

Jakarta CBD Office Market Overview



1H 2023

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

- Rentals remained under pressure despite stronger demand coming from flight-to-quality and group company consolidation as double-digit supply continued to outpace absorption.

Jakarta

26.4%

A double digit vacancy rate as of 1H 2023

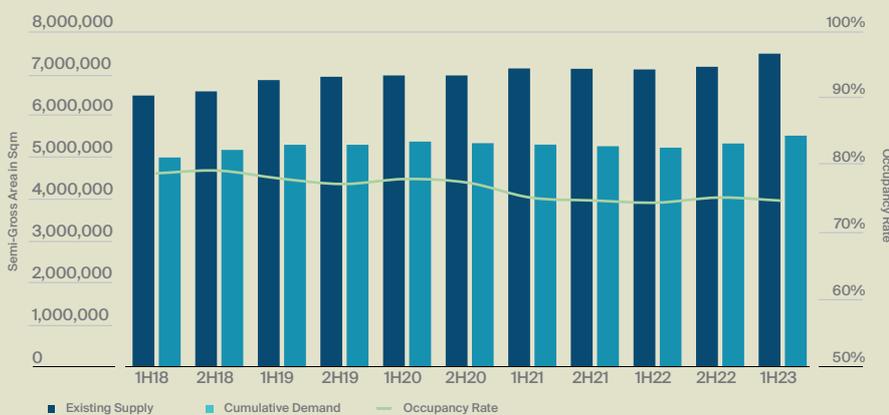
182,860

Square meters of new supply in the pipeline until 2025

184,399

Square meters of overall take up as of 1H-2023

Fig 1: Jakarta CBD Office - Supply, Demand, and Occupancy 1H-2023



Source: Knight Frank Research

The cumulative total office stock in the Jakarta CBD increased slightly by 4.0% to 7,285,585 square meters from the previous period with two additional Premium Grade A projects named Mori Tower and Autograph Tower as well as one Grade A owner-occupied building named BRILiaN Tower during the first half of 2023. The rental office stock was recorded at 5,147,283 square meters of which 28% was Premium Grade A, 61% was Grade A, 10% was Grade B and 1% was Grade C. Approximately 182,860 square meters of the total new office supply in the pipeline are expected to enter the market in the second half of 2023 and 2025. All of the total new supply will be located in the submarket of Thamrin and they are planned to implement a green office concept and obtain green building certifications.

After returning to positive territory of 62,541 square meters in the second half of 2022, the Jakarta CBD net absorption managed to show another positive take-up of 184,399 square meters in the first half of 2023. The overall occupancy remained stagnant, still hovering around 74% in the first half of 2023 and leaving a total of 1,922,690 square meters of vacant spaces. A significant portion of the positive occupied space amount was contributed by the flight-to-quality and group company consolidation demand in the first half of 2023. A post-pandemic return to the office was in full swing across many major business sectors, with growing demand for prime spaces in particular.

Premium Grade A and Grade A buildings recorded the largest positive net take-ups of 46,979 square meters and 140,162 square meters, respectively; In contrary, Grade B and C showed a small negative net take-up of 2,431 square meters and 311 square meters, respectively.

Leasing occupier demand remained to be driven by flight-to-quality, corporate consolidation and cost-saving opportunities with sustainability requirements, particularly from multinational companies. Leasing activity in the first half of 2023 was notably driven by various companies operating in the Energy, Information Technology (IT), Mining, Agrobusiness, Retail, Oil and Gas, Chemicals, Trading and Logistics sectors.

Shorter office leases, the rise of flexible working spaces, employers adopting ESG values have become major structural changes taking place with new ways of working culture.

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

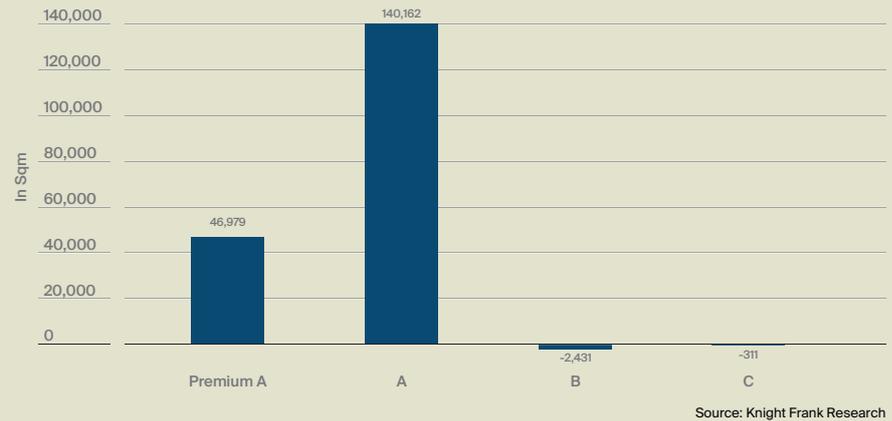


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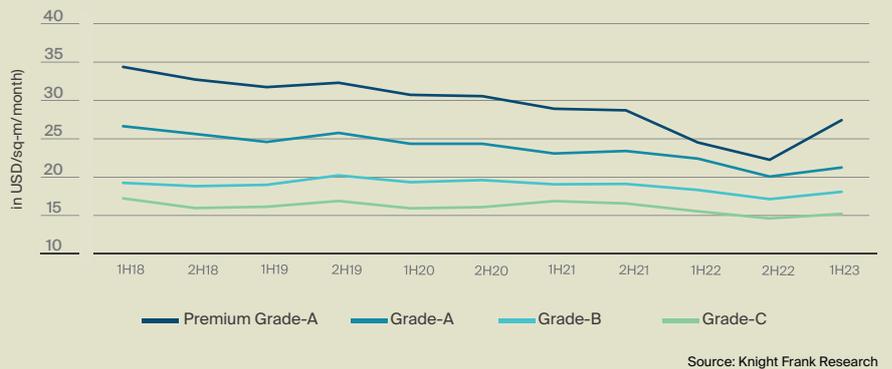
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Fig 2: Distribution of Net Absorption by Grade 1H-2023



The total average asking base rental in Rupiah terms continued its downward pressure, decreasing by 1.0% (yoy) to Rp233,716 per square meter per month in the first half of 2023, the lowest level since 2013. Meanwhile, Premium Grade A buildings experienced the highest average asking base rental growth of 13.2% (yoy) in Rupiah terms to Rp290,055 per square meter per month. With the new supply from 2H-2023 to 2025 equivalent to 2.5% of existing supply and double-digit vacancy rates, rental values are still 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 1.9% (yoy) to Rp94,610 per square meter per month. Amid higher minimum wages, basic electricity tariffs and fuel prices, service charges are expected to increase at a gradual pace of growth trend.

Fig 3: Jakarta CBD Office - Average Gross Rental in USD 1H18-1H23



In a tenant-favorable market, the Jakarta office market is expected to continue facing a slower leasing activities or commitments, encountering challenges of uncertainty such as double-digit vacancies, inflationary pressures, upcoming general elections and economic growth projected to moderate in 2023 due to risks of global growth slowdown. Companies will continue to review their office property portfolios, adopt consolidation and optimization strategies to rationalize space requirement while minimizing costs. Premium Grade A and Grade A office buildings will manage to demonstrate resilience and maintain higher performances.

Fig 4: Jakarta CBD Office Annual Absorption 2018–1H-2023

