

Indonesia Property Market Overview

Recent Market Performance Since The Spread of Covid-19 Pandemic

September, 2020



Prepared by

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As we get through half the year of 2020, business climates continue stagger as a result of the Covid-19 pandemic and the policies that follows. The pandemic has continued to hit almost all property sectors throughout the region.

This publication tries to analyze a recent market performance of property sectors in Greater Jakarta and other major cities in Indonesia as of August 2020.

This analysis will identify how the pandemic affects property market performance, the response of every property sector in anticipating a slowdown, and the market outlook for the rest of 2020.

Based on our conducted primary survey, we herewith would like also describe a perception of market recovery in property industry from market players point of view.

As property market characteristics in Greater Jakarta stand much higher than other cities, we divided our analysis into 2 (two) coverage areas as follows:

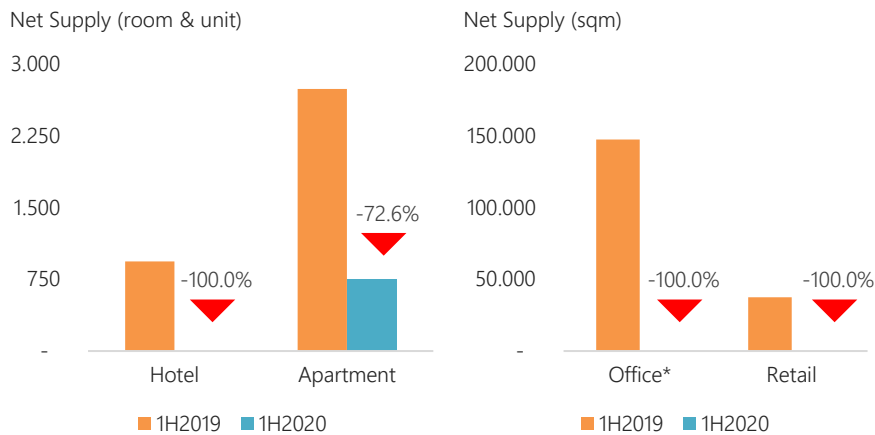
1. Greater Jakarta (Jakarta, Bogor, Depok, Tangerang, and Bekasi)
2. Other major cities including Bandung, Surabaya, Bali, and Medan as maturing cities; then Batam, Palembang, Semarang, Makassar, and Balikpapan as emerging cities.

Meanwhile, property sectors that are covered in this analysis cover commercial sectors including Apartment, Hotel, Office, and Retail (shopping center).

The analysis was conducted in August 2020 with basic database as at the second quarter 2020 as well as recent market performances up to August 2020.

Property market during the second quarter of 2020 was considerable as the worst performance all the time, even worse than market performance during the monetary crisis in 1998. Limited activities in marketing and leasing transactions due to the Covid-19 pandemic has led to a very modest market movement over the period.

Comparison of Net Supply of Property Sectors in Greater Jakarta

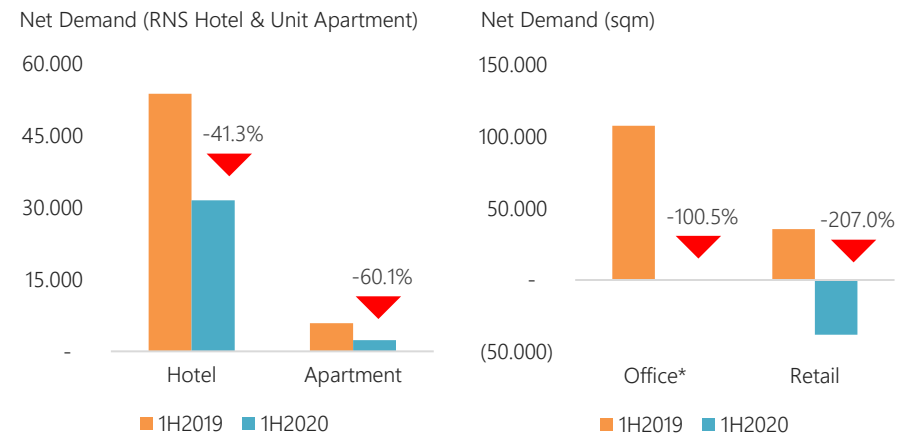


Source: Strategic Advisory - Coldwell Banker Commercial, August 2020

Office and retail center as property sectors that were relatively stable in the previous quarter showed a sluggish condition in the second quarter. There is no demand absorption in these two sectors and prices continued to be under pressure.

In overall, the Covid-19 pandemic has disrupted supply chain of property sector. No additional new supply during the first half 2020 in almost all sectors. New supply only came from apartment projects with a total of 750 units in Bodebek Area.

Comparison of Net Demand of Property Sectors in Greater Jakarta



Source: Strategic Advisory - Coldwell Banker Commercial, August 2020

A significant decline occurred in retail sector due to prohibition in opening malls, which brought to a drop in retailer turnover with some of them decided to close their operation.

Office sector has been under tremendous pressure as tenants or prospective tenants adopted a cost efficiency position following current businesses condition.

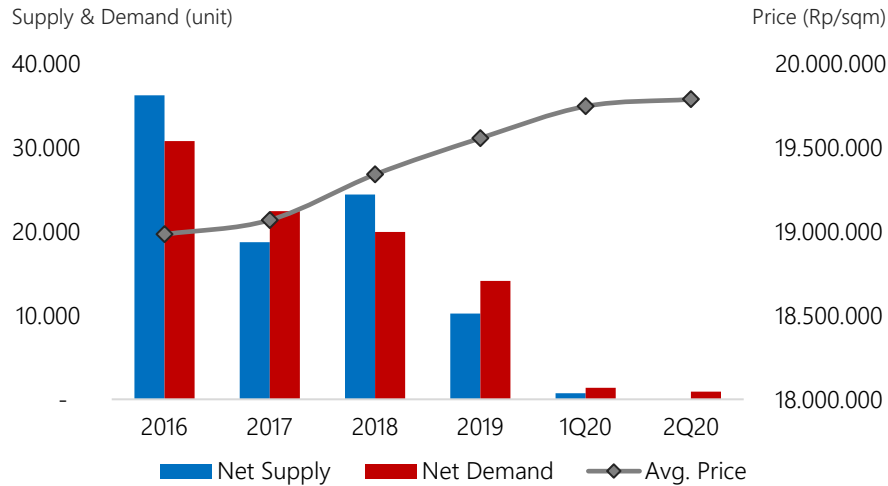
Hotel and apartment continued to be in negative movement, even worse than market performance in the previous quarter.



Property Market in Greater Jakarta

Apartment Market in Greater Jakarta

Net Supply, Net Demand, and Average Selling Price of Apartments in Greater Jakarta



Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

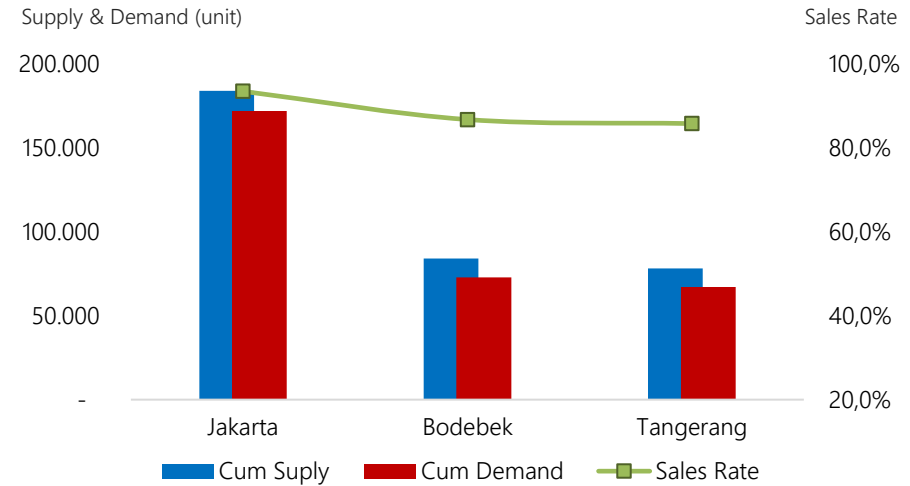
The Market movement of apartment sector continued to slowdown due to the Covid-19 pandemic. There was no new additional supply, whilst net demand accounted in a lower level than previous quarter.

As investors were holding back their decisions, and demand from end users remain limited, most projects witnessed a low achievement, which was far from their sales target.

Demand absorption during the quarter was mostly contributed by projects in Tangerang, particularly middle-upper projects in BSD and Bintaro area. Projects in Bekasi also contributed to demand absorption in middle-low market segment.

The implementation of social distancing policy had limited transaction activities from potential buyers.

Cumulative Supply, Cumulative Demand, and Sales Rate of Apartments in Greater Jakarta, Q2-2020



Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

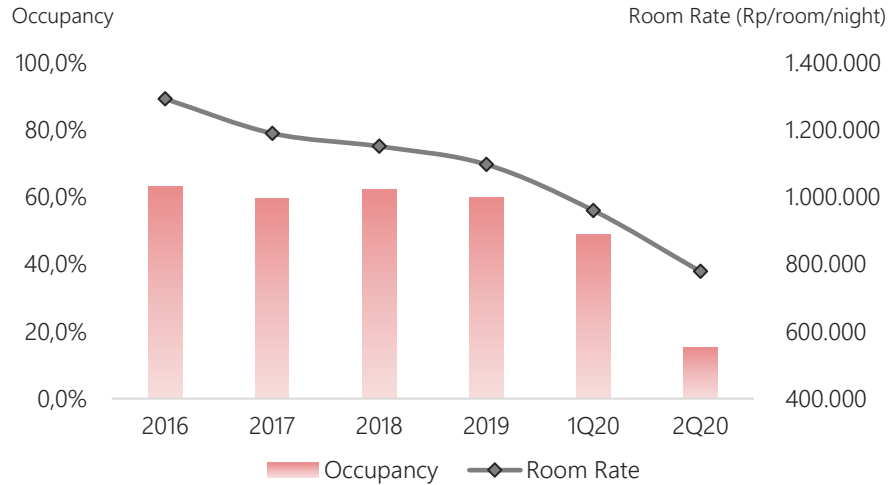
Area	Q o Q (Trend from Q1 to Q2 of 2020)			
	Net Supply	Net Demand	Sales Rate	Price
Jakarta	-	-36.1% ↓	0.1% ↑	0.2% ↑
Bodebek	-100.0% ↓	-46.3% ↓	0.4% ↑	0.3% ↑
Tangerang	-	-18.6% ↓	0.5% ↑	0.2% ↑

Based on the above table, net demand of apartments market in Greater Jakarta decreased by 46.3%, brought the sales rate moved only less than 0.5%.

On average, price increased by only 0.2%, which was driven by middle to upper market segment. The highest price increment was occurred in middle market segment in Bodebek area with 0.8%.

Hotel Market in Greater Jakarta

Occupancy Rate and Average Room Rate of Hotel in Greater Jakarta



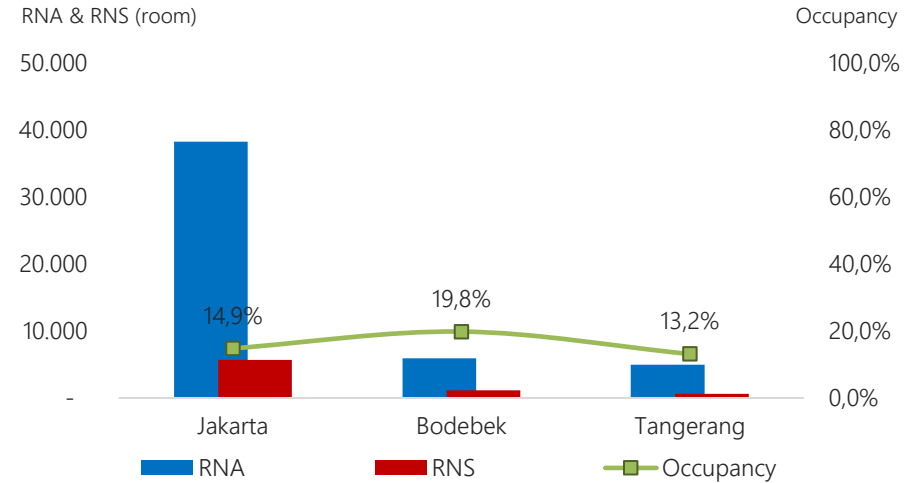
Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

Hotels are as the most affected sectors following the spread of Covid-19 pandemic. Overall, occupancy rate in Greater Jakarta stood at 15.3%, fell sharply by 33.5% over the second quarter and this was the lowest occupancy level all the time.

From a total of 219 hotels in Greater Jakarta, about 33.3% (73 hotels) had not opened their operation yet, whilst many others open with limited operation. Most of hotels that were operated in the second quarter witnessed an average occupancy of below 15.0%. Demand profile came from leisure or family guests through OTA bookings.

There were several large requirements from oil & gas and shipping companies in certain hotels to accommodate isolation periods for their worker before or after trip to/from the field.

Room Night Available (RNA), Room Night Sold (RNS), and Occupancy Rate of Hotel in Greater Jakarta, Q2-2020



Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

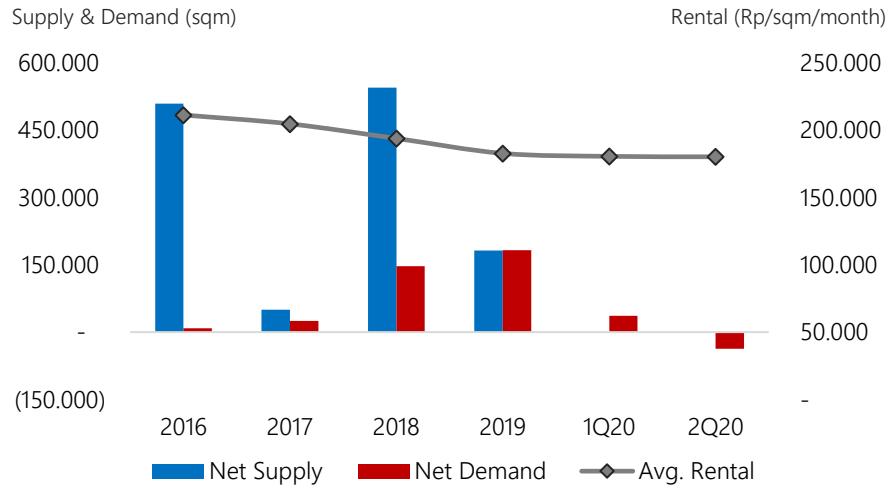
Area	Q o Q		Y o Y	
	Occupancy	Room Rate	Occupancy	Room Rate
Jakarta	-34.0% ↓	-19.3% ↓	-37.8% ↓	-27.3% ↓
Bodebek	-29.6% ↓	-18.6% ↓	-39.6% ↓	-27.8% ↓
Tangerang	-34.4% ↓	-18.7% ↓	-35.2% ↓	-15.5% ↓

There were no conducted MICE activities during the second quarter. Reservation for meeting rooms occasionally come from people who need comfortable venue for themselves as speakers in webinars.

In line with a sharp decline in occupancy rate, room rate also dropped significantly by about 19.0%. So that, most hotels witnessed a declining revenue in the quarter.

Office Market in Jakarta

Net Supply, Net Demand, and Average Rental of Office in Jakarta

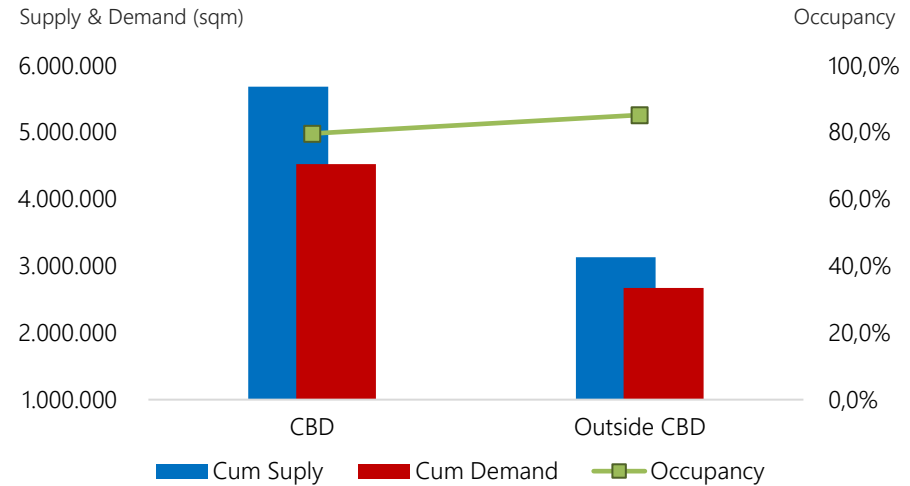


Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

The Covid-19 pandemic has brought a negative impact in office market. This is indicated by a decline in occupancy rate and rental that continues to be under pressure in the second quarter 2020. Rental was more negotiable by applying larger discounts or easier payment term.

The decline in occupancy was distributed equally in all throughout Jakarta. There were a limited number of prospective tenants who were seeking new offices during the quarter. In addition to that, low market performance were indicated by the lack of site inspection by potential tenants, delay and even cancelation of lease agreement, the holding back of relocation decisions, and suspension in fitting out. Some tenants with their lease expiring in the second quarter decided to move from office building. There were also early termination, as well as tenant relocation to a cheaper building.

Cumulative Supply, Cumulative Demand, and Occupancy of Office in Jakarta, Q2-2020



Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

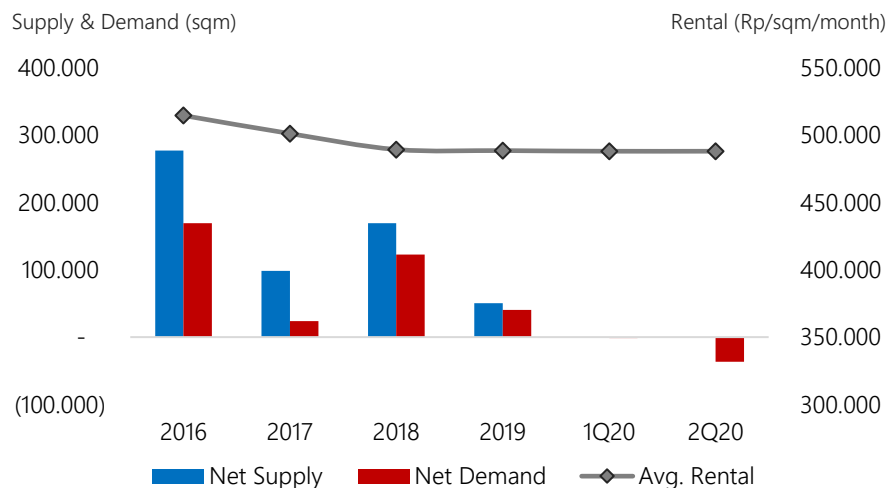
Area	Q o Q (Trend from Q1 to Q2 of 2020)			
	Net Supply	Net Demand	Occupancy	Avg. Rental
CBD	-	-140.7% ↓	-0.3% ↓	-0.4% ↓
Outside CBD	-	-2,517.0% ↓	-0.7% ↓	0.2% ↑

From the table above, it is seen that building outside CBD area witnessed the most significant decrease in demand absorption particularly in South Jakarta and North Jakarta.

A decline in occupancy rate was due to tenant moving out from office buildings, particularly those in line with business that significantly affected by the pandemic, such as logistics, trading, e-commerce, etc.

Retail Market in Jakarta

Net Supply, Net Demand, and Average Rental of Retail in Greater Jakarta



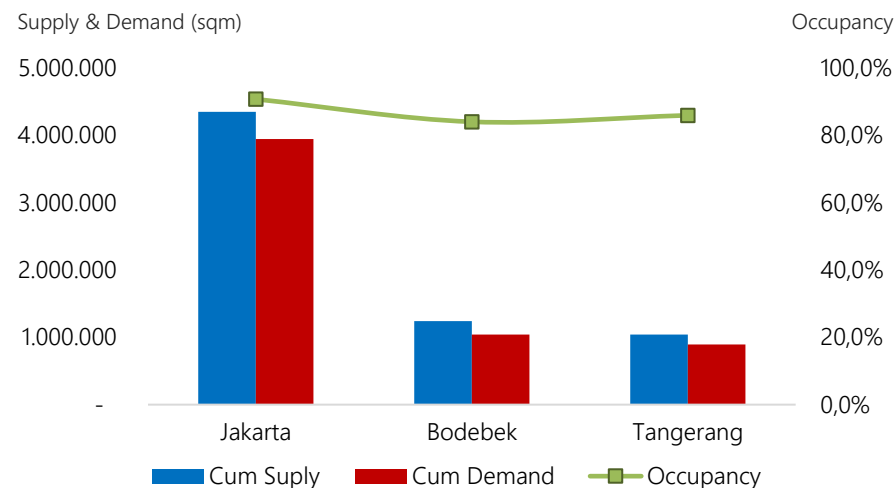
Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

The decline of net demand in Greater Jakarta during the second quarter was due to an increase of vacancy rate of shopping centers in South Jakarta and Bekasi area. Some tenants in these area did not renew their contracts and some others even terminated their contracts.

A low sales turnover, due to the temporary closing of shopping center operations had led some tenants to discontinue their lease term. These tenants are generally in the local F&B and fashion sector, who occupy space less than 100 m².

It is estimated about 20-30% of tenants in shopping centers in Greater Jakarta remain open operations during the second quarter, even though shopping centers were partly closed due to the large-scale social restriction.

Cumulative Supply, Cumulative Demand, and Occupancy of Retail in Greater Jakarta, Q2-2020



Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

Area	Q o Q (Trend from Q1 to Q2 of 2020)			
	Net Supply	Net Demand	Occupancy	Avg. Rental
Jakarta	-	-969.6% ↓	-0.5% ↓	0.0% =
Bodebek	-	-3,107.5% ↓	-1.1% ↓	0.0% =
Tangerang	-	-826.6% ↓	-0.3% ↓	0.0% =

The graph shows a stability in average rental state as well as average occupancy, at over 84% in each area.

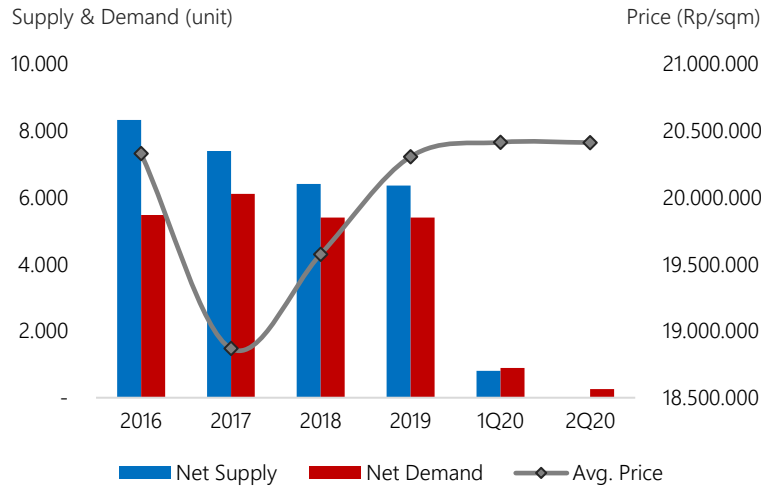
This may be due to many shopping centers who had previously had a waiting list of prospective tenants being alerted whenever tenants want to rearrange their expansion plans.



Property Market in Major Cities in Indonesia

Apartment Market in Other Major Cities in Indonesia

Net Supply, Net Demand, and Average Selling Price of Apartments in Other Major Cities in Indonesia



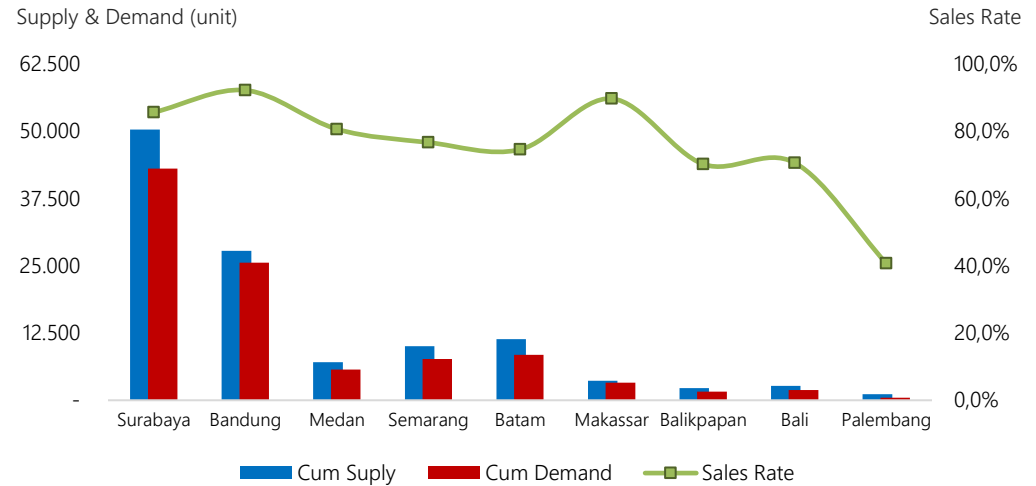
Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

Construction activities in apartment projects were affected significantly by a movement restriction policies, with some projects putting on hold their construction progress and delaying their handover schedule. Several new projects in major cities have suspended their launch period. Additional new supply in the first half only came from launched projects in Bandung and Bali, whilst there are no additional new launched projects in other major cities.

Demand absorption was generated by transactions in few apartment projects in Surabaya, Bandung, and Makassar. There were no demand absorption in primary market in other cities.

Among major cities, Surabaya enjoyed a better market performance as indicated by an increase in sales rate and average prices, although remain in modest level. Developer reputation is considerable as important factor that attract potential buyers.

Cumulative Supply, Cumulative Demand, and Sales Rate of Apartments in Other Major Cities in Indonesia, Q2-2020

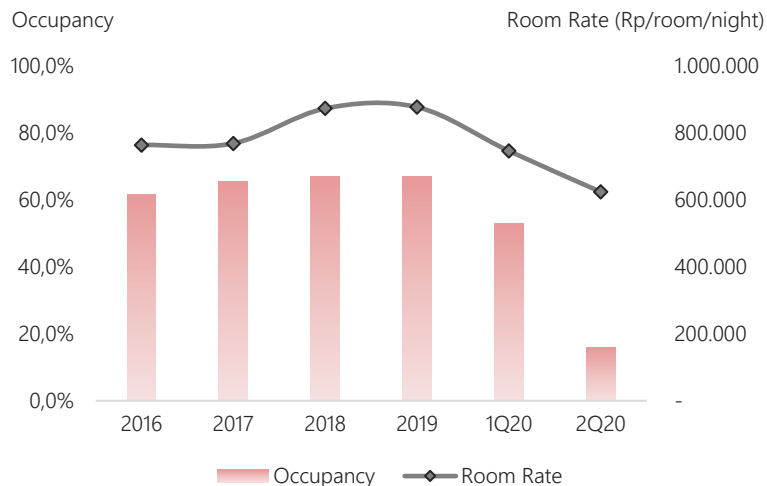


Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

Area	Q o Q (Trend from Q1 to Q2 of 2020)			
	Net Supply	Net Demand	Sales Rate	Price
Surabaya	-	-32.0% ↓	0.4% ↑	0.2% ↑
Bandung	-100.0% ↓	-90.2% ↓	0.1% ↑	0.0% =
Medan	-	-100.0% ↓	0.0% =	0.0% =
Semarang	-	-100.0% ↓	0.0% =	0.0% =
Batam	-	-100.0% ↓	0.0% =	0.0% =
Makassar	-	-19.1% ↓	0.4% ↑	0.0% =
Balikpapan	-	-	0.0% =	0.0% =
Bali	-100.0% ↓	-100.0% ↓	0.0% =	0.0% =
Palembang	-	-	0.0% =	0.0% =

Hotel Market in Other Major Cities in Indonesia

Occupancy Rate and Average Room Rate of Hotel in Other Major Cities in Indonesia



Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

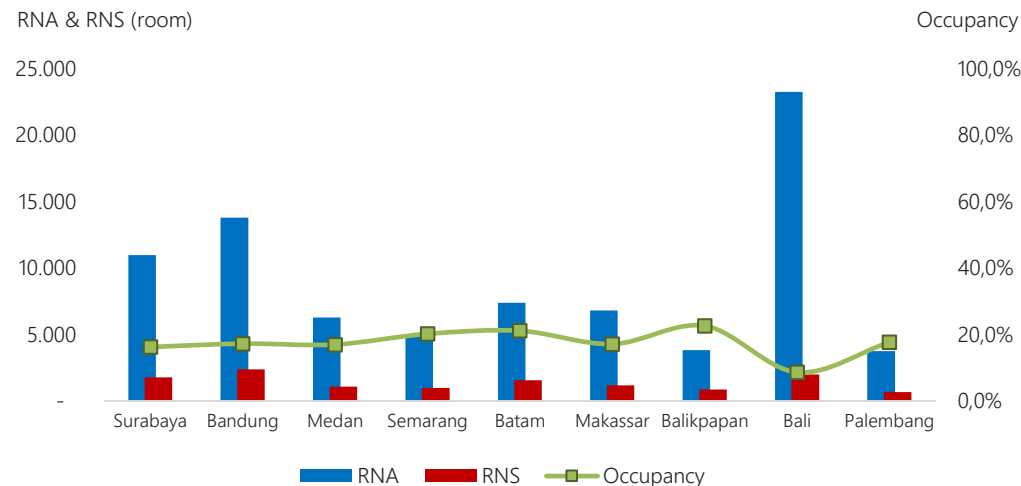
Hotel experienced an unprecedented decline in demand during the second quarter as the Covid-19 pandemic eliminated a large numbers of business travels and MICE activities.

Occupancy rates in most major cities ranged from 8.6% - 22.6% with hotels in Bali being the lowest. Hotel market with city occupancy above 20% were only in Balikpapan and Semarang. Low occupancy has led landlord to offer special discounts for room rate up to 40% - 50%.

On annual basis, Hotel market in Bandung and Bali witnessed the highest decline as tourism industries in these cities were affected significantly by the Covid-19 pandemic.

Demand profile particularly driven by weekender demand and family staycation from residents in the cities themselves.

Room Night Available (RNA), Room Night Sold (RNS), and Occupancy Rate of Hotel in Other Major Cities in Indonesia, Q2-2020

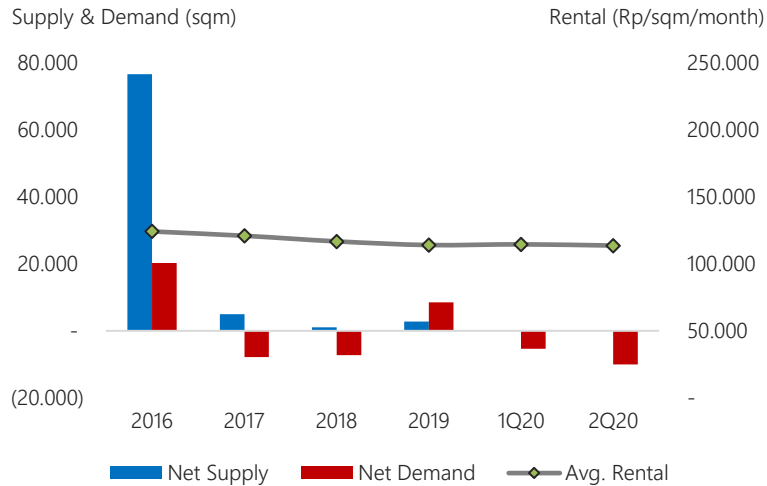


Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

Area	Q o Q		Y o Y	
	Occupancy	Room Rate	Occupancy	Room Rate
Surabaya	-37.8% ↓	-16.6% ↓	-45.6% ↓	-24.0% ↓
Bandung	-41.8% ↓	-20.7% ↓	-52.1% ↓	-28.4% ↓
Medan	-33.4% ↓	-17.9% ↓	-40.0% ↓	-24.0% ↓
Semarang	-32.8% ↓	-10.0% ↓	-44.0% ↓	-25.0% ↓
Batam	-29.8% ↓	-13.5% ↓	-43.9% ↓	-22.9% ↓
Makassar	-30.7% ↓	-14.6% ↓	-34.8% ↓	-21.8% ↓
Balikpapan	-27.9% ↓	-17.1% ↓	-39.1% ↓	-27.8% ↓
Bali	-44.0% ↓	-18.2% ↓	-54.9% ↓	-29.0% ↓
Palembang	-34.3% ↓	-18.0% ↓	-	-

Office Market in Other Major Cities in Indonesia

Net Supply, Net Demand, and Average Rental of Office in Other Major Cities in Indonesia



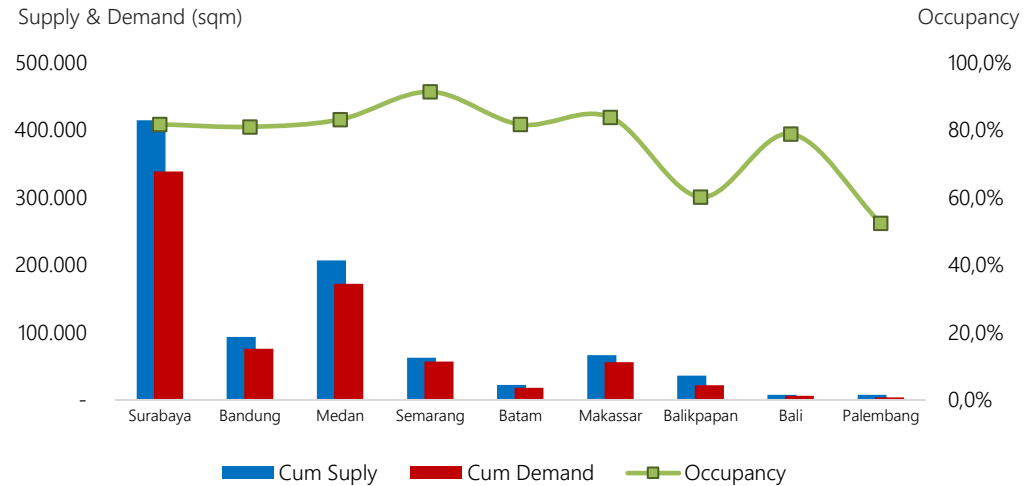
Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

There was no additional new supply during the first half 2020. The Covid-19 pandemic affected market performance of office sector to a very low demand absorption, decrease occupancy rate, and lower rental level.

As business climates had weakened in the second quarter, some tenant considered to conduct early termination, lease agreement suspension, proposal in agreement adjustment, and even downsize an office space.

Negative net demand was recorded in most of major cities, which brought to continued rental decline. The large-scale social restrictions (PSBB) has led to very limited leasing activities as no site survey were undertaken by prospective tenants, and marketing activities was stunted.

Cumulative Supply, Cumulative Demand, and Occupancy of Office in Other Major Cities in Indonesia, Q2-2020

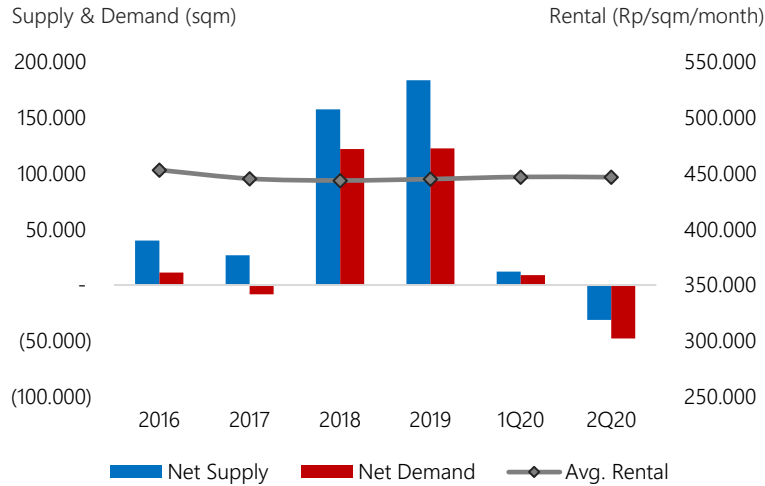


Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

Area	Q o Q (Trend from Q1 to Q2 of 2020)			
	Net Supply	Net Demand	Occupancy	Avg. Rental
Surabaya	-	-182.4% ↓	-1.1% ↓	-0.9% ↓
Bandung	-	-606.2% ↓	-2.3% ↓	0.0% =
Medan	-	-100.0% ↓	0.0% =	0.0% =
Semarang	-	-448.6% ↓	-0.4% ↓	-0.6% ↓
Batam	-	-1254.1% ↓	-10.4% ↓	0.0% =
Makassar	-	-167.2% ↓	-0.9% ↓	0.0% =
Balikpapan	-	-109.8% ↓	-0.2% ↓	0.0% =
Bali	-	-100.0% ↓	0.0% =	-5.6% ↓
Palembang	-	-	0.0% =	0.0% =

Retail Market in Other Major Cities in Indonesia

Net Supply, Net Demand, and Average Rental of Retail in Other Major Cities in Indonesia



Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

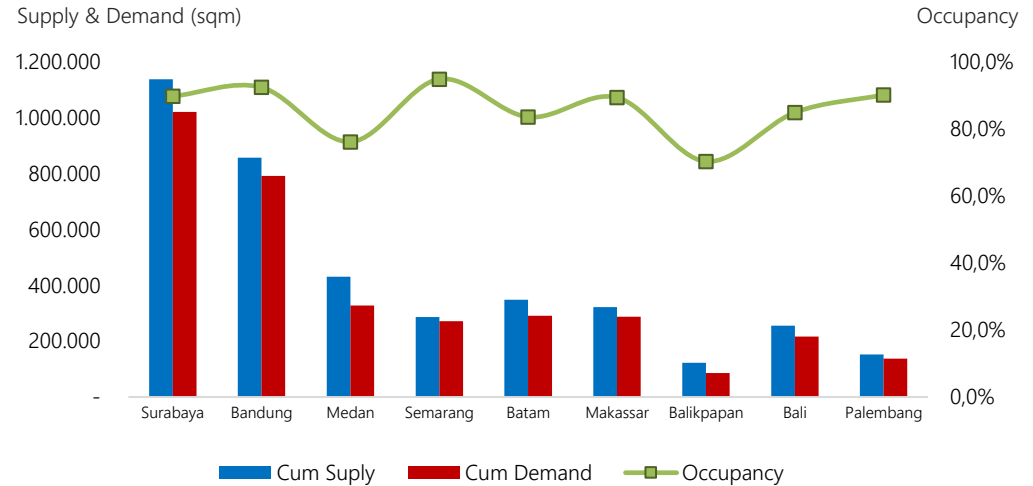
There was a decrease in retail supply due to permanently closure of one shopping center in Batam. Meanwhile, there was no additional new supply during second quarter ago.

The Covid-19 pandemic exerts great pressure to retail market, as indicated by significant decline in demand. The pandemic has affected local businesses, including local fashion brand, F&B, electronic, and other non-adaptable retailers. Tenant move out was mainly contributed by expiry tenants who discontinued their lease term.

Even though demand stood in a very low level, occupancy rate of retail market in most major cities in Indonesia remain above 80%.

Overall, even though the pandemic has affected significantly to sale turnover and visitor traffic, however, occupancy rate was considered less affected.

Cumulative Supply, Cumulative Demand, and Occupancy of Retail in Other Major Cities in Indonesia, Q2-2020



Source: Strategic Advisory - Coldwell Banker Commercial, Sept 2020

Area	Q o Q (Trend from Q1 to Q2 of 2020)			
	Net Supply	Net Demand	Occupancy	Avg. Rental
Surabaya	-	-191.1% ↓	-0.02% ↓	0.0% =
Bandung	-	-3,642.3% ↓	-1.0% ↓	0.0% =
Medan	-	-1,795.2% ↓	-4.1% ↓	-1.0% ↓
Semarang	-	-1,238.4% ↓	-1.5% ↓	0.0% =
Batam	-360.0% ↓	-274.8% ↓	3.0% ↑	1.1% ↑
Makassar	-	-331.8% ↓	-0.6% ↓	0.0% =
Balikpapan	-	-100.0% ↓	0.0% =	0.0% =
Bali	-	-251.3% ↓	-0.1% ↓	-0.4% ↓
Palembang	-	-	0.0% =	0.0% =

The following are summary of property market highlight over the second quarter 2020:

- The Covid-19 pandemic has huge impact on property market performance in Indonesia, even worse than that during monetary crisis in 1998.
- Property market in other major cities has affected higher compared to that in Greater Jakarta. It is indicated by higher decline in prices and rental rate, lower demand level and more limited source of demand as they were mostly relied on local demand.
- Market indicators in hotel sector were recorded as the lowest of all the time.
- Very limited activities in every property sectors, both marketing and leasing activities, as well as investment activities.
- Overall, all sectors have shown negative sentiment, however, several projects enjoyed a positive demand absorption due to developer reputation.



Since June, the implementation of large-scale social restrictions (PSBB) has been converted into transition phase, with several cities adopt semi-lockdown policies. This means that all activities will only be able to undertake at 50% capacities.

During transition period, most activities has already undertaken, although it has applied the health procedures. This has brought to a more promising sentiment in most type of business, including property industries.

The following page will describe a recent property market performance up to August 2020.

In anticipating further impact from the Covid-19 pandemic as well as to maintain their market performances, some projects in commercial properties continue to adjust their previous strategies or even adopt new strategies as described below.

Previous Strategies

Apartment

- Provide virtual marketing services.
- Alternate salesperson in marketing office to anticipate visitation prospective buyers.
- Incentive and promotion, such as: discount more than 20%, cashback, free furnished, electronic and gadget bonuses, etc.

Hotel

- Conducting a direct sales call to prospective guests even though limited access due to social distancing adaptation.
- Offering a discount packages that are effective not only for today but also for visitation in upcoming year.
- 'Work From Hotel' promotion to capture new potential demand.
- Provide ala carte to accommodate demand preferences and reduce banquet expenses.

Retail & Office

- Maintaining rental at the same level as previous period. Moreover several projects consider to provide discount in service charge.
- Maintaining existing tenants by adjustment in payment term and lease agreement.
- Limit operating hours of office buildings or retail centers.
- Prohibit outgoing tenants and fitting-out activities, as well as conduct a more frequent hygiene schedule.
- Encourage retailers who take opportunity in repositioning themselves and expand their online footprint.

Enhanced Strategies

Apartment

- Enhancing digital features to improve comfortability for buyers.
- Soft marketing through undertaken webinar to educate potential buyers and introduce product features.
- Collaboration with experts in related industries to convince prospective buyers.

Hotel

- Promotion of self-quarantine packages.
- Give a special discount for family staycation in weekend.
- Reopen a buffet and other facilities gradually with health protocols implementations.
- Sell a catering packages to increase revenue.

Retail & Office

- Reopen shopping center and office building, would be under strict health protocols.
- Some shopping centers have developed their own preventive measures, such as utilize technology innovations.
- Reopen restaurant & café as well as offer more discounts to invite visitors.
- Adjustment in lease agreement in anticipating early termination submission by tenants.
- Calling back prospective tenants by optimizing digital marketing.

Shifting from the large-scale social restrictions (PSBB) to transition period that has been implemented since mid of the second quarter, property market performance has shown several movement as described below:

Apartment	Hotel	Office	Retail
<p>Investors still adopt “wait and see” attitudes</p> <p>There are new absorption by end-users (millennial) although in modest level</p> <p>Demand mainly from local market</p> <p>NUP Start to be provided in new projects</p> <p>Recommencement construction activities</p> <p>Slower market movements, particularly in middle-upper to upper segment</p> <p>Developers increase financial convenience</p> <p>More discount and incentive are provided</p>	<p>Demand from business travelers has increased gradually, dominated by local visitors or they are from nearby provinces</p> <p>Family staycation increase significantly</p> <p>Corporate and government start to conduct meeting although in smaller scale</p> <p>Demand from public activities, such as wedding, birthday, and other occasional events arise</p> <p>Room rate initiate to be adjusted in line with occupancy increment</p> <p>Demand through OTA reservations dominate occupation</p>	<p>Office re-open their operation, with tenants paying serious attention to health protocols applied by building</p> <p>Leasing transaction remain very limited</p> <p>Prospective tenants begin to conduct site inspection and consider a smaller space</p> <p>Tenants with expiry lease term consider to do downsizing in space</p> <p>Limited enquiries in recent transition period brings rental to continue under pressure, and there are some adjustment in service charge</p>	<p>Not only groceries tenants, other tenants re-open their stores in shopping centers</p> <p>Several tenants plan to expand in the next short term after suspending their decision in the beginning of the year</p> <p>There are new absorption from various tenant type although in a small size, such as F&B, cosmetics, fast retails, etc.</p> <p>Rental and service charge become more negotiable, including lease term period</p> <p>Number of visitors decline, shifting in consumer behavior that prioritizes health and hygiene become major consideration</p>

Overall, adaptation and demand activities in transition period have not led to an improvement in property market performances, recovery in market movement remains slow and cautious, launch of new projects have not implemented yet

We conducted primary survey and in-depth interview to several property market players to identify their perceptions regarding the impact of Covid-19 pandemic to property market.

Based on the conducted survey, most respondents believe that property market will recover based on following perceptions:

- Promising progress in research to invent vaccines of the Covid-19 virus.
- Government policies in increasing tourism industries will be realized at the latest at the end of this year.
- Implementation of economic policies and stimulus to enhance positive sentiment in business climate will be effectively.
- More than 85% of respondents of property market players believe that the impact of Covid-19 pandemic to property market will continue up to the end 2020. However, market will require more time for recovery, so that, stable market condition will need a longer time as they have to adjust some policies and strategies.

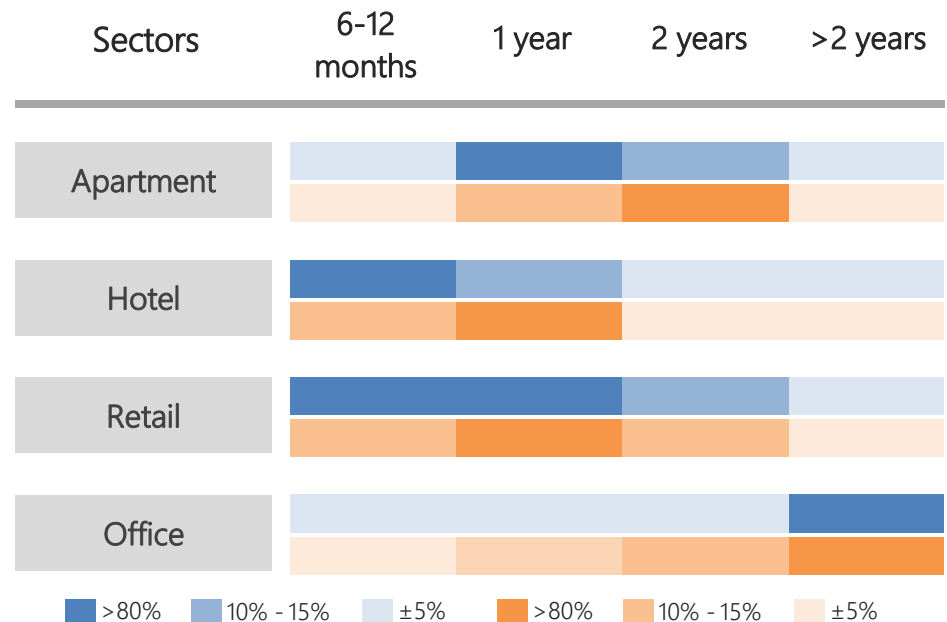
Based on our brief survey, the following are respondent perceptions on future property market situation

BASIC QUESTIONS

1) How long the recovery will be occurred ?

2) When the market will be stable ?

Perceptions of respondent regarding required time for market recovery and reach their stabilize condition are described below.



- Deceleration in all property market due to the Covid-19 pandemic is estimated to continue in the remaining year 2020.
- Property market performance in Greater Jakarta will face tougher situation following the re-apply of large-scale social restriction in mid September 2020.
- Uncertainty in overcoming the Covid-19 pandemic will hamper new transactions and leasing activities in the next short to medium term.
- Landlords and operators of retail centers will need more time to attract visitors to come to their centers.
- Providing innovative concept and strategy that bring to visitors' comfortability in health protocols will be one of importance factors that lead to better market performance in retail sectors.
- Hotel is expected to achieve higher absorptions as government encourage institutions to conduct MICE activities and enhance tourism industry for domestic tourists.
- Apartment market will continue in a slow movement as most investors still adopt "wait and see" attitude. Market movement will be contributed by middle to middle low market providing affordable payment term.

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The Strategic Advisory Indonesia is directed to be a solid team comprising high level educational qualification of consultants to provide reliable property market information, consultancy services and property related financial advisory.

With an involvement by multi-skilled consultants, the Strategic Advisory Indonesia will represent various type of clients including developers, investors, property owners, financial institution and other related parties in providing valuable market information and property investment advices to assist in their property related decision making.