RESEARCH

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SECOND HALF 2010
JAKARTA PROPERTY HIGHLIGHTS

Knight Frank

HIGHLIGHTS

- The Indonesian economy rebounded strongly with GDP growth reaching 6.1% in 2010 as part of the global economic recovery. Marked by rising food and commodity prices, inflationary pressures still remain a threat. The investment climate has accelerated with surging foreign and domestic investment realization. In 2011, the economy is expected to grow in the range of 6.0% - 6.5%.

- Market activities in all property sectors showed positive growth on the back of conducive economic conditions and the global economic recovery. Active office inquiries for better quality space or possible expansion continued to come from the banking, insurance, oil and gas and mining sectors.

- Foreign and domestic retailers continued to further maintain or strengthen their market share by opening up more outlet stores, particularly in upper grade and newly opened malls. As confidence grew following market demand, developers continued to launch new condominium projects in several new locations. In line with the expanding business of multinational firms and rising inflows of foreign investment, leasing inquiries from expatriates were seen to rise during 2010.

- The number of tourist arrivals through Jakarta posted an increase in growth during 2010. All star rated hotels experienced a steady improvement setting the stage to return to the pre-crisis level. The increase in the occupancy rate was also followed by the strengthening in ARR and RevPar.

ECONOMY IN BRIEF

Buoyant Economy Maintains Momentum

Surviving the global economic recession relatively unscathed, the Indonesian economy rebounded strongly with GDP growth reaching 6.1% in 2010 as part of the global economic recovery. However, the economy was marked by rising food and commodity prices, and inflationary pressures remain a threat that may trigger policy tightening in the near future.

Accelerating Growth

Two years after the tumultuous global financial crisis, Indonesia, as one of the high-growth emerging Asian economies, has bounced back to a high-growth trajectory with 6.1% GDP growth in 2010.

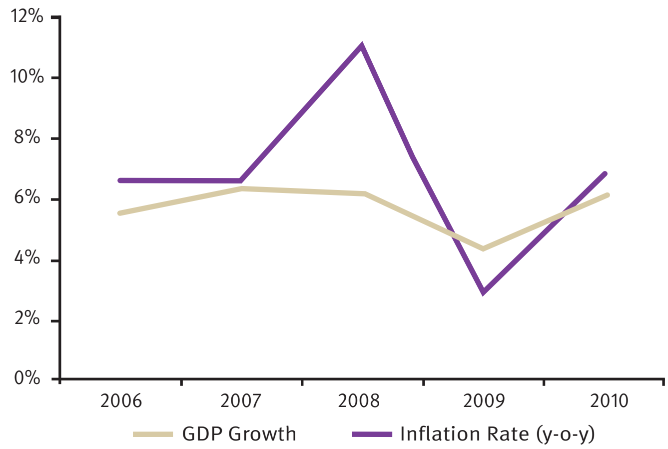
Bolstered by solid domestic consumption and improving investment performance, the fourth quarter growth of 6.9% (yoy), up from 5.8% (yoy) in the previous quarter indicated that increased confidence is still supporting higher and sustained economic growth.

Significant improvements in key areas such as higher exports, increased investment and strong consumer spending helped tp propel the growth momentum with the Central Bank estimating growth in the range of 6.0%-6.5%. Given that the ratio of public debt to GDP has gone from 94% to 27% in one decade, the continued effort to reduce the government's external debt has helped to make Indonesia a popular investment destination for foreign investors.

Investment growth reached an estimated 10% (yoy) for the fourth quarter supported by the favorable investment climate and the hopeful global recovery. Positively, Indonesia recently received news of possible upgrades on its sovereign credit ratings by several agencies.

Areas such as the trade, hotels, and restaurants sector and transport and communications have continued to dominate the growth of business performance.

Figure 1
GDP Growth vs. Inflation Rate
(2006 - 2010)



Source: Central Bureau of Statistics

Price Pressure Escalates

The year 2010 saw increased headline inflation as rising prices became an unwelcome reality. Besides the increase in food prices during 2010 due to supply problems caused mainly by bad weather affecting production, the rising inflationary pressure at the end of the year was also driven by the seasonal factor of the Christmas and New Year festivities and school holidays. The Central Bank of Indonesia reported that the Consumer Price Index (CPI) inflation rate in the end of 2010 reached 6.96% (yoy), rising above the government-set inflation target of 5±1%.

In 2010, by group, raw food materials had the highest inflation rate at 2.81%. Among commodities, rice was the biggest contributor with 1.29% inflation, while other contributors included electricity, gold and jewelry, sugar and red chilies.

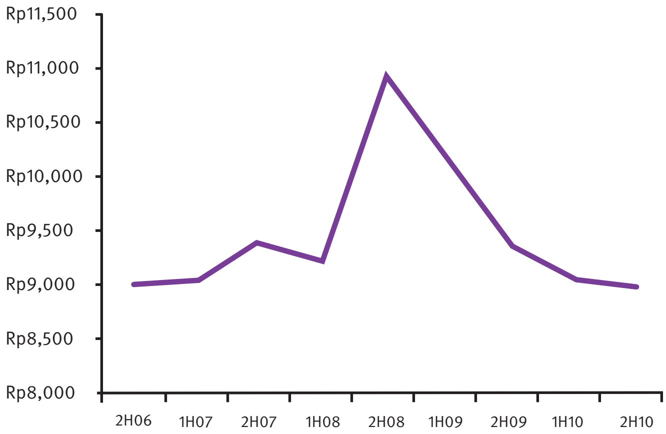
Despite the recent rises, BI's inflation targets for 2011 and 2012 are 5.0%±1% and 4.5%±1%, respectively.

To help slow rising food prices and stabilize the market, the government has recently promised to speed up the development of a large-scale food production area to increase the production of rice and other crops, remove import duties/Value Added Tax (VAT) and stop the conversion of farmland into other uses.

Figure 2

Exchange Rate (Rp / US$1)

(2H 2006 – 2H 2010)



Source: Central Bank of Indonesia

Strengthening Rupiah

Since the beginning of 2010, the Rupiah has experienced firm appreciation against the greenback, mostly attributable to a high rate of capital flows supported by surging record foreign capital inflows and steady improvement in economic fundamentals.

The Rupiah has appreciated 4.0% in the past year and reached Rp8,991 on December 31, 2010. The rupiah is expected to continue to benefit from an interest for emerging Asia, resilient domestic growth, a stable inflation outlook and a yield premium.

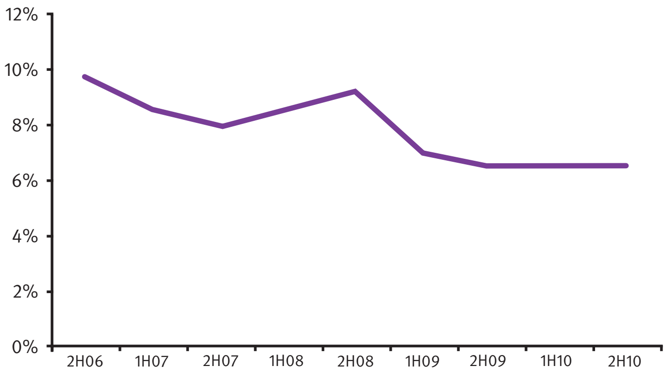
With no plans to increase the borrowing costs that may attract further swift in capital inflows, the central bank has instead used other measures to encourage foreign investors to keep their money in the country and reduce volatility in capital flows and the currency, including directing banks to set aside more cash reserves to lower money supply.

To keep the Rupiah stable, the Central Bank has been guarding the currency at its fundamental level of US$8,900 to US$9,300 against the dollar and intervening by buying foreign currencies to control the local currency's volatility.

Figure 3

Interest Rate (BI Rate)

(2H 2006 – 2H 2010)



Source: Central Bank of Indonesia

Improved Credit Growth

Despite the latest year-end inflation approaching a record high at 6.96%, the Bank of Indonesia (BI) decided to leave its benchmark interest rate at a record low of 6.5% for the seventeenth straight month since August 2009 because it was more concerned about large capital inflows. By raising the key interest rate, the Central Bank worries that it will attract even higher capital inflows. It also remains confidence as the rate is still aligned with the inflation target 2011-2012 of 4 to 6%.

Table 1
Economic Indicators (2006 - 2010)

Indicator	2006	2007	2008	2009	2010
GDP[1]	5.50%	6.32%	6.20%	4.30%	6.10%
Inflation[2]	6.60%	6.59%	11.06%	2.78%	6.96%
BI Rate	9.75%	8.00%	9.25%	6.50%	6.50%
Exchange Rate (per US$-end of December)	Rp9,020	Rp9,419	Rp10,950	Rp9,400	Rp8,991
Foreign Investment Planning Realization					
No. of Projects	801	982	1,138	1,221	3,669
Value (US$ Million)	5,977	10,341	14,871	10,815	16,460
Domestic Investment Planning Realization					
No. of Projects	145	159	239	248	849
Value (Rp Billion)	20,788	34,879	20,363	37,799	60,500

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)

The rosier outlook for the economy has encouraged greater bank lending at the end of 2010 as at the same time, the low interest rate policy set by BI has helped commercial banks reduce their lending rates. Loans by commercial banks have grown 23% this year to Rp1,708.15 trillion ($189.6 billion) from the same period a year ago. The growth came in above Bank Indonesia's full-year target of 22%, while it measured 19.4% on a year-to-date basis.

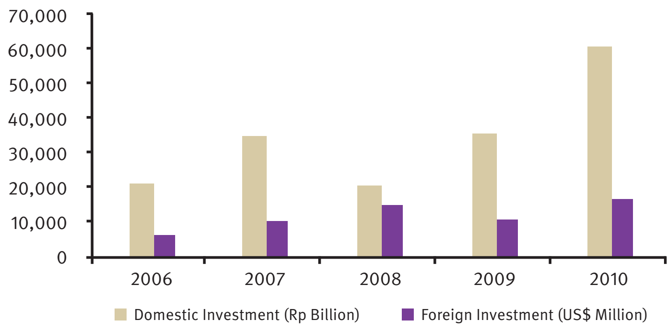
Investment Shines

The investment climate has continued to accelerate with the Coordinating Investment Board (BKPM) stating that the cumulative investment realization for both domestic and foreign investment realization for the entire year of 2010 surged to Rp208.5 trillion (yoy) for 4,518 projects (an increase of 54.2% from Rp135.2 trillion in 2009). Foreign investment realization reached Rp148.0 trillion ($12.4 billion) for 3,669 projects. Singapore, the United Kingdom and the United States were the primary overseas investors in Indonesia. Singapore was the leading investor with $5.01 billion for 537 projects. Singaporean investors mainly targeted the food, manufacturing, transportation and telecommunications industries. Domestic investment also rose by 29.0% to Rp60.5 trillion (yoy).

Among notable recipients of foreign funding were the real estate, industrial estate and office building sector, with $800 million. Importantly, there were two positive outcomes noted such as the increase in domestic investment and an increase in investments outside of Java. Investments outside Java, Indonesia's most populous island and economic hub, contributed 37.7%, or Rp21.4 trillion, of the nation's total.

With Indonesia's economy stability, improved business environment and higher credit ratings, the BKPM seeks to achieve its investment target next year of Rp240 trillion ($26.7 billion) or 15% growth in investment.

Figure 4
Investment Realization
(2006 – 2010)



Source: Indonesia Investment Coordinating Board

CBD OFFICE MARKET

Increased Optimism Brings Confidence

In line with the improving economy, the Jakarta office market in 2010 experienced a significant improvement in the overall business sentiment among office occupiers setting the stage for more robust growth in 2011. Active inquiries for space upgrades or possible expansion will continue to come from the banking, insurance, oil and gas and mining sectors. Hence, supply is expected to grow in anticipation of increasing demand.

Plenty of Expansion

The total office supply in the Central Business District (CBD) increased to 4,258,751 sq-m, with only one project, Equity Tower, completed in the second half of 2010.

Several under-construction projects that were previously scheduled for completion in 2010 have been postponed to 2011. As some mooted projects have been taken out of the future supply schedule, the total proposed supply in 2011-2013 is slated at 549,038 sq-m (59.6% of the total comprises rental office buildings).

The projected future supply in 2011 and 2012 is approximately 224,038 sq-m and 252,000 sq-m, respectively. These figures are significantly less than the total new supply in 2009 of 383,913 sq-m.

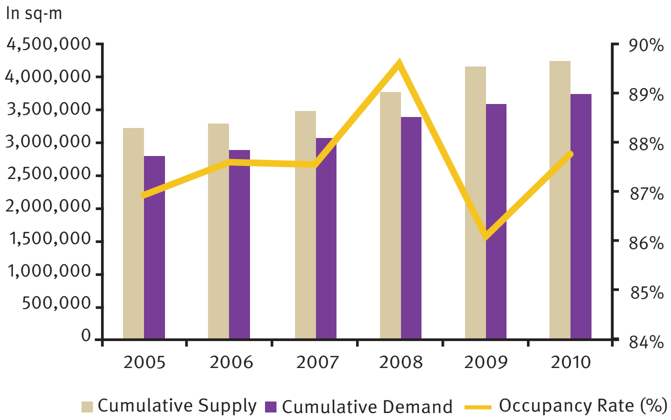
Two buildings, namely Sentral Senayan 3 and Tempo Scan Tower, are scheduled for completion in the first half of 2011.

Table 2
Jakarta CBD Office Market Highlights (2H 2010)

Office Type	Total Existing Supply	Occupancy Rate	Vacant Space
Rental Office	3,451,143 sq-m	88.30%	403,943 sq-m
Strata Office	652,586 sq-m	82.15%	116,458 sq-m
Owner Occupied Office	155,021 sq-m	99.83%	262 sq-m
Total	**4,258,751 sq-m**	**87.77%**	**520,664 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
(2005 - 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

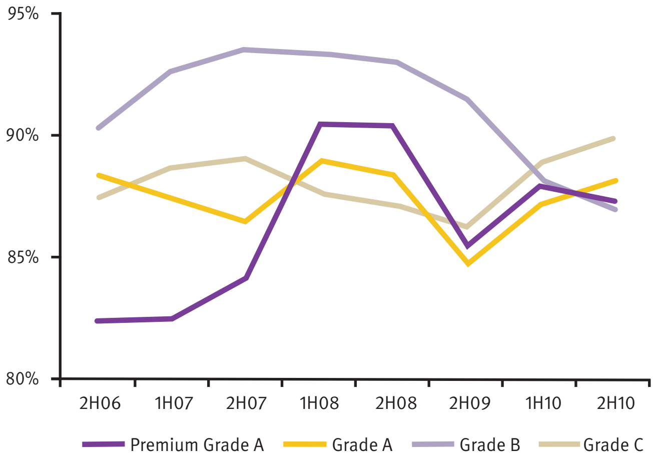
SECOND HALF 2010
JAKARTA
PROPERTY HIGHLIGHTS

Table 3
Future Supply Completion Schedule (2011 - 2013)

Year	Project	Lettable Area (sq-m)	Location	Type
2011	Sentral Senayan 3	51,188	Asia Afrika	Lease
2011	Allianz Tower	42,000	Kuningan	Lease
2011	Tempo Scan Tower	45,000	Kuningan	Lease
2011	AXA Tower (Kuningan City)	60,850	Satrio	Strata
2011	K Link	25,000	Gatot Subroto	Lease
2012	Ciputra World	64,000	Satrio	Lease
2012	WTC 2	60,000	Sudirman	Lease
2012	City Center (Tower 1)	88,000	KH Mas Mansyur	Strata Lease
2012	Multivision Tower	40,000	Mega Kuningan	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	**549,038**		

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 6
Occupancy Levels by Office Grade
(2H 2006 - 2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Activity Builds Up

In the second half of 2010, net take-up stood at 81,049 sq-m, bringing the 2010 total to 151,761 sq-m. Premium Grade A and Grade A buildings accounted for all of the net take-up, while Grade B and Grade C buildings recorded negative net take-up.

The 2010 net take-up figure was smaller than 2009's total of 197,130 sq m, largely due to the limited new supply completed in 2010. Nevertheless, many under-construction office buildings have achieved pre-commitment rates of about 40%, indicating that the market remains relatively strong.

At the end of December, occupancy rates were 87.25% in Premium Grade-A, 88.09% in Grade-A, 86.98% in Grade-B and 89.97% in Grade-C sub-market. Overall CBD market occupancy increased slightly to 87.77%. Meanwhile, serviced offices had a healthy average occupancy of nearly 90%.

Leasing transactions came from oil/mining, banking/finance, telecommunications, trading and consulting. Investment sales activity predominantly consisted of strata-title office sales. There are a number of foreign and domestic investors looking for existing office buildings to purchase in the CBD. Nevertheless, due to lack of supply, transactions remain very limited.

Rents Improve, Prices Trend Up

Gross rentals increased slightly in U.S. dollar terms due to Rupiah appreciation. The increase reflected a modest increase of service charges, while base rentals remained relatively constant.

Most sub-markets recorded increases in gross rentals in U.S. dollar terms, with the exception of Grade-C buildings, which needed to maintain competitive rents in order to sustain their occupancy rates.

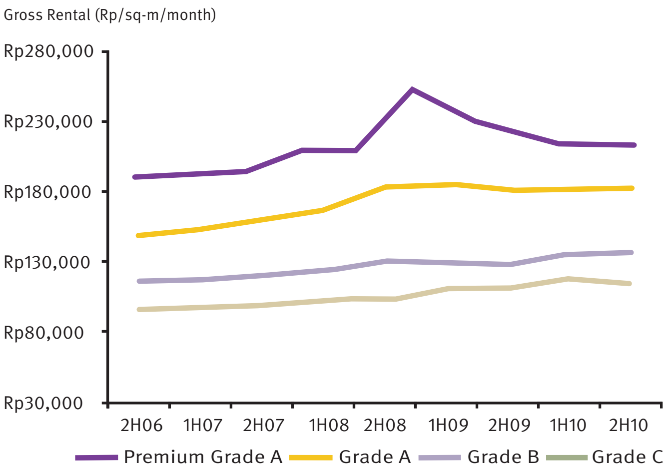
With the completion of Equity Tower, the average price of strata-title office buildings jumped to Rp19.1 million (US$2,129) per sq-m.

Table 4
Base Asking Rents and Service Charge by Grade (2H 2010)

CBD Office Grade	Base Rental / sq-m / month		Service Charge / sq-m / month		Gross Rental / sq-m / month		Price Changes from 1H 2010	
	Rupiah	US$	Rupiah	US$	Rupiah	US$	Rupiah	US$
Overall CBD	Rp121,043	$13.46	Rp58,510	$6.51	Rp179,552	$19.97	1.2%	2.3%
Premium Grade A	Rp152,249	$16.93	Rp60,347	$6.71	Rp212,596	$23.65	-0.3%	0.8%
Grade A	Rp123,399	$13.72	Rp59,942	$6.67	Rp183,341	$20.39	1.3%	2.3%
Grade B	Rp83,569	$9.29	Rp52,902	$5.88	Rp136,471	$15.18	1.2%	2.2%
Grade C	Rp68,942	$7.67	Rp46,161	$5.13	Rp115,103	$12.80	-2.3%	-1.3%

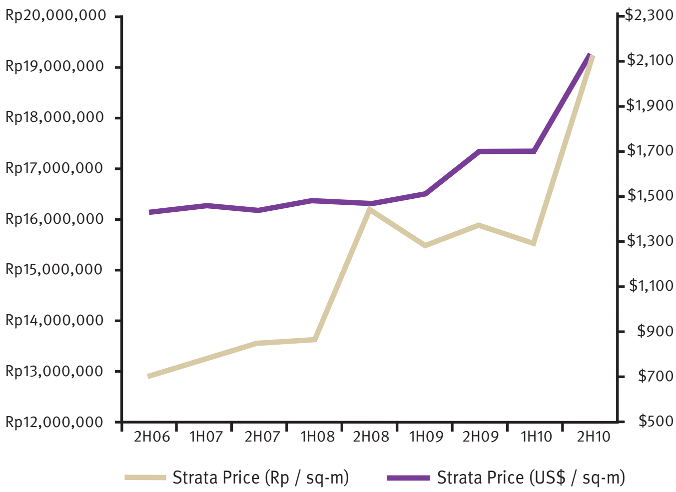
US$1 = Rp8,991
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 7
Gross Asking Rental Rates in Rupiah by Office Grade
(2H 2006 - 2H 2010)



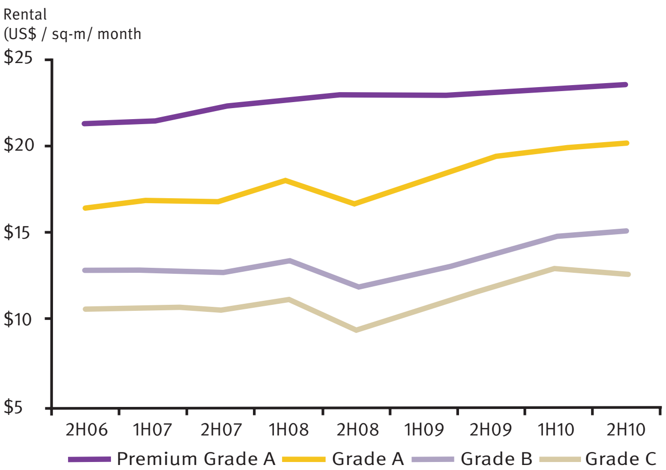
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 9
Average Asking Strata-Title Price
(2H 2006 - 2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 8
Gross Asking Rental Rates in U.S. Dollar by Office Grade
(2H 2006 - 2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Outlook

With steadily improving economic growth, office demand will continue to improve in 2011. The fact that the level of new supply projected to complete in 2011 is less than the level of new supply completed in 2008-2009 will lead to improving aggregate occupancy by end of the year.

The average gross rental is projected to increase due to slight improvement of base rental and further increase of service charge, as a result of projected rise in fuel price following the government's plan to implement fuel subsidy restriction in the first semester of 2011.

RETAIL MARKET

Tenant Deal Flow Builds Momentum

The market ended 2010 with an upbeat sentiment benefited from the economic resilience and partly driven by more concessions offered by mall owners. Riding the wave of rising consumer spending and tapping a growing middle-class market, foreign and domestic retailers continued to further maintain or strengthen market share by opening up more outlet stores. Faced with more new supply, strong competition among mall owners is expected. Retailers will also likely be optimistically cautious in looking to expand in challenging dense retail areas.

Table 5
Jakarta Retail Market Highlights (2H - 2010)

Retail Type	Occupancy Rate	Vacant Space	Total Existing Supply
Rental Space	91.75%	180,857 sq-m	2,191,242 sq-m
Strata-title Space	75.75%	354,945 sq-m	1,594,953 sq-m
Total	**85.85%**	**535,802 sq-m**	**3,786,195 sq-m**

Source: Knight Frank / PT. Willson Properti Advisindo

Ample Upcoming Deliveries

The total supply of retail shopping malls in Jakarta in 2010 increased by approximately 5% to 3.79 million sq-m.

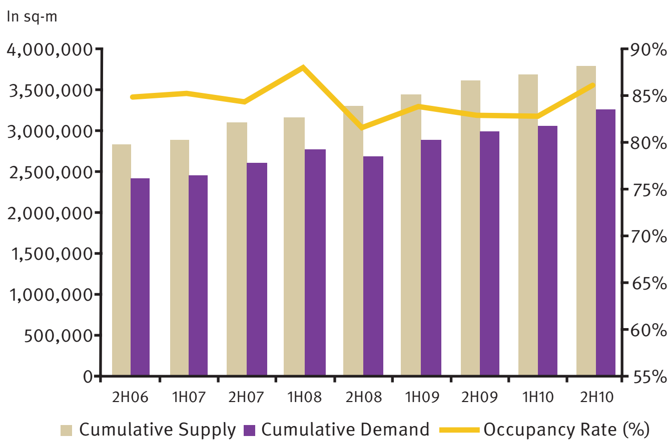
Two new retail centers (Gandaria City and Pasar Tanah Abang Blok B) totaling about 118,840 sq-m were completed and there was one strata-title retail center (Pusat Grosir Jatinegara) in East of Jakarta closed during the second half of 2010, bringing the overall new completions after the offset in 2010 to about 172,052 sq-m, 46% less than in 2009.

The largest share of supply remained in the South of Jakarta with 41.9% of total supply. The Central Business District remained the area with the greatest concentration of Premium Grade A and Grade A buildings, with about 84.9% of the total in the CBD.

The total supply of strata-titled retail space increased to 1,594,953 sq-m, up by 1.2% on last year. High supply levels are mostly located in the Non-CBD with 44.5% in the Central of Jakarta.

Looking at development, there are 12 retail schemes totaling approximately 418,312 sq m scheduled for completion between 2011 and 2012. The pipeline will consist mainly of rental shopping malls which are supporting retail facilities within mixed-use developments (91.9%) and the remaining being strata-title retail centers (8.1%) with a proportionate distribution area of 52% in the CBD area and 48% in the Non-CBD area.

Figure 10
Jakarta Retail Market - Supply, Demand and Occupancy
(2H 2006 - 2H 2010)



Source: Knight Frank / PT Willson Properti Advisindo

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

Year	Project Name	Retail Type	Location	Total Supply
2011	Tebet Green	Lease	Non-CBD	7,000 sq-m
2011	Grand Paragon	Lease	Non-CBD	30,000 sq-m
2011	Kalibata City Square	Lease	Non-CBD	30,000 sq-m
2011	Ancol Beach City	Lease	Non-CBD	40,000 sq-m
2011	Kota Kasablanca	Lease	CBD	82,032 sq-m
2011	Kuningan City	Lease	CBD	55,280 sq-m
2011	MT Haryono Square	Strata	Non-CBD	8,000 sq-m
2012	Pasar Baru Mansion	Lease	Non-CBD	5,000 sq-m
2012	Kemang Village	Lease	Non-CBD	55,000 sq-m
2012	Ciputra World in Satrio	Lease	CBD	80,000 sq-m
2012	Gapura Prima Plaza	Strata	Non-CBD	6,000 sq-m
2012	Menteng Square - Tower B	Strata	Non-CBD	20,000 sq-m
	Total			**418,312 sq-m**

Source: Knight Frank / PT. Willson Properti Advisindo

Rising Waves of Activity

With a favorable economy and strong consumer spending, major foreign retailers from both Hypermarkets and Department Stores as well as Fashion and F&B retailers continued to take space at newly completed and existing upper class shopping centers. The rising in activity was also partly due to mall owners offering more appealing concessions in the forms of free rent, generous tenant packages and flexible leasing term.

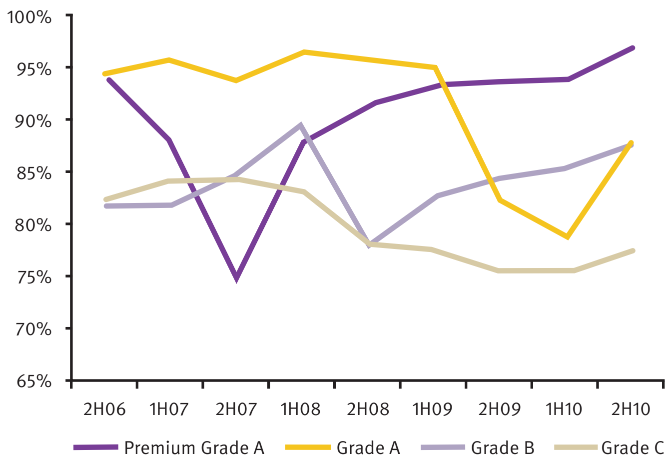
The overall occupancy increased steadily by 3.0% to 85.85% by the end of 2010 compared to the previous year. By submarket, a modest escalation in occupancy rate was recorded at 3.72% and 1.74% in both leased and strata title retail centers respectively.

The majority of leasing activity in the second half of 2010 came from major retailers in newly completed and upper class malls including Lotte Mart, Century XXI, Ace Hardware, Toys Kingdom in Gandaria City; Lotte Mart expansion in Ratu Plaza; Blitzmegaplex, Sogo and Zara in Central Park; Charles & Keith and Sanctum in Plaza Senayan; Piscator and Oenpao in Epicentrumwalk; Amante, Melandas and At America in Pacific Place; Omega Watches and Tag Heuer in Plaza Senayan; Benihana and Toys Kingdom Expansion in Grand Indonesia and a number of others.

Steady Rental Growth

The overall average asking gross rate for prime ground floor space in Rupiah terms saw a modest increase of 2.5% and the Premium Grade A asking gross rate in Rupiah terms saw a modest 2.4% increase. In line with expectations, overall service charges in Rupiah terms recorded an increase of 5.7% compared to the first half of 2010 due to the increase of basic utility tariffs in the middle of 2010.

Figure 11
Occupancy Rates by Submarket and Grade
(2H 2006 - 2H 2010)



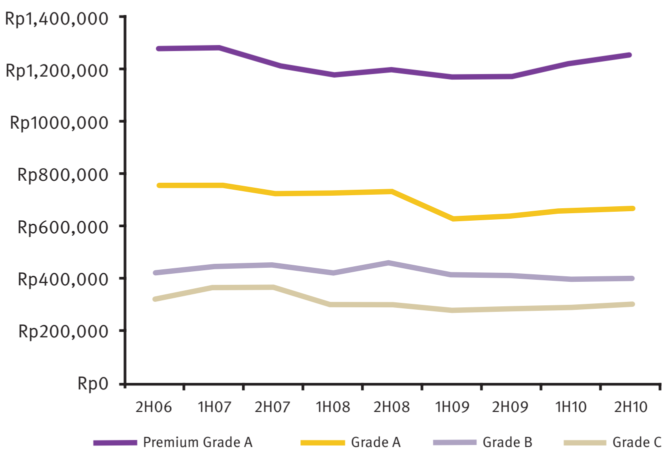
Source: Knight Frank / PT. Willson Properti Advisindo

Table 7
Asking Gross Rental Rates of Jakarta Retail Market (2H 2010)

Shopping Center Grade	Base Rental / sq-m / month		Service Charge / sq-m / month		Gross Rental / sq-m / month		Price Changes from 1H 2010	
	Rupiah	US$	Rupiah	US$	Rupiah	US$	Rupiah	US$
Overall	Rp563,965	$62.73	Rp80,660	$8.97	Rp644,625	$71.70	3.59%	2.54%
Premium Grade A	Rp1,131,518	$125.85	Rp127,141	$14.14	Rp1,258,659	$139.99	3.47%	2.42%
Grade A	Rp593,203	$65.98	Rp81,190	$9.03	Rp674,393	$75.01	2.22%	1.19%
Grade B	Rp338,265	$37.62	Rp63,575	$7.07	Rp401,840	$44.69	1.72%	0.68%
Grade C	Rp256,689	$28.55	Rp55,711	$6.20	Rp312,400	$34.75	8.38%	7.29%

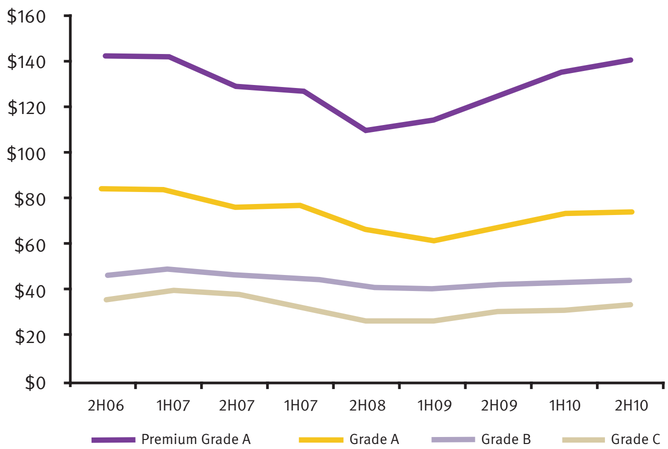
US$1 = Rp8,991
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 12
Asking Gross Rental Rates in Rupiah by Grade
(2H 2006 - 2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 13
Asking Gross Rental Rates in U.S. Dollar by Grade
(2H 2006 - 2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Looking Ahead

In line with increasing consumer spending and growing residential housing, retail demand should continue to rise, particularly from F&B and Fashion retailers. Given the surplus supply available next year, occupancy level should remain stable.

Rents and service charges are forecast to edge higher mainly due to a rise in utility charges. However, effective rents are expected to decline due to increase in both rent-free and fitting-out packages affected by tight competition.

Constant efforts to improve and re-invent themselves to target segmented consumer preferences would be needed for established malls in order to stay competitive and maintain healthy occupancies.

CONDOMINIUM MARKET

Positive Demand Outlook Supports Confidence Level

With a modest growth in demand and stable average prices, the Jakarta condominium market continued to maintain its positive performance. As confidence grew following market demand, developers continued to launch new condominium projects in several new locations. Discount prices and appealing financing terms offered by developers, low mortgage rates and rising consumer income helped to generate more transactions from both end-users and investors.

Abundant New Completions and Project Launches

With a total of nine completed condominium projects consisting of 3,610 new units, the cumulative strata-title condominium inventory increased by 5.09% in the second half of 2010, bringing the total existing supply at the end of 2010 to 74,594 units compared to 70,984 units in the prior period.

Middle income homebuyers still accounted for the largest share of the condominium market at 60.7% of the new condominium units supplied in 2010, 54.6% were delivered to middle income homebuyers.

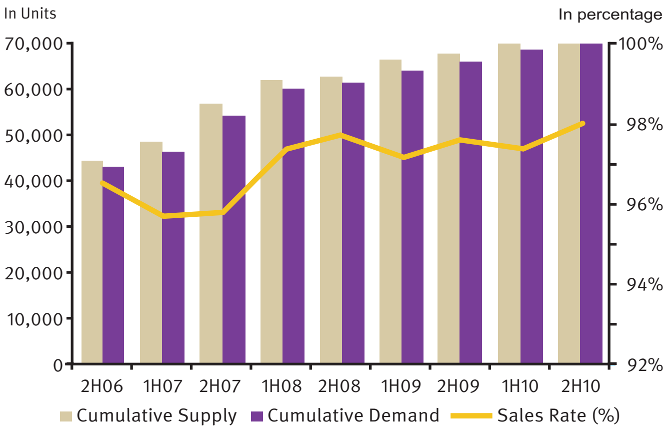
During the second half of 2010, the majority of newly condominium completions (53.3%) took place in the West of Jakarta.

Table 8
Projects Completed During the Second Half of 2010

Project	Estimated Total Units	Location
Season City (Tower A & Tower B)	1,124	Grogol
Green Central (Adenium & Ceberra Towers)	848	Gajah Mada
Centro City (Tower A)	800	Daan Mogot
Pakubuwono View	382	Kebayoran Baru
Gandaria Heights (Tower B)	280	Kebayoran Lama
Regatta (Rio de Janeiro Tower)	92	Pluit
The Keraton	84	Sudirman

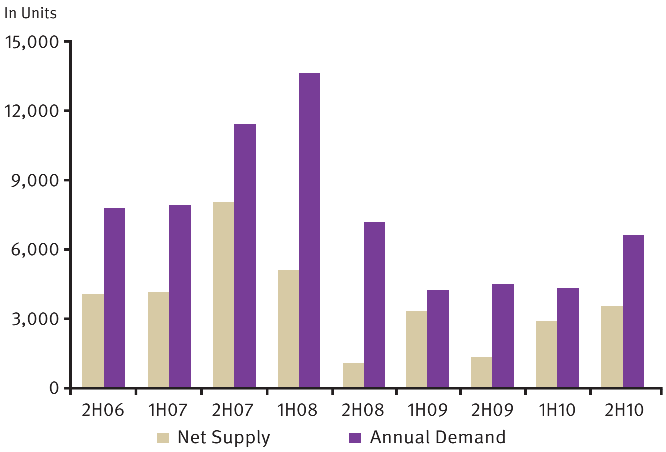
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 14
Jakarta Condominium Market Supply and Demand
(2H 2006 – 2H 2010)



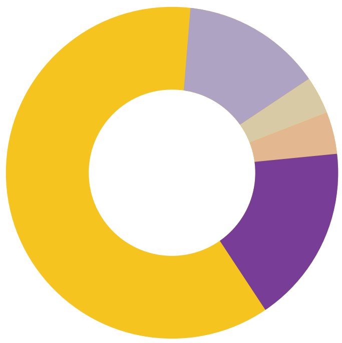
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 15
Additional Net Supply and Demand (Existing Projects)
(2H 2006 – 2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 16
Market Segmentation of Existing Condominium Supply
(2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 10
Projection of Future Condominium Supply (2011 - 2013)

Year	Projected Completion Supply	Average Sales Rate as of Dec. 2010
2011	10,413 units	82.7%
2012	13,055 units	66.4%
2013	5,367 units	65.7%
Total	28,835 units	

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 17
Distribution of Existing Condominium Supply by Location
(2H 2010)

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 18
Market Segmentation of Future Condominium Supply Projected Completion (2011 – 2013) (2H 2010)

Source: Knight Frank / PT. Willson Properti Advisindo

Table 9
Newly Launched Projects Offered in Pre-Sales Market
(2H - 2010)

Project	Location	Segment
Green Lake Sunter (Tower A)	Sunter	Upper Middle
Pasar Baru Mansion (Tower A)	Pasar Baru	Middle
Intercon Kemang Village Reidences	Kemang	Upper
Signature Park Grande	MT Haryono	Upper
Casa Grande Residence (Montreal Tower)	Kuningan	Upper
St. Moritz (Royal Tower)	Puri	Upper
St. Moritz (New Royal Tower)	Puri	Upper
St. Moritz (Presidential Tower)	Puri	Upper
1Park Residences (Tower C)	Gandaria	Upper Middle
St. Moritz (Ambassador Tower)	Puri	Upper
Regatta (Rio de Janeiro Tower)	Puri	Upper

Source: Knight Frank / PT. Willson Properti Advisindo

Given the promising outlook for condominium activity and taking advantage of the growing property market, developers' confidence remained strong as plenty of new pre-sales projects were launched during the second half of 2010.

11 projects totaling about 4,871 units started pre-sales including Pasar Baru Mansion (Tower A) (targeted at the middle income market); Green Lake Sunter (Tower A) and 1 Park Residences (Tower C) (targeted at the upper middle income market); Intercon Kemang Village Residences, Signature Park Grande, Casa Grande Residence (Montreal Tower), St. Moritz (Ambassador, Royal, New Royal, Presidential) and Regatta (Rio de Janeiro Tower) (All targeted at the upper income market).

It is projected that the total strata-title condominium supply (planned and under construction) in the pipeline of approximately 28,835 units, will hit the market between 2011 and 2013. Approximately 39% of the projects under construction scheduled for completion in 2011 will target the middle sector.

Constant Increase in Take-Up and Sales Rate Levels

The cumulative sales rate of existing supply increased slightly by 0.64% to 98.03% in the second half 2010, the majority from sales on newly completed projects.

The newly-launched projects targeted mostly at the middle and upper income markets recorded a sales rate of 61% at the end of 2010.

The pre-sales rate for proposed supply in the second half of 2010 was 72.2%. The stable increase in both sales and pre-sales rates in 2010 demonstrated the Jakarta condominium market's continued recovery from the global financial crisis.

Rising Average Sales Prices

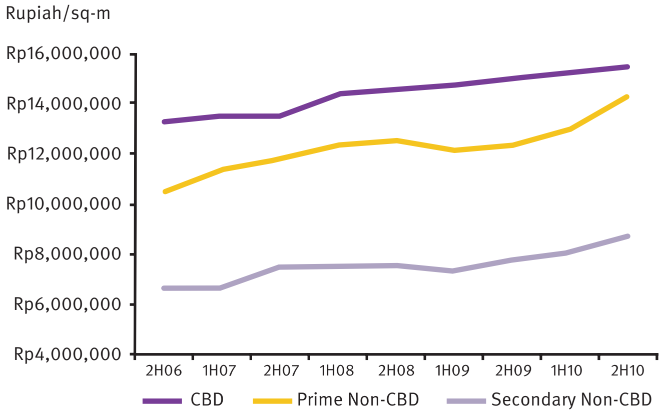
The average sales price by area in Rupiah terms continued to grow slightly of 1.7%, 9.3%, and 7.2% for CBD, Prime Non-CBD and Secondary Non-CBD areas, respectively. Further, the average sales price in the U.S. dollar terms has gone up by 6.7% since the first half of 2010, mostly contributed by the strengthening Rupiah against the U.S. dollar. The most growth in sales prices was registered in condominiums located in the prime Non-CBD areas, increasing by 10.5% to $1,571 per sq-m. The majority of the increase in sales prices was contributed by several high-end and upper segment projects completed during the second half of 2010.

Table 11
Jakarta Condominium Market Highlights
(2H - 2010)

Total existing supply	74,594
Sales rate existing supply	98.03%
Existing unsold units	1,470
Proposed supply 2011 - 2012	28,835
Pre-sales of proposed supply	69.6%

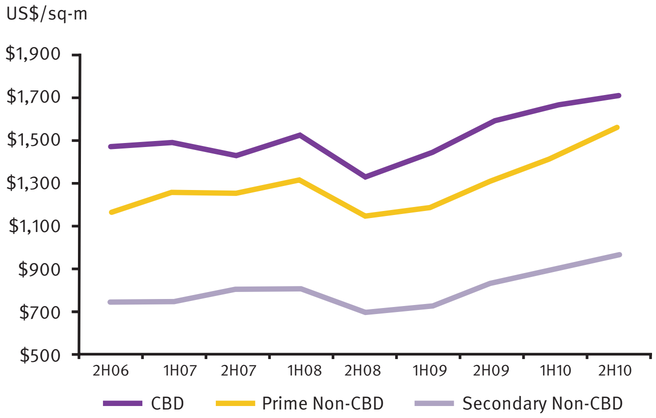
Source: Knight Frank / PT. Willson Properti Advisindo

Figure 19
Average Asking Sales Prices in Rupiah by Location
(2H 2006 - 2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 20
Average Asking Sales Prices in U.S. Dollar by Location
(2H 2006 - 2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 12

Jakarta Condominium Asking Sales Prices and Service Charge by Location (2H 2010)

Location	Asking Sales Prices / sq-m		Service Charge / sq-m		Price Changes From 1H 2010	
	Rupiah	US$	Rupiah	US$	Rupiah	US$
CBD	Rp15,405,101	$1,713	Rp15,441	$1.72	1.7%	2.87%
Prime Non-CBD	Rp14,128,024	$1,571	Rp14,600	$1.62	9.3%	10.46%
Secondary Non-CBD	Rp8,641,285	$961	Rp10,014	$1.11	7.2%	8.30%

US$1 = Rp8,991
Source: Knight Frank / PT. Willson Properti Advisindo

Outlook

With approximately 28,835 new units coming to the market between 2011 and 2013 through proposed and already under construction projects, the Jakarta condominium market is expected to face tight competition due to the large amount of new supply weighing on prices and occupancy.

The majority of the upcoming supply will continue to comprise projects targeted at the growing upper and middle market sectors.

Newly launched developments with strategic locations, attractive financing schemes, good target markets and developers' track records will experience better sales performances.

The effects of the proposed revision of government regulations on foreign property ownership remain to be seen. When the new regulation comes into effect, demand for condominiums is expected to increase significantly, especially for upper class and luxury condominiums.

RENTAL APARTMENT MARKET

Demand Improves, Competitions Persist

In line with the expanding business of multinational firms and rising inflows of foreign investment, leasing inquiries from expatriates were seen to rise during 2010. The market for serviced apartments continued to increase, while the purpose-built rental apartments market remained stable with a modest increase in the overall occupancy rate.

Minimal Development

The total cumulative supply for both serviced and purpose-built rental apartments was quite dormant in the end of 2010 increasing slightly by 0.97% to 8,056 units compared to 7,979 units in prior period. The additional supply mainly came from one new rental apartment of Citadines Jakarta Quartier (21 units), a prime non-CBD serviced rental apartment category, was completed and began operating in December 2010.

Meanwhile, there was a declining supply in serviced rental apartments coming from the Residence of Puri Casablanca which decided to shuffle their partial 40 leased units back into the strata-title segment. A total of four additional rental projects (522 units) in the pipeline are projected to hit the rental apartment market between 2011 and 2013.

Table 13
Jakarta Rental Apartment Market Highlights (2H 2010)

Total Existing Supply	**8,056 units**
Serviced Apartments	4,889 units
Non-Serviced, Purpose-built Rental Apartments	3,167 units
Physical Occupancy Rate	**83.85%**
Serviced Apartments	82.39%
Non-Serviced, Purpose-built Rental Apartments	83.27%
Overall Vacant Units	1,347 units
Future Supply 2011 - 2013	**522 units**

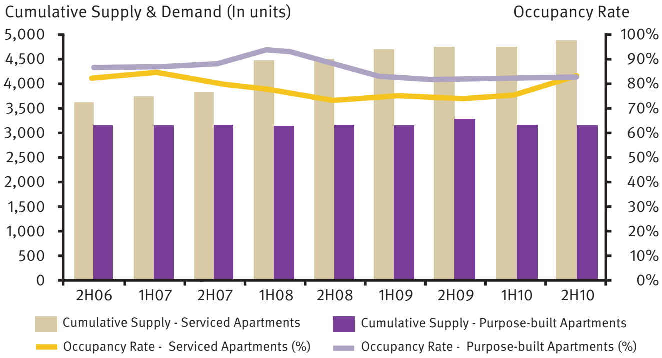
Source: Knight Frank / PT. Willson Properti Advisindo

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

Estimated Completion Year	Projected Units
2011	206 units
2012	153 units
2013	163 units

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 21
Jakarta Rental Apartment Market Supply and Demand
(2H 2006 – 2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Demand Rises as Inquiries Flow

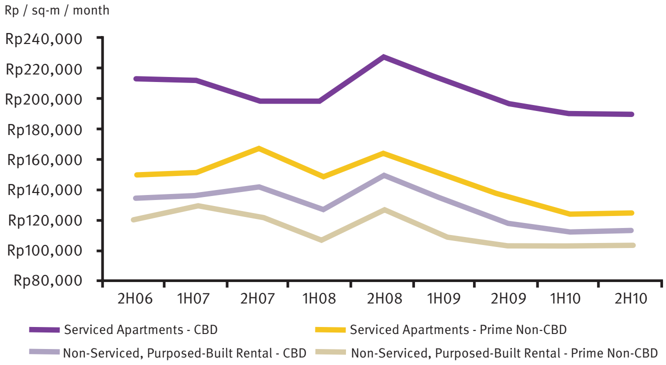
The overall rental apartments closed the second half of 2010 with an increase in occupancy by 5.29% to 83.27% compared to the prior period. The serviced rental apartments posted the largest increase in occupancy rising by 8.89% to 83.85%, while purpose-built only rose by 0.18% to 82.39%.

SECOND HALF 2010
JAKARTA PROPERTY HIGHLIGHTS

Having the combined facilities of a hotel and the convenience of a home, serviced apartments continued to experience the largest increase in net take-up of 398 units.

Expatriates from foreign or multinational firms continued to dominate demand for serviced and purpose-built rental apartments, while local renters dominated the condominium for lease market. As the center of business or commercial activities along with rising events and meetings held in Jakarta, flexible short-term leases were still favorable in targeting corporate customers.

Figure 22
Average Asking Rents in Rupiah by Submarket
(2H 2006 - 2H 2010)



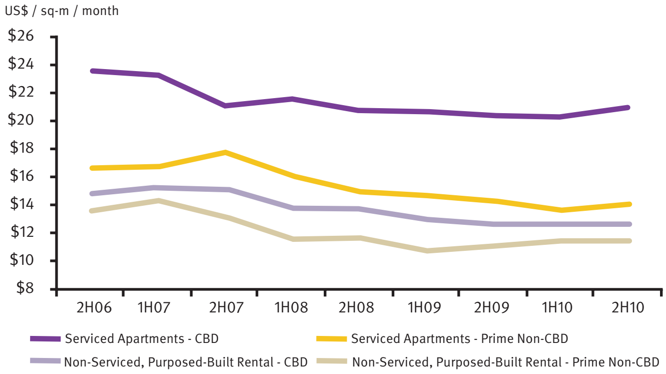
Source: Knight Frank / PT. Willson Properti Advisindo

Rents Remain Competitive

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 1.0% to Rp8,991 per U.S. dollar during 2010, the average gross rents in Rupiah terms dropped by 0.29% to Rp113,118 per sq m/month and 0.80% to Rp102,721 per sq m/month for non-serviced/purpose built rental apartments located in CBD and non-CBD areas respectively. Meanwhile, gross rents for serviced apartments increased by 2.02% and 1.55% for properties located in CBD and prime-non CBD areas respectively.located in CBD and prime-non CBD areas respectively.

Figure 23
Average Asking Rents in U.S. Dollar by Submarket
(2H 2006 - 2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Looking Ahead

Lease transactions are expected to continue to increase in line with the improving national economy and rising inflow of foreign direct investment.

With the rising competition from the condominium market for lease, rental apartment operators and developers will face tougher competition putting pressures to rental rates.

Table 15
Asking Gross Rental Rates of Jakarta Rental Apartment Market (2H 2010)

Market Segment	Asking Rental Prices / sq-m		Price Changes from 1H 2010	
Serviced Apartments	Rupiah/sq-m	US$	Rupiah	US$
CBD	Rp188,367	$20.95	2.02%	3.06%
Prime Non-CBD	Rp125,936	$14.01	1.55%	2.58%
Non-Serviced, Purpose-Built Rental Apartments				
CBD	Rp113,118	$12.58	-0.29%	0.73%
Prime Non-CBD	Rp102,721	$11.42	-0.80%	0.22%

US$1 = Rp8,991
Source: Knight Frank / PT. Willson Properti Advisindo

HOTEL MARKET

Improved Performance, Modest Demand

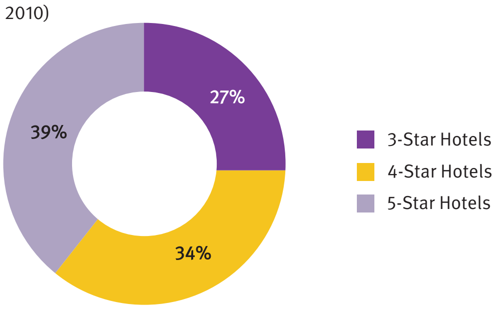
The continuous growth in world tourism, resilient economy and positive business conditions throughout 2010 helped to increase the number of tourists coming through Jakarta. As a result, the Jakarta hotel market experienced a steady improvement, with hotels of all star ratings performing close to pre-crisis levels.

Modest Supply

After a significant number of new hotels launched in 2009, the market received only four new 4-star hotels totaling 789 rooms during 2010 (Best Western Mangga Dua, Harris Hotel fx Sudirman, Harris Hotel Kelapa Gading and Merlynn Park Hotel).

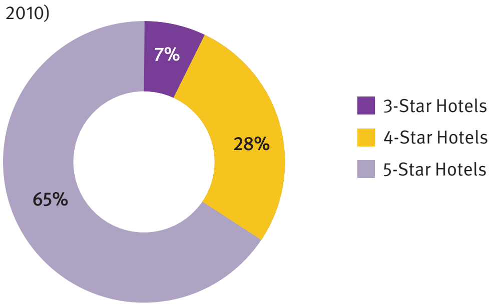
By the end of review period, the total supply increased to 24,972 rooms compared to 24,294 rooms in 2009.

Figure 24
Distribution of Hotel Rooms by Star Rating
(2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 25
Distribution of New Supply by Star Rating
(2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 16
Jakarta Hotel Market Highlights (2H 2010)

Distribution by Star Rating	# of Room	Occupancy Rate
3-Star Hotels	6,779	68.03%
4-Star Hotels	8,554	65.22%
5-Star Hotels	9,639	56.55%
Total Average	24,972	65.06%

Source: Knight Frank / PT. Willson Properti Advisindo

Looking at the supply of rooms, the 5-star rooms accounted for the largest segment (38.6%), followed by 4 and 3-star hotels with 34.3% and 27.1% respectively. 56.7% of the total supply is located in the Non-CBD area. The 5-star hotel rooms are mostly concentrated in the CBD area with 82% of the CBD total supply.

There are 1,867 new rooms coming mostly from hotels within superblock projects scheduled to be completed between 2011 and 2012, which represents 7.5% of the total supply at the end of 2010. Both 4 and 5-star rated hotels will still be the leading segments for the future supply.

Improved Demand

The foreign visitor arrivals via Soekarno-Hatta International Airport witnessed a modest growth, increasing by 6.31% to 1.8 million foreign visitors during 2010 compared to 1.4 million foreign visitors in 2009. Malaysia, Singapore and China were the top three countries with the most tourist arrivals to Jakarta in 2010 recording cumulatively at 358,285, 170,777 and 161,833 visitors respectively.

Table 17
Projection of Future Supply Completion Schedule (2011-2012)

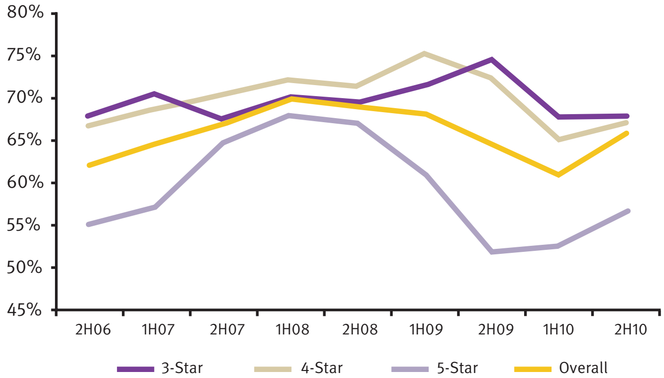
Estimated Completion	Project Name	Star Rating	# of Room
2011	Pullman Hotel Central Park	5	370
2012	All Season	3	130
2012	Aston Hotel	4	234
2012	Hotel Emporium Pluit	4	280
2012	Raffles Hotel Ciputra World	5	180
2012	Gandaria City Hotel	5	323
2012	The Aryaduta Regency	5	350

Source: Knight Frank / PT. Willson Properti Advisindo

The overall occupancy rate in 2010 rebounded to 65.66%, increasing by 0.75% from 64.91% in the previous year. 3-star, 4-star and 5-star hotels have continued to perform a gradual improvement in occupancy since the beginning of 2010, increasing by 0.42% to 68.03%, 1.68% to 66.97% and 3.87% to 56.55% respectively. As a result of the increase in visitor arrivals, the room night demand (RND) for 3-star, 4-star and 5-star hotels rose by 2.3%, 7.5% and 6.3% respectively.

A challenging environment will persist as more newly opened star-rated hotels offer steep discounts to price-sensitive business travelers.

Figure 26
Occupancy Rate by Star Rating
(2H 2006 – 2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Recuperating Revenues

The improvement in the overall occupancy rate was followed by the strengthening ARR and RevPar. The average room rate in Rupiah terms increased in all star-rated hotels.

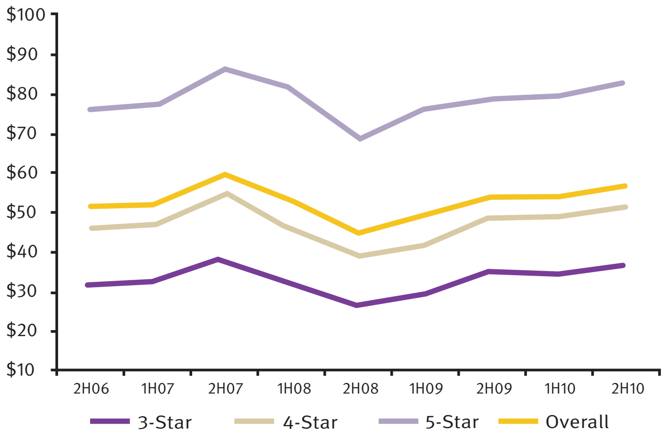
The 5-star hotel ARR increased slightly by 3.38% to Rp742,014 compared to the prior period. The ARR for 3-star and 4-star hotels were also up by 5.89% and 4.23% respectively. The ARR in U.S. dollar terms for 3-star, 4-star and 5-star hotels has increased marginally by 6.97%, 5.29% and 4.44% respectively.

Compounded by higher electricity costs and minimum wage rises, hoteliers will likely be forced to increase room rates in order to make up for the extra operational and wages cost while maintaining their revenues.

Figure 27

ARR by Star Rating in U.S. Dollar

(2H 2006 – 2H 2010)

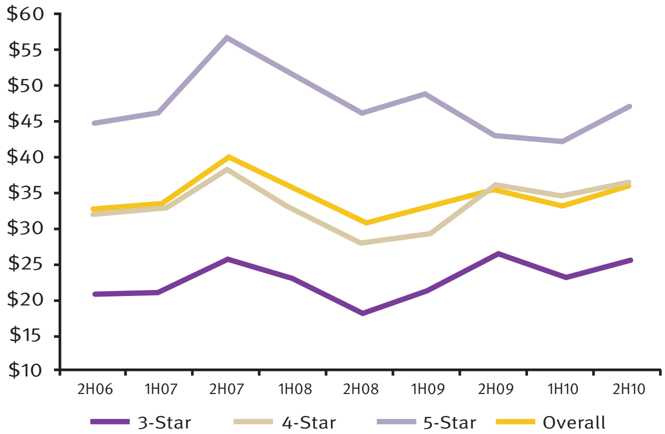


Source: Knight Frank / PT. Willson Properti Advisindo

Figure 28

RevPar by Star Rating in U.S. Dollar

(2H 2006 – 2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Outlook

Given the rising economic growth and the world's improving perception of Indonesia, both domestic and foreign tourist arrivals will remain strong. MICE — meetings, incentives, conventions and exhibitions — will continue to play a significant part in the tourism business in Jakarta hotel market.

With more budget hotels to open and further new supply to hit the market in 2011, hoteliers will have to offer competitive room rates and a variety of creative deals to attract customers.

Table 18

ARR of Jakarta Hotel Market by Star Rating (2H 2010)

Market Segment	Average Room Rates (ARR)		Price Changes from 1H 2010	
	Rupiah	US$	Rupiah	US$
3-Star Hotels	Rp325,038	$36.15	5.89 %	6.97 %
4-Star Hotels	Rp461,402	$51.32	4.23 %	5.29 %
5-Star Hotels	Rp742,014	$82.53	3.38 %	4.44 %
Overall Hotels	Rp509,485	$56.67	4.16 %	5.23 %

US$1 = Rp8,991

Source: Knight Frank / PT. Willson Properti Advisindo

Table 19

RevPar of Jakarta Hotel Market by Star Rating (2H 2010)

Market Segment	Average Room Rates (ARR)		Price Changes from 1H 2010	
	Rupiah	US$	Rupiah	US$
3-Star Hotels	Rp224,949	$25.02	6.87 %	7.96 %
4-Star Hotels	Rp324,293	$36.07	4.24 %	5.30 %
5-Star Hotels	Rp421,137	$46.84	9.91 %	11.04 %
Overall Hotels	Rp323,460	$35.98	7.25 %	8.35 %

US$1 = Rp8,991

Source: Knight Frank / PT. Willson Properti Advisindo

Research

Americas
USA
Bermuda
Brazil
Caribbean

Australasia
Australia
New Zealand

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

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Malawi
Nigeria
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Technical Note
The figures in this report relate to the availability of built, up-and-ready office, shopping centres and apartments within Jakarta market. Vacant premises and leased spaces which are being actively marketed are included.