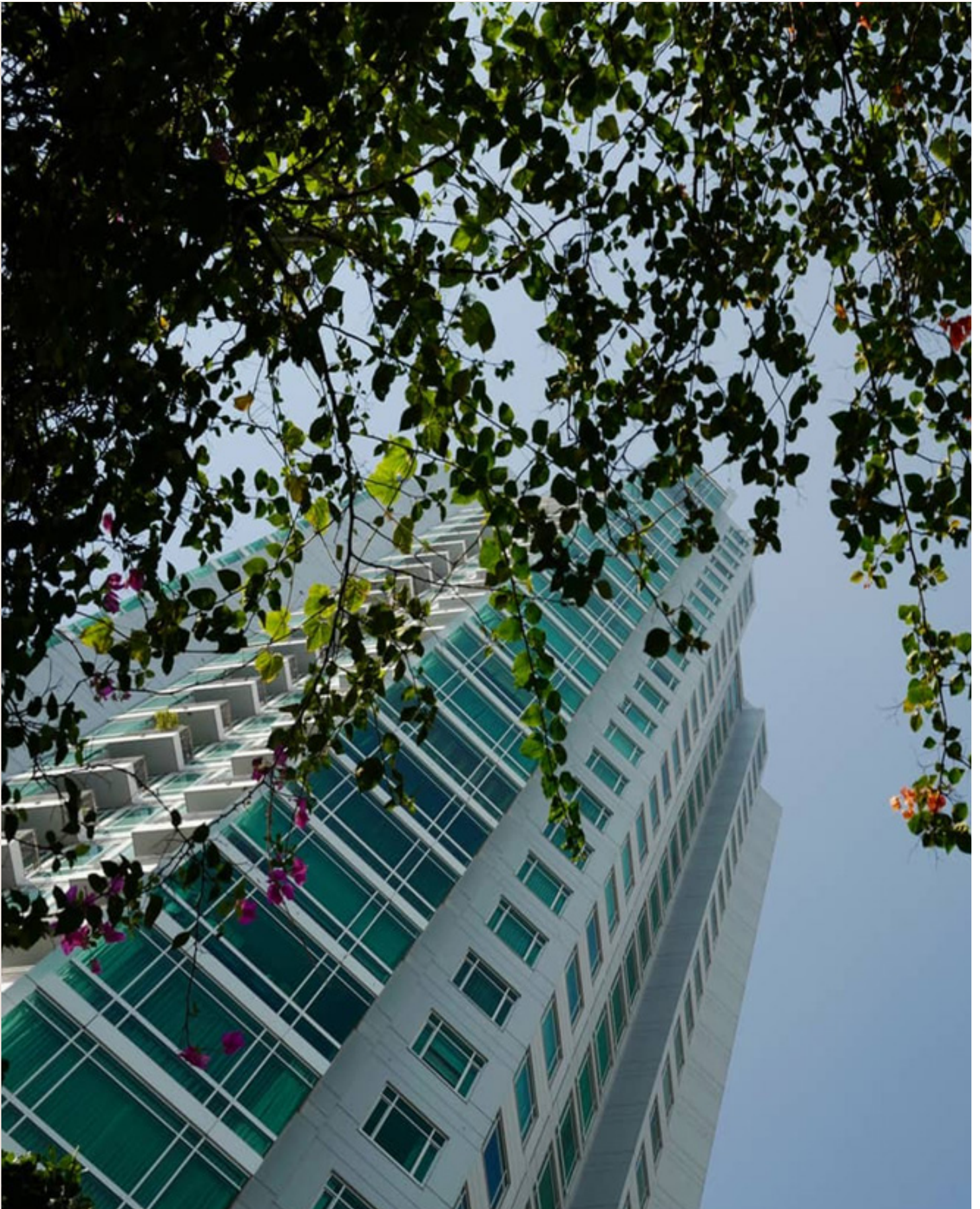


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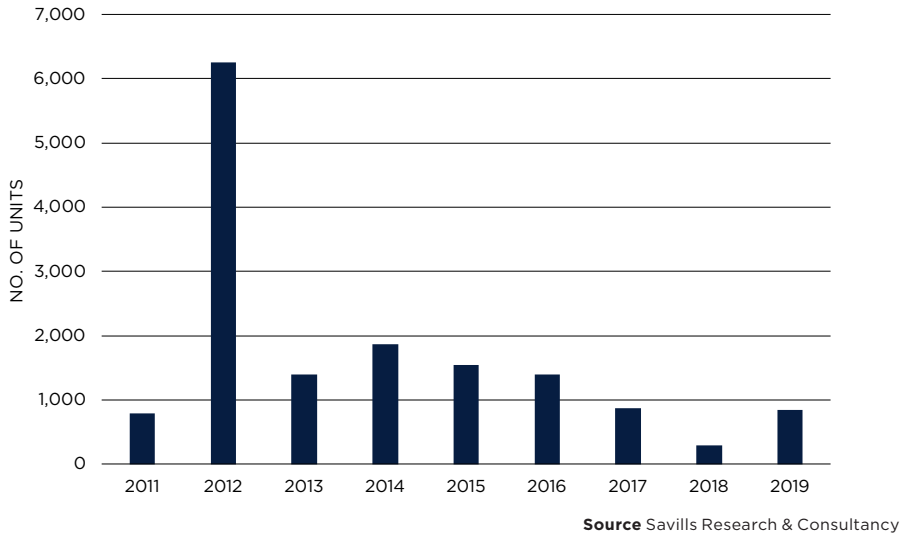
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**SPOTLIGHT**  
*Savills Research*

# Jakarta Luxury Apartments

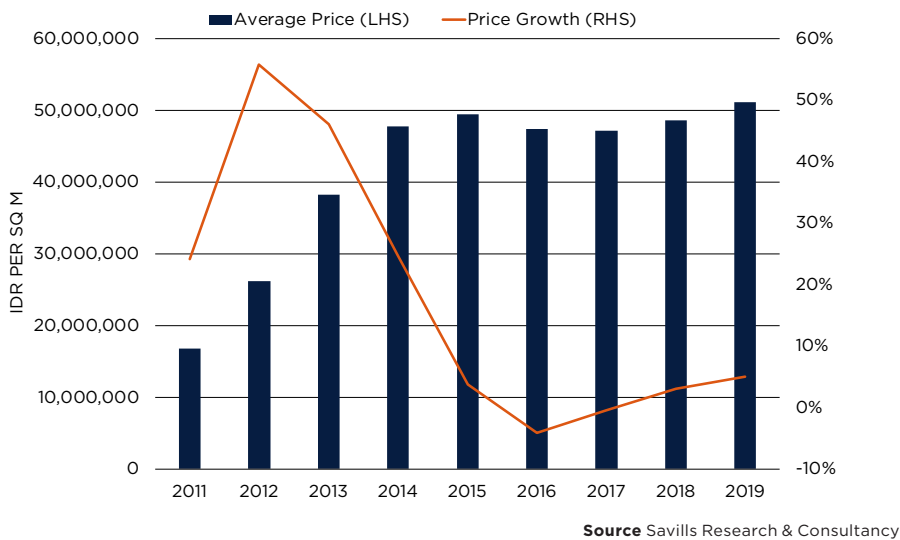


# Investment potential in an emerging niche sector

**GRAPH 1: Luxury Apartment Performance, 2011 to 2019**



**GRAPH 2: Average Price and Growth Rates, 2011 to 2019**



## INTRODUCTION

A luxury apartment is perceived as a symbol of prestige and achievement among wealthy individuals in most of the world's metropolitan cities. As the capital city of Indonesia, Jakarta has seen an increasing number of luxury apartment projects over the past decades. However, compared to neighbouring countries, the luxury apartment market in Jakarta is relatively small and yet to attract interest from overseas investors. On the other hand, many Indonesian high net worth individuals (HNWIs) have traditionally bought apartments offshore in Singapore, Hong Kong, Sidney and various first tier US cities. In this publication, we try to explore the factors contributing to this phenomenon and why the local market lags behind others.

## LUXURY APARTMENTS

Luxury apartments are defined as premium grade residential properties with a minimum unit size of 250 sq m offering a wide range of amenities. They are typically located in prime low-density residential districts as well as the CBD. Typical amenities are of the highest quality and include world class resort gardens and sports facilities such as Olympic-size swimming pools, exclusive spas, high-end fitness centres, executive valet services and in several cases, fine dining restaurants.

In Jakarta, luxury apartments were initially introduced in the early 1990s in Kebayoran Baru, South Jakarta with Apartment Permata Hijau among the first developments. Kebayoran Baru district is a popular location for the expatriate community and thus it became a preferred area for pioneer projects with developers targeting expatriates as tenants. Later, luxury apartment projects expanded to strategic areas such as Kuningan, Senayan and Setiabudi, closer to the CBD to attract not only foreign expatriates, but also wealthy local families and investors. Along with commercial developments in the CBD in the 1990s and 2000s, the luxury apartment market also began to flourish in the prime districts of Sudirman, Thamrin and Gatot Subroto, with more high-end projects typically branded by international five-star hotel-operators who manage the premises and its facilities.

Luxury apartment development in Jakarta reached a peak in the early 2000s then again in 2012 but later slowed from 2016 onwards. After some new projects between 2017

and 2019, supply growth is anticipated to remain soft until 2023. In order to support market growth, the Ministry of Finance issued a Luxury Tax (PPNBM) amendment in 2019 requiring buyers to pay 20% PPNBM for apartments priced above IDR30 billion (previously IDR10 billion).

In term of supply distribution, the CBD accounts for more than half of all luxury apartment stock, with around 56%. Meanwhile, as a popular district for expats and an affluent community, South Jakarta dominates stock outside the CBD, accounting for 36%. Prime areas in this region include

## The first luxury apartments in Jakarta were developed to accommodate the growing expat population during the economic boom in the 1990s. From upscale neighbourhoods in the CBD fringe, later developments expanded into the golden triangle.

Kemang, Pondok Indah and Dharmawangsa.

Recently, a number of foreign developers have also begun to participate in luxury apartment development, attracted by the large number of local HNWIs from major cities including Jakarta itself, Surabaya and Medan.

Some of their projects are labelled or linked to international chain hotels. Recent entrants include:

- Hongkong Land completed the Anandamaya Suites development in the prime Sudirman area.
- Pollux Properties from Singapore launched Pollux Sky Suites in Mega Kuningan district.
- Sun and Moon Dharmawangsa by Tatemono Japan launched a high-end project in Dharmawangsa, an upscale residential neighbourhood close to the CBD.

### PRICE TRENDS IN JAKARTA

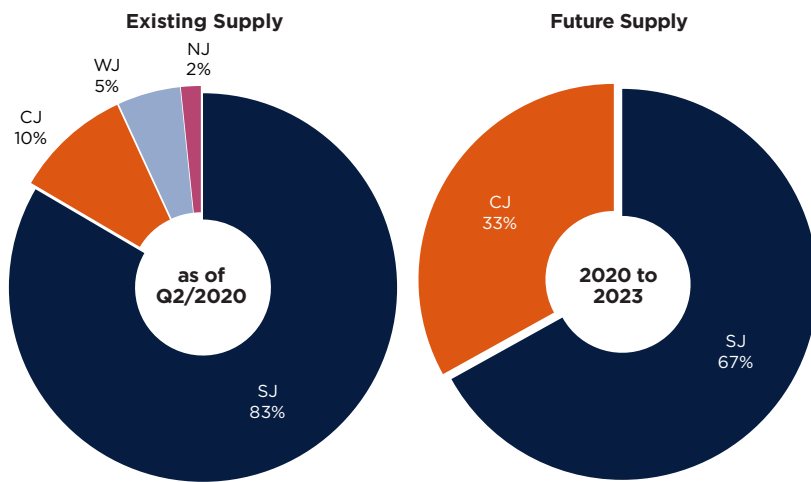
#### South Jakarta

Prime residential areas in South Jakarta are located relatively close to the CBD and include Senayan and SCBD and are therefore highly sought after by most buyers. In 2012, average prices in South Jakarta rose significantly to around IDR24 million per sq m, an increase of around 63% from IDR14,7 million per sq m the previous year. By 2019, the average price of a luxury apartment in this region stood at around IDR48 million per sq m.

#### Jakarta CBD

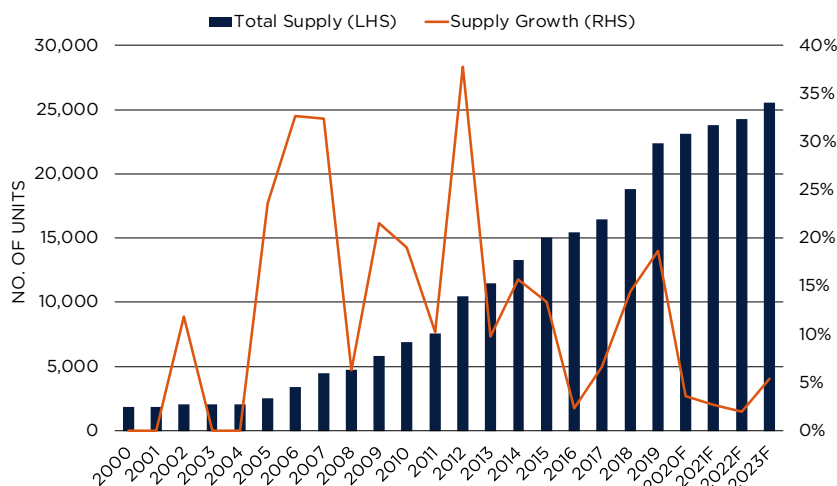
As the most prime district in the capital city, apartment projects the CBD command the highest prices compared to other regions. The peak of price growth took place between 2013 and 2014, which resulted in average market prices of around IDR55 million per sq m. Because of the softening in the past couple

GRAPH 3: Existing and Future Supply By Area



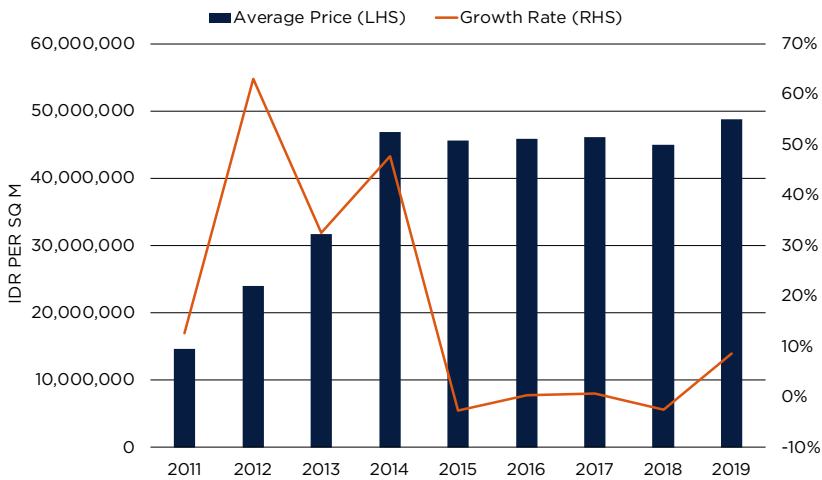
Source Savills Research & Consultancy

GRAPH 4: Luxury Apartment Supply And Growth, 2000 to 2023F



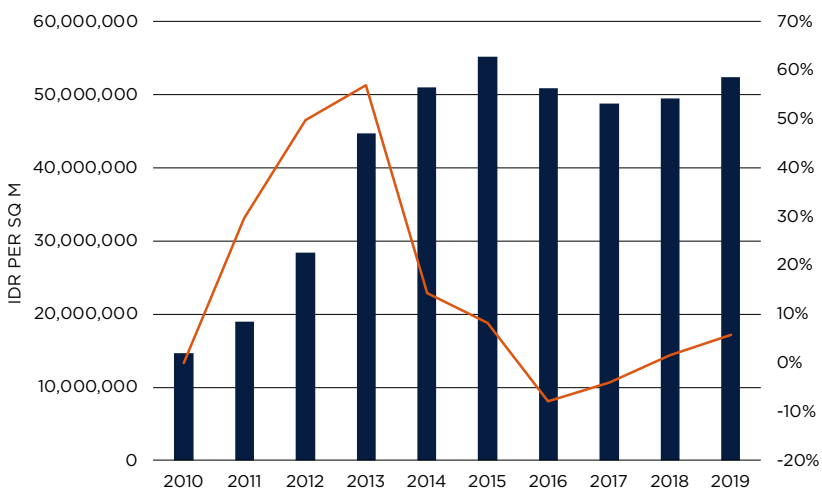
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**GRAPH 5: Average Price and Growth Rate in South Jakarta, 2011 to 2019**



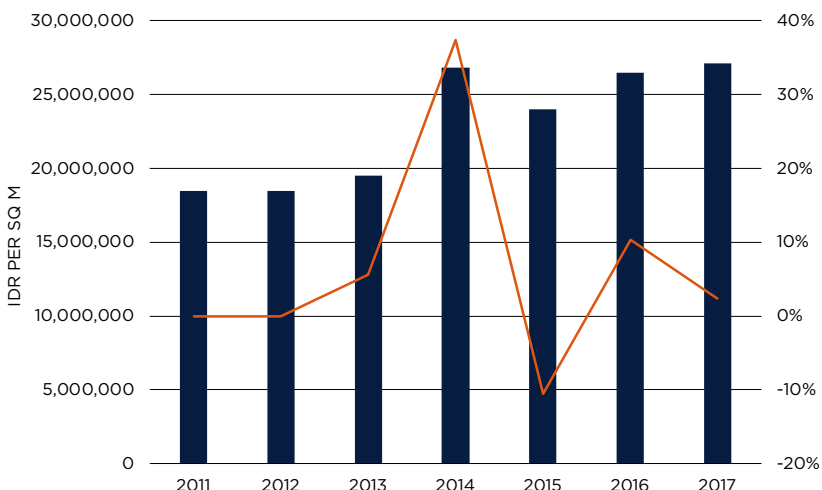
Source Savills Research & Consultancy

**GRAPH 6: Average Price and Growth Rate in Jakarta CBD, 2011 to 2019**



Source Savills Research & Consultancy

**GRAPH 7: Average Price and Growth Rate in West And North Jakarta, 2011 to 2019**



Source Savills Research & Consultancy

of years, the average price in the CBD now stands at around IDR52 million per sq m.

**West and North Jakarta**

West and North Jakarta are popular locations among the affluent local Chinese community. There are a number of quality developments in this region, yet compared to the CBD and South Jakarta, the average price in West and North Jakarta is much lower. The average price in 2017 was around IDR27 million per sq m and remains relatively stable at that level.

**MARKETS IN THE REGION**

Despite the high quality and extensive amenities offered by luxury apartment projects in Jakarta, the market has grown at a relatively slow pace compared to other markets in the region. Furthermore, current property law still limits the ownership of foreign buyers or investors in the local market. Following is a more detailed description of the regulatory environment as well as price growth data in each of the major markets in ASEAN.

**BANGKOK**

**Foreign Ownership**

- Allowed but no more than 49% of total units in a single apartment project can be owned by foreigners.
- Total purchase amount is to be paid out of foreign currency transferred to Thailand by the foreign buyer.
- The exchange into Thai Baht must be done in Thailand.

**Price**

The average luxury apartment price in Bangkok stands at approximately THB150,000 or USD4,750 per sq m. In the CBD, the approximate price for a one-bedroom unit is THB10 million or USD317,800 per unit.

**Taxation**

Property taxes and fees in Thailand are very low (they don't charge an annual property tax), but buyers must pay some taxes and fees when buying a new apartment in Bangkok:

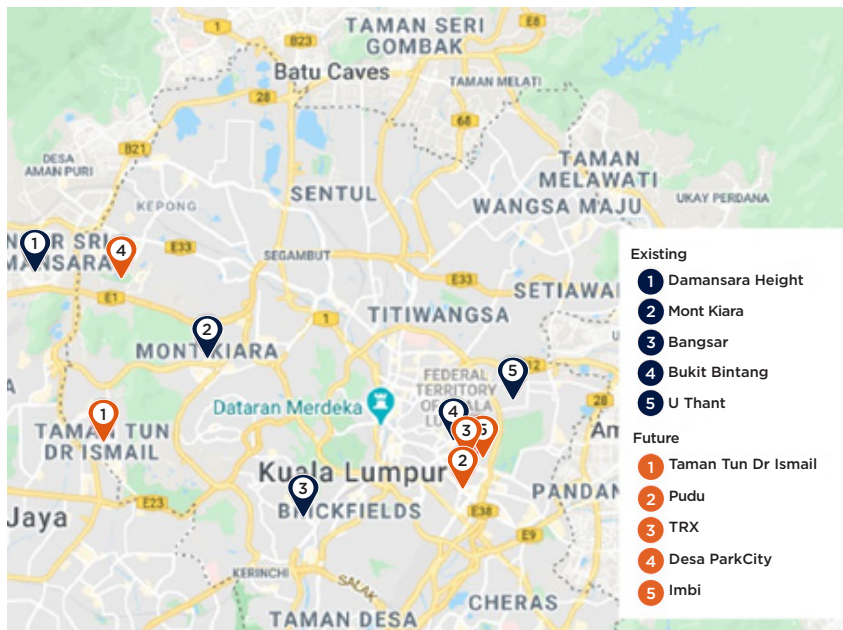
- Transfer fee  
2% of the official government appraised value of the property paid by seller and buyer (1% by each party) to the Thai Lands Department in order to transfer ownership of the apartment.
- Stamp Duty  
0.5% of the appraised value or agreed sales price paid by the seller.
- Specific business tax  
3.3% of the government appraised value or agreed sales price, whichever is higher. Specific

MAP 1: Key Luxury Apartment By Area in Bangkok



Source Google map, Savills Research & Consultancy

MAP 2: Key Luxury Apartments in Kuala Lumpur



Source Google map, Savills Research & Consultancy

business tax is payable by companies and individuals who have owned the apartment for less than 5 years.

d. Income tax/withholding tax  
Tax must be paid by owners who sell their property. The final calculation is based on property appraisal value, ownership period and deduction based on depreciation value.

**KUALA LUMPUR Foreign Ownership**

Allowed with requirements i.e. minimum selling price of approximately MYR1 million or USD240,027 per unit. However, to boost the market, in 2020 the government cut the foreign buyer price threshold to MYR600,000.

**Price**

The average high-end apartment transaction price in Kuala Lumpur is about MYR8,800 - MYR14,700 per sq m or USD2,112 - USD3,528 per sq m. Newly launched projects average more than MYR21,100 per sq m or USD5,064 per sq m.

**Taxation**

Sales Taxes

a. Stamp duty  
Frequently paid on the sale of a property by the buyer. The rate of stamp duty is set progressively: 1% on the first MYR100,000, then 2% up to MYR500,000 and 3% above that. In addition, if a buyer takes a bank loan, they have to pay stamp duty of 0.5% of the loan amount.

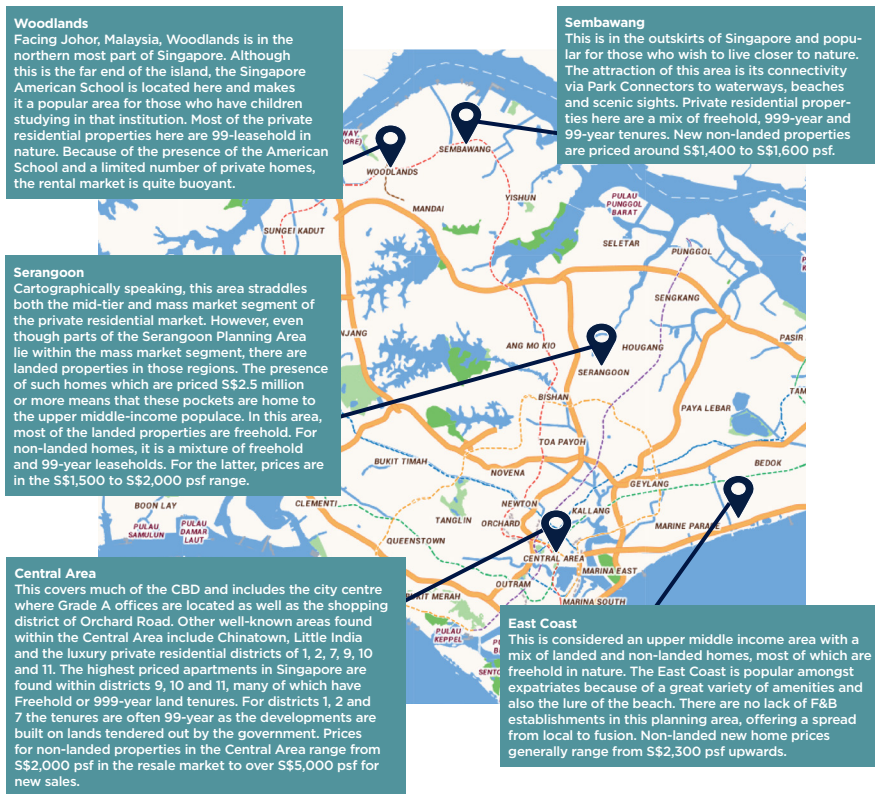
b. Real property gains tax  
Paid by the property owner who sells the property. The owner is not required to pay the capital gain, but they are required to pay a specific tax on gains from the property. As of 2020, government revised the RPGT imposed on the disposal of properties after a five-year period by individual citizens and permanent residents, by setting the market value on 1st January 2013 as the property acquisition price for properties acquired.

Maintenance Taxes

a. Assessment tax  
The tax that is based on the annual rental value and paid by the owner to the local authorities. The rate is assessed by local authorities but is commonly around 4% to 6% of rental value and is payable in two installments.

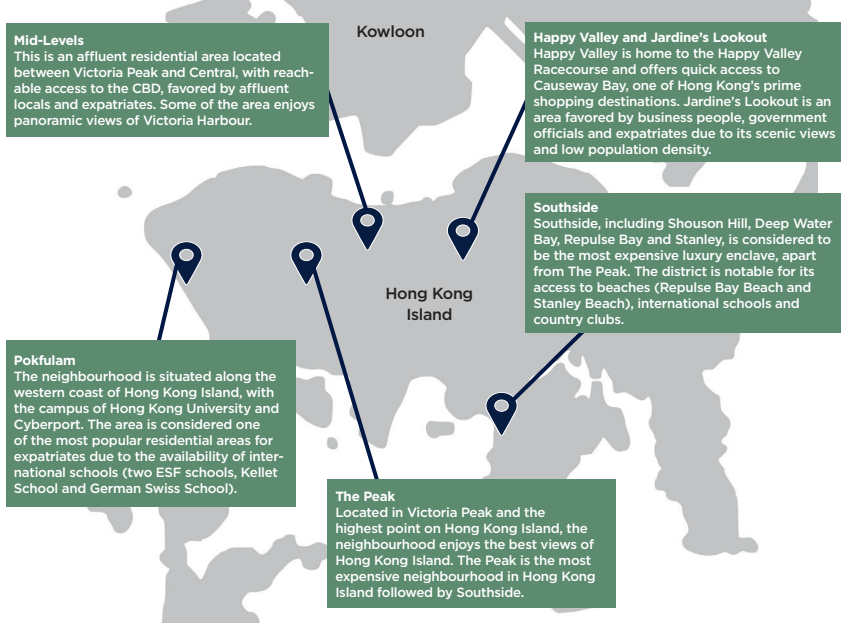
b. Quit rent  
A local tax levied on all landed properties and paid yearly by the owner to the State Government. The rate varies, depending on the State. The rate ranges between 1 sen and 2 sen per sq ft. The quit rent liability is generally estimated to be less than MYR100 or USD24 per year.

Map 3: Key Luxury Apartments By Area in Singapore



Source Onemap.sg, Savills Research & Consultancy

Map 4: Key Luxury Apartments By District in Hong Kong



Source Savills Research & Consultancy

**SINGAPORE**

**Foreign Ownership**

Under the Residential Property Act, foreigners can buy public housing or private property without approval from the Singapore Land Authority and are treated similarly compared to Singapore citizens. While for landed houses, foreigners require government approval first.

**Price**

Most foreigners who buy luxury apartments in Singapore are Chinese millionaires from mainland China. In 2019, more than 70 apartments with prices of more than S\$5 million/unit or USD3.6 million/unit were bought by Chinese citizens.

**Taxation**

a. Additional Buyer's Stamp Duty (ABSD)  
Foreigners pay 15% of the total value of an apartment, for permanent residents only 5% for a first property and 10% on subsequent purchases, while for Singapore citizens, they do not pay for their first property, 7% for a second property and 10% for subsequent property.

b. Annual property taxes

Annual property tax rates are progressive, based on annual rental value. There are two types of annual property tax rates: Owner-Occupied Property Tax Rate (if you are staying in the property) and Non-Owner-Occupied Property Tax Rate (if you are renting the property). For foreigners and permanent residents, they must pay an additional 10% on top of each rate.

**HONG KONG**

**Foreign Ownership**

All land in Hong Kong is held leasehold and foreign investors have the same property ownership rights as locals.

**Price**

Hong Kong luxury apartment prices average around USD25,000 per sq m. This impressive price is due to the city's high population density, its status as a global financial centre and a severe land shortage among other reasons.

**Taxation**

An apartment tax is payable annually by the owner at a standard rate of 5% of net assessable value by the year of assessment starting on 1 April and ending on 31 March in the following year. Net Assessable Value is calculated from "assessable value" which is computed from the rental income paid or payable to the owner as well as other income to the owner with regard to allowing the right of use of the property.

**Table 1: Summary of Luxury Apartment Markets By City**

	JAKARTA	BANGKOK	KUALA LUMPUR	SINGAPORE	HONG KONG
Average Price	Starts from USD2,800 per sq m	Starts from USD4,750 per sq m	Starts from USD5,064 per sq m	Starts from USD14,400 per sq m	Starts from USD18,270 per sq m
Taxation	- 20% luxury tax (PPNBM) - No difference in property taxes for locals and foreigners	- No additional tax for luxury apartments - No difference in property taxes for locals and foreigners	- No additional tax for luxury apartments - Foreigners face higher taxes than locals	- No additional tax for luxury apartments - Foreigners face higher taxes than locals	- No additional tax for luxury apartments - No difference in property taxes for locals and foreigners
Foreign Ownership	Hak Pakai (Right of Use) title with minimum price of IDR1 billion or around USD70,000 per unit	Freehold without a minimum price, but foreign ownership in a project is limited to 49% only	Freehold with a minimum price of RM600,000 or around USD144,000 per unit	Leasehold with no minimum property price	Leasehold with no minimum property price

Source Savills Research & Consultancy

**CONCLUSIONS**

The regulatory environment is perceived as one of the main constraints for the luxury apartment market in Jakarta. Limits on property ownership by foreigners and high taxes are two major factors contributing to low competitiveness compared to other markets in the region such as Bangkok, Kuala Lumpur, Hong Kong, Singapore, Manila and even Ho Chi Minh. Despite many local HNWI's, the luxury apartment market small at less than 25,000 units in total. This reflects the habit among wealthy Indonesians to spend abroad rather than at home. Meanwhile, expatriates and foreigners living in Indonesia face barriers to buying apartments here as no developments so far have the necessary Hak Pakai land title (a temporary land use right of not more than 30 years, renewable for a further 20 years and then by a further 30 years as agreed with the holder of the land certificate).

Jakarta is the cheapest market compared to others despite the development quality offered in most projects being comparable or better than most other markets. This provides a good foundation for Jakarta to compete to attract foreign buyers or investors. As the biggest economy in ASEAN and an emerging powerhouse, Jakarta has the potential to attract overseas businesses to the country. As such, demand for quality residential stock built to international standards will continue to grow and accordingly, the luxury apartment market is seen as a good prospective investment in the longer term.



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