

26.7%
A DOUBLE DIGIT
VACANCY RATE
AS OF 1H 2022

539,147
SQUARE METERS OF
NEW SUPPLY IN THE
PIPELINE UNTIL 2023

-33,106
SQUARE METERS OF
OVERALL TAKE UP
AS OF 1H 2022



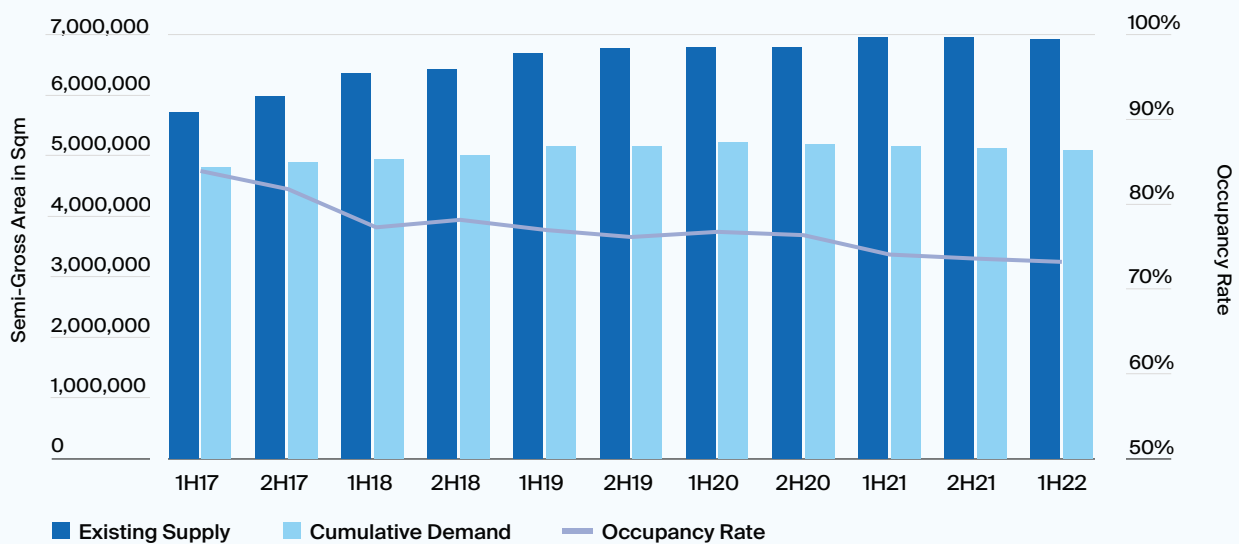
Jakarta CBD Office Market Overview

knightrfrank.co.id/research

1H 2022

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

1H 2017 - 1H 2022



Source: Knight Frank Research

◆◆
The improving pandemic situation in early part of 2022 has led employees to gradually return to office, along with the resurgent of market activities. However, excess new supply and double-digit vacancies will put further downward pressure on rents.
◆◆

Office Market Update

The cumulative total office stock in the Jakarta CBD decreased negligibly year-on-year by 0.2% to 6,933,502 square meters with two removed projects (Menara Taspen and Wisma UIC) under re-development and the addition of Sarinah re-opening after renovation during the first half of 2022. The rental office stock was recorded at 4,795,200 square meters of which 25% was Premium Grade A, 62% was Grade A, 11% was Grade B and 2% was Grade C. Approximately 539,147 square meters of the total new office supply in the pipeline with five projects underway are expected to enter the market in 2023 and 54% of the new supply will be concentrated in the submarket of Thamrin.

Following four consecutive periods of negative net absorption since the second half of 2020, the overall occupancy has experienced its downward trend, dropping to 73.3% in the first half of 2022 and leaving a total of 1,850,653 square meters of vacant spaces. The continuing trend of flight to quality and several building re-developments were partly reflected in the net absorption figures for the first half of 2022. Grade A Premium and Grade B buildings recorded the largest negative net take-ups of 25,363 square meters and 23,718 square meters, respectively; While Grade A and Grade C showed small positive net take-ups of 11,130 square meters and 4,844 square meters, respectively.

Fig 2: Distribution of Net Absorption by Grade 1H 2022

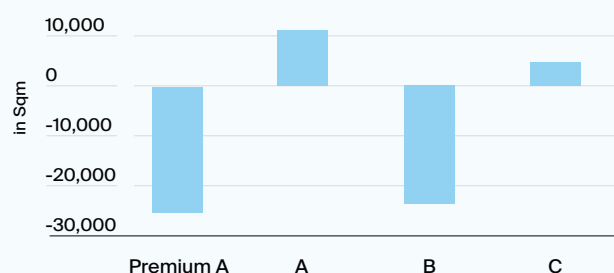
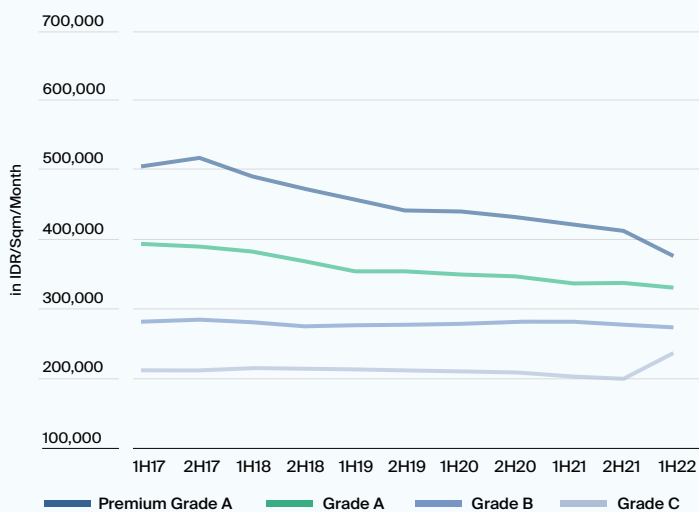


Fig 3: Jakarta CBD Office - Average Gross Rental in IDR

1H 2017 - 1H 2022



As the Omicron wanes, the lifting of mobility and travel restrictions and re-opening of international borders have exhibited a positive recovery momentum for the Jakarta office market. Leasing transactions during the first half of 2022 primarily involved companies from the Information Technology (IT), Fintech, Mining, Insurance and Agrobusiness sectors.

The total average asking base rental in Rupiah terms has posted a continued downward trend, decreasing by 5.6% (yoy) to Rp239,110 per square meter per month in the first half of 2022, the lowest level since 2013. Meanwhile, Grade Premium A buildings experienced the highest average asking base rental reduction of -14.1% (yoy) in Rupiah terms. With the new supply until 2023 equivalent to 7.8% of existing stock and set against subdued market conditions leading to rising vacancy, rental values are poised to remain under pressure with landlords competing to attract new occupiers and retain existing tenants. Total service charges in Rupiah terms witnessed an increase of 1.9% (yoy) to Rp92,824 per square meter per month. Service charges are expected to continue to increase at a gradual growth pace, considering higher minimum wages, basic electricity tariffs and fuel prices.

Given a limited primary supply, a stagnant market and decreased rental performances, the average asking price of overall CBD strata-title office buildings in the first half of 2022 decreased slightly by 0.47% (yoy) in Rupiah terms to Rp49.3 million per square meter and 1.79% (yoy) in U.S. Dollar terms to US\$3,343 per square meter.

With business sentiments returning to normalcy after the intensity and impact of the Omicron-variant came under control, most companies have focused on returning to normal office settings as face-to-face interactions are strongly believed toward a stronger workplace synergy. However, hybrid working models remain to become the norm due to lingering variant effects of the pandemic. Demand for office space is expected to slowly improve, supported by the resilient economic growth in the second quarter of 2022. However, the challenges of rising inflationary pressures and recession risks in the post-pandemic may undermine the leasing momentum recovery in the near term.

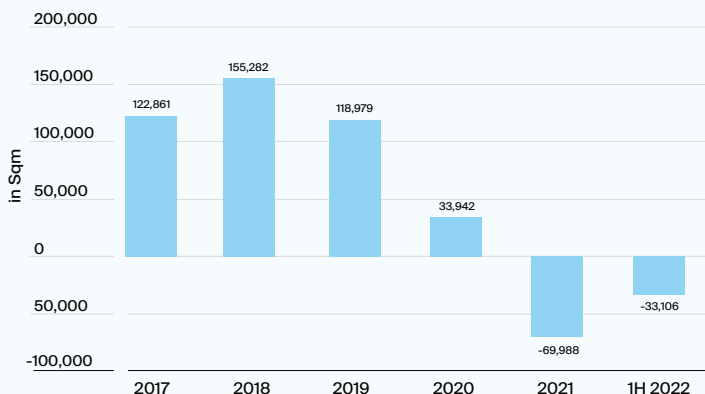


“With the ample of new supply in the pipeline and double-digit vacancies, developers are expected to remain in a “wait and see” approach with no new office projects likely to launch in the near term.”



Fig 4: Jakarta CBD Office - Annual Absorption

2017 - 1H 2022



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.



Research
Syarifah Syaukat
Senior Research Advisor
+62 21 570 7170
syarifah@id.knightfrank.com



Commercial Department
Andi Rina Martianti
Associate Director
+62 21 570 7170
rina.martianti@id.knightfrank.com

Recent Publications



Jakarta Rental Apartment Market Overview - 1H 2022

Knight Frank Research Reports are available at
knightfrank.com/research

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: © Knight Frank LLP 2019. This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.

