Research

Jakarta Property Highlights

First Half 2008

Contents

Executive Summary

- Despite the uncertainties in the global economy and the hike in oil prices, the Indonesian economy still managed to grow by 6.4% in the 1st half of 2008. The BI rate has increased to 8.5%, while the rate of inflation surged to 11.03%. The shortage of electrical supply is expected to lead to increases in service charges in most commercial developments.

- Despite the high increase in new office supply, the overall occupancy rate has increased to 89.04%. Premium Grade-A and Grade-A office buildings enjoyed the strongest improvements in occupancy, while the occupancy in Grade-B and Grade-C buildings declined. In all sub-markets, rental rates increased driven by a combination of strong office demand and rising inflation.

- As of June 2008, the total retail space in Jakarta stood at 3,154,143 sq m. The overall occupancy rate increased to 87.99%; however, overall occupancy may decrease by end of the year mainly due to the potential additional vacant space delivered by major strata-title centres. Following the increase in supply, gross rents are expected to drop further in almost all sub-markets.

- During the 1st half of 2008, 5,138 units of new supply entered the market bringing the total condominium stock to 62,152 units, an increase of 9.0% as compared to previous semester. Between the 2nd half of 2008 up to 2010, there will be an additional 23,343 units entering the market. Total net take-up decreased by 20.7% to 9,221 units due to the lower number of completed and launched projects during first half of 2008. However the sales rate of existing projects remained high at 97.3%, while the sales rate of the proposed projects is recorded at 62.4%.

- The overall occupancy rate of rental apartments remained steady at 84.2% despite an additional two new serviced apartments. The rental rates for both serviced apartments and non-serviced apartments declined, with the exception of serviced apartments located in CBD area. The increasing competition from condominiums offered as serviced/rental apartments and relatively stagnant demand are expected to put further downward pressure on the overall occupancy rate and rental rates.

- There were no new hotels completed during the semester, although the total supply of hotel rooms has increased slightly by 1.4% from the previous semester to 20,856 rooms due to completion of room renovations in existing hotels. Supported by the Visit Indonesia 2008 program and healthy growth in demand, the overall occupancy rate increased to 69.85% which translated into a further improvement of average room rates in all sub-markets in US dollar terms.

Knight Frank Newmark Global

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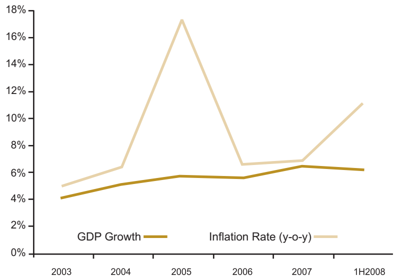
Economy at a Glance

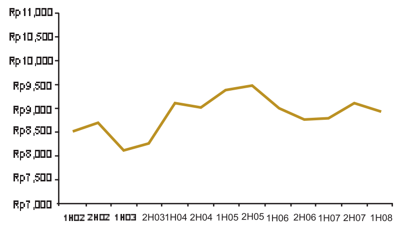
"Despite global economic turbulence, Indonesia's economy still managed to grow at 6.4% in the 1st half of 2008"

Figure 1
GDP Growth vs Inflation Rate
(Year 2003 - 1H2008)



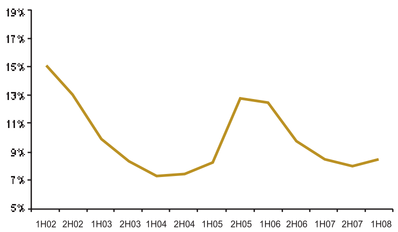
Source: Central Bank of Indonesia

Figure 2
Exchange Rate (Rp / US$1)
(1H 2002 - 1H 2008)



Source: Central Bank of Indonesia

Figure 3
Interest Rate (1-month SBI Rate)
(1H 2002 - 1H 2008)



Source: Central Bank of Indonesia

GDP Growth

Despite the turbulence in the global economy, Indonesia's economic momentum has remained intact, with GDP growth of 6.4% (y-o-y) in the first half of 2008. This economic growth was attributed to strong growth from the transport & communication sector, followed by manufacturing industry and the trade, hotel & restaurants sector.

Export growth remains strong, increasing by 12% (y-o-y), supported by strong growth in the Asian market, especially in China and India, as well as higher prices for several commodities. In addition, the increase in volume and value of trade between ASEAN countries makes the Indonesian export market less sensitive to the economic slowdown in the developed countries.

Indonesia's economic growth is expected to remain at 6.4% by the end of 2008, driven by rising investment, private consumption, as well as healthy export activities.

Exchange Rate

The exchange rate was quite volatile during the first half of 2008. Higher imports have resulted in higher demand for the US$ currency, however, by the end of the semester the exchange rate managed to appreciate by 2.1% to Rp 9,225 as compared to Rp 9,415 at the end of the previous semester.

Inflation

During the first half of 2008, the inflation rate increased significantly from 6.59% in December 2007 up to 11.03% in June 2008. The sharp increase in global oil prices, reduction of government subsidies on fuel prices, higher commodity prices, coupled with the lack of global food supply have triggered the hike in the inflation rate. Domestic prices surged in the first half of 2008, with transportation, communication and financial services being major contributors to the soaring inflation. Domestic transportation costs have increased by 15-25%. The Central Bank of Indonesia estimates that by the end of year inflation may reach 11.5-12.5%.

During the period, construction costs have risen, driven largely by substantial increases in the prices of commodities such as steel and cement. As a result, there has been an increase in property selling prices, which will eventually affect demand in the property sector. The oil price hike also impacts the electricity cost and coupled with the shortage of electrical supply are expected to lead to increases in service charges in most commercial developments.

Interest Rate

The 1-month BI rate remained stable at 8.00% between December 2007 and April 2008. However, the Central Bank of Indonesia (BI) increased the BI rate by 25 bps to 8.25% in May, and by a further 25bps in June to 8.50%. With the high inflation rate in the first half of 2008, it is likely that Bank of Indonesia, moving forward, will continue to increase the BI rate at least until the end of the year.

Along with the declining trend of the lending rate which is down to approximately 12% from 13% in the previous semester, this has stimulated a further expansion in outstanding bank credit to Rp 1,137.7 trillion, up by 31.4% from the Rp 865.6 trillion recorded in the previous period. Apparently there is time lag between increases in inflation and the BI interest rate and increases the lending rate but we project that this will reverse by end of the year.

"Foreign investment realization jumped by 163.8% in the first 5 months of 2008"

Investment

In the first quarter of 2008, domestic investment planning approvals reached Rp 13,472 billion, dropping by more than 80% as compared to the first quarter of 2007. Foreign investment has also decreased by 55% to US$6,382 million from US$14,133 million in the same period last year.

Based on the latest data provided by the Investment Coordinating Board, in the first 5 months of 2008, the average realized investment however grew by 86.9% to Rp 93.3 trillion as compared to Rp 51.92 trillion in the previous semester. Foreign investment realization jumped by 163.8% to US$9,776.6 million from US$3,706.0 million in the same period last year. In contrast, the realized domestic investment decreased by 68.3% to Rp 5,906.4 billion from Rp 18,616.9 billion.

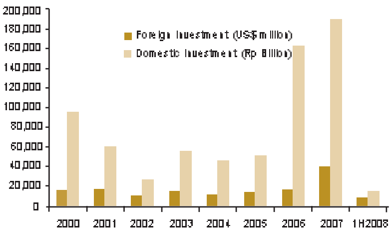
According to the Investment Coordinating Board, the lower level of domestic investment realization is a result of funds being shifted into the capital market and the banking sector.

The Investment Coordinating Board anticipates that investment realization committed in 2007 will be delayed in the next 6-9 months, because investors need to recalculate their investment plans due to the impact of the hike in fuel prices.

Figure 4

Investment Approvals

(Year 2000 - 1H2008)



Source: Investment Coordinating Board

Economic Indicators

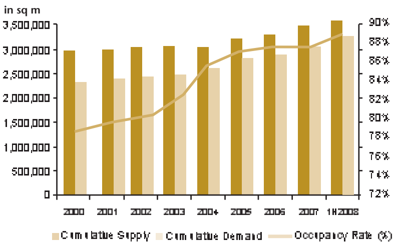
Indicator	2003	2004	2005	2006	2007	1H2008
GDP [1]	4.07%	5.03%	5.60%	5.50%	6.32%	6.40%
Inflation [2]	5.06%	6.40%	17.11%	6.60%	6.59%	11.03 %
1-month SBI Rate	8.39%	7.43%	12.75%	9.75%	8.00%	8.50%
Exchange Rate (per US$-end of year)	Rp.8,465	Rp. 9,290	Rp. 9,830	Rp. 9,020	Rp. 9,419	Rp. 9,225
Foreign Investment Planning Approvals [3]						
No. of Projects	1,246	1,253	1,649	1,718	1,976	N/A
Value (US$ million)	14,300.8	10,470.1	13,635.8	15,659.1	40,145.8	6,382
Domestic Investment Planning Approvals [3]						
No. of Projects	236	206	218	225	227	N/A
Value (Rp. Billion)	55,832.1	44,801.7	50,577.3	162,767.2	188,876.3	13,472

Source: Processed from Multiple Sources by Knight Frank / PT. Willson Properti Advisindo
[1] at Year 2000 Constant Prices
[2] Starting 1 July 2008, BPS use 2007 as CPI base year
[3] Based on 1Q 2008 data, the Investment Coordinating Board have not released the information for 2Q 2008

CBD Office Market

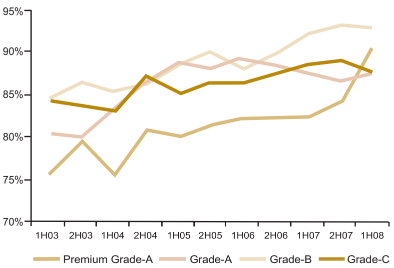
"Total existing stock increased to 3.67 million sq m"

Figure 5
Jakarta Office Market Supply & Demand
(2000 - 1H2008)



Source: Knight Frank / PT. Willson Properti Advisindo

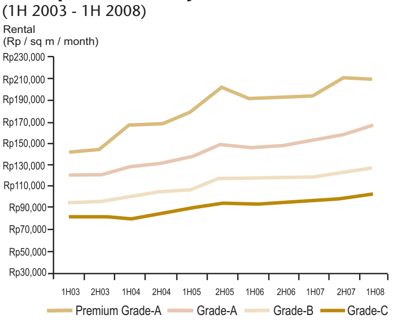
Figure 6
Occupancy Rate by Office Grade
(1H 2003 - 1H 2008)



Source: Knight Frank / PT. Willson Properti Advisindo

"Developers continue to add new supply in response to the strong market improvement"

Figure 7
Asking Gross Rental Rates in Rupiah Term by Office Grade
(1H 2003 - 1H 2008)



Source: Knight Frank / PT. Willson Properti Advisindo

"Net take-up reached the highest level recorded since the onset of the economic crisis"

Supply

The completion of One Pacific Place, Sentral Senayan 2, The East, Permata Kuningan and two office towers at Senayan City, namely SCTV Tower and Panin Tower, has added approximately 173,388 sq m to the existing office stock in the CBD. As at the first half of 2008, total existing stock is 3,665,338 sq m.

The strong, steady trend of market improvement has prompted developers to continue to build new office buildings. The total proposed supply currently under construction and scheduled for completion in 2008-2010 is recorded at 729,886 sq m. In addition, we are aware of some mooted supply that is presently on the drawing board, and hence the project completion dates cannot be determined at this stage.

Based on the type of office space, 45% of the proposed supply comprises rental office buildings, 34% represents strata-title offices and the remaining 21% of proposed supply offers both rental and strata-title office space.

Table 1 Future Office Supply Completion Schedule (Year 2008 - 2010)
Source: Knight Frank / PT. Willson Properti Advisindo

Year	Office Name	Lettable Area	Location	Type
2008	Menara Palma	35,000 sq m	H.R. Rasuna Said	Lease
2008	Grand Indonesia	80,000 sq m	M.H. Thamrin	Lease
2008	The Energy	65,283 sq m	Sudirman	Lease
2008	Bakrie Tower	70,000 sq m	H.R. Rasuna Said	Strata
2008	Menara Dea II	14,500 sq m	Mega Kuningan	Lease
2009	City Tower	66,000 sq m	M.H. Thamrin	Strata & Lease
2009	Cyber 2	48,000 sq m	H.R. Rasuna Said	Strata & Lease
2009	Sudirman Tower	26,000 sq m	Sudirman	Lease
2009	Thamrin Nine (UOB Plaza)	40,000 sq m	Sudirman	Strata & Lease
2009	The Plaza	56,238 sq m	M.H. Thamrin	Lease
2010	Kota Kasablanka	49,065 sq m	Cassablanca	Strata
2010	Kuningan City	50,000 sq m	Dr. Satrio	Strata
2010	Equity Tower	79,800 sq m	SCBD	Strata
2010	Chase Tower II	50,000 sq m	Sudirman	Lease
	Total	**729,886 sq m**		

Demand

Despite the large increase in new supply, overall occupancy has risen to 89.04%, leaving 401,770 sq m of space vacant. Premium Grade-A and Grade-A buildings enjoyed the strongest improvement in occupancy. On the other hand, Grade-B and Grade-C buildings recorded a decrease in occupancy. At the end of June 2008, occupancy rates were 90.49% for Premium Grade-A, 87.47% for Grade-A, 93.04% for Grade-B and 87.64% for Grade-C.

The first half of 2008 recorded a net take-up of 206,379 sq m, the highest net take-up since the onset of the economic crisis in 1998. Whilst the Grade-A sub-market recorded the highest level of new supply, it has also captured over 80% of the net take-up. The Premium Grade-A sub-market captured almost 20% of the net take-up. Meanwhile, Grade-B and Grade-C sub-markets recorded negative net take-up, as tenants continued to upgrade their office premises to higher quality buildings.

Newly completed Grade-A office buildings have continued to record high take-up rates. Standard Chartered Bank has occupied Menara Satrio (now Menara Standard Chartered), Manulife has moved to Sampoerna Strategic Square, whilst SCTV and Panin Group have taken occupancy at the two new office towers at the Senayan City complex. Meanwhile, some under-construction Grade-A buildings have also achieved high pre-commitment rates, as evidenced by BCA taking up space at Grand Indonesia, Medco at The Energy, ICBC at City Tower and UOB at Thamrin Nine (now UOB Plaza).

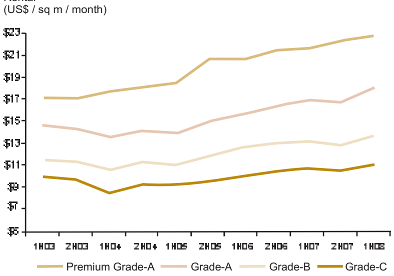
Major sources of demand include the banking/finance, media, insurance, telecommunications, oil/mining and consumer goods sectors.

"Base rentals and service charges continued to increase in all sub-markets in both Rupiah and US Dollar terms"

Figure 8

Asking Gross Rental Rates in US Dollar Term by Office Grade

(1H 2003 -1H 2008)



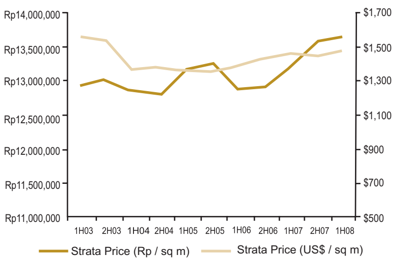
Source: Knight Frank / PT. Willson Properti Advisindo

"Average strata-title price also increased"

Figure 9

Average Asking Selling Price of Strata-Title Office

(1H 2003 -1H 2008)



Source: Knight Frank / PT. Willson Properti Advisindo

"Occupancy is expected to remain stable. Average gross rentals may rise due to continued increase in take-up and the recent fuel price hike"

Table 2 Jakarta CBD Office Market Highlights 1H - 2008

Source: Knight Frank / PT. Willson Properti Advisindo

Office Type	Total Existing Supply	Occupancy Rate	Vacant Space
- Rental Office	3,100,230 sq m	89.76%	317,615 sq m
- Strata-title Office*	410,086 sq m	79.67%	83,379 sq m
- Owner Occupied Office	155,021 sq m	99.50%	776 sq m
Total	**3,665,338 sq m**	**89.04%**	**401,770 sq m**

* Some portion of the strata-title office space have been offered for lease

Rents and Prices

Gross rentals have increased in all sub-markets. The increase in gross rentals has been caused by not only a surge in inflation, but also by strong demand for offices. As such, both base rentals and service charges increased in nearly all sub-markets, both in Rupiah and US Dollar terms.

At the end of June 2008, average asking gross rentals in the Premium Grade-A, Grade-A, Grade-B and Grade-C sub-markets were US$22.72, US$17.97, US$13.78 and US$11.20 per sq m per month, respectively.

The market improvement has also occurred in the strata-title market. With an increase in strata-title office absorption, the average price of strata-title office buildings rose to Rp 13.64 million (US$1,478) per sq m.

Table 3 Asking Base Rental Rates and Service Charges by Office Grade (1H 2008)

Source: Knight Frank / PT. Willson Properti Advisindo

CBD Office Grade	Base Rental /sq m		SC /sq m		Gross Rental /sq m		Changes from 2H 2007	
	Rupiah	US$	Rupiah	US$	Rupiah	US$	Rupiah	US$
Overall CBD	Rp. 107,489	$11.65	Rp.56,736	$ 6.15	Rp.164,225	$17.80	3.9%	6.1%
Premium Grade-A	Rp. 144,729	$15.69	Rp.64,824	$ 7.03	Rp.209,554	$22.72	-0.3%	1.8%
Grade-A	Rp. 108,292	$11.74	Rp.57,482	$ 6.23	Rp.165,774	$17.97	4.9%	7.1%
Grade-B	Rp. 77,397	$ 8.39	Rp.49,731	$ 5.39	Rp.127,128	$13.78	3.7%	5.8%
Grade-C	Rp. 64,989	$ 7.04	Rp.38,363	$ 4.16	Rp.103,353	$11.20	3.8%	6.0%

US$1 = Rp 9,225

Market Outlook

With continued strong take-up and the high pre-commitment rates of the majority of under-construction projects that are scheduled for completion in 2008, overall occupancy is expected to remain stable for the rest of the year. Nevertheless, occupancy of older buildings is likely to remain under pressure, since tenants continue to 'trade up', i.e. move to newer, better quality buildings. The renovation of some older buildings will continue throughout 2008.

Average gross rentals are expected to increase. Rising rents will result from a fundamental improvement in take-up, as well as escalating inflation caused by the recent fuel price hike, which is likely to cause increased service charges.

Retail Market

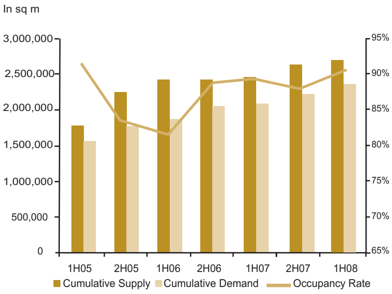
Supply

“Premium Grade-A centres grew by almost 50% since the first semester last year”

The completion of new centres, namely FX Plaza and Pluit Junction, both adopting a lifestyle and entertainment concept, marked the Jakarta retail market during 1st half of 2008. FX Plaza was formerly Sudirman Place and has been taken over by Plaza Indonesia Realty, which also developed Plaza eX and Plaza Indonesia. Together with Pusat Grosir Cililitan 2, a new strata-title centre that operated during the review period, these centres have brought an additional new supply of 66,000 sq m to the Jakarta retail market. As of June 2008, the overall retail space stood at 3.154 million sq m. Leased centres continued to dominate the total retail space inventory with nearly 55% or 1.690 million sq m. By grade, the existing Premium Grade-A centres increased their share of the total space from previously 12.53% during the last semester to 13.25%, whilst the existing Grade-A centres were relatively stable at 12.35%. Grade-B retail centres took the largest proportion with 44.7% followed by Grade-C retail centres with 29.7%.

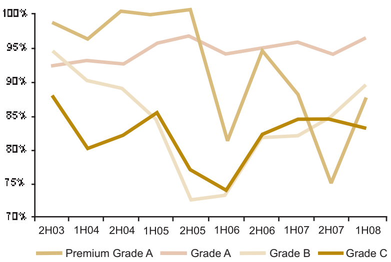
A number of pipeline projects are scheduled for completion by the end of 2008, of which approximately 64.3% will come from major strata-title projects, namely Blok M Square and Seasons City. A larger volume of proposed supply of approximately 596,032 sq m will be delivered into the market in 2009, of which 57.8% will come from major leased centres within mixed use developments outside the CBD, such as Central Park at Tanjung Duren, Gandaria Main Street and Kota Kasablanka.

Figure 10
Jakarta Retail Market Supply and Demand
(1H 2005 - 1H 2008)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 11
Occupancy Rate of Shopping Centers by Grade
(2H 2003 - 1H 2008)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 4 Future Supply Completion Schedule (2008-2009)

Source: Knight Frank / PT. Willson Properti Advisindo

Year	Project Name	Retail Type	Location	Total Supply
2008	Plaza Indonesia 2	Lease	CBD	25,000 sq m
2008	Mall Pejaten Village	Lease	Non-CBD	40,000 sq m
2008	Blok M Square	Strata	Non-CBD	110,757 sq m
2008	Thamrin Nine	Lease	CBD	30,000 sq m
2008	Seasons City (Previously Latumanten City)	Strata	Non-CBD	60,000 sq m
2009	Jatinegara Lexy Square	Strata & Lease	Non-CBD	18,000 sq m
2009	Epicentrum Walk (Rasuna Episentrum)	Lease	CBD	26,500 sq m
2009	Plaza Emporium CBD Pluit	Lease	Non-CBD	64,000 sq m
2009	Gandaria Main Street (Gandaria City)	Lease	Non-CBD	75,000 sq m
2009	Mall of Indonesia (Kelapa Gading Square)	Strata & Lease	Non-CBD	147,500 sq m
2009	Kota Kasablanka	Lease	Non-CBD	82,032 sq m
2009	Central Park at Tanjung Duren	Lease	Non-CBD	115,000 sq m
2009	Kemang Village	Lease	Non-CBD	55,000 sq m
2009	City Lofts Gajah Mada	Lease	Non-CBD	13,000 sq m
	Total			**861,789 sq m**

“About 21% of proposed supply delivered by the end of 2008 will come from projects located in the CBD”

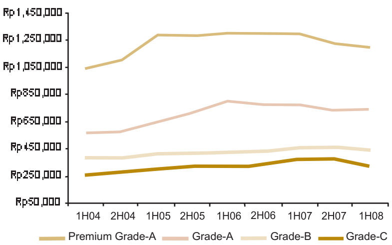
Table 5 Summary of Future Supply (2008-2009)

Source: Knight Frank / PT. Willson Properti Advisindo

Year	Leased Retail	Strata-Title Retail	Lease & Strata-Title Retail	Total Supply
2008	95,000 sq m	170,757 sq m	-	265,757 sq m
2009	430,532 sq m	- sq m	165,500 sq m	596,032 sq m
Total Proposed Supply 2008-2009				861,789 sq m

"Improved overall occupancy was mainly due to an increase of the occupancy rate in the new premium grade A centres"

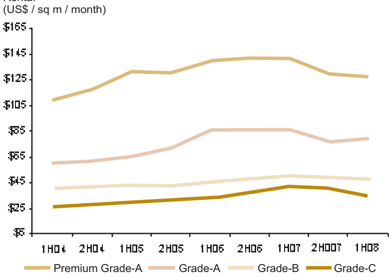
Figure 12
Asking Gross Rental Rates of Ground Floor Shopping Centers in Rupiah by Grade
(1H 2004 - 1H 2008)



Source: Knight Frank / PT. Willson Properti Advisindo

"Most sub-markets experienced minor downward adjustments in asking gross rents, with the largest decline observed in Grade-C retail centres."

Figure 13
Asking Gross Rental Rates of Ground Floor Shopping Centers in US$ by Grade
(1H 2004 - 1H 2008)



Source: Knight Frank / PT. Willson Properti Advisindo

"Overall occupancy rate will decrease in light of the large volume of new supply coming on stream by end of 2008"

Demand

An increasing number of retailers opening their premises in newly opened centres mainly in Premium Grade-A centres such as Grand Indonesia and Pacific Place have boosted the occupancy in the sub-market to 87.49% from the previous semester's occupancy of 75.21%. Tenants of both foreign and domestic brands that opened their stores in Premium Grade-A retail centres during the review period included M Pacific, Louis Vuitton, Gramedia, and Celebrity Fitness VIP. Meanwhile, former tenants of Sudirman Place such as Bali Deli, Starbucks, and Guardian have secured their premises in the newly opened FX Plaza, which has achieved a pre-commitment level of above 85%. Grade-A retail centres enjoyed an occupancy rate of 96.08%, higher than the previous semester's level of 93.54%. Whilst the occupancy rate of Grade-B retail centres increased from 84.63% to 89.25%, Grade-C occupancy fell from 84.14% to 82.97%.

Overall, the occupancy rate stood at 87.99%, representing vacant retail space of 387,720 sq m, a 21.16% decrease over the semester. Strata-title retail centres remained the largest contributor of vacant space with approximately 63.46%.

Table 6 Jakarta Retail Market Highlights (1H - 2008)
Source: Knight Frank / PT. Willson Properti Advisindo

Retail Type	Total Existing Supply	Occupancy Rate	Vacant Space
- Rental Space	1,689,810 sq m	91.81%	138,380 sq m
- Strata-title Space	1,464,333 sq m	83.59%	240,340 sq m
Total	**3,154,143 sq m**	**87.99%**	**378,720 sq m**

Rents and Prices

In Rupiah terms, the average gross rental rate of prime ground floor space fell by 3.11% over the first half of the year to Rp 659,688/sq m/month. Similarly, US Dollar rents declined by 2.39% to US$70.55/sq m/month. Whilst Grade-A rents were relatively unchanged, those in Premium Grade-A centres experienced a slight fall of 2.65% in Rupiah terms and 1.93% in US Dollar terms. Meanwhile, asking gross rents in Rupiah terms in Grade-B centres were down by 4.11% in Rupiah terms and 3.40% in US Dollar terms. In addition, Grade-C rents experienced a more significant decrease both in Rupiah terms (12.30%) and Dollar terms (11.65%).

Table 7 Asking Base Rental Rates and Service Charges of Prime Ground Floor by Shopping Center Grade (1H 2008)
Source: Knight Frank / PT. Willson Properti Advisindo

Shopping Center Grade	Base Rental /sq m		SC /sq m		Gross Rental /sq m		Changes from 2H 2007	
	Rupiah	US$	Rupiah	US$	Rupiah	US$	Rupiah	US$
Overall	Rp. 581,439	$ 62.19	Rp. 78,848	$ 8.37	Rp. 659,688	$ 70.55	-3.11%	-2.39%
Premium Grade-A	Rp.1,080,416	$115.55	Rp.108,522	$11.61	Rp.1,188,939	$127.16	-2.65%	-1.93%
Grade-A	Rp. 653,644	$ 69.91	Rp. 74,475	$ 7.97	Rp. 728,120	$ 77.87	0.00%	0.74%
Grade-B	Rp. 363,951	$ 38.93	Rp. 70,540	$ 7.54	Rp. 434,491	$ 46.47	-4.11%	-3.40%
Grade-C	Rp. 264,051	$ 28.24	Rp. 60,229	$ 6.44	Rp. 324,280	$ 34.68	-12.30%	-11.65%

US$1 = Rp.9,225

Market Outlook

With a large volume of new supply expected to come on stream by the end of the year, overall occupancy may decrease mainly due to the potential additional vacant space delivered in major strata-title centres. Asking gross rents in Grade-B and C centres may have further pressures in line with increases in operating costs due to oil price rises.

Condominium Market

"The secondary area still holds the majority of the Jakarta's condominium stock"

Supply

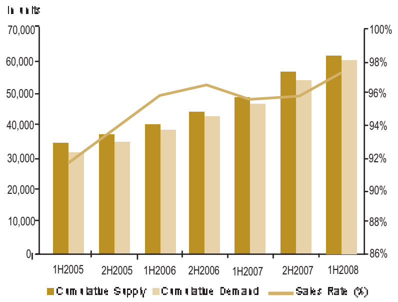
During the first half of 2008, 5,138 units of new supply entered the market bringing the total stock to 62,152 units, an increase of 9.0% compared to the previous semester. Approximately 36.8% of the total new supply came from 6 new condominium projects with a total of 1,893 units namely FX Residences (previously known as Pinnacle), Patria Park, Hampton Park, Marbella Kemang Residence, Sahid Metropolitan Residences and Kempinski Residence. The remaining 3,245 units came from new developed towers in the existing condominium complexes in Kelapa Gading Square, Taman Rasuna (Rasuna the 18th) and Mediterania Marina.

Existing condominiums are largely distributed in secondary areas, which hold approximately 60.3% of the total stock due to several large scale middle class segment condominium developments, mostly located in mixed-use developments in the West and North of Jakarta. However, the increasing trend of "city living" has stimulated a growing supply of condominiums in the CBD, with 874 new units added since the previous semester, taking the CBD's share to 26.4% of total stock. Meanwhile the remaining 13.3% of total stock is distributed in the prime residential areas in South and Central Jakarta.

Figure 14

Jakarta Condominium Market Supply and Demand

(1H 2005 - 1H 2008)



Source: Knight Frank / PT. Willson Properti Advisindo

The first landmark condominium development in West Jakarta, St. Moritz (3 towers, 500 units), was launched during the first half of 2008 indicating a growing market of condominium buyers from West Jakarta. The other major newly launched projects include The Wave (3 towers, 1,031 units), Denpasar Residences (1 tower, 468 units), MT Haryono Residences (1 tower, 230 units), and The View at Pakubuwono (2 towers, 382 units). In addition, some proposed condominium projects have also launched their new towers such as Kemang Village, Nirvana Kemang and The Essence. Approximately 3,056 units are expected to be completed by the end of 2008. A total of 23,343 units in proposed projects are projected to enter the market by the end of 2010 or approximately an additional 37.6% of the total current stock.

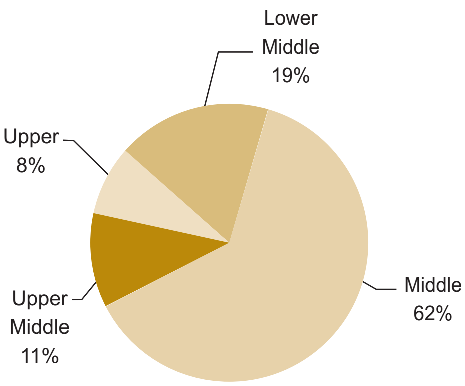
Table 8 Future Condominium Supply (Year 2008 - 2010)

Source: Knight Frank / PT. Willson Properti Advisindo

Year	Total Proposed Supply
2008	3,056 units
2009	12,508 units
2010	7,779 units
Total Proposed Supply	**23,343 units**

Figure 15

Market Segmentation of Existing Condominium Supply



Source: Knight Frank / PT. Willson Properti Advisindo

In addition, we also noted that the government program to build 1,000 towers of low cost condominium in 10 big cities, priced at between Rp 90 million and Rp 144 million /unit and targeted to those with a monthly income of Rp 2 million to Rp 4.5 million has been perceived well by the market. These condominiums are exempted from tax and received subsidized mortgage rate from the government.

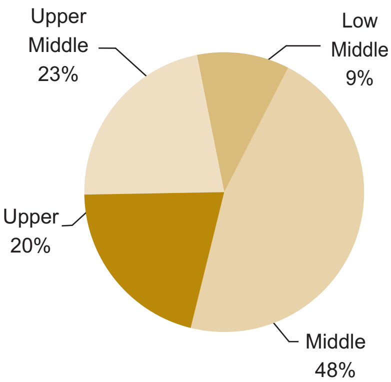
The first half of 2008 marked the launch of government subsidized condominium with approximately 18,400 units entered the market during the period. The take-up rate was extremely high with some projects were able to sell the entire units in less than 3 months. However, we also noted that large portion of buyers is reportedly came from higher income groups making the program partly missed its target. Tighten control and follow up regulations have to be imposed by the government to overcome the issue.

Demand

Total net take-up decreased by 20.7% to 9,221 units due to a lower number of completed and launched projects during the first half of 2008. However, the sales rate of existing projects remained high with 97.3%, an increase of 1.4% from the previous semester, leaving 1,664 units unsold. Meanwhile, the sales rate of the proposed projects is recorded at 62.4% (14,560 absorbed units) leaving 8,783 units unsold, which is expected to increase in line with the development progress. We noted that demand for middle segment projects dominates the market, in particular for those located in the Central (CBD) and West Jakarta areas.

"Strong take-up in existing projects "

Figure 16
Market Segmentation of Proposed Condominium Supply



Source: Knight Frank / PT. Willson Properti Advisindo

"Average sales price increase both in Rupiah and US$ terms"

Table 9 Jakarta Condominium Market Highlights (1H - 2008)
Source: Knight Frank / PT. Willson Properti Advisindo

Total Existing Supply	62,152 units
Sales Rate of Existing Supply	97.3%
Existing Unsold Units	1,662 units
Proposed Supply 2008 - 2010	23,343 units
Pre-sales Rate of Proposed Supply	62.4%

Prices

During the first half of 2008, the average sales price of condominiums increased in Rupiah terms by 6.3% in the CBD and by 4.2% in prime non CBD areas respectively. The rise in average sales prices was partly attributed to the increase in construction costs due to recent rises in the prices of fuel and building materials. The average condominium sales price within the CBD area and prime non-CBD areas are therefore adjusted to Rp.14.3 million per sq m and Rp.12.3 million per sq m, respectively.

Table 10 Condominium Asking Sales Prices and Service Charges by Location (1H 2008)
Source: Knight Frank / PT. Willson Properti Advisindo

Location	Asking Sales Price /sq m		Service Charge /sq m		Changes from 2H 2007	
	Rupiah	US$	Rupiah	US$	Rupiah	US$
CBD	Rp.14,293,646	$1,529	Rp.14,920	$1.60	6.29%	7.07%
Prime Non-CBD	Rp.12,278,934	$1,313	Rp.11,658	$1.25	4.20%	4.97%
Secondary Non-CBD	Rp. 7,487,478	$ 801	Rp. 8,271	$0.88	-0.29%	0.44%

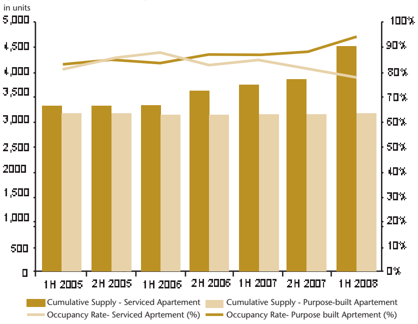
US$1 = Rp.9,225

Market Outlook

New upcoming projects will be concentrated in South Jakarta for the next few years as this is one of the most sought-after locations for living. In addition, worsening traffic conditions and lack of reliable and convenient public transportation will continue to stimulate demand for condominiums in Jakarta's CBD and surrounding areas from end-user buyers. We foresee that the there will inevitably be upward pressure on sales prices as a result of the impact of the hike in fuel prices, and developers will be under pressure to slash their profit margins in order to stay competitive .

"New existing supply came from service apartments"

Figure 17
Jakarta Rental Apartment Occupancy Rates
(1H 2005 - 1H 2008)



Source: Knight Frank / PT. Willson Properti Advisindo

"Rentals will be further adjusted as a result of the imbalance between supply and demand."

Rental Apartment Market

Supply

During the first half of 2008, 518 units were added to the total rental apartment stock with the operation of two serviced apartment , namely Mediterania Marina (350 units) and Shangri-La Residences (168 units). The Mediterania Marina is the first serviced apartment project operated in North Jakarta and is managed by Aston. The proportion of serviced apartments has grown due to both the apartments mentioned above, which contributed by approximately 4% of total rental apartments to become 59% and bringing total supply of serviced apartment to 4,533 units. As of June 2008 the cumulative rental apartment stock was recorded at 7,702 units.

We are expecting that two additional serviced apartment projects from strata-title units totalling about 364 units will commence operation by end of 2008. Both projects will also be managed by Aston and targeted at the upper-middle segment.

Demand

During the first half of 2008, rental activities remained stable although massive supply from strata-title condominium units continued to increase the market competition. As of June 2008, the average physical occupancy rate was relatively flat at 84.23%. from previously 84.33% in December 2007. However, occupancy trends vary between sub-markets. The occupancy rate of serviced apartments decreased by 3.8% from the previous period to 77.1% due to new supply coming on stream. In contrast, the occupancy rate of purpose-built rental apartments has increased by 5.89% to 94.4% as some rental apartments with good relationships with multinational corporations obtained repeat inquiries. Expatriate tenants from Asia countries still dominate the rental market, in particular Japanese and Korean tenants. In addition, we also noted growing numbers of inquiries from Indian and Chinese nationals.

Table 11 Jakarta Rental Apartment Market Highlights (1H 2008)
Source: Knight Frank / PT. Willson Properti Advisindo

Market Segment	Total Supply	Occupancy
Serviced Apartments	4,533 units	77.12%
Non-Serviced, Purpose-Built Rental Apartments	3,169 units	94.41%
Total Existing Supply	**7,702 units**	**84.23%**

Rents

Stiffening rental market competition has put pressure on rentals except for serviced apartments that are located in the CBD area. Rents for serviced apartments in the CBD area in US$ terms increased by 2.8% to US$21.85 per sq m, while in prime non-CBD areas, rents decreased by 9.35% to US$16.06 per sq m. Meanwhile, monthly gross rentals in non-serviced, purpose-built rental apartments both in CBD and prime non-CBD areas decreased to US$13.85 and US$11.66 per sq m respectively.

Table 12 Asking Gross Rental Rates of Jakarta Rental Apartment Market (1H 2008)
Source: Knight Frank / PT. Willson Properti Advisindo

Market Segment	Asking Gross Rental/month		Change from 2H 2007	
Serviced Apartments	**Rupiah/sq m**	**US$**	**Rupiah**	**US$**
- CBD	Rp.201,772	$21.58	2.11%	2.86%
- Prime Non-CBD	Rp.150,157	$16.06	-10.01%	-9.35%
Non-Serviced, Purposed-Built Rental Apartments				
- CBD	Rp.129,149	$13.81	-9.15%	-8.48%
- Prime Non-CBD	Rp.109,035	$11.65	-11.65%	-11.00%

US$1 = Rp.9,225

Market Outlook

We expect to witness further increases to the total rental apartment stock with the completion of condominiums offered as service apartments into the rental market. Meanwhile, demand is projected to remain stagnant and anticipated to give further downward pressure on the overall occupancy rate and rental rates. In addition, a trend towards shorter terms of lease is also expected.

Hotel Market

Supply

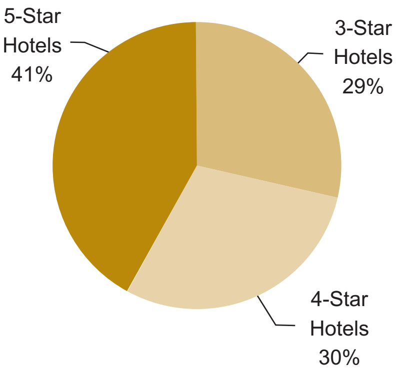
"Some of the new hotel completions are delayed to early 2009"

There were no new hotels completed during the period, nevertheless we recorded a small amount of additional supply from the completion of room renovations in existing hotels which brings the total available rooms to 20,856 or an increase of 1.4% from previous semester. The distribution of hotel rooms is still dominated by 5-star hotels with 40.96% or 8,542 rooms, followed by 4-star hotels with 30.21% (6,300 rooms) and 3-star hotels with 28.84% (6,014 rooms).

The proposed supply for the period from the second half of 2008 until 2010 is expected to reach 3,984 rooms from 16 hotels, most of which will come from the 5 star hotels sub-market, with approximately 55% of the new supply (8 hotels). Meanwhile, 4-star and 3-star hotels are expected to contribute 32% and 13% of the new supply, respectively.

A number of projects that had been expected to be completed this year will be delayed until early 2009, such as Aston Mangga Dua, Hotel & Residence, Ibis Patria Park, Akmani Hotel and Harris Hotel. Only a small portion of the proposed supply will be completed in the second half of 2008, including Kempinski at Grand Indonesia, Aston Soho, Hotel & Residence and Grand Aston Albergo at Bellezza. The majority of the new supply is expected to be completed in 2009 and 2010, accounting for approximately 38% and 44% of the total proposed supply, respectively.

Figure 18
Market Segmentation of Existing Jakarta Hotel Supply

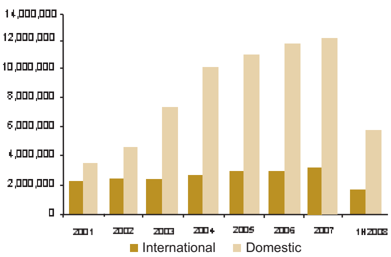


Source: Knight Frank / PT. Willson Properti Advisindo

Table 13 Future Hotel Supply Completion Schedule (Year 2008 - 2010)
Source: Knight Frank / PT. Willson Properti Advisindo

Year	Project Name	Star Rating	No. of Room	Location
2008	Grand Aston Albergo di Bellezza	5*	200	Non CBD
2008	Aston Soho, Hotel & Residence	4*	260	Non CBD
2008	Kempinski at Grand Indonesia	5*	260	CBD
2009	Aston Mangga Dua, Hotel & Residence	4*	148	Non CBD
2009	Fashion Hotel	4*	250	Non CBD
2009	Hotel Akmani	3*	118	Non CBD
2009	Hotel Harris	4*	310	Non CBD
2009	Hotel Omitrako	3*	250	Non CBD
2009	Hotel Pluit Emporium	4*	280	Non CBD
2009	Ibis Patria Park	3*	160	Non CBD
2010	Aryaduta Regency Hotel	5*	350	Non CBD
2010	Hotel at Gandaria City	5*	300	Non CBD
2010	The Raffles Jakarta at Ciputra World	5*	180	CBD
2010	Kota Kasablanca	5*	512	Non CBD
2010	Somerset	5*	200	CBD
2010	St. Regis Hotel	5*	176	CBD
	Total		**3,954**	

Figure 19
Passenger Arrivals at Soekarno-Hatta Int'l Airport
(2001 - 1H2008)

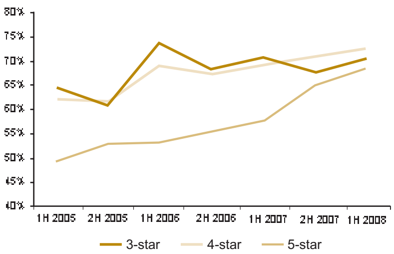


Source: PT (Persero) Angkasa Pura II

Demand

In order to boost the tourism sector, the government is holding the Visit Indonesia 2008 program with the special theme "Celebrating 100 years of National Awakening". The program will consist of more than 100 events throughout 33 provinces for the period of January until December 2008. The program is targeted to bring in up to 7 million foreign tourists to Indonesia and aiming for US$7 million in revenues. So far, during the first six months of 2008, the total number of foreign tourists has reached 2,902,604 people or almost 42% of the full year target. Noting that the high-season will continue from June to July, it is likely that foreign tourist arrivals will increase further. However, the targeted number set by the government is far above the average historical level of foreign tourist arrivals in the past 10 years which ranges between 4.5 to 5.5 million. Given the upcoming election in 2009 and also the global economic downturn, along with the recent oil price hike and shortages of electricity supply, many observers believe that the target will be difficult to achieve.

Figure 20
Occupancy Rate by Star Rating
(1H2005 - 1H2008)



Source: Knight Frank / PT. Willson Properti Advisindo

"The Visit Indonesia 2008 program has enhanced occupancy rates for all sub-markets"

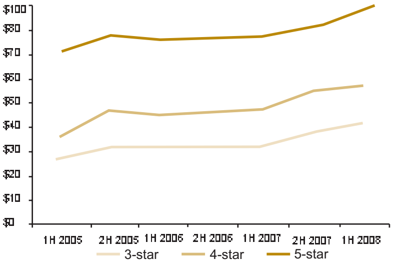
Meanwhile, the Soekarno-Hatta International Airport as the main entrance gate to Indonesia (Jakarta) has recorded a total of 7,548,890 passenger arrivals or increase by 5.3% as compared to the same period in 2007.

The increasing trend in hotel room occupancy continued in the 1st semester of 2008; supported by the Visit Indonesia 2008 program, the occupancy rate in the 3-star hotel sub-market improved from 67.62% to 70.16%. Similarly, the occupancy rates for 4-star and 5-star hotels increased from 70.28% to 72.11% and from 64.55% to 67.96%, respectively. The performance of the last 2 sub-markets marked the highest occupancy recorded in the past four years. The overall occupancy rate increased to 69.85%, as compared to 67.0% in the previous semester.

Figure 21

ARR by Star Rating

(1H2005 - 1H2008)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 14 Jakarta Hotel Market Highlights (1H 2008)

Source: Knight Frank / PT. Willson Properti Advisindo

	Existing Supply	Occupancy
Overall existing supply and demand	20,856 rooms	69.85 %
Distribution by Star-Rating		
- 3-star hotels	6,014 rooms	70.16%
- 4-star hotels	6,300 rooms	72.11%
- 5-star hotels	8,542 rooms	67.96%
Distribution by Location		
- CBD area	8,168 rooms	39.16%
- Non-CBD area	12,688 rooms	60.84%

"5-star hotels contributed the highest improvement for ARR and RevPAR"

Average Room Rates (ARR)

During the review period, average room rates in US dollar terms improved by 3.04%, 2.03% and 12.00%, in 3, 4, and 5-star hotels, respectively. However, due to currency appreciation, the ARR in Rupiah terms was relatively stable for 3 and 4-star hotels, with growth of 0.91% and -0.07%, respectively. The 5-star hotel sub-market recorded the highest improvement both in US dollar and Rupiah terms, translating to Rp 888,601 or US$ 96.33 per night.

Table 15 ARR of Jakarta Hotel Market by Star Rating (1H 2008)

Source: Knight Frank / PT. Willson Properti Advisindo

Market Segment	ARR		Change from 2H 2007	
	Rupiah	US$	Rupiah	US$
3-Star Hotels	Rp.356,143	$38.61	0.92%	3.04%
4-Star Hotels	Rp.513,017	$55.61	-0.07%	2.03%
5-Star Hotels	Rp.888,601	$96.33	9.70%	12.00%

US$1 = Rp. 9,225

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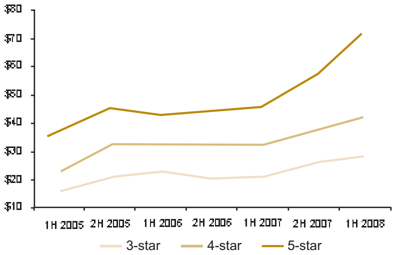
Figure 22

RevPar by Star Rating

(1H2005 - 1H2008)



Source: Knight Frank / PT. Willson Properti Advisindo

"The Visit Indonesia 2008 program is expected to increase further the occupancy rate and ARR"

Revenue per Available Room (RevPar)

As a result of the increase in occupancy rate, the RevPAR for all sub-markets experienced healthy growth during the semester. Furthermore, following the high growth in ARR, the 5 star sub-market contributed the highest RevPAR growth in the review period. The RevPAR for 3, 4, and 5-star hotels grew by 5.53%, 6.39%, and 22.81%, reaching US$26.96, US$40.51, and US$69.60 per night, respectively.

Table 16 RevPAR of Jakarta Hotel Market by Star Rating (1H 2008)

Source: Knight Frank / PT. Willson Properti Advisindo

Market Segment	RevPAR		Change from 2H 2007	
	Rupiah	US$	Rupiah	US$
3-Star Hotels	Rp.248,688	$26.96	3.35%	5.53%
4-Star Hotels	Rp.373,717	$40.51	4.20%	6.39%
5-Star Hotels	Rp.642,032	$69.60	20.28%	22.81%

US$1 = Rp. 9,225

Market Outlook

Due to the project delays, there will be limited new supply in the second half of 2008. Average room rates are likely to increase as result of a combination of continuing healthy demand, rising occupancy rates and increased hotel operational costs caused by the hike in oil prices.

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Technical Note
The figures in this report relate to the availability of built, up-and-ready office, shopping centres and apartments within Jakarta market. Vacant premises and leased spaces which are being actively marketed are included.

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