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Savills World Research
Indonesia

Market Trends

Jakarta Retail Evolution

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Source: Pixabay by Pescador

Background

In 2011, Jakarta Governor Fauzi Bowo issued an instruction to freeze new mall development permits effectively until 2012. The following Governor Joko Widodo applied a similar policy by strictly limiting mall developments in the capital city. Since then, the growth of shopping centers in Jakarta has gradually declined. Our data shows that from 2013 onwards, retail supply grew at an average of 90,000 sqm per year – a significant drop compared to the growth in the 2005-2013 period when it grew at an average of 160,000 sqm per year. The main reason behind the so-called 'mall moratorium' was to protect traditional markets from the rapid expansion of the modern retail sector. Besides that, a high concentration of shopping centers in certain districts was seen as a major cause of traffic congestion in the city.

Confronted with this challenge, developers looked for alternative strategies to expand their retail portfolios. One of the trends observed recently was the development of 'retail podium' and 'retail arcade' as supporting facilities in mixed-use projects. Our research shows that more than 60% of new completions between 2014 and 2018 are identified as 'retail podiums' and 'retail arcades'.

Unlike typical retail podiums built before 2013, many recent projects function primarily to compliment other bigger (main) component. Thus, as supporting facilities, it does not necessarily require a separate permit, on the basis that the overall development (i.e. the mixed-use) is approved under local city planning or development guidelines.

However, the lack of strong content for this 'podium retailing' has resulted in poor tenancies and low traffic in many of these recent projects – which contributes to the rising vacancy in the market. Later on, we also examine trends in consumer market which continues to shape the retail landscape in Jakarta. In closing, we try to explore innovations used by mall owners around the world to revamp their malls in order to attract tenants and visitors, thus raise their competitive edge.

Jakarta, the Epicenter of Shopping

As a capital city, Jakarta is known as the hub of shopping centers in Indonesia. The city is a launch pad for major local retailers and international players – to establish and develop their business in Southeast Asia's biggest market with over 250 million potential consumers.

Over past decades, shopping centers in Jakarta have evolved with improving quality and amenities. However, technology and innovation has changed the landscape even more rapidly. The Internet of Things, E-commerce as well as sharing economy movement and cashless society – which we call as 'digital disruptive forces' have changed the way we do the business. Combined with the dynamic shift in urban lifestyles and the rise of Millennials, as future consumers, multiplies the challenges for shopping center development.

How It Started

The emergence of modern shopping centers in Jakarta was marked by the opening of Sarinah in 1966 followed by few more centers built in Central and West Jakarta. In this early period, these pioneer projects offered a basic model, where a single major tenant (typically a department store) took most (or even all) of the space. Shopping centers became more advanced in the 1990s with better amenities and variations applied in their design and concept. The quality of shopping centers also improved significantly – upscale malls such as Plaza Indonesia and Plaza Senayan were later introduced to cater to the growing demands of Jakarta's wealthy segment. At the same time, development in the outskirts grew along with township expansion around the city. However, by the end of the 1990s, mall development halted due to the effect of the Asian Financial crisis.

New projects flourished again in the early 2000s with more quality developments built in the market. Along with the shift in urban lifestyles, malls ware perceived as not just a shopping destination but also a gathering place. By then, a mixed-use concept was a commonplace setting. At the same time, some developers adopted a strata concept (i.e. trade center) which did well in the beginning but quickly reached its saturation point in the mid-2000s.

While suburban malls continued to expand, interest in developing malls within the capital also heightened – supported by a 'Back to the City' movement beginning in the late 2000s. In the period leading to 2013, lots of new completions took place in Jakarta which delivered over one million sqm of new supply to the market. But soon afterwards, developers began to encounter challenges due to land scarcity, escalating land prices and the mall moratorium mentioned earlier. As a result, supply growth declined quite considerably.

In response to that, several developers changed their approach; they came up with a concept of a retail podium at a scale of a supporting facility. This is also seen as a way to meet their maximum plot ratio while complimenting other component(s), in order to add more value to the whole development.

The Emergence of Retail Podium

The term retail podium refers to retail establishments (part of other commercial uses like residential, office, or hotels) located at the lower structure of tall buildings. It is generally found in major cities where land prices are high, and the availability is somewhat scarce. Retail podiums in Jakarta first emerged in 1980s with the opening of new projects such as Ratu Plaza and Gajah Mada Plaza.

To better understand their evolution, this trend is presented in a 10-year periodical order to identify characteristics, typical size, concept and the mix of use. For this example, Savills only includes retail podium with a minimum size of NLA 5,000 sqm.

Programmatic Design Retail Podium

Source: Design in Print

Pre-1990s

Retail podium development prior to the 1990s was very limited. We identify two projects developed before 1990s i.e. Ratu Plaza & Gajah Mada Plaza. As the pioneers, these developments are relatively simple in their layout design and concept.

1980

Ratu Plaza consists of office, retail and apartment units. In terms of size, the retail component is approx. 20,000 sqm. The design and concept are simple, reflecting the trend during this era. This center has not undergone any major renovation since completion. Current tenants are mostly electronics, gadget and furniture retailers.

1982

Gajah Mada Plaza also had a simple design and concept, and is combined only with office use. In terms of leasable space, Gajah Mada Plaza has a bigger area, with around 36,500 sqm. Tenants are a mix of modern national retailers which occupy the ground and lower ground floors, and local retailers that fill the upper floors.

1990s

Mixed-use developments which included a shopping center on their podium levels became more popular and advanced in the 1990s. Development concepts and designs were significant aspects that encouraged developers to hire seasoned global architects to plan their projects. Each center has their own unique character and defined target market. The combination of a shopping center and hotel was also introduced during this era. The three malls listed below are all considered successful up until today as they draw high foot traffic and sales. In terms of NLA, they are much bigger compared to the previous period.

1990

Plaza Indonesia was the first high-end shopping center in Jakarta. Unlike projects in the prior decade, design and concept become important elements. HOK, a renowned American architect, designed Plaza Indonesia. This project can be considered as the forerunner of today's shopping center. It is integrated with office and hotel. Although the mall has been operating for quite some time, it is continually upgraded to meet the market. It launched its eshop recently.

1993

Another national developer, Ciputra, built a major shopping center, namely Ciputra Mall Jakarta (Citraland). The mall was designed by an American architect, proving that planning, design and façade hold a significant role in the project. Spanning 42,700 sqm, the mall is integrated with a hotel function. Middle and middle-up class families are the main target of this mall. Citraland has successfully maintained foot traffic and accordingly its occupancy level.

1996

Taman Anggrek was built by Mulialand, known for its luxury properties such as Hotel Mulia, Menara Mulia and Mulia Resort in Bali. This superblock houses more than 2,800 apartment units across 8 towers. Mall Taman Anggrek, designed by American architect Altoon and Porter, is positioned at the podium of the gigantic project and has a total lettable area of approx. 100,000 sqm, making it the largest retail development of 1990s.

2000s

After the Asian Financial Crisis in late 1990s, the retail podium concept continued to gain popularity. Big scale projects as seen before the crisis (such as Mall Taman Anggrek) expanded into the 2000s, particularly in the upmarket segment.

As strata trade centers flourished in the late 1990s through the early 2000s, a developer combined the leased and strata space to build Plaza Semanggi. The project is a 61,600-sqm mall, with an office component and a concert hall. In a later period, the management decided to buy back some strata space and convert it into leased area.

2003

2006

In 2006, Senayan City and few middle-up malls (incl. fX, Bellagio, Bellezza) were introduced. In terms of size, the upscale Senayan City was much larger than the middle-up projects. Furthermore, Senayan City is much better planned compared to Bellagio, Bellezza and fX Sudirman which was redesigned due to its underperformance in its early years. From a design perspective, Senayan City is also more attractive compared to the rest.

2007

Two prominent projects were opened in 2007 – Grand Indonesia (NLA approx. 140,000 sqm) and Pacific Place. Global architecture firms were hired for these projects. Both malls offered distinct concepts and well-planned layouts. Another project, Citywalk Sudirman was developed as the podium of a smaller mixed-use development to cater to surrounding CBD employees.

To capture demand from affluent consumers in West Jakarta, Central Park Jakarta was built by the same developer of Senayan City, Agung Podomoro Land, with an area of almost 120,000 sqm – making it only second in size to Grand Indonesia. The mall was part of superblock development which included a hotel, apartments and shophouses.

2009

Early 2010s

Following the trends developed in the 2000s, more quality malls were generated in the market; During this period, developers seemed to be interested in building upper grade retail podiums considering their limited stock.

2010

A Surabaya-based developer, Pakuwon Jati opened a mall in Jakarta, Gandaria City which spanned almost 100,000 sqm. The project consists of residential, office and hotel.

2011

Agung Podomoro Land engaged in middle-up projects (Kuningan City 55,800 sqm) and middle-low segments (Kalibata City Square in cooperation with Synthesis Development). A local developer also took part in building the retail podium; Grand Paragon opened in 2011.

2012

In 2012, Pakuwon Jati completed another project, Kota Kasablanka with 111,100 sqm of NLA. Lippo Mall Kemang by Lippo was also completed during this year.

2013

Ciputra Group broadened its retail portfolio through the Lotte Shopping Avenue project. Around 81,000 sqm of leasable area was offered. Agung Podomoro continued to add to its middle-up malls; Baywalk opened in 2013. However, its secluded location is seen to hinder the mall from achieving optimum performance.

2014

In 2014, Lippo Group completed its mixed-use project in West Jakarta, namely St. Moritz. Like other upper grade projects, Lippo Mall Puri also has a sizable leasable area.

2015

During 2015, many middle-up malls with much smaller sizes opened their doors. However, the retail components of most of these projects are not so popular.

In just few decades, retail podiums in Jakarta has evolved from a simple and basic scheme to an advanced and complete offering. Plaza Indonesia was a breakthrough in the shopping center model in the early days.

Along the way, mall sizes have also grown; from around 37,000 sqm (the biggest in 1980s) rising to around 100,000 sqm in the late 1990s then over 120,000 sqm in 2000s. Large-scale developments continued into early 2010s before dwindling in 2015.

Generally, most early quality projects have remarkable performances. However, as retailers were more selective in their expansion following the impact of the global economic downturn in 2008, the competition among mall owners to attract tenants also intensified. Retailers with strong networks and capital preferred quality malls over standard average malls. The tight conditions put pressure on malls completed in this period like Bellagio and Bellezza Shopping Arcade. Given their sheer size, these retail podiums experience low occupancies and foot traffic due to a lack of quality tenants and attractive mix. Another case of low occupancy and foot traffic in mall podium projects is also caused by inferior design (i.e. complex floor lay-out) and poor market timing of the project opening. This could be seen in projects like Kuningan City – notwithstanding a strategic location in the heart of CBD.

Retail Podium Evolution

Pre-1990s

Simple design
Relatively small size

1990s

More advanced design
Bigger area

2000s to early 2010s

Complex design
Even bigger area

Key Success Factors

Location, Accessibility

Scale, Design, Concept

Timing (Market-Economy)

Tenancy (Quality-Mix)

Operational Experience

Latest Developments in Podium Retailing

As a result of strict government measures in issuing new permits for mall developments in Jakarta, there were a limited number of stand-alone malls developed in Jakarta post-2013. Conversely, the market witnessed a lot of podium retailing concept being planned since then – with these projects finally entering the market from 2015 onwards. As supporting retail, the scale of these developments is relatively small compared to typical mall podiums developed in the early periods.

Below is a snapshot of selected retail podiums completed in the past five years.

GP Plaza

GP Plaza, opened in 2014, consists of apartment and office. The project was originally planned to have supporting retail. Nonetheless, the retail part is barely known and only has a few tenants catering to office users. Despite its central location, access to the building is very limited as it is situated on a one-way road. Moreover, its small scale and narrow frontage hardly supports the retail function.

L'Avenue

L'Avenue is a mixed-use development comprising office, apartment and retail. The retail area is about 9,000 sqm. Despite being located on a main road, the retail component does not have any frontage to the main road; this may be the reason why the project is not so successful – only the building users would support the project.

18 Office Park

This project is designed to have 2 office towers but until now only 1 has been completed. Each tower comprises 40,000 sqm, with 35,500 sqm of office space and a 3-floor retail area.

Although located in the Simatupang area which is envisioned to be the next CBD of Jakarta, the project also found difficulty in filling up its vacant areas. A lack of scale and grand retail façade make the retail component less attractive.

Menara Sentraya

Menara Sentraya is a combination of strata and leased office. The whole building area is around 135,000 sqm across 41 floors, with only 7,000 sqm dedicated for retail purpose.

Similar to prior projects, the retail component of Menara Sentraya has no exposure to the public road.

South Quarter DOME

Intiland completed a 3-tower office with retail podium in 2015. The retail area is only about 8,000 sqm.

While South Quarter has an appealing design, unfortunately, the position of its retail function is in the middle of the complex with no frontage to the road. The tenant mix is mostly F&B with some other stores to fulfill daily needs (of employees) like drug store, grocery and dental clinic.

Titanium Square Mall

Located in East Jakarta, the project houses apartment, hotel and retail. Its retail area is about 5,000 sqm.

This retail project lacks design and scale. With only one supermarket available in the project, it seems to merely serve apartment residents and hotel guests.

Bella Terra Lifestyle

Bella Terra, opened last year, is a hotel, office and retail integrated development. The area of the retail is about 22,500 sqm. Despite its larger retail area compared to some projects mentioned earlier, its scattered layout, poor detail, lack of signage and segregated connection (for example, supermarket at the lower ground floor can only be accessed from specific parts) make the space less preferable.

Lifestyle Center @ SOHO Pancoran

Opened in 2018, SOHO Pancoran provides around 8,000 sqm. Office is located above the retail area. Built on a small land has forced the retail portion to be built vertically instead of horizontally. Furthermore, many small span columns, a result of structures from the upper segment, create visual obstructions on the retail portion and a challenging maneuver for basement parking.

Characteristics of Latest Retail Podiums

A smaller scale seems to indicate a shift towards an ‘arcade’ concept which is likely due to its function as supporting facility. A smaller size, however, does not mean easier to fill up – instead it is more challenging. Smaller projects would typically find difficulties to compete with larger developments as the scale itself functions as a magnetic element to pull and create traffic to the shopping center. Additionally, quality retailers, which attract high traffic, may not be interested to expand in small developments.

In terms of mix, many retail podiums developed recently are connected to other – in most cases, only one – component, mainly an office or apartment tower. In earlier periods, most of the mall podiums were part of big mixed-use projects which comprised at least three configurations – in many cases, the typical mix is office + apartment and complimented with retail malls.

With fewer components, the appeal of the whole development is generally less attractive. In other words, retail components which are part of small mixed-use development would find it more challenging to attract visitors from outside the project if there are no significant pull factors.

Latest Consumer Trends

After going through many changes in the past few decades, the next question is how this sector will be developed in the future? If the evolution of shopping centers in the past was more developer-driven, nowadays it is consumer-driven. Understanding consumer preferences is critical, yet it is also challenging to comprehend their expectations. Retailers around the world today try to capture the millennials due to their large share and influence on the retail landscape.

In Indonesia, about 34% of the population are considered millennials.

Surveys reveal that Indonesian consumers are now more into experience rather than commodity – in line with global trends. Based on Neurosensum's survey, Indonesian's share of the wallet in 2018 compared to 2016 grew by 36% in travelling, 46% in movies/ concerts, 47% in gadgets and 100% in data. Meanwhile expenditure on FMCG declined. Furthermore, consumers became more health-conscious. Gyms, wellness and sport activities are more popular these days. Improving health awareness also means heightened hygiene levels.

Another new trend is the emergence of private labels. Many youngsters in the mid-class category prefer private over established brands. Yet, Indonesians demand for established and high-end brands are also high. Both private and high-end labels try to emphasize uniqueness; private labels may offer attractive merchandise at value while high-end fashions offer exclusivity in entering their "clubs". Global fast-fashion brands like Zara and H&M get the upper hand as they provide constant newness along with a trendy look.

With changing consumer preferences, malls need to reinvent themselves or lose their customers. Malls of the future should provide beyond shopping experiences while stores will be showrooms instead of merely transaction spots. Active interaction between mall management and retailers is expected as each party's requirements, barriers and goals will become higher and more complicated than before. More advanced technology and appealing displays translate into a big investment figure. As such, retailers and mall owners need to rethink leasing terms that work for both sides.

An emphasis on the experience element has also popularized the 'retailtainment' term – a fusion of entertainment and retail spaces. Themed retail, a blend of restaurants and game/sport arcades can generate thrill. In the western world, some tenants have combined restaurants and entertainment under one roof, such as A4Cade, Dave & Buster's and The Painted Duck. Tenants can even collaborate – creating a unique combination like H&M x Moschino, Coach x Selena Gomez, LV x Supreme – to bring a new level of excitement.

Another approach that can excite customers is creating a sense of the temporary. Malls have implemented this method for a long time by holding special events during specific times. But in the new retail world, malls can use it to accommodate the emerging private labels by providing space for pop-up stores. Furthermore, the ever-changing roster of pop-ups will create a constant newness which matches today's expectations. Also, raising awareness of a healthy lifestyle means more sqm allocated for health and wellness tenants. Adopting a sustainable concept can express developers' concerns over health and environment which will eventually deliver them a positive image.

Malls of the future should be innovative and quickly adapt to rapidly changing customer behavior. They should become places where people want to be; that said, developers should also include an emotional connection to their target market. Incorporating heritage value, special curated spaces as well as more public spaces can invite surrounding and/or specific communities. Those public spaces can be used for various attractions to boost customer engagement which in turn can increase traffic and revenue.

Some Ideas to Rejuvenate Malls

Well-synergized & seamless integration among various uses can increase mall traffic

INTEGRATED MIXED-USE DEVELOPMENT

Right mix of programs and tenants can attract various communities

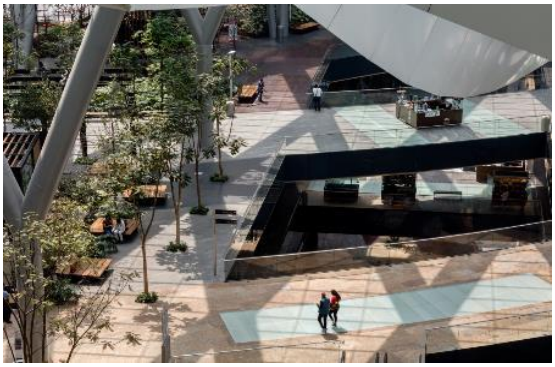
GOOD MIX OF PROGRAMS & TENANTS

CREATE WOW FACTOR

Innovative structure, eye-catching design and materials make people want to be there and experience the space. Cool design will make it a hot 'instagrammable' spot

PROVIDE COMMON SPACE

A shopping center is no longer merely a commercial facility where retailers display and sell products; it should be a place for community too where people can enjoy spending their time. Common space /public realm can encourage engagement with the surrounding community and people.



INCORPORATE TECHNOLOGY

Experiencing cutting-edge technology is a major draw to visit shopping centers.

Going Forward

Prior to the e-commerce boom, developers had a big role in defining mall trends while consumers, left with no choice, tried to enjoy what was available in the market. But technology advancements have made the story totally different today. Vast options are readily available with one click.

With such great convenience and choice, consumers have become more demanding and selective; as such, nowadays consumers determine the retail landscape.

Such transformations have affected retailers' and mall owners' performance. To ensure their survival in such a competitive environment, both need to collaborate and become extra careful in making decisions and exploring innovations to meet consumer expectations. They need to understand customers to maintain and broaden their shopper base. Experience, leisure, wellness, authenticity and personalization should become the focus.

As much as retailers shift their approaches to match their customers, mall owners also need to reinvent themselves. In attracting customers to the mall, a WOW factor is a must. Cool design will make people want to be there and experience the space. Striking design can also be used to advertise the mall through social media and create a 'Fear of Missing Out' frenzy to increase footfall.

Also, incorporating common space and technology are essential as shopping centers are now more than just a place to shop – it is about experience, entertainment, leisure and lifestyle. Going forward, shopping centers need to quickly adapt to the rapidly changing retail landscape.

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