

Jakarta Property Trends

PRICEWATERHOUSECOOPERS 

PT PricewaterhouseCoopers FAS

In cooperation with
PT Paragon Property

1st Quarter 2007



TRENDS SUMMARY

Office: While demand for space is increasing, occupancy levels remain nearly the same as newly completed buildings add more market supply.

Retail: Even though lease occupancies remain high, there has been only marginal rental rate growth and fixed rate increases. The predictable kiosks oversupply and vacancy crisis has materialized. There are thousands of empty units which will be very difficult to utilize or re-position for alternative uses.

Apartment: While lease and serviced apartment occupancies are still below ideal levels, more and more investor strata title units have been completed and now competing for tenants.

Hotel: Hotel performance continues to improve, but not yet to 1997 levels. While the improvement is encouraging, the key performance benchmarks are below standard industry levels.

overview economic



Inflation during 1Q07 was 1.91%, lower compared to 1.98% in the same quarter last year. 1Q07 monthly inflation was at 1.04%, 0.62% and 0.24% in January, February and March, respectively. As of March, Year on Year inflation was 6.52% in 2007 compared to 15.74% the previous year.

The quarterly average exchange rate was Rp9,099:US\$1.00; strengthening from Rp9,134:US\$1.00 in 4Q06. The three month Bank Indonesia certificate (SBI) rate fell to 7.83% on 9 May 2007 from 8.10% on 7 February 2007 and 12.15% on 10 May 2006. The Jakarta Composite Index closed at 1,831 on 30 March 2007, compared to 1,803 on 27 December 2006, and 1,323 on 29 March 2006.

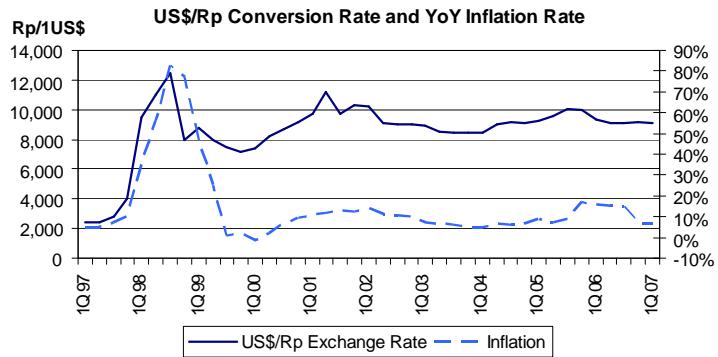
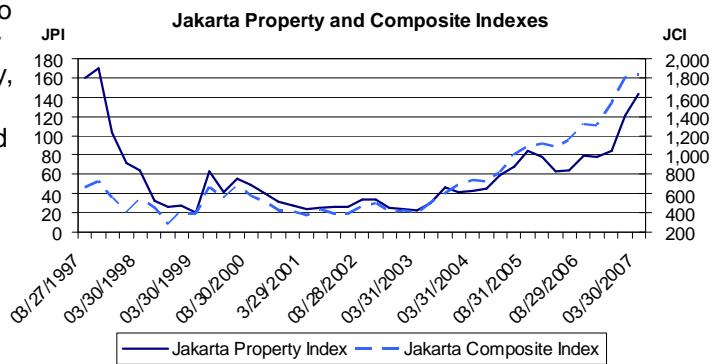
During the period January – March 2007, Approved Domestic and Foreign Direct Investment was about Rp77.2 trillion and US\$14.1 billion, an increase of 378.9% and 496.4% respectively from the same period last year.

During the same period, Realised Domestic and Foreign Direct Investment was about Rp13.7 trillion and US\$3.0 billion, an increase of 60.4% and 14.9% respectively from the same period last year.

The value of exports and imports from January to March 2007 increased each by 15.2% compared to the same period last year to US\$25.9 billion and US\$15.4 billion respectively.

GDP growth increased by 2.0% compared to the previous quarter and increased by 6.0% compared to the same quarter last year.

During this quarter, the Indonesia Business Index was 100.19 compared to 107.43 in the previous quarter and is expected to be 101.35 next quarter (Index 100 = no changes compared to the previous quarter).



office



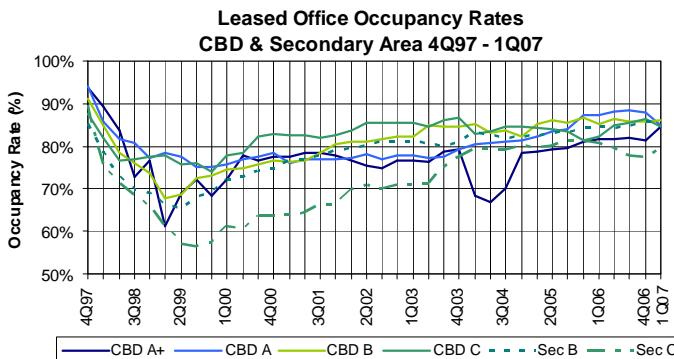
Supply

There was new supply of about 134,000 m² from the operation of Marein Plaza, Indofood Tower and Menara Karya in the CBD, and Ratu Prabu 2 in the secondary area during 1Q07. Office stock increased to approximately 4.56 million m².

Buildings currently under construction in the CBD include: Sentral Senayan II, Menara Satrio, Grand Indonesia, Pacific Place and The East.

Demand / Occupancy

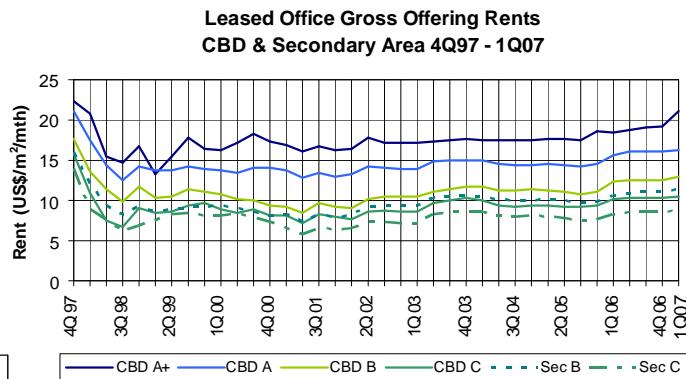
Overall, occupancy of office buildings in Jakarta decreased during this quarter to 85.0%. Occupancy rates decreased to 84.9% in the CBD but increased to 85.0% in the secondary area. Total vacant space increased to approximately 686,000 m².



Occupancy rates for the various office grades in the CBD were 84.6%, 85.0%, 86.1% and 84.5% for Grades A+, A, B and C, respectively. In the secondary area, occupancy was 86.1% and 79.2% in Grades B and C.

Rents

Most CBD Grade A+ transacted gross rents generally remained in the range of US\$17.00 - US\$19.00/m²/mth, mostly in US\$ with floating exchange rates. For other grades, most transactions were still in rupiah: Grade A Rp130,000-Rp145,000/m²/mth; Grade B Rp100,000-Rp125,000; and Grade C Rp80,000-Rp95,000.



Secondary area Grade B transacted gross rents ranged from Rp75,000-Rp85,000/m²/mth and Grade C from Rp65,000-Rp70,000.

Service charges (within gross rents) for the CBD ranged from Rp30,000-Rp70,000/m²/mth and, for secondary areas, Rp25,000-Rp60,000. The broad ranges are due, in part, to the inclusion/exclusion of tenant electricity charges.

Trends

While demand for space is increasing, occupancy levels remain nearly the same as newly completed buildings add more market supply. After 10 years, rental rates still lag behind 1997 levels.

retail



Supply

There was no new supply completed during 1Q07. Total Jakarta lease and strata title stock remained at approximately 1.53 million m² and 1.19 million m², respectively. Bodetabek lease stock remained at approximately 444,000 m² and strata title stock increased to 371,000 m².

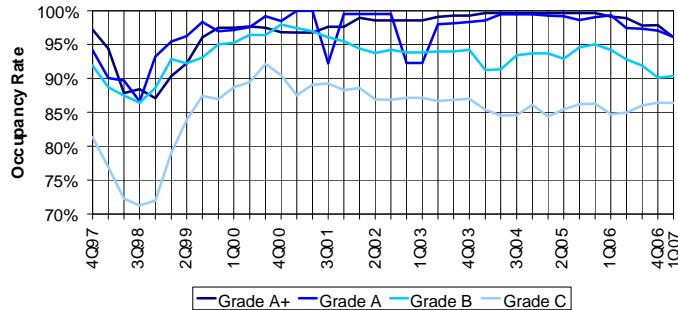
Subject to timely completion, new supply up to 2008 is estimated at about 1.1 million m². A partial list of future supply includes: Mall of Indonesia, Kota Casablanca, Grand Indonesia and Pacific Place.

Demand / Occupancy

Jabodetabek shopping centre occupancy rates decreased to 91.9% in this quarter. Jakarta occupancy decreased to 91.8% and Bodetabek remained at 92.0%.

Occupancies were 96.1%, 90.3%, 86.4% and 91.9% for Grades A+/A, B, C and D respectively in Jakarta.

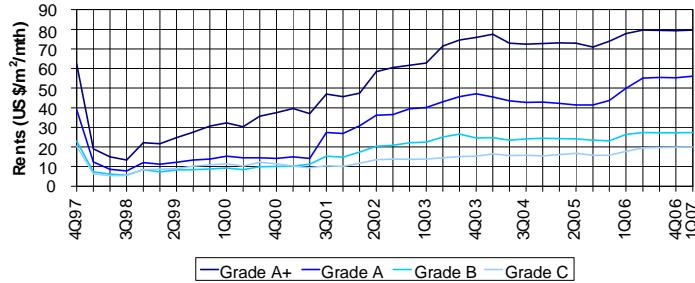
Shopping Centre Occupancy Rates
4Q97 - 1Q07



Rent

Overall, offering contract rents, fixed exchange rates and effective rents remained the same in Jakarta and Bodetabek compared to the previous quarter.

Shopping Centre US\$ Offering Effective 'Typical Floor' Rent
(excludes Ground Floor and Anchor Tenants)
4Q97 - 1Q07



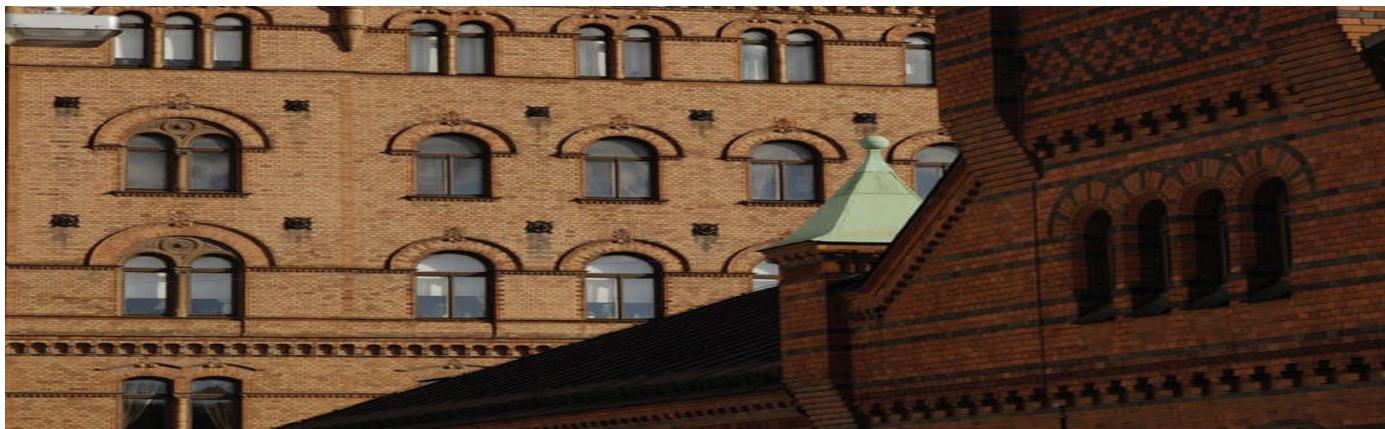
Offering contract rents for typical floors remained at US\$50.00/m²/mth in Jakarta and US\$26.50/m²/mth in the Bodetabek area. The 1Q07 fixed exchange rates generally ranged between Rp9,000 (Grade A+) and Rp5,000 (Grade C) across Jabodetabek. Offering contract service charges remained at the range of US\$7.00 to US\$14.50/m²/mth for Jadebotabek. Strata title kiosk units and long lease prices generally range from Rp30 million/m² to Rp250 million/m².

Trends

Even though lease occupancies remain high, there has been only marginal rental rate growth and fixed rate increases.

The predictable kiosks oversupply and vacancy crisis has materialized. There are thousands of empty units which will be very difficult to utilize or re-position for alternative uses.

apartment



Supply

There was a new supply of approximately 1,770 strata title units from the operation of Marriott Executive Apartments and Setiabudi Residences in the CBD, and Margonda Residences, The Summit, Paladian Park Tower G and Pondok Indah Square Tower B in the secondary area.

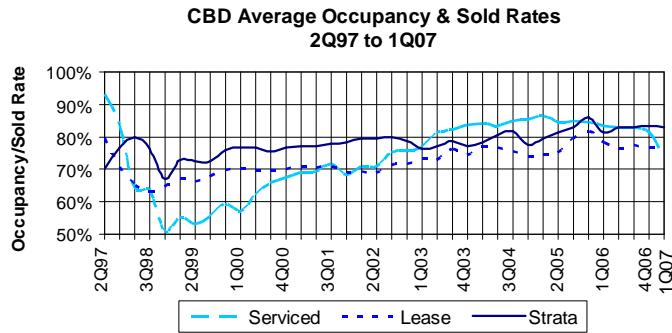
The total stock of apartments increased to about 14,100 units in the CBD and 35,900 units in the secondary area. Leased (non strata title) and serviced apartments account for about 5,640 units (48% CBD and 52% secondary) and strata title approximately 44,360 units (26% CBD and 74% secondary).

New supply up to 2009 is estimated at about 44,000 units. A partial list of future supply includes: Shangri-la Residences, Pearl Garden, Hollywood Residences, Oakwook Premier, Four Seasons Towers 3 & 4 and Senayan City Residences.

Occupancy / Sold Rate

Overall occupancy of lease/serviced apartments of all grades decreased in the CBD by 4.5% but increased in the secondary areas by 1.6%.

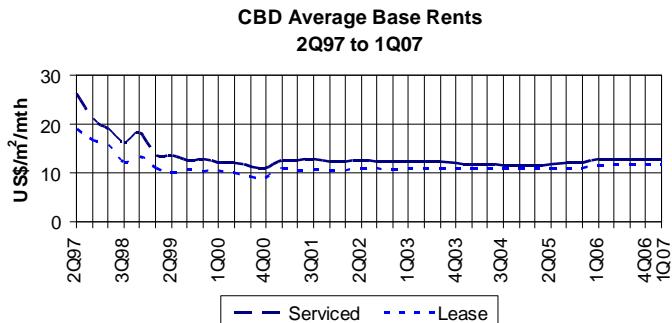
The average lease/serviced apartment occupancy was about 75.0% in the CBD and 72.7% in secondary areas. In the strata market, 83.0% of the CBD supply (current stock and projects under construction/launched) and 88.1% in secondary areas was stated by developers as sold. The occupancy rate of the current stock was 66% and 72%, respectively.



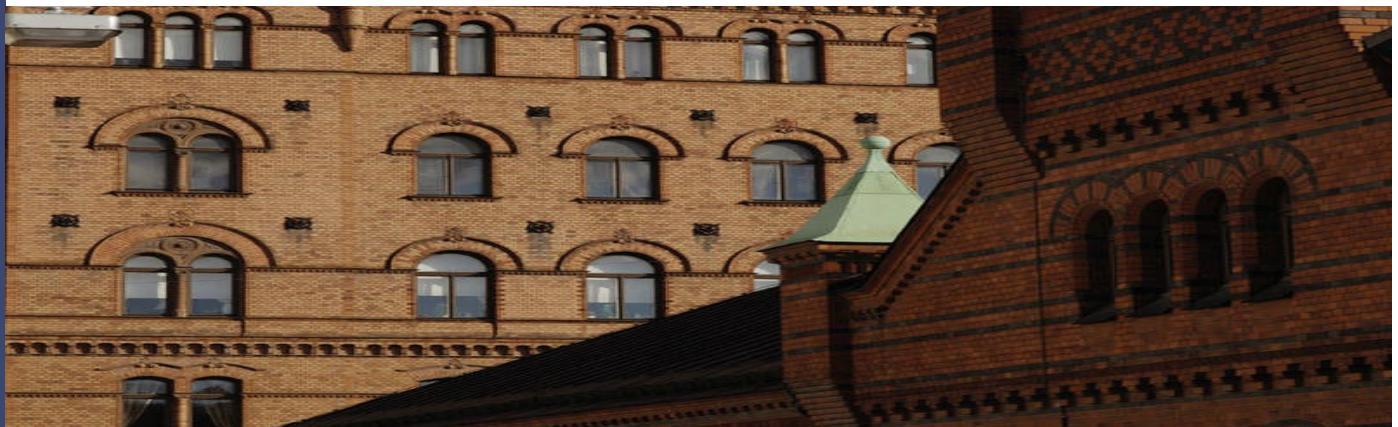
Rent / Prices

On average, rents for lease/serviced in the CBD and secondary areas remained the same compared to the previous quarter. Strata apartment offering prices increased in the CBD and in the secondary areas by 2.0% and 6.0%, respectively.

Average 1Q07 transaction base rents for CBD Upper and Middle Grade lease apartments were US\$14.60 and US\$8.10 respectively and for serviced apartments were US\$15.70 and US\$9.80 respectively. Average service charges were around US\$3.20 and US\$1.60 for lease apartments and US\$4.70 and US\$3.80 for service apartments. Average transaction prices for strata title apartments were US\$1,860/m² for Upper and effectively US\$990/m² for Middle Grade apartments.



apartment



Trends

While lease and serviced apartment occupancies are still below ideal levels, more and more investor strata title units have been completed and now competing for tenants.

Rents are still below 1997 levels and current real investor rental yields maybe much lower than expected. With strata unit stock doubling over the next 2 years, the risk of a serious over supply condition increases significantly.

hotel



Supply

There was no new supply during 1Q07. Jakarta hotel supply totals 22,297 rooms, consisting of 8,890 5-star, 8,152 4-star and 5,255 3-star rooms.

New hotels under development include: Ritz Carlton Pacific Place and Hotel Indonesia - Kempinski.

Bodetabek hotel supply remains at approximately 1,030 rooms, consisting of 370 5-star, 490 4-star and 170 3-star rooms. Overall, Jadebotabek hotel supply was 23,327 rooms.

Demand / Occupancy

Overall, occupancy increased by 2.9% to 61.8% from the previous quarter. The changes were 4.0%, 1.7% and 2.3% for 5-star, 4-star and 3-star hotels. The occupancies were 56.8%, 64.0% and 71.1%, respectively.

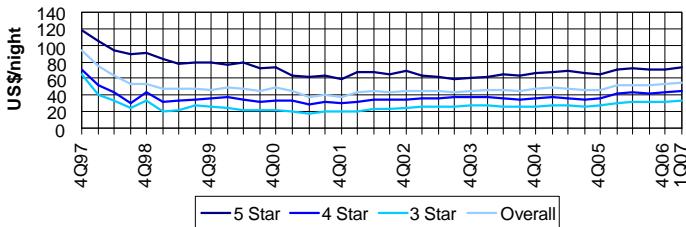
Compared to the same quarter last year, the changes were 6.6%, 3.6% and 3.7% for 5-star, 4-star and 3-star hotels, respectively. Overall same quarter year on year occupancy increased by 5.1%.

Room Rates

The overall rate increased from the previous quarter by 4.2% to US\$55.00 per night. The changes were 4.1%, 4.2% and 3.3% for 5-star, 4-star and 3-star hotels. US\$ room rates were US\$73.90, US\$45.00 and US\$33.30 per night, respectively.

Compared to the same quarter last year, room rates changed by 5.0% for 5-star, 5.8% for 4-star and 8.8% for 3-star hotels. Overall, room rates increased by 6.2%.

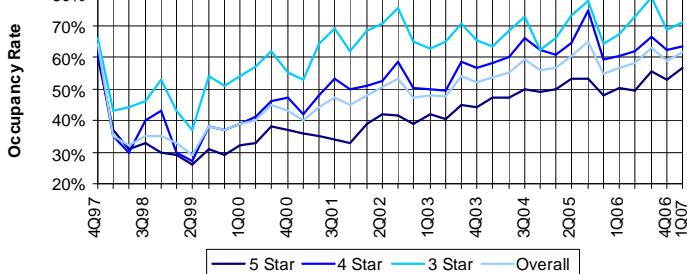
Jabodetabek Hotel Average Room Rates
4Q97 to 1Q07



Revenue Per Available Room

Overall RevPAR this quarter was US\$34.00 per night or about 9.1% higher than the previous quarter. Compared to the previous quarter, all-star hotel categories RevPAR increased. The changes were 11.9%, 6.5% and 6.2% for 5-star, 4-star and 3-star hotels. RevPAR was US\$42.00, US\$28.80 and US\$23.60 per night, respectively.

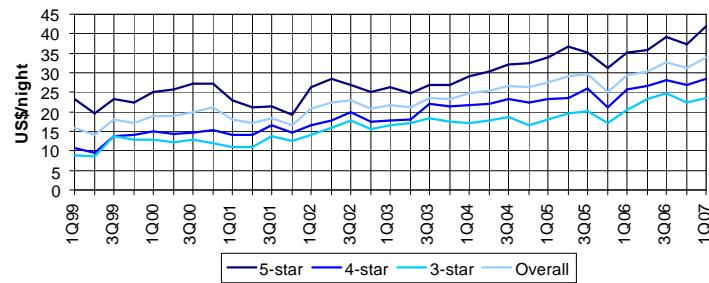
Compared to the same quarter last year, RevPAR changed by 18.8%, 12.1% and 14.9% for each star-category and 15.7% overall.



hotel



Jabodetabek Hotel RevPAR
1Q99 to 1Q07



Trends

Hotel performance continues to improve, but not yet to 1997 levels.

While the improvement is encouraging, the key performance benchmarks are below standard industry levels.

ABBREVIATIONS

PwC	: PricewaterhouseCoopers	Grade B	: Medium specification of generally more than 20,000 m ² . Mainly middle class local retailers and department stores
CBD	: Central Business District	Grade C	: Basic to medium quality building generally less than 20,000m ²
Jadebotabek	: includes Jakarta, Depok, Bogor, Tangerang and Bekasi	Basis of lease	: Retail units are let on a net area basis
Debotabek	: includes Depok, Bogor, Tangerang and Bekasi		
GDP	: Gross Domestic Product		
E	: Estimated		
m ²	: Square metres		
/m ² /mth	: Per square metre per month		
s-g area	: Semi-gross area		
pa	: Per annum		
1Q07	: 1 st Quarter 2007 (each quarter abbreviated similarly)		
s/c	: Service charge		
US\$: US dollar		
Rp.	: Rupiah		

DEFINITIONS

General

Central Business District	: Bounded by Jl Sudirman, Jl Rasuna Said and Jl Gatot Subroto (the 'Golden Triangle' of Jakarta)
Secondary area	: Area outside the CBD
et area	: space occupied solely by tenants (or available for the tenant's sole use)
Semi-gross area	: Net area plus a proportion of common space
Rents and service charge	: Are stated per m ² according to the relevant basis of lease in each sector (such as on s-g area for offices, see below)

Sectors

Offices

Grade A+	: A high quality and well maintained office building located in the CBD area, generally more than 20,000m ²
Grade A	: A standard quality office building, generally more than 20,000 m ²
Grade B	: A medium quality office building, generally 6,000 –20,000 m ²
Grade C	: A low quality office building, generally less than 6,000 m ² and usually more than 20 years old

Retail (Shopping centres)

Grade A+	: High specification with quality finishes, located in prime CBD area, generally more than 40,000 m ² . Mainly upper class retailers and international department stores
Grade A	: Modern specification with quality finishes located in CBD and secondary areas, generally more than 40,000m ² . Mainly middle to upper class retailers and international department stores

Apartment

Upper Grade	: High specification building with larger units (3BR>150 m ²), and a range of sport and leisure activities
Middle Grade	: Medium specification building with smaller units (3BR<150 m ²), and standard sports facilities
Basis of lease	: Apartments are let on a net area basis
Apartment size surveyed	: Average base rents and service charges are derived from rentals of 3 bedroom units
Sold Unit	: A unit is considered 'sold' after a deposit has been paid

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