

Property Market Overview in Greater Jakarta, Q2-2023

”Gradual Market Acceleration as The Economic Growth”



Introduction

The International Monetary Fund (IMF) has assessed that Indonesia has shown good economic recovery after the pandemic. The latest data published by Bank Indonesia has indicated 5.17% (yoy) national economic growth in the second quarter of 2023, up slightly from 5.04% (yoy) in the previous period. High economic growth has supported by increase in domestic demand. Household consumption has grown strongly at 5.23% (yoy), in line with increasing mobility, improving income expectations, controlled inflation.

The indicators above have provided positive sentiment towards the property sector in Indonesia, both residential and commercial. Several property sectors have shown better performance since the beginning of the year. Although there are sectors that are still suffering today.

This publication tries to analyze the recent market performance of property sectors with basic database as at the second quarter 2023. Based on our conducted primary survey, we herewith would like also describe a perception of market recovery in property industry from market players point of view.

Property sectors that are covered in this analysis cover commercial sectors including Apartment, Hotel, Office, Retail, Warehouse, and Industrial in Greater Jakarta.

Q2-23

Economic Growth

5.17%

Household Consumption

5.23%



Property Market Highlight in Greater Jakarta

Overall, property market has continued to flourish compared to the same period last year.

During the second quarter of 2023, most property sectors recorded an acceleration, hotel continued to show positive sentiment, while for retail, the return of visitor traffic has been seen since 2022.

Market movements have occurred in terms of supply and demand, even prices have been moving gradually in certain sectors with promotions and discounts have been reduced.

Several projects adjusted their rental and price, brought rental and price in overall slightly increase, especially by projects that have advantages in terms of location, quality, as well as access and transportation support.

There was slightly increase in demand for office and apartment, even though in limited numbers.

Apart from hotel, warehousing and industrial were sectors that remained attractive in 2023.

Overall, a new main generator has not identified yet that could move the property market significantly.



Jakarta Office Market

In midst an increase in enquiries and a more positive market sentiment, net demand of office sector in Jakarta remained stagnant as demand absorption during the 2Q 2023 were mostly dominated by tenant relocations.

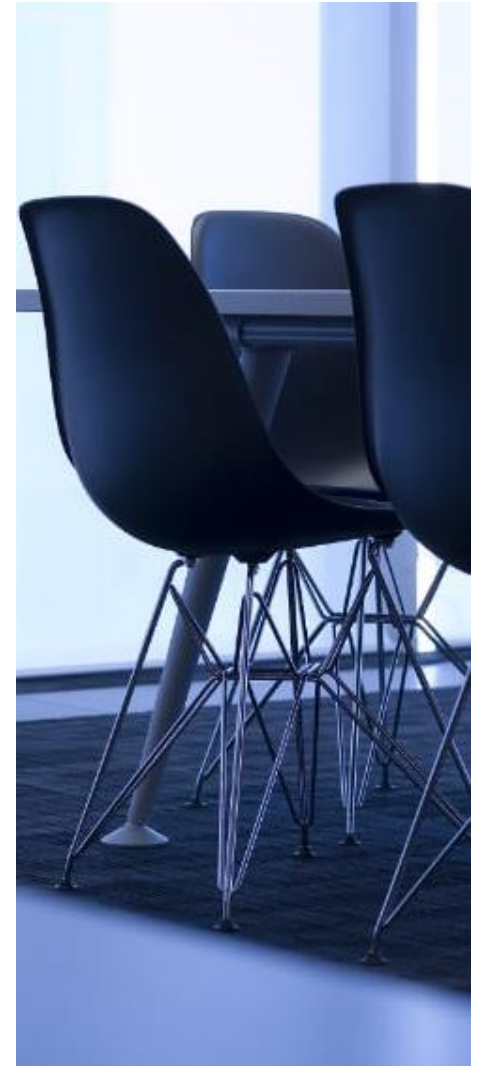
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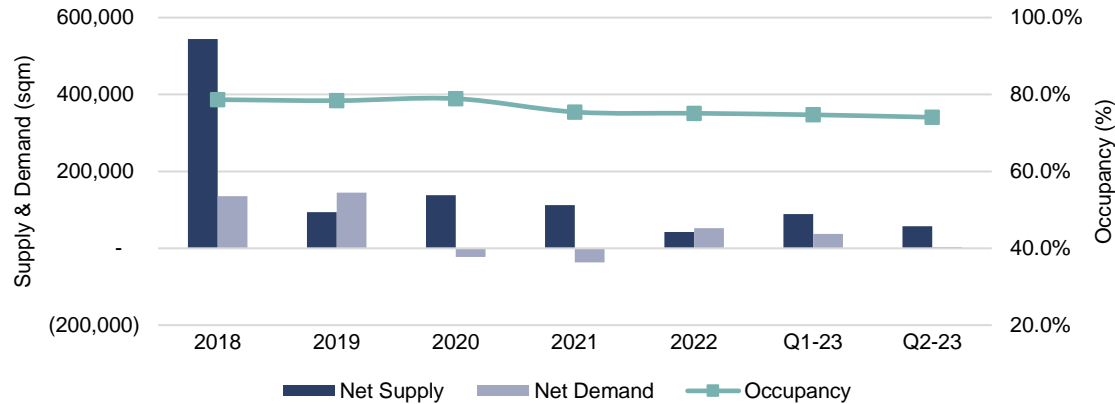
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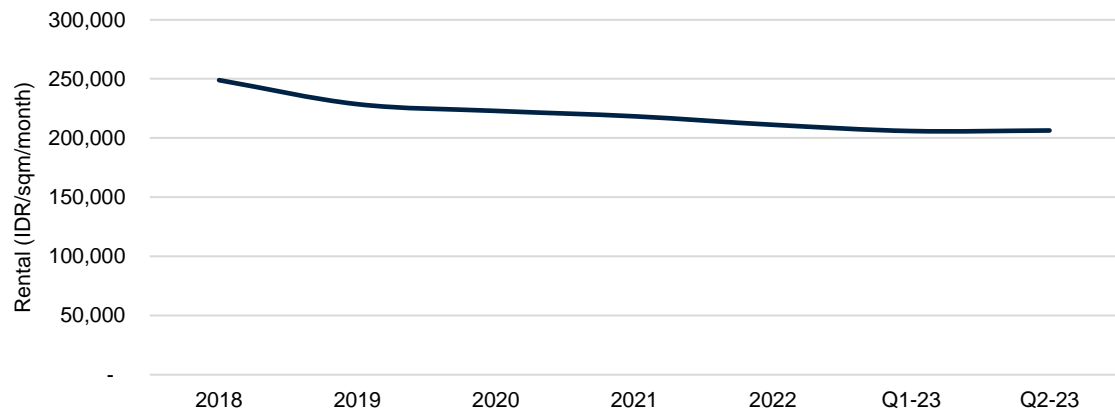
Jakarta Office Market

CBD Jakarta

Net Supply, Demand, and Occupancy Rate



Average Rental Price



The office market in CBD Jakarta during 2Q 2023 continued to show better performance, which was indicated by an increase in leasing activities, particularly in Grade A buildings. However, net take up remained in modest level as most of the leasing transactions were dominated by tenant's relocation to a better office premises.

Rental remained stagnant and continued to be under pressure, due to excess supply and high vacancy rates. The average rental rate stood at IDR 206,400 per sqm per month and service charge counted IDR 86,300 per sqm per month.

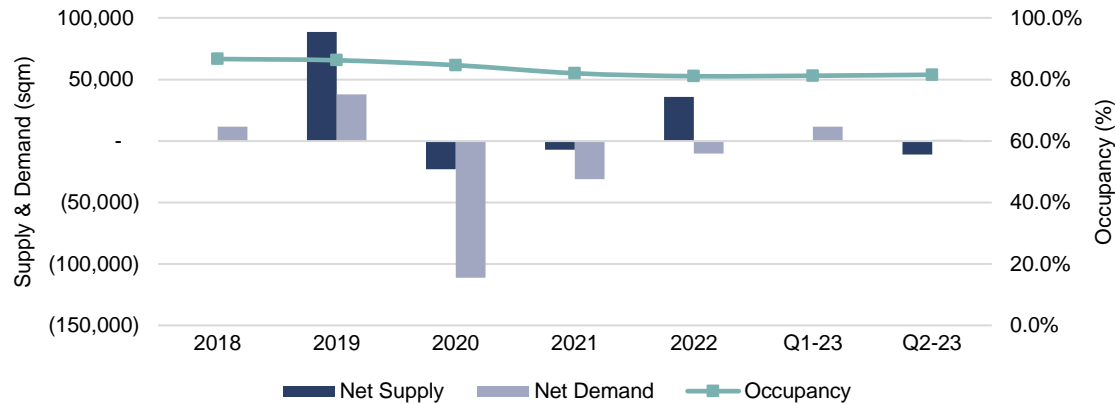
Office stock in CBD Jakarta market stood at approximately 6.12 million sqm in the second quarter of 2023, which was dominated by Grade A buildings at 59.7%, followed by Grade B and Grade C at 29.3% and 11.0% respectively. There was additional new supply that entered the market, came from Jakarta Mori Tower at Sudirman corridor.

The average occupancy rate was recorded at 74.1%, a decrease of 0.6% compared to the previous quarter. Profile of demand absorption of offices in CBD Jakarta was more varied, including technology-based companies, banking, law firm, consultants, oil & gas, etc.

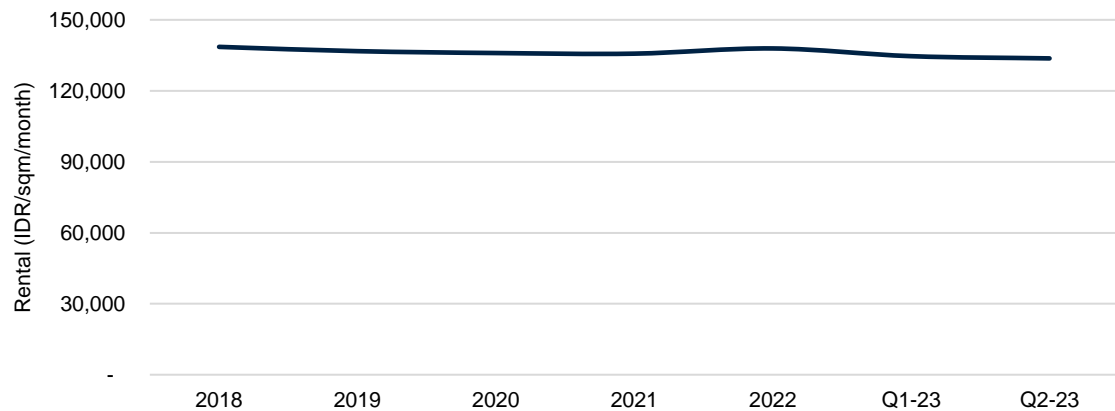
Jakarta Office Market

Outside CBD Jakarta

Net Supply, Demand, and Occupancy Rate



Average Rental Price



In the second quarter of 2023, total supply of offices outside CBD Jakarta stood at 3.12 million sqm. There was no additional new supply that entered the market, instead several buildings were indicated to be closed or no longer operating.

Average occupancy rate stood at 81.0%, relatively higher compared to that in CBD area as many buildings outside CBD area are owner occupation offices. Basically, leasing activities outside CBD area were slower as many tenants were relocating their operation to buildings in the CBD area.

The largest absorption came from buildings in North and South Jakarta. South Jakarta was recorded as the most active office market following its competitive advantages and availability of good quality of buildings.

Currently, many office buildings outside CBD area offer fully furnished office space, which becomes one of tenant's considerations.

Average rental was recorded at IDR 133,600 per sqm per month, slightly decreased by 0.7% compared to the first quarter of 2023.

Jakarta Retail Market

Positive market movements in terms of demand and number of visitors have continued to be seen since a more controllable situation post the pandemic. Fashion and F&B continued to dominate demand absorption with several international brands have started expanding their first stores in Jakarta.

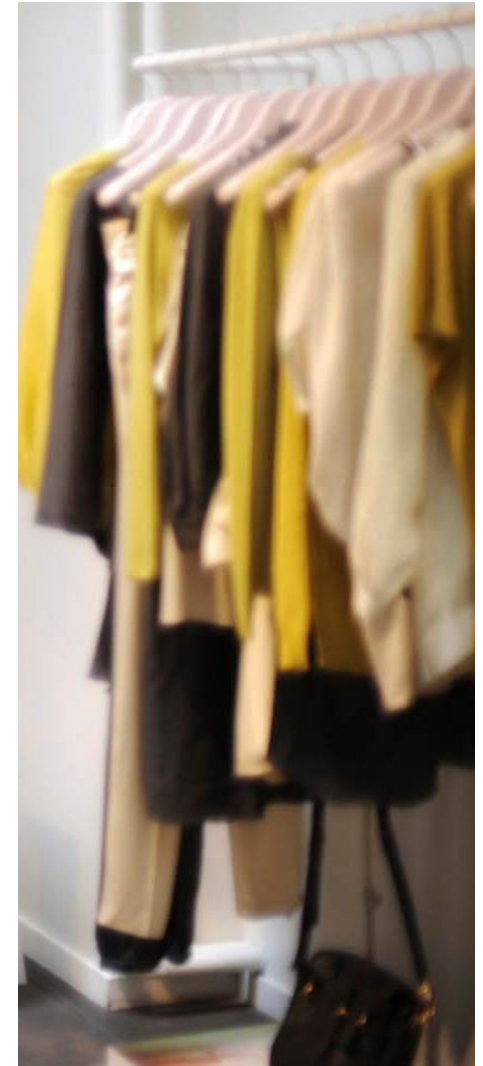
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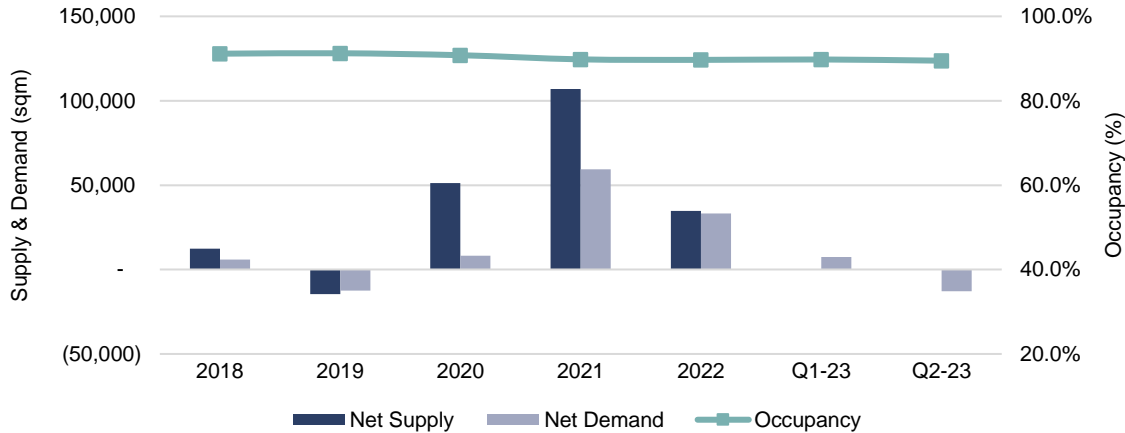


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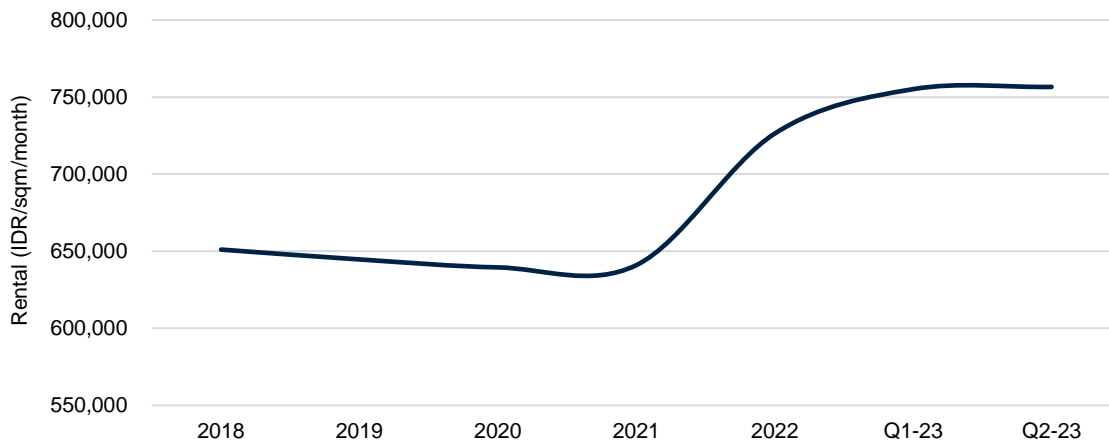


Jakarta Retail Market

Net Supply, Demand, and Occupancy Rate



Average Rental Price



Retail market in Jakarta enjoyed some positive growths within 2022 compared to the previous year with a strong increment in net take-up. Due to a more limited additional new supply entering the market in 2023, occupancy rate of retail center achieved a healthier level.

Net take-up in the second quarter of 2023 decreased due to the closing down several anchor tenants for efficiency reasons.

Shopping malls in Jakarta began to enjoy a gradual increment in foot traffic which mostly due to Eid al-Fitr and school holidays. These also had increased spending power of visitors during the second quarter 2023.

Average rental of specialty store of prime outlets in ground floor remain stable at IDR 756,593 per sqm per month. Popular shopping malls are no longer offered certain rental discounts as market are considerable in healthier level already.

Indonesia has continued to see a promising demand for retail space with various upcoming brand mostly in fashion, F&B, and specialty tenants.

Jakarta Apartment Market

The apartment market showed a relatively tenuous trend following an uncertainty in investment return. However, several projects recorded a good transaction levels, which is contributed by real demand from end users, while investor interest remained subdued.

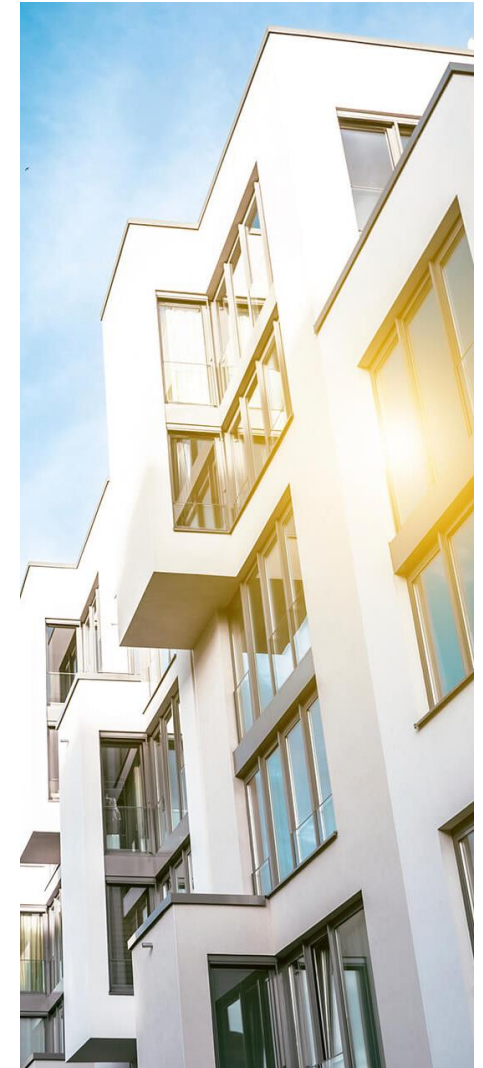
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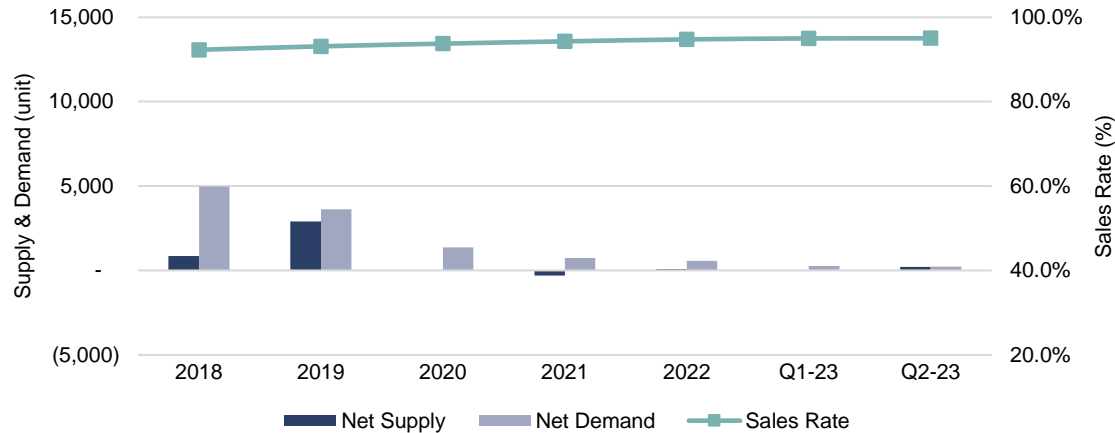


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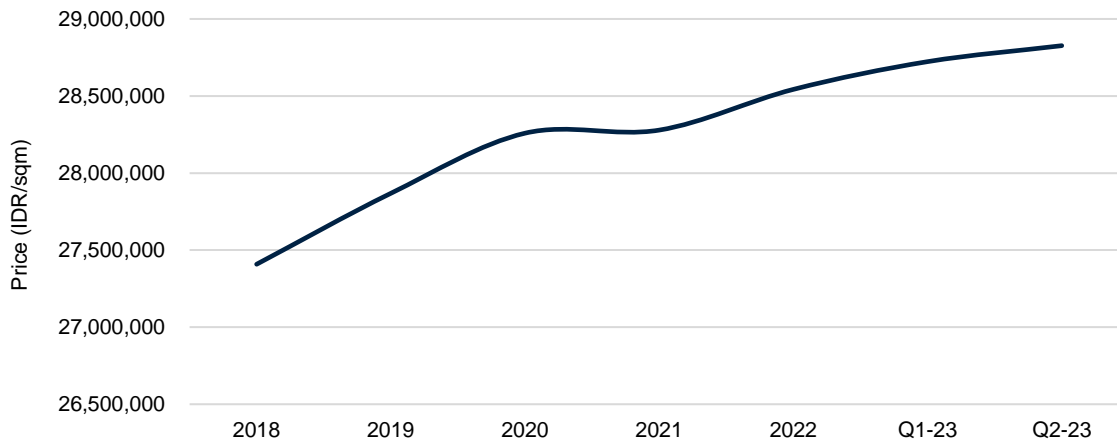


Jakarta Apartment Market

Net Supply, Demand, and Sales Rate



Average Price



Strata title apartment market in Jakarta has remained in modest level during the last several quarters. However, several projects in advanced stage construction progress enjoyed good demand absorption with buyer profile mostly from end-users.

During the Covid-19 period, several apartment developments canceled their sales activities and no longer continues their construction progress. This occurrence caused several apartment buyers to be more cautious in selecting apartment products, therefore, product deliverability aspect and developer reputation became one of the most important considerations for potential buyers.

Some finishing stage apartment projects with a good developer reputations showed better demand absorptions compared to other developments.

Average price was recorded stagnant during the second quarter 2023 with less than 2% market movements. Average price of apartment in Jakarta stood at IDR 28.83 million per sqm.

Jakarta Hotel Market

In line with the improving MICE and business activities, as well as driven by major international events, hotel market performance going ahead with speed up recovery, with the performance of several hotels even higher than before the pandemic.

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OCCUPANCY
RATE

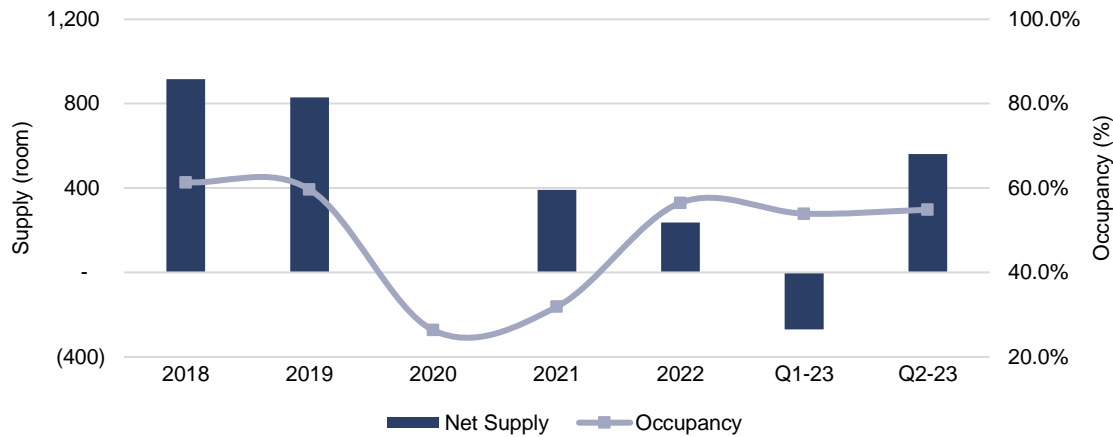


ROOM
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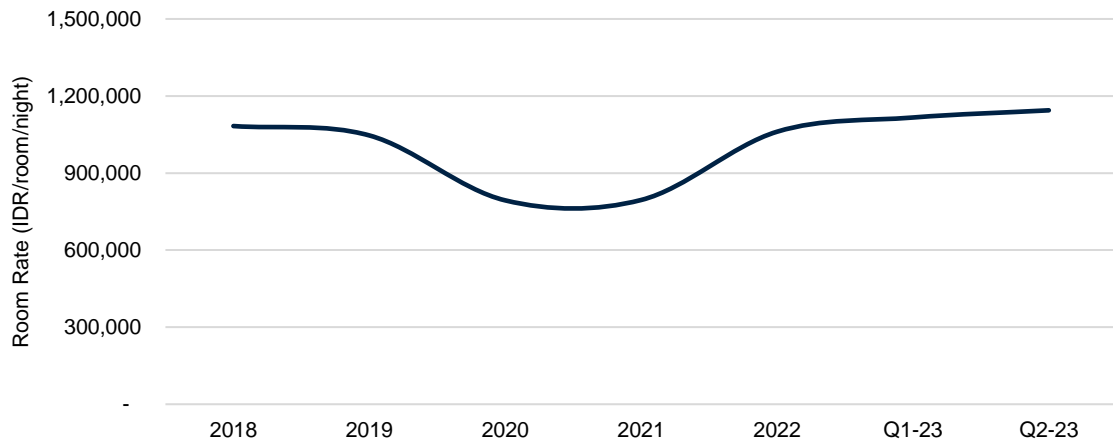


Jakarta Hotel Market

Net Supply and Occupancy Rate



Average Room Rate



In general, Jakarta hotel market showed a relatively healthy performance during the second quarter 2023.

Several hotel developments have declared that the Covid-19 pandemic period had no longer affect hotel market performance.

Meetings activities from both government as well as private institutions were held in many hotels in Jakarta during the second quarter.

In addition to that, various scale of international events have again been held in Indonesia and contributed positively towards hotel occupancy during the reviewed quarter.

The last international event held in Indonesia was the ASEAN Summit, that contributed to a high occupancy rate for hotel developments in Jakarta, especially in the surrounding area of Jl. Sudirman – Jl. Thamrin.

The average room rate was recorded at IDR 1,144,840 per room per night, with the average occupancy rate was reported at 54.8% in the second quarter, continued to improve from occupancy in the first quarter 2023.

Warehouse Market in Jabodetabek

The acceleration of warehouse market was driven by inquiries from distribution centers, cold storage requirements, and F&B ingredients.

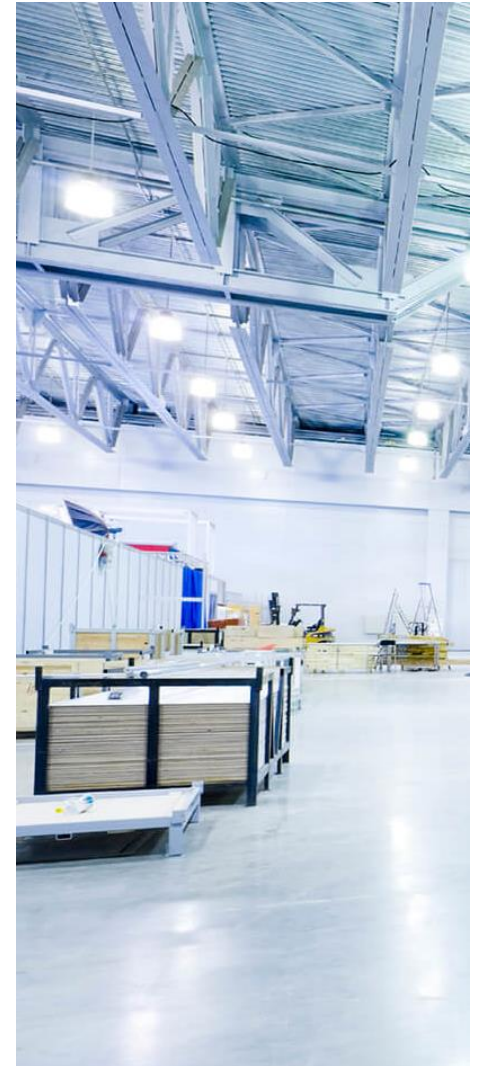
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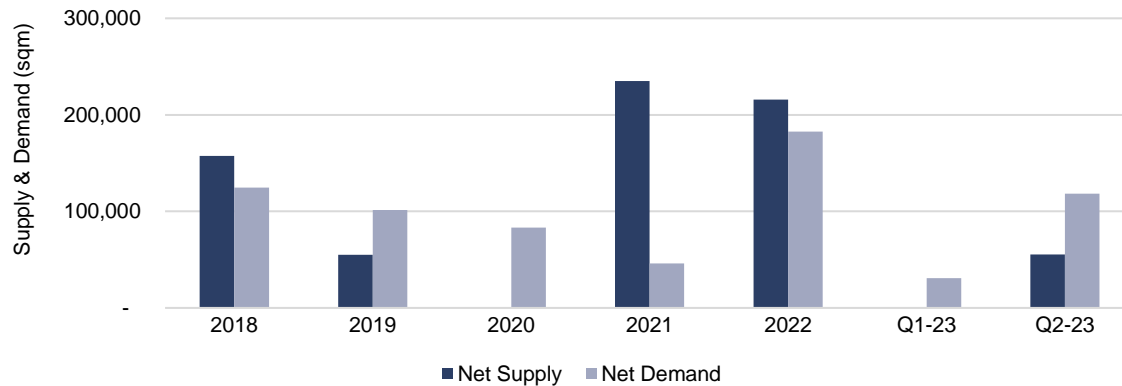


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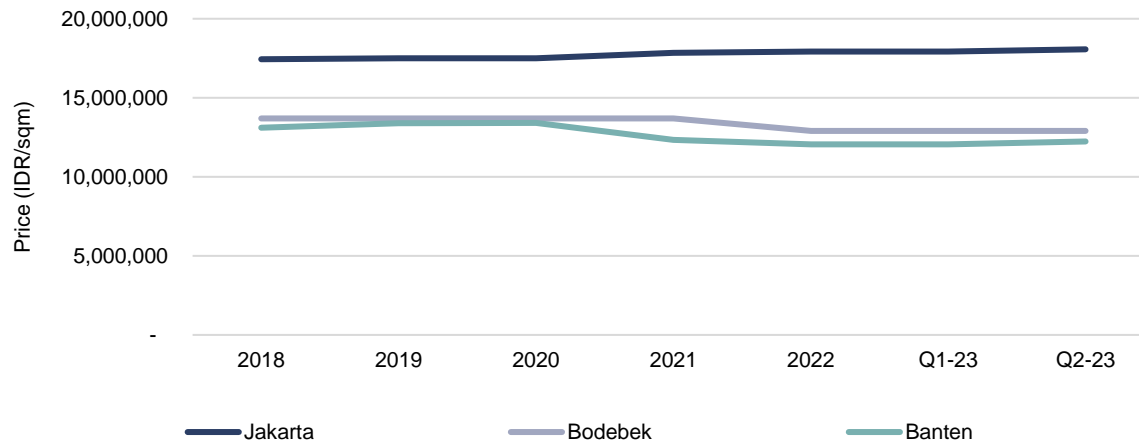


Warehouse Market in Jabodetabek

Net Supply and Net Demand



Average Price



With both digital and physical (Phygital) shopping important trends during endemic, the logistic sector is still one of demand generator for warehouses especially for distribution center. Demand absorption is dominated by the expansion of existing companies in several warehouses in industrial areas.

Demand absorption of warehouse in midst 2023 driven by Third Party Logistic (3PL) service provides, health companies from Indonesia, Japan, and Korean companies.

While current economic stance remains solid, the landlords start developing the next stage of warehousing in 2023.

The average price of warehouse in Jakarta stood IDR 18.08 million per square meter. Meanwhile, price in Bodebek and Banten are IDR 12.92 million and IDR 12.23 million per square meter.

Even though presidential election in 2024 will affect business and investment climate, some tenants are predicted to expand due to increasing production.

Industrial Market in Bodetabek

Demand for industrial land showed a positive trend, which was indicated by expansion of existing tenants, especially in the automotive and processing sectors from Indonesia, Korea and Japan. Data centers continue to be a new source of demand absorption.

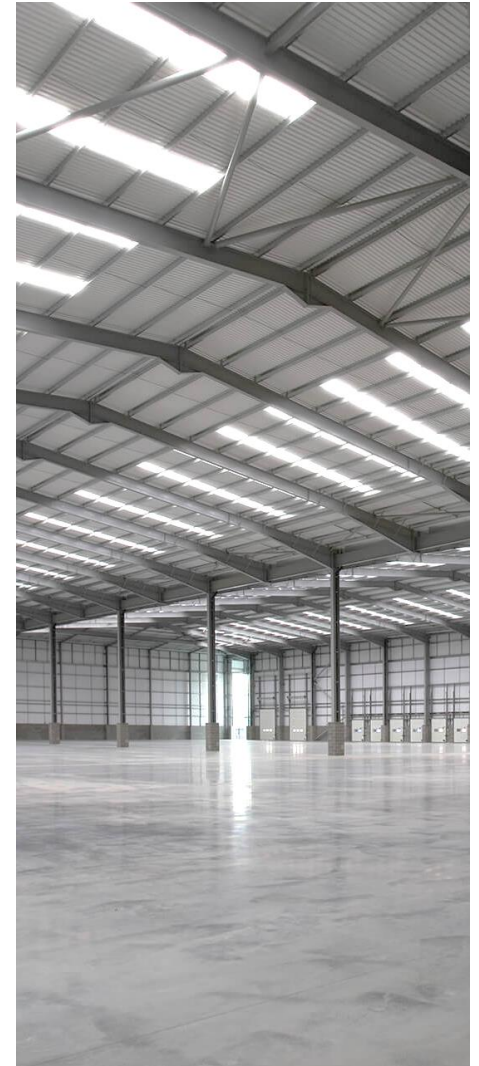
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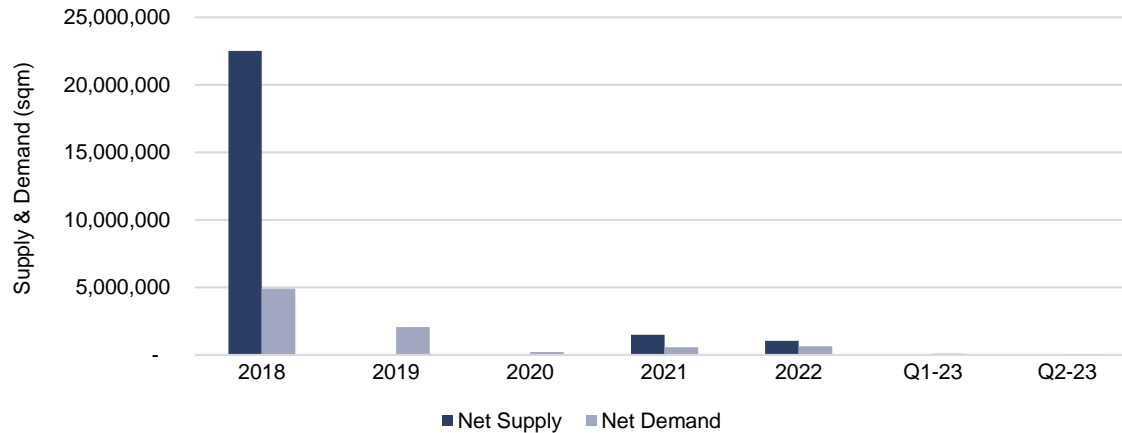


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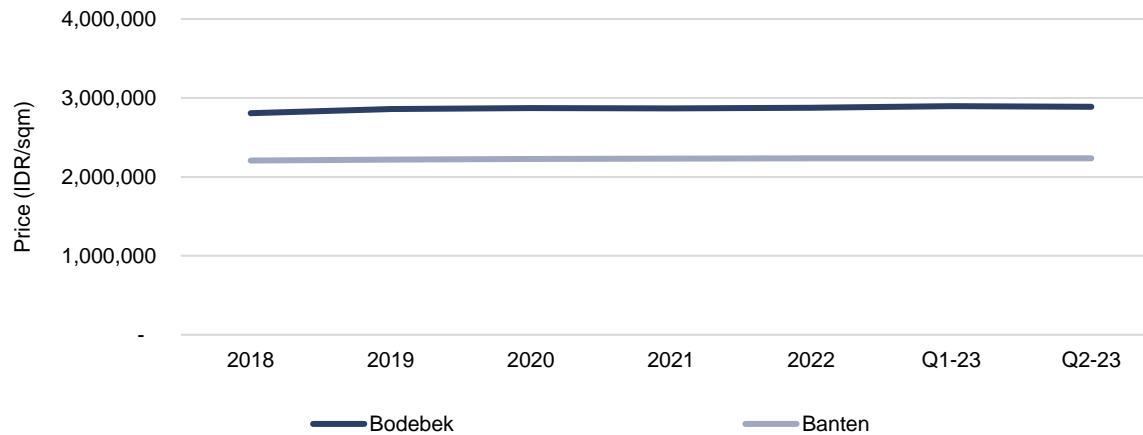


Industrial Market in Bodetabek

Net Supply and Net Demand



Average Price



The availability of industrial land in favorable areas are limited, developers continue to search suitable locations for industrial land expansion, one of which is to the east of Jakarta. The eastern corridor continues to attract investors due to the supply chain automotive related sectors.

In addition to date, data centers have become a new ecosystem that has been formed in Jakarta's eastern corridor, supported by an established infrastructure.

In the eastern corridor, majority of demand comes from Japanese, Indonesian, and Korean companies for electricity vehicles, automotive manufacturing and data centers. Meanwhile, demand in the western corridor is dominated by existing companies in the molding, FMCG and packaging industries.

Average land price of industrial land in Bodebek was higher than others area as it is a more favorable options for investment. In the second quarter of 2023, average land price in Bodebek was recorded at IDR 2.89 million per sqm, while in Banten was listed at IDR 2.23 million per sqm.

Retail Market in Bodetabek

Positive absorption was mostly identified in newly completed retail centers. Business expansion of tenants from Jakarta has driven demand absorption of retail center in Bodetabek.

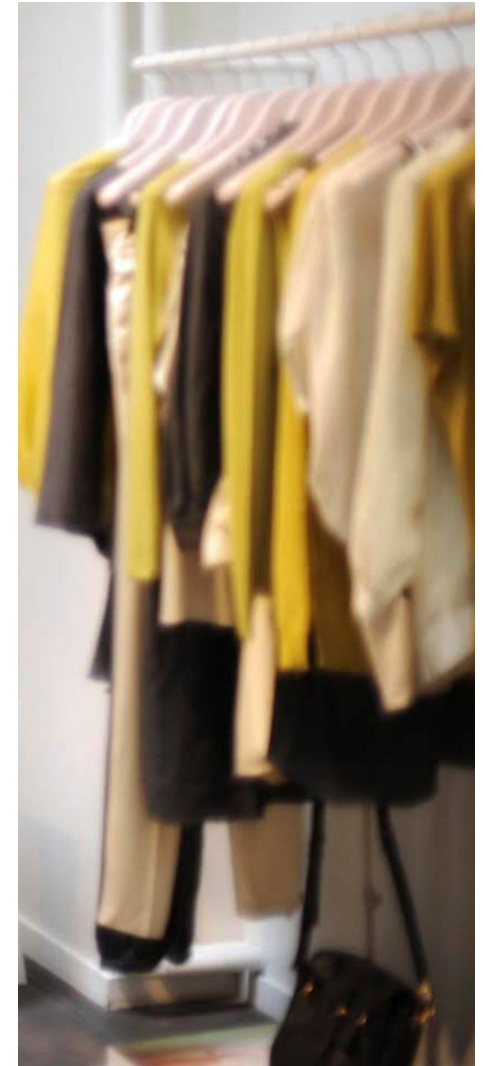
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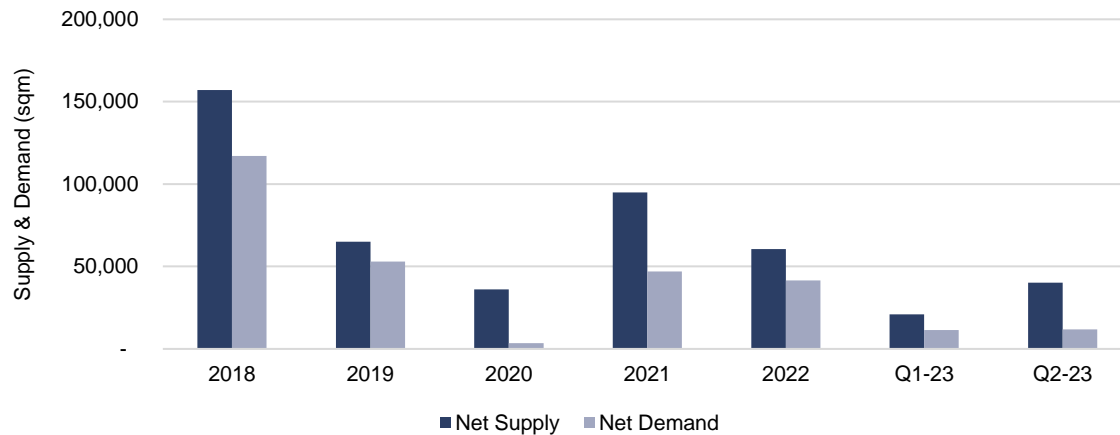


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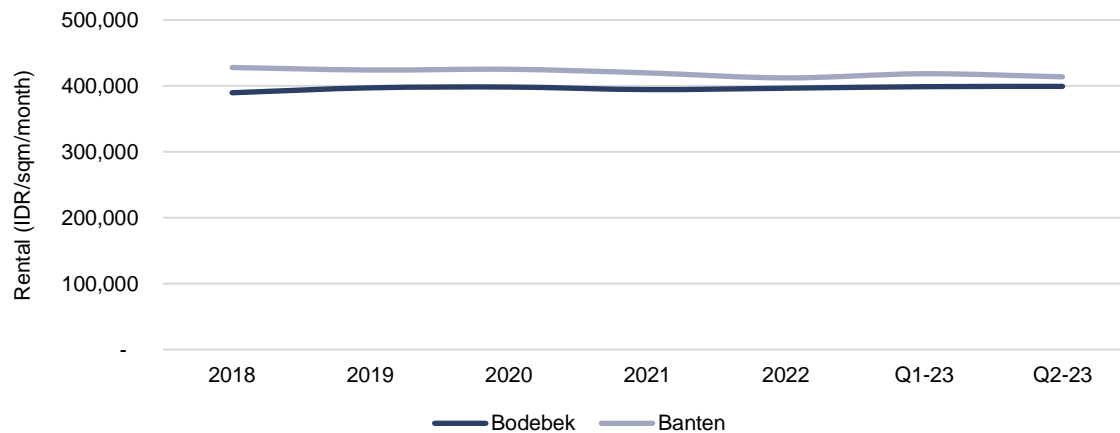


Retail Market in Bodetabek

Net Supply and Net Demand



Average Rental Price



With a limited additional new supply entering the market in 2022-2023 (approx. of 41,105 sqm), whereas are mostly located in Bogor and Tangerang.

F&B and fashion are still the main of demand drivers for retail space in Bodetabek. Tenants in Jakarta who enjoy good market performance began to expand their market to Bodetabek area by opening outlets in retail centers in several township developments.

An increase in visitor traffic has led to rental increment, however, discounts are still applied, especially for tenants that potentially attract additional visitors.

Average rental of retail centers in Bodetabek stood IDR 399,433 per sqm per month in the second quarter 2023.

It is anticipated a large number of additional new supply in Bodetabek, which most of them are currently still in finishing stage. Most of these projects are located in Tangerang area offering outdoor retail concepts.

Apartment Market in Bodetabek

The existence of rail-based mass transportation has generated demand for apartment developments in Bodetabek, with potential demand mostly come from end-users.

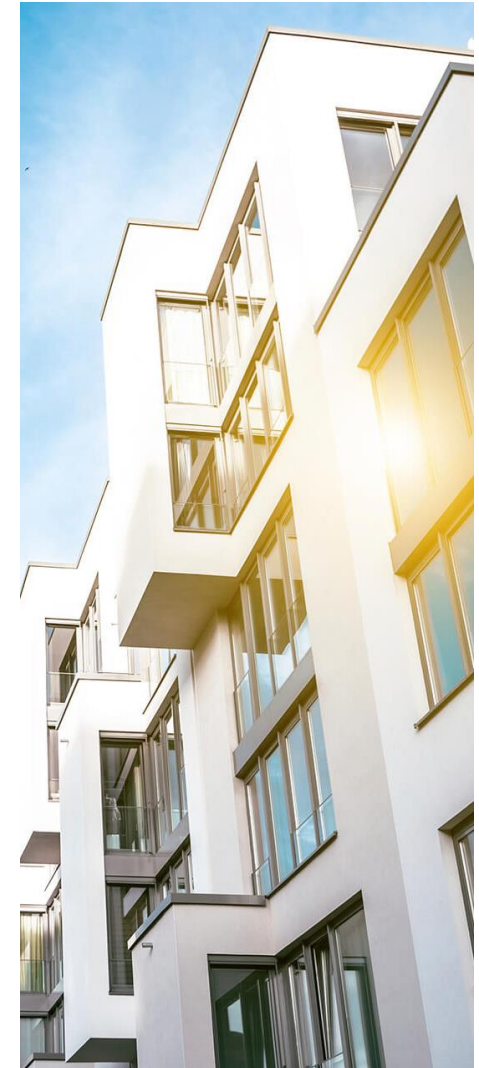
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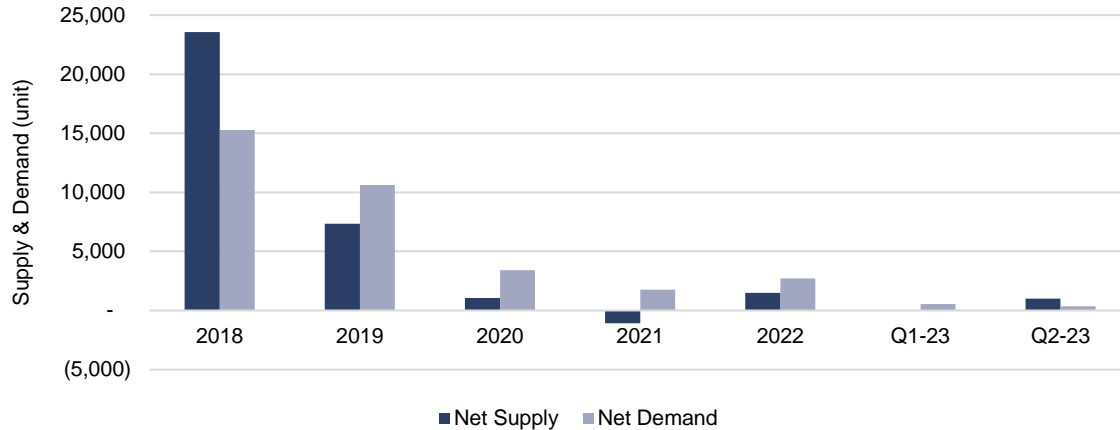


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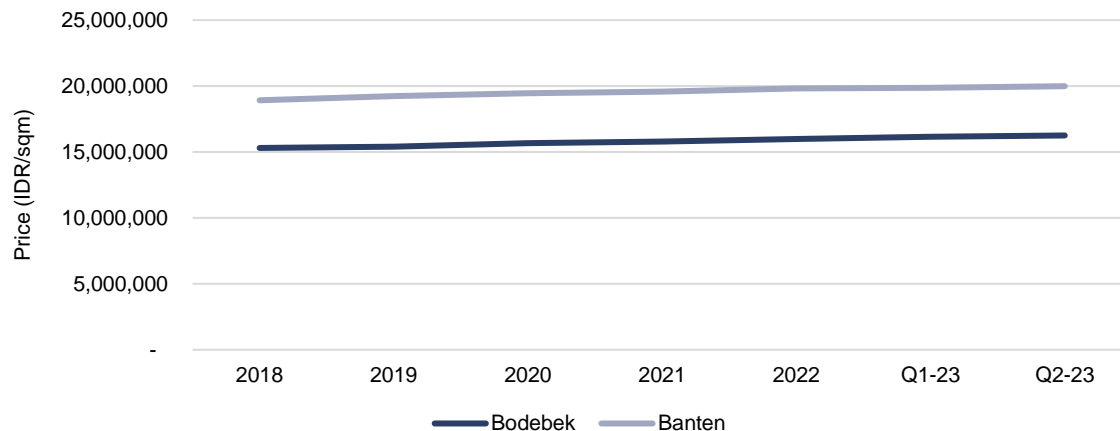


Apartment Market in Bodetabek

Net Supply and Net Demand



Average Price



During the second quarter 2023, there was additional new supply in Tangerang, however, there were also other projects that were canceled.

In general, apartment market performance in Bodetabek area were similar to that in Jakarta.

Product deliverability is one of the main consideration for buyers in choosing apartment products.

However, an easier accessibility to Jakarta becomes the most important consideration for buyers in choosing apartment development in Bodetabek area.

Several developments that directly integrated with the LRT station were recorded a better market performance compared to apartments with no relation to LRT station. Average monthly take-up of these apartment projects were recorded of above 20 units per month.

Hotel Market in Bodetabek

MICE and business activities have led to a positive market movement for hotels in Bodetabek, However, in terms of number activities, this is not as high as activities in Jakarta.

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OCCUPANCY
RATE

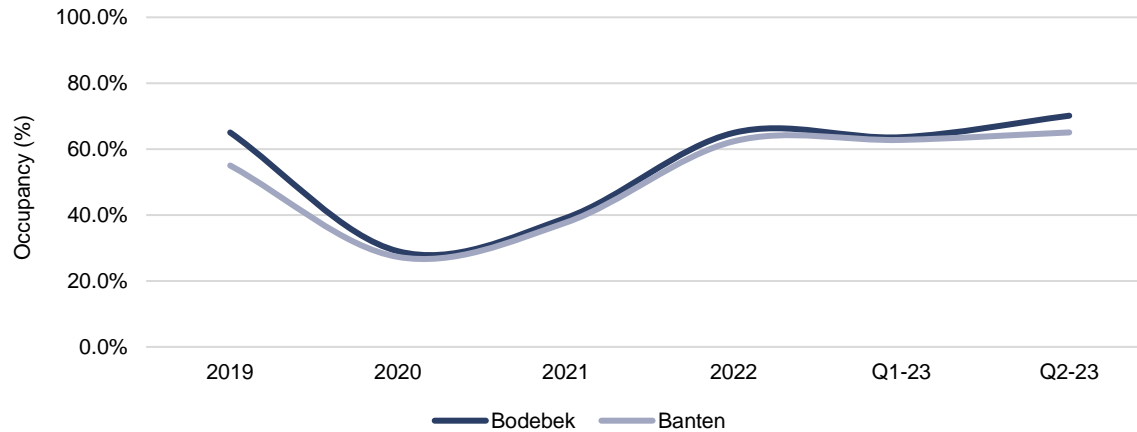


ROOM
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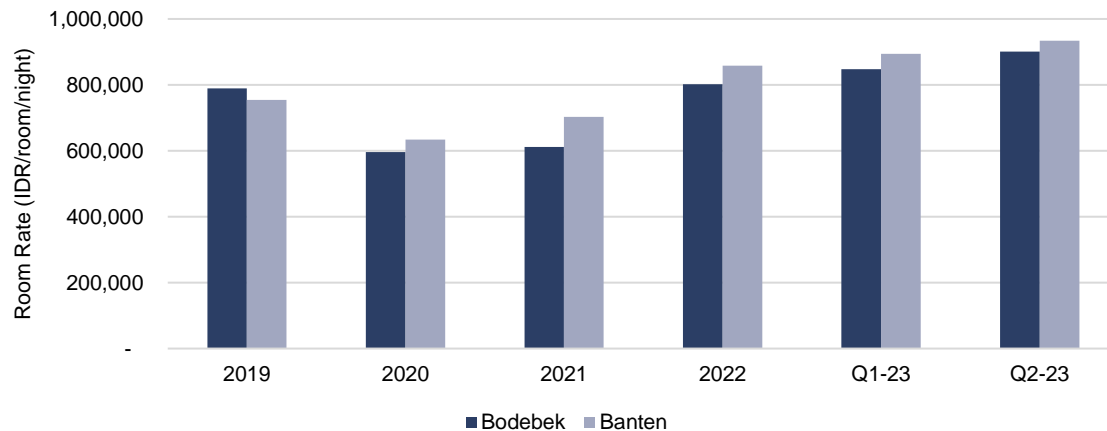


Hotel Market in Bodetabek

Occupancy Rate



Average Room Rate



In a normal condition, hotel market performance in the second quarter tend to be slower than other quarters. However, hotels on Bodetabek showed an increase in occupancy and room rate during the second quarter 2023.

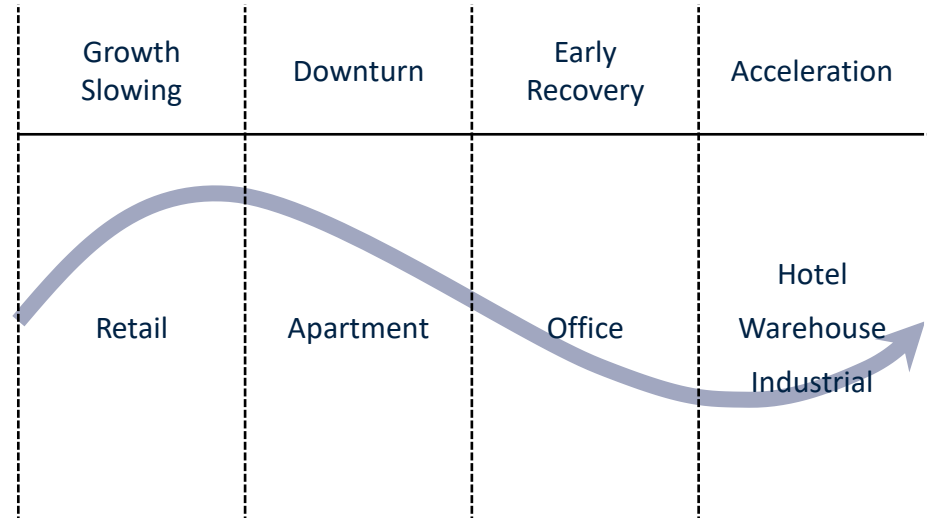
Occupancy rate of hotel in Bodetabek and Banten increased by 6.5% and 2.3% respectively during the second quarter 2023. Demand in these two areas was come not only from MICE activities, but it was also driven by demand from family and leisure, especially from Greater Jakarta.

As of the second quarter of 2023, average occupancy rate of hotels in Bodetabek area achieved a higher level compared to that in 2019. Occupancy rate in Bodebek and Banten was 70.1% and 65.1% respectively. This is the best market achievement for hotel performance in Bodetabek.

Room rate showed an improve and has continued to increase since 2020, where they fell significantly during the pandemic.

Outlook Indicators

- The election in 2024 will likely affect business & investment climate, especially for certain sectors.
- More property market players are expected to be more aggressive along with the strengthening economy as well as exploring timing strategies to enter the market.
- Even though current economic stance remains solid, there will see potential downside risks for the several sector property market.
- The retail market will move up gradually, as visitor traffic returns to normal and purchasing power increases with optimism.
- Apartments will still be under pressure due to limited demand, coupled with a wait and see position by investors.
- Office market will slightly improve in line with readiness companies return to the office and reduce hybrid models.
- 2024 election preparation will be a boon for hotels, followed by many MICE events.
- Logistic and industrial market is expected to continue growing a fast pace due to country's strong economics and the rapid growth of e-commerce.





Thank You