RESEARCH





- The Indonesian economy still managed to grow by 4.3%, the third highest growth rate in the G20 after China and India. It had the lowest inflation rate and the strengthening of the Rupiah contributed to the positive GDP growth. In 2010, the Indonesian economy is forecast to grow in the range of 5.0% 5.5%
- The high-end international chain hotels occupancy levels continued to decline as a result of July 2009's bomb blast. The condominium sector, especially the middle segment, and office sector showed a strong improvement in take-up compared to the first half of the year, albeit there was a decline in occupancy levels for the latter. Retail occupancy levels continue be put under pressure by new development.
- ARR for 3-star and 4-star hotels increased by 9.57% and 7.59% respectively, while ARR for 5-star hotels decreased by 5.11% compared to the first half of the year. Gross rental rates in Rupiah terms for both office and retail sectors remained steady, although net-effectives are estimated to be much lower than asking prices suggest. Average sales prices in Rupiah for condominiums has increased slightly, by between 2% 5% depending on the area.

ECONOMY AT A GLANCE

Recovery on track

The Indonesian economy still managed to grow by 4.3%, the third highest in the G20 after China and India. It had the lowest inflation rate and the strengthening of the Rupiah contributed to the positive GDP growth.

Figure 1

8%

6%

4%

2% 0%

Strong performer

Indonesia has been one of the few countries to weather the global financial crisis well, with a resilient growth rate over the last two years. Even during the worst of the global economic slow down, the economy was still able to generate positive growth of 4.3% in the second half of 2009. This stable growth was partly attributable to private consumption, which constitutes about 58% of Indonesia's GDP and was further boosted by massive spending during the fasting month and Idul Fitri festivities in September 2009. Low inflation as well as Rupiah appreciation also contributed to positive growth. The GDP growth will lead to a lower unemployment rate through trade, services and agriculture.

Peaceful general elections and successful navigation through the global financial crisis have raised expectations that Indonesia can become one of the strongest performing emerging markets. Incumbent President Susilo Bambang Yudhoyono's re-election offers considerable scope for further political and economic reforms over his second term. The newly formed cabinet are expected to increase efforts to clamp down on corruption and enact more pro-business reforms.

In 2010, the Indonesian economy is forecast to grow between 5.0% - 5.5%.

The Organization for Economic Cooperation and Development (OECD), in its latest report, includes Indonesia among the world's best performing large developing economies, which the organization calls the BRIICs (Brazil, Russia, India, Indonesia, China and South Africa).

1



Source: Central Bureau of Statistics

2005

GDP Growth

2006

2009

Inflation Rate (y-o-y)

2004

Lowest inflation

In the second half of 2009 the inflation rate hit the lowest level in a decade, reaching 2.78%, well below the Bank of Indonesia inflation target set at 4.5%±1%. The low inflation in 2009 was consistent with the moderate rate of economic growth, appreciation of the Rupiah, declining world commodity prices and cuts in domestic fuel prices. Almost all commodities, goods and services such as prepare food, food, beverages and tobacco, housing, fuel, clothing, health and education contributed to the inflationary pressure. Transportation, communication and financial services contributed to deflation.

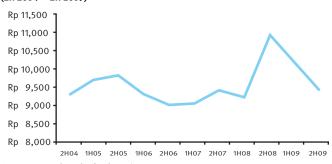


Given the recovery in economic activity in 2010, inflation is predicted to mount slightly, while remaining within the 5%±1% range. However, commodity prices could rebound further in 2010, triggering inflation. The Central Bank forecast inflation in 2010 will return to normal alongside renewed strength in domestic economic activity and commodity prices.

Strengthened Rupiah

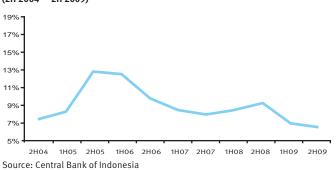
In, 2009, the Rupiah showed an appreciation trend as the Indonesian economy outperformed regional economies. The Rupiah strengthened from Rp. 10,950 to the US Dollar in December 2008 to Rp. 9,400 in December 2009. The local currency is Asia's best performer this year, having strengthened 16.5% as the economy showed continued resilience despite the

Figure 2 **Exchange Rate (Rp/ US\$1)**(2H 2004 – 2H 2009)



Source: Central Bank of Indonesia

Figure 3
Interest Rate (BI Rate)
(2H 2004 – 2H 2009)



negative impact of the global recession, while relatively high interest rates helped attract funds from abroad.

Both government and independent economists estimate that the Rupiah will stabilize between Rp. 9,000 - Rp. 9,500 against the US Dollar in 2010. Furthermore, they believe the Rupiah will gradually strengthen to a more typical rate at the end of 2010.

High lending rate

The Central Bank of Indonesia (BI) decided to leave the BI Rate unchanged at 6.50%, which is considered adequate for the economic recovery process. At 6.50%, the BI Rate level is also deemed sufficient to achieve the 2010 inflation target, set at 5%±1%. A lower BI Rate would help push banks to maintain low lending rates that should help ease borrowing costs for the real estate sector. Unfortunately, the commercial banks have not accelerated fast enough, its lending rate has been maintained at 13% as of December 2009.

By the first half of 2010, the Bank of Indonesia is expected to keep its benchmark interest rate at 6.5% whilst pushing commercial banks to further lower their deposit rate with the expectation of reducing its lending rate.

Strong domestic investment

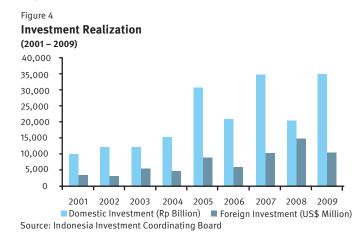
The Coordinating Investment Board (BKPM) recorded investment realization in Indonesia reached Rp. 135 trillion in 2009, a decline of 14% from Rp. 154.19 trillion in 2008. As of December of 2009, foreign investment realization reached \$10.7 billion, down 28% from \$14.87 billion in 2008, partly due to business expansion suspension, which is believed to be temporary. Almost 50% of investors came from ASEAN countries interested in transport services, communication, chemical and pharmaceutical industries, manufacturing and electronic.

Economic Indicators (2004 - 2009)							
Indicator	2004	2005	2006	2007	2008	2009	
GDP ¹	5.03%	5.60%	5.50%	6.32%	6.20%	4.30%	
Inflation ²	6.40%	17.11%	6.60%	6.59%	11.06%	2.78%	
BI Rate	7.43%	12.75%	9.75%	8.00%	9.25%	6.50%	
Exchange Rate (per US\$-end of year)	Rp 9,290	Rp 9,830	Rp 9,020	Rp 9,419	Rp 10,950	Rp 9,400	
Foreign Investment Planning Realization							
No. of Projects	544	909	801	982	1,138	1.110	
Value (US\$ Million)	4,601	8,915	5,977	10,341	14,871	10,790	
Domestic Investment Planning Realization							
No. of Projects	129	214	145	159	239	225	
Value (Rp Billion)	15,265	30,665	20,788	34,879	20,363	35,428	
Source: Processed from multiple sources by Knight Frank/PT Willson P 1 at year 2000 constant prices 2 since June 2008, BPS used consumption pattern obtained from 2007			s (2007=100)				

Meanwhile, Indonesia recorded a near 72% increase in the realization of domestic investments, which reached Rp. 35 trillion (\$ 3.78 billion) in 2009 compared with Rp. 20.36 trillion in 2008. The Indonesia Investment Coordinating Board predicted that the increase of investment realization in 2009 is expected to create an additional 500,000 jobs.

In 2010, The BKPM is optimistic that Indonesian investment value will increase by 10 to 15 percent and predict an increase of least Rp. 13 trillion, thanks to the stabilizing of domestic and international economic conditions. Furthermore, the Indonesian government has been implementing bureaucratic reforms which will speed up the process of acquiring a business license

from 60 days to only 17 days, which is expected to improve the business climate in Indonesia.







CBD OFFICE MARKET

A slow paced market

With limited new supply, net take-up showed a good improvement compared to the first half of the year, but overall net take-up in 2009 was significantly below 2008 levels. Average gross rents remained flat, although effective rents have been under downward pressure. The market is expected to perform better in 2010, but any improvement will be modest.

Limited new supply

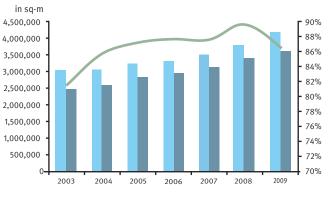
Total office stock in Jakarta CBD increased to 4,165,951 sq-m, with the completion of Menara Bakrie and Cyber 2 at Kuningan and The Plaza at Jalan MH. Thamrin in the second half of 2009.

Only 153,988 sq-m of space under-construction is expected to finish construction in 2010. Projects scheduled to complete include; Equity Tower, Menara Bidakara 2 and Sentral Senayan 3.

Total proposed supply in 2010-2013 comprises 629,400 sq-m, of which 70% is for the rental market and 30% is strata-title offices. Approximately 54% of proposed supply is located in Kuningan area and its vicinity, which includes Jalan HR. Rasuna Said, Satrio and Cassablanca.

Figure 5

Jakarta CBD Office Market Supply and Demand (2003 - 2009)



■ Cumulative Supply ■ Cumulative Demand — Occupancy Rate (%)

Source: Knight Frank / PT. Willson Properti Advisindo

Table 2 Jakarta CBD Office Market Highlights (2H 2009)						
Office Type	Total Existing Supply	Occupancy Rate	Vacant Space			
Rental offices	3,438,143 sq-m	87.72%	422,086 sq-m			
Strata-title offices	572,786 sq-m	77.03%	131,575 sq-m			
Owner occupied offices	5 155,021 sq-m	93.90%	9,452 sq-m			
Total	4,165,951 sq-m	86.48%	563,112 sq-m			
*Part of the strata-title : Source: Knight Frank /						

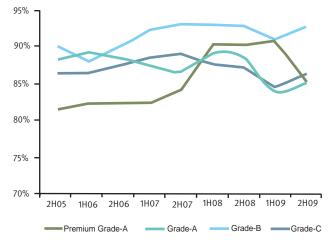
Weakened occupancy rate

Overall occupancy stood at 86.48%, a decline from 89.6% at the end of 2008. Net take-up for the whole of 2009 was recorded at 213,643 sq-m, over 35% down from 2008 levels, due to the impact of the global financial crisis.

However, on the positive side, net take-up in the second half of 2009, which comprised 152,353 sq-m, represents a good improvement from the 61,290 sq-m net take up achieved in the first half of the year. The market started to show an increase in leasing activity since late in the third quarter 2009. Demand came from the oil/mining, banking, insurance, consumer goods and IT sectors.

As at December 2009, occupancy was recorded at 85.53% for Premium Grade-A, 85.13% for Grade-A, 92.74% for Grade-B and 86.29% for Grade-C, respectively. The decline in occupancy in the Premium Grade-A and Grade-A submarket during 2009 was mainly due to the completion of new supply. However, the Premium Grade-A and Grade-A submarket still absorbed most of the net take-up in 2009.

Figure 6
Occupancy Level by Office Grade
(2H 2005- 2H 2009)



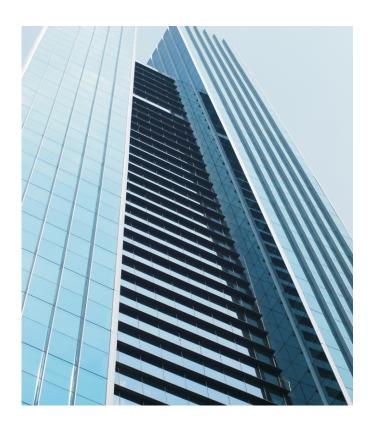
Source: Knight Frank / PT. Willson Properti Advisindo

Rents and prices was under pressured

Gross asking rents remained relatively flat in Rupiah terms. Rental growth in US Dollar terms was mainly due to the Rupiah's appreciation from Rp.10,225 to Rp.9,400 per US\$1 by the end of December 2009.

In the second half of 2009, average gross asking rents in the Premium Grade-A, Grade-A, Grade-B and Grade-C sub-markets was US\$ 23.25, US\$ 19.25, US\$ 13.98 and US\$ 11.90 per sq-m per month, respectively. Despite stable asking rents, net-effective rents have been under pressure due to the softening market throughout 2009. Some landlords offered longer rentfree periods and other incentives to attract tenants.

The average asking price of strata-title office buildings increased slightly to US\$ 1,690 per sq-m, as new supply has come to the market.



ear	Office Name	Lettable Area (sq-m)	Location	Туре
2010	Bidakara 2	23,000	Gatot Subroto	Lease
2010	Sentral Senayan 3	51,188	Asia Afrika	Lease
2010	Equity Tower	79,800	SCBD	Srata
2011	Life Tower	56,683	H.R. Rasuna Said	Lease
2011	WTC 2	60,000	Sudirman	Lease
2011	Allianz Tower	42,000	Kuningan	Lease
2011	Tempo Tower	45,000	Kuningan	Lease
2011	Kuningan City	60,850	Satrio	Strata
2012	Kota kassablanca	49,065	Cassablanca	Strata
2012	Menara 45	50,000	Mega kuningan	Lease
2012	Ciputra World	34,000	Satrio	Lease
2013	Chase Tower 2	77,814	Sudirman	Lease
To	otal Proposed Supply 2010-2013	629,400		



Base Asking Rents and Service Charge by Grade (2H 2009) Service Charge / sq-m / month Base Rental / sq-m / month Gross Rental / sq-m / month Changes from 1H 2009 **CBD Office Grade** Rupiah Overall CBD Rp 120,649 \$ 12.83 Rp 56.686 \$ 6.03 Rp 177,335 \$ 18.87 -3.1% 5.4% Premium Grade-A Rp 156,905 \$ 16.69 Rp 61,648 \$ 6.56 Rp 218,553 \$ 23.25 -6.7% 1.5% Rp 123,546 \$ 13.14 Rp 57,371 \$ 6.10 Rp 180,917 -2,2% 6.3% Grade-A \$ 19.25 Grade-B Rp 80,048 \$ 8.52 Rp 51,400 \$ 5.47 Rp 131,449 \$13.98 -1.3% 7.4% Grade-C Rp 71.158 Rp 40,725 Rp 111.884 \$ 11.90 1.5% \$ 7.57 \$ 4.33 10.4% US\$1 = Rp 9,400Source: Knight Frank / PT. Willson Properti Advisindo

Gross Asking Rental Rate in Rupiah by Office Grade (2H 2005 -2H 2009)

Gross Rental (Rp / sq-m / month)

Rp 280,000

Rp 180,000

Rp 130,000

Rp 80,000

Rp 30,000

Premium Grade-A

Grade-B

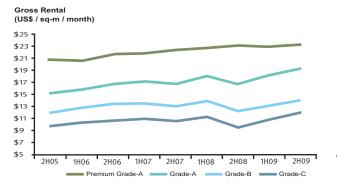
Grade-B

Grade-C

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 8

Gross Asking Rental Rate in US Dollar by Grade
(2H 2005 - 2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 9 Average Asking Strata-Title Price (2H 2005 - 2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Outlook, a gradual recovery

There is limited supply that is expected to complete construction in 2010. Meanwhile, tenants remain 'cautiously optimistic' about their business expansion plans, as the positive macro-economic indicators such as the declining interest rate, low inflation and improving economic growth are shadowed by political concern.

Whilst we anticipate net take-up to increase compared to 2009 levels, the process of market recovery will be gradual. As such, the increment of net take-up and rental growth is projected to be modest.

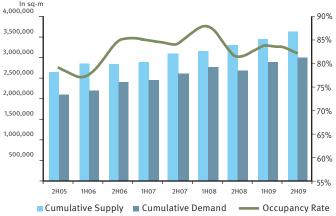
RETAIL MARKET

Retailers become more prudent when selecting sites

Large new developments located within close proximity to existing retail centers have increased competition within catchment areas and led retailers to become more prudent in selecting locations for new outlets. A declining overall occupancy rate has put downward pressure on rents.

Figure 10

Jakarta Retail Market - Supply, Demand and Occupancy
(2H 2005 - 2H 2009)



Source: Knight Frank / PT Willson Properti Advisindo

Large new stock in west district

Three new retail centers were completed during the second half of 2009 totaling about 164,500 sq-m, 48% more than in the first half of the year. New stock came from three leased retail centers, namely Central Park, PXP and one strata title retail center, Season City. These new developments bring total stock to 3,614,143 sq-m, an increase of 4.77%.

In terms of distribution, 91.6% of the new stock is located in the west of Jakarta, which has enlarged from 10.78% to 15.49% of total stock. Although the largest portion is still in the south of Jakarta with 28.03% of total stock, of which 42.78% categorized as Premium Grade A and Grade A. We have witnessed a growing trend in the west of Jakarta as a growing retail destination in the city. Meanwhile the north, central and east of Jakarta contributed at 26.67%, 25.95% and 3.86% respectively to the total stock. However, a strata title retail center still dominates the centre of Jakarta with 42.64% followed by the north of Jakarta with 28.49%.

We expect 283,500 sq-m in eight retail centers will come on stream in 2010. Of which 82.01% will be in leased shopping centers, whilst the remaining 17.99% will be in strata title retail centers. The conversion of part of Automall into office space in 2010 will reduce the total stock.

Table 5 Jakarta Retail Market Highlights (2H 2009)							
Retail Type	Occupancy Rate	Vacant Space	Total Existing Supply				
- Rental Space	88.03%	245,361 sq-m	2,049,810 sq-m				
- Strata-title Space	76.01%	375,286 sq-m	1,564,333 sq-m				
Total	82.83%	620,647 sq-m	3,614,143 sq-m				
Source: Knight Frank / F	PT. Willson Prop	erti Advisindo					



Year	Project Name	Retail Type	Location	Total Supply
2010	Thamrin Nine	Lease	CBD	20,000 sq-m
2010	Epicentrum walk	Lease	CBD	26,500 sq-m
2010	Grand Paragon	Lease	Non CBD	30,000 sq-m
2010	Thamrin City	Strata & Lease	CBD	18,000 sq-m
2010	Gandaria Main Street (Gandaria City)	Lease	Non CBD	101,000 sq-m
2010	Kemang Vilage	Lease	Non CBD	55,000 sq-m
2010	MT Haryono Square	Strata	Non CBD	8,000 sq-m
2010	Pasar Tanah Abang Blok B	Strata	Non CBD	25,000 sq-m
2011	Citylofts Gajah Mada (Previously Galeria Glodok)	Lease	Non CBD	13,000 sq-m
2011	Kuningan City	Lease	CBD	50,000 sq-m
2012	Kota Kasablanka	Lease	Non CBD	82,032 sq-m
2012	Ciputra World in Satrio	Lease	CBD	80,000 sq-m
2012	Gapura Prima Plaza	Strata	Non CBD	6,000 sq-m
2012	Ancol Beach City	Lease	Non CBD	40,000 sq-m

Slow leasing demand

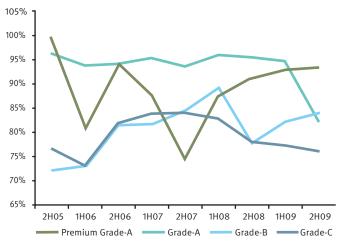
Although pre-commitments from tenants in the new leased retail centers are relatively high, retailers tend to delay their opening, which has led to a decrease in the overall occupancy by 0.98% to 82.83% based on physical occupancy. By sub sector, the escalation of occupancy rate was recorded at -12.69% and 1.90% in both leased and strata title retail centers respectively.

Net demand in the second half of 2009 dropped to 102,609 sq-m, or only 51% of that recorded in the first half of the year. Of this take-up, leased retail centers contributed 87.3%, whilst strata title retail centers were 12.7%. The majority of take up was contributed by retailers in newly completed retail centers such as Electronic Solution, Best Denki, Gramedia and Farmer Market.

Currently big/medium retailers, especially department stores & fashion/apparel outlets, have become more prudent in selecting new locations as some retail centers are located within close proximity to one another and have the same catchment area and similar target market. Smaller retailers now tend to wait until the newly built centers are half completed before committing to a scheme and open their outlets upon the operation of the anchor and or big tenants.

We observe that Food & Beverage retailers are still quite active in expanding their outlets, with the likes of Urban Food & Urban Kulture under Urban Kitchen group, Sushi Tei, and new players such as Shabu Slim in Central Park all expanding.

Figure 11
Occupancy Rate by Sub Sector and Grade
(2H 2005 - 2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

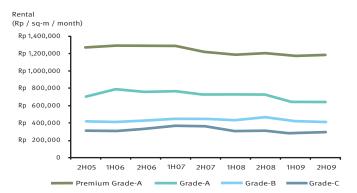
Rents still under pressure

Asking gross rents in Rupiah terms remained steady. The escalation in Rupiah term was between -1.76% and 3.12% due to the pressure from large supply levels and weakened demand.

Net-effective rents however, are estimated to be much lower than asking prices suggest, as retail centers continue to offer more incentives such as rent free periods for big tenants, flexible lease terms and down payment options, as well as fit-out incentives.

Shopping Center Grade	Base Rental / s	q-m / month	Service Charge /	sq-m / month	Gross Rental /	sq-m / month	Changes fro	om 1H 2009
	Rupiah	US\$	Rupiah	US\$	Rupiah	US\$	Rupiah	US\$
Overall	Rp 543,318	\$ 57.80	Rp 76,962	\$8.19	Rp 620,280	\$ 65.99	-1.26%	7.4%
Premium Grade-A	Rp 1,066,166	\$ 113.42	Rp 116,072	\$ 12.35	Rp 1,182,238	\$ 125.77	0.61%	9.44%
Grade-A	Rp 564,525	\$ 60.06	Rp 76,996	\$ 8.19	Rp 641,521	\$ 68.25	0.50%	9.32%
Grade-B	Rp 348,989	\$ 37.13	Rp 64,373	\$ 6.85	Rp 413,361	\$ 43.97	-1.76%	6.86%
Grade-C	Rp 242,780	\$ 25.83	Rp 52,686	\$ 5.60	Rp 295,466	\$ 31.43	3.12%	12.17%

Figure 12
Asking Gross Rents Rates in Rupiah by Grade
(2H 2005 - 2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

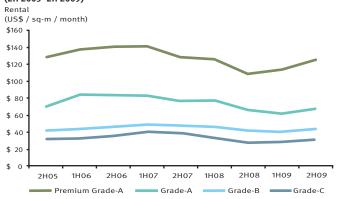
Outlook

In line with the improvement of economic conditions, consumer purchasing power is expected to increase gradually and thereby see an improvement in retail activity. We forecast that F&B retailers will still be a driving force for the opening of new outlets in retail centres in the first half of 2010. The FIFA World Cup 2010 is also anticipated to further stimulate sales for F&B retailers.

Occupancy and rental rates are expected to remain under pressure given large new supply coming on stream in 2010.

Meanwhile, to attract shoppers from the middle-upper to upper segments, the collaboration between retailers, shopping malls and other financial institutions such as banks, credit card and leasing institutions may well still be an effective approach to stimulate buying interest, especially when offered on public holiday and during holiday seasons.

Figure 13 **Asking Gross Rents in US Dollar by Grade**(2H 2005 -2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo





CONDOMINIUM MARKET

Positive movement seen in the middle segment of the condominium market

The market started to take a favorable turn, especially for new condominium projects in the middle segment, following a lowering in mortgage rates, as well as attractive incentives offered by developers. This lent support for an increase in sales prices and an optimistic outlook for the Jakarta condominium market.

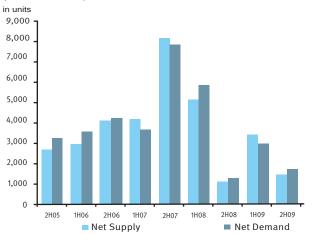
Figure 14

Jakarta Condominium Market Supply and Demand
(2H 2005 – 2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Additional Net Supply and Demand (From Existing Projects)
(2H 2005 – 2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Completion of new units falls

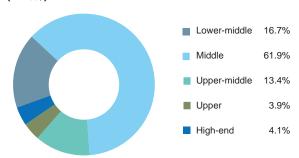
Compared to the first half of the year, the number of new condominium units completed in the second half of 2009 was slashed by half. The new supply came from three projects, namely; Thamrin Residence (Daisy Tower and Edelweiss Tower), Grand Kartini and The Lavande (Tower C), bringing total cumulative supply to 68,119 units.

Table 8 Projects Completed During the Second Half of 2009					
Project	Estimated total units	Location			
Thamrin Residence (Edelweiss & Daisy)	640	Thamrin			
Grand Kartini	276	Gunung Sahari			
The Lavande (Tower C)	518	Tebet			
The Lavande (Tower C) Source: Knight Frank / PT. Wills		Tebet			

New supply was dominated by the middle segment, accounting for 55.4% of new units delivered. This maintained the share of middle segment condominium at 61.9% of total stock. The domination in the share of condominiums in the middle segment was a reflection of the significant demand from homebuyers in the middle-income segment for condominiums located within proximity to their daily activities such as workplace and school/university.

Figure 16

Market Segmentation of Existing Condominium Supply
(2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 17 **Distribution of Existing Condominium Supply by Location**(2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

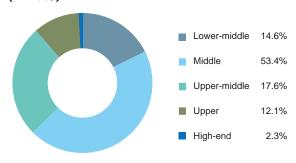
Despite the positive outlook, we observed that developers are still cautious to launch their products. We recorded only two projects that have been launched into pre sales markets during the second half of 2009, namely the Mansion (an expansion of Belagio Mansion, targeted at the upper market) and Green Bay Pluit targeted to lower middle segment.

Table 9 Newly Launched Projects	offered in Pre-Sa	ales Market (2H 2009)
Project	Location	Remark
The Mansion	Kemang	Expansion
Green Bay Pluit	Pluit	New Project
Source: Knight Frank / PT. Willso	on Properti Advisindo	

Projection Futu	ıre Condominium Supp	ly (2010 - 2012)
Year	Projected Completion Supply	Average Sales Rate as of Desember 2009
2010	10,480 units	66.14%
2011	14,581 units	52.79%
2012	1,005 units	43.58%

Figure 18

Market Segmentation of Future Condominium Supply
(Projected Completion 1H 2010 – 2012)
(2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

We project ample new supply with approximately 25,000 units (the majority coming from previously postponed projects, of which there are 52) entering the market between 2010-2011. Half of the proposed supply due for completion in 2010 is targeted at the middle segment.

Modest increase in sales rate

The sales rate of existing supply increased to 97.55% in this semester, albeit only 0.45%. The slight rise in the sales rate was due to high take-up of newly completed projects.

Newly launched lower middle projects recorded a sales rate above 30% at the end of the period as a result of flexible and longer terms of payment options (paid up to 5 years for cash installment scheme). The sales record was further enhanced by the strategic alliance formed by the developers and the bank to subsidize mortgage rates by up to 3% for the first year.



On the contrary demand for luxury condominiums softened during the second half of 2009. The market is dominated by local purchasers as foreigners are restricted from owning property in Indonesia. The weakened demand is partly due to a shifting of "priorities" by prospective buyers into other forms of yielding investment such as stocks and bonds, or pursuing investment opportunities in other countries offering significant discounts, rather than weakened purchasing power.

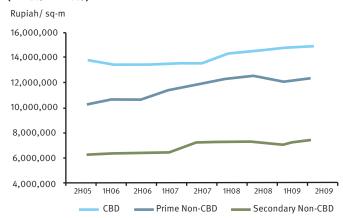
Table 11 Jakarta Condominium Market Highlights (2H 2009)	
Total existing supply	68,119
Sales rate of existing supply	97.55 %
Existing unsold Units	1,669
Proposed supply 1H 2010 - 2012	26,066
Pre-sales rate of future supply	57.80 %
Source: Knight Frank / PT. Willson Properti Advisindo	

Steady average sales prices

Source: Knight Frank / PT. Willson Properti Advisindo

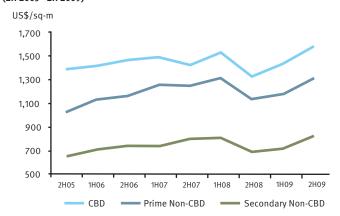
The average sales price in Rupiahs terms has been relatively stable, with a slight increment of 1.8%, 2.0%, and 5.6% for CBD, Prime Non-CBD and Secondary Non CBD areas, respectively. The sales price in US Dollar terms has increased by 10%, because of Rupiah appreciation against the US Dollar. The greatest increment in sales prices was recorded in condominiums located in the secondary Non-CBD areas, increasing by 14.85% to US\$ 824 per sq-m.

Figure 19 **Average Asking Sales Price in Rupiah by Location**(2H 2005 - 2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 20
Average Asking Sales Price in US Dollar by Location
(2H 2005 - 2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 12 Jakarta Condominium A	sking Sales Prices ar	nd Service Char	ge by Location (2Н	2009)			
Location	ion Asking Sales Price / sq-m S		Service Char	rge / sq-m	Price Changes From 1H 2009		
	Rupiah	US\$	Rupiah	US\$	Rupiah	US\$	
CBD	Rp 14,937,076	\$ 1,589	Rp 14,884	\$ 1.58	1.8%	10.76%	
Prime Non-CBD	Rp 12,315,664	\$ 1,310	Rp 13,804	\$ 1.47	2.0%	10.92%	
Secondary Non-CBD	Rp 7,745,168	\$ 824	Rp 8,523	\$ 0.91	5.6%	14.85%	

Foreign ownership soon to be relaxed

The Government is planning to revisit the current regulations limiting foreign ownership of property in Indonesia. Currently, foreigners can only purchase condominium units under a "Hak Pakai" certificate (Right of use, granted for an initial 25 years period which can be extended). This is not common for condominium transactions in Indonesia (most condominiums are transacted under HGB = Right To Build). The Government is considering whether to extend the "Hak Pakai" to more than 70 years, or perhaps allow foreign ownership

under HGB title. Once one of these options has materialized, it is expected to boost condominium demand. This new regulation is expected to effect the condominium market (it is less likely to impact on houses) with prices above than US\$ 100,000 per unit.

Outlook

The condominium market is projected to be the first sector that will improve in the 2010, following the lowering of mortgage rates. The majority of the upcoming supply will still be dominated by the midmarket segment projects.





RENTAL APARTMENT MARKET

Positive demand, adjusted rents

Although demand started to recover, the overall occupancy rate declined due to new supply coming to the market and tight competition from strata title condominium units. Average rents were put under pressure by these circumstances and decreased slightly in US Dollar terms.

Concentration of new supply

Three new rental apartments began operating in the second half of 2009, offering a total of 225 units. One project was categorized as a purpose-built rental apartment scheme known as Apartment Golf Pondok Indah (Tower 3), which will consist of 160 units in total, but presently offers its units in stages. The remaining projects were categorized as serviced apartments; Kempinski Private Residence and Pejaten Suites. We also noted that 36 units from Puri Denpasar have been converted to a boutique hotel, bringing total existing supply of rental apartments to 8,087 units, an increase of 189 units as compared to the previous period.

All new supply was located in the south of Jakarta, which also known as favorable location for expatriates due to its proximity to international schools, hospitals, retail centers and the business center. This district contributes approximately 49% of the total stock.

We project two rental apartment projects will come on stream in 2010 totaling 172 units.

Table 13 Jakarta Rental Apartment Market Highlights (:	2H 2009)
Total existing supply	8,087 units
- Serviced apartment	4,794 units
- Non-Serviced, purpose-built rental apartment	3,293 units
Physical occupancy rate	77.78%
- Serviced apartments	74.72%
- Non-Serviced, purpose-built rental apartment	82.23%
Overall vacant units	1,797 units
Future supply 2010 - 2012	445 units
Source: Knight Frank / PT. Willson Properti Advisindo	

Table 14 Projection of Future Rental A Est. Completion Year	partment Supply (2010-2012) Projected Units
2010	172
2011	120
2012 Source: Knight Frank / PT. Willson Pro	153 pperti Advisindo

Figure 21

Jakarta Rental Apartment Market-Supply and Demand (2H 2005 – 2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Increasing demand, declining occupancy rate

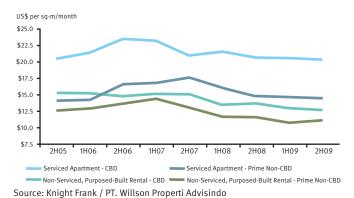
Overall, occupancy declined slightly, by 0.32%, to 77.78%, across all sub markets, mainly due to strong competition from strata title condominiums being offered as leased units, new supply coming on stream in the second half of 2009 and a further regular downward trend during the second half of the year due to the holiday season.

The occupancy rate of the purpose-built rental apartment sub market decreased by 0.42% to 82.23%, while serviced apartments declined by 0.33% to 74.72%, as compared to mid-year point.

Net demand during the second half of 2009 was recorded at 122 units, a significant increase compared to last year, which indicates the rental market started to recover after the global economic downturn since mid 2008. The increase in net demand was seen in the middle-upper market, where the majority of tenants were expatriates from Asian countries.

Figure 22

Average Asking Rents in US Dollar by Sub Market
(2H 2005 - 2H 2009)



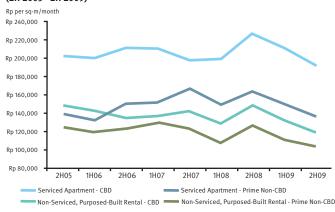
Rents

Asking rents continued to decline in all submarkets, both in Rupiah and US Dollar terms, except in non serviced/ purpose built rental apartments in prime-non CBD areas, which have increased by 2.41% to US\$ 11.05 per sq-m/ month. This is mainly due to the higher rental imposed in this category by Apartment Golf Pondok Indah 3, which average US\$ 16.78 per sq-m/month.

The strengthening of the Rupiah against the US Dollar by 8.8% to Rp. 9,400 per US Dollar during the second half of 2009 contributed to the fall of average gross rents in Rupiah terms by 10.57% to Rp. 118,663 per sq-m/month for non-serviced/purpose built rental apartments located in CBD area. Meanwhile, gross rents for serviced apartments decreased by 9.11% and 9.96% for properties located in CBD and prime-non CBD areas respectively.

Figure 23

Average Asking Rents in Rupiah by Sub Market
(2H 2005 - 2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Outlook

Increased advance bookings seen at the beginning of 2010, especially in newly operated rental apartments, brought positive sentiment to the market. The majority came from Asian expatriates, with an initial lease term between 3-6 months. Lease transactions in the rental apartment sector is anticipated to increase gradually in the upcoming period as economic conditions improve. However, rental apartment operators/developers should be cautious of the increasing trend of new strata title condominium projects to be offered as leased units.

Market Segment Serviced Apartments		Asking Gross Rental/month		Change from 1H 2009	
	Rupiah/sq-m	US\$/sq-m	Rupiah	US\$	
CBD	Rp 191,693	\$20.39	-9.11%	-1.13%	
Prime Non-CBD	Rp 134 , 846	\$14.35	-9.96%	-2.06%	
Non-Serviced, Purpose-Built Rental Apartments					
CBD	Rp 118,663	\$12.62	-10.57%	-2.72%	
Prime Non-CBD	Rp 103,882	\$11.05	-5.85%	2.41%	



HOTEL MARKET

Slow movement in the hotel market

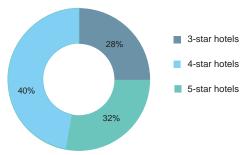
A significant amount of new stock come into the market during the second half of 2009 with over 1,100 rooms of which half come from the 3 star hotel. Slow demand from high-end hotel and increasing ARR were opportunity for hotelier to grow RevPar in US\$ term.

7 hotels launched by the end of the year

Despite the aftermath of hotel bombing in July 2009, seven new hotels totaling 1,134 rooms were launched during the second half of 2009 consisting of two of 4-star hotels (Swissbell Kartini, Golden Boutique), five 3-star hotels (Patria Plaza, Akmani Suite, Grand Asia, Istana Nelayan, FM3) and the reopening of Mandarin Oriental Hotel after 20 months of major renovation.

Figure 24

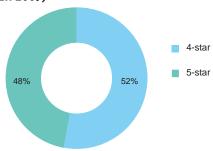
Distribution of Hotel Rooms by Star Rating
(2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 25

Distribution of New Supply by Star Rating
(2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo

As of December 2009, total supply amounted 24,138 rooms, with 5-star rooms accounting for 39.93%, followed by 4 and 3-star hotel at 32.17% and 27.90% respectively.

We noted that newly launched hotels brought a minimalist design concept with smaller room sizes, with the exception of the Mandarin Oriental Hotel which enlarged its average room size and reduced its total number of rooms from 404 to 272 units.

We expect five new hotels will enter the market between 2010 and 2012 with approximately 1,305 rooms. The 4-star hotel segment will dominate room supply in 2010, mostly located in the secondary areas.

Table 16 Jakarta Hotel Market Highli Distribution by star rating	ghts (2H 2009) No. of Rooms	Occupancy Rate
3-star hotels	6,734	74.84%
4-star hotels	7,765	72.27%
5-star hotels	9,639	52.02%
Total/Average Source: Knight Frank / PT. Willson Pro	24,138 operti Advisindo	64.90%

Increasing 3 and 4 star demand

Visitor arrivals through Soekarno-Hatta International Airport increased by 14.94% to 9.24 million in the second half of 2009. Over this period, we have witnessed monthly foreign visitor arrivals hitting 5 year highs for their respective months, including the record 372,874 visitors in November and 392,558 visitors in December. The increase in visitor arrivals was because of increased flight capacity from the now operating third Airport Terminal, which is designated for domestic flights and opened in April 2009. Domestic visitor arrivals to Soekarno Hatta Airport reached record levels, with 1.093 million visitors in April and 1.0293 million visitors in December.

ojection of Futi	re Supply Completion Schedule (2010 - 2012)			
Est. Completion	Project Name	Star Rating	No. of Rooms	Development progess
2010	Best Western Mangga Dua, Hotel & Residence	4	168	Finishing
2010	Hotel Harris Kelapa Gading	4	232	Finishing
2012	Hotel Pluit Emporium	4	280	Under Construction
2012	Aryaduta Regency Hotel	5	325	Under Construction
2012	Gandaria Main Street	5	300	Under Construction

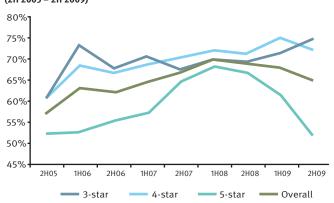
As a result of the increase in visitor arrivals, the room night demand (RND) of 3 and 4-star hotels rose by 16.0% and 16.4% respectively. However this does not translate into improve overall occupancy rate which has decreased by 3.28% to 64.90%, partly due to weak performance of the 5-star hotel. The bombing attacks at the JW Marriot and Ritz Carlton Kuningan in July 2009 continued to impact the high end hotel performance. The average occupancy rate in 5-star hotels decline by approximately 9.25% to 52.02% from the mid-year point. Meanwhile the 4-star hotel occupancy rate decreased by 2.9% in the second half of the year as new supply outstripped demand. Accommodation budget cuts for business travelers have been applied by the majority of domestic companies. This has significantly effected the 3-star hotel market in a positive manner as it gained from shifting demand from the top end of the market, resulting in an increase in the occupancy rate by 3.37% to 74.84%.

Improving ARR and RevPar

Average room rate in Rupiah terms was under pressure by the 5-star hotel, although continued to increase slightly by 1.38% to Rp. 507,334. ARR for 3-star and 4-star hotels increased by 9.57% and 7.59% respectively. While ARR for 5-star hotel decreased by 5.11% compared to the first half of the year. Shifting demand from the higher starred hotels to 3-star and 4-star hotels contributed to an increase in the ARR of these starred hotels. Meanwhile, ARR in US Dollar terms for 3-star, 4-star and 5-star hotels seem to be trending in the same direction and increased by. 19.19%, 16.97% and 3.22% respectively. This strong growth is mainly due to the strengthening of Rupiah currency against US Dollar.

The improvement of the room night demand in second half of 2009 also caused the average RevPar to improve, in US Dollar terms by 5.76% to US\$ 34, but decreased in Rupiah term by 2.77% to Rp. 328,900.

Figure 26
Occupancy Rate by Star Rating
(2H 2005 – 2H 2009)



Source: Knight Frank / PT. Willson Properti Advisindo





Overall

5-star

Figure 27 ARR by Star Rating in US\$ (2H 2005 - 2H 2009) \$90 \$80 \$70 \$50 \$40 \$30 \$20 \$10 1H06 1H07 1H08 1H09 2H09 2H06 2H08 4-star Overall

RevPar by Star Rating in US\$
(2H 2005 – 2H 2009)

\$60
\$55
\$50
\$45
\$40
\$35
\$30
\$25
\$20
\$15

Source: Knight Frank / PT. Willson Properti Advisindo

3-star

\$10

Outlook

Source: Knight Frank / PT. Willson Properti Advisindo

With the continued growth in hotel demand supported by favourable economic conditions, strong market fundamentals and a growing investment climate, Jakarta will see increased occupancy and revenues. Increasing international visitor arrival growth, along with domestic demand stimulated by low cost airlines, further enhances the outlook for the sector. To stimulate foreign shopper arrivals and trading, starting in 2010 the

Government agreed to a apply tax refund of the 10% VAT for foreigners (as generally applied in some countries) with a minimum expense of Rp. 5 million.

4-star

The principal challenge for the accommodation sector within these markets is how to generate ARR particularly for those targeted to foreign business guests as current ARR is much lower than the average in surrounding countries.

Market Segment	ARR		Change from 1H 2009	
	Rupiah	US\$	Rupiah	US\$
Star Hotels	Rp 328,025	\$ 34.90	9.57 %	19.19 %
Star Hotels	Rp 454,742	\$ 48.38	7.53 %	16.97 %
Star Hotels	Rp 739,236	\$ 78.64	-5.11 %	3.22 %
rerall Hotels	Rp 507,334	\$ 53.97	1.38 %	10.28 %

Market Segment	RevP	RevPar		Change from 1H 2009	
	Rupiah	US\$	Rupiah	US\$	
3-Star Hotels	Rp 247,159	\$ 26.29	14.02 %	24.02 %	
4-Star Hotels	Rp 335,697	\$ 35.71	12.81 %	22.71%	
5-Star Hotels	Rp 403,845	\$ 42.96	- 19.31 %	-12.23 %	
Overall Hotels	Rp 328,900	\$ 34.99	- 2.77 %	5.76 %	

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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.

