

Jakarta CBD Office Market Overview

2H 2023

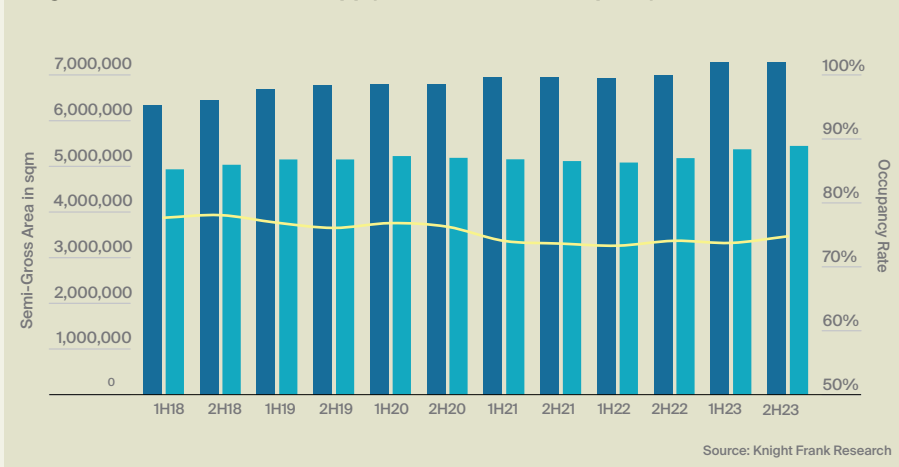
The bi-yearly Jakarta office market overview analyzes latest development trends, provides insights and tracks market dynamics of all commercial office buildings located in the CBD area.

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Office Market Update

- Recovery persisted with flight to quality and consolidation of group companies mainly contributing to a higher annual demand. Yet, rentals remained highly competitive in a tenant-led market with double-digit vacancy.

Fig 1: Jakarta CBD Office - Supply, Demand and Occupancy 2H 2023



In the second half of 2023, the cumulative total office stock in the Jakarta CBD remained unchanged at 7,285,585 square meters with no new office projects entering the market. 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 2024 and 2025. All of the total new supply will be concentrated in the submarket of Thamrin and three building projects plan to adopt a green office concept and secure green building certifications.

After posting two consecutive periods of positive net absorption since the re-opening of the economy or the second half of 2022, the Jakarta CBD net absorption recorded a positive demand of 84,688 square meters in the second half of 2023. As a result, the overall occupancy indicated a small nominal increase of 1.2% to 74.8% in the second half of 2023 and leaving a total of 1,838,003 square meters of vacant spaces. The continuing trend of flight to quality and corporate consolidation were still largely reflected in the net absorption figures for the second half of 2023. Grade A Premium and Grade A buildings recorded higher positive net take-ups of 38,661 square meters and 32,881 square

Jakarta

25.2%

A double digit vacancy rate as of 2H-2023

182,860

Square meters of new supply in the pipeline until 2025

84,688

Square meters of overall take up as of 2H-2023

meters, respectively. Meanwhile, Grade B and Grade C showed smaller positive net take-ups of 9,450 square meters and 3,747 square meters, respectively. Leasing activity in the second half of 2023 was notably driven by various companies operating in the Energy, Information Technology (IT), Mining, Agrobusiness, Retail, Oil and Gas, Chemical, Trading and Logistics sectors.

The total average asking base rental in Rupiah terms increased slightly by 4.1% (yoy) to Rp232,274 per square meter per month in the second half of 2023, still representing the lowest level since 2013.

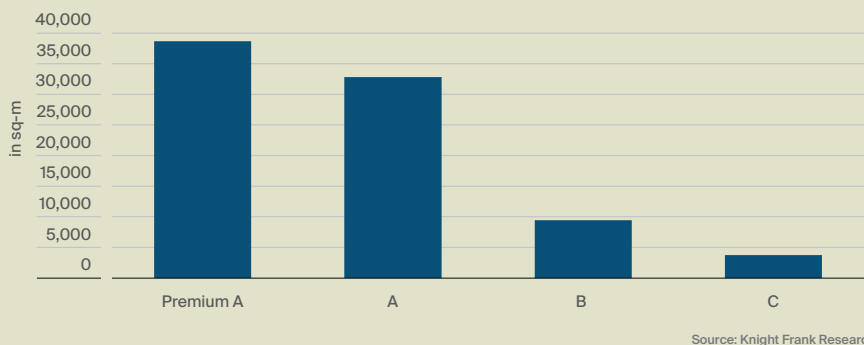
“Approximately 14.1% or equivalent to 1.02 million sq-m of the total office supply located in the Jakarta CBD have been certified as green office buildings.”

Premium Grade A buildings experienced the highest average asking base rental increase of 18.9%(yoy) in Rupiah terms in the second half of 2023, whereas Grade B and Grade C experienced a negative price growth of 5.4% and 2.4%, respectively. The excess supply coming from double-digit vacancy and completed new high-quality buildings continued to heighten market competition, leading to building owners implementing tenant retention strategies to maintain their occupancies. Thus, this presents opportunities for occupiers to have greater bargaining power and secure attractive rental benefits. Total service charges in Rupiah terms registered a slight increase of 2.7% (yoy) to Rp95,538 per square meter per month. On the back of higher minimum wages, basic electricity tariffs and fuel prices, service charges are expected to increase at a gradual growth pace in 2024.

With the continuous improvement in the demand level, the average asking price of overall CBD strata-title office buildings in the second half of 2023 posted an increase of 10.3% (yoy) in Rupiah terms to Rp52.8 million per square meter and 11.7% (yoy) in U.S. Dollar terms to US\$3,407 per square meter. With limited available spaces in the CBD area, Premium-Grade and Grade A strata-titled buildings are expected to command higher asking price growth as compared to the prevailing market average.

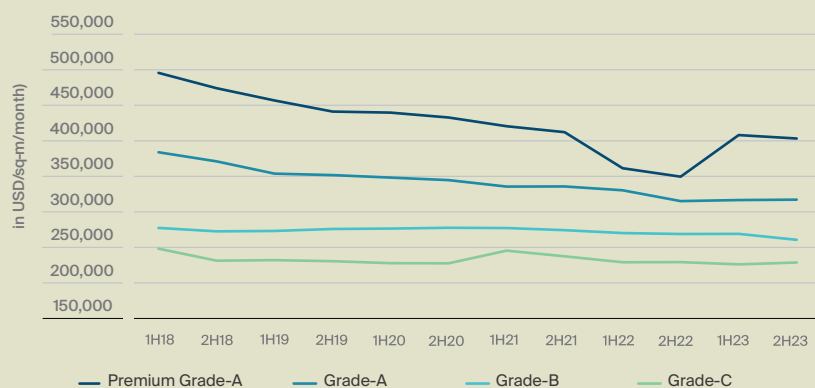
Despite increased upgrading activities, cost saving will still be the main theme and companies remain largely cost-sensitive. High vacancy will pressure landlords to remain competitive and leasing continues to favor tenants. As a result, a subdued rental trend is expected to remain in place. Faced with economic uncertainties, interest rate hikes and upcoming general elections in 2024, tenants are inclined towards taking a wait-and-see approach, seeking certainty and stability from the new leader.

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



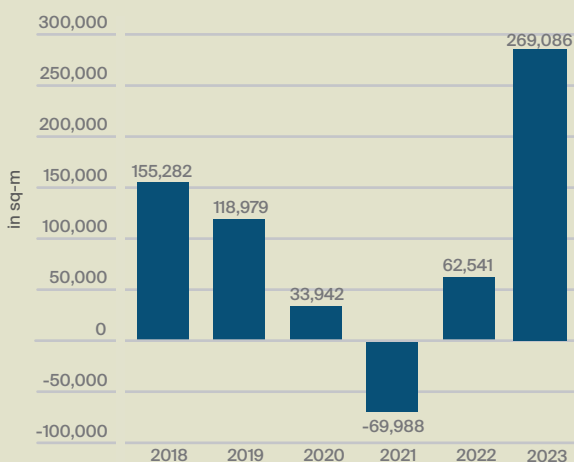
Source: Knight Frank Research

Fig 3: Jakarta CBD Office - Average Gross Rental in IDR 1H18-2H23



Source: Knight Frank Research

Fig 4: Jakarta CBD Office Annual Absorption 2018 - 2023



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

Source: Knight Frank Research

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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