



Q1 2018: Indonesia Commercial Property Monitor

Occupier market momentum tails off amid continued supply-demand mismatch

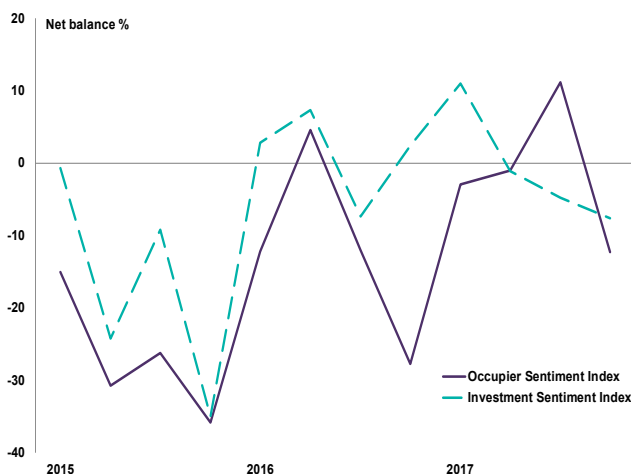
Occupier Market

- The Q1 2018 results indicate headline occupier demand was unchanged over the past three months. Respondents continued to report an increase in demand for office and industrial properties, albeit at a slower pace than in past quarters, while demand for retail space was reported to have declined in Q1 for the first time since Q1 of 2016.
- The supply of property available to rent was also mixed as respondents reported an increase in the supply of office and industrial properties that outpaced the increase in demand, in net balance terms. Meanwhile, the supply of retail space was reported to have contracted mildly during the quarter.
- Contributors reported a sharp increase in landlord inducements for office space during the quarter, while those for industrial and retail properties were little changed.
- Headline rent expectations are now seen contracting over both the next three and twelve months. However respondents were more bullish for industrial properties, where rents are seen increasing over both periods.
- The Occupier Sentiment Index (an amalgamated measure of occupier market indicators) fell to -12 in Q1 from +11 in Q4, indicating a modest contraction in occupier market momentum.

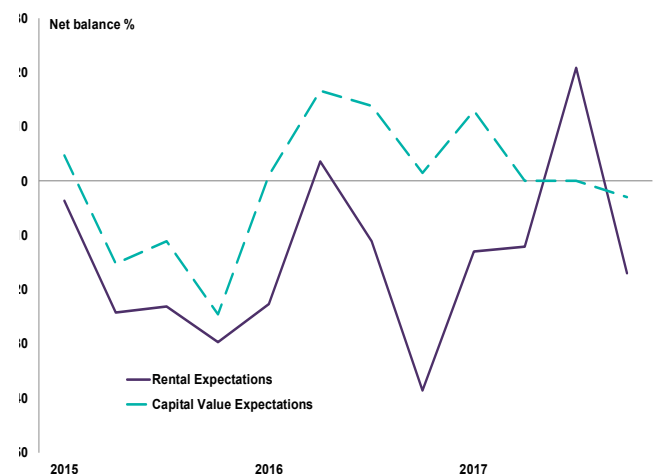
Investment Market

- Headline investor demand was little changed in Q1 2018 as an increase in demand for industrial space was offset by softer demand for retail properties. Foreign enquiries for investment were also flat at a headline level, as a modest increase in foreign demand for office and industrial properties was offset by a decline in foreign demand for retail space.
- For the second consecutive quarter, an increase in supply largely offset the increase in demand, particularly for office properties. Development starts were flat at the headline level, as an increase in industrial starts was offset by a decline in retail starts.
- Against this backdrop, respondents see capital values flat over the next three and twelve months across all three segments of the market (office, industrial, retail).
- The perception of the property cycle remains evenly skewed, with 35% viewing the market as being in a downturn, and 36% in an upturn, while 21% believe the market has bottomed.
- The Investment Sentiment Index (an amalgamated measure of investment market indicators) fell modestly to -8 in Q1 from -5 in Q4.

Occupier and Investment Sentiment Index



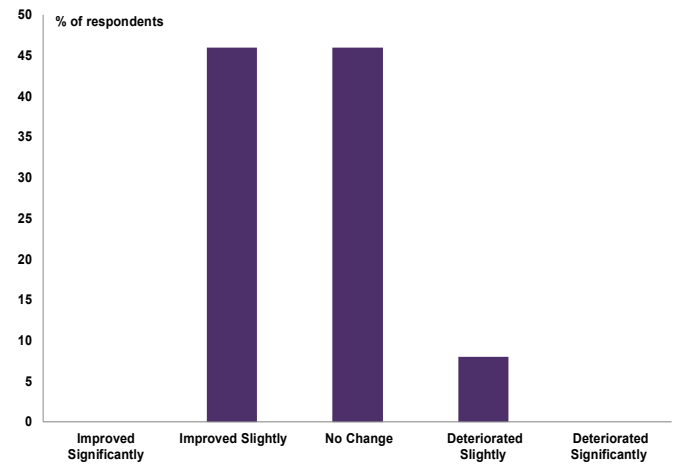
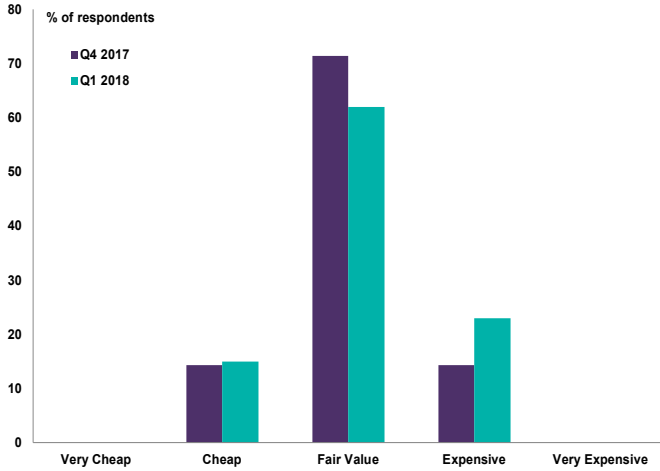
3-Month Capital, Rental Value expectations



Commercial Property Market

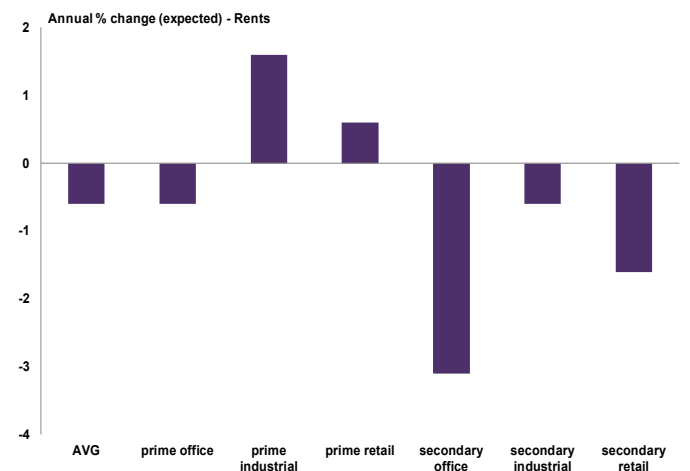
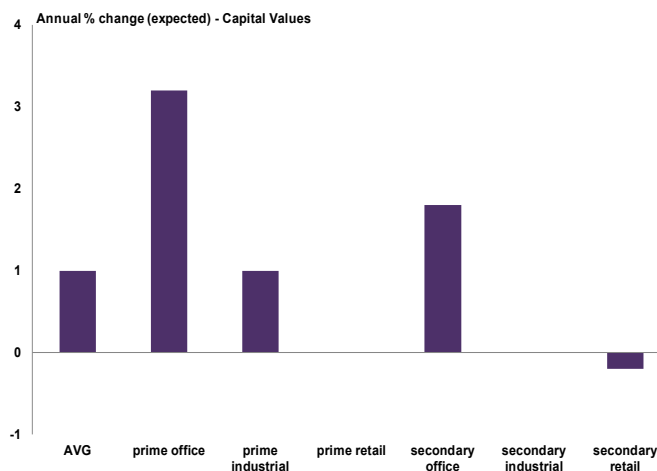
Market Valuations - The majority of respondents (62%) saw property as fairly valued, albeit slightly down from the 71% who felt property was fairly valued in Q4. Meanwhile, the share who see the market as expensive rose to 23% in Q1 from 14% in Q4.

Credit Conditions - Most contributors, 92%, either say no change or a slight improvement in credit conditions during Q1. 8% of respondents, did report a slight degree of deterioration.



12m Capital Value Expectations - Headline capital values are forecast to increase 1% over the next year, little changed from the 0.8% forecast in Q4. Although the headline values were little changed, respondents were much more bullish on prime office (3.2% vs -0.4% in Q4) and more bearish on prime retail (0% vs 1.8% in Q4). A similar dynamic was seen in secondary properties.

12m Rental Expectations - Respondents expect headline rents to fall 0.6% over the next year, after forecasting a 1.9% increase in Q4. Rents were revised lower across the board, but prime office (-0.6% vs 2.2% in Q4), secondary office (-3.1% vs 1.3% in Q4) and secondary retail (-1.6% vs 1.3% in Q4) saw a particularly sharp decline in forecasted 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 2018 with responses received until 11 April 2018. 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 1748 company responses were received, with 385 from the UK. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland. Responses for Spain and Portugal were collated in conjunction with Iberian Property. Responses for New Zealand were collated in conjunction with Property Council New Zealand.

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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