Savills World Research
Indonesia

Spotlight
Office ● Jakarta

February 2020

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The Economy

2019 has been a tough period for the global economy with trade tension between US and China and recessions in some countries. World GDP growth recorded its weakest pace since GFC a decade ago, reflecting common influences across regions and country-specific factors.

While economy this year is predicted to grow moderately, many expect that the bottom has passed. Yet, downside risks remain with US-Iran conflict, surmounting debts worldwide and unfinished trade talks – these may hamper global recovery.

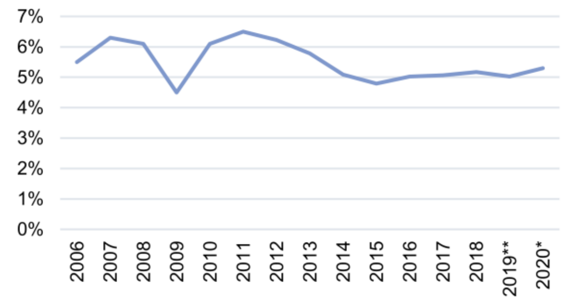
As As part of the open market, Indonesia cannot escape from various global issues. In order to achieve economic target, the country should quickly response and put a balance between sustaining growth momentum and maintaining macroeconomic and financial stability.

Indonesia has so far sustained a solid growth on the back of strong domestic consumption, fiscal expansion and export growth. The government massive spending on infrastructure is expected to continue while development on human capital - through education and health is anticipated to improve. Furthermore, structural reforms have been widely implemented in many aspects, including laws and regulations. For instance, government had proposed to the parliament Omnibus bill to amend around 74 laws in efforts to cut red tapes.

Indonesia's economic growth for 2020 is projected to increase modestly. The government is targeting GDP growth at 5.3% – higher than 2019 (estimated) growth rate of 5.0%.

Indonesia has so far sustained a solid progress on the back of strong domestic consumption, fiscal expansion and export growth. The government massive spending on infrastructure is expected to continue while human capital development program through education and health is anticipated to improve.

CHART 1
Indonesia GDP Growth



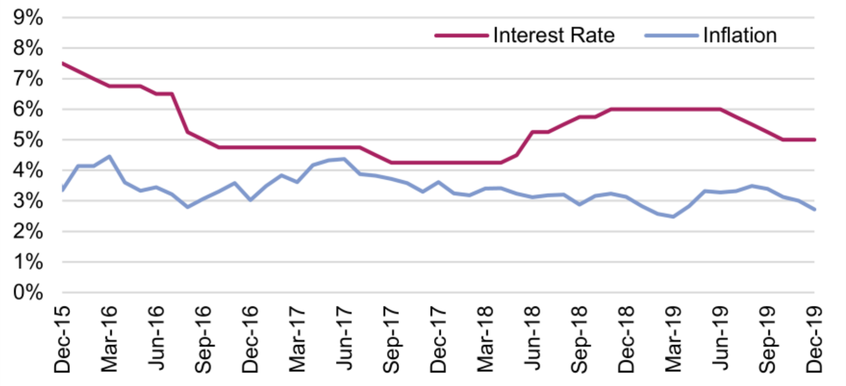
Source: BPS *) Government target

TABLE 1
Key Figures – Indonesian Economy

	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP Growth (%)	6.50	6.23	5.78	5.09	4.79	5.02	5.07	5.17	5.02**
Interest Rate (%)	6.00	5.75	7.50	7.75	7.50	4.75	4.25	6.00	5.00
Inflation Rate (%)	5.38	4.28	6.97	6.45	6.38	3.02	3.61	3.13	2.72
Exchange Rate (USD/IDR)	9,068	9,670	12,189	12,440	13,795	13,436	13,548	14,481	13,091
Unemployment Rate (%)	6.56	6.07	6.17	5.94	6.18	5.61	5.50	5.34	5.28

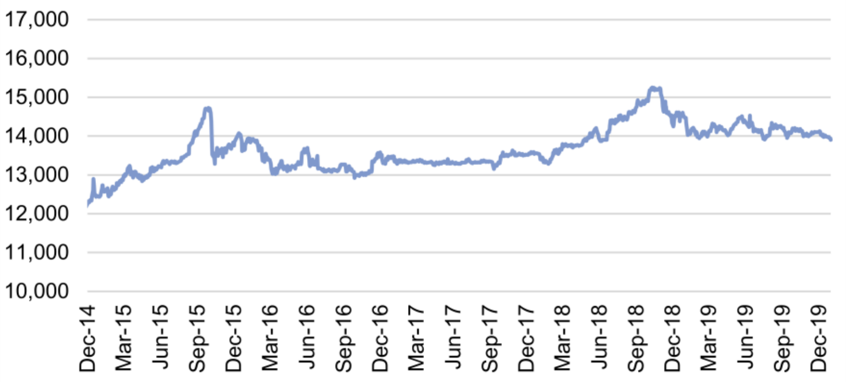
Source: BPS. BI, MoF *) government target, unless other mentioned **) latest data available

CHART 2
Benchmark Interest Rate & Inflation



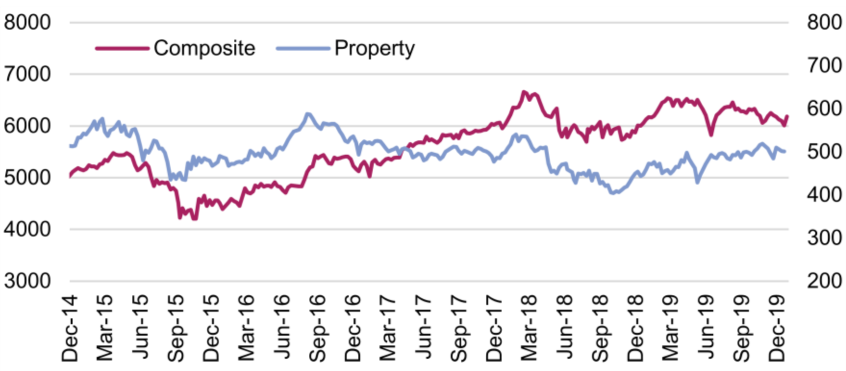
Source: BPS, BI

CHART 3
Rupiah Exchange Rate (USD/IDR)



Source: BI

CHART 4
IDX Composite & Property Index



Source: BEI

To anticipate the sluggish economy, Indonesian government has implemented some policies to ensure domestic stability and resiliency. In line with global trends among central banks in cutting off interest rates, Bank Indonesia also trimmed the benchmark interest rate four times in 2019 – which now stood at 5.0%.

The move had some positive impacts to support low inflation and relatively stable rupiah. By end 2019, inflation rate stood at 2.7% which still within the target range of 2.5%-4.5%. As for 2020, the government targets the inflation rate at 3.0±1%.

Meanwhile, rupiah exchange rate against US dollar have been relatively stable in 2019 and it was closed at IDR 13,900 by end-Dec. Solid foreign reserves (approx. USD 129 billion) helped to maintain the rupiah.

Furthermore, the government recently announced to lower oil and gas prices in early 2020. If realized, this will help to reduce household's gasoline expenditures that in turn would boost spending in other sectors including in the property sector.

Aside from the above, the government continues their efforts to cut red tapes and providing more tax provisions to spur investments. Compared to other countries in the region, Indonesia with much bigger economy and healthier GDP growth should be able to attract international and foreign companies to do business here. Interests in the last few years remained high with energy and trading sectors became investors' focus.

With more acceleration in economic growth and better policies in place, we expect to see gradual improvements in spending power as well as better wealth distribution. As such, we expect inquiry from both end-users and investors to gradually strengthen, while more corporate expansion would translate into more demand in sectors like office, logistics and hotel accommodations.

However, we also believe that developers should wisely manage their expectation particularly on their pricing to make it more attractive in order to win the competition during a tough market condition.

CBD Office

Five new buildings were completed in 2019. Sequis Tower, Sudirman 7.8, Millennium Centennial Center, Social Security Tower and Menara Binakarsa – all combined added around 262,000 sqm of new supply to the CBD market.

Sequis Tower, Sudirman 7.8 and MMC are located in Sudirman area while the rest are situated in Kuningan area. The new buildings are categorized as Premium Grade (Sequis Tower and MCC), Grade A (Sudirman 7.8 and Social Security) and Grade B (Menara Binakarsa). By size, additional supply from Premium Grade dominated with 68% of all new completions.

The new completions brought total existing stock in Jakarta CBD up to almost 6.6 million sqm. Of that figure, Grade A remained the largest proportion of the total existing stock (39%), followed by Grade B (28%), Premium Grade (23%), and Grade C buildings (10%).

By location, the existing supply was concentrated in the Sudirman area with around 47% of total inventory. Meanwhile, Kuningan accounted for about 30%, Gatot Subroto and Thamrin represented about 14% and 9%, respectively.

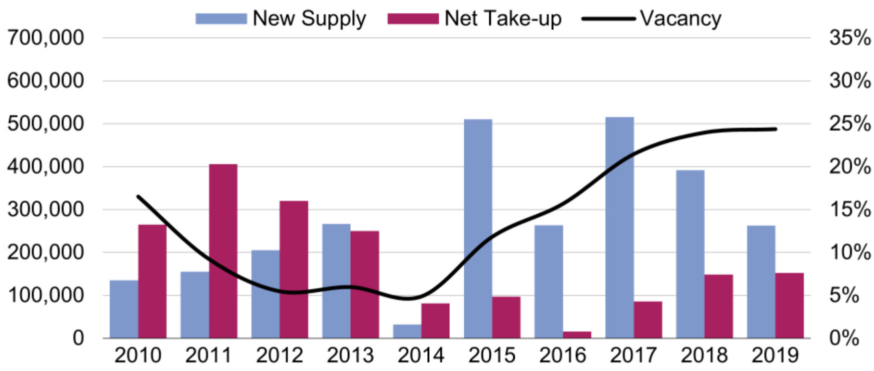
Positive demand growth during 2019 was supported by the expansion of co-working space operators as well as e-commerce and tech companies.

On the demand side, more favorable business environment helped to support office expansion in 2019.

Confidence after the election gave a boost for take-up in 2H, driven by co-working and e-commerce players.

Total net take-up reached around 152,000 sqm – slightly higher than in 2018. Meanwhile, lower annual supply had stabilized CBD office vacancy level at around 24%; as of end-2019, market vacancy stood at 24.4% .

CHART 5
Supply, Demand & Vacancy – CBD Overall 2010 – 2019



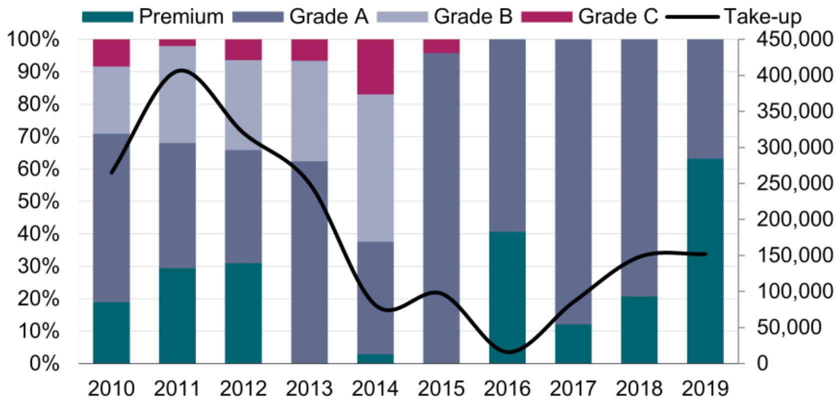
Source: Savills Research & Consultancy

TABLE 2
Market Indicators – Office | CBD

	2H19	1H19	2H18	Change (%)	
				HoH	YoY
Existing Stock (sqm)	**6,578,635**	**6,573,875**	**6,343,875**	**0.1%**	**3.7%**
Premium Grade	1,531,099	1,531,099	1,353,099	0.0%	13.2%
Grade A	2,560,056	2,543,916	2,491,916	0.6%	2.7%
Grade B	1,847,124	1,858,504	1,858,504	-0.6%	-0.6%
Grade C	640,356	640,356	640,356	0.0%	0.0%
Avg. Rent (/sqm /mth)	**Rp 201,872**	**Rp 201,842**	**Rp 202,207**	**0.0%**	**-0.2%**
Premium Grade	Rp 332,960	Rp 333,797	Rp 340,317	-0.3%	-2.2%
Grade A	Rp 227,183	Rp 229,646	Rp 227,896	-1.1%	-0.3%
Grade B	Rp 184,335	Rp 186,646	Rp 185,107	-1.2%	-0.4%
Grade C	Rp 142,185	Rp 142,876	Rp 142,876	-0.5%	-0.5%

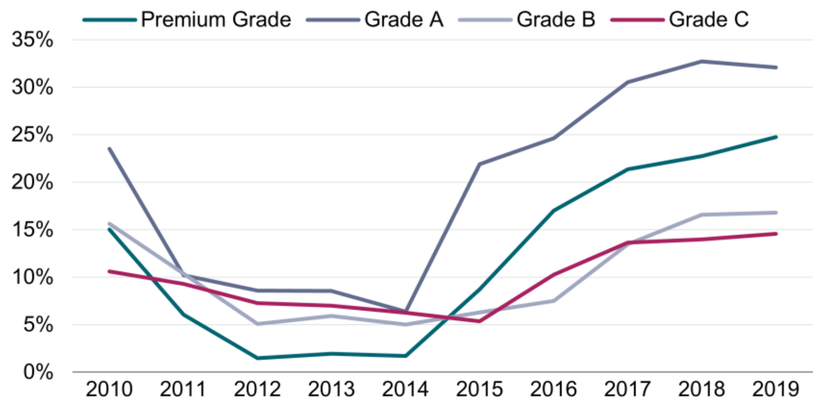
Source: Savills Research & Consultancy

CHART 6
Net Take-Up by Grade, 2010 – 2019



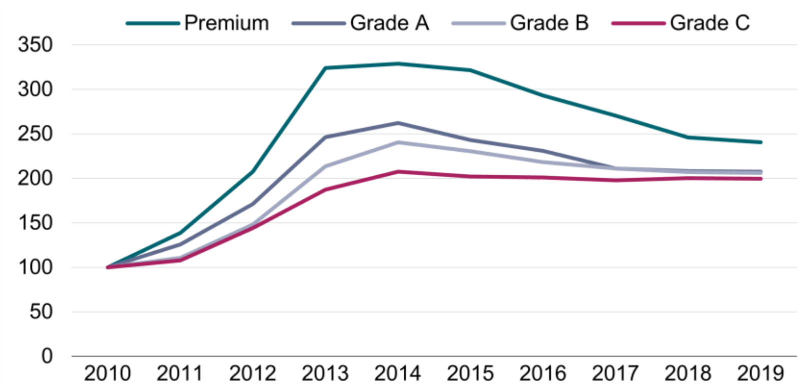
Source: Savills Research & Consultancy

CHART 7
Vacancy by Grade, 2010 – 2019



Source: Savills Research & Consultancy

CHART 8
Rental Index by Grade, 2010 – 2019



Source: Savills Research & Consultancy

By grade, the highest absorption last year took place in Premium Grade buildings at around 107,000 sqm, representing around 70% of total 2019 take-up.

Also in 2019, grade A buildings enjoyed a positive net take-up of more than 62,000 sqm. On the other hand, Grade B and Grade C buildings suffered from vacated-space (i.e. negative take-up) of about 13,500 sqm and 4,000 sqm, respectively.

Coworking space operators continued to generate enquiries more aggresively than in previous two years. For example, GoWork actively expanded its footprint with the opening of four new centers during 2019 – the largest is at Millennium Centennial Center in Sudirman, spanning across 5,500 sqm.

Another active players in the market was CoHive and WeWork. CoHive opened a new center at Plaza Bank Index Thamrin – with 2,900 sqm of floor area, while WeWork recently added a new center (2,800 sqm) at Noble House in Kuningan area.

Typically, small local coworking operators are focused in Grade B or C while global and major local operators choose buildings with good qualities like Premium and Grade A. However, Grade B and C buildings can also become target options for major operators in case they receive particular enquiries.

Overall, as additional supply outweighed demand, vacancy in Premium Grade buildings increased from around 22.8% in 2018 to around 24.7% by end-2019. Vacancy in Grade B and C stood at 16.8% and 14.6% respectively, while vacancy in Grade A buildings declined slightly to around 32.1%.

The increase in vacancy continued to give pressure on office rents in Jakarta CBD as landlords compete to lure tenants.

By end-2019, rents in Premium Grade buildings slipped to around IDR 333,000 per sqm per month. Average rent in Grade A buildings remained stable at about IDR 227,000 per sqm per month, Grade B at IDR 184,000 per sqm per month and Grade C at IDR 142,000 per sqm per month.

What is the outlook?

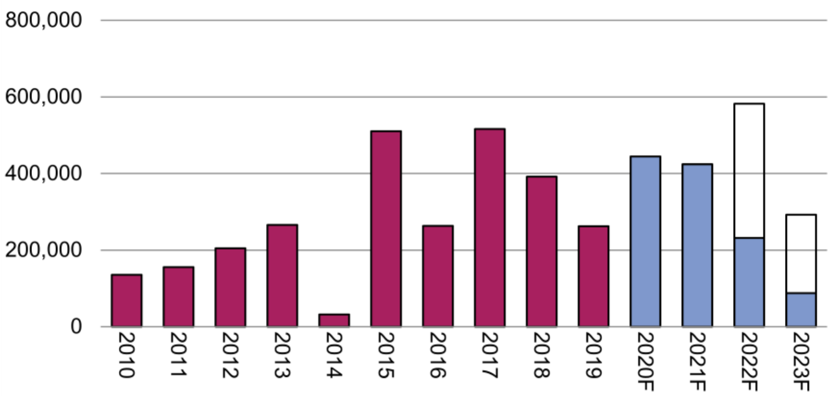
Around 1.2 million sqm of office space is scheduled to enter the market between now and 2023. Most of these projects are scheduled to finish this year and 2021. As such, vacancy is seen to increase further but moderating from 2022 onwards.

By location, most of the upcoming supply will be in Sudirman area, contributing around 40%. The second largest future supply will be coming from Kuningan area (around 36%). Thamrin and Gatot Subroto area represent about 14% and 10% of the upcoming stock, respectively.

By segmentation, Grade A projects continue to dominate the pipeline with around 56%. Premium Grade and Grade B developments constitute approximately 32% and 12%, respectively. No new Grade C projects have been identified in the market so far.

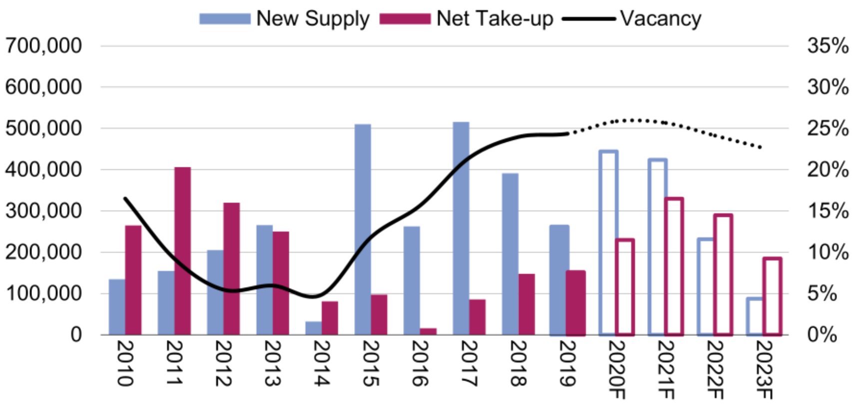
In general, corporate activity in Indonesia have been quite conducive following the successful election last year, with growing interests from overseas investors to Indonesia. For instance, in late 2019 Hyundai had committed a new investment to build a factory in Bekasi at around USD 1.55 billion. Nestle had also announced their plan to increase production in the country with investment value of USD 100 million.

CHART 9
Annual Supply, 2010 – 2023F



Source: Savills Research & Consultancy

CHART 10
Supply, Demand & Vacancy Forecast, 2010 – 2023F



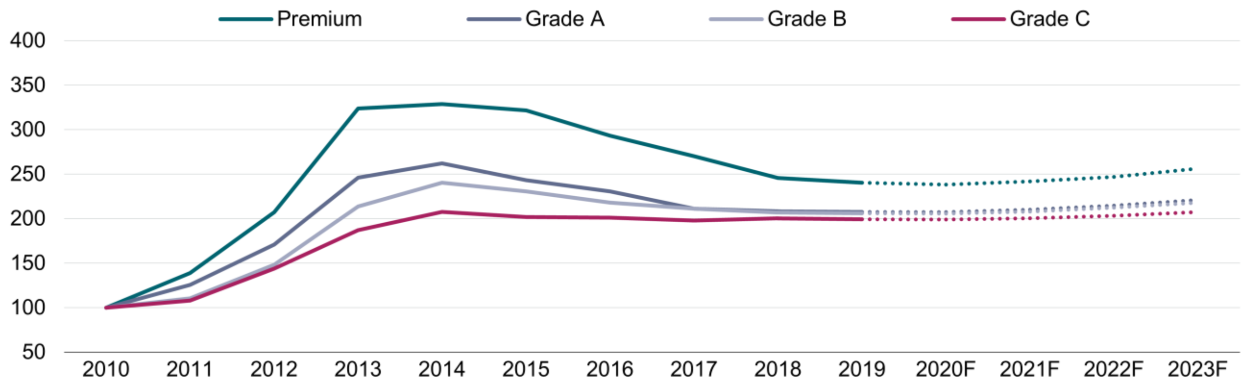
Source: Savills Research & Consultancy

TABLE 3
Future Supply – Office | CBD

	2020	2021	2022	2023
Future Stock (sqm)	**444,500**	**423,998**	**231,701**	**87,600**
Premium Grade	188,000	116,358	26,976	43,800
Grade A	210,000	280,000	130,722	43,800
Grade B	46,500	27,640	74,003	-
Grade C	-	-	-	-
Sudirman	-	397,640	35,034	43,800
Thamrin	116,500	-	49,000	-
Rasuna Said	304,000	26,358	57,576	43,800
Gatot Subroto	24,000	-	90,092	-

Source: Savills Research & Consultancy

CHART 11
Rent Forecast
Moderate Scenario (2010 = 100), 2010 – 2023F



Source: Savills Research & Consultancy

Going ahead, a more upbeat business environment after the election year is expected to support an increase on demand in the office market amid gradual upturn in the economic growth.

While we are yet to see significant expansion from conventional tenants like banks and financial services companies, coworking space providers are seen to continue to expand this year in order to capture demand from small to mid-sized startup companies. Meanwhile, big established start-ups and those backed by large venture capitals – which initially have offices in coworking space or shophouses are in good chance to move to their own premises in prestigious office buildings; prestigious address, good access and convenience to various facilities are major considerations for tenants to select their office nowadays.

With lots of available space, we expect landlords to remain conservative in their rental offerings. Based on our moderate view, rent adjustment in 2020 will be very limited. Later on, rent is expected to grow modestly along with the ease in vacancy.

Online Media Expansion in Jakarta CBD

Inline with growing demand for digital media platform, we continue to see expansion of media companies in the market. In late last year, IDN Media, a multi-platform media company officially announced their relocation to a new office in the CBD – previously in a stand-alone office building in West Jakarta. The new office spans almost around 3,000 sqm at Menara Global, Gatot Subroto.

Digital media platforms are burgeoning these days due to affordable technology and rising interest for knowledge, culture and entertainment. Numbers of digital media startups are rapidly growing; and they are potential tenants in the office market. Katadata.co.id, Tech in Asia, Tirto.id, Asumsi and Geotimes are some examples in this sector.

Non-CBD Office

Seven new buildings were completed in 2019, adding approximately 144,600 sqm to the market. This was higher compared to 2018 as some delayed projects were finally completed in 2019.

The newly-completed proejects are One Belpark Office Tower, Midpoint Place, Salim & ASG Office HQ, Pakuwon Tower, Waskita Rajawali Tower, HK Office Tower and Citra North Tower. Four projects are located in South Jakarta and Central Jakarta and the othere three in North Jakarta and East Jakarta. Meanwhile, most of these projects are considered as Grade B buildings.

These projects raised total existing stock to nearly 3 million sqm as of end-2019. Grade B continued to make up most of the stock, with around 60% of the market. Grade C and A buildings are accounted for around 28% and 12% of total stock, respectively.

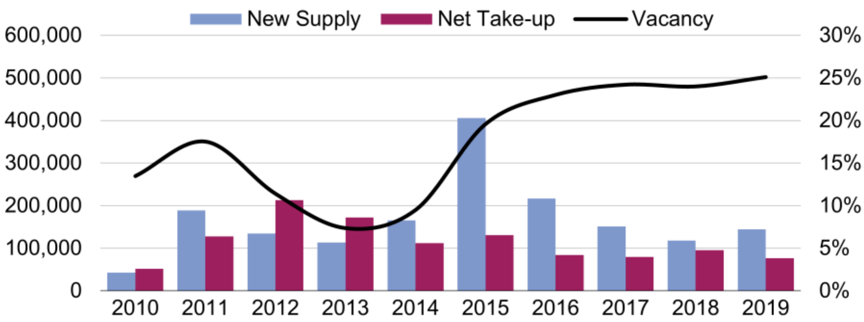
In terms of location, South Jakarta is leading the pack with around 55% of total supply. West Jakarta is at the second with around 16%, Central Jakarta at around 15% and North Jakarta at around 13%. Supply in East Jakarta remained the smallest in the market, accounted for only around 1% of total Non-CBD supply.

Demand in Non-CBD area grew at a modest pace on the back of limited tenant expansion and competition from buildings in the CBD

Office inquire in the Non-CBD during 2019 remained modest. It mostly came from e-commerce, online payment gateway and major firms in consumer goods and logistics.

Meanwhile, coworking space operators had also expanded their portfolios in the Non-CBD area. Among them are UnionSpace, GoWork, CoHive, Connext, Kolega, and WeWork. WeWork opened its first branch in the Non-CBD in South Quarter building, occupying more than 4,000 sqm of floor area.

CHART 12
Supply, Demand & Occupancy – Non-CBD Overall, 2010 – 2019



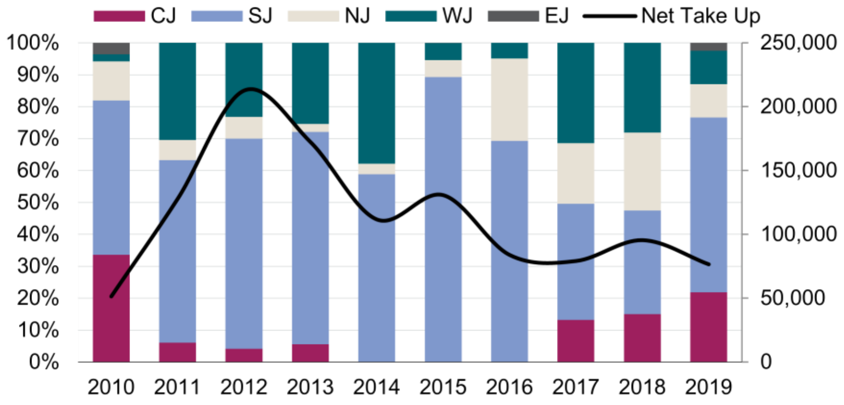
Source: Savills Research & Consultancy

TABLE 4
Market Indicators – Office | Non-CBD

	2H19	1H19	2H18	Change (%)	
				HoH	YoY
Existing Stock (sqm)	**2,965,529**	**2,873,196**	**2,820,961**	**3.2%**	**5.1%**
Central Jakarta	455,096	421,995	394,558	7.8%	15.3%
South Jakarta	1,636,973	1,587,973	1,573,175	3.1%	4.1%
North Jakarta	373,340	373,340	363,340	0.0%	2.8%
West Jakarta	472,688	472,688	472,688	0.0%	0.0%
East Jakarta	27,432	17,200	17,200	59.5%	59.5%
Avg. Rent (/sqm /mth)	**Rp 127,402**	**Rp 127,605**	**Rp 127,805**	**-0.2%**	**-0.3%**
Central Jakarta	Rp 101,431	Rp 101,643	Rp 102,000	-0.2%	-0.6%
South Jakarta	Rp 144,754	Rp 145,598	Rp 145,598	-0.6%	-0.6%
North Jakarta	Rp 109,711	Rp 109,963	Rp 111,015	-0.2%	-1.2%
West Jakarta	Rp 118,600	Rp 118,600	Rp 118,600	0.0%	0.0%
East Jakarta	Rp 87,500	Rp 87,500	Rp 87,500	0.0%	0.0%

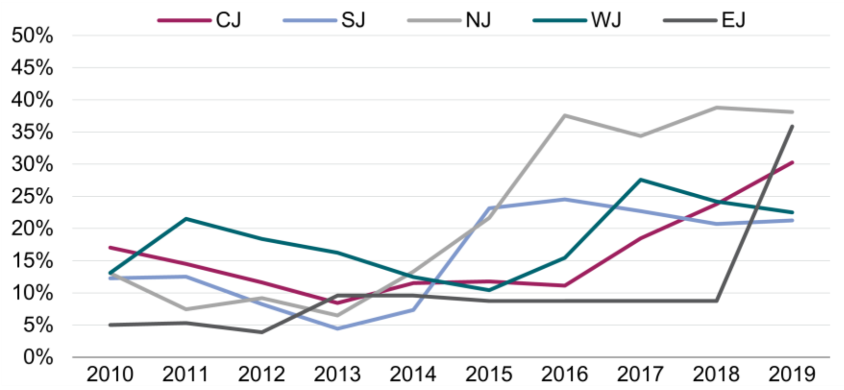
Source: Savills Research & Consultancy

CHART 13
Net Take-Up by Grade, 2010 – 2019



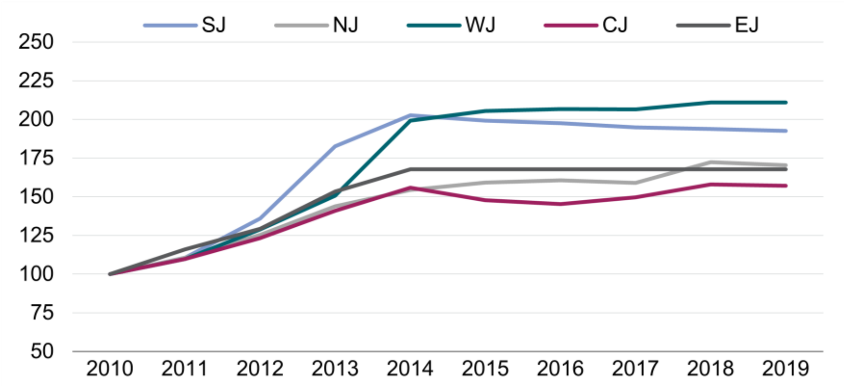
Source: Savills Research & Consultancy

CHART 14
Vacancy by Grade, 2010 – 2019



Source: Savills Research & Consultancy

CHART 15
Rental Index by Grade, 2010 – 2019



Source: Savills Research & Consultancy

Overall net take-up in 2019 was totalled at around 76,500 sqm, slightly lower than net take-up during 2018.

The highest net take-up was recorded in South Jakarta, representing around 55% of total net take-up in 2019. South Jakarta, particularly Simatupang area, was continually perceived as the most popular district in the Non-CBD area. Thus, supply and demand growth in this area remained robust yet also relatively tight.

Furthermore, Central Jakarta attracted about 22% of the total net take-up. While West Jakarta, North Jakarta and East Jakarta absorbed around 11%, 10% and 2% of the total net take-up, respectively.

With higher additional supply and lower demand compared to 2018, vacancy level had accordingly risen to around 25.1% from previously 24.0% in 2018.

Looking into more detail, vacancy in East Jakarta jumped to around 35.9%, due to significant additional supply in this period . Vacancy in Central Jakarta also increased to around 30.5%, while on the other side, vacancy fell to 22.5% in West Jakarta on the back of zero new supply. South Jakarta and North Jakarta had relatively stable vacancies at 21.3% and 38.1% respectively.

With modest demand growth and still high vacancy in the Non-CBD area, overall average rent in the market remained stable at around IDR 127,000 per sqm per month.

Low enquiry had pushed landlords to remain conservative. As such, rents across the Non-CBD area, except North Jakarta, were generally similar to 2018. South Jakarta continued to enjoy the highest rents among its peers at IDR 144,800 per sqm per month. Average rents in West Jakarta, Central Jakarta and East Jakarta stood at IDR 118,600; IDR 101,400 and IDR 87,500 per sqm per month, respectively.

Meanwhile rental decline in North Jakarta seemed like a rebalancing process after a big jump in 2018; it stood around IDR 109,700 per sqm per month in 2019.

What is the outlook?

The Non-CBD area is anticipated to receive approximately 431,000 sqm of new space between now and 2023.

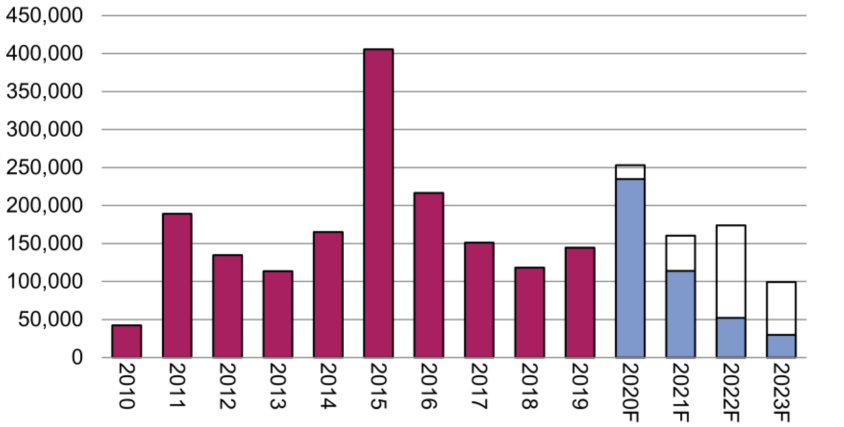
The concentration of future supply are located in Central Jakarta (36%) and South Jakarta (35%). North Jakarta and West Jakarta each represent about 18% and 10% of upcoming supply. Central Jakarta began to overtake South Jakarta as major contributor for future supply which also supported by easy access to the CBD area.

In terms of segmentation, Grade B projects remains the majority portion, with around 74% of the entire future supply. About 25% of the future stock is categorized as Grade A while the remaining is claffified as Grade C.

On the demand side, general technology companies including fintech as well as e-commerce enterprises and co-working space operators are anticipated to continually expand their presence in the Non-CBD area.

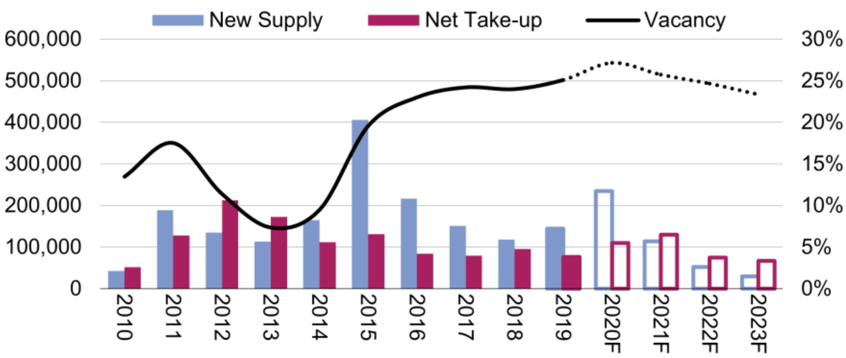
New companies or start-ups may see the Non-CBD area as a good launch pad to start their business due to lower operating costs as compared to the CBD area. In addition, some districts in the Non-CBD now has better linkage/connection to the CBD with the opening of MRT, making them more convenience thus interesting for occupiers.

CHART 16
Annual Supply, 2010 – 2023F



Source: Savills Research & Consultancy

CHART 17
Supply, Demand & Vacancy Forecast, 2010 – 2023F



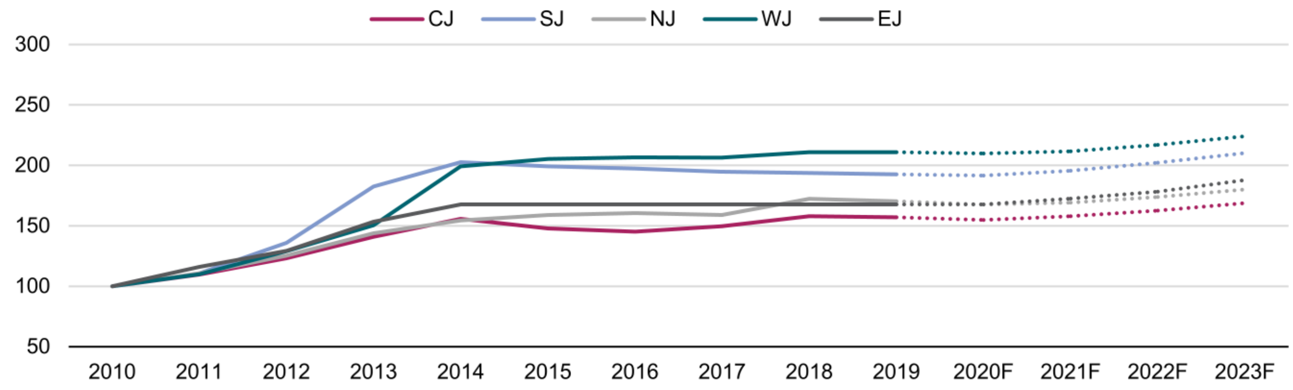
Source: Savills Research & Consultancy

TABLE 5
Future Supply – Office | Non-CBD

	2020	2021	2022	2023
Future Stock (sqm)	**234,833**	**114,032**	**52,185**	**29,802**
Central Jakarta	36,126	114,032	6,000	-
South Jakarta	110,667	-	18,113	21,702
North Jakarta	67,040	-	6,007	3,600
West Jakarta	21,000	-	18,000	4,500
East Jakarta	-	-	4,066	-
Grade A	81,000	-	24,000	4,500
Grade B	153,833	114,032	25,785	25,302
Grade C	-	-	2,400	-

Source: Savills Research & Consultancy

CHART 18
Rent Forecast
Moderate Scenario (2010 = 100), 2010 – 2023F



Source: Savills Research & Consultancy

Of approx. 431,000 sqm of future supply, more than a half is predicted to enter the market in 2020. If materialized, vacancy is likely increase further based on our moderate scenario as demand can barely surpass the upcoming stock – it is predicted to climb over to around 27%.

On our base case scenario, Non-CBD rents are projected to remain under downward pressure over the short term.

Yet afterwards, as level of supply pipeline subsides, market vacancy is likely to ease.

We expect rents to start to picking up in 2021 then gradually increase in the following period – expect between 2% to 6% rise per annum.

Collaborations Between Landlords and Coworking Providers

In the past few years, coworking space has been growing rapidly on the back of shifting nature of works. Young generations prefer coworking space to conventional office as it can accommodate their lifestyle better – flexibility, creativity, modern design and layout with various facilities and amenities are all provided in the coworking. Nonetheless, this business model remains unproven in terms of its sustainability; generally, coworking's balance sheet remains red until now. The scepticism is worsen with the failure of WeWork to go public in 2019.

The coworking business can continue until today as it is supported by ample funds from investors. Moreover, the coworking providers try to reduce their fix costs through joint arrangements with landlords. Landlords provide the space while coworking providers are responsible for operation. Profits will then be split according to their agreements.

Some examples of coworking providers having joint arrangements with landlords are Wellspaces.co, CoHive, Kolega, WeWork, JustCo and UnionSpace. Usually, brands used for business will be the providers' brands. However, it can be landlords' brands too like Astralabs, a coworking space by Astra Property but managed by Wellspaces. It is all depend on consents from both parties.

Source: South Quarter Twitter
The first Astralabs coworking space is located at Menara FIF, occupying around 2,000 sqm of floor area

Snapshot
Jakarta Strata Office Market

CBD Strata Office

The CBD market saw a very limited new completions of strata office during 2019. In terms of number of buildings, only one project entered the market last year compared to four buildings during 2018. The new building contributed around 52,000 sqm in 2019 against around 208,000 sqm addition in 2018.

The new stock brought total existing stock of strata office close to 1.9 million sqm – a 3%-increase from 2018. Amount of new supply got smaller after the 2017 where over 300,000 sqm of new strata office were delivered. A stagnant rental market and leasing discounts have made strata market lose its attractiveness.

Of the existing stock, share of Grade A strata office dominated the market with 71%. Meanwhile, Grade B and C accounted for 24% and 5% of stock respectively.

Regarding location, most strata office was situated in Rasuna area (25%). Sudirman area (excl. SCBD) had the second largest stock (22%), followed by Satrio (13.5%), Gatot Subroto (13%), Mega Kuningan (10%), SCBD (7%), Mas Mansyur (7%) and Thamrin (2.5%).

With no apparent change in the strata office market performance, average sales price per sqm during 2019 was relatively stable at around IDR 47 million.

In terms of location, Sudirman, Gatot Subroto and SCBD, each had a wide range of price per sqm; starting from IDR 41 million to IDR 69 million in Sudirman, IDR 40 million to IDR 68 million in Gatot Subroto and IDR 50 million to IDR 78 million in SCBD.

The highest average price per sqm was recorded in SCBD with about IDR 64 million, while the lowest one was in Mas Mansyur with IDR 37 million. Average price per sqm in Sudirman was over IDR 55 million. Meanwhile, price per sqm in Rasuna Said and Mega Kuningan area were below approx. IDR 40 million.

Between 2020 and 2023, around 590,000 sqm of strata office is scheduled to enter the CBD market, distributed across various areas. Most of upcoming supply will be in Sudirman area, which is about 58%. Meanwhile, Kuningan, Thamrin and Gatot Subroto will represent around 19%, 12% and 11% of upcoming stock respectively.

Regarding its quality, around 88 % of the future supply is Grade A projects and the rest 12% is Grade B projects. The peak of new supply will be seen in 2021 where almost 50% of total future supply is expected to be completed. With such a high competition, developers and investors should think of better marketing strategies and differentiation to outperform potential competition.

CHART 19
Strata Office Supply Growth | Jakarta CBD, 2010 – 2023F

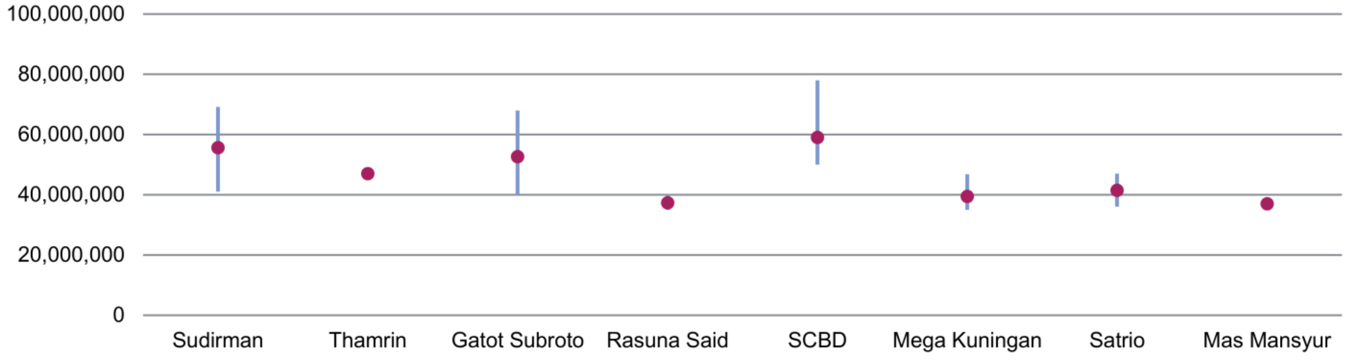
Source: Savills Research & Consultancy

TABLE 6
CBD Strata Office Stock Distribution & Price Comparison, 2019

Precinct	Existing Stock (sqm)			Average Price per sqm (IDR)		
	Grade A	Grade B	Grade C	Grade A	Grade B	Grade C
Sudirman	333,980	79,650	-	53,562,500	57,366,667	-
Thamrin	45,190	-	-	47,000,000	-	-
Gatot Subroto	153,936	56,000	38,300	52,666,667	-	-
Rasuna Said	159,550	275,312	38,311	38,000,000	37,250,000	-
SCBD	125,400	-	12,560	64,000,000	-	-
Mega Kuningan	145,456	45,887	-	40,000,000	38,000,000	-
Satrio	253,900	-	-	41,500,000	-	-
Mas Mansyur	133,690	-	-	37,000,000	-	-

Source: Savills Research & Consultancy

CHART 20
Strata Office Price Comparison | Jakarta CBD, 2019



Source: Savills Research & Consultancy

Non-CBD Strata Office

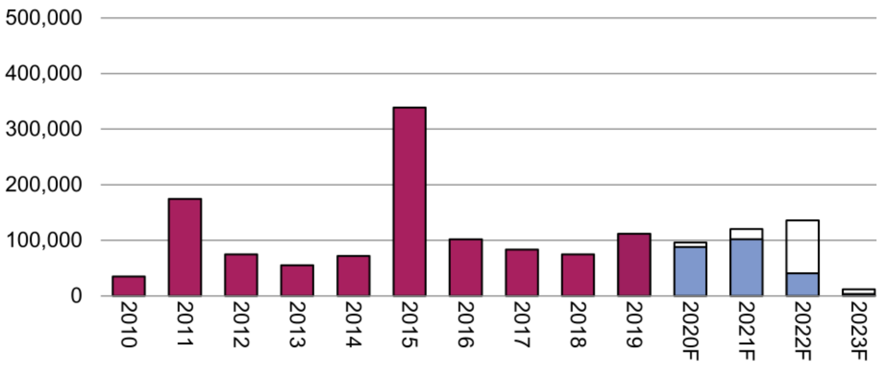
The Non-CBD market welcomed a larger volume of new supply than the CBD.

Four new buildings with totaled SGA of 112,000 sqm were completed during 2019. They were Midpoint Place, Pakuwon Tower, Waskita Rajawali Tower and Citra North Tower. Among them, 54% is located in Central Jakarta, 44% is in South Jakarta and 2% is in East Jakarta. Total strata office in the Non-CBD stood at around 1.2 million sqm by end-2019.

By segment, the Non-CBD market was dominated by Grade B buildings at around 65%. About 44% of existing stock was Grade B and 2% was Grade C buildings. The Non-CBD market first welcomed its Grade A building in 2011; since then, more Grade A projects were built – shifting preference was observed from Grade C prior to 2011 to Grade A and B afterwards.

In term of location, the Non-CBD stock was predominantly located in South Jakarta (51%). West Jakarta accounted for 21% while North Jakarta and Central Jakarta represented about 16% and 12% respectively. The lowest stock was in East Jakarta at around 2% of total supply.

CHART 21
Strata Office Supply Growth | Non-CBD, 2010 – 2023F



Source: Savills Research & Consultancy

During 2019, the average price of Non-CBD strata office stood at around IDR 29.8 million per sqm wiith sales price per sqm varied between IDR 22 to 44 million. The highest average price per sqm was still in South Jakarta, reaching around IDR 30.4 million. While average price of strata office in West Jakarta was IDR 30.1 million per sqm. In Central Jakarta was IDR 27.2 million per sqm.

The Non-CBD market is expected to welcome 234,000 sqm of new strata office over the next four years. Of the total future supply, about 46% is located in Central Jakarta.

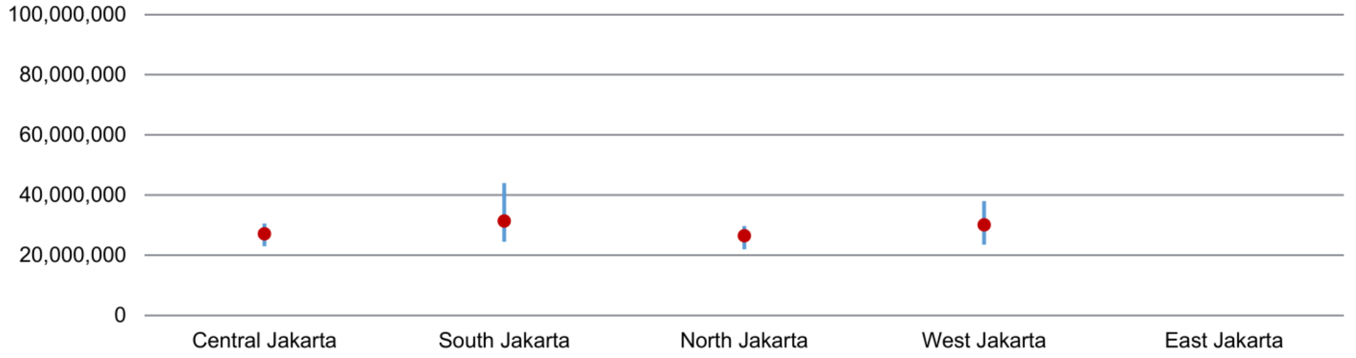
TABLE 7
Outside CBD Strata Office Stock Distribution & Price Comparison, 2019

Precinct	Existing Stock (sqm)			Average Price per sqm (IDR)		
	Grade A	Grade B	Grade C	Grade A	Grade B	Grade C
Central	-	80,538	64,600	-	28,533,333	23,000,000
South	178,033	404,859	36,038	39,450,000	29,268,000	26,503,000
North	-	170,436	21,000	-	26,562,500	-
West	109,450	129,656	15,000	32,333,333	30,000,000	23,500,000
East	-	2,380	-	-	-	-

Source: Savills Research & Consultancy

CHART 22

Strata Office Price Comparison | Non-CBD, 2019



Source: Savills Research & Consultancy

Meawhile, almost 33% of the pipeline is located in North Jakarta, the second favorite place for strata office developments outside CBD area. West Jakarta and South Jakarta represent about 13% and 7% of upcoming stock respectively.The rest 2% of future supply will be seen in East Jakarta.

By grade, the upcoming supply of strata office in the Non-CBD area will be dominated by Grade B – which accounts for 86% of the pipeline. While the remaining 15% are coming from Grade A projects. None of the future supply is categorized as Grade C buildings.

Most of these projects will be completed this year and next year, where around 90,000 sqm are scheduled for completion in 2020 and slightly over 100,000 sqm will be completed in 2021. ■

Glossary

- The Jakarta CBD is defined as the prime commercial district bounded by:
  - Jl Sudirman-Thamrin
  - Jl Gatot Subroto
  - Jl HR Rasuna Said (Kuningan)
- The Non-CBD covers the commercial areas outside of the Jakarta CBD, which is defined based on municipality i.e.:
  - Central Jakarta
  - South Jakarta
  - East Jakarta
  - West Jakarta
  - North Jakarta.
- Demand as defined by net absorption (net take-up) refers to the net increase in occupied space within a particular period.
- Premium grade buildings refer to commercial office developments located in prime CBD areas with international standard features and ranked highest in terms of building size and quality, facilities, maintenance etc.
- Grade A buildings refer to commercial office developments located in strategic areas with excellent quality features and ranked second highest in terms of building size and quality, facilities, maintenance etc.
- Grade B buildings refer to commercial office developments located in good areas with good quality features and ranked third highest in terms of building size and quality, facilities, maintenance etc.
- Grade C buildings refer to commercial office developments located in other areas with standard quality features and ranked lowest in terms of building size and quality, facilities, maintenance etc.
- Vacancy rate refers to the ratio of vacant available space to the total stock in the market.
- Gross rent refers to the total rental payable by tenants. This is equivalent to the sum of base rent plus service charges.
- Base rent is the standard minimum rental payable for an office space without taking into account any add-ons such as service charge and after-hours utility costs that make up the total occupancy costs.
- Service charge is the collective name for the cost of air-conditioning, electricity and other services in public area as well as management charges passed on to occupiers.

Forecasting Methodology

- Optimistic Scenario

  Based on the assumption that general economic conditions will improve significantly (i.e. better GDP growth and positive macro environment) supported by strong investor confidence (both domestic and overseas) in view of a more conducive investment climate, thus generating corporate expansion and business activity which would be reflected in significant tenant expansion as well as robust new company set-ups.

- Moderate Scenario

  Based on the assumption that general economic conditions will grow moderately (i.e. stable GDP growth and neutral macro environment) which provides a foundation for positive corporate expansion and a calm business environment.

- Pessimistic Scenario

  Based on the assumption that general economic conditions will weaken (i.e. lower GDP growth and negative macro environment) with a lack of support from both domestic and overseas demand.

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