the same as in the previous quarter, resulting in a cumulative supply of 6,894 units. By 2026, we expect five projects to be officially operational, bringing the total supply to 7,793 units.

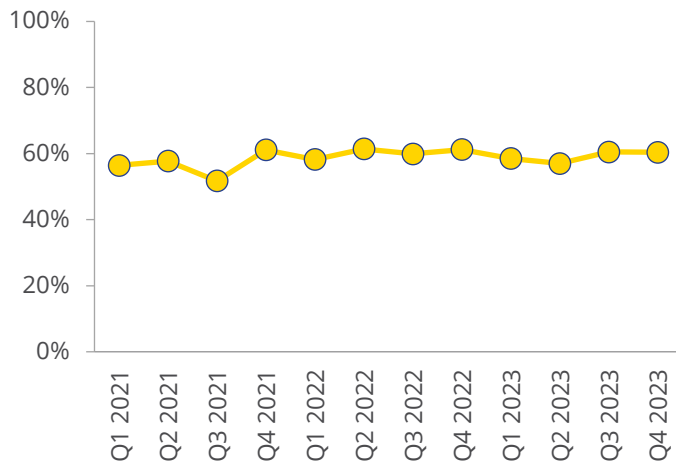
### Occupancy rate and rental rate

As of Q4 2023, the occupancy rate in the Jakarta serviced apartment market remained relatively stable at 60.4%. The primary demand driver continues to be short-stay leisure guests, particularly those attracted to newly opened projects where operators typically offer promotions and discounts to entice guests. Further, despite the lifting of COVID-related restrictions globally, 2024 is expected to be a dynamic environment characterized by economic uncertainty and heightened volatility amid complex geopolitical situations.

In terms of rental rates, all serviced apartment pricing in Jakarta has remained steady, resulting in an unchanged average rental rate of IDR445,986/sq m/month in the CBD and IDR406,164/sq m/month in South Jakarta (including non-prime areas). We expect that the operators of most serviced apartment projects will refrain from aggressive rent increases in anticipation of the political year 2024. Moreover, at some older projects plans are to adjust rental rates by lowering them by about 2-5% to remain competitive with newly operated projects.

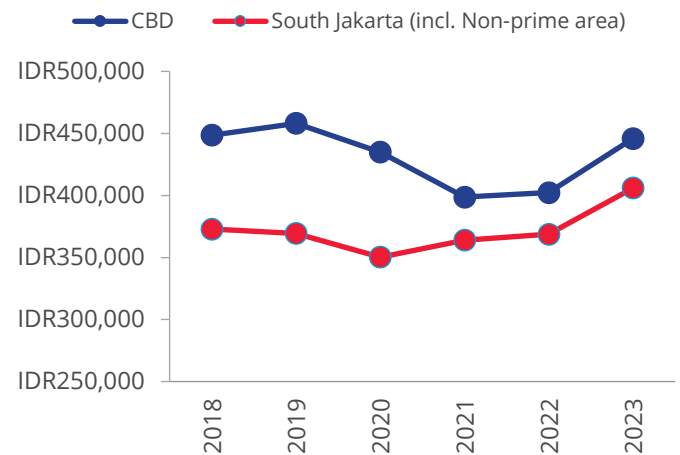
Additionally, we observe that the influx of new supply appears to outrun the occupancy rate, exerting downward pressure on rental rates in the near to medium term. The vacancy rate is projected to climb as the market requires time to absorb the incoming supply. As a consequence, the overall rental increment will be limited to a range of 1% to 3% in the next three years.

### Occupancy rate



Source: Colliers

### Rental rate



Source: Colliers

## Appendix

### Newly finished project

| Name of Development     | Location    | Region | Developer            | #units |
|-------------------------|-------------|--------|----------------------|--------|
| Le'Parc (The Mansion)   | Jl. Thamrin | CBD    | PT. Putragaya Wahana | 30     |
| Le'Parc (The Townhomes) | Jl. Thamrin | CBD    | PT. Putragaya Wahana | 25     |
| Le'Parc (The Terraces)  | Jl. Thamrin | CBD    | PT. Putragaya Wahana | 51     |

Source: Colliers

### Under construction project

| Apartment Name                                   | Location                    | Region        | Developer                 | #Units |
|--|-----------------------------|---------------|---------------------------|--------|
| <b>2024</b>                                      |                             |               |                           |        |
| Cleon Park Apartment (North Tower)               | Cakung, Jakarta Garden City | East Jakarta  | Modern Land Realty        | 310    |
| Pluit Seaview (Ibiza Tower)                      | Pluit                       | North Jakarta | Binakarya Propertindo     | 500    |
| Antasari Place (was 45 Antasari) (Tower 1)       | Antasari                    | South Jakarta | Prospek Duta Sukses       | 980    |
| Asthana Kemang (Sadewa Tower)                    | Jl. Ampera Raya No.17       | South Jakarta | PT. Synthesis Development | 362    |
| Branz Mega Kuningan                              | Mega Kuningan               | CBD           | Tokyuland                 | 482    |
| LRT City Ciracas - Urban Signature (Azure Tower) | Jl. Pengantin Ali, Ciracas  | East Jakarta  | Adhi Karya                | 1087   |
| The Newton 2 at Ciputra World 2                  | Jl. Karet Sawah             | CBD           | Ciputra                   | 624    |

*continued*

| Apartment Name   | Location                         | Region        | Developer  | #Units |
|--|----------------------------------|---------------|--|--------|
| <i>continuation</i>  |                                  |               |  |        |
| Apple Residence 3  | Jl. Karang Indah, Lebak Bulus    | South Jakarta | PT Diamond Land Development                        | 530    |
| Vittoria Residence (Tower Citrine)                             | Jl. Daan Mogot                   | West Jakarta  | PT. Duta Indah Kencana                             | 312    |
| Arumaya Garden Villa   | TB Simatupang                    | South Jakarta | Astra Land   | 59     |
| South Quarter Residence (Tower E)                              | TB Simatupang                    | South Jakarta | Intiland   | 336    |
| <b>2025</b>  |                                  |               |  |        |
| Antasari Place (was 45 Antasari) (Tower 2)                     | Antasari                         | South Jakarta | Prospek Duta Sukses                                | 621    |
| Asthana Kemang (was Synthesis Residence Kemang) (Nakula Tower) | Jl. Ampera Raya No.17            | South Jakarta | PT. Synthesis Development                          | 362    |
| The Veranda @ Lebak Bulus (Jimbaran Tower)                     | Lebak Bulus                      | South Jakarta | Pulau Intan & Nishitetsu                           | 178    |
| Adriya (North Tower)   | Jl. Pantai Indah Kapuk Boulevard | North Jakarta | ADR Group  | 108    |
| Adriya (South Tower)   | Jl. Pantai Indah Kapuk Boulevard | North Jakarta | ADR Group  | 108    |
| Savyasa (3 towers)   | Jl. Wijaya II                    | South Jakarta | Jakarta Setiabudi International & Swire Properties | 431    |
| Solterra Place (Tower Suites)                                  | Pejaten                          | South Jakarta | Waskita Realty                                     | 521    |
| The Padmayana  | Jl. Sinabung Raya No.58          | South Jakarta | Adhi Karya   | 145    |
| The Premiere MT Haryono - LRT City MT Haryono                  | Jl. MT Haryono                   | East Jakarta  | Adhi Karya   | 390    |
| B Residence Grogol   | Jl. Daan Mogot 79                | West Jakarta  | MGM Propertindo                                    | 252    |
| The Belton Residence (was Prajawangsa City)                    | Jl. Raya Bogor, Cijantung        | East Jakarta  | Synthesis Development                              | 200    |
| <b>2026</b>  |                                  |               |  |        |
| Moon Apartment   | Jl. Dharmawangsa VII             | South Jakarta | PT Dharma Tatemono Property                        | 85     |
| Sakura Garden City (Dahlia Tower)                              | Jl. Bina Marga No.88             | East Jakarta  | PT Trivo Group and Daiwa House                     | 648    |
| Two Senopati (Tower 1)   | Jl Senopati II                   | South Jakarta | Asiana Group                                       | 112    |

Source: Colliers

New pipeline of Serviced Apartment project

| Name of Development                    | Location      | Completion date | Area            | #units |
|--|---------------|-----------------|-----------------|--------|
| Parkroyal Serviced Suites Jakarta      | CBD           | 2024            | CBD             | 180    |
| Somerset Kencana Jakarta               | Pondok Indah  | 2024            | South Jakarta   | 148    |
| Ascott Menteng Jakarta                 | Jl. Menteng   | 2023            | Central Jakarta | 151    |
| Swissôtel Living Jakarta Mega Kuningan | Mega Kuningan | 2025            | CBD             | 240    |
| Citadines Kemang Jakarta               | Kemang        | 2025            | South Jakarta   | 180    |

Source: Colliers



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