

Jakarta CBD Office Market Overview

H2 2022

The bi-yearly Jakarta office market overview analyzes latest development trends, provides insights and tracks market dynamics of all commercial office buildings located in the CBD area.

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Office Market Update

- The Jakarta office market showed signs of improvement after the Covid-19 restrictions fully lifted and returning to normality. However, rents continued under downward pressure despite recording positive absorption.

Jakarta

25.9%

A double digit vacancy rate as of 2H 2022

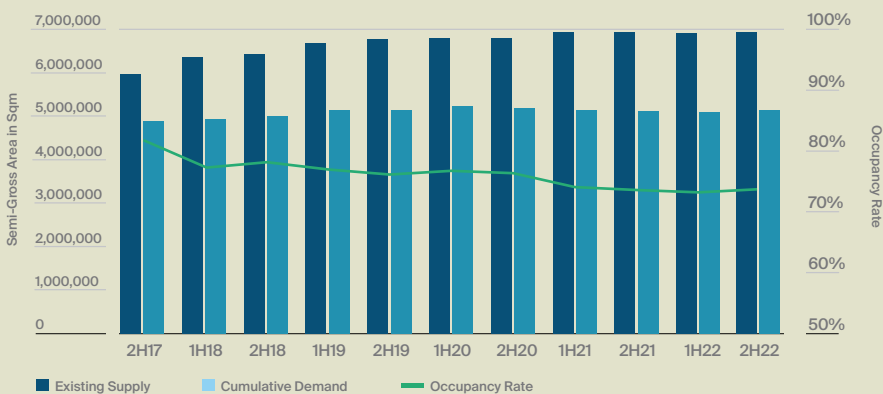
388,860

Square meters of new supply in the pipeline until 2025

98,107

Square meters of overall take up as of 2H 2022

Fig 1: Jakarta CBD Office - Supply, Demand and Occupancy H2 2022



Source: Knight Frank Research

The cumulative total office stock in the Jakarta CBD increased slightly year-on-year by 2.2% to 7,086,660 square meters with two additional projects named Rajawali Place and BRI Tower during the second half of 2022. The rental office stock was recorded at 4,852,921 square meters of which 25% was Premium Grade A, 63% was Grade A, 11% was Grade B and 1% was Grade C. Approximately 388,860 square meters of the total new office supply in the pipeline are expected to enter the market in 2023 and 2025. 75% of the total new supply will be concentrated in the submarket of Thamrin and three out of five building projects plans to adopt a green office concept and secure green building certifications.

After posting four consecutive periods of negative net absorption since the second half of 2020, the Jakarta CBD net absorption returned to positive territory of 98,107 square meters in the second half of 2022. As a result, the overall occupancy indicated a small nominal increase of 0.8% to 74.1% in the second half of 2022 and leaving a total of 1,810,267 square meters of vacant spaces. The continuing trend of flight to quality and corporate consolidation were partly reflected in the net absorption figures for the second half of 2022. Grade A Premium and Grade A buildings recorded the largest positive net take-ups of 16,718 square meters and 91,273 square meters,

respectively; While Grade B showed a small negative net take-up of 10,016 square meters.

The full re-opening of the economy and businesses returning to normality helped to create a positive recovery momentum for the Jakarta office market. Companies operating in the Information Technology (IT), Fintech, Mining, Insurance, Agrobusiness, Automotive, Oil and Gas, Energy, Healthcare, Trading and Logistics sectors contributed to the leasing demand during the second half of 2022.

In a post pandemic, ESG (Environmental, Social, and Governance) and green buildings have become the growing importance and essential values to ensure long-term sustainability, particularly for MNCs.

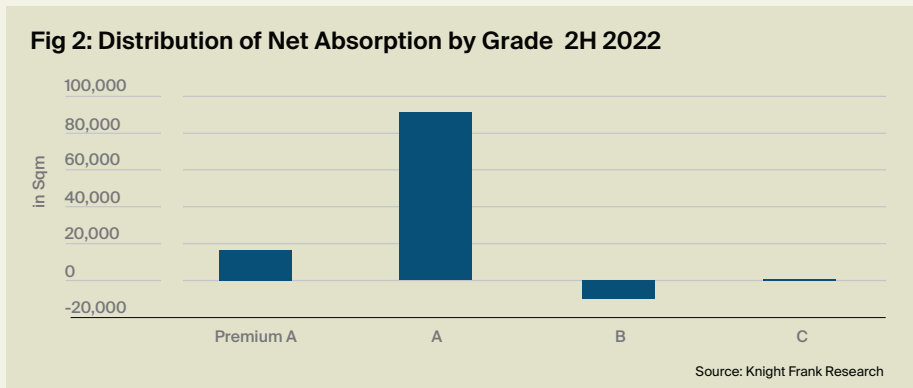
We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



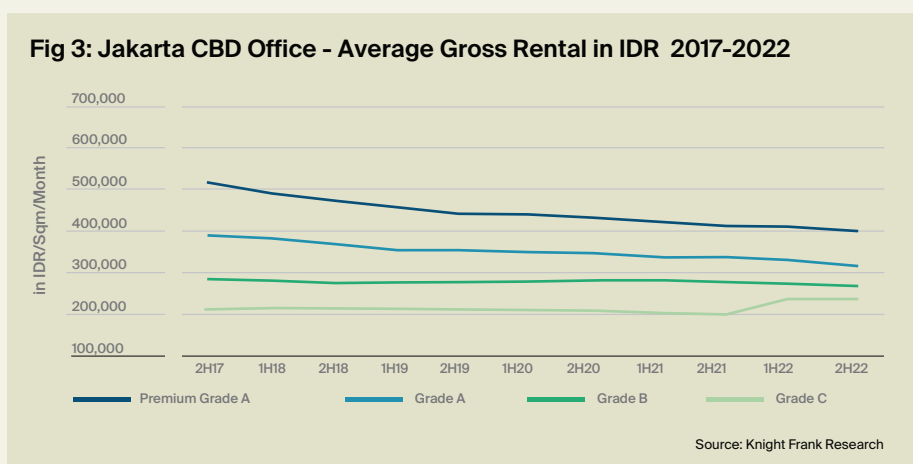
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The total average asking base rental in Rupiah terms remained under downward pressure, decreasing by 7.3% (yoy) to Rp231,675 per square meter per month in the second half of 2022, the lowest level since 2013. Meanwhile, Grade A buildings experienced the highest average asking base rental reduction of -8.5% (yoy) in Rupiah terms. With the new supply from 2023 to 2025 equivalent to 5.5% of existing stock and double-digit vacancy rates, rental values are expected to remain under pressure with building owners competing to bring new occupiers and maintain existing tenants. Total service charges in Rupiah terms saw a slight increase of 0.5% (yoy) to Rp92,974 per square meter per month. Amid higher minimum wages, basic electricity tariffs and fuel prices, service charges are expected to increase at a gradual growth pace in 2023.



With a limited primary supply, a stagnant market and decreased rental performances, the average asking price of overall CBD strata-title office buildings in the second half of 2022 decreased by 5.2% (yoy) in Rupiah terms to Rp47.8 million per square meter and 13.4% (yoy) in U.S. Dollar terms to US\$3,049 per square meter. As more office workers have returned to work in their offices full-time and companies opted for a hybrid work model of 3-4 days in the office becoming the standard, occupational demand is expected to gradually progressing on the back of the resilient economic growth of 5.3% in 2022. Conversely, rising inflationary pressures, global uncertainties and upcoming general elections may hinder the leasing momentum recovery in 2023. Companies are expected to continue searching for flexible lease terms and lower capital expenditure amid a market facing potential economic uncertainty and interest rate hikes.

