



Savills World Research
Indonesia

Asian Cities Report **Jakarta Residential**

2H 2017

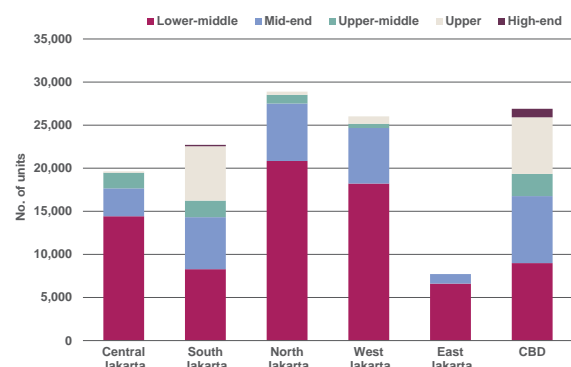


TABLE 1
Jakarta statistics, Q2/2017

| | |
|---------------------------------------|------------|
| Population (2015) | 10,154,584 |
| % of growth in population (2010-2015) | 1.09% |
| No. of household size (2015) | 3.77 |
| % of unemployment (Feb 2017) | 5.36% |
| % of GDP growth (YoY) (Q2/2017) | 5.96% |
| Consumer sentiment index (Q2/2017) | 116.97 |

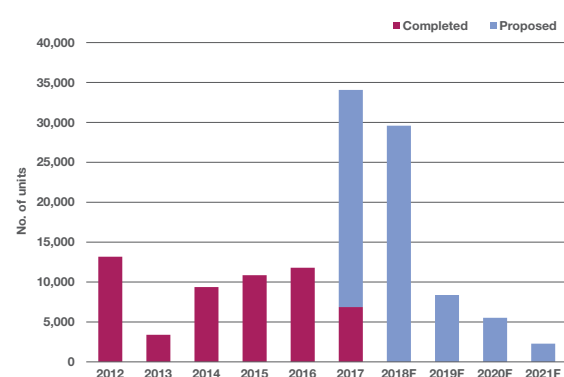
Source: BI, BPS, Depkeu

GRAPH 1
Jakarta apartment stock distribution by grade & municipality, 1H/2017



Source: Savills Research & Consultancy

GRAPH 2
Annual apartment supply, 2012–2021F



Source: Savills Research & Consultancy

Economic overview

Jakarta is Indonesia’s economic powerhouse, priding itself on being the nation’s main commercial, political and business hub. Jakarta follows a similar trajectory to Indonesia’s GDP growth rate and has even historically maintained figures higher than Indonesia. Its annual GDP growth rate for the second quarter of 2017 sat at 5.96%, outperforming Indonesia’s result of 5.01%. Such performance is due in large part to the city’s improved household consumption in light of an overall optimism in an accelerating economy. In fact, Jakarta’s consumer sentiment index for the second quarter of 2017 reached 116.97, a positive improvement from the first quarter result of 100.84.

The shift in urban living

Jakarta’s social inequality gap is rather substantial, and this is evidenced through the extensive choice of housing types available in the market. However, due to rapid land price increases and scarcity of land in the city, new developments in Jakarta over the past decade have been dominated by high density vertical housing (i.e. apartments). In the beginning, this trend presented a challenge, as many Jakartans were still inclined to live in landed houses, a tradition prevalent throughout nation. Consequently, the city underwent an urban sprawl where housing developments were extended into the outskirts of Jakarta, an area collectively called as Bodetabek.

However an increasing number of the population are embracing the ‘back to the city’ living, by considering buying apartments back in the capital. Jakarta’s traffic system to its outskirts get more chaotic every day, and many have decided that living closer to their workplace might be a better idea.

Apartment development

Currently, there are approximately 131,900 apartment units in Jakarta, a tiny fraction compared to the city’s population of 10 million – or 30 million together with the Bodetabek area.

Generally, the apartment market in Jakarta can be classified into five grades: lower-middle, mid-end,

upper-middle, upper, and high-end. While the market is currently dominated by the lower-middle and the mid-end segment, at 58.7% and 23.7% respectively, a segmentation shift could be expected in the next few years with the upper-middle segment dominating the future supply until 2021, at 34%.

Location wise, North Jakarta currently leads the market with the largest stock, at 21.9% of the total inventory, followed closely by West Jakarta and South Jakarta at 19.7% and 17.2%, respectively. Despite appearing as the municipality with the largest population, East Jakarta has fallen behind, making up only 5.9% of the total inventory.

Boom and bust period

The apartment market in Jakarta went through a cyclical upswing in the early 2000s, where the first wave of new developments began to flood the market. This trend continued to grow in the late 2000s and again in 2012 through the post-election period of 2015, where developers took advantage of the ‘back to the city’ living concept. As a result of robust launches during that period, the level of newly-completed supply in the past few years has been high. This level is expected to peak in 2017, with 34,071 units to complete by this year, a substantial difference to the average number of units completed in the past 5 years, which was 9,718 units.

Thanks to the recovering economy, there is growing competition in the market which has continued to exert downward pressure on apartment prices, as demand remains soft. All of the grades are facing price corrections, with the lower-middle grade experiencing the largest decline. As a measure to invigorate demand, many developers have had to offer discounts, incentives and even a lower price to start with.

Accommodative policies

The government has also intervened through the introduction of accommodative tax and mortgage policies enacted to spur demand for properties.

An example would be the relaxation of the Loan to Value (LTV) ratio for property loans by the Bank

of Indonesia. The threshold was increased to a maximum of 85%, meaning that the required down payment for properties under a first-home ownership will only be 15% of the price, from the previous 20%.

While the impact has not been directly translated into improving sales, the tax amnesty programme, which ended in the first quarter, is also expected to gradually attract more onshore investment as a result of asset repatriation and disclosure.

These policies, coupled with the current low interest rate environment (the benchmark interest rate now stands at 4.75% p.a) are expected to help the recovery until the supply level finally stabilises.

Tax challenges

One of the major challenges in the marketplace is related to property taxation. Compared to other regions, property tax in Indonesia is relatively high, especially when it comes to the luxury or high-end segment, due to the imposition of luxury tax on top of VAT. According to the ministerial decree (updated in March 2017), the luxury tax is at 20% and will be applicable to landed houses and town houses worth IDR20 billion or more. In addition, strata-apartments and condominiums worth IDR10 billion or more are also subject to the tax.

Results from the first half of 2016 showed that there were 226 sold units from eight high-end apartment towers. This is in stark contrast to the results from the first half of 2017, where only eight units out of 315 available units were sold across the same eight high-end apartments. Aside from the current weak market conditions, it is believed that the high luxury tax may have contributed to such a decline in sales.

Foreign developers expansion

Foreign developers and investors are expected to continuously contribute to the market given the relative stability of Indonesia's economy. Statistics from Indonesia's Investment Coordinating Board in December 2016 showed that FDI in property rose from USD1.48 billion in 2015 to USD1.67 billion last year. In the same period, the number of projects

backed by foreign investors also rose significantly, by 34%, to reach over 842 investors.

A typical partnership between foreign developers and Indonesian players is a Joint Venture partnership which involves funding commitment from the overseas investors. A recent example is Aerium, a project in West Jakarta. This project is the outcome of a partnership between the Itochu and Shimizu Corporation of Japan with a major local developer, Sinarmas Land.

Alternatively, many other developers have chosen to work independently. China Communications Construction Group (CCCC), for example, is now overseeing the construction of its own project in West Jakarta, Daan Mogot City.

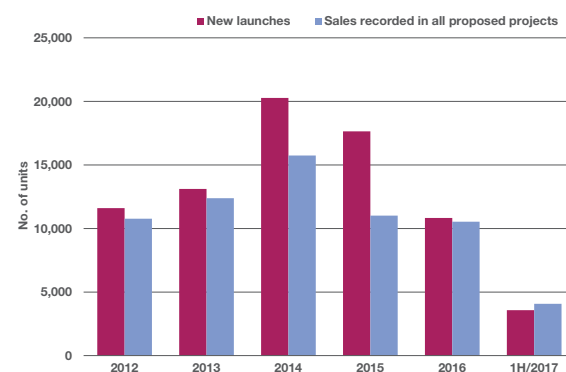
Outlook

We expect the level of stock completion to remain high in 2018, with almost 30,000 units in Jakarta due to complete by then. Prices will consequently remain under pressure in this period, before the market finally catches its breath in 2019. There are only about 8,400 units due to complete in 2019, and this is expected to translate into a pick-up in prices from that year onwards, with a gradual increase of about 4% to 8% per annum between the 2019 and 2021 period.

In terms of grading, the upper-middle grade is projected to continue its popularity and experience stronger price growth relative to the others. This trend is brought about by the growing middle class population that has become increasingly affluent and interested in investing into properties that are worth the price.

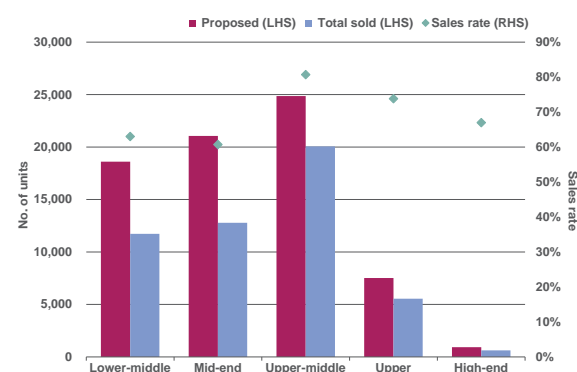
Alongside quality, affordability will continue to be of importance to a wide range of buyers, especially for first-home buyers, investors, and many developers, especially ahead of Indonesia's upcoming presidential election in 2019. We expect several buyers and investors to take a wait-and-see stance given the potential political and social tensions which may affect the property market. ■

GRAPH 3
New apartment launches & sales volume in proposed projects, 2012–1H/2017



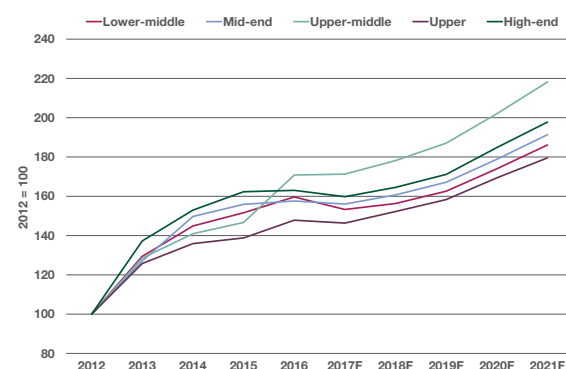
Source: Savills Research & Consultancy

GRAPH 4
Sales rate in proposed projects, 1H/2017



Source: Savills Research & Consultancy

GRAPH 5
Price index by grade, 2012–2021F



Source: Savills Research & Consultancy

ASIA PACIFIC HEADQUARTERS

23/F Two Exchange Square, Central, Hong Kong
Tel: (852) 2842 4400 Fax: (852) 2868 4386



ASIA PACIFIC EXECUTIVE COMMITTEE

CEO, Greater China
Contact: Raymond Lee E-mail: rlee@savills.com.hk

Executive Chairman, Asia Pacific
Contact: Robert McKellar E-mail: rmckellar@savills.asia

CEO, South East Asia
Contact: Christopher Marriott E-mail: cjmarriott@savills.asia

CEO, Asia Pacific (Ex Greater China)
Contact: Christian Mancini E-mail: cmancini@savills.co.jp

COO & CFO, Asia Pacific
Contact: Tim Robinson E-mail: tbrobinson@savills.asia

CEO, Australia & New Zealand
Contact: Paul Craig E-mail: pcraig@savills.com.au

HONG KONG SAR

Savills (Hong Kong) Limited

23/F Two Exchange Square, Central, Hong Kong
Tel: (852) 2842 4534 Fax: (852) 3007 2458
Contact: Raymond Lee E-mail: rlee@savills.com.hk
EA Co. Licence: C-002450

Savills Valuation and Professional Services Limited

23/F Two Exchange Square, Central, Hong Kong
Tel: (852) 2840 4806 Fax: (852) 3007 4523
Contact: Charles Chan E-mail: ccchan@savills.com.hk
EA Co. Licence: C-023750

Savills Property Management Holdings Limited

805-13 Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong
Tel: (852) 2534 1688 Fax: (852) 2508 1883
Contact: Johnnie Chan E-mail: jokchan@savills.com.hk
EA Co. Licence: C-002993

Savills Guardian (Holdings) Limited

7/F Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong
Tel: (852) 2512 1838 Fax: (852) 2887 3698
Contact: Peter Ho E-mail: peterho@savillsguardian.com.hk
EA Co. Licence: C-004089

MACAU SAR

Savills - Macau

Savills (Macau) Limited
Suite 1309-10, 13/F Macau Landmark,
555 Avenida da Amizade, Macau
Tel: (853) 8506 6288 Fax: (853) 2878 1805
Contact: Franco Liu E-mail: fliu@savills.com.mo

CHINA

Savills - Shanghai

25/F Two ICC, 288 South Shaanxi Road,
Shanghai 200031, China
Tel: (86) 21 6391 6688 Fax: (86) 21 6391 6699
Contact: Siu Wing Chu
E-mail: siuwing.chu@savills.com.cn

Savills - Beijing

2101 East Tower, Twin Towers, B-12 Jianguomenwai
Avenue, Chaoyang District, Beijing 100022, China
Tel: (86) 10 5925 2288 Fax: (86) 10 5925 2299
Contact: Billy Chau E-mail: billy.chau@savills.com.cn
*Offices in Chengdu, Chongqing, Dalian, Guangzhou,
Hangzhou, Nanjing, Qingdao, Shenyang, Shenzhen, Tianjin,
Xiamen, Xi'an and Zhuhai*

ASIA

Savills - Indonesia

PT Savills Consultants Indonesia
Panin Tower – Senayan City, 16th Floor, Unit C
Jl. Asia Afrika Lot. 19, Jakarta 10270, Indonesia
Tel: +62 (21) 293 293 80 Fax: +62 (21) 293 293 81
Contact: Craig Williams Email: craig.williams@savills.co.id

Savills - Japan

Savills Japan Co., Ltd
15/F Yurakucho ITOCiA , 2-7-1 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan
Tel: (81) 03 6777 5150 Fax: (81) 3 6777 5105
Contact: Christian Mancini E-mail: cmancini@savills.co.jp

Savills - Korea

Savills Korea
13/F Seoul Finance Center, 136 Sejong-daero
Jung-gu, Seoul 04520, Korea
Tel: (82) 2 2124 4201 Fax: (82) 2 2124 4188
Contact: K.D. Jeon E-mail: kdjeon@savills.co.kr

Savills - Malaysia

Savills (Malaysia) Sdn Bhd
Level 9, Menara Milenium, Jalan Damanlela, Bukit
Damansara
50490 Kuala Lumpur, Malaysia
Tel: +603 2092 5955
Contact: Christopher Boyd
Email: chris.boyd@savills.com.my

Savills - Singapore

Savills (Singapore) Pte Ltd.
30 Cecil Street, #20-03 Prudential Tower, Singapore 049712
Tel: (65) 6836 6888 Fax: (65) 6836 2668
Contact: Christopher Marriott E-mail: cjmarriott@savills.asia

Savills - Taiwan

Savills (Taiwan) Limited
21/F Cathay Landmark, No.68, Sec. 5, Zhongxiao E. Road
Xinyi District, Taipei City 110, Taiwan
Tel: (886) 2 8789 5828 Fax: (886) 2 8789 5929
Contact: Cynthia Chu E-mail: cchu@savills.com.tw
Office in Taichung

Savills - Thailand

Savills (Thailand) Limited
26/F Abdulrahim Place, 990 Rama IV Road
Silom, Bangrak, Bangkok 10500, Thailand
Tel: (66) 2 636 0300 Fax: (66) 2 636 0339
Contact: Robert Collins E-mail: rocollins@savills.co.th

Savills - Vietnam

Savills Vietnam Ltd. Co.
18/F, Ruby Tower, 81-85 Ham Nghi Street
District 1, Ho Chi Minh City, Vietnam
Tel: (84) 28 3823 9205 Fax: (84) 28 3823 4571
Contact: Neil MacGregor
E-mail: nmacgregor@savills.com.vn
Offices in Danang, Hanoi and Ho Chi Minh City

INDIA

Savills - Bangalore

31/16 Loyola Layout, Victoria Road, Bangalore 560047 India
Tel: (91) 95351 29604
Contact: Bryan Kidd Email : bkidd@savills.in
Offices in Gurgaon and Mumbai

AUSTRALIA

Savills - Sydney

Savills (Aust) Pty Ltd.
Level 25, 1 Farrer Place, Sydney, Australia NSW 2000
Tel: (61) 2 8215 8830 Fax: (61) 2 8215 8899
Contact: Simon Fenn E-mail: sfenn@savills.com.au

Savills - Melbourne

Level 48, 80 Collins Street, Melbourne VIC 3000
Tel: (61) 3 8686 8000 Fax: (61) 3 8686 8088
Contact: Stuart Fox E-mail: sfox@savills.com.au
*Offices in Adelaide, Brisbane, Canberra, Gold Coast, Notting
Hill, Parramatta, Perth and Sunshine Coast*

NEW ZEALAND

Savills - New Zealand

Level 6, 41 Shortland Street, Auckland NZ 1010
Tel: (64) 9 951 5911
Contact: Paddy Callesen E-mail: pcallesen@savills.co.nz
Offices in Auckland and Christchurch

THE AMERICAS

Savills - New York

Savills Studley, 399 Park Avenue, 11th Floor,
New York, NY 10022
Tel: (1) 212 326 8610 Fax: (1) 212 326 1034
Contact: Mitchell Steir
E-mail: msteir@savills-studley.com
*Offices across Canada, the Caribbean, Colombia, Mexico
and the United States*

UNITED KINGDOM, EUROPE, THE MIDDLE EAST AND AFRICA

Savills - Europe

Savills, 33 Margaret Street, London W1G 0JD
Tel: (44) 207 499 8644 Fax: (44) 207 495 3773
Contact: Mark Ridley E-mail: mridley@savills.com
*Offices across Austria, Bahrain, Belgium, Czech Republic,
Denmark, Finland, France, Germany, Greece, Guernsey,
Hungary, Ireland, Italy, Jersey, Luxembourg, Monaco,
Netherlands, Norway, Poland, Portugal, Qatar, Russia,
South Africa, Spain, Sweden, Switzerland, UAE and the
United Kingdom*

Savills, the international real estate advisor established in the UK since 1855 with a network of over 700 offices and associates globally.

This document is prepared by Savills for information only. Whilst reasonable care has been exercised in preparing this document, it is subject to change without prior notice and these particulars do not constitute, nor constitute part of, an offer or contract; interested parties should seek independent professional advice from lawyer, accountant and surveyor and should not rely on the statements or representations herein but must satisfy themselves by inspection or otherwise as to the accuracy, completeness and correctness of the contents hereto. No warranties or representations whatsoever is given by Savills in respect of the contents hereto. Savills cannot be held responsible for any liability whatsoever or for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. This publication may not be reproduced in any form or in any manner, in part or as a whole without written permission of the publisher, Savills. © Savills (Hong Kong) Limited. 2017 (IX/17)