Bangkok Post

Bangkok Post
Circulation: 70,000
Ad Rate: 1,500

Section: ASIA FOCUS/First Page
Date: Monday 25 March 2013
Volume: - **No:** - **Page:** 1(Center)
Col.Inch: 127.12 **Ad Value:** 190,680 **PRValue (x3):** 572,040 **Clip:** Full Color
Headline: Jakarta real estate firing on all cylinders

Jakarta real estate firing on all cylinders

Despite its well-known shortcomings, Indonesian capital exerts a powerful pull on businesses, spurring demand for office, commercial and residential property.

By Nithi Kaveevivitchai

●With low interest rates and strong business sentiment, the property market in the Greater Jakarta Area is expected to remain strong throughout this year as demand for office, residential and retail space continues, according to international property consultants.

"The prime office market in Jakarta is very tight and we are seeing significant rental growth," said Nicholas Holt, research director of the property services firm Knight Frank Asia Pacific.

"With the robust economy and strong occupier demand, this is likely to continue. Retail has also proved very robust with a growing middle class orienting themselves toward modern retail formats."

Mr Holt said Knight Frank was upbeat about the prospects for office space, particularly in the Central Business District, where occupancy rates are expected to remain above 90%.

The existing Jakarta office supply in 2012 stood at 6.8 million square metres, with 4.69 million (69%) located in CBD area, mainly in Rasuna Said, SCBD and Sudirman. An additional 544,604 square metres of office space are due to be completed and enter the market by the end of this year. The pre-commitment level for these projects already exceeds 50%, indicating a healthy market.

Sorachon Boonsong, a partner at Baker & McKenzie, said the increase in demand for grade A office buildings in Jakarta last year reflected the interest of many local and foreign multinational companies in relocating and expanding their offices in the CBD, given its closeness to the best infrastructure, facilities and commercial development.

The majority of active tenants are oil and gas companies, followed by insurance and banking companies, he said.

The rise in prime office demand Jakarta also reflects an influx of expatriate executives, who in turn will be seeking quality accommodation, noted Mr Sorachon.

"Rental and high-end residential apartments such as the Ritz Carlton and Kempinski have also experienced steady increases in terms of both occupancy and rental prices, given the increasing number of expatriates and young adult families who are staying in Jakarta for the short term and will be looking for this type of service," he said.

While Jakarta's shortcomings in terms of infrastructure and public transport are well known and won't be solved overnight, most businesses today realise that they cannot afford not to be in Indonesia.

The upgrading of Indonesia's credit rating to investment-grade status by the major ratings agencies over the past two years has convinced investors that the country's economy is on a sound footing. GDP growth in the 5-6% range is among the best in Asia, and the middle class is expanding fast, driving demand for a host of goods and services on a large scale.

As more companies seek their fortunes in Indonesia and more foreign executives come to Jakarta, pressure is mounting on the government to liberalise the real estate investment regime. Regulations concerning foreign ownership of condominiums are still some distance from realisation, requiring expatriates to continue to rent living space.

According to research by PT Leads Property Services Indonesia, a strategic ally with the multinational real estate agency CBRE, the Jakarta condominium market is expected to see continued positive growth in prices on the back of buyer sentiment, particularly in mid-priced accommodation.

Property finance remains a challenge, following the move by Bank Indonesia to raise minimum down payments to 30% from 20% in June last year. Many banks have tried to offset the impact of the regulation by offering more attractive mortgage terms, such lower fixed interest rates for long periods of one to three years. Correspondingly, the demand in the condominium market in Jakarta remains relatively strong.

Mr Holt said the increasing size of the urban population with higher purchasing power was making Indonesia a hot investment destination. The country is less exposed to international trade than many other countries, but with its robust domestic demand from a population of 240 million, the economy will remain resilient.

He research by PT Leads Property Services Indonesia showed that in terms of location, East Jakarta has started to pick up more supply with an almost threefold increase since 2009. However, the highest number of condominium units is still located in CBD area as it is most favoured by end users. For some, the attraction is the quick commute to work as they can avoid worsening traffic congestion. For investors, the attraction is the healthy capital gain.

South Jakarta recorded the highest increase of supply over the past three years, becoming the most favourable area for condominium development.

However, when speaking of the key challenges, Mr Holt said executing deals in places such as Jakarta is not always easy as the legal framework is not

Bangkok Post

Bangkok Post
Circulation: 70,000
Ad Rate: 1,500

Section: ASIA FOCUS/First Page
Date: Monday 25 March 2013
Volume: - **No:** - **Page:** 1(Center)
Col.Inch: 127.12 **Ad Value:** 190,680 **PRValue (x3):** 572,040 **Clip:** Full Color
Headline: Jakarta real estate firing on all cylinders

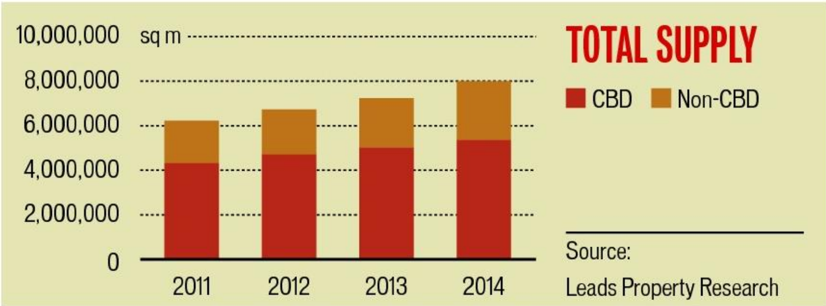
as sound as in places such as Singapore and Hong Kong. The Indonesian market lacks transparency, though it has started to improve.

Meanwhile, fear of a housing bubble is seen in some research as property prices have risen substantially during the past few years. The number of new projects coming into the market in some cases raises fears that an oversupply could arise in the near future.

Moreover the lack of sound regulations regarding tenure of condominium ownership leads to an investor-driven market, with potential for speculation, which may potentially leave some units empty once they are completed.

Despite its potential drawbacks, Jakarta ranked first as the most preferred destination for real estate investment, according to "Emerging Trends in Real Estate: Asia Pacific 2013", published jointly by the Washington-based Urban Land Institute (ULI) and PricewaterhouseCoopers (PwC). The Indonesian capital shot up from 11th place to overtake Singapore, the previous leader.

In the face of continuing concerns over the euro zone and the never-ending US fiscal policy showdown, western investors are seeking compelling investment opportunities in emerging markets, particularly in Asia Pacific, in order to expand their horizons. Regardless of its congestion, lack of sufficient infrastructure and regulatory shortcomings, for now Jakarta is one of the markets with the type of prominent growth that investors are always looking for.



UPCOMING DEVELOPMENTS IN 2013

Building Name	City Area	Type	sq m	
CBD				Outside-CBD
Wisma Mulia 2	Gatot Subroto	Lease	70,000	8 Projects, 175,321 sq m
Menara Prima 2	Mega Kuningan	Lease	45,000	
Noble House	Mega Kuningan	Lease	58,000	
Life Tower	Rasuna Said	Lease	30,846	
The Convergence Indonesia	Rasuna Said	Strata	37,724	
Prudential Tower Annex	Sudirman	Lease	8,190	

POSTgraphics

Bangkok Post	**Section:** ASIA FOCUS/First Page			
	Date: Monday 25 March 2013			
	Volume: -	**No:** -	**Page:** 1(Center)	
Bangkok Post	**Col.Inch:** 127.12	**Ad Value:** 190,680	**PRValue (x3):** 572,040	**Clip:** Full Color
Circulation: 70,000 **Ad Rate:** 1,500	**Headline:** Jakarta real estate firing on all cylinders			

Photo: EPA

A worker navigates girders at a building under construction in Jakarta, where office space this year is forecast to increase by 8%.