RESEARCH

SECOND HALF 2011

JAKARTA PROPERTY HIGHLIGHTS

Knight Frank

HIGHLIGHTS

- Indonesia's economy expanded 6.5% in the full-year of 2011, indicating the strongest pace since 1996 when the economy expanded 8.0%, as surging domestic consumption and investment offset weakening exports growth.
- Capitalizing on solid domestic demand and rapid corporate growth, office space absorption marked its comeback, almost reaching the pre-crisis level of 2008. Flight to quality and new expansion continued to drive growth plans despite concerns over global slowdown.
- New store expansions from foreign and domestic retailers remained active, taking advantage of the vibrant momentum. Strong competition among mall owners and retailers is expected to continue, especially for retail malls with the similar target segmentation and located within close proximity.
- With conducive economic conditions, developers were in pace to build new condominium projects, as indicated by more new projects being launched since 2010. Condominium prices continued to show a rising trend. Rising rental apartment inquiries helped to sustain demand resulting in average rental rates and occupancy increases.
- Benefiting from strong business activity and steady pace in tourism, the Jakarta hotel market continued to experience positive performance growth.

ECONOMY IN BRIEF

Sustained Growth, Yet Global Crisis Poses Future Risk

Buoyed by strong domestic consumption, investment and favorable export performance, the Indonesian economy continued its strong growth expanding at 6.5% (yoy) in 2011 amid global economic uncertainty. In spite of this, a cooling global economy and the government's planned fuel subsidy cut and power hike in 2012 may pose further risks for Indonesian economic outlook, particularly for its export growth and domestic demand.

Stable Growth Momentum

With the support of a vast domestic market and a relatively small share of exports to GDP, Indonesia continued to experience a more sustainable and balanced economic growth in 2011 amid the eurozone sovereign debt crisis and the global slowdown.

Indonesia posted 6.5% annual growth in 2011, marking the strongest surge since 1996 and faster than the 6.1% (yoy) expansion in the preceding year as rising domestic consumption and investment helped to offset a slight weakening in export growth. To reflect the likely impact of further slowdown in the global economy, the Central Bank lowered its 2012 growth forecast to 6.3%-6.7%.

Exports rose to a record $204 billion in 2011 despite some slowing in the last quarter of the year, due to risks in the economies of the major export destinations of America and Europe. Total exports are targeted to reach $230 billion in 2012.

Given the resilient economic growth, low and declining public debt ratios and a prudent macro policy, Indonesia's sovereign debt rating was raised by Fitch Ratings to investment grade in December 2011 to BBB- from BB+, with a stable outlook. On a more positive note, the long-awaited land acquisition bill was approved by the House of Representatives in December 2011, giving high hopes to break the holdup in infrastructure development that has long been seen as holding back Indonesia's growth.

Figure 1
GDP Growth vs. Inflation Rate
(2007 - 2011)

Source: Central Bureau of Statistics

Tamed Inflation, Pressures Stay

After peaking to a 21-month high of 7.02% (yoy) in January 2011, headline inflation slowed for a fourth consecutive month in December 2011 to the lowest level since March 2010 amid stable food prices supported by the government policy in securing ample supply and distribution as well as price stabilization.

The Central Bank of Indonesia reported that the headline Consumer Price Index (CPI) inflation rate in 2011 remained under control, decreasing to 3.79% (yoy) from 6.96% (yoy) in 2010 and slightly below the government-set inflation target of 5%±1% (yoy).

Evidenced by the recent slowdowns and lower inflation expectations, BI's inflation target for both 2012 and 2013 are maintained at 4.5%±1%.

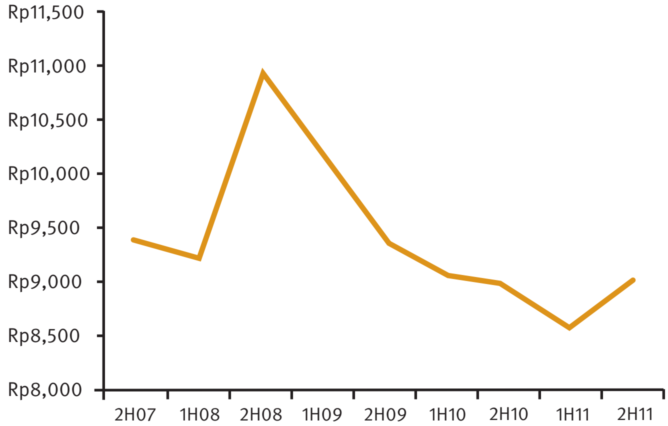
In comparison by group, raw food materials were the biggest contributor to the 2011 inflation rate, followed by the group of processed food, beverage, cigarette and tobacco. The highest inflation rate in 2011 occurred in the month of August, posting 0.93% due to the increase in gold and jewelry, airline tickets, fresh fish and rice prices. Meanwhile, the highest deflation rate occurred in March, recording 0.32% due to the decline in red chili, rice and onion prices.

Going forward, inflation is projected to remain well contained although several planned government policies such as 10% electricity tariff hike and subsidized fuel restrictions taking effect in April 2012 may put higher pressures to prices. However, with commodity prices to remain subdued due to global economic slowdown, it will be expected to help offset or dampen inflationary pressure in 2012.

Figure 2

Exchange Rate (Rp / US$1)

(2H 2007 – 2H 2011)

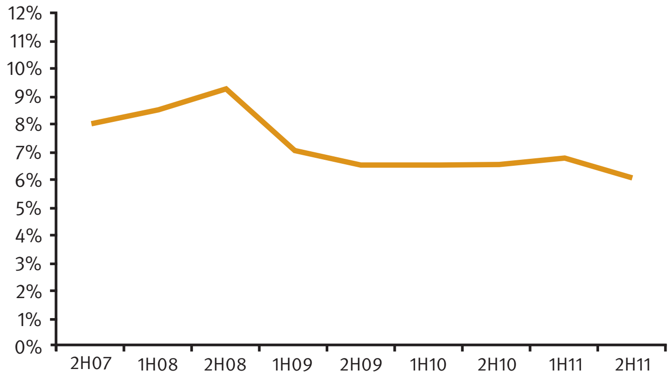


Source: Central Bank of Indonesia

Figure 3

Interest Rate (BI Rate)

(2H 2007 – 2H 2011)



Source: Central Bank of Indonesia

Downward Pressure on Rupiah

The abundance of excess global liquidity and attractive yields on Rupiah assets helped to drive Rupiah appreciation during the first half of 2011. Headed for its first annual decline since 2008, further Rupiah gains were instead hindered by downward pressure during the second half, driven mainly by European debt concerns, high demand of foreign exchange for domestic needs and increased imports. The Rupiah slipped slightly by 0.9% (yoy) to close at Rp9,068 on December 30, 2011.

To safeguard the Rupiah and government bonds stable, the Central Bank has intensified efforts in 2011 after the global economic downturn prompted investors worldwide to turn to safer instruments such as the U.S. dollar. The measures included imposing a 6-month minimum holding period on BI debt papers and intervention in the debt and currency markets.

Increased Credit Flow

As the inflationary pressure eased down, the Central Bank kept the key rate at 6.75% for the eight straight month to September 2011. Further, with anticipation to mitigate the impacts of declining global economy toward Indonesian economy performance, BI cut its benchmark rate in November and October by a total of 0.75 percentage points to 6%, a record low since the policy rate was set in 2005.

Table 1
Economic Indicators (2007 - 2011)

Indicator	2007	2008	2009	2010	2011
GDP[1]	6.32%	6.20%	4.30%	6.10%	6.50%
Inflation[2]	6.59%	11.06%	2.78%	6.96%	3.79%
BI Rate	8.00%	9.25%	6.50%	6.50%	6.00%
Exchange Rate (per US$-end of December)	Rp9,419	Rp10,950	Rp9,400	Rp8,991	Rp9,068
Foreign Investment Planning Realization					
No. of Projects	982	1,138	1,221	3,081	4,894
Value (US$ Million)	10,341	14,871	10,815	16,215	19,475
Domestic Investment Planning Realization					
No. of Projects	159	239	248	875	1,476
Value (Rp Billion)	34,879	20,363	37,799	60,626	76,001

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)

Loan demand taken out by consumers and corporations remained high in 2011 in line with the strong economic growth and lower borrowing cost. Until December 2011, total credits distributed by commercial banks grew 24.5% (yoy) to Rp2.2 trillion, in which investment credit grew by 33.2% (yoy) to Rp464 billion, consumption credit grew by 24.1% (yoy) to Rp667 billion and working capital credit expanded by 21.4% (yoy) to Rp1.06 trillion.

Major commercial banks remained optimistic that they expect a growth target of between 23% and 26% in lending next year despite the looming global economic crisis.

Strong Capital Investment

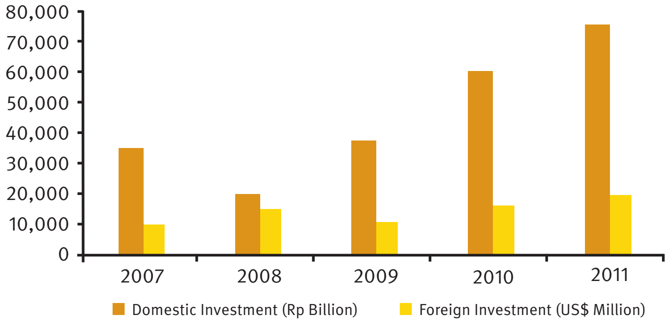
Investment conditions continued to show strong capital inflows with the cumulative investment realization for both domestic and foreign investment in 2011 increasing to Rp251.3 trillion (yoy) for 6,370 projects (an increase of 20.5% from Rp208.5 trillion in 2010), exceeding the government's target of Rp240 trillion.

Foreign investment realization hit a record, gaining by 20.1% to Rp175.3 trillion ($19.4 billion) for 4,894 projects, while domestic investment also rose by 25.4% to Rp76.0 trillion (yoy).

Singapore led the list of foreign investors with $5.1 billion, followed by Japan and the United States with about $1.5 billion each. For the first time, South Korea joined the top-five investors with investments of $1.2 billion. The industries that attracted the most international investment were transportation, mining and utilities.

After regaining the investment grade status from Fitch International and hoping that other rating Agencies would follow suit, the BKPM remains optimistic that it is able to fulfill an investment realization target of Rp285.5 trillion ($31.7 billion) in 2012, an increase of 13.6%.

Figure 4
Investment Realization
(2007 – 2011)



Source: Indonesia Investment Coordinating Board

CBD OFFICE MARKET

Robust Demand Growth, Strong Gains in Absorption

The Jakarta office market performed remarkably well in 2011 on the back of solid domestic demand and rapid corporate growth. Space absorption marked its comeback, almost reaching the pre-crisis level of 2008. Flight to quality and new expansion continued to drive growth plans. Given the strong office inquiries and relatively tight market, positive trend is expected to continue in 2012 despite concerns over global slowdown.

Ample New Supply

The total Central Business District (CBD) cumulative office supply grew marginally by 2.6% to 4,371,164 sq-m in 2011 with the completion of Sentral Senayan 3, Allianz Tower and K-Link Tower during the first half of the year and no supply completed during the second half.

Tempo Scan Tower and Multivision Tower, both in the Kuningan area, which were previously scheduled for completion at the end of 2011, have revised their schedule to early 2012.

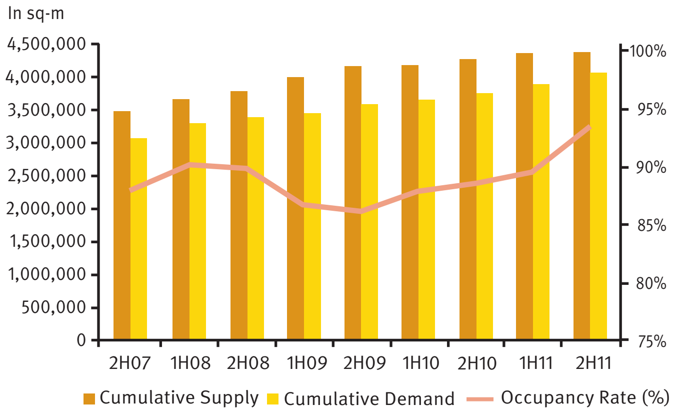
Total new supply in 2012-2013 is projected to reach 546,850 sq-m comprising 45% rental offices, 15% strata-title offices and the remaining 41% a mix of strata and leased offices. Accounting for 79% of in-the-pipeline supply, the majority of proposed supply is expected to enter the market in 2012 with 433,850 sq-m.

Table 2
Jakarta CBD Office Market Highlights (2H 2011)

Office Type	Total Existing Supply	Occupancy Rate	Vacant Space
Rental Office	3,563,556 sq-m	94.45%	197,698 sq-m
Strata Office	652,586 sq-m	87.66%	80,504 sq-m
Owner Occupied Office	155,021 sq-m	87.32%	19,651 sq-m
Total	**4,371,164 sq-m**	**93.19%**	**297,853 sq-m**

* Part of the strata-title office space have been offered for lease
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 5
Jakarta CBD Office Market Supply and Demand
(2H 2007 - 2H 2011)



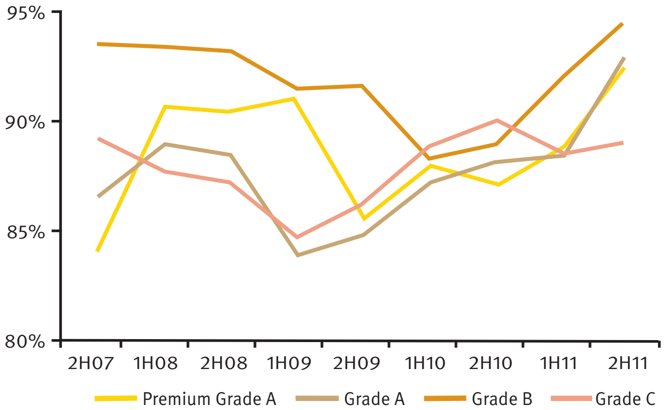
Source: Knight Frank / PT. Willson Properti Advisindo

Table 3
Future Supply Completion Schedule (2012 - 2013)

Year	Project	Lettable Area (sq-m)	Location	Type
2012	Tempo Scan Tower	45,000	Kuningan	Lease
2012	Multivision Tower	22,300	Kuningan	Strata
2012	AXA Tower (Kuningan City)	60,850	Prof. Dr. Satrio	Strata
2012	Ciputra World	64,000	Prof. Dr. Satrio	Lease
2012	WTC 2	60,000	Sudirman	Lease
2012	City Center (Tower 1)	88,000	KH Mas Mansyur	Strata & Lease
2012	Kota Kasablanka Tower A	58,000	Casablanca	Strata
2012	Kota Kasablanka Tower B	35,700	Casablanca	Lease
2013	City Center (Tower 2)	34,000	KH Mas Mansyur	Strata & Lease
2013	City Center (Tower 3)	39,000	KH Mas Mansyur	Strata & Lease
2013	Menara Prima 2	40,000	Mega Kuningan	Lease
	Total Proposed Supply 2012-2013	**546,850**		

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 6
Occupancy Levels by Office Grade
(2H 2007 - 2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Absorption Near Pre-Crisis Level

In 2011, the CBD office market experienced a robust performance with cumulative net take-up reaching 320,974 sq-m or a significant increase of 93% compared to 2010. Notably, the 2011 cumulative net take-up was almost equal to 2008 record high level of 332,007 sq-m. Leasing transactions mainly came from insurance, oil and mining, consulting and banking/finance sectors.

In the second half of 2011, all submarkets recorded both positive net take-up and increase in occupancy.

Premium Grade A and Grade A buildings absorbed 84% of the net take up, followed by Grade B at 15%. Grade C buildings recorded modestly positive net take up.

With strong demand levels and limited new supply entering the market in the second half of 2011, occupancy rate increased to 92.63% in Premium Grade A, 93.08% in Grade A, 94.63% in Grade B and 89.10% in Grade C sub-market. Overall CBD market occupancy increased to 93.19%. Approximately 65% of active inquiries in 2011 came from domestic companies, in which the majority came from new business set-up.

Rising Rental, Prices Escalate

All submarkets recorded an increase in gross rental in Rupiah terms although the increase was more profound in the Premium Grade A and Grade A submarkets, where demand appeared to be the strongest. Average asking gross rental per sq-m per month in U.S. dollar terms were recorded at $26.56 for Premium Grade A, $22.52 for Grade A, $15.94 for Grade B and $13.99 for Grade C submarket, respectively.

With strong demand and limited new supply, average price of strata-title office buildings continued to increase by 24.7% (yoy) to Rp23.9 million ($2,635) per sq-m.

Table 4

Base Asking Rents and Service Charge by Grade (2H 2011)

CBD Office Grade	Base Rental / sq-m / month		Service Charge / sq-m / month		Gross Rental / sq-m / month		Price Changes from 1H 2011	
	Rupiah	US$	Rupiah	US$	Rupiah	US$	Rupiah	US$
Overall CBD	Rp138,824	$15.31	Rp60,647	$6.69	Rp199,471	$22.00	10.8%	5.1%
Premium Grade A	Rp176,143	$19.42	Rp64,782	$7.14	Rp240,925	$26.57	14.8%	8.9%
Grade A	Rp142,962	$15.77	Rp61,552	$6.79	Rp204,514	$22.55	10.7%	4.9%
Grade B	Rp90,540	$9.98	Rp54,297	$5.99	Rp144,836	$15.97	4.6%	-0.8%
Grade C	Rp78,390	$8.64	Rp48,813	$5.38	Rp127,203	$14.03	7.1%	1.6%

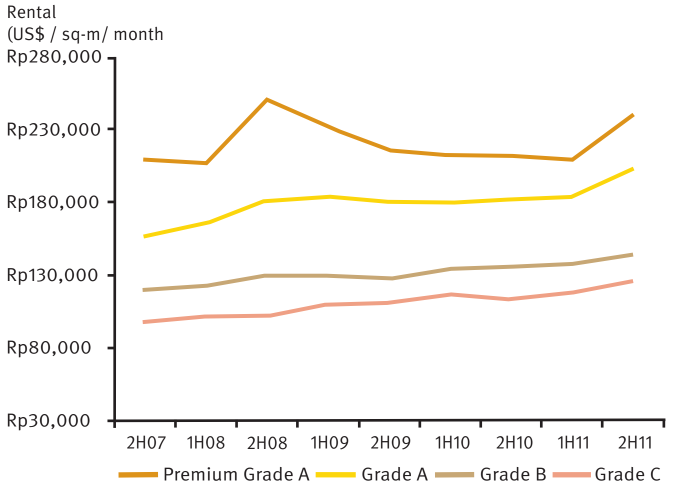
US$1 = Rp9,068

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 8

Gross Asking Rental Rates in U.S. Dollar by Office Grade

(2H 2007 - 2H 2011)

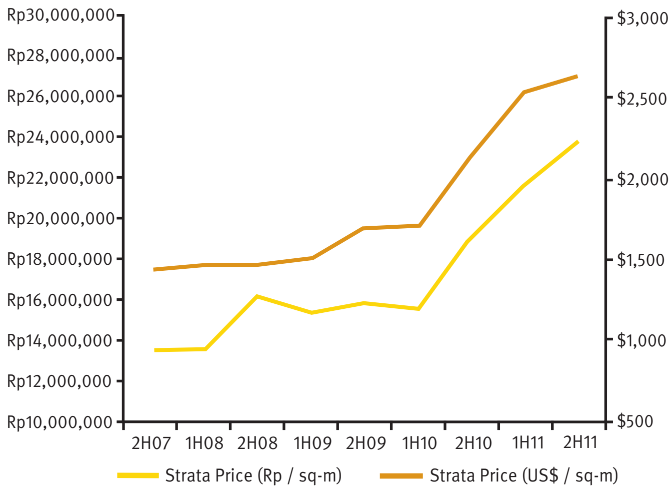


Source: Knight Frank / PT. Willson Properti Advisindo

Figure 9

Average Asking Strata-Title Price

(2H 2007 - 2H 2011)

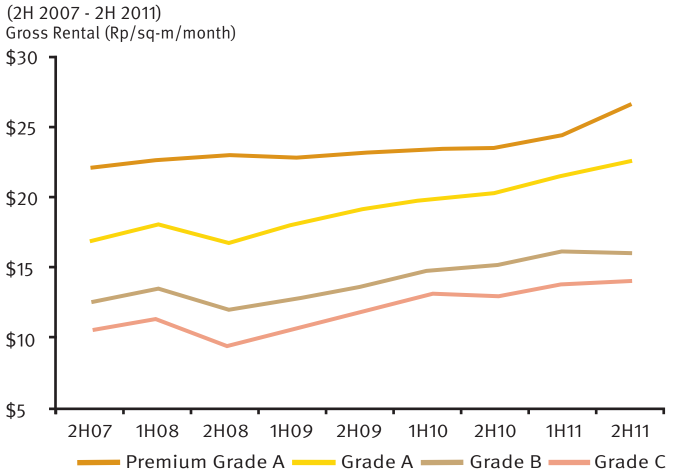


Source: Knight Frank / PT. Willson Properti Advisindo

Figure 7

Gross Asking Rental Rates in Rupiah by Office Grade

(2H 2007 - 2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Outlook

It is expected that the aggregate occupancy to remain above 90% in 2012 as the high level of proposed supply in 2012 has reached nearly 60% pre-commitment rate as of end of 2011. Further, any adverse impacts of the economic crisis in Europe on the Jakarta CBD office market will likely be mitigated by strong inquiries from new business set-ups from domestic companies and other Asian countries.

Base rental is expected to increase along with occupancy. Moreover, service charges may escalate if inflationary pressure increases as a result of a fuel subsidy cut and power hike sometime in 2012.

RETAIL MARKET

Sustainable Performance, Strong Competition Remains

Given strong consumer confidence and rising household consumption, the Jakarta retail market in 2011 continued to see active expansions local and foreign retailers have been actively expanding or opening new outlets in new and existing projects, taking advantage of the vibrant momentum. Strong competition among mall owners and retailers is expected to continue, especially for retail malls with the similar target segmentation and located within close proximity.

Table 5
Jakarta Retail Market Highlights (2H 2011)

Retail Type	Occupancy Rate	Vacant Space	Total Existing Supply
Rental Space	89.99%	227,742 sq-m	2,275,122 sq-m
Strata-title Space	82.85%	274,043 sq-m	1,597,653 sq-m
Total	**87.04%**	**501,785 sq-m**	**3,872,775 sq-m**

Source: Knight Frank / PT. Willson Properti Advisindo

Ample New Supply

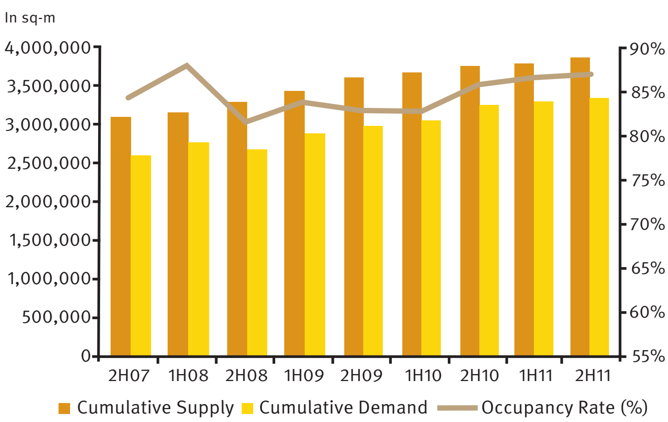
With the completion of five new retail centers (Grand Paragon, Kalibata City Square, Tebet Green, Kuningan City and MT Haryono Square) totaling about 96,580 sq-m and after the offset of two existing leased retail centers (Kalibata Mall and Kramat Jati Indah Plaza) being partially under renovation, the total aggregate supply of retail shopping malls in Jakarta in 2011 increased by 2.3% to 3.87 million sq-m.

The largest share of supply remained in South Jakarta, with 42% of the total supply. The Central Business District remained the largest concentration of Premium Grade A and Grade A buildings which represented 86.2% of the total existing supply in the CBD.

The overall supply of strata-titled retail space remained stable at 1,597,653 sq-m. By area, Central Jakarta dominates with about 44.4% of the strata-titled supply, while 77.6% are located in the Non-CBD area.

Approximately 12 retail projects totaling 461,469 sq-m are expected to complete between 2012 and 2013. The pipeline will consist mainly of rental shopping malls supporting retail facilities within mixed-use developments (84.6%) and the remaining being strata-title retail centers (5.6%) with a proportionate distribution area of 59% in the CBD area and 41% in the Non-CBD area. South Jakarta will supply about 55% of the total new retail supply.

Figure 10
Jakarta Retail Market - Supply, Demand and Occupancy
(2H 2007 - 2H 2011)



Source: Knight Frank / PT Willson Properti Advisindo

Table 6

Projection of Future Supply Completion Schedule (2012 - 2013)

Year	Project Name	Retail Type	Location	Total Supply
2012	Kota Kasablanca	Lease	CBD	110,000 sq-m
2012	Ciputra World in Satrio	Lease	CBD	80,000 sq-m
2012	Kemang Village	Lease	Non-CBD	55,000 sq-m
2012	Ancol Beach City	Lease	Non-CBD	32,300 sq-m
2012	Menteng Square - Tower B	Strata	Non-CBD	20,000 sq-m
2012	Mall Pondok Indah 1 Extention / Area 51	Lease	Non-CBD	9,000 sq-m
2012	Green Central Citiwalk	Lease	Non-CBD	8,024 sq-m
2012	Gapura Prima Plaza	Strata	Non-CBD	6,000 sq-m
2013	St Moritz Mall	Lease	Non-CBD	57,200 sq-m
2013	Sea View Mall (Green Bay Pluit)	Lease	Non-CBD	48,945 sq-m
2013	Cipinang Indah Mall	Lease	Non-CBD	30,000 sq-m
2013	Pasar Baru Mansion	Lease	Non-CBD	5,000 sq-m
	Total			**461,469 sq-m**

Source: Knight Frank / PT. Willson Properti Advisindo

Buoyant Leasing Activity

Given the large population in Jakarta and growing middle class income, major foreign retailers continued to expand aggressively. The overall occupancy rate increased slightly by 1.0% to 86.67% by the end of 2011. Compared to 2010, the leased mall retail space and strata-titled retail space posted a slight nominal decrease of 2.2% and increase of 5.1% in demand, respectively. The slight occupancy decrease in leased mall retail space was mainly due to retail tenants in several newly completed retail projects being at the fitting-out stage, resulting in slow store openings.

Leasing activity in 2011 in newly completed and upper class malls included LotteMart in Kuningan City; Galeries Lafayette in Pacific Place; Nine West, Armani Jeans, Travelogue, Crocs, Charles & Keith, Nautica and Payless Shoe Source in Gandaria City; Stradivarius in Plaza Indonesia and Central Park; Denim Destination in Senayan City; Mujirushi Ryohin in Grand Indonesia and Taman Anggrek; Opera Blanc, Farmers Market and Diva Karaoke in Kalibata City Square and a number of others. Notably, several new international brands opened their first stores in Jakarta malls, including Pongs Home Center (Do It Best) in Kelapa Gading and Taman Anggrek; Staccato and Mango Touch in Pondok Indah; New Look in Central Park and Payless ShoeSource in Central Park, Blok M and Plaza Semanggi.

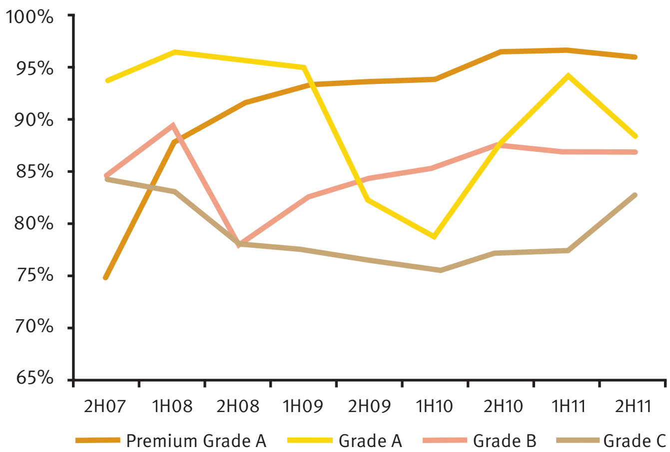
Reasonable Rental Growth

The overall average asking gross rate for prime ground floor space in Rupiah terms increased slightly by 7.0% (yoy) to Rp694,116 per sq-m per month and the Premium Grade A asking gross rate in Rupiah terms recorded a small 1.1% (yoy) increase. Meanwhile, the overall average asking gross rate in U.S. dollar terms also saw an increase of 5.9% (yoy) to $76.4 per sq-m per month. The overall service charges in Rupiah terms experienced a slight increase of 5.8% compared to 2010.

Figure 11

Occupancy Rates by Submarket and Grade

(2H 2007 - 2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 7

Asking Gross Rental Rates of Jakarta Retail Market (2H 2011)

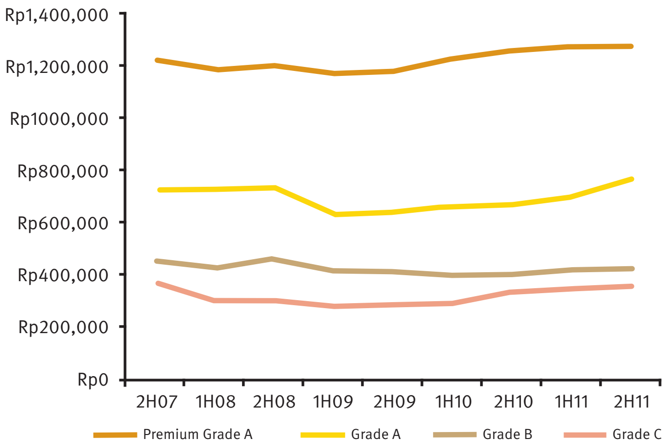
Shopping Center Grade	Base Rental / sq-m / month		Service Charge / sq-m / month		Gross Rental / sq-m / month		Price Changes from 1H 2011	
	Rupiah	US$	Rupiah	US$	Rupiah	US$	Rupiah	US$
Overall	Rp608,762	$67.00	Rp85,354	$9.39	Rp694,116	$76.39	3.33%	-2.23%
Premium Grade A	Rp1,144,156	$125.93	Rp128,107	$14.10	Rp1,272,263	$142.02	0.21%	-5.18%
Grade A	Rp684,234	$75.31	Rp84,872	$9.34	Rp769,106	$84.65	8.77%	2.92%
Grade B	Rp358,504	$39.46	Rp69,613	$7.66	Rp428,117	$47.12	1.17%	-4.28%
Grade C	Rp296,537	$32.64	Rp63,673	$7.01	Rp360,210	$39.64	3.11%	-2.44%

US$1 = Rp9,068
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 12

Asking Gross Rental Rates in Rupiah by Grade

(2H 2007 - 2H 2011)

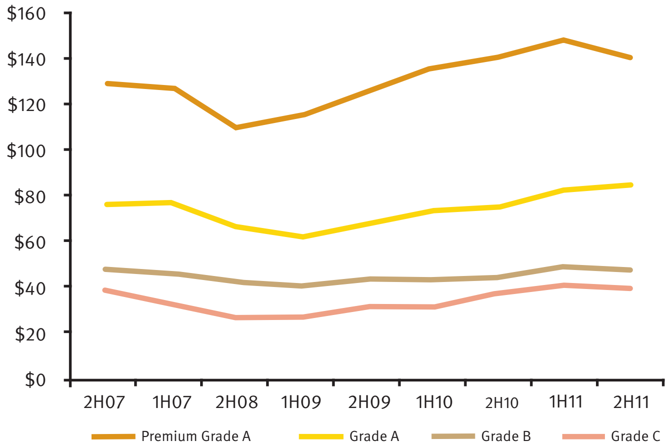


Source: Knight Frank / PT. Willson Properti Advisindo

Figure 13

Asking Gross Rental Rates in U.S. Dollar by Grade

(2H 2007 - 2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Looking Ahead

In line with the vast potential market and strong economic growth, the Jakarta retail sector is expected to remain positive, yet competitive among mall owners and retailers. Given a sizeable new supply of 461,469 sq-m in 2012-2013, occupancy levels for CBD premium retail malls will likely be lower, if not stable.

The impact of the proposed plan for a one-year moratorium on the issuance of new mall permits over 5,000 sq-m remains to be seen. However, with less retail spaces in the future, existing mall owners are likely to review their asking rentals subject to conditions and competitions. Smaller scale retail malls comprising supporting retail units within mixed-use projects are expected to have the opportunity to grow.

CONDOMINIUM MARKET

Positive Growth, New Supply Continues to Escalate

In 2011, the Jakarta condominium market continued to experience steady increases in growth on the back of rising middle class. With cumulative demand increasing by 12.6% (yoy), average prices in Rupiah terms rose by 16.0% (yoy). Given a large number of new projects expected to enter the market over the period 2012-2014, the Jakarta condominium market remains to experience strong competition.

Surging New Supply

The aggregate strata-title condominium supply grew significantly by 11.9%, with an additional supply of 8,906 units coming from a total of fifteen completed condominium projects, bringing the total existing supply at the end of 2011 to 83,500 units compared to 74,594 units in the previous year.

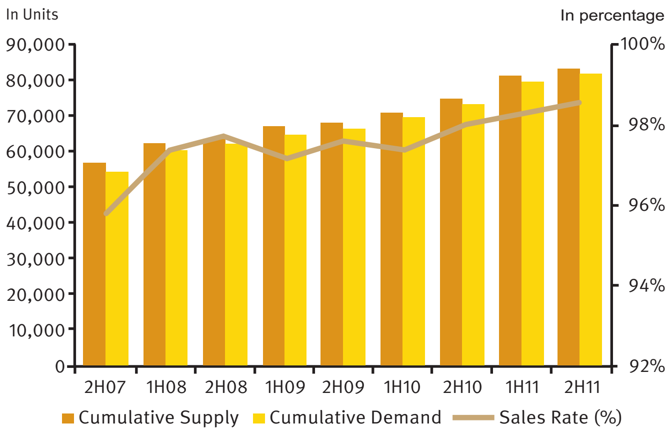
The middle income segment continued to have the largest share of the total condominium market at 58.8%. Of the new condominium units delivered in 2011, 81.9% were aiming for the middle to lower middle segments. The bulk of newly condominium completions took place in West Jakarta (53.6%) and a limited number in East Jakarta (2.3%).

Table 8
Projects Completed During the Second Half of 2011

Project	Estimated Total Units	Location
Ambassade Residences - Tower A	234	Kuningan
Thamrin Executive Residence	488	Thamrin
MT Haryono Square	205	Cawang
1 @ Cik Ditiro	124	Cikini
Kebagusan City - Tower C	600	Pasar Minggu
Central Park Residences - Adelaine	450	Slipi

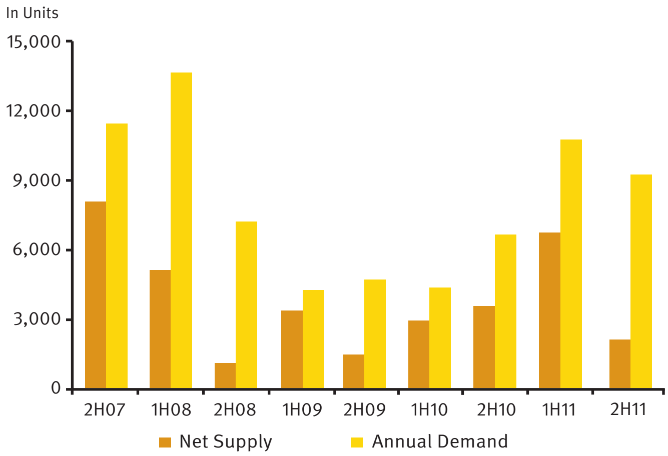
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 14
Jakarta Condominium Market Supply and Demand
(2H 2007 – 2H 2011)



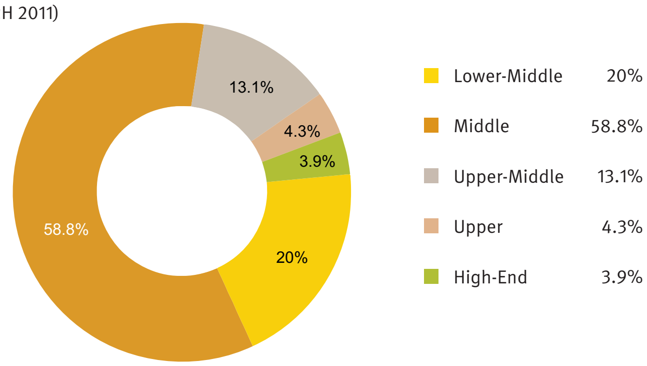
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 15
Additional Net Supply and Demand (Existing Projects)
(2H 2007 – 2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 16
Market Segmentation of Existing Condominium Supply
(2H 2011)



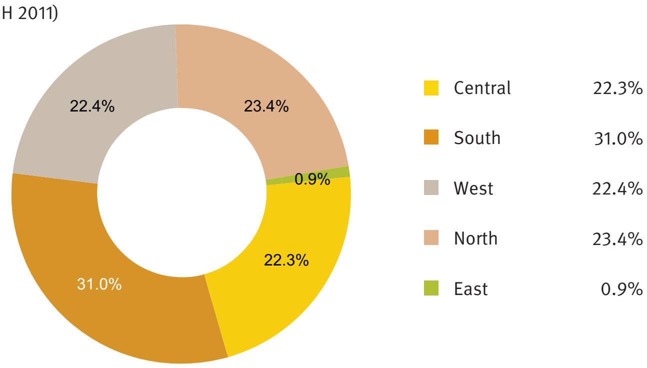
Source: Knight Frank / PT. Willson Properti Advisindo

Table 10
Projection of Future Condominium Supply (2012 - 2014)

Year	Projected Completion Supply	Average Sales Rate as of Dec 2011
2012	20,495 units	91.6%
2013	19,174 units	72.2%
2014	7,756 units	37.4%
Total	**47,425 units**	

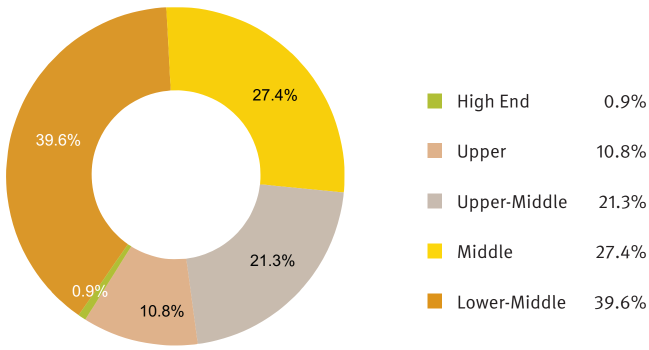
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 17
Distribution of Existing Condominium Supply by Location
(2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 18
Market Segmentation of Future Condominium Supply Projected Completion (2012 – 2014)
(2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 9
Newly Launched Projects Offered in Pre-Sales Market*
(2H 2011)

Project	Location	Segment
Nifarro – Ebony Tower	Pasar Minggu	Middle
Raffles Residences - Ciputra World	Satrio	High End
The Ambassade Residences – Tower B	Kuningan	Upper Middle
The Royale Springhill Residences – Tower 2	Kemayoran	Middle
Belmont Residences – Montblanc Tower	Kebon Jeruk	Upper
Woodlandpark Residence - Tower A & B	Kalibata	Upper Middle
H Residence	Cawang	Middle
Ciputra World 2 – Cedar Tower	Satrio	Upper
Setiabudi SkyGarden	Rasuna Said	Upper
Botanica Garden	Permata Hijau	High End

*Only Selected Newly Launched Projects
Source: Knight Frank / PT. Willson Properti Advisindo

During 2011, seventeen projects totaling about 8,754 units started pre-sales, almost double from about 4,871 units in 2010. The middle and lower middle segments still dominated with almost 54% of the newly launched projects, with the greatest concentration being located in North and South Jakarta accounting for 47.9% and 37.6%, respectively.

Limited land availability and expensive land prices in the CBD area continued to lead developers to consider development outside the CBD. Such developments offering adequate infrastructure and complete surrounding facilities such as retail malls, schools, hospitals and other commercial facilities will be more favorable and is expected to have higher growth rates.

At the end of 2011, the total new strata-title condominium supply in the pipeline expected to be completed between 2012 and 2014 is estimated at approximately 47,398 units, higher than the prior year's estimate of 28,835 units due to the launch of more new projects. North and South Jakarta will account for the largest concentration of the new supply for the next two years with 27% and 28%, respectively.

Meanwhile, approximately 67% of the total new supply in the pipeline between 2012 and 2014 and about 70% of the total projects under construction scheduled for completion in 2012 will target the middle and lower-middle segment.

Rising Confidence in Sales

The cumulative sales rate of existing supply increased slightly by % (yoy) to 98.57% at the end of 2011. The newly-launched projects targeted at the combined middle and lower middle income market recorded a sales rate of 50% at the end of 2011. The pre-sales rate for proposed supply between 2012 and 2014 was 74.9%. The stable increase in both sales and pre-sales rates continued to demonstrate the Jakarta condominium market's sustained demand.

Increased Price Growth

On a year-on-year comparison, the average sales prices by area in Rupiah terms showed an upward trend increasing by 18.2%, 15.2% and 13.2% for CBD, Prime Non-CBD and Secondary Non-CBD areas, respectively. Furthermore, the average sales price in U.S. dollar terms has surged by 14.7% (yoy) to $1,624 per sq-m due to the appreciation of the Rupiah against the U.S. dollar.

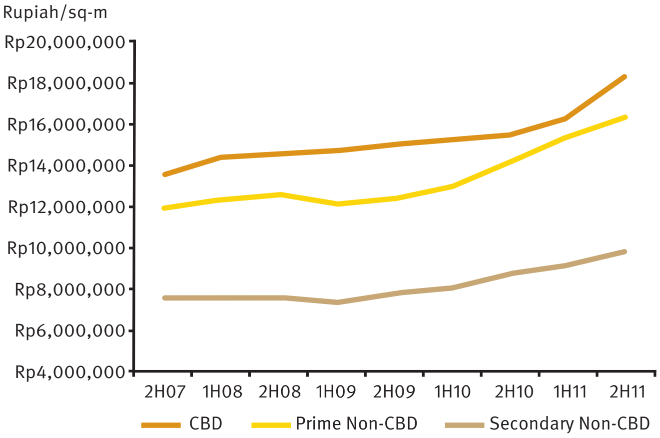
The highest growth in average sales prices was registered in condominiums located in the CBD area, increasing in total by 17.0% to $2,004 per sq-m. The considerable increase in sales prices, particularly in the CBD and prime non-CBD areas, was partly attributable to rising land values and construction

Table 11
Jakarta Condominium Market Highlights
(2H 2011)

Total existing supply	83,500
Sales rate existing supply	98.57%
Existing unsold units	1,192
Proposed supply 2012 - 2014	47,389
Pre-sales of proposed supply	74.9%

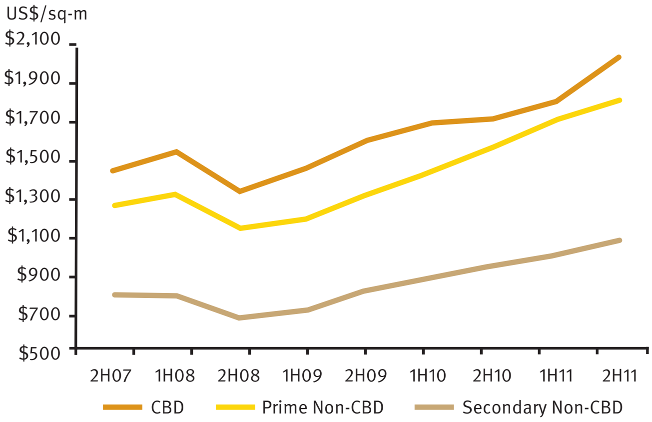
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 19
Average Asking Sales Prices in Rupiah by Location
(2H 2007 - 2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 20
Average Asking Sales Prices in U.S. Dollar by Location
(2H 2007 - 2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 12

Jakarta Condominium Asking Sales Prices and Service Charge by Location (2H 2011)

Location	Asking Sales Prices / sq-m		Service Charge / sq-m		Price Changes From 1H 2011	
	Rupiah	US$	Rupiah	US$	Rupiah	US$
CBD	Rp18,208,430	$2,004	Rp15,109	$1.66	13.3%	12.90%
Prime Non-CBD	Rp16,271,618	$1,791	Rp14,319	$1.58	7.2%	25.39%
Secondary Non-CBD	Rp9,784,489	$1,077	Rp9,621	$1.06	8.6%	19.13%

US$1 = Rp9,068
Source: Knight Frank / PT. Willson Properti Advisindo

Outlook

With supply estimated to grow by about 57% or 47,398 units between 2012 and 2014, the Jakarta condominium market is expected to continue experiencing strong competition with developers likely to continue offering product differentiation, competitive pricing and flexible financing terms to boost sales activity.

The newly launched development trend outside the CBD area is expected to continue in line with the economic progress in suburban areas and its land availability.

The uncertainty over plans to increase the price of subsidized fuel or to cap subsidized fuel use in 2012 and the new down payment regulation at a minimum of 30% for mortgage loan effective June 2012 will remain to be seen as they may affect the growth of the Jakarta condominium market, particularly for the middle to low market segment.

Rising land prices and gradual increases in construction costs are likely to affect prices over time.

RENTAL APARTMENT MARKET

Limited Supply, Steady Increase in Performance

In line with the growing national economy and rising inflow of foreign direct investment, inquiries coming mainly from the Western and Asian expatriates along with the locals helped to sustain demand resulting in average rental and occupancy increases. Quality serviced apartments located in the CBD and prime residential areas in South Jakarta are expected to continue in favorable demand.

Subdued Completions

With only the opening of a 108-unit Fraser Residence Sudirman and a declining supply of purpose-built rental apartments coming from the Ratu Plaza Apartment and Kebayoran Baru Executive Mansion due to renovation of their 54 and 112 leased units, respectively, the total cumulative supply for both serviced and purpose-built rental apartments in 2011 experienced a slight decrease after the offset by 0.7% (yoy) to 7,998 units. For the serviced rental apartments type, the majority of supply remained in the CBD area (61.7%) with a combined 90% of the share located in Central and South Jakarta.

Only two rental projects (410 units) in the pipeline is estimated to enter the rental apartment market between 2012 and 2014 as several potential projects are still in the early planning stages.

Table 13
Jakarta Rental Apartment Market Highlights (2H 2011)

Total Existing Supply	**7,998 units**
Serviced Apartments	4,997 units
Non-Serviced, Purpose-built Rental Apartments	3,001 units
Physical Occupancy Rate	**85.59%**
Serviced Apartments	86.34%
Non-Serviced, Purpose-built Rental Apartments	84.35%
Overall Vacant Units	1,152 units
Future Supply 2012 - 2014	**410 units**

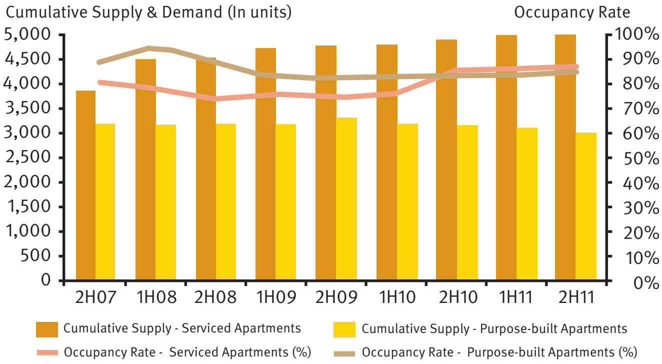
Source: Knight Frank / PT. Willson Properti Advisindo

Table 14
Projection of Future Rental Apartment Supply (2012-2014)

Estimated Completion Year	Projected Units
2012	0 units
2013	170 units
2014	240 units

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 21
Jakarta Rental Apartment Market Supply and Demand
(2H 2007 – 2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

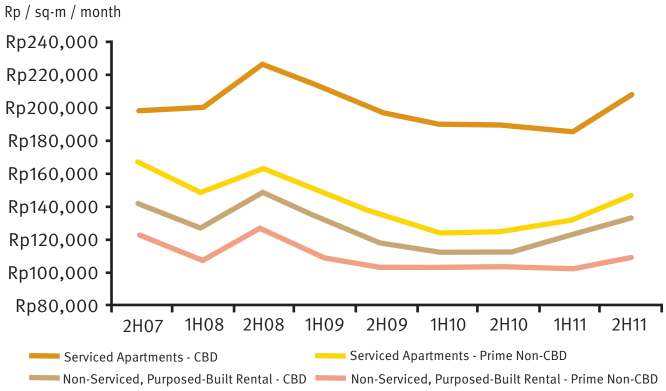
Continued Demand

The overall occupancy rate for rental apartments increased by 2.8% (yoy) to 85.6%. Serviced rental apartments posted a reasonable increase in occupancy, rising by 3.0% (yoy) to 86.34%, while purpose-built only increased by 2.4% (yoy) to 84.35%.

Due to its convenience and service quality, the serviced apartments submarket continued to experience the largest increase in net take-up, increasing by 215 units compared to the previous year. Short-term lease accommodation demand coming from SEA Games participants held in November 2011, government and business group meetings also contributed to the increase performance of serviced apartments within the CBD area.

With more foreign or multinational firms in the oil and gas, mining, manufacturing, banking and finance sectors setting up offices in Jakarta, typical tenants coming from China, Japan, South Korea and European countries continued to generate leasing activity for serviced and purpose-built rental apartments.

Figure 22
Average Asking Rents in Rupiah by Submarket
(2H 2007 - 2H 2011)



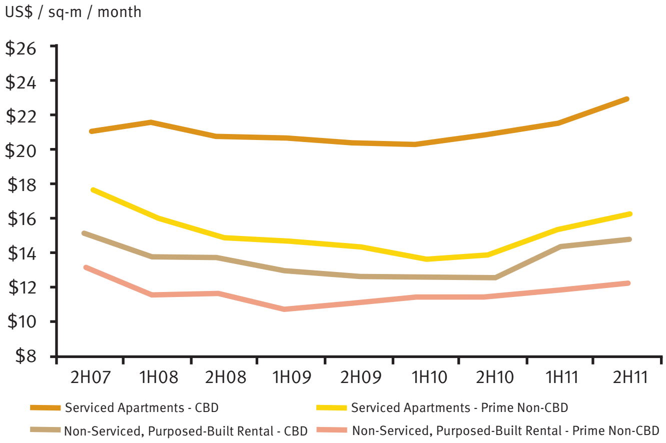
Source: Knight Frank / PT. Willson Properti Advisindo

Rising Rentals

All the submarkets experienced rising asking rents, both in Rupiah and U.S. dollar terms.

Compared to 2010, the average gross rents in both Rupiah and U.S. dollar terms for serviced apartments in 2011 showed an increase by 13.2% to Rp177,834 per sq-m per month and 12.2% to $19.6 per sq-m per month, respectively. In addition, asking gross rents in both Rupiah and U.S. dollar terms for non-serviced/purpose-built rental apartments in 2011 located in CBD and prime non-CBD areas, increased by 13.3% and 12.3%, respectively.

Figure 23
Average Asking Rents in U.S. Dollar by Submarket
(2H 2007 -2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Looking Ahead

With slower supply growth and rising demand, rental rates are expected to continue to increase. Occupancy levels are likely to grow in line with the rising number of expatriates.

However, due to tight competition from the strata-titled condominium market offered for lease, the Jakarta rental apartment market will likely remain competitive.

Table 15
Asking Gross Rental Rates of Jakarta Rental Apartment Market (2H 2011)

Market Segment	Asking Rental Prices / sq-m		Price Changes from 1H 2011	
Serviced Apartments	**Rupiah/sq-m**	**US$**	**Rupiah**	**US$**
CBD	Rp208,174	$22.96	12.40%	6.56%
Prime Non-CBD	Rp147,494	$16.27	11.42%	5.64%
Non-Serviced, Purpose-Built Rental Apartments				
CBD	Rp134,134	$14.79	8.43%	2.80%
Prime Non-CBD	Rp110,410	$12.18	8.00%	2.39%

US$1 = Rp9,068
Source: Knight Frank / PT. Willson Properti Advisindo

HOTEL MARKET

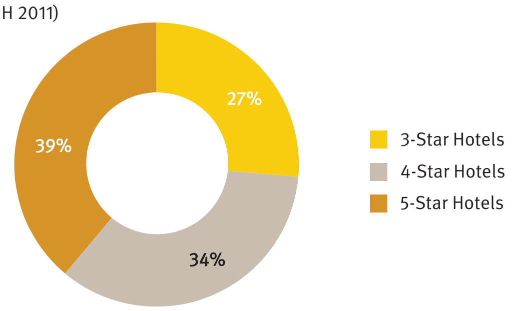
Solid Fundamentals Drive up Performance

The Jakarta hotel market experienced positive results in the three key performance metrics in 2011 supported by the rising growth in tourism, economic output and business activity. With sustained demand mainly coming from domestic business group travelers, the Jakarta hotel market is expected to see steady performance growth in 2012 despite the threat of a renewed global economic slowdown.

Ample Development Pipeline

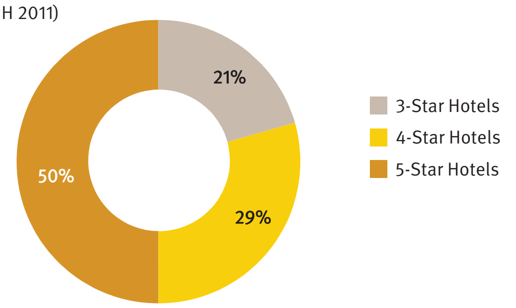
Total room supply increased slightly by 2.2% to 25,516 rooms with three new hotel openings in 2011. The development pipeline comprises 20 hotels totaling about 4,621 rooms with expected completion between 2012 and 2013. Of this pipeline, 5-star rated hotels account for the largest portion at 50% or 2,312 rooms while 56% or 2,622 rooms will be located within superblock projects. 17.6% of the estimated total new supply is categorized as Condotel units.

Figure 24
Distribution of Hotel Rooms by Star Rating
(2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 25
Distribution of New Supply by Star Rating
(2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 16
Jakarta Hotel Market Highlights (2H 2011)

Distribution by Star Rating	# of Room	Occupancy Rate
3-Star Hotels	6,779	71.16%
4-Star Hotels	8,781	72.73%
5-Star Hotels	9,956	61.71%
Total Average	**25,516**	**68.01%**

Source: Knight Frank / PT. Willson Properti Advisindo

Confidence Remains

Foreign visitor arrivals via Soekarno-Hatta International Airport continued to demonstrate an increasing trend by 6.0% (yoy) to 1.93 million cumulatively in 2011 compared to the prior year.

In 2011, Malaysia, China and Japan and Singapore remained the top four countries with the most tourist arrivals to Jakarta recording 272,082, 188,971, 173,738 and 172,783 arrivals, respectively.

The overall market occupancy ended the year with a 9.9% increase to 17,354 rooms or at 68.01% rate compared to the previous year.

All star-rated hotels remained to generate positive performance in occupancy compared to the prior year of 2010 with 5-star rated hotels recording the highest improvement in demand since pre-crisis levels, increasing by 12.7% or at 61.71% rate. As a result of the increased demand, the room night demand (RND) for 3-star, 4-star and 5-star hotels grew by 2.9%, 9.7% and 14.9%, respectively compared to the previous year.

Table 17
Projection of Future Supply Completion Schedule (2012-2013)

Estimated Completion	Project Name	Star Rating	# of Room
2012	Sheraton Hotel – Gandaria City	5	323
2012	Grand Aston – The Grove Suites*	5	151
2012	Grand Mercure Hotel – Hayam Wuruk	4	235
2012	Aston Hotel – Menteng*	4	234
2012	Novotel All Seasons – Green Central	3	130
2013	Raffles Suites Hotel – Ciputra World	5	171
2013	Citadines Jakarta Rasuna – The H Tower*	5	153
2013	JW Marriott Hotel – Kemang Village	5	275
2013	Holiday Inn Express – Emporium Pluit	4	280
2013	Ibis Hotel – Senen	3	198

Source: Knight Frank / PT. Willson Properti Advisindo | *Initially offered as Condotel units | Only partial selected list

In terms of guest profile, domestic customers continued to support Jakarta hotel business, dominating approximately 78% of the total in 2011. By purpose of traveling, MICE or business travelers generated the highest portion of approximately 93% and leisure travelers generated approximately 7%.

Benefiting particularly from the number of MICE events taking place in Jakarta such as Southeast Asian Games and the General Assembly of UNESCO Intergovernmental Committee for Intangible Cultural Heritage in November 2011, the proportion of room nights sold attributable to corporate groups accounted approximately 60% while independent travelers only accounted for 40%.

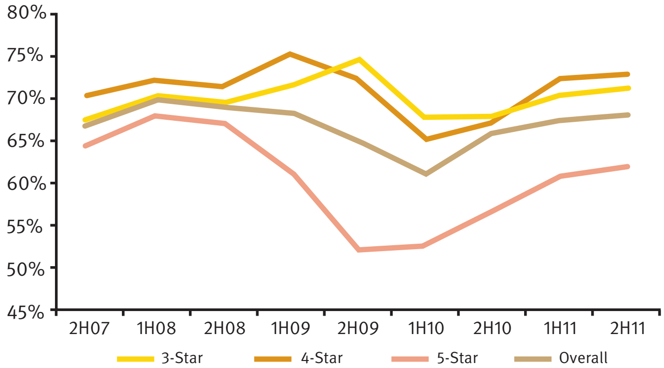
Sustained Revenues

In line with the positive performance of the overall occupancy rate in 2011, the ARR and RevPar in all star-rated hotels also enjoyed increases in growth.

Compared to the previous year, average room rates for all star-rated hotels posted increases in ARR in Rupiah and U.S. dollar terms at approximately 9.82% and 8.88%, respectively. The 4-star hotel ARR in Rupiah terms recorded the highest increase by 14.53% to Rp528,423.

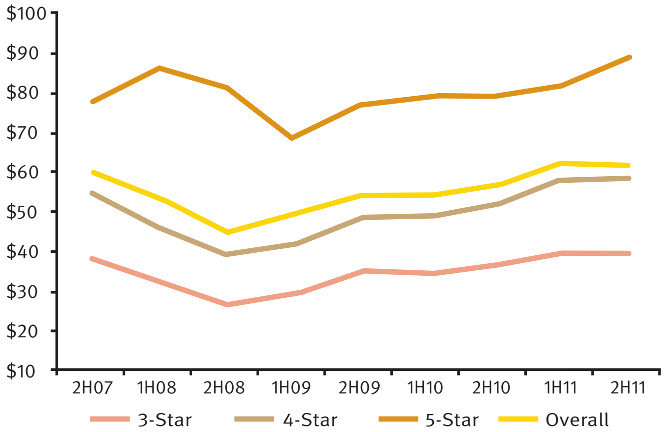
As a result, RevPar for all star-rated hotels in Rupiah and U.S. dollar terms enjoyed an increase of 16.0% to Rp373,595 and 15.0% to $41.20, respectively.

Figure 26
Occupancy Rate by Star Rating
(2H 2007 – 2H 2011)



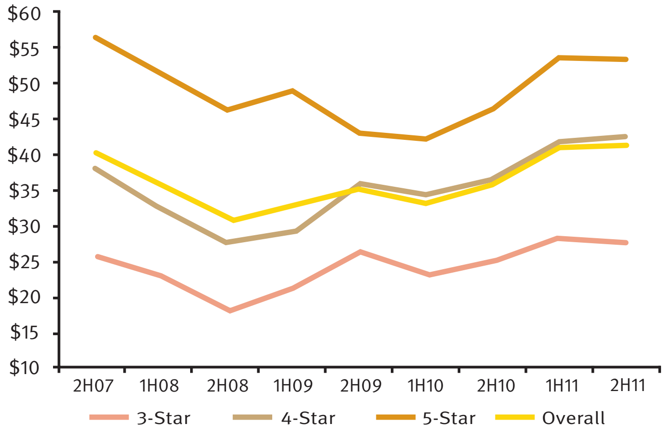
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 27
ARR by Star Rating in U.S. Dollar
(2H 2007 – 2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 28
RevPar by Star Rating in U.S. Dollar
(2H 2007 – 2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Outlook

With passenger traffic in 2011 estimated by the Airports Council International at 51.1 million or rising in average by 14% per year since 2001 – making it the 12th-busiest airport in the world, the Jakarta hotel market is expected to experience more positive impact.

Occupancies are expected to decrease slightly due to plenty of supply entering the market during 2012.

In line with strong economic performance, private business and government sectors will continue to play a significant role in generating hotel demand for MICE.

Driven by a potential risk of rising in energy costs (Fuel and electricity) next year, hoteliers will likely increase their room rates to cover the higher operating costs.

Table 18
ARR of Jakarta Hotel Market by Star Rating (2H 2011)

Market Segment	Average Room Rates (ARR)		Price Changes from 1H 2011	
	Rupiah	US$	Rupiah	US$
3-Star Hotels	Rp356,572	$39.32	5.22 %	-0.25 %
4-Star Hotels	Rp528,423	$58.27	6.45 %	0.92 %
5-Star Hotels	Rp785,228	$86.59	3.55 %	-1.82 %
Overall Hotels	Rp556,741	$61.40	4.81 %	-0.64 %

US$1 = Rp9,068
Source: Knight Frank / PT. Willson Properti Advisindo

Table 19
RevPar of Jakarta Hotel Market by Star Rating (2H 2011)

Market Segment	Average Room Rates (ARR)		Price Changes from 1H 2011	
	Rupiah	US$	Rupiah	US$
3-Star Hotels	Rp251,145	$27.70	3.78 %	-1.61 %
4-Star Hotels	Rp385,985	$42.57	7.35 %	1.77 %
5-Star Hotels	Rp483,655	$53.34	5.10 %	-0.36 %
Overall Hotels	Rp373,595	$41.20	5.56 %	0.08 %

US$1 = Rp9,068
Source: Knight Frank / PT. Willson Properti Advisindo

Research

Americas
USA
Bermuda
Brazil
Caribbean

Australasia
Australia
New Zealand

Europe
UK
Belgium
Czech Republik
France
Germany
Hungary
Ireland
Italy
Poland
Portugal
Russia
Spain
The Netherlands
Ukraine

Africa
South Africa
Botswana
Kenya
Malawi
Nigeria
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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.