

Jakarta Property Trends

PRICEWATERHOUSECOOPERS 

PT PricewaterhouseCoopers FAS

In association with

PT Paragon Property

1st Quarter 2006



TRENDS SUMMARY

- Office:** Gross rents continue to increase as existing vacant stock is taken up. New space currently under development represents the largest amount since 1998.
- Retail:** The retail centre market is reaching the over supply phase, especially kiosk centres. The amount of new space under development will double the current stock.
- Apartment:** Local residents are now driving more of the lease demand, which was previously mostly foreign residents. The continuous supply of new strata units is outpacing lease demand and testing the depth of the investor market.
- Hotel:** Performance has been improving this year and is hopefully an indication that the hotel market is recovering. But, overall performance levels still remain below 1996 levels.

overview economic



Inflation during 1Q06 was 1.98%, lower compared to 3.19% the same quarter last year. 1Q06 monthly inflation was at 1.36%, 0.58% and 0.03% in January, February and March, respectively.

As of March, Year on Year inflation was 15.74% in 2006 compared to 8.81% the previous year.

The quarterly average exchange rate was Rp9,304:US\$1.00; strengthening from Rp10,009:US\$1.00 in 4Q05. The 3 month Bank Indonesia certificate (SBI) rate fell to 12.64% on 5 April 2006 from 12.91% on 4 January 2006. The Jakarta Composite Index closed at 1,323 on 29 March 2006, compared to 1,163 on 29th December 2005 and 1,080 on 31st March 2005.

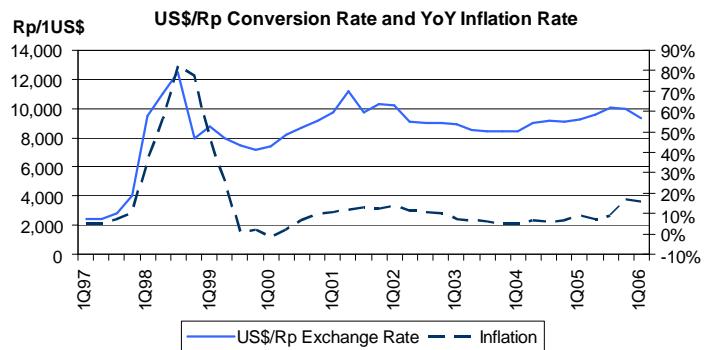
During the period of January – March 2006, Approved Domestic and Foreign Direct Investment was about Rp16.1 trillion and Rp21.6 trillion, an increase of 77.2% and a decrease of 44.6% respectively from the same period last year.

During the same period, Realised Domestic and Foreign Direct Investment was about Rp8.5 trillion and Rp23.8 trillion, an increase of 87.9% and 29.9% respectively from the same period last year.

The value of exports and imports from January to March 2006 changed by 12.5% and -2.5% compared to the same period last year to US\$22.4 billion and US\$13.2 billion respectively.

GDP growth increased by 2.03% compared to the previous quarter and increased by 4.59% compared to the same quarter last year.

During this quarter, the Indonesia Business Index was 95.12 compared to 98.45 in the previous quarter and is expected to be 97.47 next quarter (Index 100 = no changes compared to the previous quarter).



office



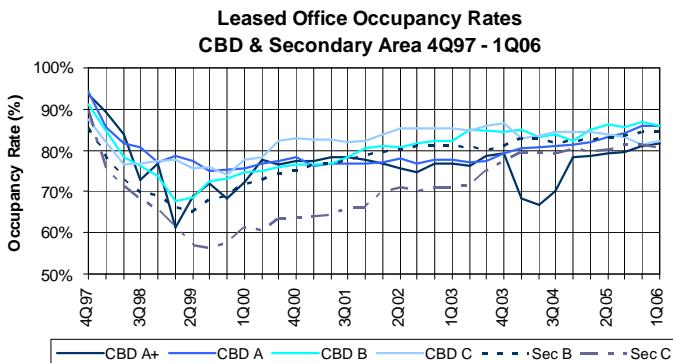
Supply

There was new supply of about 9,800 square metres from the re-operation of Gedung Oil Centre in the CBD area during 1Q06. Office stock is approximately 4.33 million square metres.

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

Demand / Occupancy

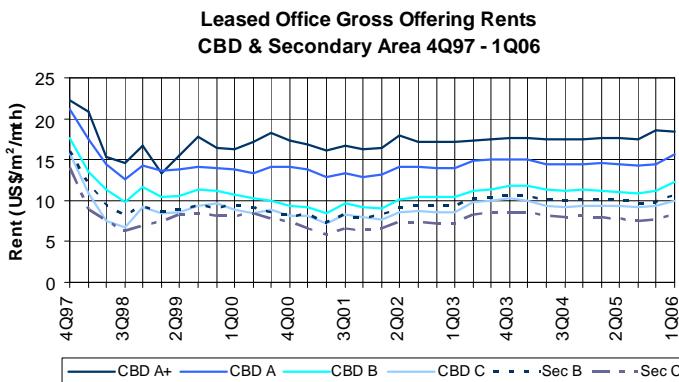
Overall, occupancy of office buildings in Jakarta decreased during this quarter to 85.1%. Occupancy rates remained at 85.6% in CBD but decreased to 84% in the secondary area. Total vacant space increased to approximately 645,000 square metres.



Occupancy rates for the various office grades in the CBD were 81.6%, 86.1%, 86.0% and 82.2% for Grades A+, A, B and C, respectively. In the secondary area, occupancy was 84.5% and 80.8% in Grades B and C.

Rents

Most CBD Grade A+ transacted gross rents were generally in the range of US\$15.00 - US\$19.00/m²/mth, mostly in US\$ with floating exchange rates. For other grades most transactions were still in rupiah: Grade A Rp120,000-Rp140,000/m²/mth; Grade B Rp100,000-Rp120,000; 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 electric charges.

Trends

Gross rents continue to increase as existing vacant stock is taken up. New space currently under development represents the largest amount since 1998. This significant new supply will begin entering the market in late 2006 through 2008. Almost half is strata title (for sale) space.

retail



Supply

There was new supply of about 24,000 m² from the operation of Mal Metropolitan 2 (for lease) and about 17,000 m² from Mal Taman Palem (strata title kiosks) during 1Q06. In this quarter, Total Jakarta lease stock remained at approximately 1.44 million m² and strata title stock increased to 947,000 m². Debotabek lease stock increased to approximately 444,000 m² and strata title stock remained at 303,000 m².

Subject to timely completion, new supply up to year 2008 is estimated at about 1.5 million m². A partial list of the future supply includes: Senayan Mall, Mega Glodok Kemayoran, Mall of Indonesia, Kota Casablanca, Grand Indonesia and Pacific Place.

Demand / Occupancy

Jadebotabek shopping centre occupancy rates decreased to 93.5%. Both Jakarta and Debotabek occupancies decreased to 93.5%.

Grade A+/A occupancy in Jakarta increased, but decreased in Grades B and C. Occupancy remained the same in Grade D. Occupancies were 99.4%, 93.9%, 84.7% and 93.6% for Grades A+/A, B, C and D respectively.

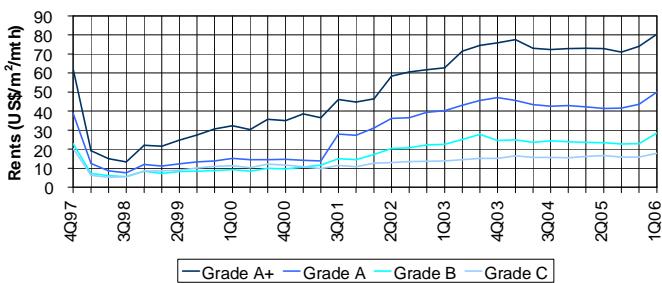
Shopping Centre Occupancy Rates
4Q97 - 1Q06



Rent

Overall, offering contract rents, fixed exchange rates and effective rents increased in Jakarta and Debotabek during the quarter compared to the previous quarter.

Shopping Centre US\$ Offering Effective 'Typical Floor' Rent
(excludes Ground Floor and Anchor Tenants)
4Q97 - 1Q06



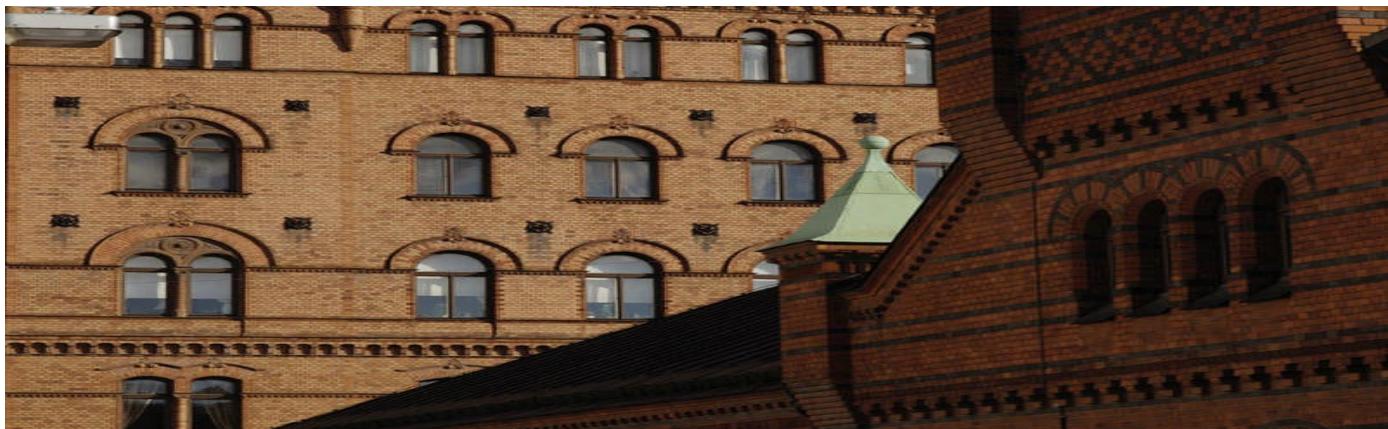
Offering contract rents for typical floors increased to US\$49/m²/mth in Jakarta and US\$26/m²/mth in the Debotabek area. The 1Q06 fixed exchange rates generally ranged between Rp9,000 (Grade A+) and Rp5,000 (Grade C) across Jadebotabek. Offering contract service charges remained at the range of US\$7 to US\$14.5/m²/mth for Jadebotabek. Strata title kiosk units and long lease prices generally range from Rp30 million/m² to Rp250 million/m².

Trends

The retail centre market is reaching the over supply phase, especially kiosk centres. The amount of new space under development will double the current stock.

The overall depth of kiosk demand is of concern as many of the kiosk buyers are investors, not retailers.

apartment



Supply

There was new supply of approximately 2,700 strata title units from the operation of Casablanca Mansion and The Bellagio Residences in the CBD, and Paladian Park and The Pakubuwono Residences in the secondary area.

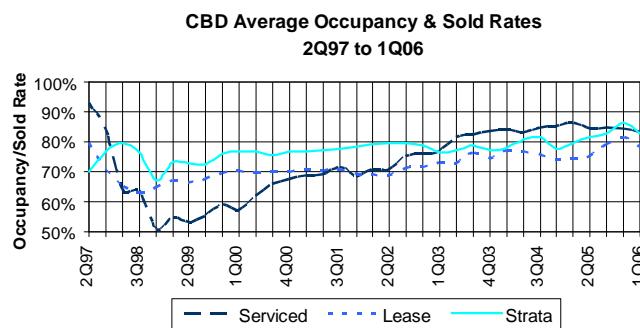
Total stock of apartments increased to about 12,400 units in the CBD and about 32,600 units in the secondary area. Leased (non strata title) and serviced apartments account for about 5,370 units (49% CBD and 51% secondary) and strata title approximately 39,600 units (25% CBD and 75% secondary).

New supply up to year 2008 is estimated at about 48,000 units. A partial list of future supply includes: Setiabudi Residences, Pearl Garden, Marriot Executive Apartments, Hollywood Residences, Oakwook Premier, The Peak, Four Seasons Towers 3 & 4, The Bellagio Mansions, Sudirman Park, Forum Residences and The Pinnacle.

Occupancy / Sold Rate

Overall occupancy of lease/serviced apartments of all grades decreased in the CBD and secondary areas by 2.0% and 1.1%, respectively. In the strata market, both CBD and secondary areas sold rate decreased by 3.4% and 4.4%, respectively.

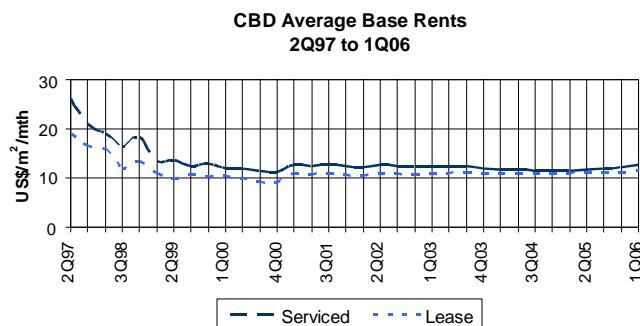
The average lease/serviced apartment occupancy was about 81% in the CBD and 74% in secondary areas. In the strata market, 83% of the CBD supply (current stock and projects under construction/launched) and 85% in secondary areas was stated by developers as sold. Occupancy rate of the current stock in the CBD decreased to 64% and increased to 65% in the secondary area.



Rent / Prices

On average, rents for lease/serviced in the CBD and secondary areas increased by 4% and 8%, respectively compared to the previous quarter. Strata apartment offering prices increased in the CBD and in the secondary areas by 5% and 13%, respectively.

Average 1Q06 transaction base rents for CBD Upper and Middle Grade lease apartments were US\$14.20 and US\$7.90 respectively and for serviced apartments were US\$15.60 and US\$9.70 respectively. Average service charges were around US\$2.70 and US\$1.50 for lease apartments and US\$4.70 and US\$3.80 for service apartments. Average transaction prices for strata title apartments were US\$1,695/m² for Upper and effectively US\$875/m² for Middle Grade apartments.



apartment



Trends

Local residents are now driving more of the lease demand, which was previously mostly foreign residents.

The continuous supply of new strata units is outpacing lease demand and testing the depth of the investor market.



Supply

There was no new supply during 1Q06. 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 Sofitel hotel in Senayan City.

Debotabek 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.

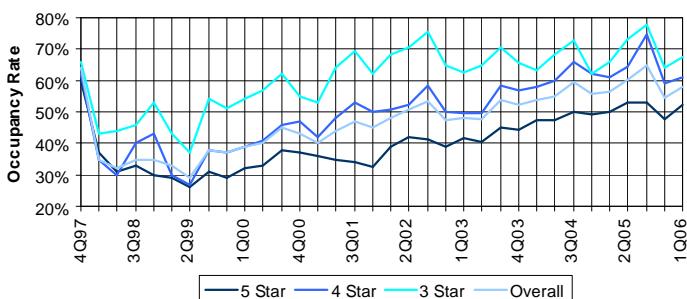
Hotel Manhattan's soft opening was on 22 March 2006 and Hotel Dusit Mangga Dua re-branded to Hotel Le Grandeur on 1 April 2006.

Demand / Occupancy

Overall, occupancy rose by 3.5% to 58.1% from the previous quarter. The changes were 4.3%, 1.7% and 3.4% for 5-star, 4-star and 3-star hotels. The occupancies were 52.2%, 60.9% and 67.3%, respectively.

Compared to the same quarter last year, the changes were 2.3%, 0.0% and 1.2% for 5-star, 4-star and 3-star hotels, respectively. Overall same quarter year on year occupancy increased by 1.6%.

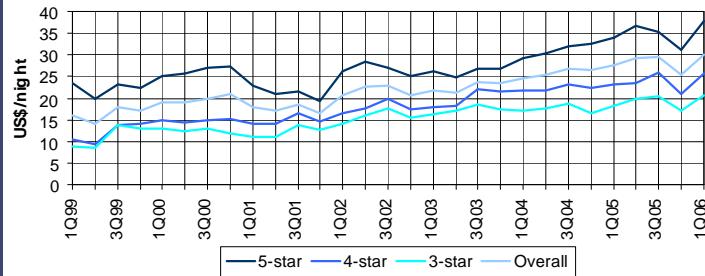
Jadebotabek Hotel Occupancy Rates
4Q97 to 1Q06



hotel



Jadebotabek Hotel RevPAR
1Q99 to 1Q06



Trends

Performance has been improving this year and is hopefully an indication that the hotel market is recovering.

But, overall performance levels still remain below 1996 levels.

ABBREVIATIONS

PwC	: PricewaterhouseCoopers
CBD	: Central Business District
Jadebotabek	: includes Jakarta, Depok, Bogor, Tangerang and Bekasi
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
1Q06	: 1 st Quarter 2006 (each quarter abbreviated similarly)
s/c	: service charge
US\$: US dollar
Rp.	: Rupiah

DEFINITIONS

General

Central Business District	: bounded by JI Sudirman, JI Rasuna Said and JI Gatot Subroto (the 'Golden Triangle' of Jakarta)
Secondary area	: area outside the CBD
et area	: space occupied solely by tenant (or available for the tenant's sole use)
Semi-gross area	: net area plus 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 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 area, generally more than 40,000m ² . Mainly middle to upper class retailers and international department stores

Grade B	: Medium specification of generally more than 20,000 m ² . Mainly middle class local retailers and department stores
Grade C	: Basic to medium quality building generally less than 20,000m ²
Basis of lease	: Retail units are let on a net area basis

Hotels

Star Categorization: The 5, 4 and 3 categories used in our survey are in accordance with the Government licenses awarded to each individual hotel

Apartment	
Upper Grade	: High specification building with larger units (3BR>150 m ²), and 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 charge 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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