

27.0%
A DOUBLE DIGIT
VACANCY RATE
AS OF 1H 2021

464,123
SQUARE METERS OF
NEW SUPPLY IN THE
PIPELINE UNTIL 2022

-69,858
SQUARE METERS OF
OVERALL TAKE UP
AS OF 1H 2021



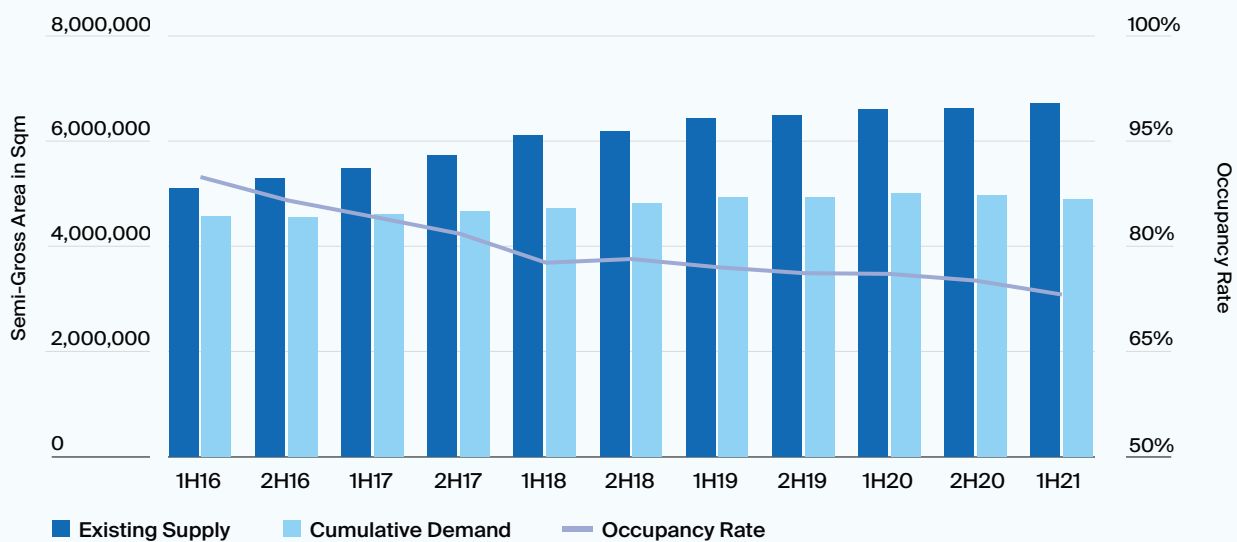
Jakarta CBD Office Market Overview

knightrfrank.co.id/research

1H 2021

Fig 1: Jakarta CBD Office - Supply, Demand and Occupancy

1H 2016 - 1H 2021



Source: Knight Frank Research

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“A declining office market trend continued in favor of tenants despite the economic rebound of 7.07% (yoy) in the second quarter of 2021. Rising cases since June caused by new Covid-19 variants will hinder the recovery, facing a risk of fast-surging second wave.”
 ◆◆

Amid the prolonged pandemic, the market experienced its second consecutive slowdown period of negative net absorption at 69,858 square meters in the first half of 2021, weighed down by downsizings, consolidations and closures. As a result, it drove down the overall occupancy at a record low level since 2003, decreasing to 72.9% and leaving a total of 1,889,633 square meters of vacant spaces. Several large companies in the insurance, technology, hospitality, travel and retail sectors have reduced spaces for cost efficiencies.

Office Market Update

As of the first half of 2021, the cumulative total office stock in the Jakarta CBD increased slightly by 1.4% compared to the previous period last year to 6,995,471 square meters with only one new completed project (RDTX Place) entering the market. The rental office stock was posted at 4,857,169 square meters of which 25% was Premium Grade A, 61% was Grade A, 13% was Grade B and 1% was Grade C. Approximately 67.5% or 464,123 square meters of the total new office supply in the pipeline until 2022 are expected to enter the market in the second half of 2021 despite a slower construction progress.

Fig 2: Distribution of Net Absorption by Grade 1H 2021

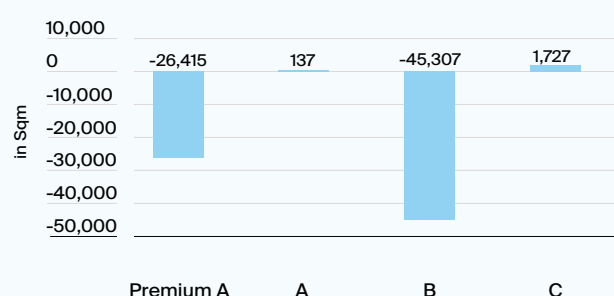
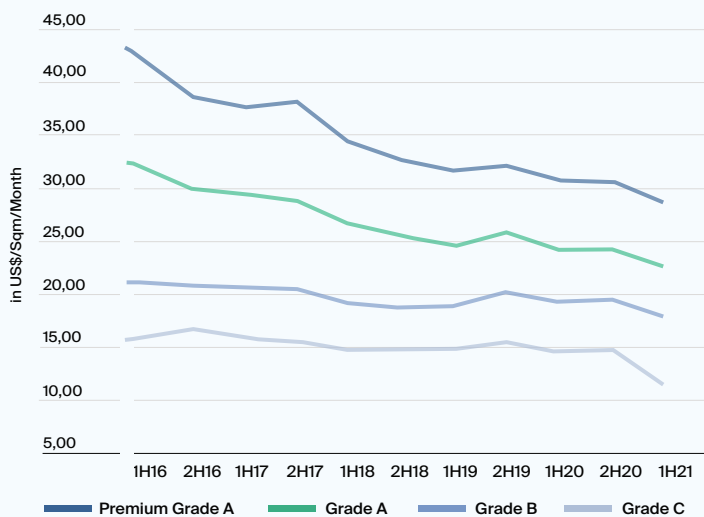


Fig 3: Jakarta CBD Office - Average Gross Rental in US\$

1H 2016 - 1H 2021



A few of large co-working players have been reducing their spaces by seeking to sublease and early terminations or rental/lease period renegotiations with landlords. Overall, occupational inquiries remained weak. Leasing transactions during the first half of 2021 included companies coming from the E-Commerce, Information Technology (IT) and Financial Technology (Fintech) sectors.

The total average asking base rental in Rupiah terms continued to decrease by 7.1% (yoy) to Rp246,623 per square meter per month in the first half of 2021, the lowest level since 2013. Meanwhile, Grade C buildings experienced the highest average asking base rental drop of -17.2% (yoy) in Rupiah terms. Strata-title office buildings were also under pressure with the average asking price of overall CBD strata-title office buildings in the first half of 2021 decreased by 2.6% (yoy) in Rupiah terms to Rp48.9 million per square meter and 4.2% (yoy) in U.S. Dollar terms to US\$3,366 per square meter.

With the continuation of a flight to quality trend, leading active tenants stayed to favor new supply and best-in-class options (including efficient floor plates, green building certification, tech-enabled and wellness-enhancing specifications) which offer attractive rental incentives to upgrade and plenty of prime choices.

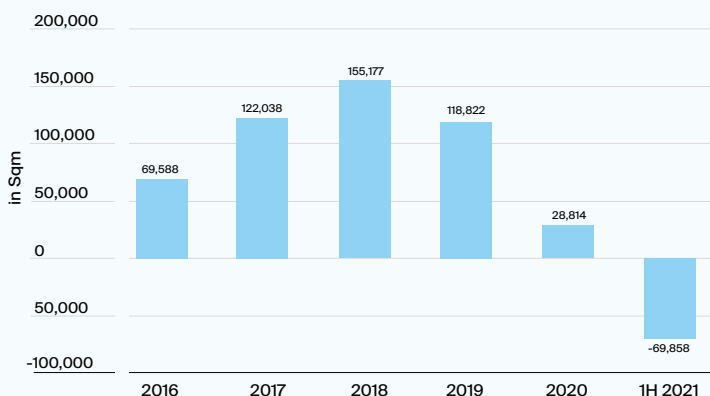
In response to the pandemic, a hybrid workplace model (office-based and remote working) may become the most prevalent and it is expected to be the trend as flexible work options. Increased occupational health safety driven by hybrid workforce models, which adopt both the physical and digital domains, will define the workplace in the foreseeable future.

Companies are expected to continue in a wait-and-see mode with their new set-up and long-term expansion plans until there is more clarity in the post-pandemic market. A faster vaccine rollout to control the second wave of outbreak, accelerated spending and extended tax breaks to boost the economy are greatly-needed to survive the downturn.

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“Leading active tenants continued to search for high specification new office buildings in prime CBD locations”
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Fig 4: Jakarta CBD Office - Annual Absorption

2016 - 1H 2021



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

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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