



FIRST HALF 2009 JAKARTA PROPERTY HIGHLIGHTS

Knight Frank

- The recent bombings on 17 July 2009 at two hotels, JW Marriott and Ritz Carlton (both located in Mega Kuningan) have had no major impact on the Indonesian economy. The Indonesian composite index and Rupiah currency remained relatively stable and many economists believe that the Indonesian economy may continue to expand, given past experience where the volatility of economic indicators occurred only in the first and second month post the bombings. Indonesia's GDP is expected to reach 4% by the end of the year given the smooth general and presidential elections.
- The high end international chain hotels have been the hardest hit due to the bomb blast with occupancy reportedly dropping significantly, albeit lately there has been an intensify of activity in this hotel submarket. The condominium sector has indicated a preliminary sign of recovery, whilst the retail occupancy rate increased slightly. Slowing leasing activity has led to declining overall CBD occupancy.
- The average room rate of 3, 4 and 5-star hotel rooms has increased both in Rupiah and US\$ terms by 2.97% and 10.27% respectively. Whilst rental pressure in the retail sector brought down rents by 6.29% in Rupiah terms, but rental remained stable in US\$ terms. The gross asking rental rates in the office sector remained relatively stable, with changes occurring mainly due to the exchange rate fluctuation.
- The new Indonesian cabinet formation, scheduled to be announced in October 2009 and the declining trend of lending rates are expected to mark the recovery period for the property industry.

ECONOMY AT A GLANCE

Recovery Transition

Indonesian GDP is projected to be 4% in 2009, amongst the highest in Asia, with a deep contraction anticipated in many other Asian countries. Many economists believe that Indonesia has reached the bottom of the crisis and recovery is now underway supported by the government's prudent fiscal/monetary policies and smooth legislative and presidential elections. No major economic shocks were reported as a result of the recent terrorist's act in Jakarta. The volatility, based on experience, is expected to smooth out in a month or two.

Positive GDP Growth

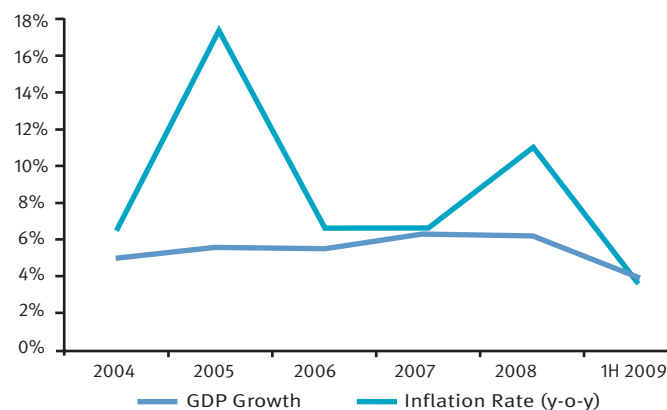
The Indonesian economy is still in a good shape compared to the other countries in the region, such as Singapore, Thailand and Malaysia, which were experiencing a deep contraction. Output grew by 4.0% in the first half of 2009, thanks to robust private consumption, which constitutes about 60% of the Indonesian's GDP, and was further boosted by massive spending for the legislative election which took place in April 2009. The economy is expected continue to expand in the second half of 2009. Private consumption will remain strong as inflation continuous to drop. The GDP growth will lead to a lower unemployment rate (8.1%) through trade, social services and agriculture.

The recent Jakarta bombings took place on 17 July 2009 at the JW Marriott - less than a decade since the last bomb occurred in the same hotel in 2003- and the Ritz Carlton, both located within close proximity (Mega Kuningan), have no major impact to the Indonesian economy.

The Indonesia composite index and Rupiah currency remained relatively stable; many economists believe that Indonesia's economy may continue to expand given the past experience where economic volatility occurred

Indonesian GDP is expected to reach 4% by end of the year. Having said that, the projected GDP will depend not only on how the Indonesian government handle the terrorist's attack, but also the global economic situation, the quality of the newly formed cabinet and major infrastructure developments to support business activities.

Figure 1
GDP Growth vs. Inflation Rate
(2004 - 1H 2009)



Source: Central Bank of Indonesia



Lowest Inflation

In the 1st half of 2009, inflation fell significantly from 11.06% in December 2008 to 3.65% in June 2009, the lowest rate in 9 years. Easing inflation was a result of a further cut in the BI rate and appreciation of rupiah. Contributing to inflationary pressure were housing, fuel, clothing, health, education, transportation, communication and financial services, while prepared food, beverages and tobacco contribute all saw price falls.

The Central bank of Indonesia predicted that inflation for the whole of 2009 will be less than 5% if seasonal factors such as the Islamic fasting month, Idul Fitri festive and Christmas Holiday, do not create strong pressure. Commodity prices such as Crude Palm Oil (CPO) and Gold will play an important role in determining inflation. The Central Bank hopes that easing inflation will stimulate domestic demand and positive sentiment amongst, thus boosting the credit market for the next semester, which in the first half of the year was hampered as banks were reluctant to grant credit.

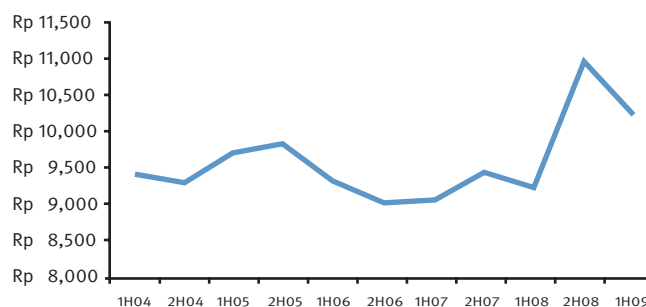
Stable Rupiah

The economic crisis in 2008 has weakened the rupiah against the US Dollar to its lowest rate of Rp. 12,065 in March 2009, or a fall of 10.18% compared to the 2nd half of 2008. The Dollar later regained its strength to reach Rp. 9,985 in June 2009. The exchange rate has stabilized between Rp. 10,000 – Rp. 10,500. At the end of June 2009, the rupiah was recorded at Rp. 10,225 or 15.3% above its lowest point. The weakened US Dollars against other currencies, lower inflation, positive growth in GDP, capital inflows and market optimism have become the reason of the currency strengthening.

The government projects the rupiah will stabilize between Rp. 9,500 – Rp. 10,000 by the end of 2009.

Figure 2

Exchange Rate (Rp. / US\$1)
(1H 2004 – 1H 2009)



Source: Central Bank of Indonesia

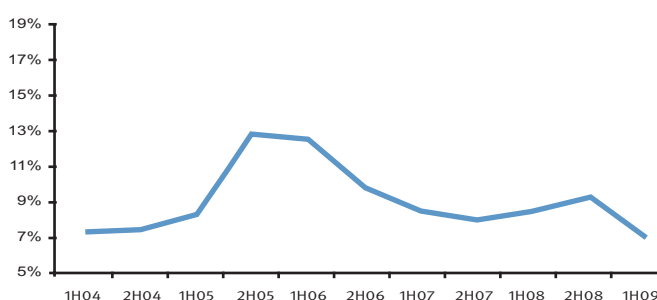
Interest Rate Moves Downwards

The Central Bank of Indonesia (BI) has cut its benchmark rate by a total of 250 basis points since November 2008 to 7 percent in June 2009. Interest rates are projected to continue to decrease in a bid to sustain economic growth. Unfortunately, the government base lending rate still has some way to fall, although it declined slightly to 13.39% in May 2009 from 13.85% in December 2008. Commercial Banks have started to gradually lower their lending rates from the range of 15%-16% to 12%-14% in the 1st half 2009 and they are expected to continue to decline with cuts to the BI rate and pressure from government to lower the deposit rates.

By the end of 2009, the Bank of Indonesia predicts that the BI rate will be maintained at 6.50% assuming inflation of less than 5%.

Figure 3

Interest Rate (BI Rate)
(1H 2004 – 1H 2009)



Source: Central Bank of Indonesia

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Table 1

Economic Indicators (Year 2004 - 1H 2009)

Indicator	2004	2005	2006	2007	2008	1H 2009
GDP ¹	5.03%	5.60%	5.50%	6.32%	6.10%	4.00%
Inflation ²	6.40%	17.11%	6.60%	6.59%	11.06%	3.65%
BI Rate	7.43%	12.75%	9.75%	8.00%	9.25%	7.00%
Exchange Rate (per US\$-end of year)	Rp 9,290	Rp 9,830	Rp 9,020	Rp 9,419	Rp 10,950	Rp 10,225
Foreign Investment Planning Realization						
No. of Projects	544	909	801	982	1,138	614
Value (US\$ Million)	4,601	8,915	5,977	10,341	14,871	5,390
Domestic Investment Planning Realization						
No. of Projects	129	214	145	159	239	134
Value (Rp Billion)	15,265	30,665	20,788	34,879	20,363	19,428

Source: Processed from multiple sources by Knight Frank/PT Willson Properti Advisindo

¹ at year 2000 constant prices

² since June 2008, BPS used consumption pattern obtained from 2007 Cost of Living Survey in 66 cities (2007=100)

Double Domestic Investment

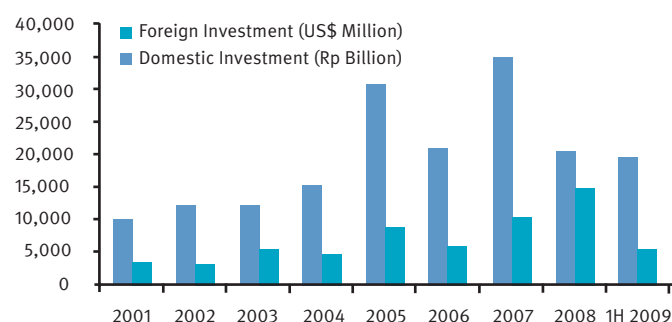
Total investment realization of approximately US\$ 7.3 billion (foreign and domestic) was recorded in the 1st half of 2009. As of June 2009, foreign investment realization has reached \$5.39 billion, a decrease of 48% compared to the same period last year (although it's still higher than the 2nd semester of 2008 thanks to a large investment contributed by a cellular operator of approximately \$1.1 billion). This was due to the ongoing impact of the global economic crisis which made most investors remain risk averse and inclined to choose a short term investment such as bonds. By country of origin, the biggest investors are the Netherlands, Singapore and South Korea.

Meanwhile, domestic investment has increased to more than double the level reached in the same period last year. By the end of June 2009, the domestic investment realization was recorded at Rp. 19.428 billion (\$1.9 billion) from 134 projects. The Indonesia Investment Coordinating Board predicted that the increased level of investment realization in 2009 is expected to create an additional 152,000 jobs.

Despite the global economic downturn and investors' wait and see attitude, three new and one long established foreign investors were still committed to invest/expand in Indonesia in the first half of 2009, reflecting investors' confidence in the Indonesian economies prospects. These investors are Australian Energy World (\$ 720 million), Gulf Petroleum (\$ 1 billion), Volkswagen (\$ 140 million), and Nestle (Rp. 270 billion) which plans to expand its existing plant.

Figure 4

Investment Realization (2001 – 1H 2009)



Source: Indonesia Investment Coordinating Board



CBD OFFICE MARKET

Recovery Phase

The recent bombing has had no significant adverse impact on the aggregate market. About 48% of total 2009 proposed supply entered the market during the first half of the year. Demand will be modest in 2009. Whilst asking rents remain stable, effective rents will be under pressure.

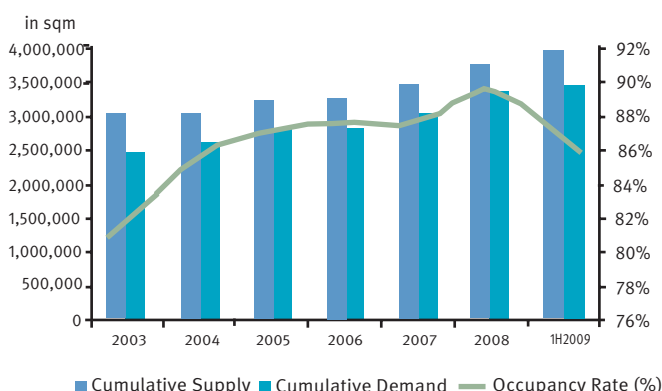
Supply Increase

With the completion of Menara DEA II and UOB Plaza in the first half of 2009, the total office stock in Jakarta CBD increased to 3,990,821 sqm.

Due to the increasing difficulty to obtain anchor tenants, the total pipeline supply for 2009-2011 declined to 487,801 sqm. 60% of this proposed supply comprises rental office buildings, 31% represents strata-title offices and the remaining 9% of proposed supply offers both rental and strata-title office space.

Projects that are in the final stage of construction and have secured anchor tenants are likely to be completed on schedule. Approximately 48% of total 2009 proposed supply that we predicted at the end of 2008 has been completed in the first half of the year.

Figure 5
Jakarta CBD Office Market Supply and Demand
(2003 - 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 2
Jakarta CBD Office Market Highlights 1H - 2009

Office Type	Total Existing Supply	Occupancy Rate	Vacant Space
- Rental Office	3,381,013 sqm	86.29%	463,560sqm
- Strata Office	454,786 sqm	85.69%	65,093 sqm
- Owner Occupied Office	155,021 sqm	92.46%	11,682 sqm
Total	3,990,821 sqm	86.46%	540,335 sqm

Source: Knight Frank / PT. Willson Properti Advisindo

Occupancy Rate Drops

Slowing leasing activity has led to declining overall CBD occupancy, which fell to 86.46%, leaving 540,335 sqm space vacant. With the exception of Premium Grade-A, all other grades of office property recorded a decline in occupancy. At the end of the first half of 2009, the occupancy rate was 90.92% for Premium Grade-A, 84.0% for Grade-A, 91.11% for Grade-B and 84.56% for Grade-C.

Net take-up dropped to 61,290 sqm. Despite the decline in demand, the distribution of net take-up during the first half of 2009 resembled the take-up distribution during the good growth period in 2008. All net demand occurred in the Premium Grade-A and Grade-A sub-market, whilst Grade-B and Grade-C sub-market recorded negative net take-up.

Active business sectors include trading, oil and mining, telecommunications, media, food and beverage. The banking sector is still active, albeit at a much more modest scale and pace.

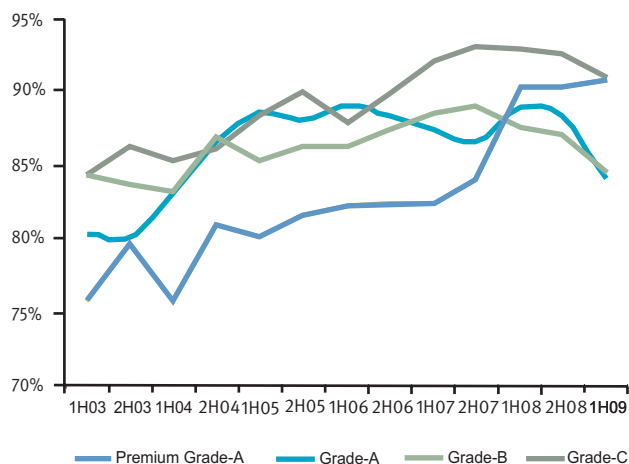
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Figure 6

Occupancy Level by Office Grade (1H 2003 - 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

In the Grade-A sub-market, most take-up occurred in newly completed office buildings, including The Energy, UOB Plaza (formerly Thamrin Nine), and Menara DEA II, as the pre-committed anchor tenants started to occupy their space in stages. In the Grade-B sub-market, Barclays occupied 14,000 sqm at Barclay's House (formerly Wisma BCA) Tower 1.

The recent bombings that occurred at the JW Marriot and Ritz Carlton Hotel in Mega Kuningan have postponed new business ventures of some foreign companies in Indonesia even further.

Nevertheless, this market shock is only temporary. The bombing has no significant adverse impact on the aggregate office market, as the largest portion of office demand comes from relocation and expansion of existing businesses, which are currently still active. These companies tend to focus on the long-term prospects of their businesses in Indonesia.

Rents and Prices Remain Stable

Asking Gross rents remained relatively stable, with changes occurring mainly due to the exchange rate fluctuation. Following the smooth Presidential Election, the Rupiah exchange rate appreciated to Rp. 10,225 per US Dollar by the end of June 2009 and gross rents in Grade-A, Grade-B and Grade-C sub-markets increased in US Dollar terms. Premium Grade-A gross rents remained stable in US Dollar terms but decreased in Rupiah terms, as these premium office buildings offer their rents in US Dollars.

As at the first half of 2009, average asking gross rents in the Premium Grade-A, Grade-A, Grade-B and Grade-C sub-market stood at US\$ 22.90, US\$ 18.10, US\$ 13.02 and US\$ 10.78 per sqm per month, respectively.

The average asking price of strata-title office buildings increased slightly to US\$ 1,516 per sqm. Due to the steady Rupiah appreciation, the average price in Rupiah terms declined to Rp. 15.5 million per sqm.

Table 3

Future Office Supply Completion Schedule (Year 2009 - 2011)

Year	Office Name	Lettable Area	Location	Type
2009	Menara Bakrie	70,000 sqm	H.R. Rasuna Said	Strata
2009	Cyber 2	48,000 sqm	H.R. Rasuna Said	Strata & Lease
2009	The Plaza	57,130 sqm	M.H. Thamrin	Lease
2010	Bidakara 2	23,000 sqm	Gatot Subroto	Lease
2010	Sentral Senayan 3	51,188 sqm	Asia Afrika	Lease
2010	Equity Tower	79,800 sqm	SCBD	Strata
2011	Life Tower	56,683 sqm	H.R. Rasuna Said	Lease
2011	WTC2	60,000 sqm	Sudirman	Lease
2011	Kompas Tower	42,000 sqm	Kuningan	Lease

Total

487,801 sqm

Source: Knight Frank / PT. Willson Properti Advisindo



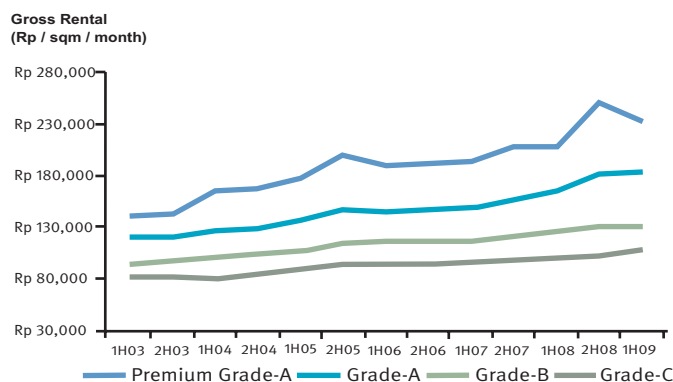
Table 4
Asking Base Rental Rates and Service Charges by Office Grade (1H 2009)

CBD Office Grade	Base Rental / sqm / month		Service Charge / sqm / month		Gross Rental / sqm / month		Changes from 2H 2008	
	Rupiah	US\$	Rupiah	US\$	Rupiah	US\$	Rupiah	US\$
Overall CBD	Rp 123,866	\$ 12.11	Rp 59,083	\$ 5.78	Rp 182,949	\$ 17.89	-0.6%	6.5%
Premium Grade-A	Rp 166,237	\$ 16.26	Rp 67,955	\$ 6.65	Rp 234,191	\$ 22.90	-7.3%	-0.8%
Grade-A	Rp 125,867	\$ 12.31	Rp 59,197	\$ 5.79	Rp 185,064	\$ 18.10	1.8%	9.0%
Grade-B	Rp 81,007	\$ 7.92	Rp 52,106	\$ 5.10	Rp 133,113	\$ 13.02	0.0%	7.1%
Grade-C	Rp 69,477	\$ 6.79	Rp 40,725	\$ 3.98	Rp 110,203	\$ 10.78	6.4%	14.0%

US\$1 = Rp 10,225

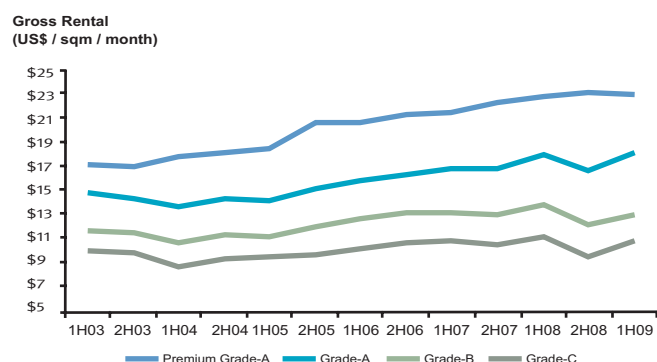
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 7
Asking Gross Rental Rate in Rupiah by Office Grade
(1H 2003 - 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

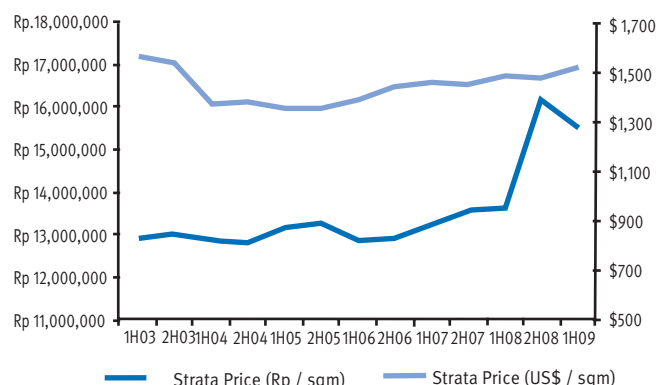
Figure 8
Average Gross Rental Rates in US Dollar by Office Grade
(1H 2003 - 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Average asking price of strata-title office buildings increased slightly to US\$ 1,516 per sqm. Due to the steady Rupiah appreciation, the average price in Rupiah term declined to Rp. 15.5 million per sqm.

Figure 9
Average Asking Selling Price of Strata-Title Office
(1H 2003 - 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Market Outlook

The adverse impact of the recent bombing at JW Marriot and Ritz Carlton Hotels on the collective office market is not significant and will only be short-term. Nevertheless, office demand is likely to be modest this year, owing to the slowing economic growth due to the global financial crisis.

Overall, the CBD office market will be a tenant's market in 2009. Whilst average asking rents are likely to remain stable throughout the year, effective rents will be under pressure.

RETAIL MARKET

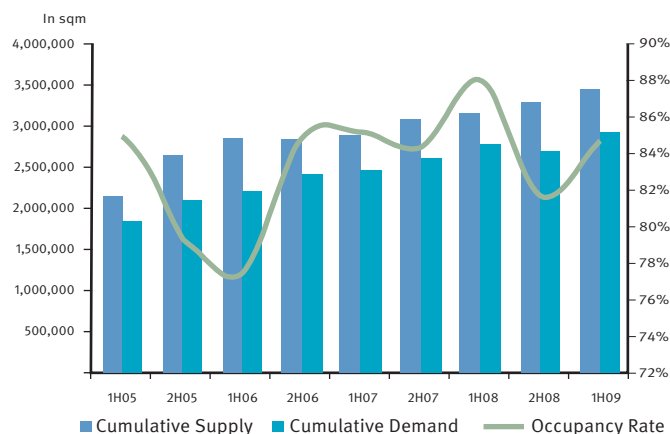
The Retail Market Adjusts Rates to Fill Space

Additional large scale supply will still enter the market in the second half of the year as most projects have already secured a high pre-commitment level. Developers have begun to offer lower rental rates and longer terms of payment to attract tenants. Only Premium Grade A projects managed to maintain their rental rate.

Retailers are still giving aggressive discounts and extending their discounting periods to overcome declining visitor spending.

Supply Continues to Growth

Figure 10
Jakarta Retail Market , Supply, Demand and Occupancy
(1H 2005 - 1H 2009)



Source: Knight Frank / PT Willson Properti Advisindo

Jakarta retail space availability increased by 4.72% to 3.449 million sqm by the end of 1H09. The completions of four new malls accounted for the increase with Plaza Indonesia 2, Emporium Pluit Mall and Blok M Square adding 129,000 sqm total stock.

Leased centres increased their domination of the total retail space inventory with 56.39% or 1.945 million sqm. By grade classification, Grade-B retail centers took the largest portion with 47.94% followed by Grade-C, Prime Grade-A and Grade-A with 27.16%, 12.84%, and 12.06% respectively.

Some future projects have been kept on hold due to lack of funding and concerns over occupational issues which have led developers to status quo schemes where possible until the market becomes more favourable. The volumes of under construction retail space totals 601,532 sqm of lettable area projected to come on stream between 2009-2011. Of this space, 45.13% is expected to enter the market in 2009. Based on mall type, 85.86% of the proposed supply comprises leased shopping centre space, whilst 14.13% represents strata-title retail.



Table 5

Future Supply Completion Schedule (2009 - 2011)

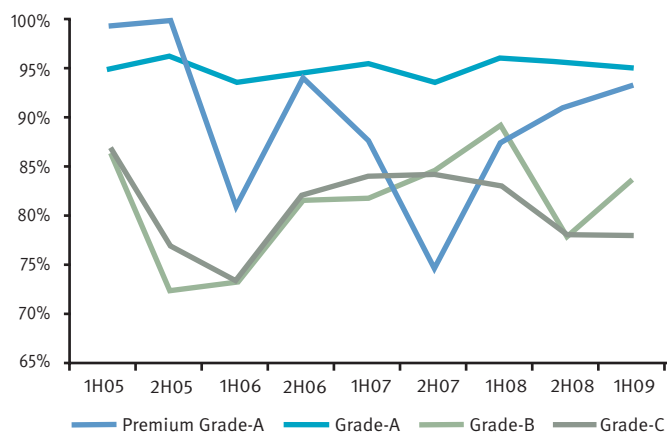
Year	Project Name	Retail Type	Location	Total Supply
2009	Epicentrum Walk	Lease	CBD	26,500 sqm
2009	Grand Paragon	Lease	Non CBD	40,000 sqm
2009	Thamrin Nine	Lease	CBD	30,000 sqm
2009	Seasons City (Previously Latumanten City)	Strata	Non-CBD	60,000 sqm
2009	Central Park at Tanjung Duren	Lease	Non-CBD	115,000 sqm
2010	Gandaria Main Street (Gandaria City)	Lease	Non-CBD	75,000 sqm
2010	Kemang Village	Lease	Non-CBD	55,000 sqm
2010	Pasar Tanah Abang Blok B	Strata	Non-CBD	25,000 sqm
2011	Kota Kasablanka	Lease	Non-CBD	82,032 sqm
2011	Citylofts Gajah Mada (Previously Galeria Glodok)	Lease	Non-CBD	13,000 sqm
2011	Ciputra World in Satrio	Lease	CBD	80,000 sqm
Total				601,532 sqm

Source: Knight Frank / PT. Willson Properti Advisindo

Demand Grow Slightly

Figure 11

Occupancy Level by Grade (1H 2005 - 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Demand for retail space showed modest growth the first half of the year. The overall occupancy rate increased slightly from 81.66% in the 2H08 to 83.80% in the 1H09. The increase is mostly due to lower rents and longer terms of payment offered by developers of newly completed projects to attract tenants. The highest increase of occupancy occurred in the Grade B sub market, which stood at 82.24% from 77.79% in the last semester.

Other lease sub market occupancy rates remained relatively stable compared to the 2H08 performance. Strata title malls are still recording the lowest occupancy rate, contributing a vacant space of approximately 328,273 sqm or 59.42% of total.

Table 6

Jakarta Retail Market Highlights (1H - 2009)

Retail Type	Occupancy Rate	Vacant Space	Total Existing Supply
- Rental Space	88.15%	224,200	1,945,310 sqm
- Strata-title Space	78.18%	328,273	1,504,333 sqm
Total	83.80%	552,473	3,449,643 sqm

Source: Knight Frank / PT. Willson Properti Advisindo

The current global crisis continued to impact on retailers, forcing them to give aggressive and longer discount periods to overcome declining visitor spending. Now many food and beverage retailers (supposedly more immune retailers) are also offering attractive discount packages for the consumers to cope with their decreasing spending power.

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Table 7

Asking Base Rental Rates and Service Charges of Prime Ground Floor by Shopping Center Grade (1H 2009)

Shopping Center Grade	Base Rental / sqm / month		Service Charge / sqm / month		Gross Rental / sqm / month		Changes from 2H 2008	
	Rupiah	US\$	Rupiah	US\$	Rupiah	US\$	Rupiah	US\$
Overall	Rp 554,622	\$ 54.24	Rp 73,588	\$ 7.20	Rp 628,210	\$ 61.44	-6.29%	0.35%
Premium Grade-A	Rp 1,071,319	\$ 104.77	Rp 103,748	\$ 10.15	Rp 1,175,068	\$ 114.92	-2.27%	4.66%
Grade-A	Rp 561,985	\$ 54.96	Rp 76,342	\$ 7.47	Rp 638,327	\$ 62.43	-12.94%	-6.76%
Grade-B	Rp 359,946	\$ 35.20	Rp 60,815	\$ 5.95	Rp 420,761	\$ 41.15	-10.09%	-3.72%
Grade-C	Rp 231,978	\$ 22.69	Rp 54,544	\$ 5.33	Rp 286,522	\$ 28.02	-6.24%	0.41%

US\$1 = Rp 10,225

Source: Knight Frank / PT. Willson Properti Advisindo

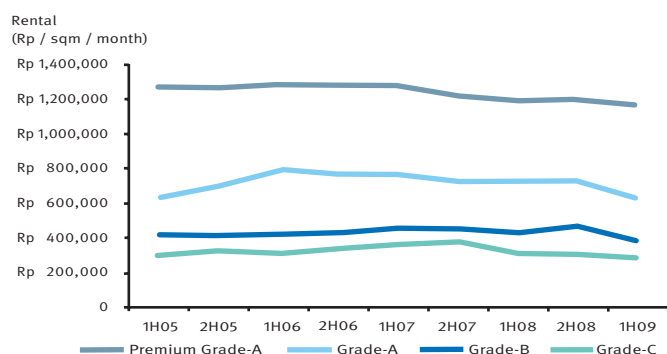
Asking Rental Under Pressure

The further impact of the global crisis coupled with the amount of new supply have forced developers to adjust their rental as well as payment schemes in order to fill developments. We also noted that a number of existing tenants began to renegotiate their rental payments schedule with developers. Overall, gross rental rates in rupiah terms dropped by 6.29% while in US\$ terms the rental rate remained relatively stable.

Gross rental rates in rupiah terms dropped by 2.27%, 12.94%, 10.09% and 6.24% for Premium Grade-A, Grade-A, Grade B and Grade C malls respectively. In US\$ terms, the gross rental rate for Premium Grade A increased by 4.66%, while for Grade A and Grade B the rental dropped by 6.76% and 3.72% respectively.

Figure 12

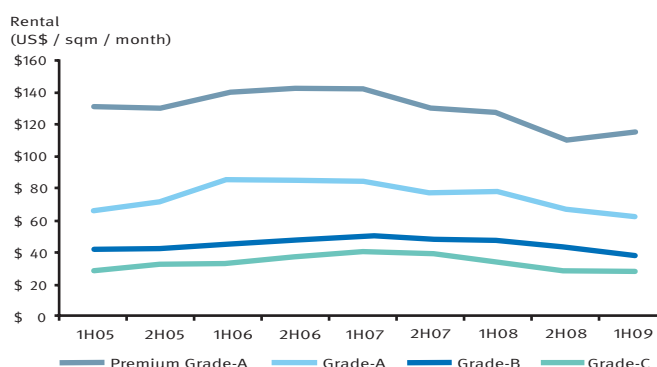
Asking Gross Rental Rates in Rupiah by Grade (1H 2005 - 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 13

Asking Gross Rental in US Dollar by Grade (1H 2005 - 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Market Outlook

The recent JW Marriott and Ritz Carlton bomb blasts have had little impact on the retail market. Visitor numbers only dropped for a week, but then rebounded quickly to normal levels within less than a month.

We foresee retailers will become more cautious in opening new outlets amidst lower consumer spending power. Hence, new projects are expected to be postponed further in the second half of 2009. Developers are pushed to further adjust their rental rate or offer attractive rental payment schemes to fill space in order to maintain healthy levels of occupancy.



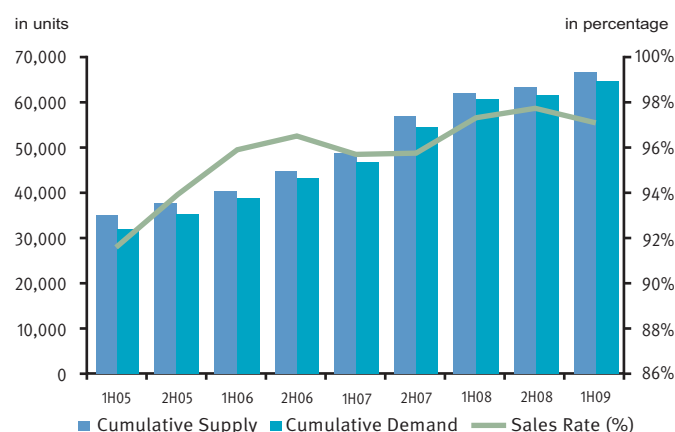
CONDOMINIUM MARKET

Waiting For Single Digit Mortgage Rate

Weakening take-up could soon improve when condominium mortgage rates are reduced to single digit, as the majority of sales transactions in the middle segment of the market rely heavily on credit. Preliminary signs of demand have been seen in the primary market, targeting the middle market segment located in the fringe CBD area, in the last couple months.

Figure 14

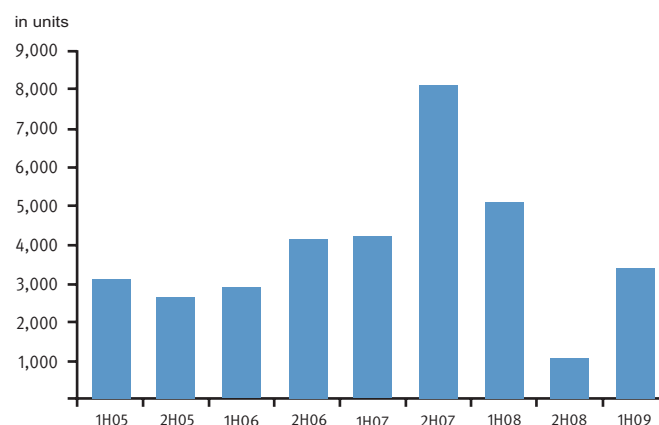
Jakarta Condominium Market Supply and Demand (1H 2005 – 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 15

Additional Supply of Existing Projects (1H 2005 – 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Considerable New Supplies

Despite the downturn, 11 towers from 9 projects have been handed over during the first half of 2009 totaling about 3,405 units. These additional supplies were double that of the previous period, bringing the total cumulative supply to 66,685 units. Approximately 63% of this supply came from new developments, which includes The Boulevard, Permata Hijau Residence, Sahid Sudirman, Mapple Park, Best Western Mangga Dua and Graha Seibu Mansion. The remaining 37% came from subsequent phase of projects such as the Regatta, Thamrin Residence and Boutique Residence.

Table 8

Projects Completed During the First Half of 2009

Project	Location	
Nirvana 1	Prime Non-CBD	Kemang
Thamrin Residence (Tower B, C)	CBD	Thamrin
Boulevard	Secondary Non-CBD	Kebon Sirih
Best Western Mangga Dua	Secondary Non-CBD	Mangga Dua
Grand Kartini	Secondary Non-CBD	Pasar Baru
Permata Hijau Residences	Prime Non-CBD	Permata Hijau

Source: Knight Frank / PT. Willson Properti Advisindo

As the majority of additional supply came from the mid-market segment, the distribution of new stock remains as in the previous period, which was dominated by the middle segment at 62% followed by the lower middle, upper middle and upper (including high-end) market respectively.

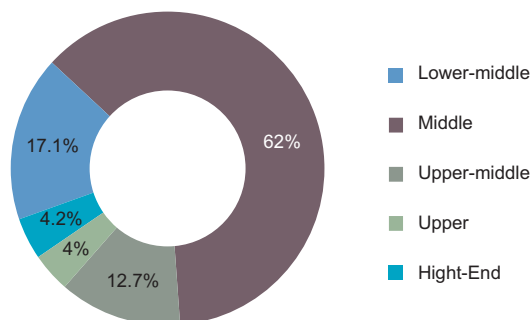
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Figure 16

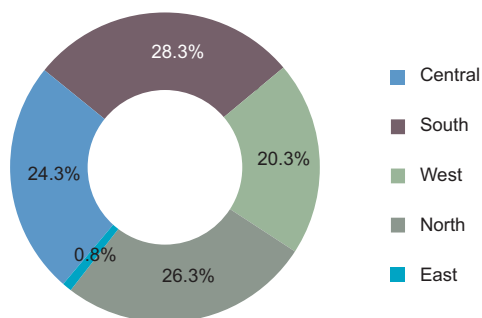
Market Segmentation of Existing Condominium Supply (1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 17

Distribution of Existing Condominium Supply by Location (1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Although some under-construction projects were postponed, we recorded approximately 3,081 units across 6 towers have been launched into the pre sales market during the first half of 2009. Approximately 94% of these newly launched units are categorized as middle segment, whilst the remaining 6% are in the upper segment.

Table 9

Newly Launched Projects Offered in Pre-Sales Market

Project	Location	Remark
Infinity at Kemang Village	Kemang	Expansion
Thamrin Residence 2	Thamrin	Expansion
The Paradiso	Pluit	Expansion
The Royal Springhill Residence	Kemayoran	New Project
One Park Pulomas	Pulomas	New Project

Source: Knight Frank / PT. Willson Properti Advisindo

Table 10

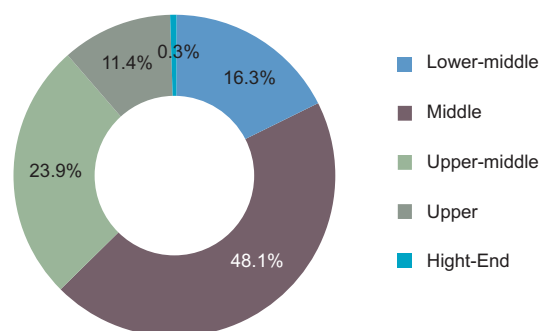
Future Condominium Supply (Year 2H 2009 - 2011)

Year	Projected Completion Supply	Average Sales Rate as of June 2009
2H 2009	2,998	77.5%
2010	9,745	59.2%
2011	10,310	45.9%

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 18

Market Segmentation of Future Condominium Supply (Projected Completion 2009 – 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Total future supply between 2009 and 2011 is projected at 23,052 units, which will be dominated by the middle segment, followed by upper middle, lower middle and upper segments. Looking at current development progress and future developer action to adjust their unit reconfiguration (into smaller sizes), approximately 2,998 units are estimated to enter to the market in the second half of 2009.

Preliminary Sign of Recovery

The sales rate of existing supply was relatively steady at 97.1%; although it decreased by 0.06% compared to the previous period. The sales rate for the proposed projects which target completion in 2009–2011 was recorded at 55.7%.

We witnessed an increased take-up rate in the second quarter of 2009 after relatively “quiet” sales activity in the first quarter, with the market substantiated by a healthy sales rate for new projects launched and offered in the pre sales market. This sales rate stood at 30.8% (albeit overall take-up has decreased by 10.1% as compared to the same period in 2008), mostly dominated by the middle segment projects.



Most of the sold units have been offered adopting a “total lump sum unit price” approach, whereby the total price per unit is set at buyer affordability level which is below Rp. 1 billion/unit, whilst unit size and its quality/specification are adjusted accordingly. Although it is premature to say that the condominium market has recovered, at least there is some indication of positive sentiment toward the condominium sector. The pre sales rate of newly launched projects targeting the middle market were much higher than the upper market, which was recorded at 32% and 9% respectively.

Table 11

Jakarta Condominium Market Highlights (1H - 2009)

Total Existing Supply	66,685 units
Average Sales Rate of Existing Supply	97.1 %
Existing Unsold Units	1,932 units
Future Supply 2009 - 2011	23,052 units
Average Pre-sales Rate of Future Supply	55.7 %

Source: Knight Frank / PT. Willson Properti Advisindo

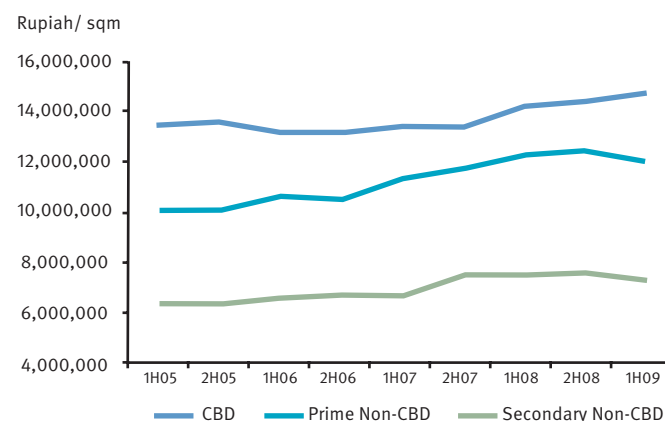
Steady Average Sales Prices

The strengthening of the Rupiah against US Dollar has no significant effect on sales prices movement in Rupiah terms as majority of condominium sales prices are offered and transacted on Rupiah terms. The average sale price in Rupiah terms remained steady at Rp.14.67 million per sqm, Rp.12.08 million per sqm and Rp.7.33 million per sqm for CBD, Prime Non-CBD and Secondary Non-CBD areas, respectively.

Meanwhile the average sales price in US Dollar terms increased following the weakening of the US Dollar to Rupiah by 6.6%. The average condominium sales price increased by 3.61%, 4.27% and 8.19% for Prime Non-CBD, CBD and Secondary Non-CBD areas, respectively.

Figure 19

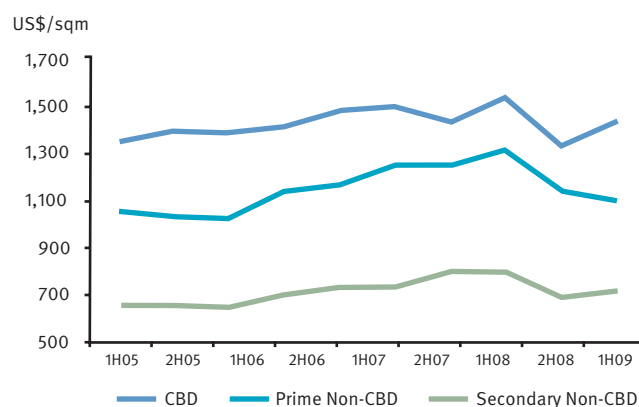
Average Asking Sales Price in Rupiah by Location (1H 2005 - 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 20

Average Asking Sales Price in US Dollar by Location (1H 2005 - 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 12

Condominium Asking Sales Prices and Service Charges by Location (1H 2009)

Location	Asking Sales Price / sqm		Service Charge / sqm		Price Changes From 2H 2008	
	Rupiah	US\$	Rupiah	US\$	Rupiah	US\$
CBD	Rp 14,669,383	\$ 1,435	Rp 14,941	\$ 1.46	1.00 %	8.19%
Prime Non-CBD	Rp 12,077,555	\$ 1,181	Rp 13,366	\$ 1.31	-3.20%	3.61%
Secondary Non-CBD	Rp 7,335,434	\$ 717	Rp 8,593	\$ 0.84	-2.70%	4.27%

US\$1 = Rp 10,225

Source: Knight Frank / PT. Willson Properti Advisindo

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Complexity of Low Cost Segment

In March 2009, the Governor of DKI Jakarta issued a new regulation on development guidelines for low-cost (subsidized) apartments, subsequent to earlier regulation on low cost apartment development acceleration with the aim of providing decent/affordable accommodation for the low income segment in the city or its proximity. Unfortunately, the regulations did not get a positive response from developers due to strict rules imposed, such as a limited floor space ratio (up to maximum 4 but with conditions) which made the project unattractive due to high land costs. Alternatively, developers suggested the local government increase the price to Rp 180 Million/unit (from originally Rp 144 Million) - something very difficult to fulfill for the local government. Both local government and developers have to settle the issue immediately or the target may not be achieved as it is likely the development progress will decelerate.

During the first half of 2009 some developments of low cost (subsidized) apartments have been postponed following legal permit issues. However, at least 2 low-cost subsidized apartments have been launched on a

pre sales basis namely Center Point and Puri Park View located in Bekasi and West Jakarta respectively. Both of these apartments had achieved a high sales rate of above 80% as of June 2009.

Outlook

Smaller sizes, attractive schemes of payment and affordable total unit prices will still likely be the marketing theme for condominium projects. Supported by a stable political and economic environment, Bank of Indonesia's continued effort to lower down the BI rate and government pressure to reduce deposit rates will eventually lead to a lower mortgage rate. These measures are expected to stimulate and accelerate the increasing net take up of condominium units, especially in the last quarter of 2009, after the new cabinet has been formally announced in October 2009.

The recent terrorist's act in mid July 2009 are less likely to have a significant effect on the condominium market as most buyers come from the domestic market, of which, the majority will remain dominated by the middle segment.





RENTAL APARTMENT MARKET

Sluggish Rental Market

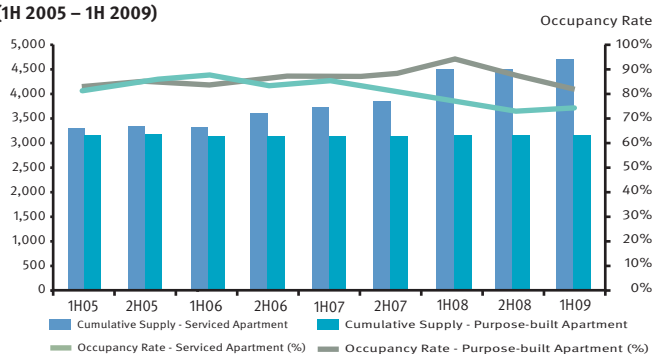
Weakened demand continued during the first half of 2009. The overall occupancy rate declined along with rents in all submarkets.

New supply in South of Jakarta

The opening of Albergo at Belleza has brought the total supply of rental apartments to 7,898 units. Total stock is still dominated by the serviced apartment submarket at 4,729 units, or 59.9% of total stock, while the remaining 40.1% was categorized as non serviced and purpose-built rental apartments.

Figure 21

Jakarta Rental Apartment Market Supply and Demand (1H 2005 – 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 13

Jakarta Rental Apartment Market Highlight (1H 2009)

Total Existing Supply	7,898 units
- Serviced Apartment	4,729 units
- Non-Serviced, Purpose-built Rental Apartment	3,169 units
Physical Occupancy Rate	78.10%
- Serviced Apartments	75.05%
- Non-Serviced, Purpose-built Rental Apartment	82.65%
Overall Vacant Units	1,730 units
Future Supply 2009 - 2011	684 units

Source: Knight Frank / PT. Willson Properti Advisindo

As of June 2009, five rental apartment projects totaling about 684 units were still under construction and are expected to enter the market up to 2011.

Table 14

Projection of Future Rental Apartment Supply (2009-2011)

Est. Completion Year	Projected Units
2009	364 units
2010	200 units
2011	120 units

Source: Knight Frank / PT. Willson Properti Advisindo

Occupancy Rate Falls

The slow leasing market has made the overall occupancy rate decrease by 2.1% to 78.1%. However, we noted that the occupancy rate in the serviced apartment submarket has increased slightly by 1.01% to 75.05% as a result of flexible lease terms, to the point where they can be leased on a daily basis. On the other hand the non serviced, purpose-built rental submarket has seen a downturn in occupancy, which fell by 5.8% to 82.7% compared to the previous period. In addition, currently non-serviced/purpose built rental apartments have to compete with the massive new supply of strata title condominiums offered for lease in newer unit condition, on flexible lease terms, at competitive rentals rates and with professional management teams.

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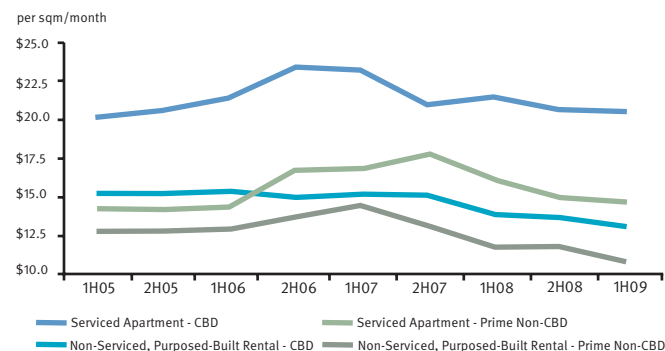
Declining Rentals

Overall, gross rents declined both in US Dollar and Rupiah terms as a result of weakened leasing activity since mid 2007, which further pressured lease terms to a daily basis especially for the non-serviced/purpose built rental submarket. The strengthening of the Rupiah currency against US Dollar has seen a fall in average gross rents in Rupiah terms of 6.74% - 13.14% as the majority are offered on a US Dollar basis.

In US Dollar terms, the lowest rental decline was recorded in non-serviced apartments located in prime non-CBD areas, which dropped by 6.98% to US\$ 10.79 per sqm/month, while those in the CBD area declined by 5.02% to US\$ 12.98 per sqm/month. Meanwhile, serviced apartments dropped slightly due to currency escalation between 0.13% and 1.92% compared to the previous semester.

Figure 22

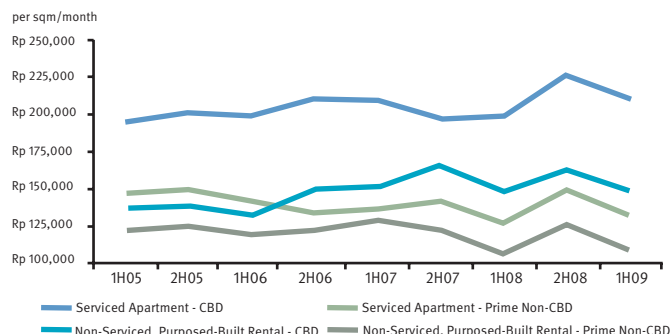
Average Asking Rents in US Dollar by Sub Market (1H 2005 - 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 23

Average Asking Rents in Rupiah by Sub Market (1H 2005 - 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

In Rupiah terms, the greatest rental declines were also recorded in non-serviced/purpose-built rental apartments located in prime non-CBD areas, they averaged a fall of 13.14%, followed by properties located in CBD which fell 11.31%. Meanwhile, the rental decline in the serviced apartment submarket was in line with the strengthening of the Rupiah at between 6.74% and 8.41% for properties located in CBD and prime-non CBD respectively.

Outlook

Following to the recent Jakarta bombings in mid July 2009, we project demand for rental apartments will continue to slow down, especially in the third quarter 2009 as reflected in early postponed/booking cancellations.

Table 15

Asking Gross Rental Rates of Jakarta Rental Apartment Market (1H 2009)

Market Segment	Asking Price Rental/month		Rental Change from 2H 2008	
	Rupiah/sqm	US\$	Rupiah	US\$
Serviced Apartments				
- CBD	Rp 210,905	\$20.63	-6.74%	-0.13%
- Prime Non-CBD	Rp 149,761	\$14.65	-8.41%	-1.92%
Non-Serviced, Purpose-Built Rental Apartments				
- CBD	Rp 132,691	\$12.98	-11.31%	-5.02%
- Prime Non-CBD	Rp 110,339	\$10.79	-13.14%	-6.98%

Source: Knight Frank / PT. Willson Properti Advisindo



HOTEL MARKET

Recovery Phase

The Indonesian tourism market is starting to recover, with ARR and RevPAR starting to improve, whilst the high-end hotel sub market has been the hardest hit by the recent bombing at the JW Marriott and Ritz Carlton. Overall occupancy only declined slightly, supported by election campaigns which took place during the review period.

Supply in Queue

The opening of Hotel Indonesia Kempinski Jakarta increases total supply to 22,075 rooms. The soft opening was held in February 2009, introducing the Ramayana Wing with 159 rooms, while the remaining 130 rooms will be launched in August 2009 together with the opening of the Ganesha Wing.

The addition of Hotel Indonesia Kempinski Jakarta brings the total existing supply of 5-star hotel rooms to 9,345 (42.33%), while the total number of rooms in the 4-star and 3-star markets declined slightly due to refurbishments to 6,569 rooms (29.76%) and 6,161 rooms (27.91%), respectively. Based on location, most of the existing supply (60.79%) is located outside the CBD area, while the remaining 39.21% is in CBD area. As for future supply, Mandarin Oriental is the only hotel located in the CBD area.

With the stabilizing economic conditions, construction of projects that were previously put on hold have been resumed. We estimate another 1,048 rooms (66.37%) will enter the market in the second half of 2009 in five hotels including the re-opening of Mandarin Oriental.

We expect another 531 rooms (33.63%) will enter the pipeline in 2010, all totaling about 1,579 rooms for supply in 2009-2011. Based on star rating, most of the future supply will come from the 4-star hotels, accounting for 57.31% (905 rooms), while 25.21% of the supply will come from 5-star hotels (398 rooms) and the remaining 17.48% comes from 3-star hotels (276 rooms). Some of the proposed 5-star rated hotels have been delayed given current market conditions.

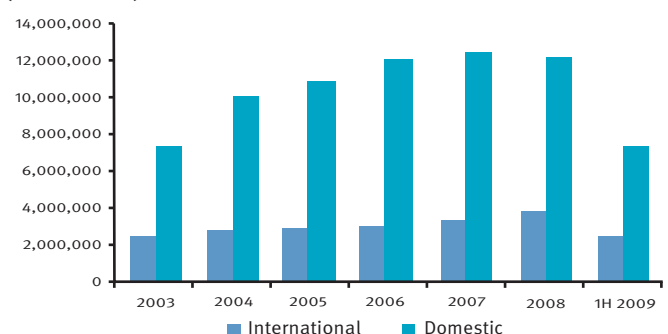
We noted that some hotel developers are venturing into a budget hotels, a trend that we foresee mushrooming in Indonesia. Sahid Jaya International is planning to add 32 new hotels under the Sahid brand to reach a total capacity of 5,000 rooms in 2013. Intiwhiz International is also planning to open 60 hotels carrying the Whiz brand in the next 5 years.

Demand Rebound Point

Demand started to recover with the number of passenger arrivals to Soekarno-Hatta International Airport reaching 8.0 million in the first half of 2009, an increase of 6.44% compared to the previous period. Of this total, domestic arrivals increase by 7.7% from the previous period to 6.3 million, while international passengers increased by 2.2%, remaining relatively stable at 1.7 million. The global crisis coupled with the low season in January-March should have reduced demand in the 1st half of the year. However, the Legislative and Presidential Elections helped to boost the occupancy rate. Three-star and 4-star hotels enjoyed the greatest uplift as most of the election campaigns and accommodation took place in this hotel sub market.

Figure 24

Passenger Arrivals at Soekarno-Hatta International Airport (2003 - 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

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Table 16

Future Hotel Supply Completion Schedule (Year 2009 - 2010)

Year	Project Name	Star Rating	No. of Rooms	Location
2009	Mandarin Oriental *	5*	272	CBD
2009	The Akmani Suite Hotel	3*	116	Non-CBD
2009	Best Western Mangga Dua, Hotel & Residence	4*	168	Non-CBD
2009	Hotel Harris Kelapa Gading	4*	232	Non-CBD
2009	Aston Soho, Hotel & Residence	4*	260	Non-CBD
2010	Grand Aston Albergo di Belleza	5*	126	Non-CBD
2010	Hotel Ibis Patria Park	3*	160	Non-CBD
2010	Aston Soho, Hotel & Residence	4*	260	Non-CBD
2010	Swiss-BelHotel at Grand Kartini	4*	245	Non-CBD
Total			1,579	

Source: Knight Frank / PT. Willson Properti Advisindo

* Previously close for refurbishments and will re-open in October 2009

Visit Indonesia Year of the MICE

The Government aims to attract 6.5 million tourists to Indonesia (lower than 2008's 7 million target) in 2009. In the first half of 2009, a total of 2.97 million tourists (more than 45% of the target) have visited Indonesia, an increase of 2.17% compared to last year. It is anticipated that tourists will tighten their traveling budget and thereby lower the average spend to US\$ 1,000 from US\$ 1,170 in 2008. With this in mind, the revenue target for 2009 is set at US\$ 6.9 million which is lower than the realized US\$ 7,582 million revenue collected in 2008.

In order to achieve the year's target, the Government extended 2008's Visit Indonesia Year (VIY) program into 2009. The program focused on Meetings, Incentives, Conventions and Exhibitions (MICE), maritime tourism, adventure and ecotourism.

Momentary Shocking Wave

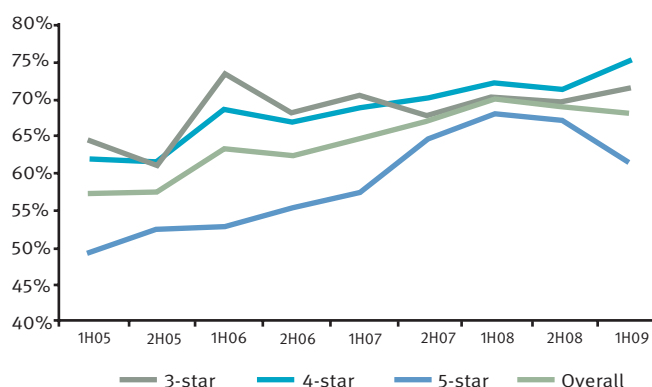
The two bomb blasts at the JW Marriott and Ritz-Carlton Hotels have put the tourism market in temporal distress. Manchester United immediately cancelled their friendly match with the Indonesian All star soccer team. At almost the same time many international events which involved a number of foreign artists were still taking place in Jakarta. The hotel industry, especially the high end international hotel chains, have been the hardest hit. The occupancy rate has reportedly dropped, worsened by the travel warnings issued by Australia and Singapore shortly after the blast. On the contrary, the bombing blast seems to have little effect to the 4-star

and below sub market where most of the guest profile is dominated by domestic market.

Occupancy: A Slight Step Down

Figure 25

Occupancy Rate by Star Rating
(1H 2005 – 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Due to the economic conditions, travelers and companies have been reducing their travel expense by downgrading to lower hotel classes. As a result 5-star hotels experienced a drop in occupancy levels of almost 6% to only 61.27%. However, the 4-star hotels increased to 75.20%, and by the same token 3-star hotels also increased to 71.47%. During the period the overall occupancy rate declined slightly by 0.83% to 68.18%.

Room Rates to Relax

In Rupiah terms, ARR for 3-star and 5-star hotels increased by 5.32% and 4.24%, respectively, while the

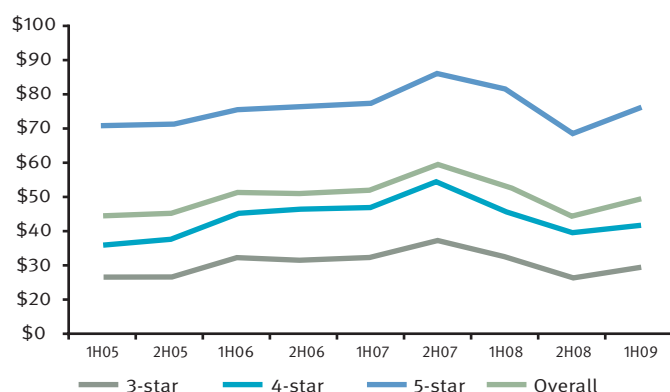


ARR for 4-star hotels decreased slightly by 0.83%. Overall ARR in Rupiah terms grew by 2.97% to Rp 500,427, while in US dollar terms surged by 10.27% to US\$48.94, mostly because of the strengthening of Rupiah.

Some hotels used the current market slow down to refurbish their hotel on the expectation that once the market recovers they could raise their rates with better quality rooms and facilities.

Figure 26

ARR by Star Rating in US\$ (1H 2005 – 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

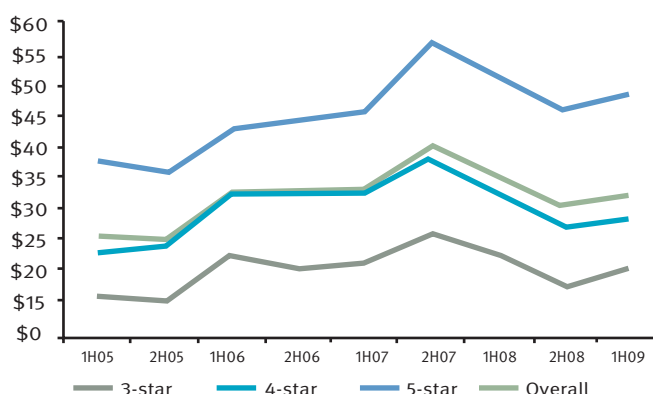
Improving RevPar

The 3-star hotel market enjoyed the highest improvement in RevPar, growing by 8.93% in rupiah terms, however,

the 4-star and 5-star hotel market decreased by 1.85% and 1.33% respectively. On average, the overall RevPar in rupiah terms increased by 0.54% to Rp 338,278, while the overall RevPar in US dollars increased by 7.66% to US\$ 33.08.

Figure 27

RevPar by Star Rating in US\$ (1H 2005 – 1H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Promising Outlook

Despite the aftermath of the JW Marriott and Ritz-Carlton bombings, the hotel industry is projected to gradually improve. However, the high-end international hotel chain market is anticipated to experience a slight slow down in the second half of 2009 while the 4-star and below submarket remains steady.

New supply and completion of refurbished hotels, scheduled for completion in the second half of 2009, may affect the market absorption. Despite stiffer competition, the high season, upcoming in the later half of the year, is expected to sustain occupancy levels. Room rates are expected to rise by the end of 2009 with the contribution of refurbished and new hotel supply. Given this condition, RevPar is expected to remain steady.

Table 17

ARR of Jakarta Hotel Market by Star Rating (1H 2009)

Market Segment	Average Room Rate (ARR)		Change from 2H 2008	
	Rupiah	US \$	Rupiah	US \$
3-Star Hotels	Rp 299,373	\$ 29.28	5.32 %	12.79 %
4-Star Hotels	Rp 422,890	\$ 41.36	- 0.83 %	6.20 %
5-Star Hotels	Rp 779,018	\$ 76.19	4.24 %	11.63 %
Overall Hotels	Rp 500,427	\$ 48.94	2.97 %	10.27 %

US\$1 = Rp 10,225

Source: Knight Frank / PT. Willson Properti Advisindo

Table 18

RevPar of Jakarta Hotel Market by Star Rating (1H 2009)

Market Segment	Average Room Rate (ARR)		Change from 2H 2008	
	Rupiah	US \$	Rupiah	US \$
3-Star Hotels	Rp 216,774	\$ 21.20	8.93 %	16.65 %
4-Star Hotels	Rp 297,588	\$ 29.10	- 1.85 %	5.11 %
5-Star Hotels	Rp 500,473	\$ 48.95	- 1.33 %	5.66 %
Overall Hotels	Rp 338,278	\$ 33.08	0.54 %	7.66 %

US\$1 = Rp 10,225

Source: Knight Frank / PT. Willson Properti Advisindo

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Asia

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Indonesia

Macau

Malaysia

Singapore

Thailand

Vietnam

Indonesia Contact

Willson Kalip

willson.kalip@id.knightfrank.com

Research & Consultancy

Fakky Ismail Hidayat

fakky.hidayat@id.knightfrank.com

Valuation

Bayu Wiseso

bayu.wiseso@id.knightfrank.com

Willie L. Prasetyo

willie.prasetyo@id.knightfrank.com

Commercial Leasing

Sindiani Surya Adinata

sindiani.adinata@id.knightfrank.com

Dian Pradipta

dian.pradipta@id.knightfrank.com

Property Management Services

Bernanto Soerojo

bernanto.soerojo@id.knightfrank.com

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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.

Cover picture is taken from Regatta Condominium, Jakarta.



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