RESEARCH

Print

Email

FIRST HALF 2011
JAKARTA PROPERTY HIGHLIGHTS

Knight Frank

HIGHLIGHTS

- The Indonesian economy continued making progress growing at 6.5% (yoy) in the second quarter of 2011, in line with expectations. Strong exports, rising investment activity and tamed inflation supported the consistent growth.

- Robust demand for office rental space was evidenced by the cumulative absorption rate reaching close to last year's entire level. With the growing demand and lack of supply, the average office sales price jumped significantly to a new record high.

- Foreign and domestic retailers still maintained active expansion. Early commitments help to motivate developers to accelerate the construction of new retail projects. Competitions among mall owners and retailers will remain stiff.

- Condominium prices have been gaining upward momentum since early 2009 in line with the increase in demand. Tighter competition is expected to continue due to ample new supply in the pipeline. The continual return of expatriate demand and limited rental apartment supply have led to increases in average prices and occupancy.

- Steady pace in tourism and strong business activity managed to increase activity in the hotel market experiencing higher performance metrics.

ECONOMY IN BRIEF

Fundamentally Sound, Growth Forecast Materializes

On the back of resilient economic activity, abundant resources, emerging middle class and political stability, the Indonesian economy expanded to stronger growth of a healthy 6.5% (yoy) in the second quarter of 2011. A strong Rupiah, extended subsidies and improved harvests have reduced inflationary pressures. However, the negative global sentiment of possible crises in the U.S. and European economies remains a concern.

Upbeat for Higher Growth

Having grown at an annualized rate of 5 percent between 2001 and 2010 and being the fastest-growing G-20 country after China and India, Indonesia has weathered the latest global economic crisis remarkably well.

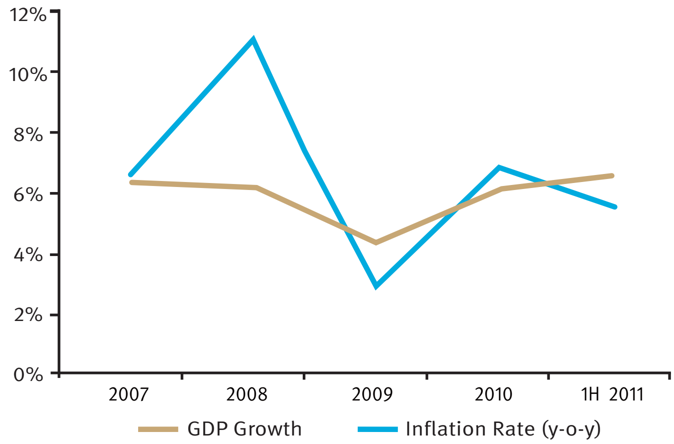
Parallel with expectations and bolstered mainly by strong exports, solid household consumption and investment, Indonesia's economic growth continued its expansionary mode achieving a higher growth path of 6.5% year-on-year GDP growth in the second quarter of 2011 after expanding by 6.1% in 2010. Given the vibrant growth on an upward trend, the Central Bank forecasted that 2011 growth will be in the range of 6.3%-6.8%.

Export growth reached 36 percent in the first half due to strong sales of commodities such as palm oil and rubber resulting from strong global commodity demand amid tight supply. Total exports are projected to exceed a record $200 billion in 2011.

Improving government debt ratios from 94% to 27% in one decade and growing foreign currency reserves reaching US$119.7 billion at the end of June 2011 helped to continue strengthening Indonesia's credit fundamentals one notch closer to investment grade credit rating.

Led by transport and communication sector, the trade, hotels and restaurants sector and manufacturing sector, all business segments are projected to perform satisfactory growth this year, particularly in the property construction sector.

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



Source: Central Bureau of Statistics

Inflation Eases, Pressures Remain

Following the spike in high food prices (chili) last year and after peaking to a 21-month high of 7.02% (yoy) in January 2011, headline inflation has finally slowed, reaching a 12-month low in June 2011 amid falling prices for food items resulting from an early harvesting season and better weather conditions.

The Central Bank of Indonesia reported that the headline Consumer Price Index (CPI) inflation rate in June 2011 was under control, decelerating to 5.54% (yoy), well within the 4 to 6 percent of the official target range.

Despite the recent slowdowns, BI's inflation targets for 2011 and 2012 are maintained at 5.0%±1% and 4.5%±1%, respectively.

Compared to the prior month, by group, raw food materials had the highest inflation rate at 1.27%. Among commodities, rice and chicken were the biggest contributors with 0.07% inflation, while other contributors included home rentals, construction materials, gold and jewelry.

In line with seasonal factors during the second semester leading up to the fasting month of Ramadhan, Idul Fitri celebrations, Christmas and New Year festivities, food and energy prices will remain upwardly pressured.

Going forward, inflationary pressure is predicted to remain under control as the supply and distribution of basic foods are well maintained. The government seeks to secure its food supply, the main factor controlling the inflation rate. Yet, it will still remain a threat if there is an adjustment in the subsidized fuel, LNG, basic electricity and toll road prices.

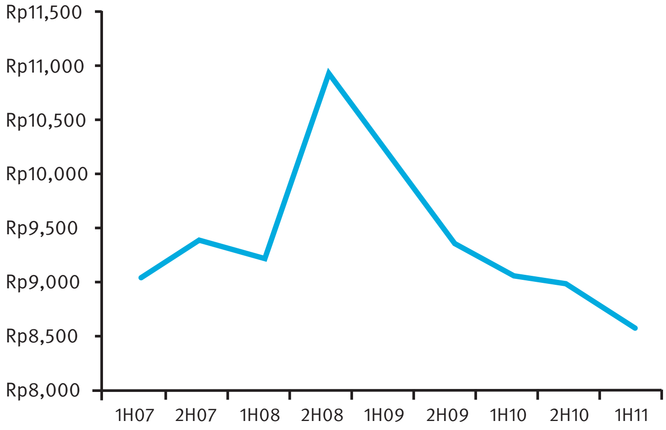
Rupiah Appreciation

The slow growth and low interest rates in developed economies since 2008 have pushed foreign capital inflows to turn to emerging countries, including Indonesia, which have good prospects and could provide better returns.

One of the strongest gainers against the U.S. dollar this year and the second best performing currency in the region after the South Korean Won, the Rupiah has remained below Rp9,000 level for 14 months, the longest since the 1998 Asian financial crisis. So far in the first six months of 2011, the Rupiah has gained 4.4% and reached Rp8,597 on June 30, 2011.

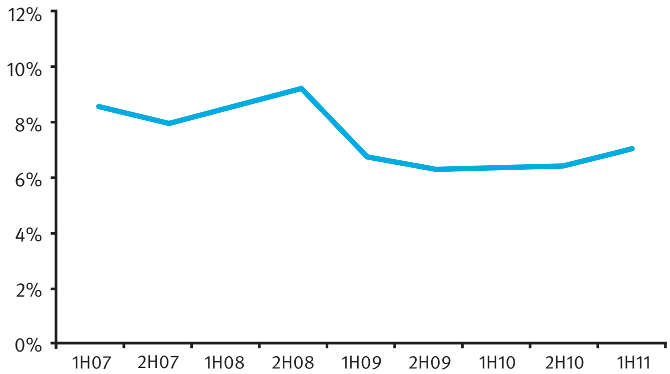
To maintain the Rupiah and government bonds stable, the Central Bank has implemented a new mechanism by using its foreign exchange reserves – mainly U.S. dollars – to buy government bonds at special auctions.

Figure 2
Exchange Rate (Rp / US$1)
(1H 2007 – 1H 2011)



Source: Central Bank of Indonesia

Figure 3
Interest Rate (BI Rate)
(1H 2007 – 1H 2011)



Source: Central Bank of Indonesia

Expanded Credit Flow

Due to escalating inflationary pressures in early 2011, the Bank of Indonesia (BI) decided to increase its benchmark interest rate by 25 basis points to 6.75% in February 2011. However, the pressures have slowed down since then prompting the Central Bank to keep the key rate at 6.75% for the fifth straight month to June 2011. BI is confident that the rate of annual inflation will stay within its estimates.

Table 1
Economic Indicators (2007 - 1H 2011)

Indicator	2007	2008	2009	2010	1H 2011
GDP[1]	6.32%	6.20%	4.30%	6.10%	6.50%
Inflation[2]	6.59%	11.06%	2.78%	6.96%	5.54%
BI Rate	8.00%	9.25%	6.50%	6.50%	6.75%
Exchange Rate (per US$-end of June 2011)	Rp9,419	Rp10,950	Rp9,400	Rp8,991	Rp8,597
Foreign Investment Planning Realization					
No. of Projects	982	1,138	1,221	3,081	2,358
Value (US$ Million)	10,341	14,871	10,815	16,215	9,180
Domestic Investment Planning Realization					
No. of Projects	159	239	248	875	761
Value (Rp Billion)	34,879	20,363	37,799	60,626	33,013

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)

The promising outlook and low interest rates have encouraged consumers and corporations to take out investment loans to further expand their spending and investment. Banks' investment loan portfolios grew 23.4% to Rp1,957.72 trillion in June 2011 from Rp1,586.49 trillion year-on-year. Year-to-date investment loan portfolios increased 16.8% to Rp407.06 billion in January to June 2011.

Aiming to encourage transparency and competition among banks and improve efficiency in the banking system, Bank Indonesia required domestic lenders with more than Rp10 trillion ($1.14 billion) to advertise their prime lending rates beginning on March 31, 2011.

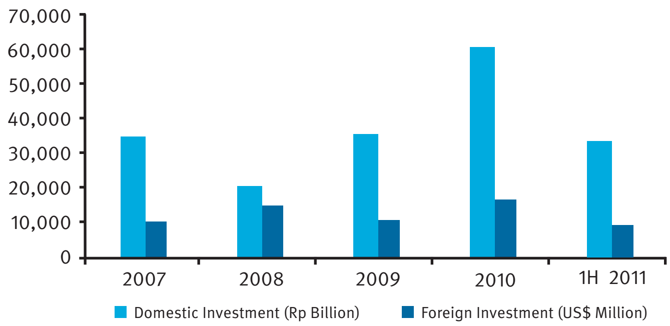
Continued Capital Inflows

Investment conditions showed encouraging progress with the cumulative investment realization for both domestic and foreign investment for the first half of 2011 increasing to Rp115.6 trillion (yoy) for 3,119 projects (an increase of 24.4% from Rp92.9 trillion in 2010). Foreign investment realization reached Rp82.6 trillion ($9.2 billion) for 2,358 projects, while domestic investment also rose by 50.7% to Rp33.0 trillion (yoy). Singapore, the United States and Japan were the primary overseas investors in Indonesia. Singapore was the leading investor with $1.9 billion for 537 projects.

Notably, South Korea moved up the rankings, joining the top five foreign investors with total investments in the first half of 2011 valued at $338.4 million or 242 projects. With $2.5 billion, mining represented the largest sector.

Foreign investment had started to shift its concentration to outside Java with total investment in the first semester rising by 68.5% to Rp56.8 trillion compared to the same period in 2010 or about a 49.1% total share. As rising commodity prices boost economic growth and consumer spending increases amid low borrowing costs, the BKPM remains optimistic that its investment target this year of Rp240 trillion ($28.1 billion) will be achieved.

Figure 4
Investment Realization
(2007 – 1H 2011)



Source: Indonesia Investment Coordinating Board

CBD OFFICE MARKET

Surging Leasing Growth Set to Achieve Record High

The Jakarta office market experienced surging demand for rental space evidenced by the cumulative absorption rate during the first half of 2011 reaching close to last year's entire level. Given the high demand continuously coming from the banking/finance, insurance, oil and gas and mining sectors, the Jakarta office market will continue to exhibit a higher rental growth and increasing occupancy throughout 2011.

Supply Increases

With the completion of Sentral Senayan 3, Allianz Tower and K-Link Tower totaling approximately 118,188 sq-m, the overall Central Business District (CBD) office supply increased to 4,371,164 sq-m at the end of the first half of 2011.

Tempo Scan Tower and Multivision Tower, both in the Kuningan area, are scheduled for completion during the second half of this year. These buildings are expected to add about 67,300 sq-m to the total CBD office supply.

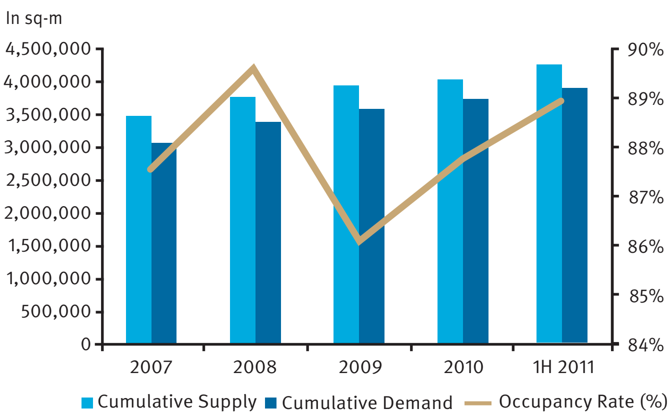
Total new supply in 2011-2013 is projected to reach 506,850 sq-m comprising 40% rental offices, 16% strata-title offices and the remaining 44% a mix of strata and leased offices. There is limited future supply expected in the Sudirman area, with only a 60,000 sq-m lease scheme project, named World Trade Center II, projected to complete in 2012.

Table 2
Jakarta CBD Office Market Highlights (1H 2011)

Office Type	Total Existing Supply	Occupancy Rate	Vacant Space
Rental Office	3,563,556 sq-m	89.55%	372,491 sq-m
Strata Office	652,586 sq-m	83.92%	104,937 sq-m
Owner Occupied Office	155,021 sq-m	99.83%	262 sq-m
Total	**4,371,164 sq-m**	**89.07%**	**477,690 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
(2007 - 1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 3

Future Supply Completion Schedule (2H 2011 - 2013)

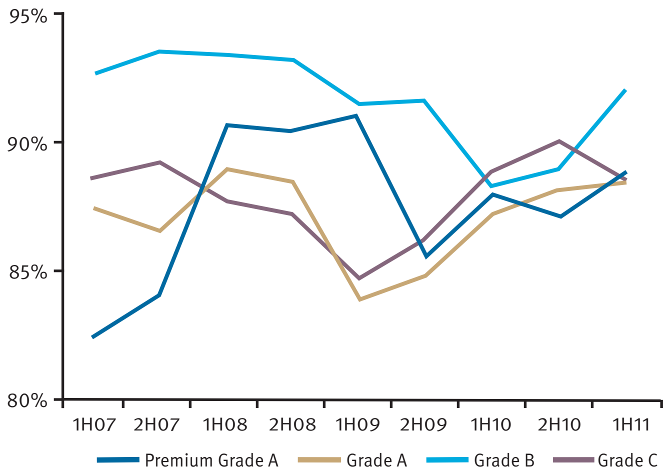
Year	Project	Lettable Area (sq-m)	Location	Type
2H 2011	Tempo Scan Tower	45,000	Kuningan	Lease
2H 2011	Multivision Tower	22,300	Kuningan	Strata
2012	AXA Tower (Kuningan City)	60,850	Prof. Dr. Satrio	Strata
2012	Ciputra World	64,000	Prof. Dr. Satrio	Lease
2012	WTC 2	60,000	Sudirman	Lease
2012	City Center (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
	Total Proposed Supply	**506,850**		

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 6

Occupancy Levels by Office Grade

(1H 2007 - 1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

On Pace for Record Peak

In the first half of 2011, the CBD office market experienced a robust performance with cumulative net take-up reaching 141,137 sq-m, or approximately 85% of the net take up for the entire 2010. If maintained at the current pace, it is expected that the 2011 cumulative net take up will potentially reach close to the 2008 record high level of 332,007 sq-m.

Premium Grade A and Grade A buildings absorbed 72% of the net take up, followed by Grade B at 32%.

Meanwhile, as corporate tenants keep looking for better quality office accommodation, Grade-C buildings have continued to record negative net take up. Furthermore, many under-construction office buildings have achieved pre-commitment rates of about 32%, indicating that the market remains relatively strong. With the exception of Grade-C, all sub-markets recorded an increase in occupancy. At the end of June, occupancy rates were 88.77% in Premium Grade-A, 88.37% in Grade-A, 91.93% in Grade-B and 88.51% in Grade-C sub-markets. Overall CBD market occupancy increased to 89.07%.

Strata-title office sales have also remained strong. With the scarcity of strata-title office buildings, such office buildings that are currently available on the market have been enjoying good sales rates.

Stable Rent Growth, Prices Jump

With the continuous appreciation of the Rupiah against the U.S. dollar, overall gross rentals increased by 5% in U.S. dollar terms. This increase was attributable to the increase of base rentals, as service charges have remained stable, since the government has been delaying the implementation of the fuel subsidy restriction plan. Most sub-markets recorded increases in gross rentals in both Rupiah and U.S. dollar terms.

With growing demand and lack of supply, average price of strata-title office buildings increased substantially to Rp.21.8 million (US$2,536) per sq-m.

Table 4

Base Asking Rents and Service Charge by Grade (1H 2011)

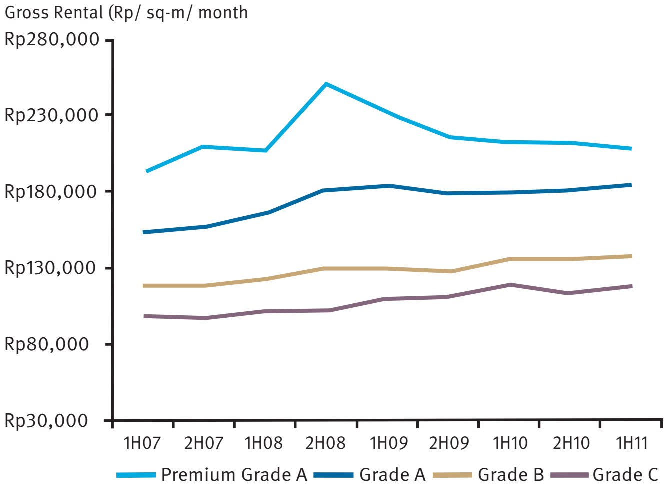
CBD Office Grade	Base Rental / sq-m / month		Service Charge / sq-m / month		Gross Rental / sq-m / month		Price Changes from 2H 2010	
	Rupiah	US$	Rupiah	US$	Rupiah	US$	Rupiah	US$
Overall CBD	Rp122,215	$14.22	Rp57,754	$6.72	Rp179,969	$20.93	0.4%	5.0%
Premium Grade A	Rp149,725	$17.42	Rp60,110	$6.99	Rp209,835	$24.41	-1.3%	3.2%
Grade A	Rp126,110	$14.67	Rp58,673	$6.82	Rp184,784	$21.49	0.9%	5.5%
Grade B	Rp85,162	$9.91	Rp53,295	$6.20	Rp138,458	$16.11	1.5%	6.1%
Grade C	Rp71,700	$8.34	Rp47,032	$5.47	Rp118,735	$13.81	3.2%	7.9%

US$1 = Rp8,597
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 8

Gross Asking Rental Rates in Rupiah by Office Grade

(1H 2007 - 1H 2011)

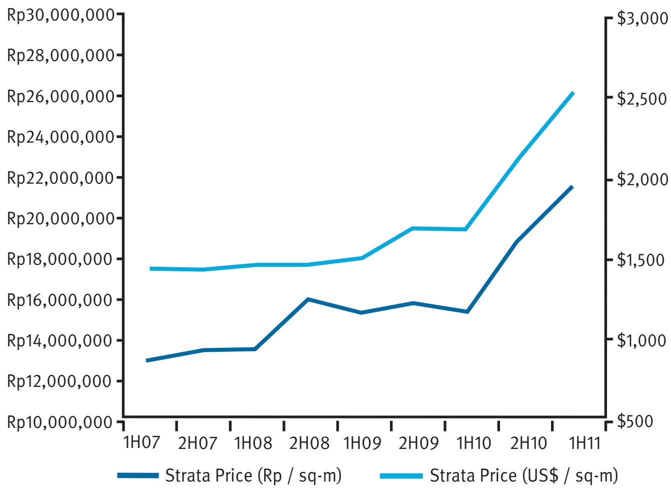


Source: Knight Frank / PT. Willson Properti Advisindo

Figure 9

Average Asking Strata-Title Price

(1H 2007 - 1H 2011)

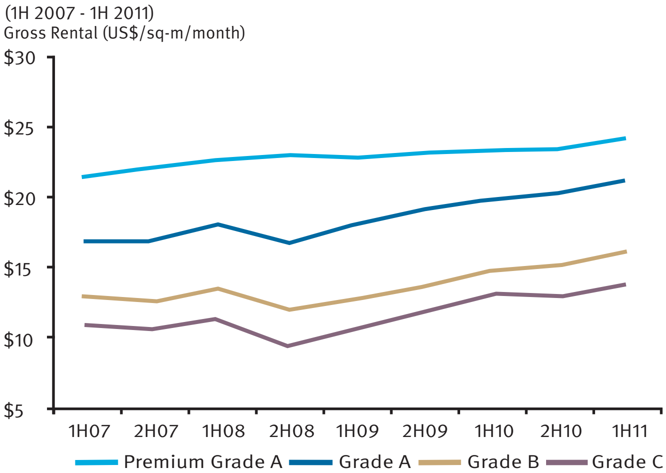


Source: Knight Frank / PT. Willson Properti Advisindo

Figure 7

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

(1H 2007 - 1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Outlook

In view of the relatively limited new supply expected to enter the market, the good pre-commitment rate of future supply and improving economic growth, office demand is expected to grow in 2011. Net take up in the second half is anticipated to be higher than that in the first half of the year. As a result, aggregate occupancy is expected to hit above 90% by end of the year.

Strong demand and modest levels of new office supply are expected to fuel rental growth. Base rentals are expected to increase following the growing office demand. Meanwhile, service charge increases may be inevitable if the government implements the fuel subsidy restriction.

RETAIL MARKET

Active Commitments, Tight Competition Persists

Banking on a growing economy and robust domestic consumption, the Jakarta retail market in the first half of 2011 continued to see active expansions from foreign and domestic retailers opening up more outlets. With retailers continuously making early commitments in new projects and good revenue potential to ride the momentum, developers are encouraged to accelerate the construction of new retail projects and perform renovations and expansions of existing retail spaces. Stiffer competition among mall owners and retailers remain expected.

Table 5
Jakarta Retail Market Highlights (1H 2011)

Retail Type	Occupancy Rate	Vacant Space	Total Existing Supply
Rental Space	92.22%	172,407 sq-m	2,216,242 sq-m
Strata-title Space	78.96%	335,608 sq-m	1,594,953 sq-m
Total	**86.67%**	**508,015 sq-m**	**3,811,195 sq-m**

Source: Knight Frank / PT. Willson Properti Advisindo

Plenty of New Supply in CBD

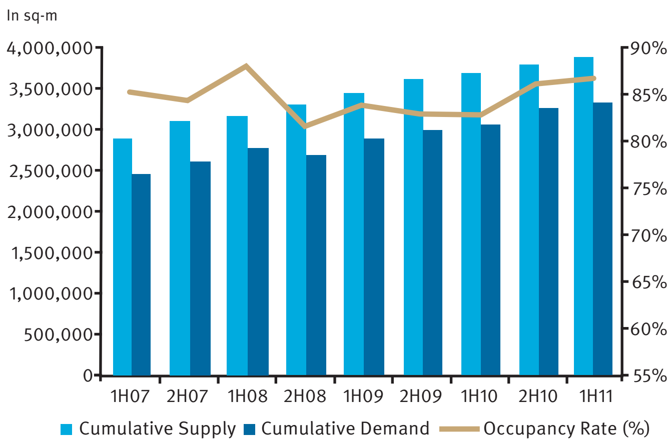
The total aggregate supply of retail shopping malls in Jakarta in the first half of 2011 slightly grew compared to last period, by 0.7% to 3.81 million sq-m. With two newly completed retail centers (Grand Paragon and Kalibata City Square) totaling about 35,000 sq-m and two existing leased retail centers (Kalibata Mall and Kramat Jati Indah Plaza) in the East and South of Jakarta partially under renovation, the total new completions after the offset in the first half of 2011 came up to about 25,000 sq-m, 77% less than in the same period last year.

The largest share of supply remained in South Jakarta, with 40.8% of the total supply. The Central Business District had the largest concentration of Premium Grade A and Grade A buildings which represented 84.9% of the total space in the CBD.

The overall supply of strata-titled retail space remained stable at 1,594,953 sq-m. By area, Central Jakarta dominates with about 44.5% of the strata-titled supply, while 77.6% are located in the Non-CBD area.

Approximately 12 retail projects totaling 369,336 sq-m are expected to complete between 2H 2011 and 2012. The pipeline will consist mainly of rental shopping malls supporting retail facilities within mixed-use developments (84.8%) and the remaining being strata-title retail centers (8.9%) with a proportionate distribution area of 59% in the CBD area and 41% in the Non-CBD area. South Jakarta will supply about 78% of the total new retail supply.

Figure 10
Jakarta Retail Market - Supply, Demand and Occupancy
(1H 2007 - 1H 2011)



Source: Knight Frank / PT Willson Properti Advisindo

Table 6
Projection of Future Supply Completion Schedule (2H 2011 - 2012)

Year	Project Name	Retail Type	Location	Total Supply
2H 2011	Green Tebet	Lease	Non-CBD	7,000 sq-m
2H 2011	Ancol Beach City	Lease	Non-CBD	40,000 sq-m
2H 2011	Kuningan City	Lease	CBD	55,280 sq-m
2H 2011	MT Haryono Square	Strata	Non-CBD	7,000 sq-m
2012	Green Central Citywalk (Previously Star City)	Lease	Non-CBD	8,024 sq-m
2012	Mall Pondok Indah 1 Extention / Street Gallery	Lease	Non-CBD	9,000 sq-m
2012	Kemang Village	Lease	Non-CBD	55,000 sq-m
2012	Ciputra World in Satrio	Lease	CBD	80,000 sq-m
2012	Kota Kasablanca	Lease	CBD	82,032 sq-m
2012	Gapura Prima Plaza	Strata	Non-CBD	6,000 sq-m
2012	Menteng Square - Tower B	Strata	Non-CBD	20,000 sq-m
	Total			**369,336 sq-m**

Source: Knight Frank / PT. Willson Properti Advisindo

Vibrant Leasing Activity

Given the huge population in Jakarta and growing middle class income, major foreign retailers continued to expand aggressively. Notably, a South Korean retail giant, Lotte Group, has signed a 20-year lease and management partnership for the 130,000 sq-m mall at Ciputra World, in Kuningan, South Jakarta and the German major retailer, Metro Cash & Carry recently announced its interest in entering the Indonesian market in 2012. Also, Mitra Adiperkasa signed a pre-lease deal with Lippo Karawaci to occupy more than 20% of the new retail area as anchor tenants at St. Moritz and Kemang Village. These moves marked the confidence in Indonesia's high potential growth for retail business.

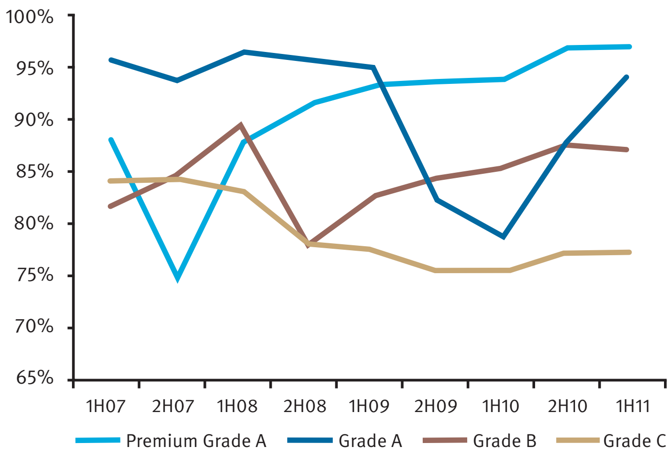
The overall occupancy rate increased slightly by 1.0% to 86.67% during the first half of 2011. By submarket, a slight escalation in the occupancy rate was recorded at 0.52% and 1.56% in both leased and strata title retail centers, respectively.

Leasing activity in the first half of 2011 in newly completed and upper class malls included Farmers Market and Diva Karaoke in Kalibata City Square; Nine West, Armani Jeans and Travelogue in Gandaria City; Stradivarius in Plaza Indonesia and Central Park; Denim Destination in Senayan City; Mujirushi Ryohin in Grand Indonesia; Opera Blanc, Galeries Lafayette in Pacific Place and a number of others.

Modest Rental Growth

The overall average asking gross rate for prime ground floor space in Rupiah terms saw a decent increase of 3.7% to Rp668,564 per sq-m per month and the Premium Grade A asking gross rate in Rupiah terms recorded a small 0.9% increase. Meanwhile, the overall average asking gross rate in U.S. dollar terms also saw an increase of 8.5% to $77.7 per sq-m per month. The overall service charges in Rupiah terms experienced a slight increase of 2.1% compared to the prior period.

Figure 11
Occupancy Rates by Submarket and Grade
(1H 2007 - 1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 7

Asking Gross Rental Rates of Jakarta Retail Market (1H 2011)

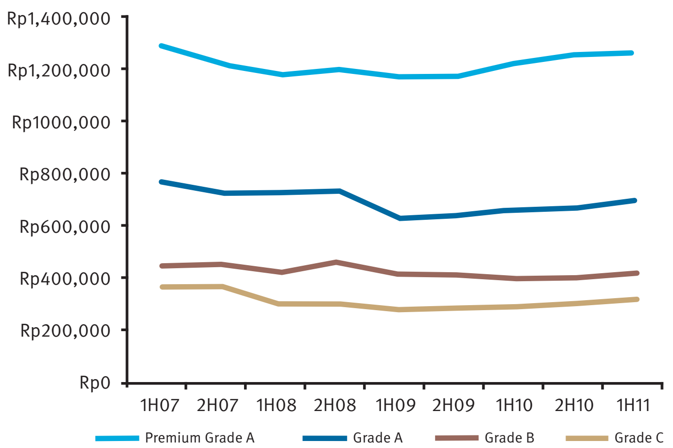
Shopping Center Grade	Base Rental / sq-m / month		Service Charge / sq-m / month		Gross Rental / sq-m / month		Price Changes from 2H 2010	
	Rupiah	US$	Rupiah	US$	Rupiah	US$	Rupiah	US$
Overall	Rp586,201	$68.19	Rp82,363	$9.58	Rp668,564	$77.77	3.71%	8.47%
Premium Grade A	Rp1,142,089	$132.85	Rp127,492	$14.83	Rp1,269,581	$147.68	0.87%	5.49%
Grade A	Rp625,908	$72.81	Rp81,190	$9.44	Rp707,098	$82.25	4.85%	9.65%
Grade B	Rp356,886	$41.51	Rp66,298	$7.71	Rp423,184	$49.22	5.31%	10.14%
Grade C	Rp269,732	$31.38	Rp59,322	$6.90	Rp329,054	$38.28	5.33%	10.16%

US$1 = Rp8,597
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 12

Asking Gross Rental Rates in Rupiah by Grade

(1H 2007 - 1H 2011)

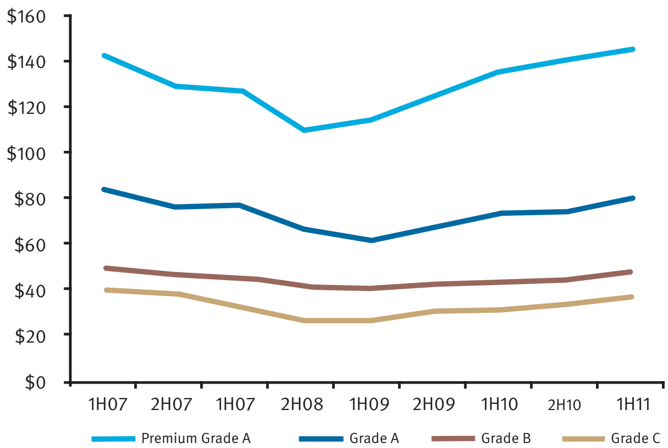


Source: Knight Frank / PT. Willson Properti Advisindo

Figure 13

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

(1H 2007 - 1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Looking Ahead

Supported by the Jakarta Great Sale Festival 2011 and numerous peak season holiday events during the second semester, demand will stay strong, particularly from Food, Fashion and Entertainment retailers.

Given a sizeable new supply in the CBD during 2H 2011 and 2012 and a healthy pre-commitment level, the occupancy level for CBD premium retail malls will likely be lower, if not stable. Growing commitments to expand from retailers and more existing retail malls implementing renovation to remain competitive will lead to some growth in gross rental rates.

The impact of a newly announced plan by city official for a one-year moratorium on the issuance of new mall permits over 5,000 sq-m will remain to be seen.

CONDOMINIUM MARKET

Prices Climb Following Increase in Demand

During the first half of 2011, the Jakarta condominium market continued to experience constant increases in growth. With cumulative demand increasing by 15.6% (yoy), average prices in Rupiah terms rose by 12.5% (yoy). Amid solid growth in demand, competition among developers will trigger more flexible and creative payment plans to further increases in sales. With traffic congestion and high land prices, apartment living in the heart of Jakarta remains the lifestyle and necessity of its residents.

Surging Completion Levels

The aggregate strata-title condominium supply grew significantly by 9.0%, with an additional supply of 6,722 units coming from a total of nine completed condominium projects, bringing the total existing supply at the end of the first half 2011 to 81,316 units compared to 74,594 units in the previous period.

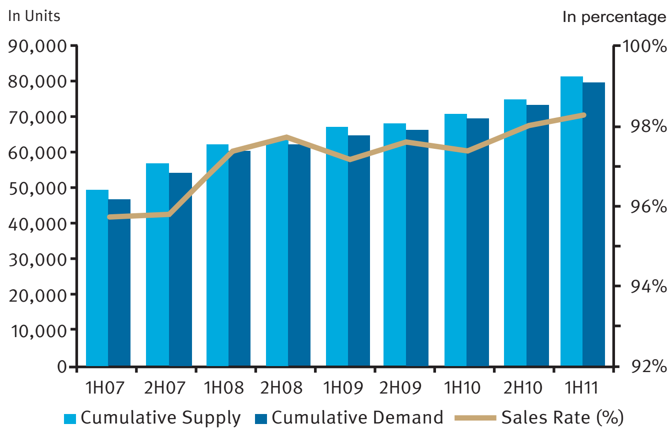
The middle income segment continued to have the largest share of the total condominium market at 58.8%. Of the new condominium units delivered in the first half of 2011, 81.2% were aiming for the middle to lower middle segments. The bulk of newly condominium completions took place in West Jakarta (64.3%) and a limited number in Central Jakarta (3.23%).

Table 8
Projects Completed During the First Half of 2011

Project	Estimated Total Units	Location
Jakarta Residence II - Cosmo Terrace	217	Tanah Abang
Central Park Residences Alaina & Amandine	900	Tanjung Duren
The Park Residence - Tower D	220	Kelapa Gading
Gading Nias Residence - Emerald	1200	Kelapa Gading
Green Park View Apartment - Tower E	870	Daan Mogot
Centro City Residence - Tower B	800	Daan Mogot
Royal Mediterania Garden 3 - 2 Towers	1,251	Tanjung Duren
St. Moritz Presidential, Royal, Ambassador	504	Puri
Kemang Village - Empire, Cosmpolitan, Ritz	760	Kemang

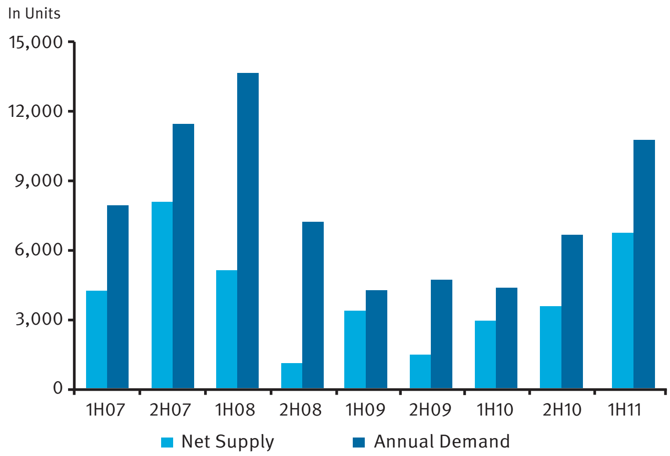
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 14
Jakarta Condominium Market Supply and Demand
(1H 2007 – 1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 15
Additional Net Supply and Demand (Existing Projects)
(1H 2007 – 1H 2011)

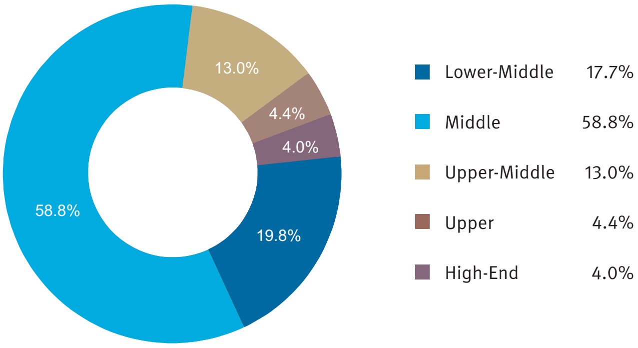


Source: Knight Frank / PT. Willson Properti Advisindo

Figure 16

Market Segmentation of Existing Condominium Supply

(1H 2011)

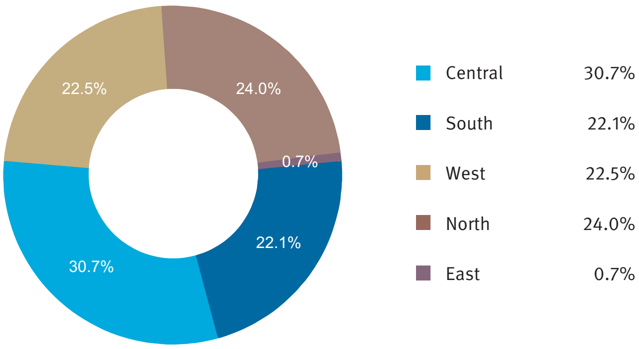


Source: Knight Frank / PT. Willson Properti Advisindo

Figure 17

Distribution of Existing Condominium Supply by Location

(1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 10

Projection of Future Condominium Supply (2H 2011 - 2013)

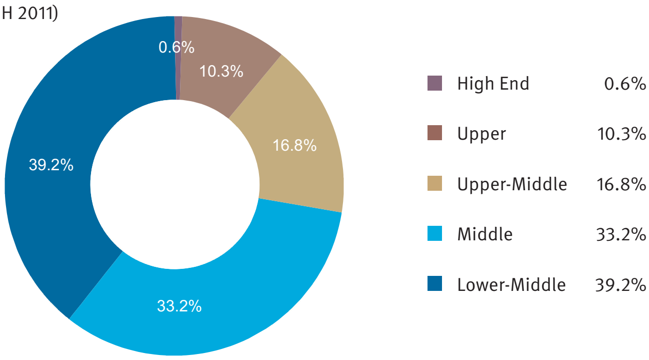
Year	Projected Completion Supply	Average Sales Rate as of June 2011
2H 2011	5,099 units	88.6%
2012	17,616 units	86.1%
2013	10,491 units	57.6%
Total	33,206 units	

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 18

Market Segmentation of Future Condominium Supply Projected Completion (2H 2011 – 2013)

(1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 9

Newly Launched Projects Offered in Pre-Sales Market

(1H - 2011)

Project	Location	Segment
St. Moritz - New Ambassador (II)	Puri	Upper
The Windsor - Tower A	Puri	Upper
Sunter Icon Apartment - Tower A	Sunter	Middle
Tamansari Semanggi - Tower B	Sudirman	Middle
Best Western Premier	Pondok Indah	Upper Middle
Woodlandpark - Tower A & B	Kalibata	Upper Middle
Pakubuwono Terrace - Tower A	Kebayoran Lama	Middle
Sherwood Residence - Tower A,B,C	Kelapa Gading	Middle
Pluit Sea View Tower 1 - Maldives	Pluit	Lower Middle
Titanium Square - Tower A	Pasar Rebo	Lower Middle

Source: Knight Frank / PT. Willson Properti Advisindo

With a positive outlook, strong Rupiah and a relatively low interest rate driving up demand, developers remained confident to continue launching pre-sales projects. During the first half of 2011, ten projects totaling about 3,235 units started pre-sales, fewer than the prior period at about 4,871 units. The middle segment still dominated with almost 60% of the newly launched projects, with the greatest concentration being located in South and North Jakarta accounting for 35.5% and 28.3%, respectively.

Limited land availability and expensive land prices in the CBD area have led developers to consider development outside the CBD. Condominium developments in more established residential areas are expected to continue. Having good accessibility and a sufficient infrastructure is the key to new projects' growth.

At the end of the review period, the total new strata-title condominium supply in the pipeline expected to be completed between 2H 2011 and 2013 is estimated at approximately 33,206 units, higher than the prior period's estimate of 28,835 units due to the launch of more new projects. North and South Jakarta will account for the greatest concentration of the new supply for the next two years with 33% and 28%, respectively.

Meanwhile, approximately 33.2% of the total new supply in the pipeline between 2H 2011 and 2013 and about 25% of the total projects under construction scheduled for completion in the second half of 2011 will target the middle segment.

Solid Record in Sales Rate

The cumulative sales rate of existing supply increased slightly by 0.87% (yoy) to 98.23% in the first half of 2011. The newly-launched projects targeted mostly at the middle income market recorded a sales rate of 56.1% at the end of first half 2011. The pre-sales rate for proposed supply between 2H 2011 and 2013 was 77.5%. The stable increase in both sales and pre-sales rates demonstrated the Jakarta condominium market's continued demand.

Price Growth Intensifies

On a year-on-year comparison, the average sales prices by area in Rupiah terms rose considerably by 6.9%, 18.7% and 12.8% for CBD, Prime Non-CBD and Secondary Non-CBD areas, respectively. Furthermore, the average sales price in U.S. dollar terms has surged by 18.8% since the first half of 2010, mostly as a result of the strengthening of the Rupiah against the U.S. dollar.

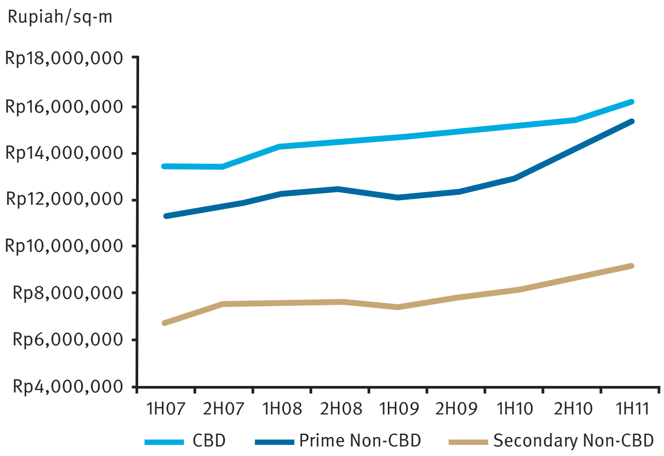
The highest growth in average sales prices was registered in condominiums located in the prime Non-CBD area, increasing in total by 25.4% to $1,784 per sq-m. The majority of the increase in sales prices in the area was contributed by completed projects located within prime superblock projects carrying high price levels such as Kemang Village and St. Moritz.

Table 11
Jakarta Condominium Market Highlights
(1H 2011)

Total existing supply	81,316
Sales rate existing supply	98.23%
Existing unsold units	1,438
Proposed supply 2H 2011 - 2012	33,206
Pre-sales of proposed supply	77.5%

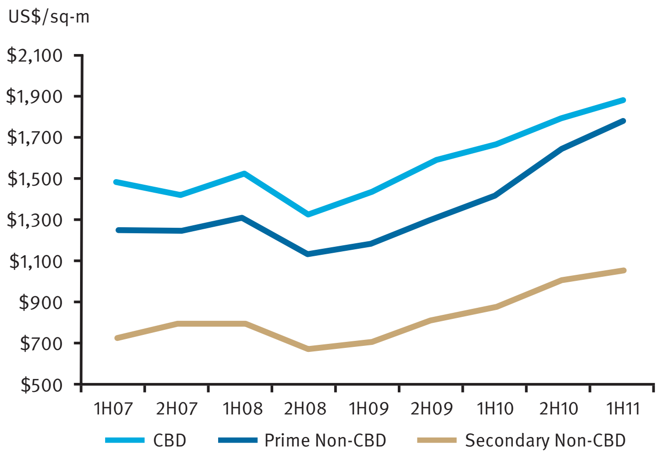
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 19
Average Asking Sales Prices in Rupiah by Location
(1H 2007 - 1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 20
Average Asking Sales Prices in U.S. Dollar by Location
(1H 2007 - 1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 12

Jakarta Condominium Asking Sales Prices and Service Charge by Location (1H 2011)

Location	Asking Sales Prices / sq-m		Service Charge / sq-m		Price Changes From 2H 2010	
	Rupiah	US$	Rupiah	US$	Rupiah	US$
CBD	Rp16,187,017	$1,883	Rp15,185	$1.77	6.9%	12.9%
Prime Non-CBD	Rp15,335,263	$1,784	Rp14,250	$1.66	18.7%	25.39%
Secondary Non-CBD	Rp9,089,125	$1,057	Rp9,653	$1.12	12.8%	19.13%

US$1 = Rp8,597
Source: Knight Frank / PT. Willson Properti Advisindo

Outlook

With supply estimated to grow by about 6% or 5,099 units by the end of 2011, the Jakarta condominium market is expected to continue experiencing strong competition with developers continuing to offer flexible financing schemes to reach sales targets.

Consumers will be more selective, giving weight to location, financing, developers' reputations and unique concepts. Rising land prices and gradual increases in construction costs are likely to affect prices over time.

Given the conducive economic conditions, a low financing rate and a growing middle class, the market is expected to see more newly launched developments outside the CBD where undeveloped land is still available.

Growth in demand will potentially continue to come from end-users for middle-class and lower cost condominiums within integrated mixed-use projects offering a one-stop living concept.

RENTAL APARTMENT MARKET

Lagging New Supply, Rising Demand Invigorates

With the economy moving forward and the sustained surge in investment, the continual return of expatriate demand and limited supply have led to average price and occupancy increases in the first half of 2011 by 8.7% (yoy) and 6.4% (yoy), respectively. Quality serviced apartments located in the CBD and prime residential areas in South Jakarta are anticipated to remain in high demand, partly as a result of the increased activity of foreign companies moving in.

Negligible Completions

With only the opening of a 108-unit Fraser Residence Sudirman earlier this year, the total cumulative supply for both serviced and purpose-built rental apartments in the first half of 2011 rose slightly by 1.64% (yoy) to 8,110 units. On the other hand, there was a declining supply of purpose-built rental apartments coming from the Ratu Plaza Apartment due to renovation of its 54 leased units. For the serviced rental apartments category, 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 one rental project (163 units) in the pipeline is estimated to hit the rental apartment market between 2H 2011 and 2013 as several potential projects are still in the early planning stage.

Table 13
Jakarta Rental Apartment Market Highlights (1H 2011)

Total Existing Supply	**8,110 units**
Serviced Apartments	4,997 units
Non-Serviced, Purpose-built Rental Apartments	3,113 units
Physical Occupancy Rate	**84.16%**
Serviced Apartments	84.16%
Non-Serviced, Purpose-built Rental Apartments	82.88%
Overall Vacant Units	1,285 units
Future Supply 2H 2011 - 2013	**163 units**

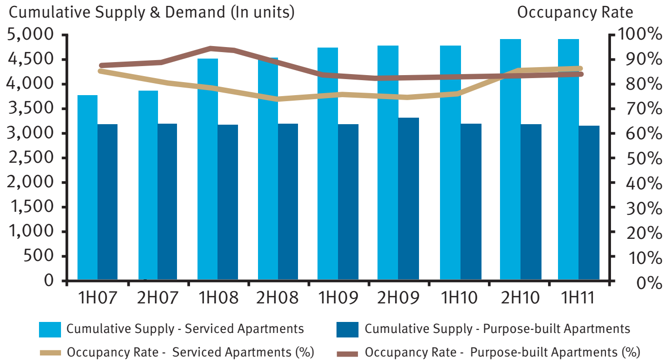
Source: Knight Frank / PT. Willson Properti Advisindo

Table 14
Projection of Future Rental Apartment Supply (2H 2011-2013)

Estimated Completion Year	Projected Units
2H 2011	0 units
2012	0 units
2013	163 units

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 21
Jakarta Rental Apartment Market Supply and Demand
(1H 2007 – 1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

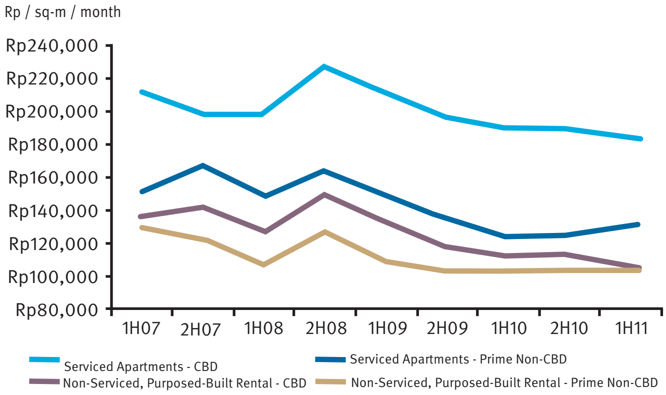
Growing Inquiries

In total, rental apartments ended the first half of 2011 with a reasonable increase in occupancy, up by 6.4% (yoy) to 84.16%. Serviced rental apartments posted the largest increase in occupancy, rising by 10.3% (yoy) to 84.96%, while purpose-built only increased insignificantly by 0.8% (yoy) to 82.88%.

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

Serviced apartments saw the largest increase in net take-up, rising by 34% to 146 units, compared to 109 units in the same period of last year. However, purpose-built apartments saw a slight negative absorption of 29 units due to the small reduction in supply.

Figure 22
Average Asking Rents in Rupiah by Submarket
(1H 2007 - 1H 2011)

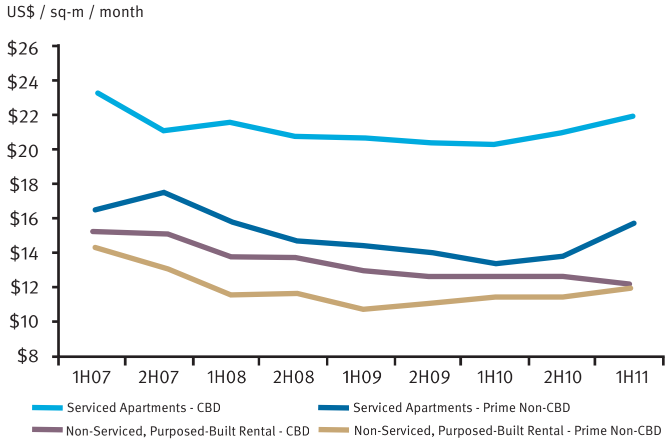


Source: Knight Frank / PT. Willson Properti Advisindo

Escalating Rentals

Almost all submarkets experienced an increase in asking rents, both in Rupiah and U.S. dollar terms, except in non-serviced/purpose-built rental apartments in CBD and prime non-CBD areas in Rupiah terms. Due to the Rupiah strengthening against the U.S. dollar by 4.6% from the prior period to Rp8,597 per U.S. dollar, the average gross rents in Rupiah terms dropped by 8.86% to Rp103,091 per sq m/month and 0.48% to Rp102,231 per sq m/month for non-serviced/purpose built rental apartments located in CBD and prime non-CBD areas, respectively. Meanwhile, gross rents for serviced apartments in U.S. dollar terms increased by 2.83% and 9.93% for properties located in CBD and prime-non CBD areas, respectively.

Figure 23
Average Asking Rents in U.S. Dollar by Submarket
(1H 2007 - 1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Looking Ahead

Lease deals will still be dominated by foreign workers or expatriates in line with the expanding economy and rising inflow of foreign direct investment. Despite stiff competition from the condominium market for lease, rental rates will remain competitive as landlords will likely raise rents gradually due to limited supply and rising demand.

Table 15
Asking Gross Rental Rates of Jakarta Rental Apartment Market (1H 2011)

Market Segment	Asking Rental Prices / sq-m		Price Changes from 2H 2010	
Serviced Apartments	**Rupiah/sq-m**	**US$**	**Rupiah**	**US$**
CBD	Rp185,207	$21.54	-1.68%	2.83%
Prime Non-CBD	Rp132,372	$15.40	5.11%	9.93%
Non-Serviced, Purpose-Built Rental Apartments				
CBD	Rp103,091	$11.99	-8.86%	-4.70%
Prime Non-CBD	Rp102,231	$11.89	-0.48%	4.07%

US$1 = Rp8,597
Source: Knight Frank / PT. Willson Properti Advisindo

HOTEL MARKET

Stronger Demand Boosts Performance

The steady pace in tourism, stronger economy and business activity during the first half of 2011 led to increased activity in the Jakarta hotel market. Driven primarily by domestic business group travelers, all star rating hotels experienced higher performance. Having a growing reputation as a center for Meetings, Incentives, Conferences and Exhibitions (MICE), Jakarta will remain a convenient hub for business.

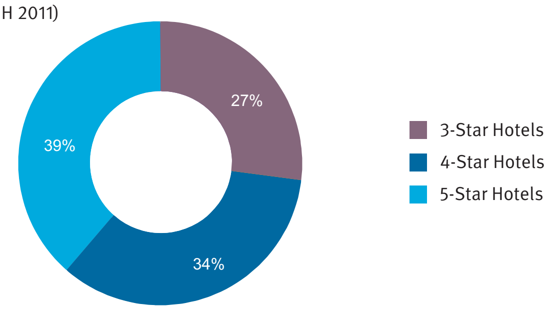
Steady Stock Level

The total supply remained unchanged at 24,972 rooms with no additional supply completed during the first half of 2011. Between 2H 2011 and 2012, additional rooms of 2,114 or 8.5% of the total existing supply will come mainly from hotels within superblock projects. 17.5% of the estimated new supply is categorized as Condotel units indicating the growing trend of Condotel units pouring into the hotel market.

Figure 24

Distribution of Hotel Rooms by Star Rating

(1H 2011)

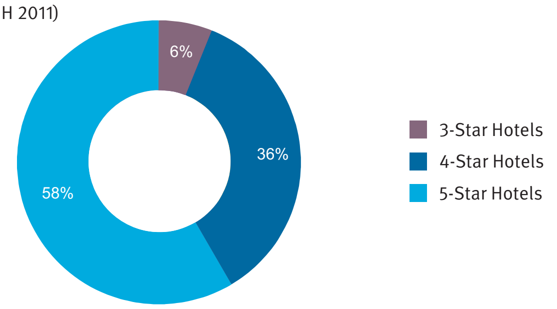


Source: Knight Frank / PT. Willson Properti Advisindo

Figure 25

Distribution of New Supply by Star Rating

(1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 16

Jakarta Hotel Market Highlights (1H 2011)

Distribution by Star Rating	# of Room	Occupancy Rate
3-Star Hotels	6,779	70.47%
4-Star Hotels	8,554	72.25%
5-Star Hotels	9,639	60.82%
Total Average	**24,972**	**67.35%**

Source: Knight Frank / PT. Willson Properti Advisindo

In fact, 58% of the total future supply is represented by 5-star rated hotels with the majority located in the Non-CBD area. Interestingly, the market recently saw a shift in trend where 5-star rated hotels traditionally located in the Prime CBD started to move out of the Golden Triangle to the Prime Non-CBD area. The advantages of having locations within exclusive superblocks and surrounded by elite and expatriate residential areas as well as a suitable hub for business and tourism have brought full confidence for Marriott International to sign a 20-year agreement with Lippo Karawaci to operate two JW Marriott-branded properties in the St. Moritz and Kemang Village superblocks.

Sustained Trend

Foreign visitor arrivals via Soekarno-Hatta International Airport remained stable despite a slight decrease by 2.63% (yoy) to 911,021 cumulatively for the first six low season months of 2011 compared to the prior year. During the first half of 2011, Malaysia, China and Singapore remained the top three countries with the most tourist arrivals to Jakarta recording 127,486, 93,234 and 83,883 arrivals, respectively.

SECOND HALF 2010

JAKARTA PROPERTY HIGHLIGHTS

Table 17

Projection of Future Supply Completion Schedule (2H 2011-2012)

Estimated Completion	Project Name	Star Rating	# of Rooms
2H 2011	Pullman Hotel - Central Park	5	420
2H 2011	Grand Aston The Grove Suites*	5	151
2012	Novotel All Seasons - Green Central	3	130
2012	Grand Mercure Hotel - Hayam Wuruk	4	235
2012	Aston Hotel -Menteng	4	234
2012	Hotel Emporium - Pluit	4	280
2012	The Mansion Suites - Bellagio Mansion*	5	65
2012	Raffles Hotel - Ciputra World	5	171
2012	Citadines Jakarta Rasuna - The H Tower*	5	153
2012	JW Marriot Hotel - Kemang Village	5	275

Source: Knight Frank / PT. Willson Properti Advisindo

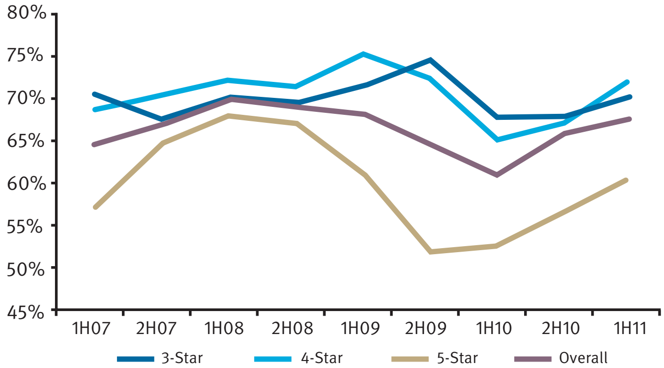
The overall room occupancy in 1H 2011 increased by 12% to 16,819 rooms or at 67.35% rate compared to the first half of 2010. All star-rated hotels continued to experience positive performance in occupancy compared to the same period in 2010 with 5-star rated hotels recording the highest increase by 8.14% to 60.82%. As a result of the rising demand, the room night demand (RND) for 3-star, 4-star and 5-star hotels rose by 4.2%, 14.1% and 17.4%, respectively over the same comparison period.

Due to the high number of newly opened star-rated hotels expected to enter the market during the next two years, the hotel market might face challenges due to big discounts offered by newer quality competitors to price-sensitive business travelers.

Figure 26

Occupancy Rate by Star Rating

(1H 2007 – 1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Increased Revenues

The positive performance of the overall occupancy rate in 1H 2011 was followed by the strengthening of ARR and RevPar in all star-rated hotels.

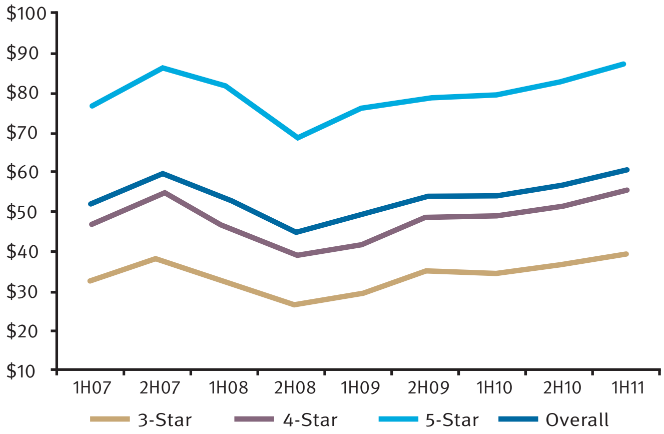
Compared to the previous period, 3-star and 4-star hotels posted the highest increases in ARR in Rupiah and U.S. dollar terms at around 4.00% and 9.00%, respectively.

With the risk of higher electricity and rising liquefied petroleum gas (LPG) costs still high, hoteliers are faced with greater difficulties, as they continually try to anticipate higher power bills by reducing energy costs, since this affects the comfort level and services provided to hotel guests.

Figure 27

ARR by Star Rating in U.S. Dollar

(1H 2007 – 1H 2011)

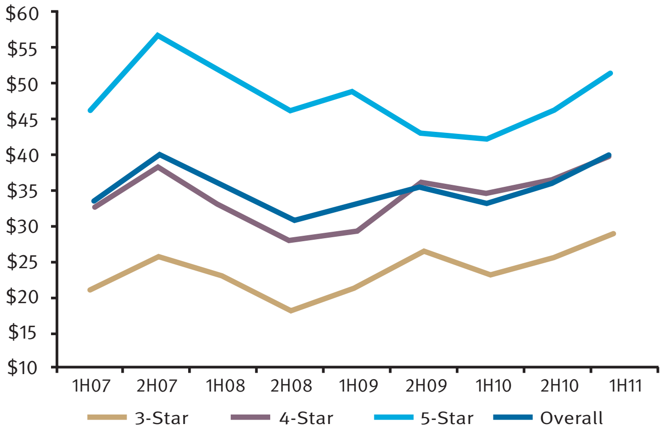


Source: Knight Frank / PT. Willson Properti Advisindo

Figure 28

RevPar by Star Rating in U.S. Dollar

(1H 2007 – 1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Outlook

With the growing economy resulting in an increase in business activity and the launch of 2011's new tourism campaign slogan, "Wonderful Indonesia" by the Minister of Culture and Tourism, an increase in domestic and foreign arrivals to Jakarta will be supported. The MICE business in hotels is expected to grow further and be the driving force for the Jakarta hotel market.

Given flourishing new budget hotels and a plentiful new supply of star-rated hotels in the pipeline, Jakarta hoteliers are expected to continue facing competitive room rates from new hotels who offer generous discount promotions to lure customers.

Table 18

ARR of Jakarta Hotel Market by Star Rating (1H 2011)

Market Segment	Average Room Rates (ARR)		Price Changes from 2H 2010	
	Rupiah	US$	Rupiah	US$
3-Star Hotels	Rp338,893	$39.42	4.26 %	9.04 %
4-Star Hotels	Rp480,906	$55.94	4.23 %	9.00 %
5-Star Hotels	Rp751,468	$87.41	2.31 %	7.00 %
Overall Hotels	Rp523,756	$60.92	3.31 %	8.04 %

US$1 = Rp8,597

Source: Knight Frank / PT. Willson Properti Advisindo

Table 19

RevPar of Jakarta Hotel Market by Star Rating (1H 2011)

Market Segment	Average Room Rates (ARR)		Price Changes from 2H 2010	
	Rupiah	US$	Rupiah	US$
3-Star Hotels	Rp241,997	$28.15	7.58 %	12.51 %
4-Star Hotels	Rp348,321	$40.52	7.41 %	12.33 %
5-Star Hotels	Rp455,728	$53.01	9.32 %	14.33 %
Overall Hotels	Rp348,682	$40.56	8.27 %	13.24 %

US$1 = Rp8,597

Source: Knight Frank / PT. Willson Properti Advisindo

Research

Indonesia Contact

Willson Kalip
willson.kalip@id.knightfrank.com

Research & Consultancy

Fakky Ismail Hidayat
fakky.hidayat@id.knightfrank.com

Hasan Pamudji
hasan.pamudji@id.knightfrank.com

Valuation (KJPP Willson & Rekan)

Bayu Wiseso
bayu.wiseso@id.knightfrank.com

Mosalina Dewi
mosalina.dewi@id.knightfrank.com

Commercial Leasing

Sindiani Surya Adinata
sindiani.adinata@id.knightfrank.com

Christianto Budiman
christianto.budiman@id.knightfrank.com

Property Management Services

Asep Sujiana
asep.sujiana@id.knightfrank.com

Lioni Sugiarto
lioni.sugiarto@id.knightfrank.com

Residential

Miranti Paramita
miranti.paramita@id.knightfrank.com

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
Tanzania
Uganda
Zambia
Zimbabwe

Asia

China
Hong Kong
India
Indonesia
Macau
Malaysia
Singapore
Thailand
Vietnam

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.

Knight Frank
Newmark
Global