RESEARCH

FIRST HALF 2012

JAKARTA PROPERTY HIGHLIGHTS

Knight Frank

HIGHLIGHTS

- Indonesia's economy remained resilient, expanding at 6.4% (yoy) in the second quarter of 2012 as rising investment and domestic spending offset a slowdown in export demand due to Europe's sovereign debt crisis.

- Office space absorption remained strong with no signs of slowing down, marking the second consecutive record high since the second half last year. With surging corporate growth plans in a relatively tight market, a higher rental and price appreciation is expected.

- On the back of strong private consumption and aggressive retailer expansion, the Jakarta retail market continued to experience growing demand. The trend of promising retail sales growth and internationalization of retailers looks set to continue this year with a strong competitive landscape.

- Condominium prices continued to post a significant upward trend supported by positive buyer sentiment, lower interest rates and steady increases in sales. Continued demand coming from the Western and Asian expatriates, especially corporate tenants, together with the locals helped to sustain the pace of rental apartment growth.

- With increased business traveling from private companies and government institutions, the Jakarta hotel market recorded positive results across all three key performance metrics.

ECONOMY IN BRIEF

Maintained Growth Despite Global Headwinds

Indonesia's economy remained resilient, expanding at 6.4% (yoy) in the second quarter of 2012 as rising investment and domestic spending offset a slowdown in export demand due to Europe's sovereign debt crisis. Strong consumer spending, strengthening infrastructure and foreign investment are expected to sustain growth with consensus forecasts within the low end of 6% target range in 2012 on weaker external demand.

Balanced Growth

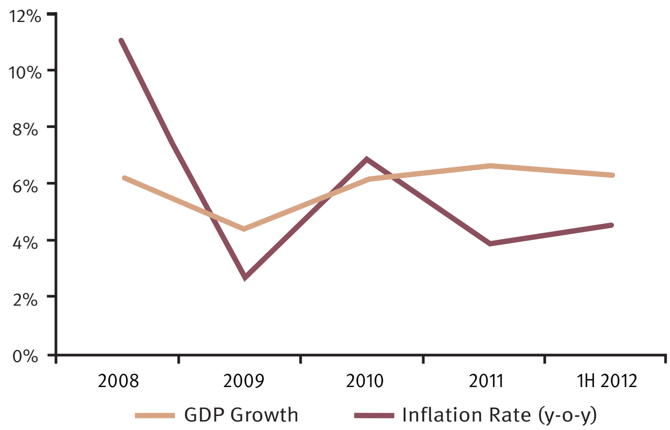
While global gloom has taken its toll on China and India, Indonesia continued to survive against the wave. Its economy has shown its resilience in the face of consecutive global crises since 2008 by maintaining growth at an average of 6% from 2008 to Q2 2012. Although the global economic outlook continues to weaken and financial markets continue to be volatile, Indonesia has been able to stay afloat with domestic demand and robust investment as key growth drivers.

Compared to the previous quarter of 6.3%, Indonesia managed to grow by 6.4% (yoy) in the second quarter of 2012 on the back of solid domestic demand and strong investment spending offsetting the decline of exports. The Central Bank targets its 2012 growth forecast within the range of 6.1%-6.5%.

Nonetheless, due to the ongoing global worries, the trade balance in the end of June 2012 reached a record high deficit of US$1.32 billion since the last five years, a sign of weaker demand from China, India and the West starting to make a negative impact.

With the rating upgrade reflecting continued improvements in the official's balance sheet and economic performance, Indonesia's sovereign debt rating was lifted by Fitch Ratings and Moody's Investors Service to investment grade in the early part of this year. On a positive note, the government plans to allocate $20 billion for infrastructure development next year to boost the national economic growth.

Figure 1
GDP Growth vs. Inflation Rate
(2008 - 1H 2012)



Source: Central Bureau of Statistics

Manageable Inflation

With food prices climbing, headline inflation experienced a slight acceleration and remained in check. The surge in basic foodstuffs was largely caused by distribution problems of inefficient logistics systems. The seasonal price increases are expected to continue in July as Indonesia faces even higher inflationary pressures during the seasonal Ramadhan and Idul Fitri period.

The Central Bank of Indonesia reported that the headline Consumer Price Index (CPI) inflation rate in June 2012 increased to 4.53% (yoy), the fastest rate since October last year and still within the 2012 and 2013 government-set inflation target of 4.5%±1% (yoy).

In comparison by group, raw food materials remained the biggest contributor to the June 2012 inflation rate, followed by the group of processed food, beverage, cigarette and tobacco.

The prices of red chilies, garlic, chicken meat, fresh fish, granulated sugar, liquefied petroleum gas (LPG), eggs and jewelleries rose in June. Meanwhile, the prices of cooking oil, tomatoes and fuel experienced a decrease.

Going forward, inflation is expected to be kept at bay through the end of 2012 due to tame global commodity prices. The recent bad weather in the United States and other producing countries has raised concerns about a repeat of the global food crisis five years ago. Hence, it may add significantly to Indonesia's inflation where it imports seven major commodities such as rice, corn, wheat, soybeans, sugar, milk and beef.

Pressures on Rupiah

Global risk aversion, driven primarily by the euro zone debt crisis, has prompted investors to sell Indonesian high-yield assets and sought safe havens, such as U.S. Treasury Notes. As a result, downward pressures on Rupiah continued during the first half of 2012. The rupiah slide against the U.S. dollar has been steeper compared with the Malaysian ringgit, Singapore dollar, Korean won and Indian rupee.

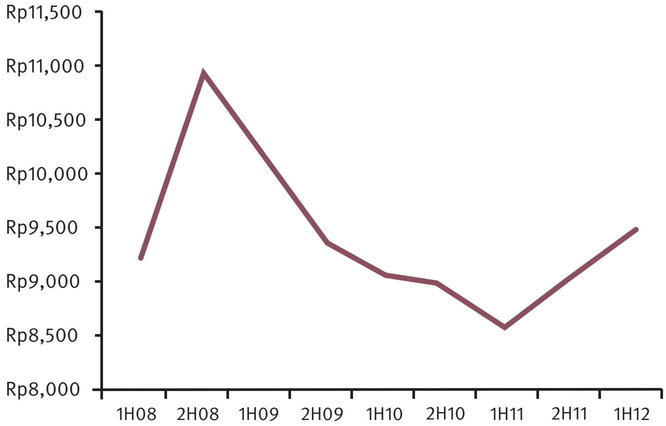
The Rupiah has averaged Rp9,171 per U.S. dollar during the January-June period of this year, after averaging Rp8,768 throughout last year. On a year-on-year comparison, the Rupiah depreciated by 10.3% to close at Rp9,480 on June 30, 2012.

The central bank is expected to continue taking steps to help stabilize the Rupiah and contain inflation this year with a combination of monetary instruments in the monetary operations. With authorities in the debt-suffering eurozone expected to take actions to ease the ongoing crisis, the pressures on Rupiah will tend to ease in the second half of this year.

Figure 2

Exchange Rate (Rp / US$1)

(1H 2008 – 1H 2012)

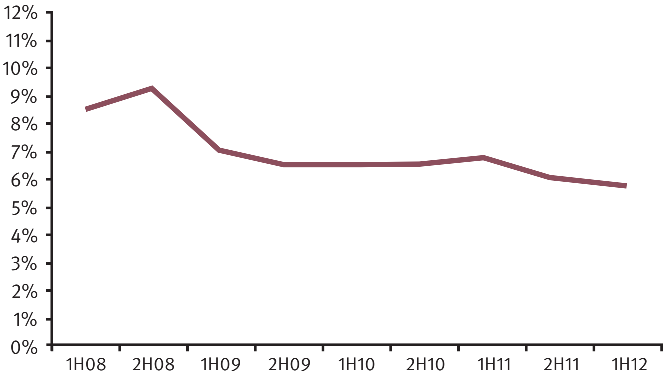


Source: Central Bank of Indonesia

Figure 3

Interest Rate (BI Rate)

(1H 2008 – 1H 2012)



Source: Central Bank of Indonesia

Burgeoning Credit Flow

In line with market expectations of a relatively strong economic growth and a manageable inflation, the Central Bank has not changed its benchmark interest rate since the last reduction of 25 basis points in February 2012, leaving at 5.75% for the sixth straight month to June 2012. Instead, it introduced other cooling measures such as increasing the 30% minimum down payment required by consumers purchasing automobiles and property.

FIRST HALF 2012

JAKARTA PROPERTY HIGHLIGHTS

Table 1

Economic Indicators (2008 - 1H 2012)

Indicator	2008	2009	2010	2011	1H 2012
GDP[1]	6.20%	4.30%	6.10%	6.50%	6.40%
Inflation[2]	11.06%	2.78%	6.96%	3.79%	4.53%
BI Rate	9.25%	6.50%	6.50%	6.00%	5.75%
Exchange Rate (1H 2012: per US$-end of June)	Rp10,950	Rp9,400	Rp8,991	Rp9,068	Rp9,480
Foreign Investment Planning Realization					
No. of Projects	1,138	1,221	3,081	4,894	2,953
Value (US$ Million)	14,871	10,815	16,215	19,475	11,955
Domestic Investment Planning Realization					
No. of Projects	239	248	875	1,476	779
Value (Rp Billion)	20,363	37,799	60,626	76,001	40,500

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 continued to surge in the first half of 2012 in line with the strong economic growth and lower borrowing cost. Until June 2011, total credits distributed by commercial banks grew 25.8% (yoy) to Rp2.45 trillion, in which investment credit grew by 29.1% (yoy) to Rp525 billion, consumption credit grew by 19.7% (yoy) to Rp722 billion and working capital credit expanded by 28.2% (yoy) to Rp1.20 trillion.

A slowdown in exports and new lending rules are expected to weigh down on consumer lending growth for the second half of 2012.

Increased Capital Investment

Investment conditions remained strong with the cumulative investment realization for both domestic and foreign investment in the first half of 2012 increasing to Rp148.1 trillion (yoy) for 3,732 projects (an increase of 28.1% from Rp115.6 trillion in the first half of 2011).

Foreign investment realization continued to hit a record high, gaining by 30.4% (yoy) to Rp107.6 trillion ($11.9 billion) for 2,953 projects, while domestic investment also increased by 22.7% (yoy) to Rp40.5 trillion for 779 projects.

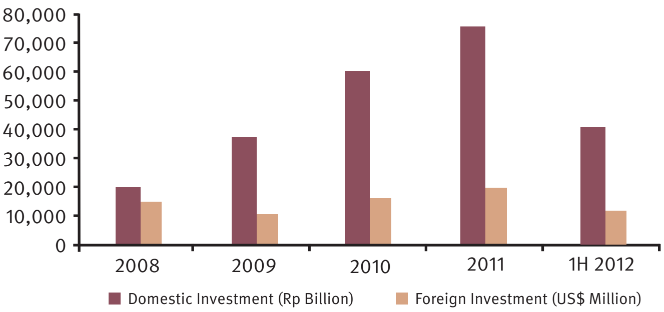
Singapore remained the leading foreign investment with $2.0 billion, followed by Japan and South Korea with about $1.1 billion and $1.0 billion, respectively. The industries that attracted the most international investment were transportation, mining and pharmaceutical.

After gaining the investment grade status from Fitch International and Moody's Investors Service for the first time in 14 years, the BKPM remains confident that it is able to fulfill an investment realization target of Rp285.5 trillion ($31.7 billion) in 2012, an increase of 13.6%. However, it realized that improving much-needed infrastructure and connectivity is greatly required in order to further stimulate investment growth to its highest level.

Figure 4

Investment Realization

(2008 – 1H 2012)



Source: Indonesia Investment Coordinating Board

CBD OFFICE MARKET

Continued Strong Demand Propels Higher Occupancy

The Jakarta office market continued to experience robust growth during the first six months of 2012 supported by a resilient economic growth and rising investor confidence. Space absorption remained strong, marking the second consecutive record high since the second half last year. With surging corporate growth plans in a relatively tight market, the market will continue to enjoy a higher rental and price appreciation.

Ample New Supply

With the completion of Tempo Scan Tower, Multivision Tower at Kuningan and AXA Tower at Kuningan City along Jl. Prof. Dr. Satrio, the total Central Business District (CBD) cumulative office supply grew marginally by 2.9% to 4,499,314 sq-m in the end of June 2012.

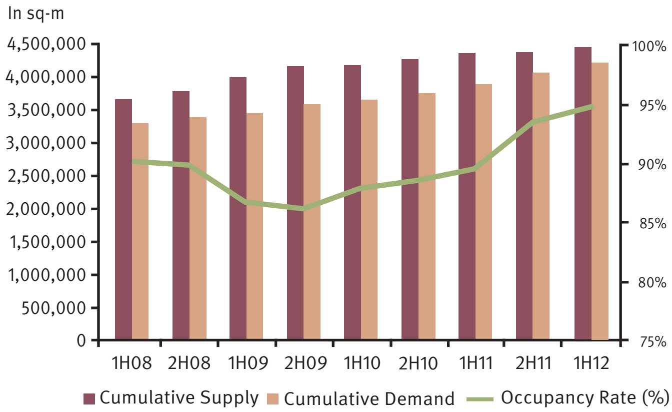
The euro zone economic downturn has not had a significant adverse impact to the Jakarta office market as new construction activities remained active. Total new supply in 2H 2012-2013 is projected to reach 586,606 sq-m comprising 52% rental offices, 10% strata-title offices and the remaining 38% a mix of strata and leased offices. Ciputra World, World Trade Center 2, City Center Tower 1, Kota Kasablanka Tower A and B are projected to finish construction by the second half. Overall pre-commitment level of these projects has reached above 50%, indicating a healthy market.

Table 2
Jakarta CBD Office Market Highlights (1H 2012)

Office Type	Total Existing Supply	Occupancy Rate	Vacant Space
Rental Office	3,608,556 sq-m	94.99%	180,882 sq-m
Strata Office	735,736 sq-m	90.80%	67,710 sq-m
Owner Occupied Office	155,022 sq-m	99.83%	3,512 sq-m
Total	**4,499,314 sq-m**	**94.40%**	**252,104 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
(1H 2008 - 1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

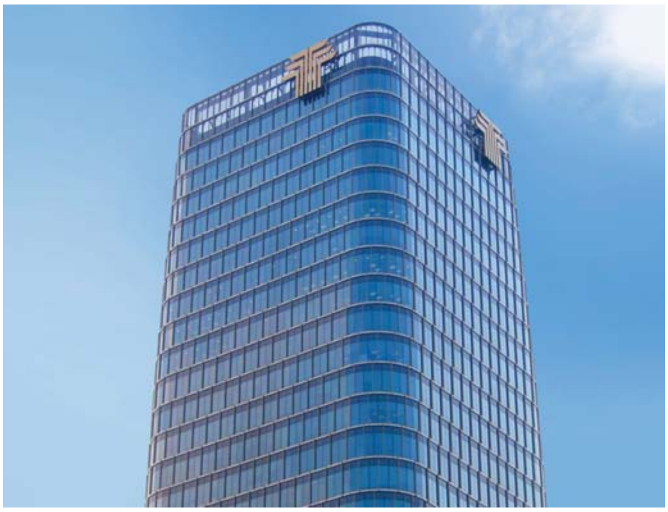
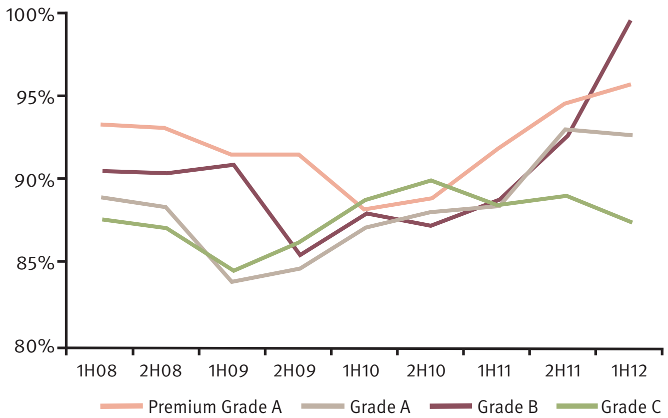


Table 3
Future Supply Completion Schedule (2H 2012 - 2013)

Year	Project	Lettable Area (sq-m)	Location	Type
2H 2012	Ciputra World	64,000	Prof. Dr. Satrio	Lease
2H 2012	World Trade Center (WTC) 2	60,000	Sudirman	Lease
2H 2012	City Center (Tower 1)	88,000	KH Mas Mansyur	Strata & Lease
2H 2012	Kota Kasablanka Tower A	58,000	Casablanca	Strata
2H 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
2013	Chase Tower	57,406	Sudirman	Strata & Lease
2013	Life Tower	30,500	HR Rasuna Said	Lease
2013	Rasuna Tower	80,000	HR Rasuna Said	Lease
	Total Proposed Supply 2H 2012-2013	**586,606**		

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 6
Occupancy Levels by Office Grade
(1H 2008 - 1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Record High Absorption Level

Despite the global economic slowdown, the CBD office continued to demonstrate no signs of slowing down. Net take- up in the first half of the year was recorded at 154,511 sq-m, representing a 7% increase year-on-year. Premium Grade A and Grade A submarket absorbed 95% of the total net take up while Grade C buildings continued to lose market share and booked negative net take-up.

With continued strong demand, overall occupancy kept creeping up to 94.4%. Banking/finance and insurance remained the largest contributors of demand.

While the increasing business confidence has contributed to growing office demand from new business set-ups, the bulk of leasing transactions came from relocation and expansion of existing businesses.

Due to limited supply and strong demand, Premium Grade-A sub-market recorded 99.52% occupancy. Grade-A occupancy declined slightly to 92.70% due to the additional new supply entering the market. Grade-B and Grade-C occupancy booked occupancy rate of 95.75% and 87.48%, respectively.

Escalating Rental and Prices

Given strong demand and single-digit vacancy rates, landlords of good quality buildings continued to increase their offering rental rates. Overall gross rental increased to US$23.41 or Rp221,914 per sq-m per month, representing a 6.4% growth in U.S. dollar terms and 11% growth in Rupiah terms, compared to the December 2011 level. Premium Grade A submarket recorded the highest rental increment at 20.2% in U.S. dollar terms and 25.4% in Rupiah terms as Premium Grade A buildings reached nearly 100% occupancy.

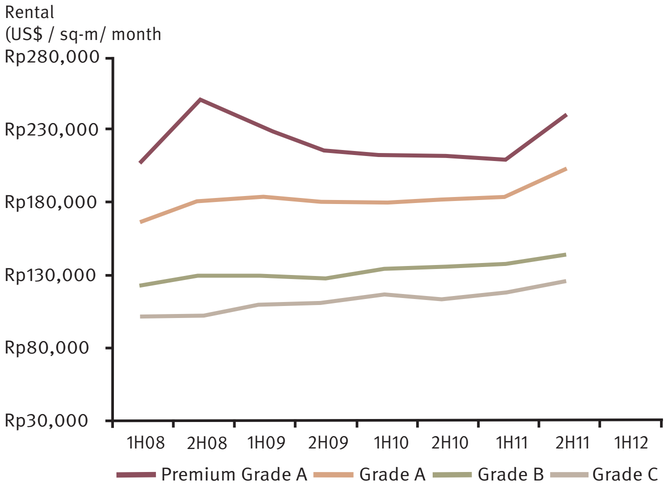
With limited supply and continued strong demand, average price of strata-title office buildings continued to enjoy steady growth. As of first semester this year, average price was recorded at Rp.24.1 million (US$2,542) per sq-m, representing a 14.3% growth year-on-year.

Table 4
Base Asking Rents and Service Charge by Grade (1H 2012)

CBD Office Grade	Base Rental / sq-m / month		Service Charge / sq-m / month		Gross Rental / sq-m / month		Price Changes from 2H 2011	
	Rupiah	US$	Rupiah	US$	Rupiah	US$	Rupiah	US$
Overall CBD	Rp160,011	$16.88	Rp61,903	$6.53	Rp221,914	$23.41	11.0%	6.4%
Premium Grade A	Rp236,092	$24.90	Rp66,620	$7.03	Rp302,711	$31.93	25.4%	20.2%
Grade A	Rp155,139	$16.36	Rp62,179	$6.56	Rp217,318	$22.92	6.0%	1.6%
Grade B	Rp97,837	$10.32	Rp56,609	$5.97	Rp154,447	$16.29	6.6%	2.2%
Grade C	Rp82,662	$8.72	Rp51,045	$5.38	Rp133,707	$14.10	5.1%	0.8%

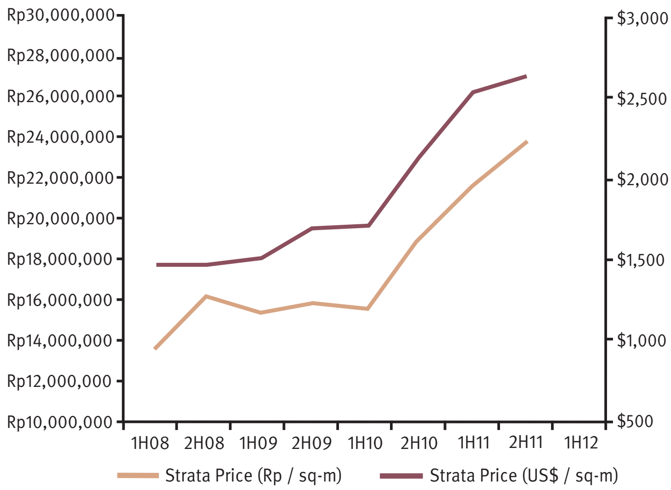
US$1 = Rp9,480
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 8
Gross Asking Rental Rates in Rupiah by Office Grade
(1H 2008 - 1H 2012)



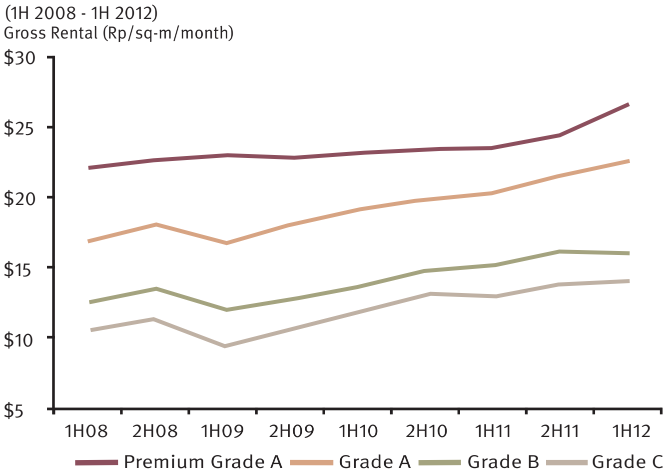
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 9
Average Asking Strata-Title Price
(1H 2008 - 1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 7
Gross Asking Rental Rates in U.S Dollar by Office Grade
(1H 2008 - 1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Outlook

Despite the gloomy global economic outlook, the Jakarta CBD office market is expected to continue to grow. Under construction projects scheduled to be completed this year has already reached over 50% pre-commitment rate. With growing demand from new business set-ups as well as expansion of existing businesses, occupancy is anticipated to remain above 90% by the end of 2012.

With single-digit vacancy rates, landlords of good quality buildings are likely to continue to increase their offering rental rates. Base rental increment will be more prevalent in the Premium Grade A sub-market.

RETAIL MARKET

Healthy Consumption, Expansions Remain Active

On the back of strong private consumption and aggressive retailer expansion, the Jakarta retail market in the first half of 2012 continued to experience growing demand. A combination of factors such as demographics and consumer spending habits remained to influence market dynamics considerably. Given a large population and rising middle class income, the trend of promising retail sales growth and internationalization of retailers looks set to continue this year with a strong competitive landscape. The annual event of Jakarta Great Sale in June-July 2012 should help to boost higher retail sales and tenant activity.

Table 5
Jakarta Retail Market Highlights (1H 2012)

Retail Type	Occupancy Rate	Vacant Space	Total Existing Supply
Rental Space	91.40%	195,712 sq-m	2,275,122 sq-m
Strata-title Space	85.49%	231,783 sq-m	1,597,653 sq-m
Total	**88.96%**	**427,495sq-m**	**3,872,775 sq-m**

Source: Knight Frank / PT. Willson Properti Advisindo

New Supply Underway

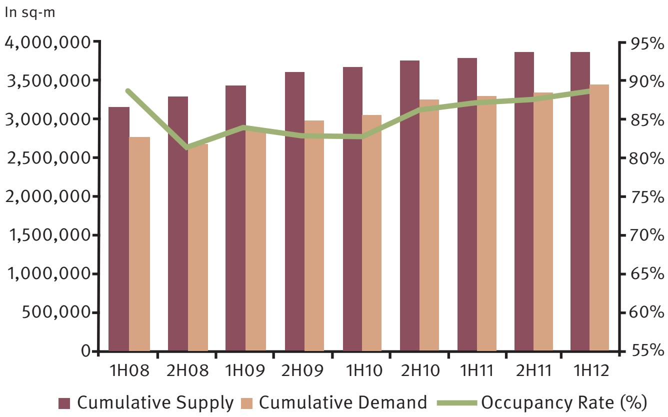
With no new completions, the total aggregate supply of retail shopping malls in Jakarta in the first half of 2012 remained unchanged at approximately 3.87 million sq-m.

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 steady at 1,597,653 sq-m. By area, Central Jakarta remained the largest concentration, representing about 44.4% of the strata-titled supply, while 77.6% are located in the Non-CBD area.

With rising inquiries from retailers, this has encouraged developers to tap the growing need of quality space by initiating new retail projects. Approximately 12 retail projects totaling 480,469 sq-m are expected to be completed between 2H 2012 and 2013. The pipeline will consist mainly of rental shopping malls supporting retail facilities within mixed-use developments (81.8%) and the remaining being strata-title retail centers (9.4%) with a proportionate distribution area of 40% in the CBD area and 60% in the Non-CBD area. South Jakarta will supply about 53% of the total new retail supply.

Figure 10
Jakarta Retail Market - Supply, Demand and Occupancy
(1H 2008 - 1H 2012)



Source: Knight Frank / PT Willson Properti Advisindo

Table 6
Projection of Future Supply Completion Schedule (2H 2012 - 2013)

Year	Project Name	Retail Type	Location	Estimated Supply
2H 2012	Kota Kasablanca	Lease	CBD	110,000 sq-m
2H 2012	Ciputra World in Satrio	Lease	CBD	80,000 sq-m
2H 2012	eXion Kemang Village	Lease	Non-CBD	55,000 sq-m
2H 2012	Ancol Beach City	Lease	Non-CBD	32,300 sq-m
2H 2012	Menteng Square - Tower B	Strata	Non-CBD	20,000 sq-m
2H 2012	Mall Pondok Indah 1 Extention / Area 51	Lease	Non-CBD	9,000 sq-m
2H 2012	Green Central Citiwalk	Lease	Non-CBD	8,024 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	Pulomas X'venture	Lease & Strata	Non-CBD	25,000 sq-m
2013	Pasar Baru Mansion	Lease	Non-CBD	5,000 sq-m
	Total			**480,469 sq-m**

Source: Knight Frank / PT. Willson Properti Advisindo

Active Expansions

Leading brands and retailers continued pursuing expansion plans aggressively to increase their presence across key retail hubs supported by the Jakarta's large population and growing middle class income. Notably, a number of major foreign branded department and furniture stores have announced their expansion plans in Indonesia. These included Thailand-based Central Department Store, Malaysia-based Parkson Retail Group and Netherlands-based IKEA.

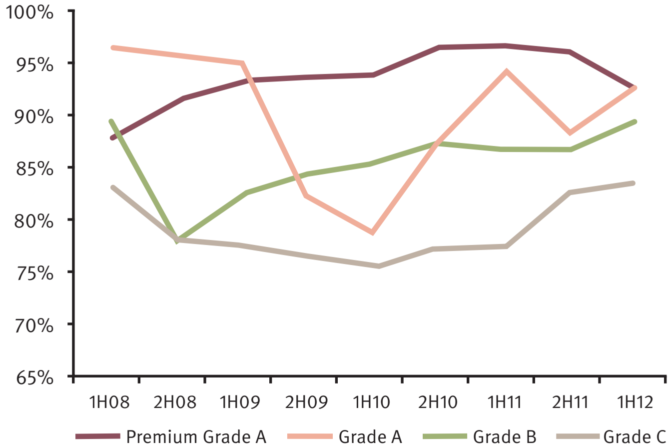
The overall occupancy rate increased slightly by 2.2% to 88.96% at the end of June 2012. The leased mall retail space and strata-titled retail space posted a slight increase of 1.6% and 3.2% in demand, respectively.

Major leasing activity in the first half of 2012 in newly completed and upper class malls included Metrox Store, Jatomo Fitness, Coffee Bean, Outback Steak House, Starbucks in Kuningan City; Informa and Ace Hardware in Grand Paragon; Hermes Watch, Swatch and Dunhill in Plaza Senayan; Ming restaurant and Play Park in Epicentrum Walk; Furla in Gandaria City and Central Park; Pappabubble, Prince Waffle and BonChon Chicken in Grand Indonesia; Etro, Moreschi and Judith Leiber in Plaza Indonesia; Lioele in Pondok Indah; Informa, Office One and Toys Kingdom in Artha Gading; Erafone Megastore in Taman Anggrek and many others.

Moderate Rental Growth

The overall average asking gross rate for prime ground floor space in Rupiah terms increased slightly by 4.3% (yoy) to Rp699,485 per sq-m per month and the Premium Grade A asking gross rate in Rupiah terms recorded a small 1.7% (yoy) increase. However, the overall average asking gross rate in U.S. dollar terms saw a decrease of 5.5% (yoy) to $73.79 per sq-m per month due to depreciation of the Rupiah. The total service charges in Rupiah terms experienced a slight increase of 5.4% (yoy).

Figure 11
Occupancy Rates by Submarket and Grade
(1H 2008 - 1H 2012)



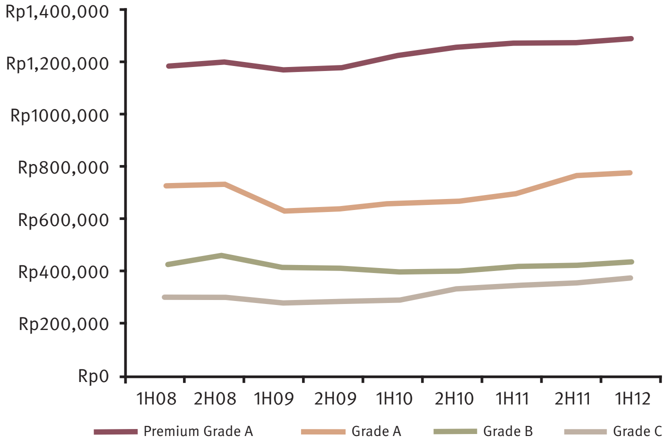
Source: Knight Frank / PT. Willson Properti Advisindo

Table 7
Asking Gross Rental Rates of Jakarta Retail Market (1H 2012)

Shopping Center Grade	Base Rental / sq-m / month		Service Charge / sq-m / month		Gross Rental / sq-m / month*		Price Changes from 2H 2011	
	Rupiah	US$	Rupiah	US$	Rupiah	US$	Rupiah	US$
Overall	Rp612,705	$64.63	Rp86,780	$9.15	Rp699,485	$73.79	0.77%	-3.41%
Premium Grade A	Rp1,160,475	$122.41	Rp130,164	$13.73	Rp1,290,638	$136.14	1.44%	-2.77%
Grade A	Rp689,299	$72.71	Rp87,840	$9.27	Rp777,139	$81.98	1.04%	-3.16%
Grade B	Rp359,979	$37.97	Rp71,197	$7.51	Rp431,176	$45.48	0.71%	-3.47%
Grade C	Rp314,878	$33.21	Rp63,505	$6.70	Rp378,383	$39.91	5.05%	0.68%

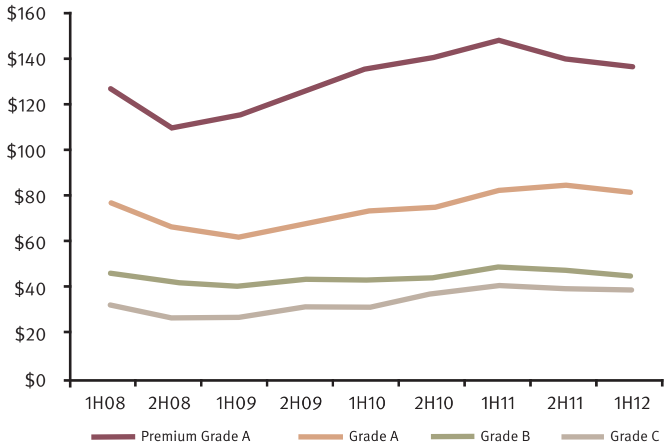
US$1 = Rp9,480 | * Asking gross rental rates are based on average monthly gross rental rates for prime ground floor retail space.
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 12
Asking Gross Rental Rates in Rupiah by Grade
(1H 2008 - 1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 13
Asking Gross Rental Rates in U.S. Dollar by Grade
(1H 2008 - 1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Looking Ahead

With a sizeable new supply entering the market, the average occupancy level during the second half is projected to be lower, awaiting physical occupancy of retailers. Base rental and service charge are expected to remain stable as strong competition in the retail market continues.

Leasing activities are expected to remain active in the second half of 2012 with retailers expecting to continue making pre-commitments in under construction retail centers. Repositioning, renovation and expansion are expected to continue in order to increase visitors and remain competitive.

CONDOMINIUM MARKET

Continued Confidence Spurs Development

During the first half of 2012, the Jakarta condominium market experienced a continued positive growth in prices on the back of positive buyer sentiment, lower interest rates and steady increases in sales. With the strong confidence in future development, developers continued to build new projects with no signs of slowing down. Despite the minimum down payment of 30% for home loans coming into effect in June this year, demand for condominium is expected to stay stable with a temporary slowdown, particularly for the middle and lower middle segments.

Greater Pace of Supply Pipeline

The aggregate strata-title condominium supply remained virtually unchanged with a large new supply of 8,040 units coming from a total of 17 completed condominium projects entering the market, bringing the total existing supply at the end of June 2012 to 91,540 units compared to 81,316 units in the previous year.

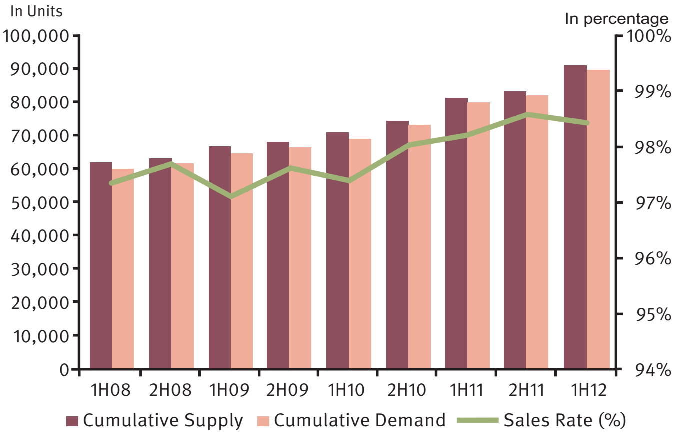
The middle income segment continued to have the largest share of the total condominium market at 55.5%. Of the new condominium units delivered during the first six month, 66.0% were aiming for the middle and lower middle segments. The bulk of new completions took place in West Jakarta (40.7%) and the smallest portion in North Jakarta (11.2%).

Table 8
Projects Completed During the First Half of 2012*

Project	Estimated Total Units	Location
Niffaro - Mahoni Tower	268	Kalibata
Season City - Tower C	562	Latumeten
Casa Grande - Mirage Tower	320	Kuningan
Casa Grande - Avalon Tower	144	Kuningan
Senopati Suites	109	Senopati
1Park Residence - Tower A	126	Kebayoran Baru

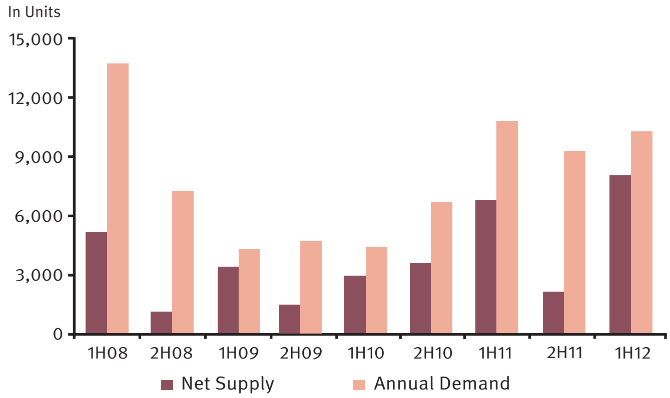
*Only selected newly launched projects
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 14
Jakarta Condominium Market Supply and Demand
(1H 2008 – 1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 15
Additional Net Supply and Demand (Existing Projects)
(1H 2008 – 1H 2012)



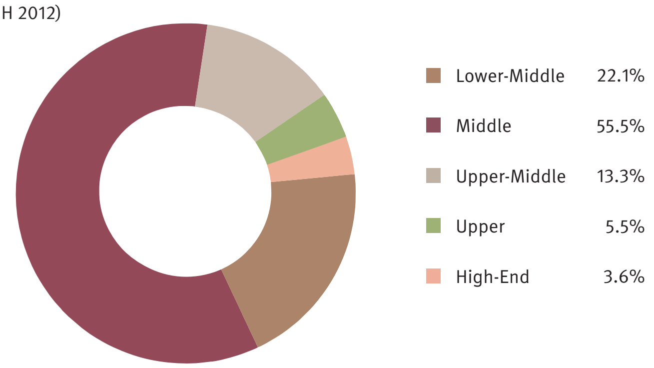
Source: Knight Frank / PT. Willson Properti Advisindo

FIRST HALF 2012
JAKARTA PROPERTY HIGHLIGHTS

Figure 16

Market Segmentation of Existing Condominium Supply

(1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 10

Projection of Future Condominium Supply (2H 2012 - 2014)

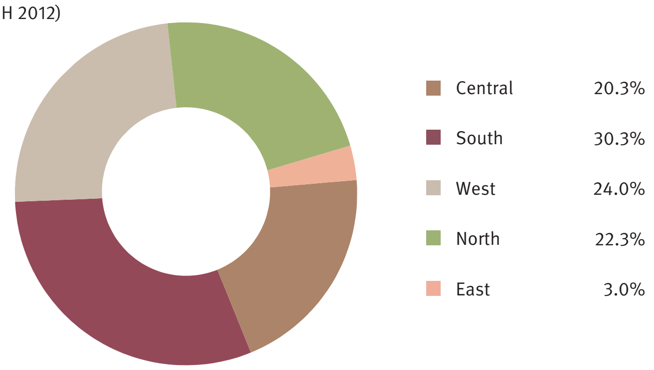
Year	Projected Completion Supply	Average Sales Rate as of June 2012
2H 2012	11,970 units	97.7%
2013	16,840 units	76.7%
2014	19,517 units	51.6%
Total	**48,327 units**	

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 17

Distribution of Existing Condominium Supply by Location

(1H 2012)

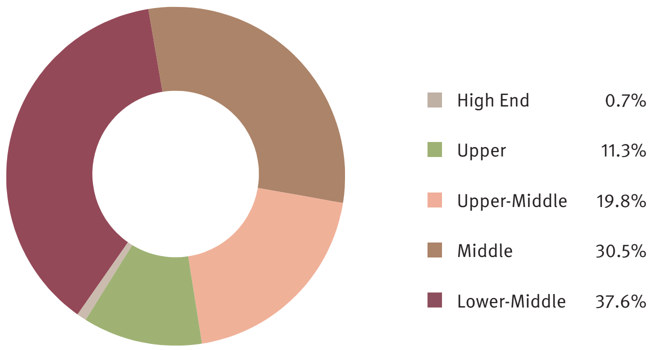


Source: Knight Frank / PT. Willson Properti Advisindo

Figure 18

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

(1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 9

Newly Launched Projects Offered in Pre-Sales Market*

(1H 2012)

Project	Location	Segment
St. Moritz - New Presidential Suite	Puri Indah	Upper
The Royale Springhill Residence - Lotus Tower	Kemayoran	Middle
Verde Residence - Tower 2	Rasuna Said	Upper
Woodlandpark Residence - Tower C	Kalibata	Upper Middle
La Maison @Barito	Kebayoran Baru	Upper
Senopati Penthouse	Senopati	Upper
Sudirman Suites	Sudirman	Upper
L'Avenue Pancoran - Tower A	Pancoran	Middle
Providence Park	Permata Hijau	Upper
Metro Park Residence - Tower A	Puri Indah	Middle

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

With the growth of development pipeline moving at a significant rate, 28 projects totaling about 7,543 units started pre-sales within the first six months, surpassing 2010's full year number of about 6,592 units. The middle and lower middle remained the leading segments, recording almost 81% of the newly launched projects. The largest concentration was located in South and Central Jakarta accounting for 27.3% and 22.1%, respectively.

At the end of June 2012, the overall new strata-title condominium development in the pipeline expected to be completed between 2H 2012 and 2014 is estimated at approximately 48,327 units, higher than last year's estimate of 33,019 units due to the launch of additional new projects.

North and South Jakarta will account for the largest concentration of the new supply until 2014 with 29% and 31%, respectively. Meanwhile, approximately 68% of the total new supply in the pipeline between 2H 2012 and 2014 and about 75% of the total projects under construction scheduled for completion in the second half of 2012 will aim the middle and lower-middle segments.

Strong Sales Growth

Due to large excess supply entering the market, the cumulative sales rate of existing supply posted a negligible decrease – virtually unchanged to 98.46% in the end of June 2012. The newly-launched projects targeted at both middle and lower middle income markets posted a sales rate of 46% in the end of June 2012. The pre-sales rate for proposed supply between 2H 2012 and 2014 was 71.8%. The stable growth in both sales and pre-sales rates remained to show the Jakarta condominium market's persistent demand.

Accelerating Prices

On a year-on-year comparison, the average sales prices by area in Rupiah terms showed an upward trend increasing by 16.7%, 17.5% and 14.4% for CBD, Prime Non-CBD and Secondary Non-CBD areas, respectively.

Furthermore, the average sales price in U.S. dollar terms has increased by 15.1% (yoy) to $1,806 per sq-m due to the appreciation of the Rupiah against the U.S. dollar.

Notably, the luxury or high-end condominium prices in Jakarta was at strong performances, increasing on average by 28.5% (yoy) in the end of June 2012. Existing supply remains limited with only a handful of available luxury projects coming online in the pipeline for the next two years. Demand for luxury will stay strong subject to global economic conditions affecting Indonesia's growth pace.

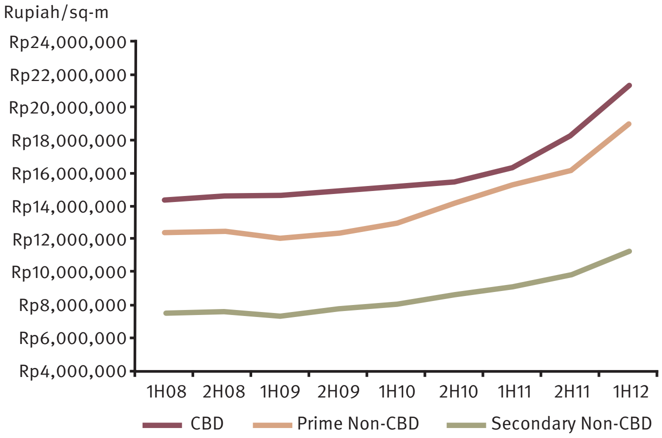
Moreover, the impact of the 2010 Anti-Money Laundering Law which requires developers and property agents to report property purchases above Rp500 million to the government, was deemed to be less significant.

Table 11
Jakarta Condominium Market Highlights
(1H 2012)

Total existing supply	91,540
Sales rate existing supply	98.46%
Existing unsold units	1,406
Proposed supply 2H 2012 - 2014	48,327
Pre-sales of proposed supply	71.8%

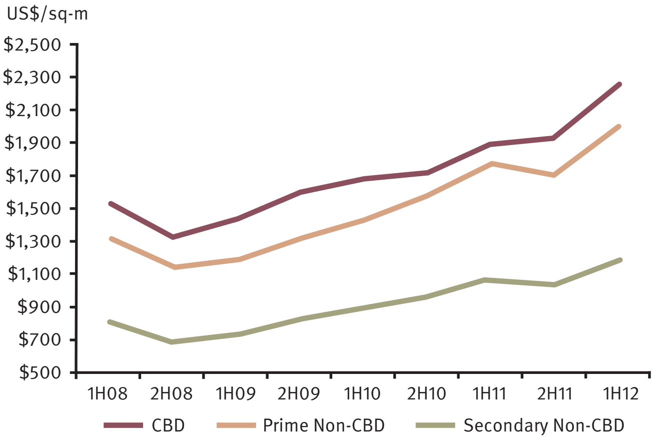
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 19
Average Asking Sales Prices in Rupiah by Location
(1H 2008 - 1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 20
Average Asking Sales Prices in U.S. Dollar by Location
(1H 2008 - 1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 12

Jakarta Condominium Asking Sales Prices and Service Charge by Location (1H 2012)

Location	Asking Sales Prices / sq-m		Service Charge / sq-m		Price Changes From 2H 2011	
	Rupiah	US$	Rupiah	US$	Rupiah	US$
CBD	Rp21,252,779	$2,242	Rp15,815	$1.67	16.7%	11.9%
Prime Non-CBD	Rp18,907,982	$1,995	Rp15,070	$1.59	17.5%	12.6%
Secondary Non-CBD	Rp11,191,962	$1,181	Rp9,798	$1.03	14.4%	9.6%

US$1 = Rp9,480
Source: Knight Frank / PT. Willson Properti Advisindo

Outlook

Strong competition is expected to remain with developers likely to continue offering attractive project concepts, reasonable pricing and flexible financing terms to generate more sales activity.

With supply estimated to grow by about 53% or 48,327 units between 2H 2012 and 2014, developers will be more cautious in the long run with the possibility that demand may not be able to keep up with the pace of new supply acceleration.

The new policy on a minimum 30% down payment for housing loans is likely to affect the purchasing power on property for the middle and lower middle classes. However, cash installment incentives and credits offered by developers will be expected to alleviate the burden to consumers.

The limited availability of land in Jakarta, particularly in the CBD and prime area, is expected to continue causing higher land price increments and led to condominium development cost growth.

RENTAL APARTMENT MARKET

Buoyant Business Climate, Inquires Remain Active

With strong underlying fundamentals and business confidence, the Jakarta rental apartment market continued to enjoy positive growth during the first half of 2012. Continued demand coming from the Western and Asian expatriates, especially corporate tenants, together with the locals helped to sustain the pace of growth. Short-term lease accommodation demand is expected to help contribute to the improved performance of serviced apartments within the CBD

Limited New Completions

With the opening of a 112-unit Centro City Apartment and a declining supply of serviced and purpose-built rental apartments from the Oakwood Premier Cozmo due to some leased units conversion and Puri Apartment due to renovation, the total cumulative supply for both serviced and purpose-built rental apartments in the end of June 2012 experienced a minor decrease after the offset by 1.2% (yoy) to 8,010 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.

As several potential projects are still in the early planning stages, there are three rental projects (561 units) identified in the pipeline estimated to enter the rental apartment market in the next two and half years

Table 13
Jakarta Rental Apartment Market Highlights (1H 2012)

Total Existing Supply	**8,010 units**
Serviced Apartments	4,992 units
Non-Serviced, Purpose-built Rental Apartments	3,018 units
Physical Occupancy Rate	**88.42%**
Serviced Apartments	85.08%
Non-Serviced, Purpose-built Rental Apartments	87.16%
Overall Vacant Units	1,028 units
Future Supply 2H 2012 - 2014	**561 units**

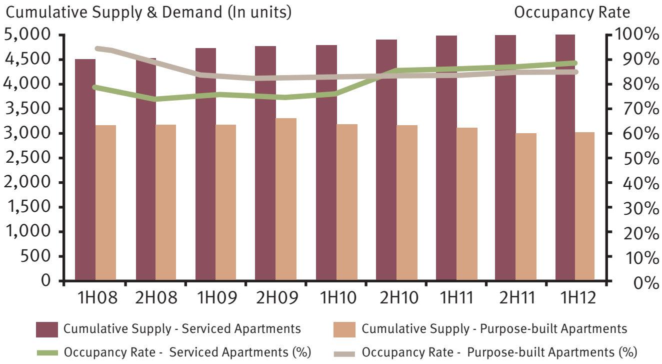
Source: Knight Frank / PT. Willson Properti Advisindo

Table 14
Projection of Future Rental Apartment Supply (2H 2012-2014)

Estimated Completion Year	Projected Units
2H 2012	0 units
2013	170 units
2014	391 units

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 21
Jakarta Rental Apartment Market Supply and Demand
(1H 2008 – 1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Growing Demand

The overall occupancy rate for rental apartments increased by 3.6% (yoy) to 87.16%. Serviced rental apartments posted a moderate increase in occupancy, rising by 4.1% (yoy) to 88.42%, while purpose-built only increased by 2.7% (yoy) to 85.08%.

Given its convenience and higher service quality, the serviced apartments submarket continued to produce the largest increase in net take-up, increasing by 169 units as compared to the same period last year.

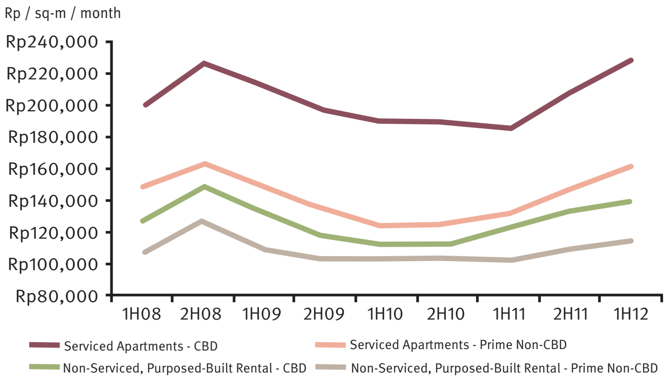
Short-term leases remained favorable due to various ongoing events and exhibitions such as Jakarta Fair, Jakarta Great sale, school holidays and government activities, to sustain the positive performance.

With more foreign or multinational firms in the oil and gas, mining, manufacturing, banking and finance sectors expanding or relocating offices in Jakarta, leasing activity continued to come from regular tenants such as China, Japan, South Korea and Western countries for serviced and purpose-built rental apartments.

Figure 22

Average Asking Rents in Rupiah by Submarket

(1H 2008 - 1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Increased Rentals

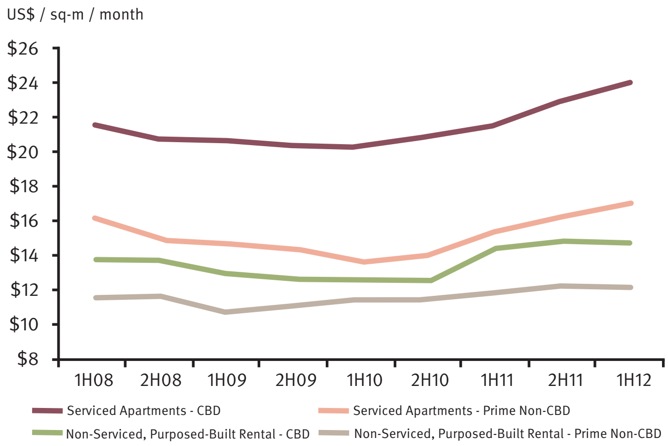
All the submarkets experienced rising asking rents, both in Rupiah and U.S. dollar terms.

The average gross rental in both Rupiah and U.S. dollar terms for serviced apartments in the first half of 2012 showed an increase of 22.4% (yoy) to Rp194,337 per sq-m per month and 11.0% (yoy) to $20.5 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 the first half of 2012 located in CBD and prime non-CBD areas, increased by 12.5% (yoy) and 2.1% (yoy), respectively.

Figure 23

Average Asking Rents in U.S. Dollar by Submarket

(1H 2008 -1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Looking Ahead

Despite the slow supply growth, the positive trend is expected to continue supported by growing demand. Long-term leases based on assignments or relocations will likely be more stable while short-term leases based on travel inquiries are subject to seasonal fluctuations. Competition from star-rated hotels and strata-titled condominium offering will likely remain tight.

Table 15

Asking Gross Rental Rates of Jakarta Rental Apartment Market (1H 2012)

Market Segment	Asking Rental Prices / sq-m		Price Changes from 2H 2011	
Serviced Apartments	**Rupiah/sq-m**	**US$**	**Rupiah**	**US$**
CBD	Rp227,687	$24.02	9.37%	4.62%
Prime Non-CBD	Rp160,986	$16.98	9.15%	4.40%
Non-Serviced, Purpose-Built Rental Apartments				
CBD	Rp139,391	$14.70	3.92%	-0.60%
Prime Non-CBD	Rp114,868	$12.12	4.04%	-0.48%

US$1 = Rp9,480
Source: Knight Frank / PT. Willson Properti Advisindo

HOTEL MARKET

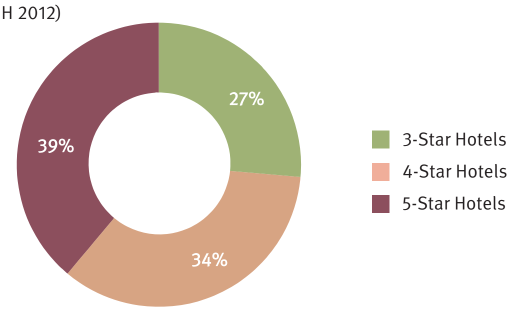
Positive Performance, New Expansion Continues

With increased business traveling from private companies and government institutions, the first half of 2012 started on a positive note for the Jakarta hotel market, experiencing positive results across all three key performance metrics. An emerging middle class will continue to spur hotel development throughout Indonesia, particularly in Jakarta, by mainly capitalizing on recognized international brands.

Plenty of New Supply

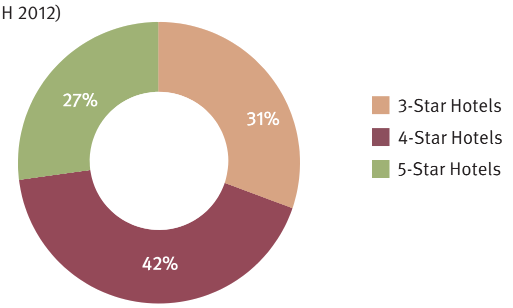
Total room supply grew slightly by 1.2% to 25,828 rooms with three new hotel openings during the first half of 2012. The new supply pipeline consists of 30 hotels totaling about 6,135 rooms with expected completion between 2H 2012 and 2013. Of this pipeline, 4-star rated hotels account for the largest portion at 42% or 2,599 rooms while 37% or 2,241 rooms will be located within superblock projects. 6% of the estimated total new supply is classified as Condotel units.

Figure 24
Distribution of Hotel Rooms by Star Rating
(1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 25
Distribution of New Supply by Star Rating
(1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 16
Jakarta Hotel Market Highlights (1H 2012)

Distribution by Star Rating	# of Room	Occupancy Rate
3-Star Hotels	6,951	72.69%
4-Star Hotels	8,781	73.85%
5-Star Hotels	10,096	62.68%
Total Average	**25,828**	**69.17%**

Source: Knight Frank / PT. Willson Properti Advisindo

Confidence Remains

Foreign visitor arrivals via Soekarno-Hatta International Airport recorded a steady increase of 9.1% (yoy) to 993,898 in January-June 2012 as compared to the same period previous year.

During the first half of 2012, foreign tourists from Malaysia, China, Japan and Singapore accounted for the top four destinations for arrivals in Jakarta at 148,725, 103,350, 92,026 and 85,449, respectively.

The overall market occupancy ended the first half of 2012 with a 6.2% increase to 17,866 rooms or at 69.17% rate compared to the same period last year.

All star-rated hotels still showed positive performance in occupancy rates in a-year-on-year comparison with 5-star rated hotels recording the highest increase in demand, increasing by 8.0% (yoy) or at 62.68% rate. As a result of the increased demand, the room night demand (RND) for 3-star, 4-star and 5-star hotels grew by 5.8%, 4.9% and 8.0%, respectively compared to the same period last year.

Table 17

Projection of Future Supply Completion Schedule (2H 2012-2013)

Estimated Completion	Project Name	Star Rating	# of Room
2H 2012	Gandaria Hotel – Gandaria City	5	323
2H 2012	Grand Aston – The Grove Suites*	5	151
2H 2012	Grand Mercure Hotel – Hayam Wuruk	4	235
2H 2012	Aston Hotel – Menteng*	4	234
2H 2012	Novotel – Green Central	4	237
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

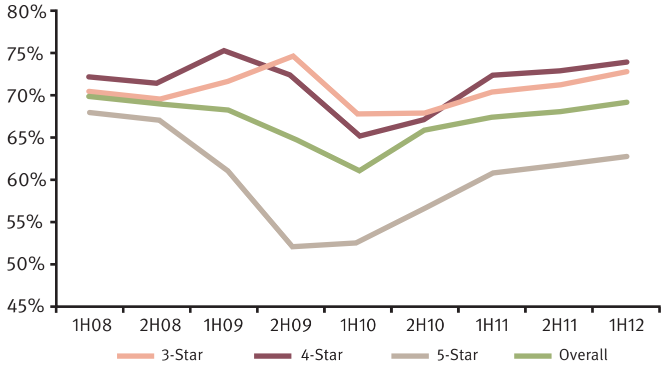
Domestic customers continued to support Jakarta hotel business, dominating the guest profile at approximately 78% of the total in the first half of 2012. Along with the trend, MICE or business travelers remained at approximately 93% and the remaining 7% was leisure travelers.

With a growing number of MICE events scheduled to take place in Jakarta this year such as Jakarta Fair 2012, ASEAN Ports and Shipping, Food and Hospitality Indonesia and many others, corporate groups comprised approximately 61% of the number of room nights sold (RND) while independent travelers only comprised 39%.

Figure 26

Occupancy Rate by Star Rating

(1H 2008 – 1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Steady Revenue

Consistent with the positive performance of the overall occupancy rate in the first half of 2012, the ARR and RevPar in all star-rated hotels also showed increases in growth.

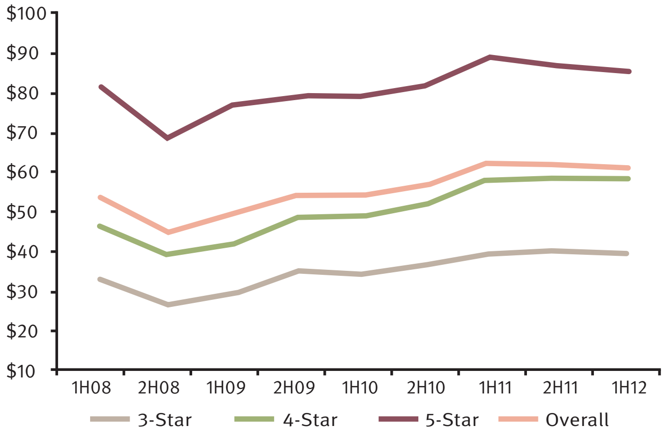
Average room rates in Rupiah terms for all star-rated hotels recorded an increase of approximately 8.72% (yoy) and a slight decrease in U.S. dollar terms of approximately -1.40% due to depreciating Rupiah. The 4-star hotel ARR in Rupiah terms recorded the highest increase by 10.87% to Rp550,389.

Consequently, RevPar for all star-rated hotels in Rupiah and U.S. dollar terms enjoyed an increase of 11.50% to Rp394,598 and 1.11% to $41.62, respectively.

Figure 27

ARR by Star Rating in U.S. Dollar

(1H 2008 – 1H 2012)

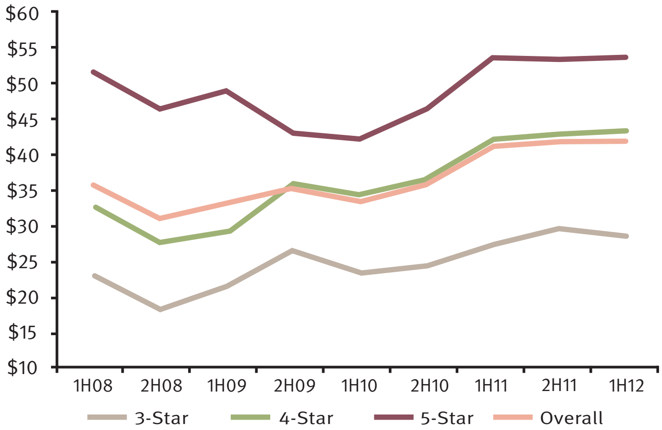


Source: Knight Frank / PT. Willson Properti Advisindo

Figure 28

RevPar by Star Rating in U.S. Dollar

(1H 2008 – 1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Outlook

Given the resilient economic growth and driven by domestic travelers, the upward trend of Jakarta hotel market is expected to continue throughout 2012 despite the gloomy global economic outlook.

Occupancies are expected to be slightly lower, if not stable due to ample of supply entering the market in the second half of 2012.

Budget accommodation will remain the fastest growing segment. Notably, stronger demand for MICE facilities has prompted budget hotels to provide meeting rooms that are appropriate for smaller groups.

Brand conversion and renovation are expected to emerge as a trend for major hoteliers due to a heightened competition from new hotels entering the market.

Table 18

ARR of Jakarta Hotel Market by Star Rating (1H 2012)

Market Segment	Average Room Rates (ARR)		Price Changes from 2H 2011	
	Rupiah	US$	Rupiah	US$
3-Star Hotels	Rp372,436	$39.29	4.45 %	-0.09 %
4-Star Hotels	Rp550,389	$58.06	4.16 %	-0.37 %
5-Star Hotels	Rp809,803	$85.42	3.13 %	-1.35 %
Overall Hotels	Rp577,543	$60.92	3.74 %	-0.77 %

US$1 = Rp9,480

Source: Knight Frank / PT. Willson Properti Advisindo

Table 19

RevPar of Jakarta Hotel Market by Star Rating (1H 2012)

Market Segment	Average Room Rates (ARR)		Price Changes from 2H 2011	
	Rupiah	US$	Rupiah	US$
3-Star Hotels	Rp268,867	$28.36	7.06 %	2.40 %
4-Star Hotels	Rp407,622	$43.00	5.61 %	1.02 %
5-Star Hotels	Rp507,305	$53.51	4.89 %	0.33 %
Overall Hotels	Rp394,598	$41.62	5.62 %	1.03 %

US$1 = Rp9,480

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

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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.