

PROPERTY

Property Sector | Indonesia | December 14th, 2021

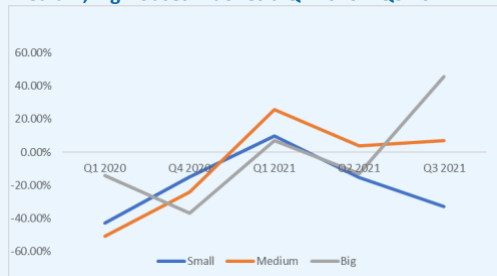
KEY INDEX

Graph 1: YoY Property Sales Growth Indonesia Q1 2020 – Q3 2021



Source: Bank Indonesia

Graph 2: YoY Property Sales Growth for Small, Medium, Big Houses Indonesia Q1 2020 – Q3 2021



Source: Bank Indonesia

Achmad Kurniawan Sudjatmiko

PT Kredit Rating Indonesia
+62 21 3983 4411

Property Industry Experienced Moderation Growth

- The moderation growth period is caused from an increase in strata commercial property segment and a decrease in leased commercial property segment.
- Vaccination rate plays important role on the retail outlook, related with the traffic allowed, that it could boost rental and service charges.

Global Property Outlook 2021

The COVID-19 has damaged the property market in almost all countries. Based on data from JLL, cities (Chicago, London, Shanghai, Singapore, Sydney, and Tokyo) have a negative rental growth in 2Q2021, while the remaining (Frankfurt, Los Angeles, New York, and except Paris) has a relatively low growth rate. Additionally, since 2017, there are 7 cities with declining rental growth, in which none of these cities have a vacancy rate higher than 21% in 2Q2021.

Mixed Trend Within Asia-Pacific Price Growth

Knight Frank Research found that in 3Q2020, around 10 out of 22 Asia-Pacific prime property market have a negative price growth, where majority of ASEAN cities in the table except Manila (positive 10.2%) has a negative rate. As reported, Jakarta's prime residential in Q3 Price Growth is negative 1.2% which slightly better as compared with Kuala Lumpur and Singapore which is around 3.5%, while Bangkok has the largest negative growth with negative 6.3%.

Year on Year Property Sales Growth Indonesia Q1 2020 – Q3 2021

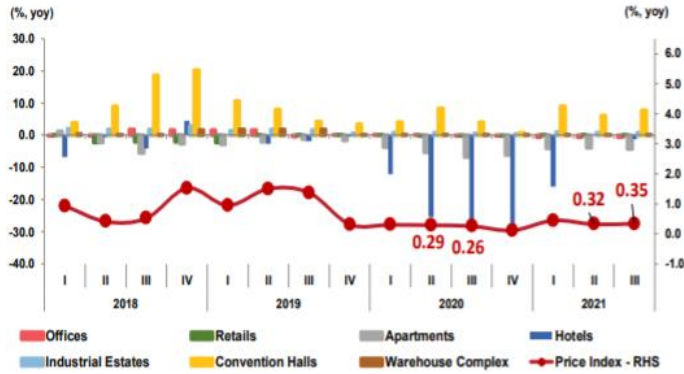
In the third quarter of 2021, the overall property sales in Indonesia decreased by 15.19% (see graph 1). The property sales for small houses had the sharpest decline, meanwhile medium houses and big houses had increasing sales (see graph 2). Respondent stated what limits the growth of property sales including increasing building material price, bureaucracy, interest rate, down payment, and tax.

Moderation Growth of Commercial Property Prices

Commercial property price growth in the third quarter of 2021 experienced moderation growth period. The Commercial Property Price Index (CPPI) grew 0.35% YoY in 3Q2021, increase from 0.32% YoY in 2Q2021 and from 0.26% YoY in 3Q2020. The moderation growth period is caused from an increase and decrease in different segments in which the strata commercial property segment experienced improvement and the leased commercial property segment experienced slow down.

The prices of strata title commercial property grew 0.35% YoY in 3Q2021, relatively stable compared with 0.33% YoY, with moderation caused by lower prices of industrial estates, due to high existing prices amid a surge of COVID-19 cases. Meanwhile, the price index for leased commercial property recorded shallower -0.29% YoY contraction in 3Q2021, from -0.06% YoY in 2Q2021. Lower prices still applied in hotel and apartment segment, mainly in large cities, to anticipate the surge of COVID-19 cases.

Graph 3: Commercial Property Price Index Growth (% YoY)



Source: Bank Indonesia

Commercial Property Demand Grew Slightly

Commercial property demand grew slightly in the third quarter of 2021. The Commercial Property Demand Index (CPDI) grew 0.13% YoY in 3Q2021, increased from 0.06% YoY in 2Q2021 and from 0.05% YoY in 3Q2020. The increase was buoyed by strata commercial property in which industrial estates offered at launch price. In addition, the demand increase was in convention halls segment for MICE activities along with social events such as new normal weddings and COVID-19 vaccination centers.

Graph 4: Commercial Property Demand Index Growth (% YoY)

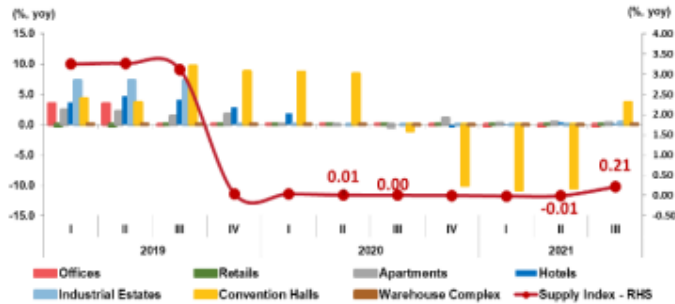


Source: Bank Indonesia

Commercial Property Supply Increased

Commercial property supply was recorded improving in the third quarter of 2021. The Commercial Property Supply Index (CPSI) grew 0.21% YoY in 3Q2021, up from -0.01% YoY in 2Q2021 and from 0% YoY in 3Q2020. The supply of strata title commercial property improved a lot boosted by industrial estate in Bodebek region after contracted in previous quarter. Furthermore, the supply of leased commercial property accelerated boosted by additional space of leased office space.

Graph 5: Commercial Property Supply Index Growth (% YoY)



Source: Bank Indonesia

CBD Office

Delayed Construction Completion

Some projects experienced slowing construction progress during the pandemic. Supply has been in pause mode with no project completed in third quarter 2021. Trinity Tower in Jalan Rasuna Said was delivered in second quarter 2021. The nearest project completion is expected to come from The Autograph Tower of 86,000 sqm in the next quarter, but the pipeline is likely to begin to thin out in subsequent years. The amount of total office space will grow substantially as some premium class office buildings are expected to be completed in 2022-2023.

Table 1: Significant Under-Construction Project

Property	Submarket	SQM	Completion
The Autograph Tower	Thamrin	86,000	Q4-2021
BRI Tower	G. Subroto	50,000	Q4-2021
Mori Tower	Sudirman	99,000	Q1-2022
Luminary Tower	Thamrin	56,500	Q1-2022
Gedung Indonesia 1 (North & South)	Thamrin	131,200	Q3-2022
Rajawali Place	Kuningan	40,000	Q3-2022
Sarinah Office Tower	Thamrin	68,000	Q2-2022

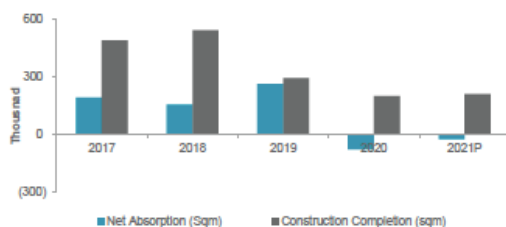
Source: Cushman & Wakefield

Leasing Activities Remained Weak

Leasing deals remained relatively soft particularly during pandemic, with many transaction deals were put on hold and progress slowly. In early June, there were some positive signs of leasing activities with completion of several major deals. However, the surge of COVID-19 cases hampered the positive market trend, with leasing transactions delayed in late June. The situation in the market generally is one of tenants focusing on cost savings and many are delaying expansion plans in an uncertainty period. Most companies are reviewing their strategies and taking a wait-and-see approach before make any decision. In 2021, some office downsizings and office closures continued, bringing the quarterly net take-up of the market to negative 24,000 sqm. In the end of June 2021, the average occupancy rate of the CBD office market decreased further to 70.6%.

Graph 6: Space Demand / Deliveries of Office Space in 2021

SPACE DEMAND / DELIVERIES



Source: Cushman & Wakefield

More Pressure on Rental Rate

Following the decreasing demand and occupancy level, rupiah rental rates fell even further. The average CBD gross rental stood at US\$ 18.88 (IDR 274,100) per sqm per month, a decrease of 6.3% YoY in US dollar terms and a decrease of 4.7% YoY in rupiah terms in the end of June. Rents continue to drop further in 2021 as the market is still experiencing pressure caused by the worsening COVID-19 pandemic and tightening of social restriction in Jakarta. Lower office accommodation cost, premises downsizing, lower gross rental rates within the CBD office market may still be expected, due to negative impact from pandemic.

Retail Market in Jakarta

Retail Market Still on Pressure

The surge of COVID-19 cases put pressure on retail market and there was no new supply within Jakarta retail in the third quarter of 2021. The Aeon Mall Southgate in South Jakarta, is waiting on the right time to open and expected to enter the Jakarta market by the end of this year. The construction of other future malls is still ongoing yet at slower pace.

Table 2: Significant Under-Construction Project

Property	District	SQM	Completion
Aeon Mall Southgate @ Tanjung Barat	South Jakarta	35,000	2021
Lippo Mall East Side @ Holland Village	Central Jakarta	50,000	2022

Source: Cushman & Wakefield

Continuous Downward Trend of Occupancy as the Pandemic Continued

Customer traffic across all malls in Jakarta continued to increase after the drop of PPKM level. However, the government anticipate the surge of COVID-19 cases at the end of the year which may led to a stricter emergency public activity restriction again. Entertainment tenants, such as cinemas and children's entertainment areas were already operated. F&B tenants were also operated and dining in is possible at restaurants. The overall occupancy rate of Jakarta retail market continued its downward trend this quarter, standing at 76.5%, a decrease of 0.1% from that in the last quarter.

Price Remained Unchanged Since the Onset of the Pandemic

Since the beginning of pandemic, the average rentals and service charges remained unchanged within the Jakarta retail market. During Q3 the average rent was at IDR 567,007 in Jakarta area. Before the second wave, the retailers experienced some recovery of their businesses with some receiving relatively lesser rental abatement or payment deferment. Given the current situation, some landlords are still providing some existing tenants with lesser rental abatement on a case-by-case basis. However, landlords didn't provide new tenants with rental relief. This strategy preserves mall occupancy, making it stable and healthy during this time. Vaccination rate plays important role on the retail outlook, related with the traffic allowed. Higher vaccination rate could boost sales volumes, so landlords may begin considering adjusting rents.

Table 3: Retail Location and Rent Rate in 3Q2021

Submarket	SQM	Vacancy Rate	IDR/sqm/mo
Prime location	1,313,400	22.6%	984,500
Secondary location	3,290,300	23.7%	681,400
Overall Jakarta Retail	4,603,700	23.5%	807,700

Source: Cushman & Wakefield

Definitions:

The primary retail location is defined as the major retail precinct that includes Kota, Pasar Baru, Blok M and the CBD area (capturing the areas of Sudirman, Thamrin, Rasuna Said and corridor of Jl. K.H. Mas Mansyur – Jl. Prof. Dr. Satrio). The secondary retail location covers all other areas outside the above primary retail areas of Jakarta

Apartment Market in Jakarta

No Additional New Supply

No new projects were identified in this quarter, yet four projects comprising a total of 2,107 units were completed in the same period. During slow periods, developers tend to minimize their risk by holding off on plans to build new high-rise projects. Several under construction Serviced Apartment projects such as Somerset Kencana, Somerset Sudirman, Citadines Gatot Subroto, Citadines Sudirman, and Ascott Menteng, are expected to delay their operation schedule due to pandemic.

Table 4: Significant Under-Construction Project

Property	District	Approx Units	Completion
Somerset Kencana	Pondok Indah	150	2021
Somerset Sudirman	Sudirman	176	2021
Citadines Sudirman	Sudirman	253	2021
Citadines Gatot Subroto	Gatot Subroto	102	2021
Ascott Menteng	Menteng	151	2021
Total		832	

Source: Cushman & Wakefield

No New Long Stay Demand

Given the travel limitation to Indonesia, there was no demand from expatriate tenants in this period. As some expatriate have returned to their home countries, some expiring lease contracts were not renewed and new lease contracts were also postponed. Occupancy of the Purpose-built Rental Apartment sub-sector was recorded at 55.2%, a 3% decrease compared to last quarter. Demand from Serviced Apartment sub-sector decreased due to activity restricted during July 0 August 2021. Occupancy rate decreased to 47.7%, a slight 0.5% decrement compared to last quarter.

Rents Remained Under Pressure

Average rental rate of Purpose-built Rental Apartments and Serviced Apartment sub-sectors remained relatively stagnant at IDR 241,550 and IDR 356,576 per sqm per month, despite the rupiah's volatility against the US dollar. Unit owners apply negotiable rental rate discount in order to attract new tenants. Unit owners already anticipate the rental rate that remained under pressure, since the mobility restriction during pandemic still gradually reviewed by the government.

Hotel Market in Jakarta

No New Hotel Supply

Currently there are several under-construction hotel developments, yet the completion time of projects has been delayed due to pandemic. Jakarta has two new hotels, one five-star hotel (223 rooms) and one four-star hotel (168 rooms). With the addition of these two hotels, the total number of hotel rooms in Jakarta is 44,275 rooms.

Table 5: Newly Finished Projects

Submarket	Address	Segment	Total Units	Opening Time
Sutasoma Hotel	Jl. Dharmawangsa	4-star	111	Q1 2021
Hilton Garden Inn Taman Palem	Jl. Taman Palem Lestari	4-star	168	Q3 2021
The Langham Jakarta	SCBD	5-star	223	Q3 2021

Source: Colliers Indonesia

Table 6: Temporarily Converted Hotels During COVID-19 Pandemic

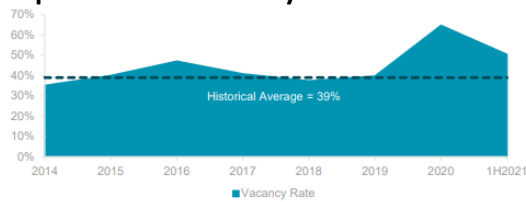
Property	Address	Segment	Total Units
The Media Hotel & Towers	Jl. Gunung Sahari	5-star	350
Grand Cempaka Hotel Business	Jl. Letjen Suprpto	4-star	220
Novotel Hotel Cikini	Jl. Cikini Raya	4-star	245
Mercure Hotel Cikini	Jl. Cikini Raya	4-star	197
Swiss Bell Pondok Indah	Jl. Metro Pondok Indah Sector 2	4-star	159
Ibis Styles Jakarta Sunter	Jl. Gaya Motor 1	3-star	145
Ibis Senen Hotel	Jl. Kramat Raya	3-star	155
d'Arcici Hotel Plumpang	Jl. Plumpang Semper	3-star	75
d'Arcici Hotel Sunter	Jl. Sunter Permai Raya	3-star	123
d'Arcici Alhijra Hotel Cempaka Putih	Jl. Letjend Suprpto	3-star	76

Source: Cushman & Wakefield

Occupancy Continued to Improve

The trend from the last semester of 2020 continued that the occupancy rate improved positively. Hoteliers were able to maintain hotel performance, partly from the occupancy in relation with quarantine protocols and self-isolation. The average occupancy growth is 15.7% YoY. As of June 2021, hotel occupancy of 3-star, 4-star, 5-star and luxury segments stood at 50.6% (32.7% YoY), 51.3% (23.6% YoY), 49.1% (28.5% YoY), 40.1% (37.6% YoY) respectively.

Graph 7: Overall Vacancy

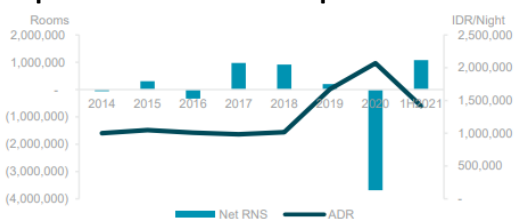


Source: Cushman & Wakefield

Readjustment of Room Rates

Room rate is a factor closely related to hotel occupancy, so the improvement of occupancy during the last 3 months of the review period have led hoteliers to adjust their room rate. Overall, Average Daily Rate (ADR) of hotels in Jakarta increased by 37.9% YoY. 5-star hotels made the most significant adjustment in order to revive from its biggest fall. Average Daily Rates As of June 2021 were: 3-star: IDR 367,973 (25.0% YoY); 4-star: IDR 556,477 (8.9% YoY); 5-star: IDR 1,039,382 (44.1% YoY); and Luxury: IDR 1,606,895 (5.7% YoY).

Graph 8: Overall Net Absorption and ADR



Source: Cushman & Wakefield