

60.8%
AVERAGE
TOTAL OCCUPANCY LEVEL
AS OF 2H 2020

18.3%
AVERAGE %
DECREASE IN GROSS RENTAL
IN U.S DOLLAR TERMS

1,417
UPCOMING NEW SUPPLY (UNITS)
IN THE PIPELINE
(2021-2023)

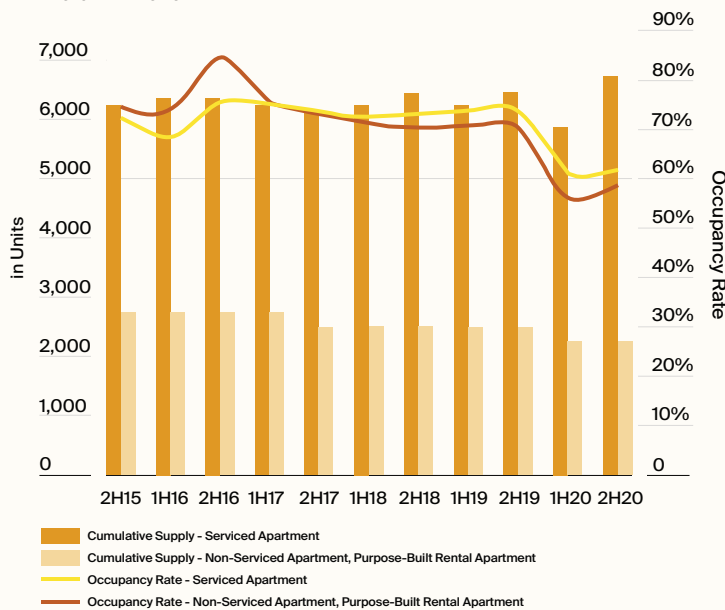


Jakarta Rental Apartment Market Overview

knightrank.co.id/research

2H 2020

Fig 1: Jakarta Rental Apartment - Supply, Demand and Occupancy
2H 2015 - 2H 2020



Source: Knight Frank Research

Fig 2: Jakarta Rental Apartment Market Highlights
2H 2020

Total Existing Supply	8,978 units
Serviced apartments	6,728 units
Non serviced, purpose-built rental apartments	2,250 units
Physical Occupancy Rates	60.8%
Serviced apartments	61.7%
Non serviced, purpose-built rental apartments	58.1%
Overall Vacant Supply	3,522 units

◆◆
“With a major proportion of Jakarta Rental Apartments remaining open during the lockdown, the Extended-Stay sector has proven its resilience during the pandemic crisis.”
◆◆

Jakarta Rental Apartment Update

The total cumulative supply for both serviced and purpose-built rental apartments in the end of 2020 increased slightly by 0.4% from the previous year to 8,978 units with an offset between two identified serviced rental apartments temporarily forced to close down operations during the lockdown and two completed serviced rental apartments (Oakwood Residence – Pantai Indah Kapuk and Intercontinental Residence – Pondok Indah) entering the market. For the serviced rental apartments, 72% of the supply remained in the CBD area with 63% of such units located in South Jakarta.

The pandemic crisis has unfavorably impacted the Jakarta Rental Apartment market due to the inbound travel restriction causing disruptions in business activities and short-term holidays. Serviced and Non-Serviced Apartment operators were struggling with new demand inquiries, experiencing non-renewals of existing lease contracts and postponement as well as cancellation of new lease contracts during the lockdown period last year. Though, demand inquiries from short-stay guests for weekend “staycation” and in-place long-term stay contracts were able to sustain the occupancy level. As a result, the overall occupancy rate was down by 12.2% from the previous period to 60.8% in the second half of 2020. Compared to the same period last year, occupancies for both serviced and non-serviced/purpose-built rental apartments submarkets fell by 12.3% to 61.7% and 12.1% to 58.1%, respectively.

Fig 3: Jakarta Rental Apartment - Average Asking Rents in Rupiah by Submarket
2H 2015 - 2H 2020

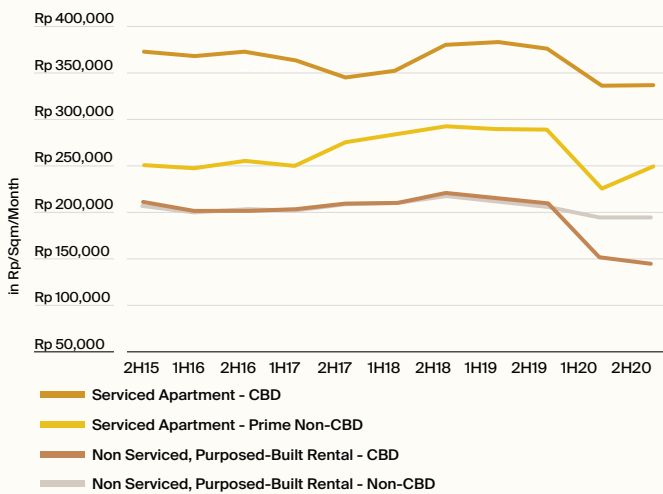


Fig 4: Jakarta Rental Apartment - Future Supply
2021 - 2023

Est. Completion Year	Projected Units
2021	919
2022	330
2023	168
Est. Total Supply	1,417

Note: pledges made after publication of manifestos are included where possible

Given the severity of the downturn, the pandemic has delayed several new projects such as Somerset Kencana and Somerset Sudirman which were initially expected to commence operations by the end of 2020. There were nine new projects in the pipeline, totaling 1,417 units that are expected to enter the market during the period of 2021-2023. 78% of the total new supply will be located in the CBD area and the remaining will be in the Prime Non-CBD area. All of the proposed serviced apartment projects will be managed by international operators that will create more intense competition in the near term.

The average gross rental for serviced apartments in the CBD showed a decrease in both Rupiah terms of 10.5% (yoy) to Rp334,467 per square meter per month and in U.S. Dollar terms of 15.8% (yoy) to \$23.68 per square meter per month, respectively. For the prime non-CBD area, the average gross rental for serviced apartments also showed a decrease in both Rupiah terms of 13.6% (yoy) to Rp248,711 per square meter per month and in U.S. Dollar terms of 18.4% (yoy) to \$17.57 per square meter per month, respectively.

Rental prices and occupancy rates will remain under pressure. Post-Covid demand recovery is expected to be slow and gradual in the short-term subject to the successful large-scale vaccine distribution and the issuance of implementing Omnibus Law regulations to provide incentives and easiness to foreign investments and expatriate workers to invest and work in Indonesia, placing greater expectations to increase demand for rental accommodations.

As an attempt to maintain healthy occupancy figures and more long-term stay contracts start to expire, many serviced apartments are expected to offer aggressive promotions such as attractive price discounts combined with complimentary services and facilities. Intense direct competitions will continue to come from more affordable accommodation alternatives such as condominiums and apartments as well as star-rated hotels offering Extended-Stay packages.

Post-Covid rental apartment users are expected to look for safe and secure environments with a greater mix of facilities, including business support and leisure activities. Technology and hygiene will have important roles to play in creating safe and attractive environments for rental apartment guests.

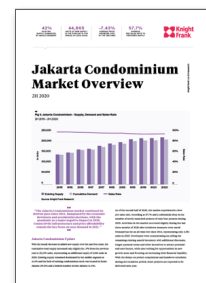
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“The long-stay rental market has so far showed more buoyancy due to ongoing yearly contracts. However, demand from new incoming short-stay guests remains limited given the travel restrictions.”
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We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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2H 2020

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