



Q1 2017: Indonesia Commercial Property Monitor

Supply continues to weigh on sentiment

Occupier Market

- The Q1 2017 results showed a modest improvement in headline occupier demand. Respondents indicated a pickup in all three sectors (office, industrial and retail) from Q4.
- However the pick-up in demand was muted by ongoing growth in supply. A net balance of 57% of contributors reported an increase in headline availability of leaseable space, spread across all three sectors.
- More respondents reported an increase in landlord incentives this quarter than in Q4. This was concentrated in the office segment, where a net balance of 90% of respondents reported an increase in inducements this quarter.
- Rent expectations remained weak for both the three and twelve month time horizons. A net balance of 39% and 22% of respondents see rents decreasing over these periods, respectively. However headline sentiment is being weighed down by the office segment, as industrial and retail rents are envisaged to remain flat over the next twelve months.
- The Occupier Sentiment Index (an amalgamated measure of occupier market indicators) fell to -28 in Q1 from -12 in Q4.

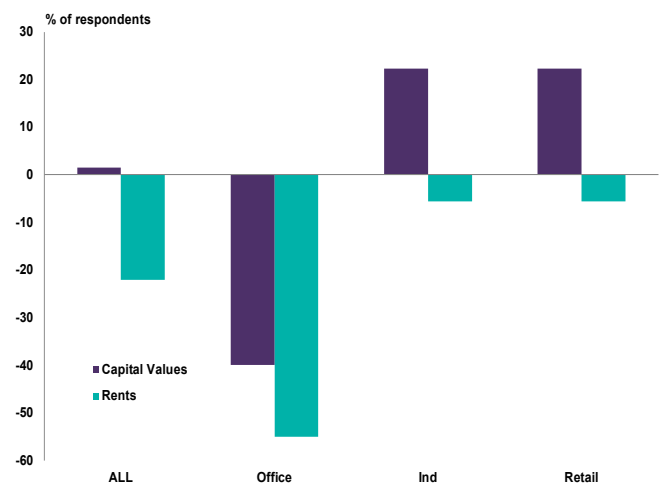
Investment Market

- The Q1 2017 data shows that the pace of increase in investor demand picked up moderately, with a net balance of 44% of contributors reporting an increase in enquiries. The pace of foreign enquiries moderated, but more respondents still reported an increase (vs a decrease) in Q1.
- The pace of supply growth on the investment side of the market moderated in Q1. A net balance of 39% of respondents reported an increase in supply available for sale during the first quarter.
- Capital values are expected to remain flat over the next three months, and through the next year as whole. However the results are relatively nuanced, as a majority of respondents see office values declining, while values for industrial and retail properties are expected to increase over both time frames.
- Respondents' view of the property cycle remained fairly evenly spread in Q1. 40% see the market at the bottom of the cycle, while 30% see the market at some stage of a downturn.
- The Investor Sentiment Index (an amalgamated measure of investor market indicators) rose to +2 in Q1 from -7 in Q4. Office remained the main drag on the market.

Occupier and Investment Sentiment Index

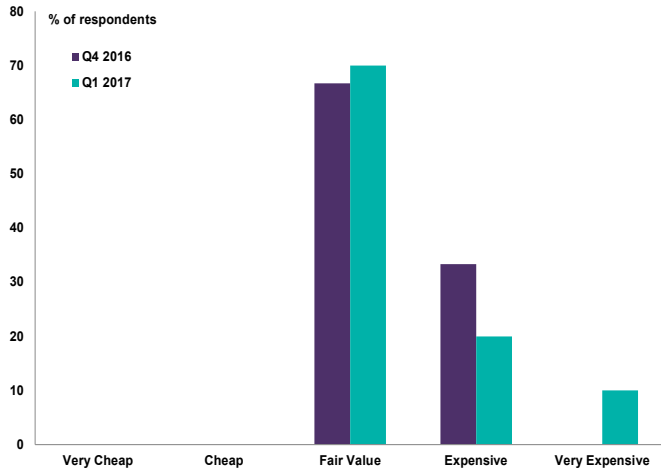


3-Month Capital, Rent Value expectations

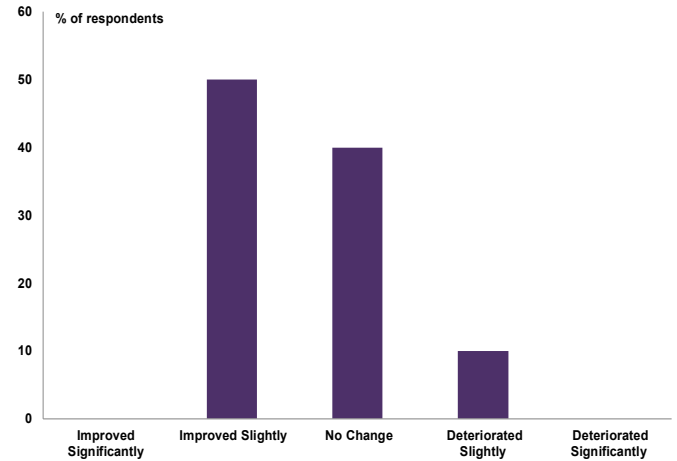


Commercial Property Market

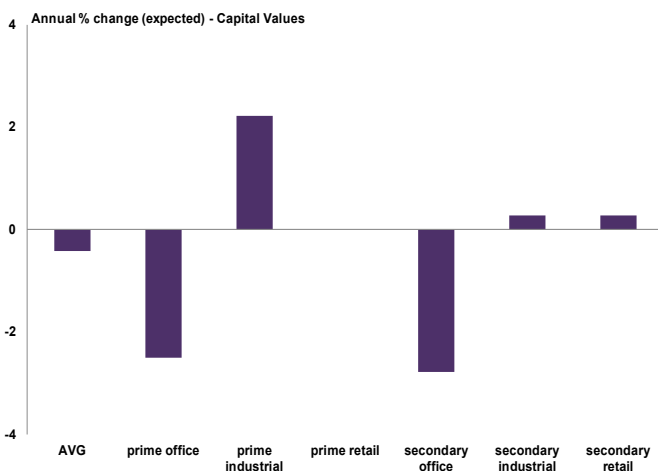
Market Valuations - The majority (70%) of contributors still see the market as fairly valued, relatively unchanged from Q4. The remaining 30% saw the market as expensive to some degree.



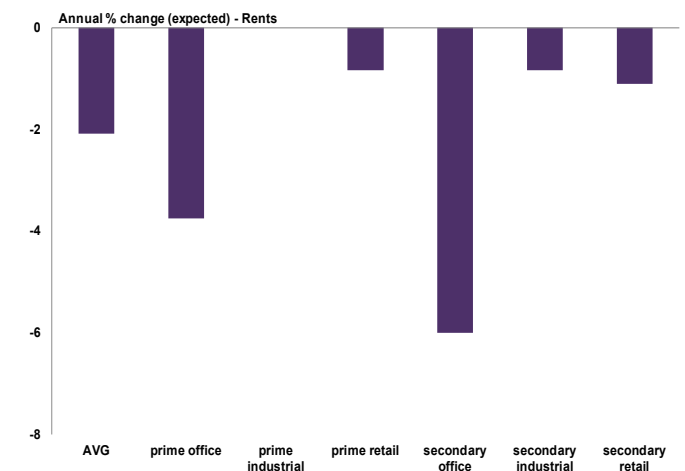
Credit Conditions - A majority (50%) of respondents saw a slight improvement in credit conditions, though down modestly from 58% in Q4. 40% of respondents saw no change in credit conditions, while the remaining 10% reported a slight deterioration in conditions.



12m Capital Value Expectations - Respondents now see headline capital values down 0.4% over the next year, after forecasting a 1.2% pickup in the previous survey. The decline was largely driven by prime office space, which is seen down 2.5% in the next year after being forecast to rise 1.7% in Q4.



12m Rental Expectations - Rent expectations also were much significantly more bearish, and headline rents are now seen down 2.1% over the next year after being forecast to only drop 0.2% over the same period last quarter. Although all sectors saw a pullback in rent forecasts, office space is expected to see the largest drop in rents.



Information

Global Commercial Property Monitor

RICS' Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

Methodology

Survey questionnaires were sent out on 14 March 2017 with responses received until 7 April 2017. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1699 company responses were received, with 362 from the UK. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. The RICS Occupier Sentiment Index (OSI) is constructed by taking an unweighted average of readings for three series relating to the occupier market measured on a net balance basis; occupier demand, the level of inducements and rent expectations. The RICS Investment Sentiment Index (ISI) is constructed by taking an unweighted average of readings for three series relating to the investment market measured on a net balance basis; investment enquiries, capital value expectations and the supply of properties for sale.

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

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