

**GREATER JAKARTA:
REAL ESTATE MARKET OUTLOOK**

by

Johanes Ribli

Sarjana Teknik (Bachelor of Science)

Bandung Institute of Technology, 1993

Submitted to the Department of Architecture
in Partial Fulfillment of the Requirements for the Degree of
Master of Science in Real Estate Development

at the

Massachusetts Institute of Technology

September 1997

©1997 Johanes Ribli. All rights reserved.

The author hereby grants to MIT permission to reproduce and to distribute
publicly paper and electronic copies of this thesis document in whole or in part.

Signature of Author _____
Department of Architecture
July 31, 1997

Certified by _____
Blake Eagle
Chairman, MIT Center for Real Estate
Thesis Supervisor

Accepted by _____
William C. Wheaton
Chairman
Interdepartmental Degree Program in Real Estate Development

SEP 18 1997

RECEIVED

SEP 18 1997

**GREATER JAKARTA:
REAL ESTATE MARKET OUTLOOK**

by

Johanes Ribli

Submitted to the Department of Architecture
on July 31, 1997 in Partial Fulfillment of the Requirements for the Degree of
Master of Science in Real Estate Development

ABSTRACT

Indonesia is well-endowed with land, natural resources and available labor. Because it is the fourth most populous country in the world, it has huge market potential. Indonesia has also experienced rapid GDP growth, at an average rate of 7.26%, since 1992, and has benefited from a high level of domestic and foreign investment. As a result, it has become one of the most favorable locations in Asia for real estate investment.

Greater Jakarta is comprised of Jakarta itself, the capital city and center of economic development, and the supporting regions of Bogor, Tangerang, and Bekasi. The demand for real estate in Greater Jakarta, either residential, retail, office, or industrial, is strong, supported as it is, by increased income and high investment.

Strong demand for real estate has also stimulated buyer and developer speculation, which has created problems, such as inflated demand, increasing land costs, delays, cancellation, defaults, sub-standard construction, and even fraudulent projects. All of which has led to an atmosphere of dishonesty and bad debt in the development field.

To create a healthier real estate market, the government has intervened directly with new regulations. In general, these interventions have been positive, but others seem biased, ineffectual, or at best poorly implemented. Moreover, government intervention has created a high level of government dependency and of uncertainty in the business environment. Even worse, some sectors are now dominated by the government.

The real estate market is also afflicted with problems of no legal assurance, an unfavorable agrarian system, illegal fees, and complicated permit processes. Since most of these problems are inherent in a developing country, immediate solutions to them are not going to be found without a greater government commitment to them. More germane, however, is the issue of political stability, a necessity for the country's well-being. Unfortunately, the Indonesian political system is vulnerable because the issue of presidential succession has yet to be resolved.

Thesis Supervisor : Blake Eagle
Title : Chairman, MIT Center for Real Estate

ACKNOWLEDGMENTS

This thesis could not have been completed without an extraordinary amount of assistance from a wide variety of individuals and institutions.

I am most grateful to Stewart Forbes, President of Colliers International; Charles Grossman, Managing Director of Jones Lang Wootton Realty Advisors; Gary Barth, Managing Director of Jones Lang Wootton USA; Trevor J. Peach, Managing Director of Colliers Jardine Indonesia; Ian David, Consulting Director of Procon Indah JLW; and Phil Simpson, Managing Director of Procon Indah JLW. I received the extremely generous assistance and supports as well as deep insights from them.

My deepest gratitude is to Jonathan Hubbard. I mostly appreciate his willingness to edit this thesis in a very short period. The writing of this thesis is heavily helped by him and would be totally different without his help.

I would like to thank John Konarski III of International Council of Shopping Centers for his resources; Peter Salim, author of *Standard Indonesian-English Dictionary*, for his advice and input; Michael Jammen, my classmate, for his reference; Rimba Handoyo for his computer; and my classmates and group associates for all of their supports.

I want especially to thank Blake Eagle, my thesis supervisor. His references, guidance, advice and kind encouragement throughout this thesis process make it possible to finish this thesis on schedule.

I would also like to thank Sandra Inawaty, my fiancée. As an Assistant Managing Director of Duta Pertiwi, she has given countless sharp suggestions and views. She accompanied me, supplied me with information, edited my thesis, and provided encouragement and moral support throughout this effort. I simply could not have done this thesis without her.

Finally, I would like to express my gratitude to my family, to whom this thesis is dedicated. They have encouraged me to study in U.S., and given me full and unconditional support to finish the program. I would like to thank Philip Ribli for supporting me to study in U.S. as well as Sacek and Soicek for partially financing my study. I am most appreciative for all of their supports.

CONTENTS

1	INTRODUCTION.....	8
	I. BACKGROUND.....	8
	II. OBJECTIVE	9
	III. METHODOLOGY	9
2	INDONESIA	11
	I. INTRODUCTION	11
	II. GEOGRAPHY.....	11
	III. DEMOGRAPHY.....	11
	IV. POLITICAL SYSTEM.....	13
	V. LAW	14
	VI. ECONOMY	14
	A. <i>Overview</i>	14
	B. <i>Inflation</i>	16
	C. <i>Interest Rates</i>	17
	D. <i>Exchange Rate</i>	17
	VII. DOMESTIC AND FOREIGN INVESTMENT	18
	VIII. POLICY.....	20
	A. <i>Fiscal Policy</i>	20
	B. <i>Monetary Policy</i>	20
	C. <i>Labor Policy</i>	21
	IX. GREATER JAKARTA AREA.....	21
	X. CONCLUSION.....	24
3	THE STRUCTURE OF THE INDONESIAN REAL ESTATE MARKET.....	25
	I. INTRODUCTION	25
	II. LAND PLANNING.....	25
	A. <i>General</i>	25
	B. <i>Urban Plan for Jakarta</i>	25
	C. <i>Basic Agrarian Law</i>	26
	D. <i>Strata-title Law</i>	26
	E. <i>Regulation of Collateral Rights (UU No. 4 of 1996)</i>	26
	F. <i>Right-to-Use Titles (UU Nos. 40 and 41 of 1996)</i>	27
	III. SEVERAL PROBLEMS IN THE INDONESIAN REAL ESTATE MARKET.....	27
	A. <i>Under-utilized Licenses</i>	27
	B. <i>Speculative Development</i>	29
	1. General	29
	2. Overgrowth Property Loans	29
	3. Increasing Share of Property Loans.....	29
	4. Mis-allocation Loans.....	30
	C. <i>Government Efforts to Reduce Speculative Development</i>	31
	D. <i>Speculative Buyers</i>	31
	E. <i>Complicated Permit Application Processes</i>	32
	F. <i>Houses Without Deeds</i>	33
	IV. CAPITAL STRUCTURE.....	33
	V. CONCLUSION.....	34
4	GREATER JAKARTA: REAL ESTATE MARKET OUTLOOK	35
	I. INTRODUCTION	35
	II. HOUSING.....	35
	A. <i>Demand</i>	35

1. General	35
2. Affordability	36
B. <i>Supply</i>	39
1. General	39
2. Distribution.....	39
3. Residential Estate	41
4. Low-Income Housing (RS/RSS)	42
5. Small Houses	44
III. APARTMENTS AND CONDOMINIUMS.....	45
A. <i>Demand</i>	45
B. <i>Supply</i>	46
1. General	46
2. Supply Profile.....	47
C. <i>Lower- to Middle-Income Condominiums</i>	48
D. <i>Low-Income Apartments</i>	49
E. <i>Town Houses</i>	50
IV. OFFICE	50
A. <i>General</i>	50
1. Demand	50
2. Supply.....	50
B. <i>Central Business District (CBD)</i>	51
1. Area	51
2. Demand	52
3. Supply.....	53
C. <i>Non-CBD Office</i>	55
1. Demand	55
2. Supply.....	56
V. RETAIL.....	58
A. <i>Demand</i>	58
B. <i>Supply</i>	59
1. General	59
2. Located in Housing Areas	60
3. Following the Global Retail Trend	61
4. Using Foreign Anchor Tenants.....	61
5. Developing Mixed-Use Sites in CBD Area	62
6. Protecting Traditional Retailers	62
VI. INDUSTRIAL ESTATE	62
A. <i>Demand</i>	62
B. <i>Supply</i>	63
VII. CONCLUSION	65
5 CONCLUSION.....	67
APPENDIX A. COMPARISON BETWEEN RIGHT-TO-USE AND RIGHT-TO- BUILD TITLES	71
APPENDIX B. SURVEY ABOUT HOUSING IN GREATER JAKARTA	72
APPENDIX C. SHOPPING MALLS IN CENTRAL JAKARTA (UNTIL 2000)	73
APPENDIX E. SURVEY ON THE RETAIL MARKET IN GREATER JAKARTA.....	74
REFERENCES	75
REFERENCES IN INDONESIAN.....	78

LIST OF FIGURES

FIGURE 2.1 MAP OF INDONESIA.....	12
FIGURE 2.2 MAP OF GREATER JAKARTA AND SURROUNDING AREAS.....	12
FIGURE 2.3 GDP GROWTH.....	15
FIGURE 2.4 MORTGAGE, LENDING AND SBI 90-DAY RATES	17
FIGURE 2.5 DOMESTIC INVESTMENT APPROVALS	19
FIGURE 2.6 FOREIGN DIRECT INVESTMENT APPROVALS	19
FIGURE 2.7 THE DEMOGRAPHIC PROFILE OF GREATER JAKARTA.....	22
FIGURE 2.8 URBANIZATION TREND IN INDONESIA	24
FIGURE 3.1 RATIO OF PROPERTY LOANS TO NATIONAL LOANS	30
FIGURE 4.1 AFFORDABILITY BY CATEGORY.....	37
FIGURE 4.2 EFFECTIVE LAND AND HOUSE PRICE INDEX WITH AFFORDABILITY INDEX.....	38
FIGURE 4.3 ADJUSTED AFFORDABILITY BY CATEGORY	38
FIGURE 4.4 SENSITIVITY ANALYSIS (MORTGAGE RATE VERSUS AFFORDABILITY)	39
FIGURE 4.5 DISTRIBUTION OF RESIDENTIAL ESTATE AREA PLANNED FOR DEVELOPMENT	40
FIGURE 4.6 DISTRIBUTION BY INCOME SEGMENT	40
FIGURE 4.7 DISTRIBUTION BY SIZE	41
FIGURE 4.8 RS/RSS DEVELOPMENT IN INDONESIA.....	44
FIGURE 4.9 HOUSE SALES IN GREATER JAKARTA.....	45
FIGURE 4.10 TREND OF SIZE AND PRICE PER UNIT	45
FIGURE 4.11 RENTAL APARTMENT CUMULATIVE SUPPLY, DEMAND AND OCCUPANCY RATE	46
FIGURE 4.12 EXISTING MULTIFAMILY HOUSE SUPPLY DISTRIBUTION.....	47
FIGURE 4.13 EXISTING MULTIFAMILY HOUSE SUPPLY DISTRIBUTION BY DISTRICT	48
FIGURE 4.14 PRIME APARTMENT AVERAGE RENTALS	48
FIGURE 4.15 CONDOMINIUM AVERAGE PRICE	49
FIGURE 4.16 EXISTING CONDOMINIUM SUPPLY AND DEMAND BY PRICE SEGMENT.....	49
FIGURE 4.17 JAKARTA OFFICE SUPPLY, TAKE UP AND VACANCY RATE.....	51
FIGURE 4.18 AVERAGE NET PRIME JAKARTA OFFICE RENT AND CAPITAL VALUE	51
FIGURE 4.19 CBD OFFICE DISTRIBUTION	53
FIGURE 4.20 CBD OFFICE CUMULATIVE DEMAND PROFILE.....	54
FIGURE 4.21 JAKARTA CBD OFFICE MARKET	54
FIGURE 4.22 CBD OFFICE BASE RENTAL AND CAPITAL VALUE INDEX	54
FIGURE 4.23 JAKARTA CBD OFFICE YIELDS	55
FIGURE 4.24 GREATER JAKARTA AREA NON-CBD OFFICE BASE RENTAL RATE	55
FIGURE 4.25 NON-CBD OFFICE SPACE DISTRIBUTION BY COMMERCIAL AREA	56
FIGURE 4.26 NON-CBD OFFICE TENANCY STATUS	57
FIGURE 4.27 GREATER JAKARTA AREA NON-CBD OFFICE MARKET	57
FIGURE 4.28 BASE RETAIL RENTAL RATE IN GROUND FLOOR PRIME SPACE.....	58
FIGURE 4.29 JAKARTA RETAIL SUPPLY, DEMAND AND OCCUPANCY RATE	59
FIGURE 4.30 GREATER JAKARTA AREA INDUSTRIAL MARKET.....	63
FIGURE 4.31 INDUSTRIAL ESTATE AVERAGE LAND PRICE	64
FIGURE 4.32 FUTURE INDUSTRIAL SUPPLY	64

LIST OF TABLES

TABLE 2.1	INDONESIAN DEMOGRAPHY PROFILE.....	13
TABLE 2.2	ORIGINS OF GROSS DOMESTIC PRODUCTS	16
TABLE 2.3	INFLATION RATE IN INDONESIA	16
TABLE 2.4	EXCHANGE RATE.....	18
TABLE 2.5	ESTIMATED POPULATION IN GREATER JAKARTA	22
TABLE 2.6	LAND AREA, POPULATION AND DENSITY OF GREATER JAKARTA AREA	23
TABLE 2.7	GROSS DOMESTIC REGIONAL PRODUCT BY CURRENT VALUE	23
TABLE 3.1	PERMITS IN BOTABEK	27
TABLE 3.2	PROPERTY LOAN.....	30
TABLE 3.3	TAX REGULATIONS GOVERNING THE PROPERTY SECTOR.....	31
TABLE 3.4	LEGAL AND ILLEGAL COSTS FOR PERMIT APPLICATIONS.....	32
TABLE 4.1	ESTIMATED NUMBER OF NEW HOUSEHOLDS IN THE GREATER JAKARTA AREA	36
TABLE 4.2	DEFINITION OF LANDED HOUSE CATEGORY	37
TABLE 4.3	LARGE-SCALE HOUSING PROJECTS	42
TABLE 4.4	INTEREST RATE ON BTN'S HOME OWNERSHIP CREDITS (1991-96)	43
TABLE 4.5	GREATER JAKARTA AREA SHOPPING MALL DISTRIBUTION PROFILE.....	60
TABLE 4.6	SHOPPING MALLS IN HOUSING AREAS.....	60
TABLE 4.7	FOREIGN ANCHOR TENANTS.....	61

INTRODUCTION

I. Background

Indonesia has become a favorable location for real estate investment in Asia.¹ That country is well-endowed with land, natural resources and available labor. Because it is the fourth most populous country in the world, Indonesia with its increasing number of affluent people, has a steadily growing market for housing and retail development. With the support of enormous domestic and foreign investment, the country is also experiencing rapid economic growth at an average rate of 7.26% per annum (1992-96 figures).

Most of the foreign real estate investors in Indonesia are Asian investors, notably from Japan, Hong Kong and Taiwan.² The main reason for this is a different perception of risk between Asian and non-Asian investors. The risks in Asian countries are more familiar to Asian investors than to non-Asian investors.³

Since non-Asian investors are not familiar with such risks, they often demand much higher returns as compensation for them. Moreover, because they feel insecure in that environment, they normally prefer short-term investments and anticipate high short-term capital gains.⁴ Asian investors tend to invest with a longer view and greater confidence.⁵

It is possible that non-Asian foreign investors in Indonesia could be encouraged to expand their long-term investments if they became more familiar with

¹ Interview with Trevor J. Peach, Managing Director of PT. Colliers Jardine Indonesia, Jakarta, June 21, 1997.

² "PMA Properti Asia Ekspansi ke Indonesia," *Bisnis Indonesia*, April 22, 1997.

³ Interview with Ian David, Consulting Director of PT. Procon Indah JLW, Jakarta, June 27, 1997.

⁴ Interview with C. Stewart Forbes, President of Colliers International, Boston, May 21, 1997.

⁵ Interview with Trevor J. Peach.

the country and the true nature of its real estate market. Hopefully, such an increased awareness would also lead to an adjustment in return demands.

II. Objective

Despite the attractiveness of Indonesian real estate, there has been little research done in the West, especially in the U.S., to investigate that market. In his thesis *Analysis of Demand and Investment Outlook in the Office Market in Jakarta - Indonesia*, Chandra Makmoen of MIT analyzed only the office market in Jakarta. Later, in 1997, the Urban Land Institute analyzed the total Jakarta real estate market for the first time in *ULI Asia Pacific Market Profiles*, but only in very general terms.

The purpose of my thesis is to fill in the information gap in the area of Indonesian real estate, by providing a comprehensive analysis of that market. This thesis offers a specific analysis of the real estate in the Greater Jakarta Area, which is comprised of Jakarta, Bogor, Tangerang, and Bekasi.

III. Methodology

In order to undertake this study, I have reviewed and evaluated market research and analysis made by property consultants, research agencies, and mass media analysts both in Indonesia and internationally.

As the leading property consultants in Indonesia, Procon Indah JLW and Colliers Jardine Indonesia are the most reliable data sources for this purpose. Their data are widely used by local and international agencies as well as newspapers and magazines to analyze the market. Therefore, although there may be many other data sources, the data for this thesis is mainly taken from analyses made by these two property consultants. To gain a more accurate and up-to-date view of the market, interviews with staff members of these companies were also conducted.

Additional data resources include:

- commercial research from international agencies such as Dresdner Kleinwort Benson, Economist Intelligence Unit, First Boston Credit Suisse, Fuji Research Institute, ING Barings, Jardine Fleming, Morgan Stanley, Schrodgers, SocGen-Crosby, and W.I.Carr Far East;

- commercial research from local agencies such as CAPRICON Indonesia Consult, Data Consult Indonesia, First Pacific Davies Indonesian, *Pusat Studi Properti Indonesia*, and Indonesian Business Data Centre;
- data from government agencies such as the Central Bureau of Statistics, the Investment Coordinating Board, the Department of Public Housing, the National Land Agency and the Department of Finance;
- articles from international and local magazines such as Asian Business, Far Eastern Economic Review, Property Link Asia Pacific, Economic & Business Review Indonesia, *Kontan*, *Properti Indonesia* and *Swa*; - and -
- articles from local newspapers such as *Bisnis Indonesia*, *Media Indonesia*, *Republika*, and *Suara Pembaruan*.

I have divided the analysis in this thesis into three parts:

- Analysis of the main variables that have influenced and that will influence the real estate market in Indonesia in general and in the Greater Jakarta Area in particular. These main variables include: demography, the political system, the legal system, foreign and domestic investment, economic growth, inflation, interest rates, and government policy.
- Analysis of the structure of the Indonesian real estate market. This includes the agrarian system as well as urban development planning in Jakarta. Problems in the Indonesian real estate market and government solutions to these problems are also discussed here along with the capital structure of Indonesian real estate companies.
- Analysis of each sector of the Greater Jakarta real estate market: retail, office, residential, and industrial. Included in this section are analyses of supply and demand for each sector based on recent figures and other related variables.

INDONESIA

I. Introduction

This chapter provides general information about Indonesia and about the Greater Jakarta Area.

II. Geography

Indonesia is the largest archipelago in the world, consisting of 13,667 islands. The main islands are Java, *Kalimantan* (Western Borneo), *Sulawesi* (Celebes), *Irian Jaya* (Western New Guinea) and Sumatra (see Figure 2.1). Indonesia occupies an area of 5 million km², of which 2 million are land and the remainder are the sea water dividing its islands. The country is divided into 27 provinces with a total of 246 regencies (*Kabupatens*), which in turn are divided into 3,539 sub-districts (*Kecamatans*) and 67,534 villages.¹

III. Demography

As seen in Table 2.1, Indonesia had a population of 194 million people in 1995, making it the fourth most populous country in the world. Although the island of Java accounts for only 7% of the total land area, almost 60% of the total population resides on that island, and four of the five major cities in Indonesia are also located there.

¹ Tan Cheng Leong and Terence Lim, *Indonesia: Business and Investment Opportunities* (Singapore: Cassia Communications, 1992), 3.



Figure 2.1 Map of Indonesia



Figure 2.2 Map of Greater Jakarta and Surrounding Areas

There are over 300 ethnic groups living in Indonesia. Chief among these are the Javanese (45%), the Sundanese (14%), the Madurese (8%), and the coastal Malays (7.5%). The remaining ethnic groups are indigenous Malaysians or ethnic non-indigenous Chinese (3%). About 85-90% of all Indonesians are Muslims and only 7.5% are Christians. There are also small groups of Hindus, Buddhists and animists. Although there are approximately 365 languages and dialects spoken within the boundaries of Indonesia, most Indonesians understand *Bahasa Indonesia*, which is the national language.

Table 2.1 Indonesian Demography Profile

	1971	1980	1990	1995
Population	119,208,229	147,490,298	179,378,946	194,754,808
Population Density per km ²	62	77	93	101
Population Growth		2.31%	1.98%	1.66%
Employment			75,850,000	82,038,000

Source: Central Bureau of Statistics

IV. Political System

Under the 1945 Constitution, the People's Consultative Assembly (MPR) became the highest authority in the nation, and it now provides for the establishment of 4 independent entities within the government: the President, the House of People's Representatives (DPR), the Supreme Audit Board and the Supreme Court. The MPR elects a President and a Vice President for a term of five-years and establishes the Broad Outlines of State Policy (GBHN). Half of the MPR members are from the DPR and the other half are nominated by the government in direct proportion to the results of national elections.²

The DPR has 460 members, 360 of whom are elected, while the other 100 are appointed from military and non-military groups. The DPR meets four times a year and is responsible for drafting legislation and approving Presidential degrees and budgets.

² Price Waterhouse, *Doing Business in Indonesia* (Jakarta, 1993), 5.

Executive power lies in the hands of the President, who is also the Prime Minister and the leader of the cabinet. Since 1945, Indonesia has had only two presidents: Soekarno, who was the first, and Soeharto, who is the current President. President Soeharto has been in office since 1968. As a result, the presidential succession process has never really been tested, and there is no obvious successor at this time. Because President Soeharto is now 76 years old, presidential succession is now a key issue influencing the stability of the future political environment in Indonesia.³

V. Law

Most Indonesian laws are based on Dutch law, except for a few more recent ones which apply to companies with limited liability, foreign investments, taxation and specialized industries. Law enforcement and litigation are often difficult because they can be time-consuming and unpredictable. According to a decree passed by the Provisional National Assembly (MPRS) in 1966, Indonesian law is structured according to the following hierarchy:⁴

1. The 1945 Indonesian Constitution (UUD 1945).
2. A decree made by the National Assembly (TAP MPR).
3. A government regulation replacing a law (PERPU).
4. A government regulation (PP).
5. A presidential decree (KEPPRES).
6. A ministerial regulation.
7. A ministerial directive.

VI. Economy

A. Overview

Indonesia has experienced serious economic problems in the past. Before 1966, the country was suffering from hyperinflation, a stagnant economy and depleted foreign exchange reserves. Even in 1967, Indonesia was still one of the

³ "Shaking the Family Tree," *Asian Business*, February 1997, 32.

⁴ Price Waterhouse, 6.

world's poorest countries, with a GDP per capita of US\$70. When General Soeharto took office in March 1966, top priority was given to economic rehabilitation and the reduction of the rate of inflation, which at that time was almost 650%. With the economy somewhat restored by 1969, it became possible to implement a plan with new economic objectives. Five 5-year plans known as *Repelita* I-V were successively implemented from April 1969 to March 1994. As a result of this strategy, the country began to enjoy a GDP growth with an average rate of 7.2% per annum throughout the 70s. When the price of oil fell in 1982, however, the GDP growth rate fell to 2.3% but rose again to 7% and has fluctuated between 7% and 5% since that time (See Figure 2.3).

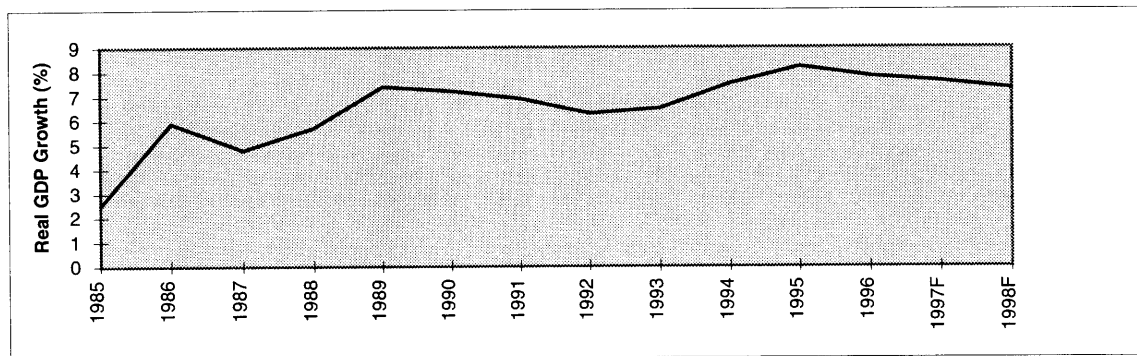


Figure 2.3 GDP Growth

Source: Central Business of Statistics

Indonesia has a free-market economy which is dominated by its private sector although the government does play a role through state-owned firms and the imposition of price controls in selected industries. The public enterprise sector represents an estimated 15% of the GDP and employs about 1.2 million people (1.4% of the labor force). The government's share with its 181 state-owned firms has declined gradually as a result of strong private sector growth.

Table 2.2 shows the origins of Indonesia's GDP. As seen in this table, the construction industry is one of the fastest growing sectors. The rate of construction growth was 12.89% in 1995, 12.37% in 1996. Other fast-growing sectors include the electric industry, manufacturing, trade, finance and transportation.

Table 2.2 Origins of Gross Domestic Products

(In Billion Rupiah)

Origins	1994	1995	Growth	1996	Growth
Agricultural	59,287	61,637	3.96%	62,802	1.89%
Mining	33,262	35,145	5.66%	37,651	7.13%
Industry	82,726	91,929	11.12%	102,069	11.03%
Electricity, Gas and Clean Water	3,707	4,281	15.48%	4,821	12.61%
Construction	25,857	29,191	12.89%	32,802	12.37%
Trading, Hotel and Restaurant	59,350	63,945	7.74%	68,824	7.63%
Transportation & Communication	25,066	27,148	8.31%	29,472	8.56%
Finance, Leasing & Company Service	30,901	34,369	11.22%	37,985	10.52%
Service	34,285	35,406	3.27%	36,586	3.33%
Total	354,441	383,051	8.07%	413,011	7.82%

Source: Central Bureau of Statistics

B. Inflation

Inflation was a major problem in Indonesia in the 60s and 70s; as a result, tight monetary measures and careful fiscal actions were taken to keep it down in the 1980s. As seen in Table 2.3, during the period 1986-96, the government successfully maintained an inflation rate below 10%, and in 1996, inflation had declined to 6.47%, approaching the targeted government rate of 5% or below.

Table 2.3 Inflation Rate in Indonesia

Year	Food	Housing	Clothing	Miscellaneous	General
1986	13.59%	4.58%	9.47%	5.77%	8.83%
1987	11.68%	5.99%	7.73%	8.07%	8.90%
1988	7.81%	4.25%	3.52%	3.14%	5.47%
1989	6.66%	6.13%	4.71%	4.62%	5.97%
1990	6.97%	12.43%	4.80%	11.61%	9.53%
1991	9.65%	7.68%	5.21%	13.19%	9.52%
1992	6.01%	4.56%	7.23%	3.39%	4.94%
1993	5.10%	15.48%	7.97%	9.89%	9.77%
1994	13.93%	9.09%	6.08%	4.89%	9.24%
1995	13.32%	5.67%	5.94%	7.00%	8.64%
1996	6.12%	4.72%	5.77%	9.69%	6.47%

Source: Central Bureau of Statistics

Table 2.3 shows that the inflation rate in the housing sector has also been fluctuating. This fluctuation has more or less followed the housing market itself:

when housing demand was strong in 1993, the inflation rate in the housing sector rose to 15.48%, but when housing demand was weak in 1996, it fell to 4.72%.

C. Interest Rates

Interest rates are an important variable in any analysis of the Greater Jakarta real estate market. From the perspective of supply, interest rates determine the return of new projects. From the perspective of demand, interest rates determine mortgage rates for new house loans. Since 70% of all middle- to high-income housing sales in Indonesia are financed by mortgages⁵, the middle- to high-income housing market is strongly effected by the fluctuation of interest rates.

As shown in Figure 2.4, during the period 1982-96, the average mortgage rate in Indonesia was 22.2%; the average lending rate was 18.2%. In 1990, when the government was implementing a tighter monetary policy by increasing the prime money market rate, the mortgage rate rose to a high of 28%

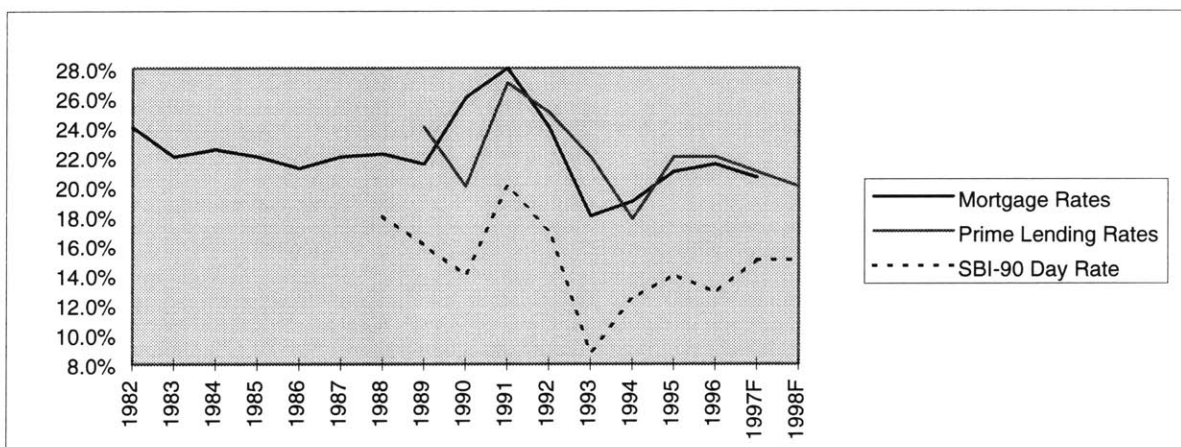


Figure 2.4 Mortgage, Lending and SBI 90-Day Rates

Source: ING Barings, Dresdner Klienwort Benson

D. Exchange Rate

The Indonesian currency unit is the rupiah. It is on a managed float, depreciating slowly against a basket of trading partners' currencies. The policy of

Bank Indonesia (BI), the Central Bank, is to depreciate the currency slowly to compensate for differences in the rates of inflation in Indonesia and in the currencies of its major trading partners, and to maintain the competitiveness of Indonesian exports. Rupiah are traded in an inter-bank market in Jakarta. Indonesia maintains no capital controls, and foreign exchange may flow freely in and out of the country. As shown in Table 2.4, the rupiah has steadily depreciated against the US dollar at an average rate of 3.54% per year.

Table 2.4 Exchange Rate

Year	Average US\$ Exchange Rate in Rupiah	Change (%)
1990	Rp 1,901	
1991	Rp 1,992	4.79%
1992	Rp 2,062	3.51%
1993	Rp 2,110	2.33%
1994	Rp 2,200	4.27%
1995	Rp 2,253	2.41%
1996	Rp 2,342	3.95%
	Average Change	3.54%

Source: Capricon Indonesia Consult

VII. Domestic and Foreign Investment

One of the important sources of GDP growth is domestic and foreign investment. As seen in Figure 2.5, the value of domestic investment approvals has increased steadily since 1987. Figure 2.6 shows that since 1994, foreign direct investment (FDI) approvals also increased significantly. During the period of 1990-93, the average value of FDI approvals was around US\$9 billion U.S., but the value of FDI approvals increased to \$30 billion U.S. in 1994 and US\$40 billion U.S. in 1995. This high value of domestic and FDI approvals has supported the increasing demand for office and industrial real estate.

⁵ Schrodgers, *Indonesian Property Market* (Jakarta, January 15, 1997), 9.

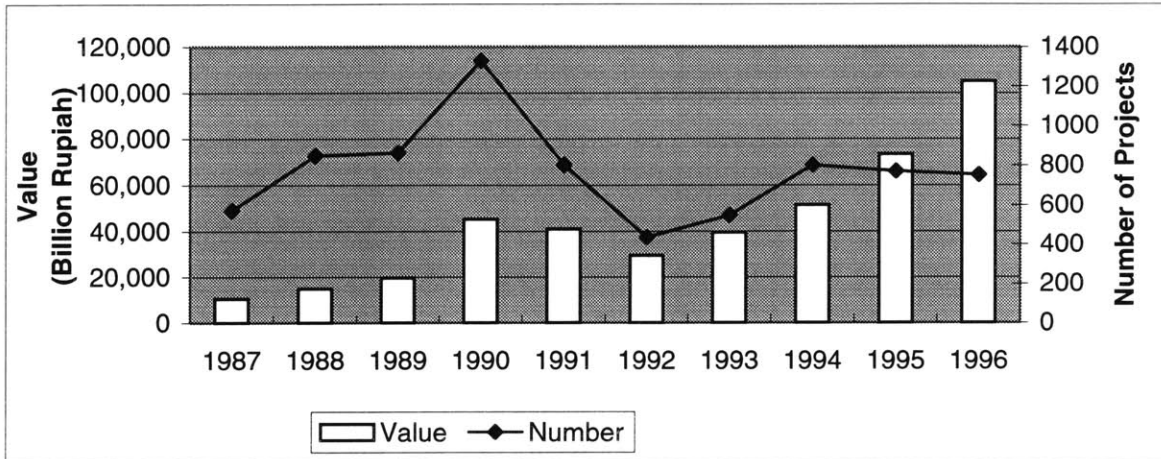


Figure 2.5 Domestic Investment Approvals

Source: Investment Coordinating Board (BKPM)

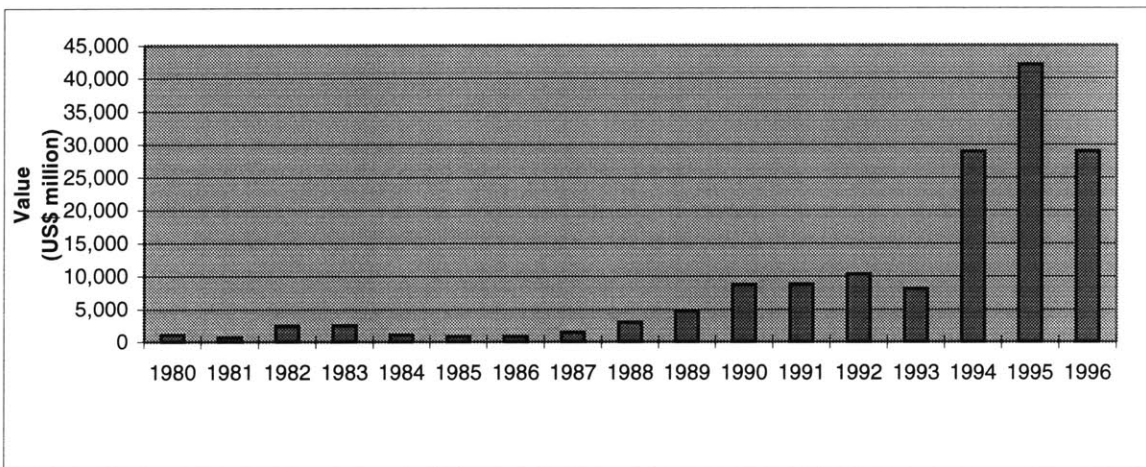


Figure 2.6 Foreign Direct Investment Approvals

Source: Investment Coordinating Board (BKPM)

Both foreign and domestic capital investment, which are welcomed by the Indonesian government, are managed by a government agency known as the Investment Coordinating Board (BKPM). Every year, this agency reviews its regulations in an effort to encourage new investment. The government recognizes the importance of FDI to the continuous growth and development of the national economy. Because of budgetary constraints and development requirements, the

government hopes that foreign investment will provide new technology and technical training for Indonesians. Over the past few years, there have been a significant number of deregulation measures designed to facilitate international competitiveness and stimulate the economy. Major deregulations for FDI include the following:⁶

- 100 percent ownership in most businesses and 95 percent ownership in the public sector.
- No minimum requirement for investments.
- Easier divestment.
- Elimination of duties on goods for re-export.
- Incentives for export-oriented investment.
- Streamlining of investment application procedures.

VIII. Policy

A. Fiscal Policy

The government has maintained a balanced budget policy which balances expenses and the combined assets of domestic revenue and foreign assistance. The chief governmental fiscal policy is to improve its non-oil-related tax collecting and to reduce its dependence on foreign assistance.

B. Monetary Policy

From mid-1990 to early 1992, the Central Bank had tightened its monetary policy in order to help curb inflation and a widening current account deficit. The government also asked private banks and businesses to limit offshore loans after a rapid expansion of the private sector into foreign liability. As inflation pressures abated, the government began to relax its monetary policy.

⁶ "Government Moderately Successful in Attracting Investors, Despite Drop in Value of Foreign Investments," *Indocommercial*, January 13, 1997, 15-17.

C. Labor Policy

Private sector workers have the freedom to form or join unions. However, a union has to register with the Department of Home Affairs and meet the requirements of the Department of Manpower if it wants to be able to bargain for employees. This rule has effectively restricted the labor movement in Indonesia because it gives the government control over most labor activities.

IX. Greater Jakarta Area

Jakarta is the capital of Indonesia and the center of the Indonesian government. It is the only city in Indonesia with a population of over 9.5 million. It covers approximately 650 km² and includes the islands of *Pulau Seribu* in the Bay of Jakarta.

The dynamics of Jakarta's economic development cannot be separated from the economic development of the surrounding regions, Bogor, Bekasi and Tangerang (See Figure 2.2), which comprise an area loosely known as Greater Jakarta or Jabotabek.⁷ Greater Jakarta covers a total of 6,342 km² and is located in the provinces of DKI Jakarta and West Java. It is an important focus for demographic growth in Western Java as well an indicator of overall economic growth of Indonesia.

As seen in Table 2.5, the population of Greater Jakarta will be approximately 25 million in the year 2000, with an estimated annual growth of 4.01%. This high growth rate will undoubtedly support an increasing residential demand.

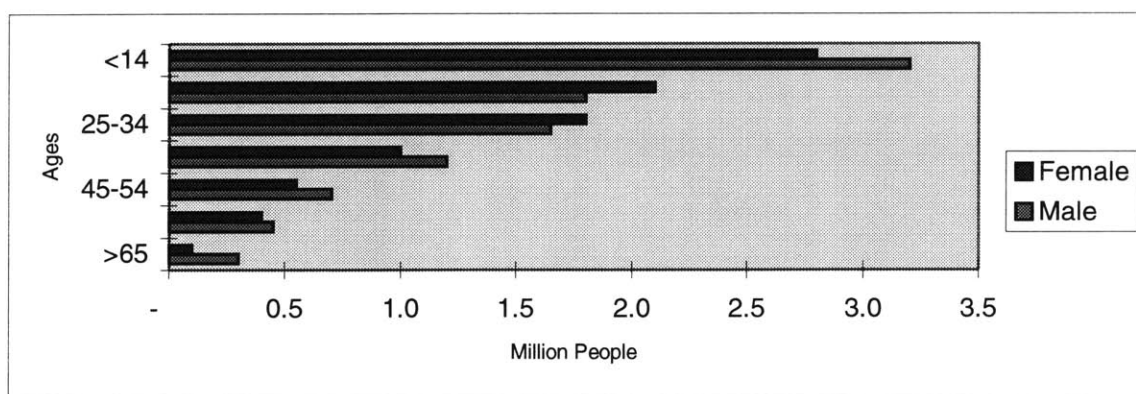
As shown in Figure 2.7, Greater Jakarta has a high concentration of young people; 74% of the population is below the age of 34. Since most young people in Indonesian do not have their own homes, they constitute a large potential housing market.

⁷ Indonesian Business Data Centre. *Real Estate Indonesia*. (Jakarta, 1995), 125.

Table 2.5 Estimated Population in Greater Jakarta

Region	1995	1996	1997	1998	1999	2000	Growth
Jakarta	9,160,330	9,359,112	9,562,205	9,769,705	9,981,707	10,198,310	2.17%
Bogor	4,573,558	4,762,136	4,958,489	5,182,939	5,375,819	5,597,476	4.12%
Tangerang	3,718,828	3,945,728	4,186,472	4,441,906	4,712,924	5,000,478	6.29%
Bekasi	2,908,636	3,098,279	3,300,287	3,515,766	3,744,874	3,988,827	6.10%
Total	20,361,352	21,165,255	22,007,453	22,910,316	23,815,324	24,785,091	4.01%

Source: Procon Indah/JLW Research

**Figure 2.7 The Demographic Profile of Greater Jakarta**

Source: Procon Indah/JLW Research

As seen in Table 2.6, the population density of Greater Jakarta has increased from 1,837 per/ha in 1980 to 2,513 per/ha in 1990. This table also shows that although metropolitan Jakarta represents only 10% of Greater Jakarta, its population accounts for 49% of the total population. As a result, the population density of that area, which was 12,392 per/ha in 1990, has remained greater than that of the surrounding region. However, since the populations of Bogor, Tangerang and Bekasi have been increasing more rapidly than that of metropolitan Jakarta, the demographic distribution has begun to change.

Table 2.7 shows that significant increases in the Gross Domestic Regional Product are projected for East Jakarta, Bogor and Tangerang.

As the focal point of economic development in Indonesia, Jakarta is the chief area targeted for urbanization. As shown in Figure 2.8, in 1995, 33% of the total Indonesian population was living in urban areas, as compared to 22% in 1980 and

19% in 1970. Urbanization is likely to reach 37% by the year 2000, and 45% by the year 2010. Given this trend, rapid urbanization will be one of the crucial factors in the demand for housing, especially in Greater Jakarta.

Table 2.6 Land Area, Population and Density of Greater Jakarta Area

Region	1980					1990				
	Land Area (sq. km)	%	Population (millions)	%	Density (pop/ha)	Land Area (sq. km)	%	Population (millions)	%	Density (pop/ha)
Jakarta	656	10%	6,481	56%	9,880	664	10%	8,228	49%	12,392
Bogor	3,358	53%	2,494	21%	743	3,358	50%	3,737	22%	1,113
Tangerang	1,044	16%	1,529	13%	1,465	1,399	21%	2,766	16%	1,977
Bekasi	1,284	20%	1,144	10%	891	1,284	19%	2,121	13%	1,652
Total	6,342	100%	11,648	100%	1,837	6,705	100%	16,852	100%	2,513

Source: Procon Indah/JLW Research

Table 2.7 Gross Domestic Regional Product by Current Value

Region	1995	1996	1997	1998	1999	2000
Jakarta	39,649	42,699	48,749	48,799	51,849	54,899
East Jakarta	1,997	9,052	9,699	10,346	10,992	11,639
West Jakarta	6,233	6,713	7,192	7,672	8,151	8,631
North Jakarta	6,703	7,219	7,734	8,250	8,766	9,281
South Jakarta	6,906	7,437	7,968	8,499	9,030	9,562
Central Jakarta	9,397	10,008	10,618	11,228	11,839	12,449
Bogor	4,390	4,755	5,121	5,487	5,853	6,219
Tangerang	4,139	4,552	4,966	5,380	5,794	6,208
Bekasi	3,235	3,559	3,882	4,206	4,529	4,853

Source: Procon Indah/JLW Research

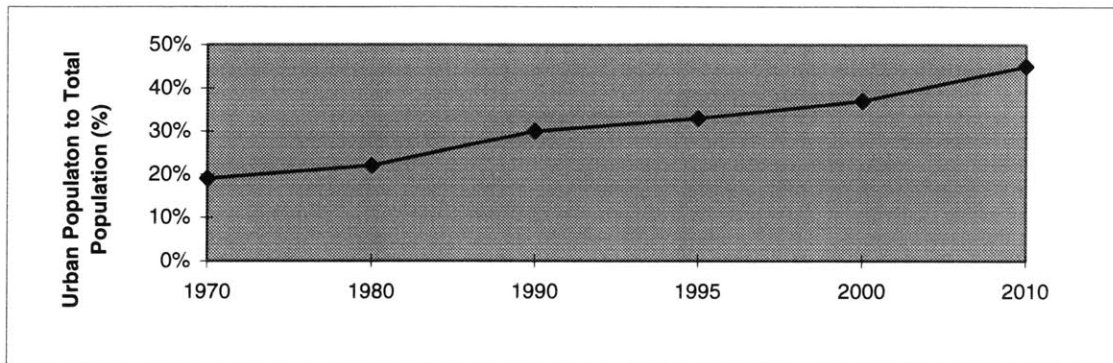


Figure 2.8 Urbanization Trend in Indonesia

Source: Schroders, January 1997

X. Conclusion

Indonesia is geographically dispersed and has an uneven distribution of income and ethnic affiliations among its 195 million people. Political stability is, therefore, very important for the country's well being. Nevertheless, the Indonesian political system is vulnerable as long as the issue of presidential succession remains unresolved, and this has cast a shadow on the country's future.

Because of its big market potential and rapid GDP growth, Indonesia has become attractive for both domestic and foreign investment. Inflation, exchange rates and interest rates are carefully controlled by the government. Unfortunately, however, the Indonesian legal system remains weak and ineffectual.

Greater Jakarta is comprised of metropolitan Jakarta, the capital city and the center of economic development, as well as the supporting regions of Bogor, Tangerang, and Bekasi. Greater Jakarta contains more than 21 million people; the majority of these are under 34 years, and are therefore, potential first-time homeowners. Furthermore, the population of Greater Jakarta is continuously growing, and this has already created a strong demand for residential and retail development.

THE STRUCTURE OF THE INDONESIAN REAL ESTATE MARKET

I. Introduction

This chapter discusses some important issues in the Indonesian real estate market, including land planning and capital structure. Also discussed are problems such as licensed undeveloped projects, speculative development, speculative acquisition, bad debt, houses without deeds, and complicated permit processes. Government efforts to solve these problems are also mentioned in connection with each one.

II. Land Planning

A. General

All land planning is handled at the municipal level. The government has come under increasing pressure to liberalize its land laws, especially the Basic Agrarian Law, which is the foundation of the country's agrarian system. This law is felt to be at odds with the needs of foreign investors.¹

B. Urban Plan for Jakarta

The general plan for Urban Jakarta for the period 1985-2005 prioritizes residential development in the west and east parts of the city. These areas are perceived as under-utilized, and land prices there are also lower than they are in the Central Business District (CBD) and in the northern and southern parts of Jakarta, and since July 1995, the government has stopped issuing new land permits for

¹ Urban Land Institute, *ULI Asia Pacific Market Profiles: 1997* (New York, 1997), 17.

residential development in Greater Jakarta. On the other hand, the government is encouraging residential development by those developers who have already acquired permits and has given them the opportunity to build and manage their own infrastructures. Furthermore, any large-scale residential development greater than 100 hectares has been accepted as a part of the national urban development policy.

C. Basic Agrarian Law

The Basic Agrarian Law of 1960 defines four types of land ownership titles:²

1. *Hak Milik* (HM), ownership by Indonesian citizens and certain other legal entities;
2. *Hak Guna Bangunan* (HGB), the right to build, which can be granted to legal entities according to the terms of the foreign investment law for 30, with a possible 20 year extension (See Appendix A);
3. *Hak Pakai*, the right to use land for construction or for agricultural purposes, rewritten in 1996;³
4. *Hak Pengelolaan*, the right to manage land, which can also be granted to foreign companies or other legal entities.

D. Strata-title Law

The strata-title law was passed in 1985. It permits the sale of individual units in high-rise buildings located on HGB land. A strata-title can be transferred or sold after the HGB title to the land has been issued. Upon issuance of the strata-title, developers can apply for separate deeds to common areas, properties and/or land. Ownership of the new unit normally includes ownership of any common areas, properties and/or land, which constitute an inseparable part of that unit.⁴

E. Regulation of Collateral Rights (UU No. 4 of 1996)

On April 9, 1996, the National Land Agency issued Regulation No. 4 to define collateral rights. Lands used for collateral must be formally registered as such to

² Schrodgers, *Indonesian Property Sector* (Jakarta, January 15, 1997), 20.

³ Regulations Nos. 4, 40, and 41. See Appendix A for a comparison of HGB and *Hak Pakai*.

⁴ Schrodgers, 20.

give creditors the necessary legal rights. In the past, foreclosures were difficult because rights to the original collateral were not always clear. With this new regulation, the legal assurance of collateral rights became a necessary part of most bank loans. Moreover, the regulation permits creditors to bypass court processes and foreclose directly. Anything of value located on the land can be used as collateral.

F. Right-to-Use Titles (UU Nos. 40 and 41 of 1996)

In June 1996, the government issued regulations Nos. 40 and 41 to increase the value of right-to-use titles. Regulation No. 40 extends the term from 10 to 25 years, with an additional 20 year option followed by possible a renewal. Regulation No. 41 allows qualifying foreigners⁵ to buy property in Indonesia as long as the property is developed with a right-to-use title.⁶

III. Several Problems in the Indonesian Real Estate Market

A. Under-utilized Licenses

Table 3.1 Permits in Botabek

	Regulation	Area (Ha)	Developed (Ha)	%	Undeveloped (Ha)	%
Bogor	393	27,948	3,960	14.17%	23,988	85.83%
Tangerang	419	36,437	5,188	14.24%	31,249	85.76%
Bekasi	345	16,818	4,127	24.54%	12,691	75.46%
		81,203	13,275	16.35%	67,928	83.65%

Source: *National Land Agency*, August 1995

As shown in Table 3.1, only 16.35% of the licenses in Botabek (Greater Jakarta excluding Jakarta itself) had been used for development by August 1995. According to the National Land Agency, the unused licenses could provide 3,396,400 homes, enough to supply the needs of the entire Greater Jakarta Area until 2018. Many of these unused licenses were taken out for the purpose of land

⁵ Defines as foreigners who own and maintain an economic interest in Indonesia; however, the definition is too wide and bias.

⁶ "Sekitar Peluang dari PP 41/1996 Masih Perlu Tindak Lanjut," *Media Indonesia*, January 3, 1997.

speculation; unfortunately, this practice has created large stagnant areas and inflated land costs.

In November 1996, in response to the under-utilization, the National Land Agency restricted the issuance of new location permits in Botabek (Official Memo No.410-2784). Instead of allowing licenses to remain inactive and land undeveloped, the government agreed to review licenses annually and revoke them if necessary, hoping to weed out speculators and encourage genuine developers.⁷

In February 1997, however, this regulation was revised (Official Letter No.400-370 of 1997). The revision now allows for the issuance of new or extended location permits if an application meets the necessary requirements.⁸

Applications for new location permits must be one of the following:

- an application with a previously existing principal (before October 3, 1996)
- an application with foreign direct investment facilities
- an application to develop RS/RSS with a maximum land area of 50 hectares
- an application to develop military housing not in irrigation areas
- an application for a location with a location permit that cannot be extended if the land has not been acquired
- an application for a land area of less than 200 hectares

To apply for extended location permits, a developer must be:

- a developer with foreign direct investment facilities
- someone who wishes only to develop RS/RSS
- a developer who follows Regulation 1:3:6
- a credible developer
- someone who can only acquire land below 25% of the total location permit, but not through any fault of his/ her own
- approved by the Director of the National Land Agency if he/she is developing more than 200 ha.

⁷ "Cukup Untuk Botabek," *Properti Indonesia*, November 1996, 15.

⁸ "Botabek Dibuka Kembali," *Properti Indonesia*, March 1997, 78.

B. Speculative Development

1. General

From 1992-95, the real estate market was booming. This activity was related to deregulation in October 1993, which made it easier to get development permits and which encouraged banks to increase their loans. As a result, many new developers entered the market with expectations of high returns. There was a flood of new speculative development projects. The real estate market was oversupplied and many developers could not sell. This, in turn, led to delays, defaults, under-specification, and even fictional projects, and created an overall bad images for developers in general. As of September 1996, speculative development had created approximately 5.25 trillion rupiah in bad debts, a figure that represented more than 10% of all national property loans.⁹

2. Overgrowth Property Loans

As seen in Table 3.2, property loans grew at an annual rate of 37% from 1993-96 while industry and trading loans grew only at rates of 19.4% and 16.1%, respectively. Because the property sector normally supports or reflects other sectors, especially industry and trading, property loans are clearly in a period of overgrowth.¹⁰

3. Increasing Share of Property Loans

As seen in Figure 3.1, the share of property loans increased from 13.3% in 1993 to 19.0% in 1996. Although these figures are still below those of Hong Kong (30%) and Malaysia (30%), they should be a warning sign to Indonesia where property loans have a much higher debt equity ratio.¹¹

⁹ "Gelombang Proyek Bermasalah," *Properti Indonesia*, September 1996, 18.

¹⁰ "Ada Apa Kredit Properti," *Properti Indonesia*, October 1996, 30-31.

¹¹ "Ada Apa Kredit Properti," 30-31.

Table 3.2 Property Loan

	1990	1991	1992	1993	1994	1995	1996F
Construction	4,058	6,290	9,700	10,038	13,368	15,631	21,080
Simple House				929	1,294	1,590	2,150
Others				9,109	12,074	14,041	18,930
Real Estate	1,566	2,654	2,909	5,513	9,715	13,455	18,680
Simple House				805	1,101	1,670	2,540
Others				4,708	8,614	11,785	16,140
KPR	3,593	3,296	3,766	6,157	10,110	13,694	16,385
Total Property Loans	9,217	12,240	16,375	21,708	33,193	42,780	56,145
Total National Loans				163,456	204,407	249,367	295,500
Ratio of Property Loans to National Loans (%)				13.3%	16.2%	17.2%	19.0%

Source: Bank Indonesia

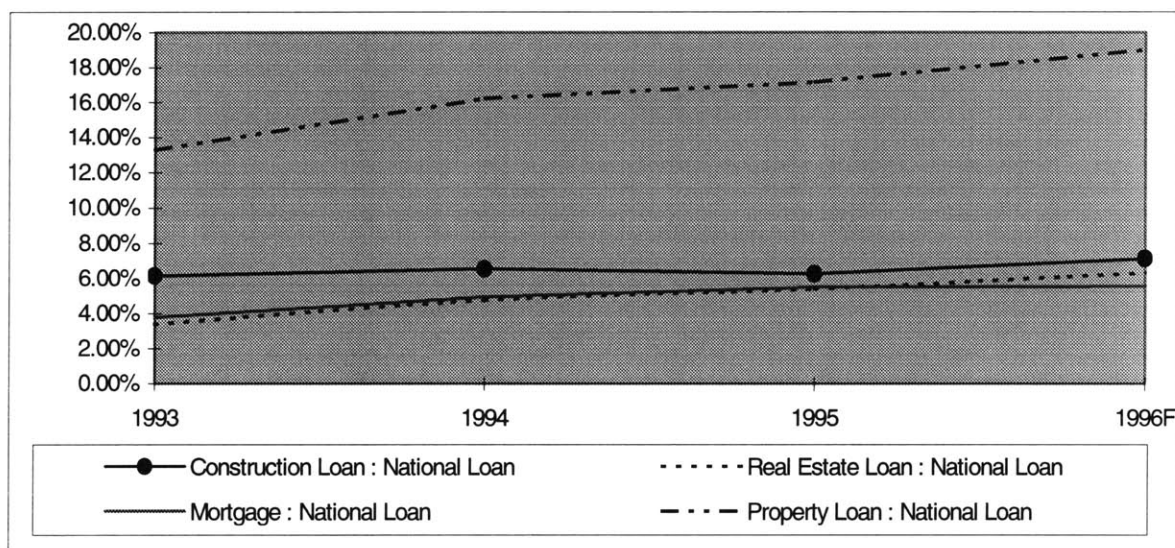


Figure 3.1 Ratio of Property Loans to National Loans

Source: Properti Indonesia, Bank Indonesia

4. Mis-allocation Loans

Table 3.2 shows that only a small share of development loans are used for low-income housing (simple house), the biggest housing demand. Such mis-allocation can endanger the market because the supply is not responding to the right demand and the demand for low-income housing remains unfulfilled.¹²

¹² "Ada Apa Kredit Properti," 32.

C. Government Efforts to Reduce Speculative Development

To protect the public from irresponsible developers, the government has tightened up its procedures and now requires building permits before any marketing can be done.¹³

Moreover, in July, 1997, to respond to overgrowth property loans and the increased share of such loans and to deal with the increase in bad debts, the government prohibited domestic loans for land acquisition and middle- and high-income housing developments.

D. Speculative Buyers

The 1992-95 boom attracted not only developers but also speculative buyers to the market. As a result, demand was exaggerated and developers overestimated it. Once the market was oversupplied, the speculators disappeared or even increased the oversupply by selling their properties, and the situation became critical.

In January 1995, to reduce further speculative acquisition, the government introduced new tax regulations: luxury property taxes, which were 10% of the sale price; and secondary sales taxes, which were 2% for low-income housing, 6% for rental income from investment properties and 5% for all other housing (See Table 3.3). This secondary sales tax replaced the existing 30% capital gains tax.¹⁴

Table 3.3 Tax Regulations Governing the Property Sector

Type	Specification	VAT (%)	Luxury (%)	Capital Gain (%)
Land	All	8%	0%	0%
Built-up	All	10%	0%	0%
	Over 400 m ²	10%	10%	0%
Secondary Transactions	Value over Rp 60 million	0%	0%	5%
Condominiums	All	10%	0%	0%
	Over 150 m ²	10%	10%	0%

Source: Department of Finance

¹³ ING Barings, *Property Sector Review* (August 1996), 26.

¹⁴ ING Barings, 22-24.

E. Complicated Permit Application Processes

Permit application processes in Indonesia are very complicated. Developers have to register for many types of permits, such as a principal permit (IP), a location permit, a permit for advice planning, a block plan permit, a permit to develop (IMB), a permit to use the building (IPB), and a principal certificate. Applications for these involve numerous government agencies: the National Land Agency, the Department of Public Works, the Department of Public Housing, the Department of Transportation, and even the military. To make matters worse, there is very little coordination among government agencies, and big projects have additional problems. For these projects, developers usually need several years. Nonetheless, they must renew all permits annually, and new approvals are not guaranteed. As a result, permits for big projects are often tenuous.¹⁵

Table 3.4 Legal and Illegal Costs for Permit Applications

No	Description	Legal Cost	Illegal Cost
1	Principal Permit	50 rupiah per m2	400-1,100 rupiah per m2
2	Location Permit	0	100-400 rupiah per m2
			Subsidy for RSS: 1,400,00 per unit
3	Site Plan		
	Advice Planning	50 rupiah per m2	50-200 rupiah per m2
4	Permit to Develop the Building	2-3% of total cost	Additional fee 25% Additional cost (Bekasi) 147,000 per unit
5	Main Certificate	100-300 rupiah per m2	300-2,000 rupiah per m2
6	Partial Certificate	RSS: 35,000 per unit RS: 75,000 per unit	100,000-150,000 per unit

Source: Properti Indonesia, November 1996

For obvious reasons, the permit application process has frequently frustrated developers. Many of these prefer to solve the problem or accelerate the application process by paying additional illegal costs, which can be 3-4 times higher than official costs (See Table 3.4).

¹⁵ "Benang Kusut Perizinan," *Properti Indonesia*, November 1996, 20.

F. Houses Without Deeds

Buyers often do not get their house deeds immediately even after paying off their mortgage. The main reason for this is that developers usually wait to register deeds until they can sell all of the houses in a single project. Moreover, they sometimes use the whole project, including houses that have been paid for, as collateral. In 1996, to curtail this abusive practice, the government passed Regulation No. 4 which made this practice illegal, and required developers to register deeds directly after the mortgages were fully paid.¹⁶

IV. Capital Structure

Traditionally, most of the financial sources for real estate development are banks.¹⁷ Consequently, the fluctuation of interest rates and available funds have a significant effect on the real estate market.

However, since July 1997, local banks have been prohibited by law from financing land acquisitions and middle- and high-income housing developments. Consequently, developers have to use their own equity or seek other sources for funding.

Companies developing low-income housing can borrow from *Bank Tabungan Negara*, a government agency established for that purpose. Another possible source of funding is the stock market. In 1997, 20 real estate companies offered equity shares on the Jakarta and Surabaya Stock Exchanges. Since only established real estate companies with long-term experience can meet the requirements of these markets, small companies are seldom able to raise funds in this way. Other possible financial sources, such as secondary mortgages or workers' savings, have also been considered¹⁸, and several big developers have utilized foreign loans and foreign equity.¹⁹

¹⁶ "Kalau Sertifikat Tak Kunjung Datang," *Properti Indonesia*, October 1996, 116-117.

¹⁷ "Ada Apa Kredit Properti," 38-39.

¹⁸ "KPR Model Baru dari Bakrie-REI," *Properti Indonesia*, January 1997, 88-89.

¹⁹ "Tumpuan Baru Kala Kredit Makin Irit," *Properti Indonesia*, November 1996, 32-33.

V. Conclusion

The Indonesian real estate market still has many problems: illegal costs, high land costs, undeveloped licensed projects, an unfavorable agrarian system, a complicated permit process, an excess of speculative development, and increasing bad debt. Some of these problems are the usual problems of a developing country, and therefore, immediate solutions to them are not possible. Greater government commitment to such solutions is needed.

Other problems are clearly the result of speculative development, and the government has actively intervened to solve these problems in an effort to create a healthier real estate market. The deregulation of July 1997, represents a significant intervention. It prohibits domestic loans for land acquisitions and development with the exception of loans for low-income housing. This regulation is designed to reduce speculative development as well as its negative effects. In general, government interventions are positive efforts, but others seem biased, ineffectual, or poorly implemented.

Traditionally, banks are the main financial sources for real estate development. Big companies can raise funds through the stock market and foreign investors; low-income housing developers can borrow funds from *Bank Tabungan Negara*. The deregulation of July 1997, makes it illegal for other developers to borrow from banks, so that these are now forced to find other sources. This situation may be a good opportunity for foreign investors to enter the Indonesian real estate market.

GREATER JAKARTA: REAL ESTATE MARKET OUTLOOK

I. Introduction

This chapter analyzes supply and demand in each sector of the Greater Jakarta real estate market: housing, office, retail and industrial.

II. Housing

A. Demand

1. General

Rising incomes, increased population, a decline in household size, a growing middle class and rapid urbanization are the main forces behind the strong demand for housing in Greater Jakarta.

In 1996, Jakarta's GDP per capita was US\$3,016 per annum, while the National GDP was only US\$1,100. As a result, affordability has increased as the middle class continues to expand. Increased demand is also the result of growth in the number of households (See Table 4.1) because of increased population (See Table 2.5), rapid urbanization (See Figure 2.8) and the decline in household size.¹

Landed house demand is strong because Indonesian people still prefer detached one-level houses to apartments, condominiums, or townhouses. They prefer to live further from the city in affordable and less congested communities.

¹ The household size has decreased from 5.6 people in 1980 to 4.7 people in 1990, and is expected to reach 3.8 by the year 2000 (Schroders, *Indonesian Property Market*, 6).

First-time home-buyers dominate the market because 74% of the population is still below the age of 34 (See Figure 2.6) and living with parents. Many of these people will be potential buyers when they have saved enough money.

Table 4.1 Estimated Number of New Households in the Greater Jakarta Area

	1995	1996	1997	1998	1999	2000
Population*	20,361,352	21,165,255	22,007,453	22,910,316	23,815,324	24,785,091
Increase in Population		803,903	842,198	902,863	905,008	969,767
Households**	4,155,378	4,319,440	4,491,317	4,675,575	4,860,270	5,058,182
New Households		164,062	171,877	184,258	184,696	197,912

* Data from Procon Indah/JLW (Table 2.5)

** Assuming that the average household size is 4.9 people

The demand for new houses will be concentrated in and around Greater Jakarta for the next few years because Greater Jakarta has easy access to the Jakarta-Merak toll road. Toll roads have become increasingly important because traffic congestion in Greater Jakarta has become much worse.

2. Affordability

Although demand is high, there is still a lack of affordable housing.² Most houses offered can be afforded by only 28% of the population (See Table 4.2 and Figure 4.1). Affordability itself has increased (See Figure 4.2), but this is because income levels are increasing while the increase of land and house cost is coming down, a trend that began in 1994 (See Figure 4.2).

According to ING Barings Research, affordability could be improved by lowering mortgage rates and increasing down-payments (See Figure 4.3).

Mortgage rates significantly effect the sales of high- to middle-income houses, because 70% of those sales are financed by mortgages. Consequently, their sales pattern is roughly correlated with the fluctuation of mortgage rates. When the base lending rate was around 20% in 1988, total sales of middle- to high-income houses

² Properti Indonesia, *Rumah Untuk Anda* (Jakarta, 1995), 31-32.

were approximately 8,000 units. When the rate rose to 29.6% in 1991, the figures fell to 6,800 units, and when rates declined to 17.6% in 1994, they rose again to 14,000 units.³

Table 4.2 Definition of Landed House Category

Category	Average price/unit (Rp M)	Size/unit (Land/Built-Up)	Monthly Mortgage Instalments* (Rp M)	Minimum Household Monthly Salary** (Rp M)
A	<37	<60/30	<0.554	<1.66
B	37-65	90/60	up to 0.970	up to 2.91
C	65-124	180/110	1.847	5.54
D	124-185	270/165	2.77	8.31
E	185-247	360/220	3.694	11.08
F	247+	>360/220	>3.694	>11.08

* Assumptions:

- down payment is less than 30% of total price
- mortgage rates of 21.5%
- financing periods of 15 years

** Monthly installment maximum limits is 1/3 of monthly salary

Source: ING Barings, August 1996

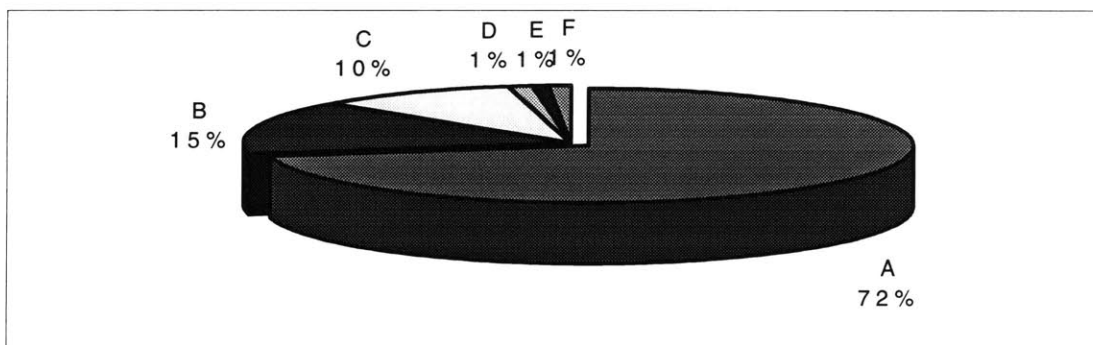


Figure 4.1 Affordability by Category

Source: ING Barings, August 1996

³ Schrodgers, *Indonesian Property Market* (Jakarta, January 15, 1997), 9.

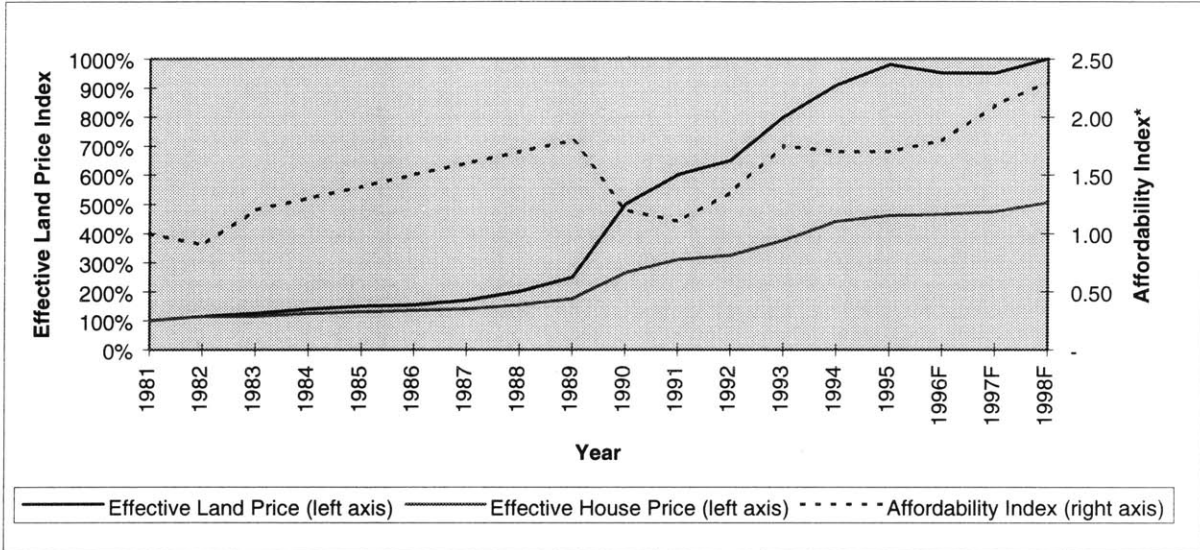


Figure 4.2 Effective Land and House Price Index with Affordability Index

* Affordability here is based on household income divided by mortgage payment. Affordability improves as the index increases

Source: ING Barings, February 1997

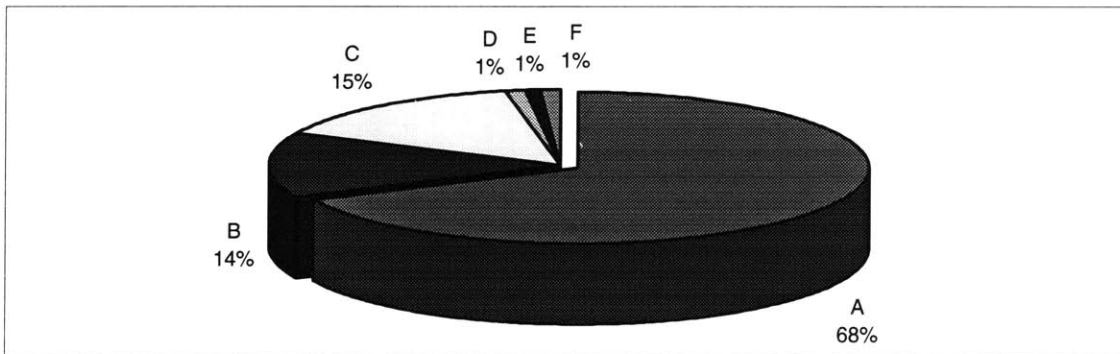


Figure 4.3 Adjusted Affordability by Category

- * Assumptions:
- down payment is less than 30% of total price
 - mortgage rates of 19.5%
 - financing periods of 15 years

Source: ING Barings, August 1996

A decrease in mortgage rates has a greater impact than an increase in mortgage rates (See Figure 4.4) because a decreasing attracts not only home buyers but also speculators. Conversely, increased mortgage rates drive out speculators, but not necessary home buyers because most of them are first-time

home buyers and their decisions to purchase a house are more based on their affordability than profitability.⁴

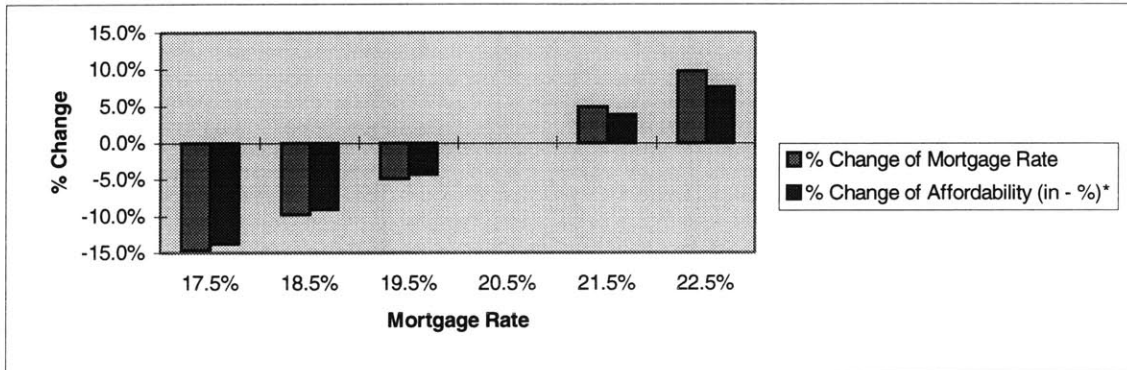


Figure 4.4 Sensitivity Analysis (Mortgage Rate versus Affordability)

* In negative %: affordability decreases when mortgage rate increases

Source: ING Barings, February 1997

B. Supply

1. General

The public sector and the private sector have supplied 25% and 75% of the housing demand, respectively. About 50% of the existing housing in Jakarta is considered substandard, 40% fair and 10% good. Jakarta, therefore, needs large investments for housing developments which will include social facilities and infrastructure, and occupy about 600 hectares of land per year.⁵

2. Distribution

Population growth and the growth of commercial sector in Jakarta have pushed new residential development farther out on the fringes of the city and into Tangerang, Bogor and Bekasi, where land prices are lower. The majority of the new housing development in Greater Jakarta are located in Tangerang, while a smaller number are located in Bogor, Bekasi and Jakarta, respectively (See Figure

⁴ ING Barings, *Asean Property Sector Review* (Singapore, February 1997), 16.

⁵ Urban Land Institute, *ULI Asia Pacific Market Profiles: 1997* (New York, 1997), 17.

4.5). Tangerang has become a new residential district while Bekasi is now largely considered an industrial area. Another major development area is Bogor, but primarily for resort-type houses.⁶

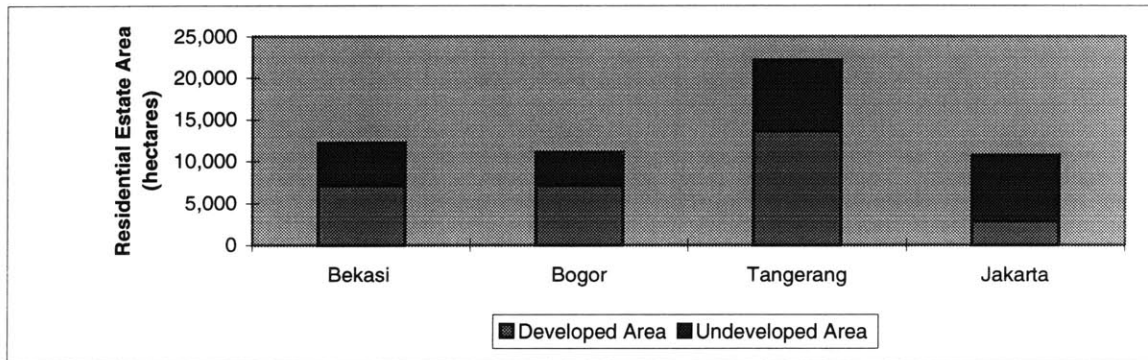


Figure 4.5 Distribution of Residential Estate Area Planned for Development

Source: Procon Indah/JLW Research, March 1997

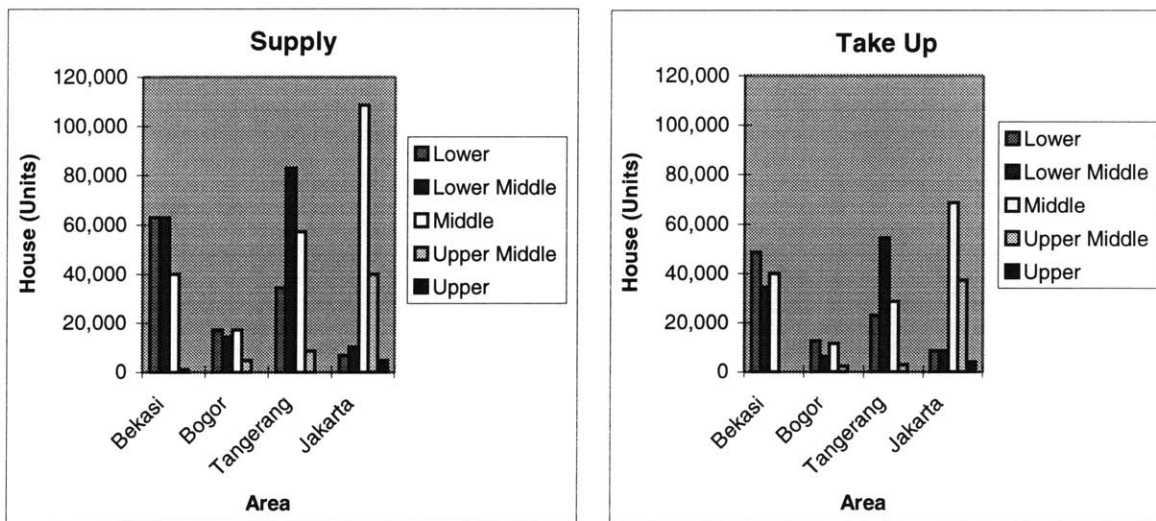


Figure 4.6 Distribution by Income Segment

Source: Procon Indah/JLW Research, March 1997

As seen in Figure 4.6, middle-income housing accounts for 37% of all houses offered. This figure is followed by lower- to middle- and low-income housing at 30% and 22%, respectively. Jakarta itself has a greater concentration of middle-income

⁶ ING Barings, *Property Sector Review* (Jakarta, August 1996), 38.

housing, while Tangerang has more lower- to middle-income housing and Bekasi has more low-income housing. Almost 81% of the supplies in Botabek are small houses, whereas in Jakarta, 42% of the total supply is medium-sized houses (See Figure 4.7).

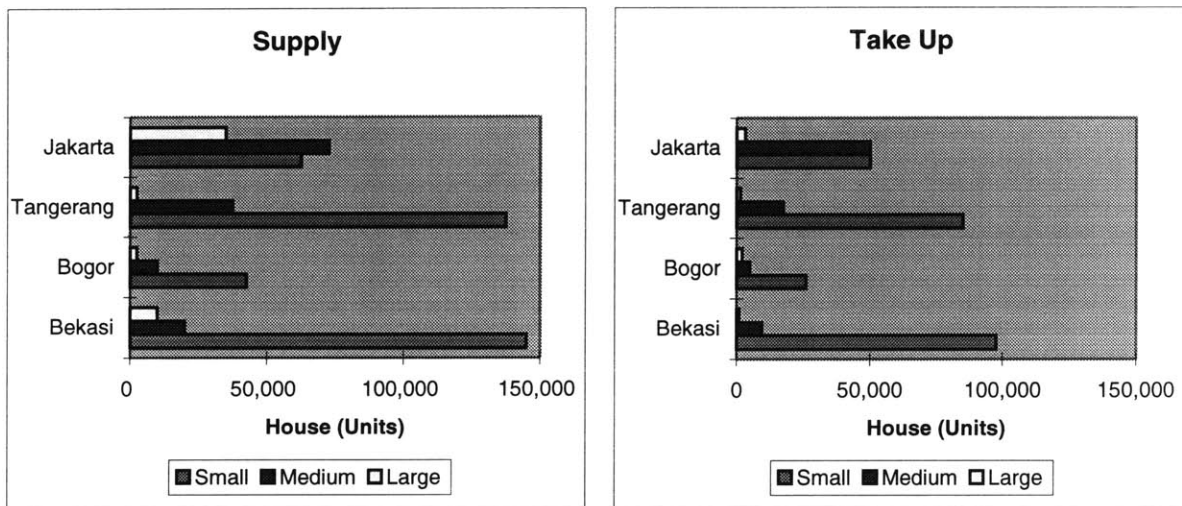


Figure 4.7 Distribution by Size

Source: Procon Indah/JLW Research, March 1997

3. Residential Estate

The high residential land prices in metropolitan Jakarta have stimulated the development of self-contained cities outside of Jakarta (See Table 4.3). The development of residential estates is still at an early stage, accounting for only 20% of the total supply of new houses.⁷ However, the desire to live in a large-scale self-contained development in a satellite city is growing rapidly because of such advantages as location, quality of access, quality of living environment, protection from arbitrary zoning laws, and provision of social and recreational facilities within the residential estate.⁸

⁷ Schrodgers, 9.

⁸ Properti Indonesia (1995), 35-36.

Table 4.3 Large-scale Housing Projects

Name of Project	Location	Land Area (Hectare)
Bukit Jonggol Indah	Bogor	28,000
Royal Sentul Highland	Bogor	2,000
Rancamaya	Bogor	550
Bumi Serpong Damai	Tangerang	6,000
Kota Tigaraksa	Tangerang	3,800
Lippo Karawaci	Tangerang	700
Citra Raya	Tangerang	1,000
Kapuk Naga Indah	Tangerang	2,000
Bintaro Raya	Tangerang	1,700
Citra Land Teluk Naga	Tangerang	1,000
Gading Serpong	Tangerang	1,500
Pantai Indah Kapuk	Tangerang	800
Modernland	Tangerang	700
Kota Cikarang Baru	Bekasi	5,400
Lippo Cikarang	Bekasi	2,000
Kota Legenda	Bekasi	2,000

Source: Data Consult, 1996

4. Low-Income Housing (RS/RSS)

To supply enough low-income housing, the biggest housing demand, the government has promoted the concept of “simple and very simple houses” (RS/RSS). The government encourages the development of RS/RSS by subsidizing RS/RSS mortgage rates and taxes as well as by creating a favorable investment climate for RS/RSS development.⁹ The interest rates on RS/RSS mortgages are subsidized, 11% for RS and 8.5% for RSS (See Table 4.4); these are much lower than market-rate mortgages at 20-22%. RS/RSS mortgages also do not require sales tax. For RS/RSS development, the costs for certificate application has been reduced.

⁹ “Target Repelita VI Insyah Allah Terlampaui,” *Properti Indonesia*, January 1997, 19.

Table 4.4 Interest Rate on BTN's Home Ownership Credits (1991-96)

Start Period	Type of House*	Interest Rate (%)
Sep-91	RS T-21	15
Apr-92	RSS (21,36)	10
Jul-92	RS T-21	12
Nov-89	KSB 54 - 72	10
Feb-93	KSB 54 - 72	10
	RSS 21 - 36	10
	RS T-21	12
	Storied (F-12 - F-21)	12
Jan-94	KSB (54,60,72)	8.5
	RSS (21,27,36)	8.5
	RS (T-18, T-21)	11
	Storied (F-18,F-21)	11
Mar-96	RS T-27	14
	RS T-36	14
Mar-96	RS T-21, T-18	11

* RS is Simple House, RSS is Very Simple House and KSB is ready to build house

Source: Data Consult, June 1996

Some regulations have been issued to force development of RS/RSS. Regulation 1:3:6 obliges developers who get permits for more than 200 ha of lands, to build at least three middle-income houses and six units of RS/RSS for each high-income house they construct. Moreover, new and extended location permits in Botabek are prioritized for developers who implement Regulation 1:3:6 or who develop RS/RSS (See 3.III.A).

Implementation of Regulation 1:3:6 at the present time is still far from what might have been expected. The chief obstacles are the low profit margin for such development, the high cost of land and the fluctuation cost of raw materials, as well as time-consuming activities of land acquisition and bank loan approval.¹⁰

As seen in Figure 4.8, during 1969-94, more than 950,000 units of RS/RSS had been developed; 75% were built by REI, an association of Indonesian developers, and the rest were built by *Perumnas*, a government agency whose

¹⁰ "RS/RSS: Menagih Janji Pengembang Besar," *Properti Indonesia*, February 1997, 54.

chief purpose is to provide RS/RSS. It is estimated that the existing supply of low-income housing will meet only 15% of the demand.¹¹

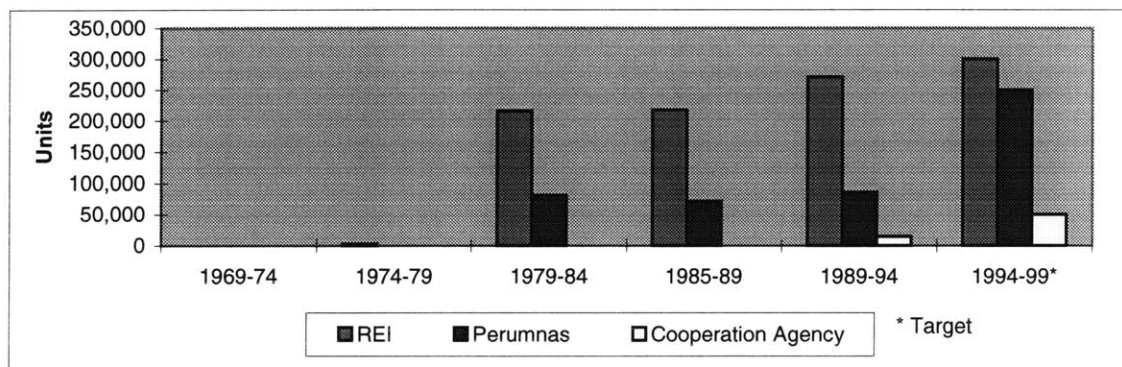


Figure 4.8 RS/RSS Development in Indonesia

Source: REI

5. Small Houses

Since 1994, the sales of high-income houses have decreased chiefly because of increasing mortgage rates (See Figure 2.3). On the other hand, sales of low-income houses are unaffected and are increasing (See Figure 4.9). The main reason for this is that the sales of these houses are based more on affordability than on mortgage rates. Responding to this situation, developers have begun to offer houses at lower prices either by reducing quality or by offering smaller houses (See Figure 4.10).

Small houses are more attractive than RS/RSS because they offer a better profit margin for developers. As a trade off, these houses are better quality, and have better designs and facilities than RS/RSS.¹² Moreover, since most of them are parts of large scale developments, they often have better urban designs, facilities and infrastructures.¹³ Nonetheless, these large scale developments usually are located far away from metropolitan Jakarta.

¹¹ "Real Estate Business Sluggish," *Indonesian Commercial Newsletter* (Jakarta, June 10, 1996), 3.

¹² "Rumah Munggil Yang Kian Menarik," *Properti Indonesia*, August 1996, 18-36.

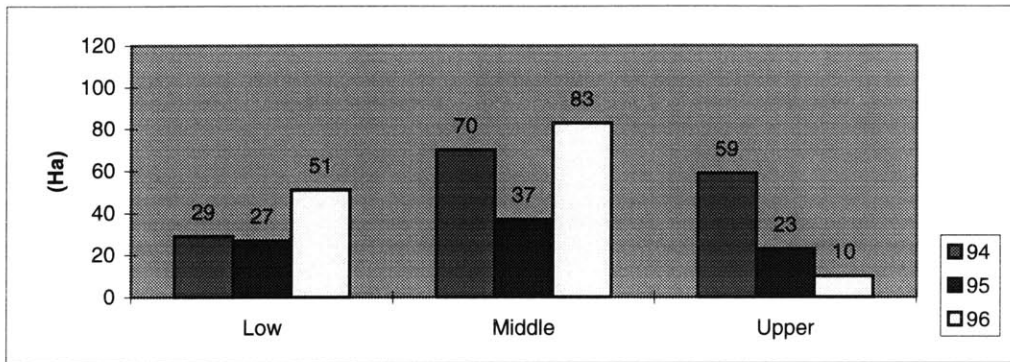


Figure 4.9 House Sales in Greater Jakarta Area

* Sales data is compiled from *Ciputra, Dharmala Intiland, Duta Pertiwi, Jaya Real, KI Jakabeka and Modernland*

Source: ING Barings, February 1997

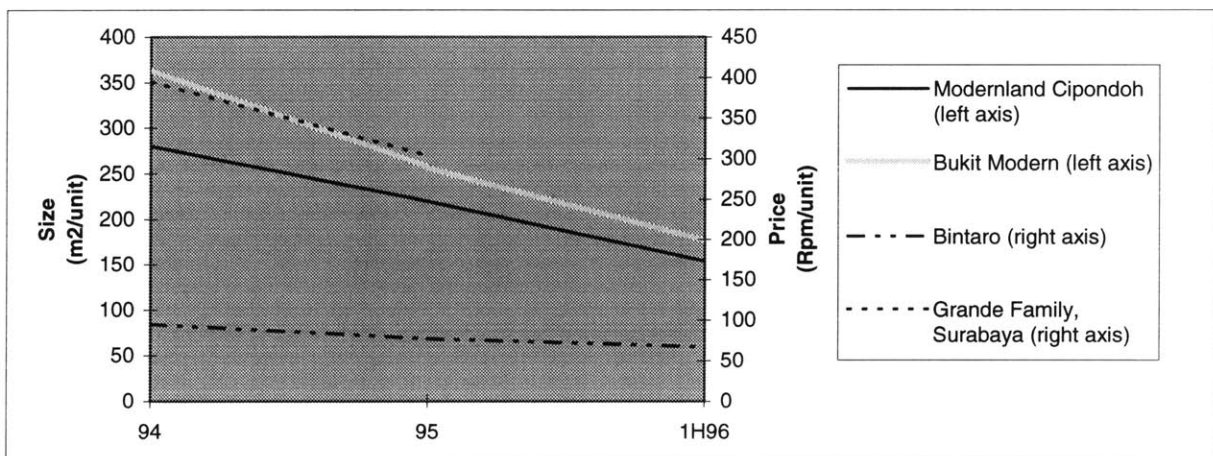


Figure 4.10 Trend of Size and Price per Unit

Source: ING Barings, August 1996

III. Apartments and Condominiums

A. Demand

Most of the customers for these are foreigners who work in Indonesia. Indonesian people still prefer detached one-level houses, in preference to apartments and condominiums, because one-level houses provide more space and are more suitable for large families. Moreover, almost all middle- to high-income households have live-in domestic help such as nannies, housekeepers, etc.

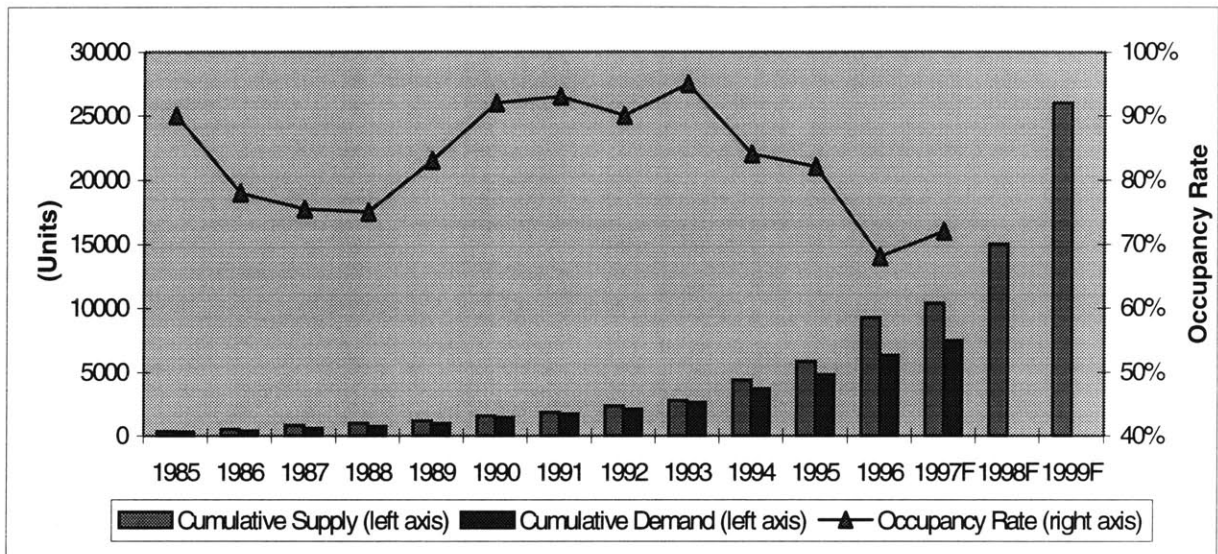


Figure 4.11 Rental Apartment Cumulative Supply, Demand and Occupancy Rate

Sources: ING Barings and JLW Research, March 1997

In 1985, the strata-title law clarified the ownership of strata-title for high-rise buildings (See 3.II.D). This clarification increased the demand for strata-title buildings, including apartments or condominiums. The demand was primarily from middle- to high-income people looking for ways to avoid traffic congestion and stay near the CBD. As a result, the condominium market strengthened after 1992 (See Figure 4.11), but the demand was also amplified by buyer speculators.¹⁴

B. Supply

1. General

Before 1992, the supply of apartments was meant mainly to fulfill the demand from foreigners. The increased demand from Indonesian people, triggered by the strata-title law, has led to a boom in the condominium market, characterized by enormously successful pre-sale activities. However, the boom also attracted speculative developers and buyers. Both of these created inflated demand and triggered high supply (See Figure 4.11). Even worse, since projects that were

¹⁴ ING Barings, *Property Sector Review* (Jakarta, August 1996), 42.

launched from 1993 to 1995 will be completed in the next few years, the market will continue to be oversupplied and need a long time to recover; this long recovery period is based on the fact that the demand is mainly from foreigners and that the demand from Indonesian people is still relatively small.

The oversupply market has created many problems: late, canceled, defaulted and below-specification projects, as well as defaulted loans.¹⁵ Some developers convert their strata-title condominiums into service apartments while others have asked for foreign assistance, hoping that foreigners can attract a greater foreign demand or increase the project credibility.¹⁶

2. Supply Profile

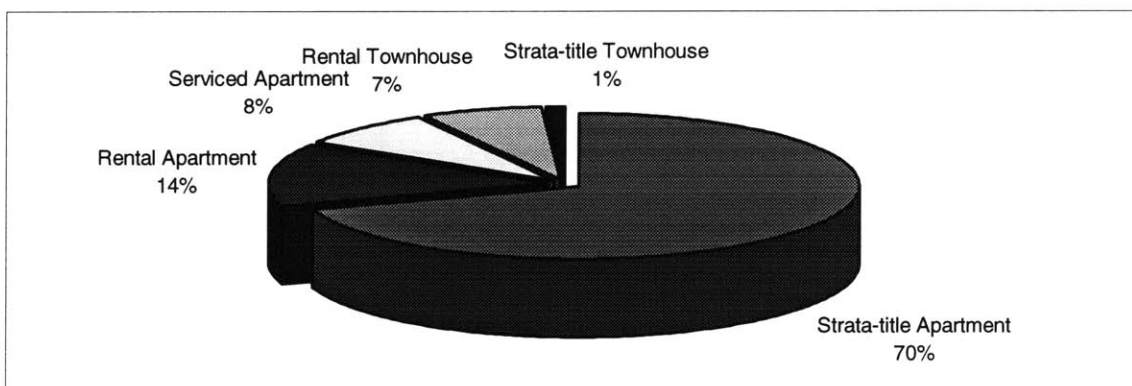


Figure 4.12 Existing Multifamily House Supply Distribution

Source: Procon Indah/JLW Research, March 1997

Strata-title apartments or condominiums dominate the number of available multifamily houses; rental and service apartments account for only 22% (See Figure 4.12). Most existing units are located in central Jakarta, CBD and south Jakarta (See Figure 4.13). Despite the oversupply market, the average rent for an apartment (See Figure 4.14) and the average price of a condominium in a prime location (See Figure 4.15) are still high. This may be due to the fact that availability in prime location is still proportional to demand.

¹⁵ "Gelombang Proyek Bermasalah," *Properti Indonesia*, September 1996, 18.

¹⁶ "Berlindung di Bawah Bendera Asing," *Properti Indonesia*, August 1996, 96-97.

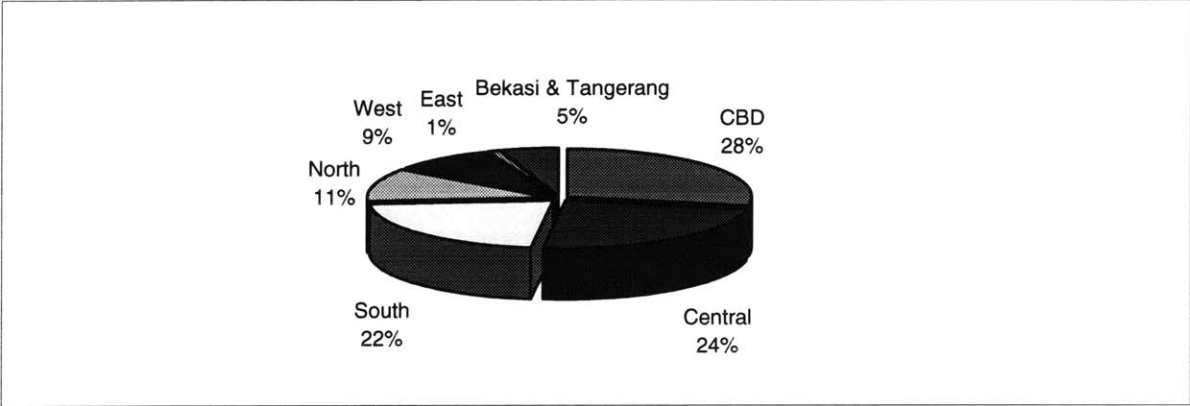


Figure 4.13 Existing Multifamily House Supply Distribution by District

Source: Procon Indah/JLW Research, March 1997

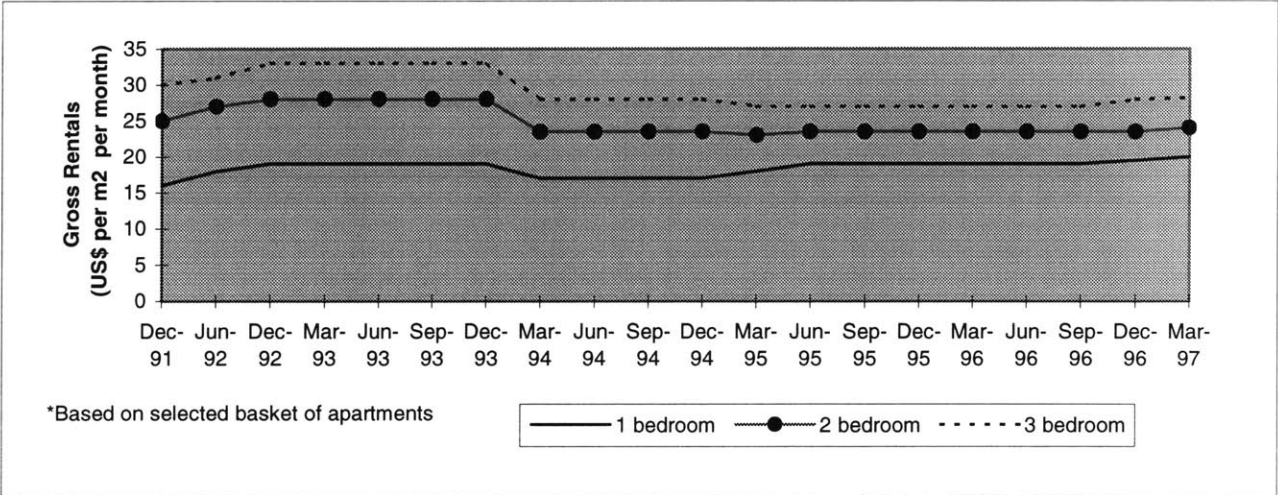


Figure 4.14 Prime Apartment Average Rentals

Source: Procon Indah/JLW Research, March 1997

C. Lower- to Middle-Income Condominiums

In 1996, lower- to middle-income condominiums performed well; about 80-95% could be sold during the launching period. Although they usually were not in prime locations, their prices were low; some even costing less than landed houses

in the same areas.¹⁷ The prospects of these condominiums may inspire further development of a similar kind and change the distribution of condominium supply, which is still dominated by middle- to high-income developments (See Figure 4.16).

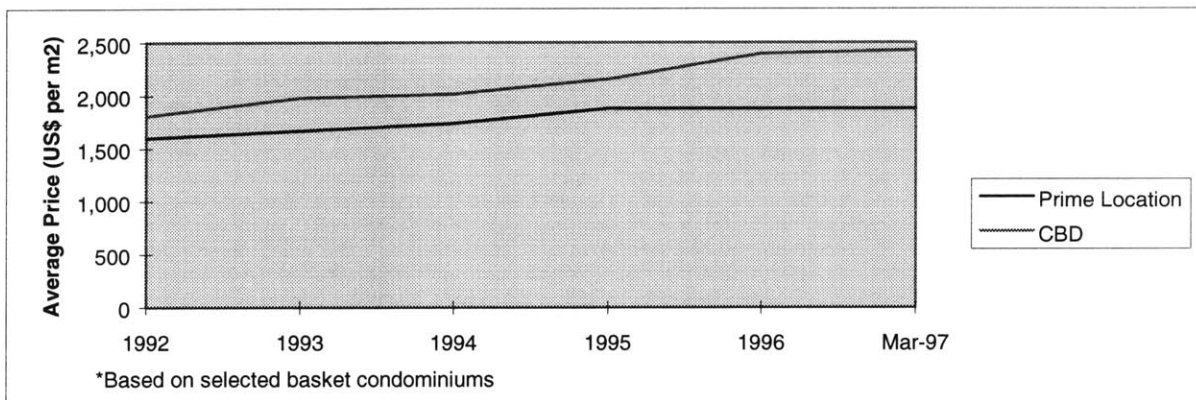


Figure 4.15 Condominium Average Price

Source: Procon Indah/JLW Research, March 1997

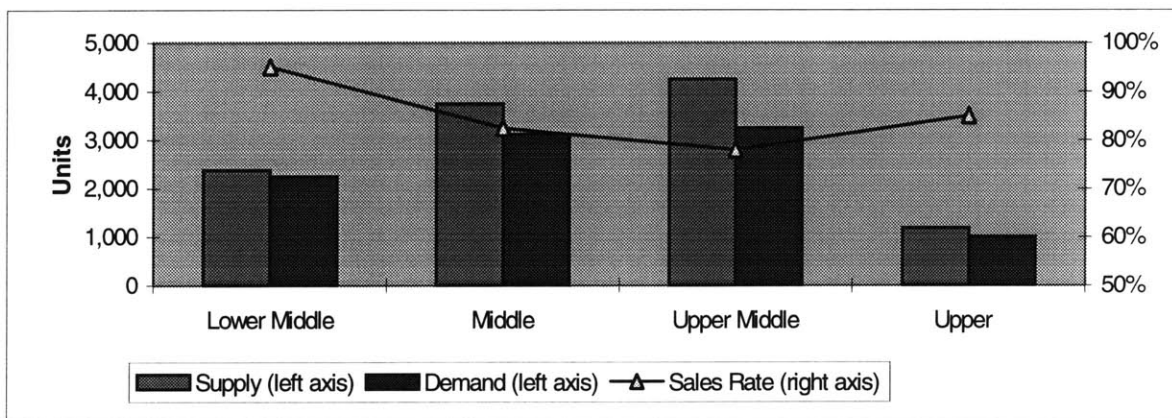


Figure 4.16 Existing Condominium Supply and Demand by Price Segment

Source: Procon Indah/JLW Research, March 1997

D. Low-Income Apartments

The character of low-income apartments is uniquely different. The main market for them is middle- to low-income people or people who have relocated

¹⁷ "Apartemen Turun Kelas," *Properti Indonesia*, June 1997, 18-35.

because of fire, illegally development, or neighborhood deterioration.¹⁸ These people usually have a mixed demography and can be, but not necessary, are low-income people. As a result, crime and other community problems are common. Combined with bad maintenance and poor facility, all this has created bad images for these low-income apartments.¹⁹

E. Town Houses

Since 1996, town houses have become more popular because of their good locations and low maintenance costs. Town houses can be built near prime locations because the high cost of the land is distributed among the occupants. They also have low maintenance cost, often the same as those of landed houses, because town houses do not have luxurious lobbies, elevators or swimming pools.²⁰

IV. Office

A. General

1. Demand

High economic growth and strong investment have fueled office demand. This demand comes mainly from financial, telecommunications, computer software, manufacturing, trading and service companies.²¹

2. Supply

In 1996, 84% of total supply was located in the CBD.²² As seen in Figure 4.17, since 1990, the market has been oversupplied. Vacant space increased from 19,475 m² in 1990, to 526,800 m² in 1996. As a result, average net prime office rents and capital values have declined (See Figure 4.18). However, the pre-

¹⁸ "Hunian Vertikal Belum Menjadi Pilihan Utama," *Suara Pembaruan*, May 21, 1997.

¹⁹ Pane, Libertus S., *Membangun Rumah Susun Dengan Nalar Ganda*, *Suara Pembaruan*, May 2, 1997.

²⁰ "Rumah Bandar Strata Title," *Properti Indonesia*, February 1997, 52-53.

²¹ Schrodgers, 13

²² Urban Land Institute, 20.

commitment level of supply (83% in 1996) was still high; this figure has encouraged further office development despite the steady increase of vacant space.²³

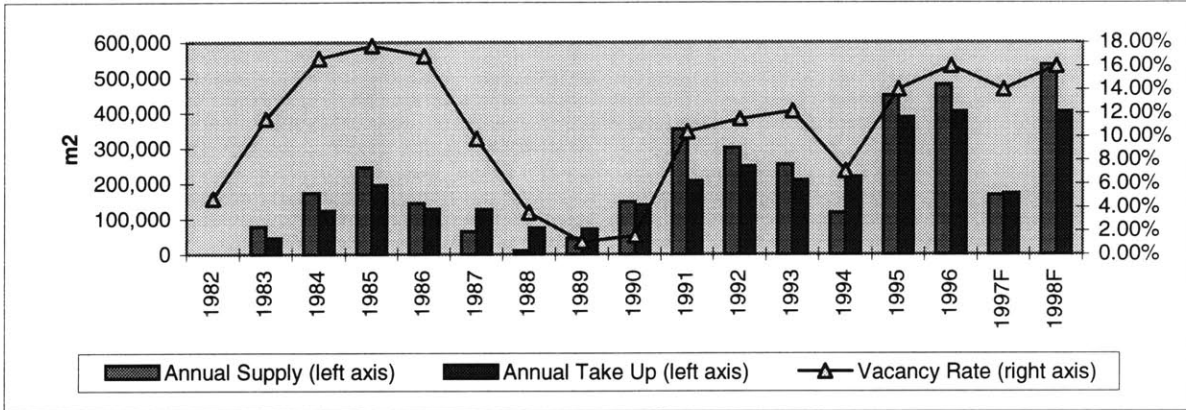


Figure 4.17 Jakarta Office Supply, Take Up and Vacancy Rate

Sources: Colliers Jardine Research and Procon Indah/JLW Research, March 1997

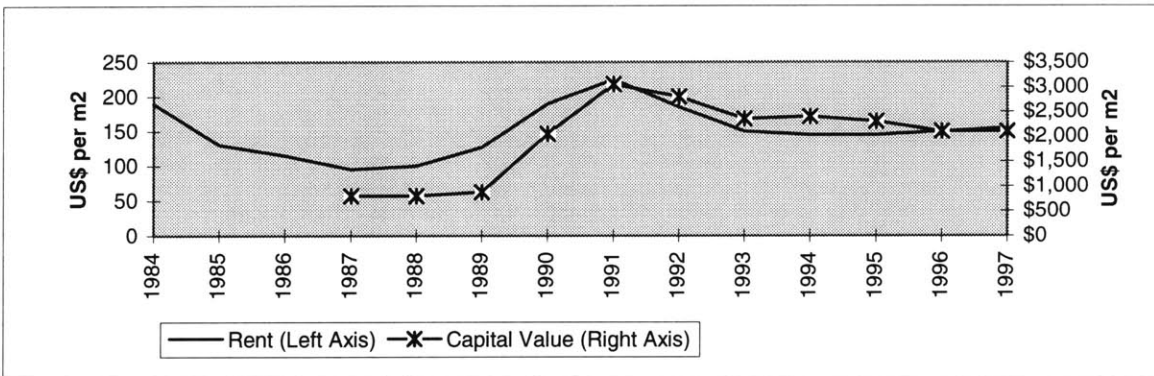


Figure 4.18 Average Net Prime Jakarta Office Rent and Capital Value

Source: Jones Lang Wootton Research, April 1997

B. Central Business District (CBD)

1. Area

The Central Business District (CBD) in Jakarta is well known as Jakarta’s Golden Triangle. It is bounded by *M.H. Thamrin Ave.* and *Gen. Sudirman Ave.* to its west, *Gen. Gatot Subroto Ave.* to its South and *H.R. Rasuna Said Ave.* to its east

²³ First Pacific Davies, *Office: Jakarta Market Overview*, (Jakarta, 2nd Quarter 1997), 2.

On *M.H. Thamrin Ave.*, the Jakarta's first high-rise building *Gedung Sarinah* was built, and this was soon followed by other high-rise office developments in the late 60s and 70s. A proliferation of major government office buildings was later erected at the northern end of this thoroughfare.

On North *Gen. Sudirman Ave.*, in the 1980s, several office developments went up. Financial deregulation in 1988 also resulted in several grade-A office developments which responded to the growing needs of large local private and international banks. A concentration of banking institutions has caused this street to be known as Jakarta's financial strip.²⁴

On South *Gen. Sudirman Ave.*, many recent grade-A offices have also been built. Since the Jakarta Stock Exchange Building is located here, many major financial investment institutions and securities firms have relocated their offices in the vicinity. The development of *Sudirman Business District Center* in this area has gradually moved the center of the CBD from *M.H. Thamrin Ave.* to *Gen. Sudirman Ave.*²⁵

On *H.R. Rasuna Said Ave.*, there are many embassies. Other mid-rise and high-rise offices along this street were built in the 80s and early 90s. Many recent strata-title office buildings have been built there.

Without any particular emphasis on trade, *Gen. Gatot Subroto Ave.* is not a prime area for office development

As seen in Figure 4.19, most CBD offices are located on *Gen. Sudirman Ave.*; others are located on *H.R. Rasuna Said Ave.*, *Gen. Gatot Subroto Ave.*, and *M.H. Thamrin Ave.* in diminishing numbers.

2. Demand

The majority of CBD tenants are financial service companies, banks, telecommunication companies, construction companies, and real estate and manufacturing companies (See Figure 4.20). Around 55% of these use their

²⁴ "The Golden Triangle of Indonesia", *Property Link Asia Pacific*, July/Aug 1996.

²⁵ Urban Land Institute, 20.

buildings as corporate headquarters, while 21%, 13% and 6%, respectively, use them for representative offices, regional offices and branch offices.²⁶

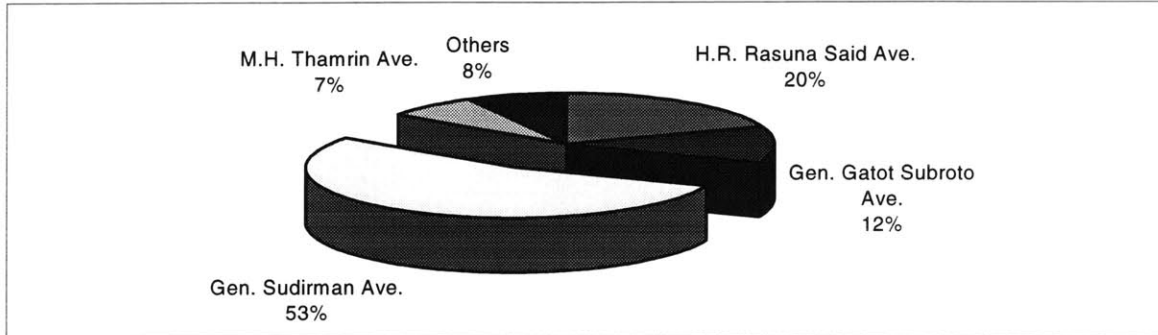


Figure 4.19 CBD Office Distribution

Source: Procon Indah/JLW Research, March 1997

3. Supply

Since 1990, the CBD office market has been oversupplied (See Figure 4.21). Consequently, CBD office-base rentals, capital values (See Figure 4.22) and yields (See Figure 4.23) have declined.

Of the total supply, 54% is grade-A buildings, 31% grade-B, and 15% grade-C.²⁷ Most new buildings are premium and/or grade-A. This new supply has been accompanied by a high pre-commitment rate, e.g. 76% in March 1997.²⁸

The removal of the CBD height limit in 1994 triggered the development of 50-story buildings with the latest in building and engineering technologies.

In the established areas of CBD, vacant lands are scarce. However, the development of super-blocks has provided ample land for prime commercial use. These super-blocks offer land with prices ranging from US\$2,500 to US\$5,000/m² and construction costs from US\$700 to US\$900/m².

²⁶ Schroders, 15.

²⁷ Procon Indah/JLW Research, *Property Market Outlook*, 4.

²⁸ Procon Indah/JLW Research, 5.

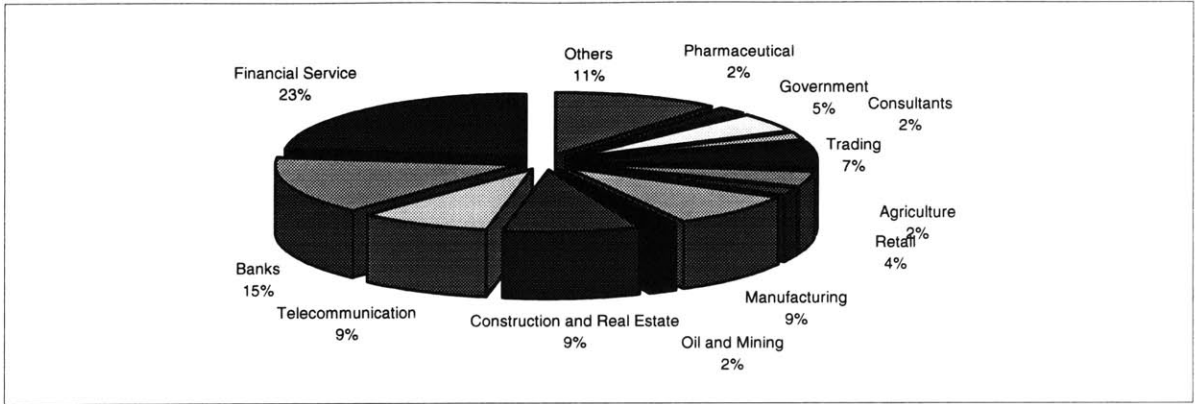


Figure 4.20 CBD Office Cumulative Demand Profile

Source: Procon Indah/JLW Research, March 1997

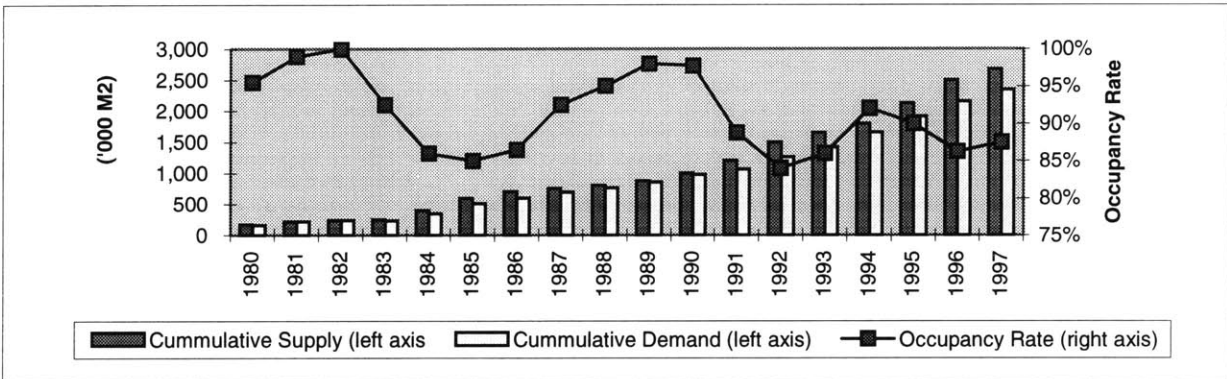


Figure 4.21 Jakarta CBD Office Market

Source: Procon Indah/JLW Research, March 1997

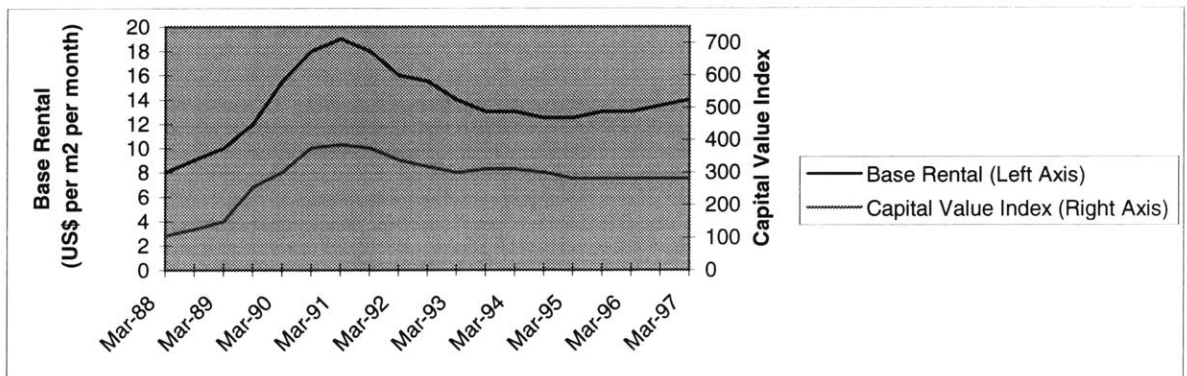


Figure 4.22 CBD Office Base Rental and Capital Value Index

Source: Procon Indah/JLW Research, March 1997

C. Non-CBD Office

1. Demand

Due to high rents in the CBD, some tenants who do not need a prime location, relocate their offices. Their average rental rate is much lower than that of CBD prime offices (See Figure 4.24). Secondary locations have become more attractive because their accessibility has been improving.

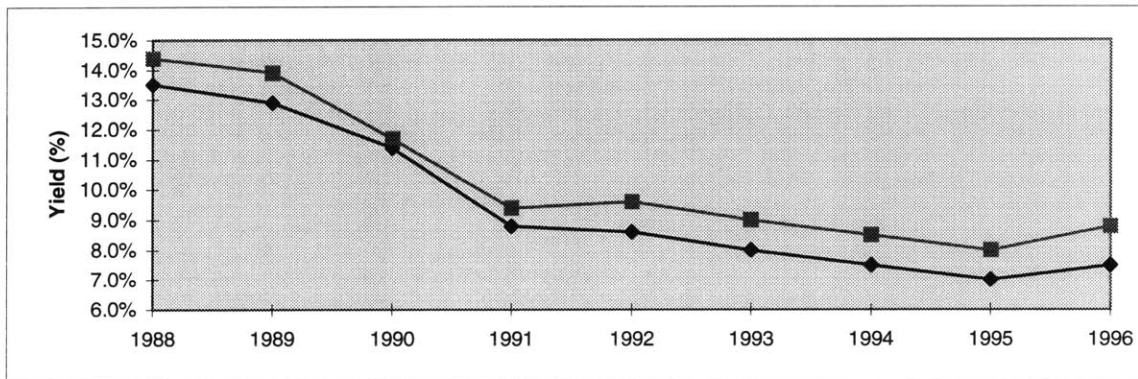


Figure 4.23 Jakarta CBD Office Yields

Source: Procon Indah/JLW Research, March 1997

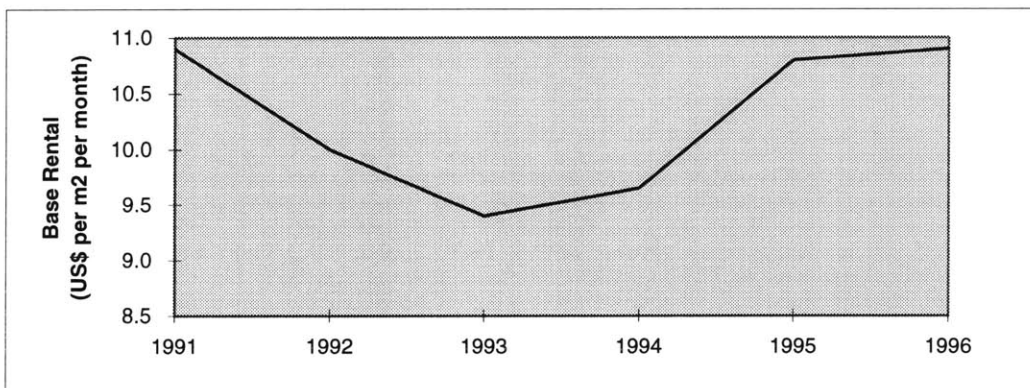


Figure 4.24 Greater Jakarta Area Non-CBD Office Base Rental Rate

Source: Procon Indah/JLW Research, March 1997

Some banks, insurance companies, and automobile manufacturers have relocated their supporting offices in these areas. It is predicted that manufacturing

companies will follow this trend, but that the financial, banking and service sector will stay in Jakarta's CBD area.²⁹

2. Supply

Several regional centers are likely to be established.³⁰ In North Jakarta, an old airport with an area of 454 hectares, *Kota Baru Kemayoran*, has been re-zoned as a commercial area with several or more proposed office developments. Basic infrastructures, such as wide-bodied roads, street lighting and water supply, have already been developed. The area will become a self-contained regional center.

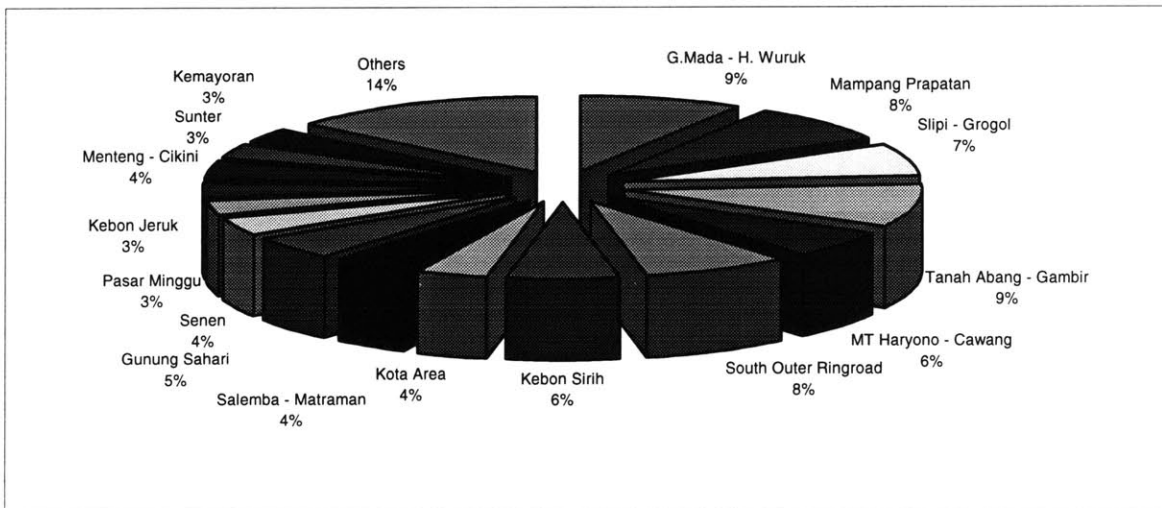


Figure 4.25 Non-CBD Office Space Distribution by Commercial Area

Source: Procon Indah/JLW Research, March 1997

In West Jakarta and East Jakarta, there are several satellite cities, typically with land areas from 700 to 6,000 ha. Most are located in Tangerang and Bekasi. In Tangerang, there are two notable township developments, *Bumi Serpong Damai* and *Lippo Karawaci*. Some local companies have planned to relocate their

²⁹ Schroders, 14.

³⁰ "The Golden Triangle of Indonesia", Property Link Asia Pacific, August 1996.

headquarters or supporting office operations there.³¹ In Bekasi, most offices support the industrial located there.

In South Jakarta, the development of medium-size office projects has emerged. This area is less congested than the CBD with good accessibility to the outer ring roads and therefore, easy linkage to other parts of the city.

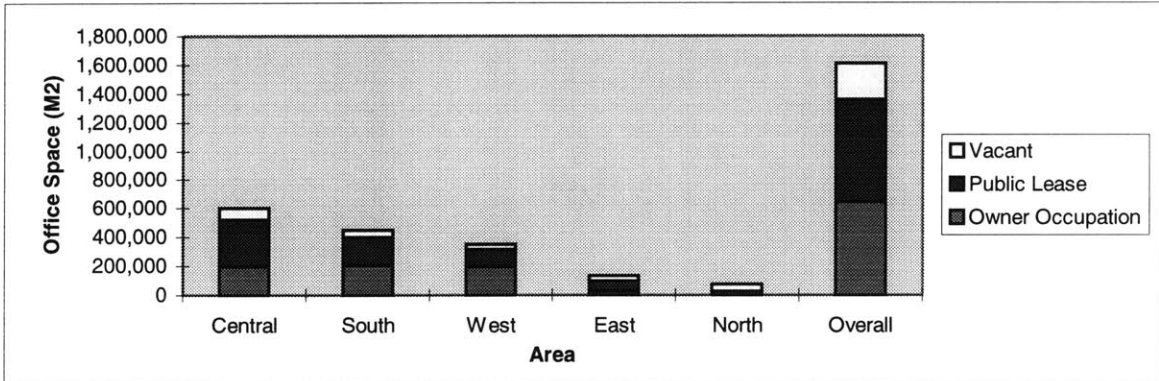


Figure 4.26 Non-CBD Office Tenancy Status

Source: Procon Indah/JLW Research, January 1997

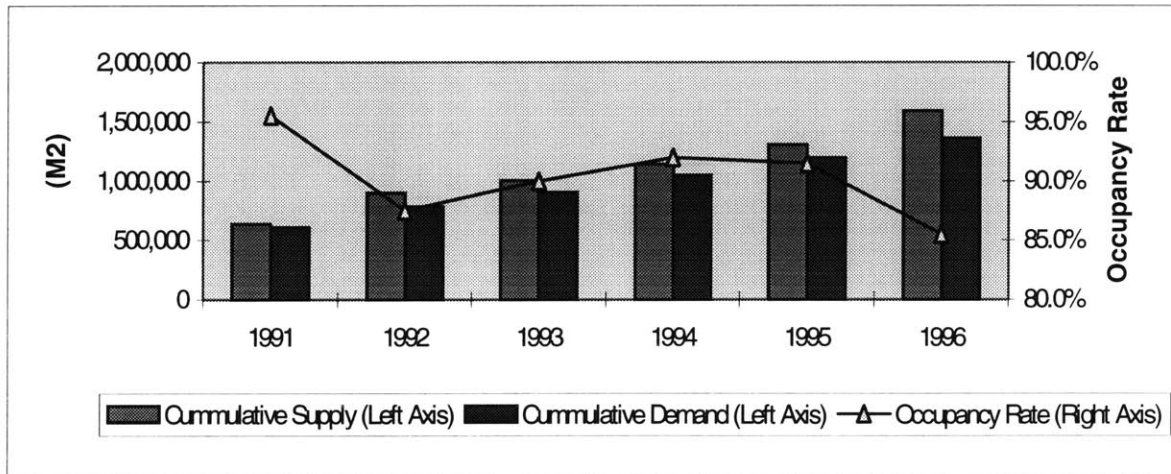


Figure 4.27 Greater Jakarta Area Non-CBD Office Market

Source: Procon Indah/JLW Research, March 1997

³¹ Schroders, 14.

The distribution of existing non-CBD offices is widely dispersed (See Figure 4.25). Of the total supply, 40% are occupied by owners (See Figure 4.26). After 1991, non-CBD offices performed better than CBD offices, but the attraction of non-CBD offices created a big supply in 1996, and pushed the occupancy rate down (See Figure 4.27).

V. Retail

A. Demand

The emerging middle class, new foreign retailers, rising income levels, strong economic growth and changing lifestyles have fueled the increasing demand for retail space.

In 1996, Jakarta’s GDP reached US\$3,016 while the national average GDP was only US\$1,100.³² The entry of foreign retailers and the evolution of lifestyles have further energized this sector.

As seen in a survey on the retail market in Greater Jakarta (See Appendix D), people are accepting malls as place for recreation; only 29.6% people go there for shopping and 76% go there at least three times a month. This will gradually change the tradition; people traditionally look for recreation at the beach, on the islands, or out of town.

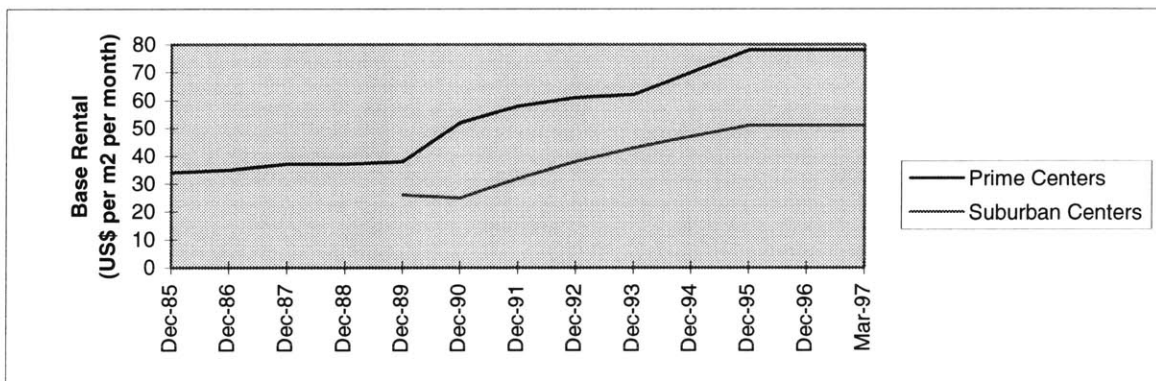


Figure 4.28 Base Retail Rental Rate in Ground Floor Prime Space

Source: Procon Indah/JLW Research, March 1997

³² Schroders, 15.

Since 1989, the strong demand for retail has supported an increase in rental rates (See Figure 4.28) and a high pre-commitment level for new supplies, 93% in 1997.³³

B. Supply

1. General

Modern shopping centers in Jakarta first appeared in 1980 with the opening of *Ratu Plaza*. Afterward, the supply grew very slowly. The largest incremental growth in retail space began in the early 1990s (See Figure 4.29).

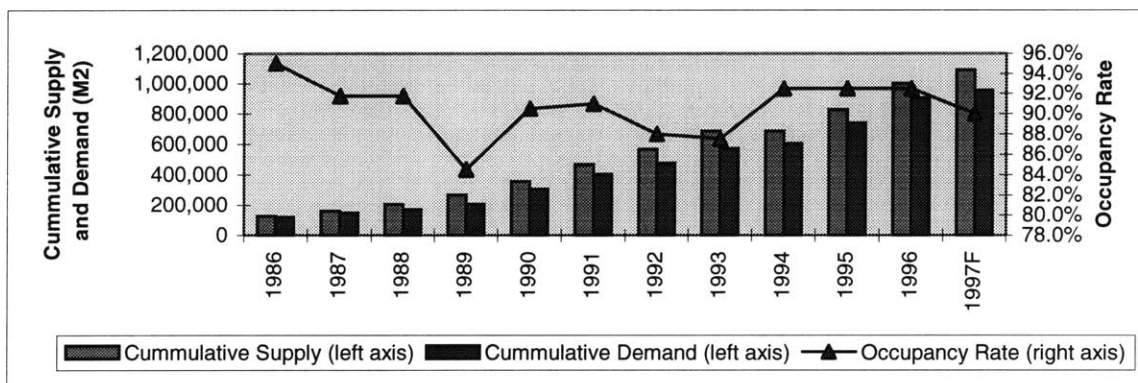


Figure 4.29 Jakarta Retail Supply, Demand and Occupancy Rate

Source: Procon Indah/JLW Research, March 1997

Existing retail space is unevenly distributed (See Table 4.5). Unlike shopping malls in Singapore and Hong Kong which are centralized because they are international shopping hubs with tourists for customers, the shopping malls in Jakarta are designed to serve city dwellers.

Of the total supply, 74% targets middle- to upper-income people.³⁴ As seen in Table 4.5, the supply of shopping malls has increased more than 70% since 1993. As a result, retail competition has become intense.

³³ Procon Indah/JLW Research, *Property Market Outlook*, 12.

³⁴ Schroders, 16.

Table 4.5 Greater Jakarta Area Shopping Mall Distribution Profile

(In M2)

	Up to 1993	1994	1995	1996	1997F	1998F	1999F	2000 and above
Central Jakarta	272,550	-	142,000	45,000	89,000	120,000	18,000	90,000
South Jakarta	262,300	22,000	25,000	10,000	10,000	246,000	95,000	790,000
West Jakarta	133,330	-	-	165,000	60,000	-	-	75,000
North Jakarta	96,000	15,000	25,000	100,000	-	-	-	408,000
East Jakarta	70,000	-	31,300	-	-	30,000	-	83,000
Bogor	27,000	28,000	-	-	25,000	-	-	-
Bekasi	50,000	-	30,000	-	-	-	-	-
Tangerang	15,000	-	135,000	30,000	-	-	-	220,000
Depok	-	10,000	10,000	-	24,000	-	-	-
Total	926,180	75,000	398,300	350,000	208,000	396,000	113,000	1,666,000
Cumulative	926,180	1,001,180	1,399,480	1,749,480	1,957,480	2,353,480	2,466,480	4,132,480

Source: Properti Indonesia, February 1997

2. Located in Housing Areas

To deal with the competition, in 1996 developers concentrated their retail development in growing residential suburban areas (See Table 4.6), mainly at the eastern and western ends of Greater Jakarta. These malls have their own captive markets, and since they are usually located outside Jakarta, land costs for them are low. They can occupy larger areas with fewer levels and therefore, they can function as family recreation centers and even attract customers from outside the residential areas.

Table 4.6 Shopping Malls in Housing Areas

No	Name	Location	Area (M2)
1	Mal Pondok Indah	Pondok Indah	60,000
2	Mal Cinere	Griya Cinere	28,000
3	Plaza Bintaro Jaya	Bintaro Jaya	31,000
4	Mal Lippo Cikarang	Lippo Cikarang	30,000
5	Plaza BSD	BSD, Serpong	15,000
6	Lippo Super Mal	Lippo Karawaci	210,000
7	Mal Puri Indah	Puri Indah, TNG	60,000
8	Mega Mal	Pluit	142,000
9	Mal Kelapa Gading	Kelapa Gading	25,000
10	Kelapa Gading Plaza	Kelapa Gading	25,000
11	Mal Sunter	Sunter	15,000

Source: Properti Indonesia, February 1997

3. Following the Global Retail Trend

New malls usually have more sophisticated designs and layouts. As we have seen, they are also larger (See Appendix C) and offer a full range of shopping facilities as well as recreation and entertainment. With these advantages, they can outperform the old malls.

4. Using Foreign Anchor Tenants

Some new shopping malls also use foreign anchor tenants (See Table 4.7), to attract middle- to high-income people.³⁵ The contribution of foreign retailers is positive because they not only provide high-quality products and premium brands but they also transfer technology and know-how to the Indonesian retail market.

Table 4.7 Foreign Anchor Tenants

Shopping Mall	Anchor Tenant	Country
Plaza Indonesia	Sogo	Japan
Mal Pondok Indah	Metro	Singapore
Mal Kelapa Gading	Sogo	Japan
Lippo Supermal	Wal-Mart	USA
	JC Penney	USA
Mega Pasaraya	Maruzen	Japan
	Seibu	Japan
Plaza Senayan	Metro	Singapore
	Hanshin	Japan
Megamal Pluit	Wal-Mart	USA

Source: Properti Indonesia, February 1997

Nevertheless, the role of foreign retailers is restricted. To protect Indonesian retailers, the government prohibits foreign direct investment in the retail sector. Foreign retailers are allowed to enter the market only through franchises or technical assistance agreements with Indonesian companies.³⁶ It is predicted that the government will release this restriction by 2003, when the agreement on free trade among Southeast Asian countries goes into effect.

³⁵ "Asing Masuk, Lokal Tak Gentar," *Properti Indonesia*, September 1996, 82-83.

³⁶ Colliers Jardine Indonesia, 19.

5. Developing Mixed-Use Sites in CBD Area

Since most retailers are located in the CBD area (See Table 4.5) and that area is relatively small, the competition there is very intense. To deal with this, developers have shifted their new shopping malls in the CBD from stand-alone shopping malls to malls with large mixed-use sites or “super-blocks”, which also include offices, hotels and apartments.³⁷

6. Protecting Traditional Retailers

The fast growth of retail has also pushed out traditional retailers, usually small businesses owned by low- to middle-income people. To protect them, the government, through regulations³⁸ has obliged big retailers to form partnerships with small retailers. Moreover, big retailers who want to operate in sub-district must have special permits from the government.³⁹

VI. Industrial Estate

A. Demand

The demand here is mostly related to investment. While investment approvals grew at a rate of 43.5% per annum between 1985 and 1990, the demand for industrial land grew at a rate of 22% per annum. After 1991, a tighter governmental monetary policy slowed investment down, and reduced demand. When the rate of investment recovered (1993-1995), the demand also recovered (See Figure 4.30).

Government policies has a strong influence. After the collapse of oil prices in 1980, the Indonesian government encouraged other kinds of development, and many regulations were issued to attract new investment in the manufacturing sector (See 2.VII).⁴⁰

³⁷ Procon Indah/JLW, *Property Market Outlook*, 13.

³⁸ SKB Nos.145/MPP/Kep/5/1997 and 57/1997

³⁹ “Serbuan Menjelang Pasar Bebas,” *Kontan*, (Jakarta: July 7, 1997), 5.

⁴⁰ “Perkembangan dan Prospek Kawasan Industri di Indonesia,” *Indocommercial* (Jakarta, April 26, 1994), 21.

Most domestic factories are located on the industry-zoned land because that land is often lower than land in industrial estates.⁴¹ However, since November 1996, the government has forced industries to relocate from the industry-zoned land to designated industrial estates when their operation permits expire (Official Memo No. 462-3040).

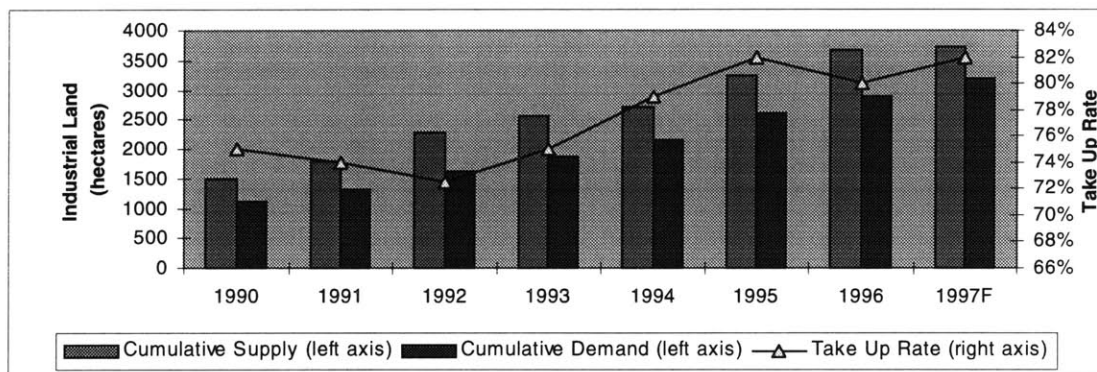


Figure 4.30 Greater Jakarta Area Industrial Market

Source: Procon Indah/JLW Research, March 1997

The government has also taken stringent steps to curb industrial activities in Jakarta and Tangerang areas in order to encourage new development in other areas where industrial estates and sound infrastructure facilities already exist. Consequently, the demand for and price of industrial estates in other places, especially in Bekasi⁴² and Karawang, have increased (See Figure 4.31).

B. Supply

The supply entered a new stage when a Presidential Decree in 1989 allowed developments by the private sector. Before 1989, state-owned companies had developed only eight industrial areas, which totaled 2,870 hectares. Since that time, however, 136 licenses have been issued for developing industrial estates covering of 44,000 hectares of lands.⁴³ Most of these are located in Tangerang, Bekasi and

⁴¹ "Kawasan Industri - Bisnis Mikro atau Makro," *Informasi* (Jakarta, August 1993).

⁴² Bekasi has good infrastructure and good location, closed to Jakarta and to the harbor.

⁴³ Schroders, 18.

Karawang (See Figure 4.32). The restriction of new developments in Tangerang has made Bekasi a favored location. However, as land prices in Bekasi increase, developers are being forced to find land in locations further to the east, e.g., Karawang, etc.⁴⁴

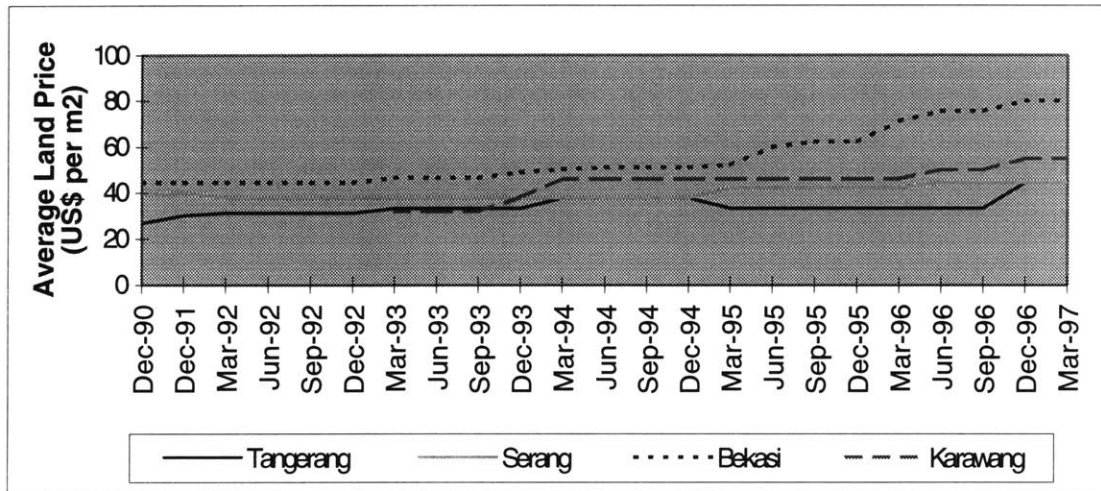


Figure 4.31 Industrial Estate Average Land Price

Source: Procon Indah/JLW Research, March 1997

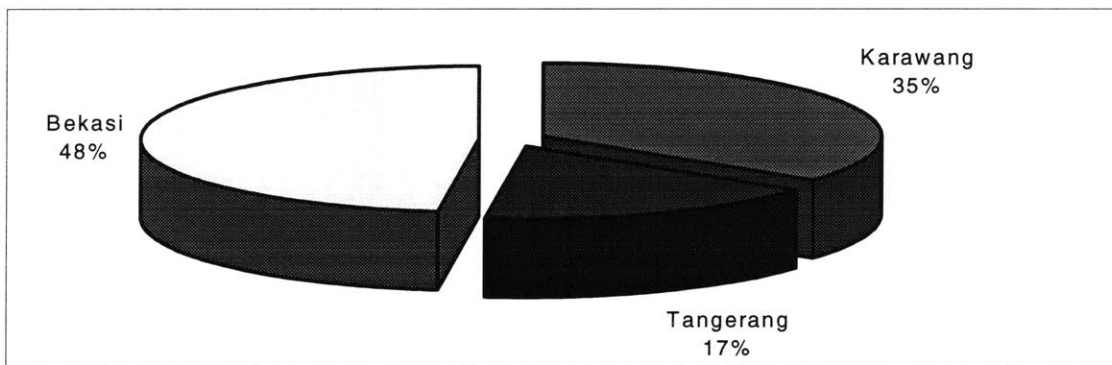


Figure 4.32 Future Industrial Supply

Source: ING Barings and JLW Research, August 1996

⁴⁴ ING Barings, *Property Sector Review*, 52.

VII. Conclusion

Rising incomes, increasing population, a decline in household size, a booming middle class, and rapid urbanization are the main driving forces in the demand for housing. Since traffic congestion has become much worse and easy access to toll roads is increasingly important, the demand for new houses is now concentrated in the Greater Jakarta Area.

This market is dominated by first-time home-buyers, who are beginning to prefer residential estates. Mortgage rates significantly effect the sales of middle- to high-income homes. There is a lack of affordability and an oversupply of middle- to high-income housing, because the demand is largely from low-income buyers.

The main buyers for apartments and condominiums are foreigners. Indonesian people still prefer detached one-level houses because they are more spacious and, therefore, suitable for large families. The strata-title law of 1985 created a condominium boom in 1993. This boom also attracted buyer and developer speculation. As a result, the condominium market has been oversupplied ever since. It will need a long period of recovery because local demand is weak and the market remains flooded with unwanted properties.

Since 1996, lower- and middle-income condominiums attracted buyers because of their low price, even in comparison with that of landed houses located in the same areas. This may trigger further development and alter the character of the condominium and apartment market.

The demand for office space is supported by high economic growth and strong investment. It comes mainly from financial, telecommunications, computer software, manufacturing, trading and service companies. Since 1990, vacant space has been increasing and rents have declined.

Most CBD tenants are financial service companies, banks, telecommunications, construction, real estate and manufacturing companies, who use their buildings for corporate headquarters. Grade-A buildings dominate the market. The most recent buildings in the CBD usually have 50 stories and all the latest technologies.

Due to high rents in that area, tenants who do not need a prime location, often relocate to secondary locations. Many of these locations have become attractive because of their improved accessibility. Some banks, insurance companies and automobile manufacturers have opened supporting offices in these areas. It is predicted that manufacturing companies will follow this trend while the financial, banking and service sectors will continue to prefer Jakarta's CBD area.

The emerging middle class, rising income levels, strong economic growth, entering foreign retailers, and a changing lifestyle are all creating an increasing demand for retail. The supply of retail space has grown rapidly since 1990, and competition has become intense. To deal with this, retailers have resorted to suburban locations, sophisticated designs and layouts, complete shopping facilities with recreation and entertainment, foreign anchor tenants, and mixed-use sites.

To protect Indonesian retail, the government prohibits foreign retailers from investing directly in the market, although they can enter it through franchises and/or technical agreements. To protect small businesses, the government has obliged big retailers to accept them as partners. Moreover, big retailers who want to operate in a sub-district must get a special permit from the government.

The industrial sector has been significantly influenced by government policies. The permission given to private entities to develop industrial estates has triggered a boom in industrial estate development, and since 1980, many regulations have been issued to attract new investment to the manufacturing sector. Since November 1996, the government has forced industrialists to relocate to designated industrial estates upon the expiration of their permits. The government has also taken drastic steps to curb new industrial activities in residential Jakarta and Tangerang. This too has increased the demand for industrial estates in Bekasi and Karawang.

CONCLUSION

As the fourth most populous country in the world, Indonesia has a huge market and abundant labor. With 2 million km² of land and 3 million km² of sea, Indonesia is also well-endowed with land and natural resources. It has experienced rapid economic growth with an average yearly rate of 7.26% since 1992. The Indonesian GDP per capita per annum reached US\$1,100 in 1996, while Jakarta's GDP per capita rose to US\$3,016 in the same year. This increase in income has created increased domestic affordability.

The new rapid economic growth is mainly the result of foreign and domestic investment. To attract more investment, the Indonesian government is still making efforts to improve the investment environment with deregulations. The value of domestic investment approvals reached more than 100 trillion rupiah in 1996, and the value of foreign direct investment (FDI) approvals jumped from US\$ 8.1 billion in 1993, to more than US\$ 28.6 billion in 1996. These high figures for investment approvals have fueled the continuously strong demand for office and industrial real estate.

The Indonesian government has also intervened in the real estate market to reduce speculative buying and developing, and has influenced demand in several sectors and promoted low-income housing. Furthermore, through direct intervention, the government has also made efforts to protect domestic retailers, notably small businesses. Some new regulations have had significant effects. The newest and most important example of these is the July '97 deregulation which prohibits local bank loans for land acquisition and/or development. In general, the effects of government intervention are positive, but some efforts have been labeled inconsistent, biased, or even useless.

There are severe problems with Indonesian real estate: weak legal assurance; an unfavorable agrarian system; illegal fees; and unnecessarily complicated permit processes. Since most of these problems are common problems in developing countries, immediate solutions to them are unlikely, but there is a visible government commitment to minimize them.

A more fundamental issue is the stability of the future political system. Since the country has a significantly uneven distribution of wealth, population and ethnic groups, political stability is crucial for continued economic development. Unfortunately, the current political system is not stable. President Soeharto has led the country for more than 30 years and is now very old. A succession process, which has never been tested will determine the future of Indonesia and its economic growth.

Population growth and expanding commerce in Jakarta have pushed real estate development toward the fringes of the city and even into other cities (Bogor, Tangerang, and Bekasi) where land prices are lower. The combined areas of Jakarta, Bogor, Tangerang, and Bekasi are now known as Greater Jakarta. Jakarta is the capital city and the economic center of Indonesia, and Bogor, Tangerang, and Bekasi have gradually become integral parts of Jakarta's development, which supply additional real estate for industrial and residential development, secondary locations, and malls. All of Greater Jakarta contain promising real estate, because incomes there are rising and so is investment both foreign and domestic.

The demand for new housing in Greater Jakarta is strong because of the rising incomes and increased population, and because of a decline in household size. The entire area is characterized by a booming middle class and rapid urbanization. Although most of the demand is for low-income housing, supply is still far below demand, despite government efforts to promote such development. An abundant supply of middle- and high-income homes is not responding to this need, and at the same time, is flooding the market with housing that few can buy.

The main customers for apartments and condominiums are still foreigners. Indonesian people tend to prefer detached one-level houses and like to live in landed property which provides spacious living areas suitable for a large families

with domestic help (nannies, drivers, servants, etc.). From 1993-94, the strata-title law stimulated a boom in condominiums, but this was overshadowed by speculative developers and buyers, and since 1995, the condominium market has been oversupplied.

In the office market, high economic growth as well as strong foreign and domestic investments have supported the demand mainly from financial, telecommunications, computer software, manufacturing, trading and service companies. Most of the new offerings in the CBD are premium and/or grade-A buildings with the latest building and engineering technologies. The supply of these has also been accompanied by a high pre-commitment rate. High rents in the CBD have encouraged some offices to move to secondary locations. It is predicted that manufacturing companies will follow this trend but that the financial, banking and service sectors will remain in Jakarta's CBD area.

In the retail sector, an emerging middle class, rising income levels, changing lifestyles, foreign retailers, and strong economic growth have created an increasing demand. The retail supply grew very slowly until the late 1980s, the largest incremental growth taking place in the early 1990s. As a result, the retail sector too has become oversupplied, and retail competition has become intense. To stay competitive, new shopping malls have followed global retail trends with sophisticated designs and layouts. Larger shopping malls offer a full range of facilities as well as recreation and entertainment areas, and more recently, foreign anchor tenants. Despite prohibition on direct investment in Indonesia, foreign retailers have entered the market through franchises and technical assistance agreements with Indonesian companies.

In the industrial sector, the government has a strong influence, and many new regulations have been issued to attract investment in manufacturing. Furthermore, in November 1996, the government forced industries to relocate in designated industrial estates upon the expiration of their previous operation permits. To encourage supply, the Presidential Decree of 1989 allowed the development of industrial estates by private entities. In 1989, there were only eight areas in 1989, but by 1995, 136 areas had been given licenses for development. A ban on further

industrial park development in Tangerang has made Bekasi a favored location for new ones, because it is located near the port and near Jakarta and has a good infrastructure. High economic growth, as well as new investment, supported by a better investment environment made possible by the government, should continue to fuel the demand for industrial estates.

APPENDIX A

COMPARISON BETWEEN RIGHT-TO-USE AND RIGHT-TO-BUILD TITLES

<i>Item</i>	<i>Right-to-use Title (Hak Pakai)</i>	<i>Right-to-build Title (Hak Guna Bangunan)</i>
Description	Right to use other lands	Right to build and own building above other lands
Scope	Lands with buildings and lands	Lands with buildings
Object	Government lands and lands with right-of-ownership title	Government lands and lands with right-of-ownership title
Usage	<ul style="list-style-type: none"> • Develop buildings • Agriculture 	<ul style="list-style-type: none"> • Build and own buildings on other lands
Source of the Right	<ul style="list-style-type: none"> • The Government gives the lands • Agreement with the land owners 	<ul style="list-style-type: none"> • The Government gives the lands • Agreement with the land owners
Subject	<ul style="list-style-type: none"> • Indonesians • Legally Indonesian agencies • Foreigners who stay in Indonesia • Foreigner agencies who stay in Indonesia • Government agencies • Religious and social agencies • Foreign representatives 	<ul style="list-style-type: none"> • Indonesians • Legally Indonesian agencies
Time Period	<ul style="list-style-type: none"> • Unlimited for government agencies and special purpose such as embassies or international representatives • Maximum 25 years with the option to extend for another 20 years. Then, can be renewed. 	<ul style="list-style-type: none"> • 30 years, can be extended for another 20 years. Then, can be renewed for another 30 years and then be extended for another 20 years.
Burden	Collateral Right	Collateral Right
Transfer	Transfer with permit from the government or the owners	Can be transferred

APPENDIX B

SURVEY ABOUT HOUSING IN GREATER JAKARTA

Source : Properti Indonesia, December 1996
Sample : 666
Sampling Error : 3.8% (Confidence Level of 95%)

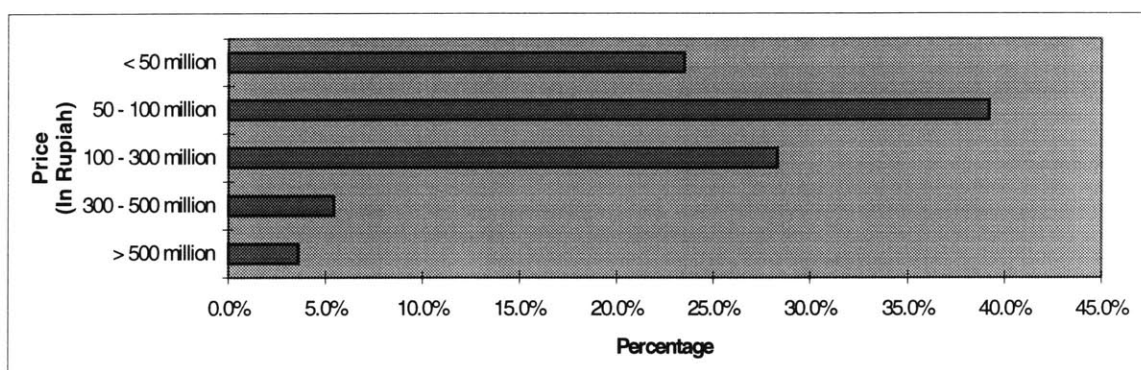


Figure A.1 Choice of Price

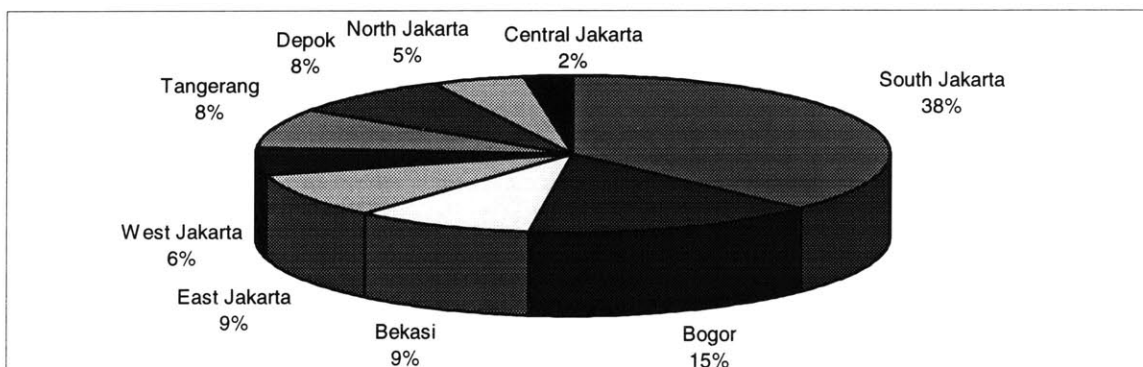


Figure A.2 Location Preference

APPENDIX C

SHOPPING MALLS IN CENTRAL JAKARTA (UNTIL 2000)

NO	NAME	LOCATION	(m2)	(YEAR)
1	SARINAH	THAMRIN	21,000	1965
2	DUTA MERLIN	GAJAH MADA	13,000	1979
3	GAJAH MADA PLAZA	GAJAH MADA	38,000	1982
4	METRO PASAR BARU	PASAR BARU	16,000	1985
5	HARCO PASAR BARU	PASAR BARU	20,000	1986
6	KING'S PLAZA	PASAR BARU	20,000	1988
7	PLAZA INDONESIA	THAMRIN	42,000	1990
8	ISTANA PASAR BARU	PASAR BARU	20,000	1990
9	METRO ATOM	PASAR BARU	20,000	1991
10	GOLDEN TRULY	GUNUNG SAHARI	20,000	1991
11	ATRIUM	SEZEN	32,550	1992
12	MAL CIPUTRA	GROGOL	70,000	1993
13	ITC ROXY MAS	ROXY	30,000	1995
14	HARCO MANGGA DUA	MANGGA DUA	32,000	1995
15	PLAZA SENAYAN I	SUDIRMAN	22,500	1981
16	MAL MANGGA DUA	MANGGA DUA	10,000	1984
17	MEGA ITC CEMPAKA MAS	CEMPAKA PUTIH	10,000	1988
18	MAL AMBASSADOR	JL. SATRIO	42,000	1989
19	PLAZA KOTA BNI	SUDIRMAN	12,000	1989
20	PLAZA INDONESIA II	THAMRIN	30,000	1991
21	MAL MENARA JAKARTA	KEMAYORAN	12,000	1993
22	ALDIRON PLAZA	BLOK M	25,000	1995
23	PASARAYA YOUNG & TRENDY	MANGGARAI	132,000	1996
24	RATU PLAZA	SUDIRMAN	65,000	1998
25	MELAWAI PLAZA	MELAWAI	75,000	1998
26	PLAZA BARITO	BARITO	76,000	1998
27	PASARAYA	BLOK M	42,000	1989
28	GOLDEN TRULY	FATMAWATI	12,000	1989
29	BLOK M PLAZA	BLOK M	30,000	1991
30	MAL BLOK M	BLOK M	12,000	1993
31	MEGA PASARAYA	BLOK M	25,000	1995
32	MAL TAMAN ANGGREK	SLIPI	132,000	1996
33	MAL SENOPATI	SENOPATI	65,000	1998
34	CITRALAND LIANGCOURT	JL. SATRIO	75,000	1998
35	PLAZA KASABLANKA	JL. CASABLANCA	76,000	1998

Sources: Prolease and Properti Indonesia, February 1997

APPENDIX D

SURVEY ON THE RETAIL MARKET IN GREATER JAKARTA

Source : Properti Indonesia, February 1997
Sample : 900
Sampling Error : 3.9% (Confidence Level of 95%)

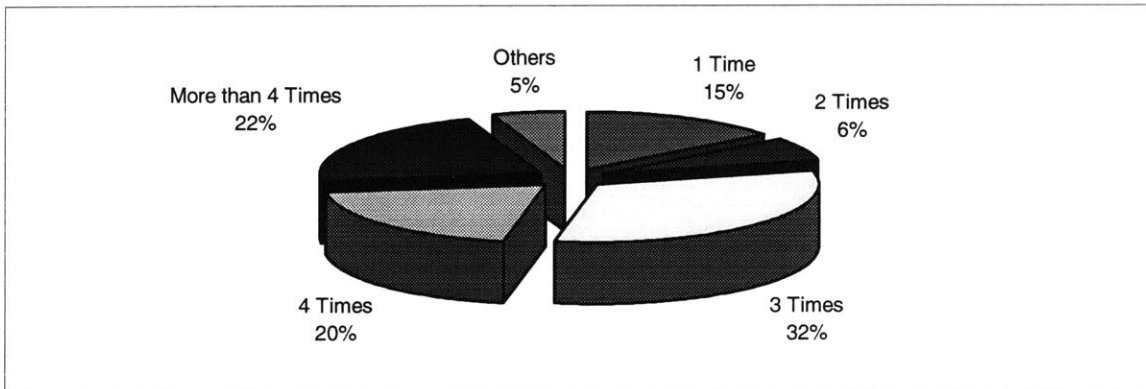


Figure D.1 Frequency Going to Shopping Malls

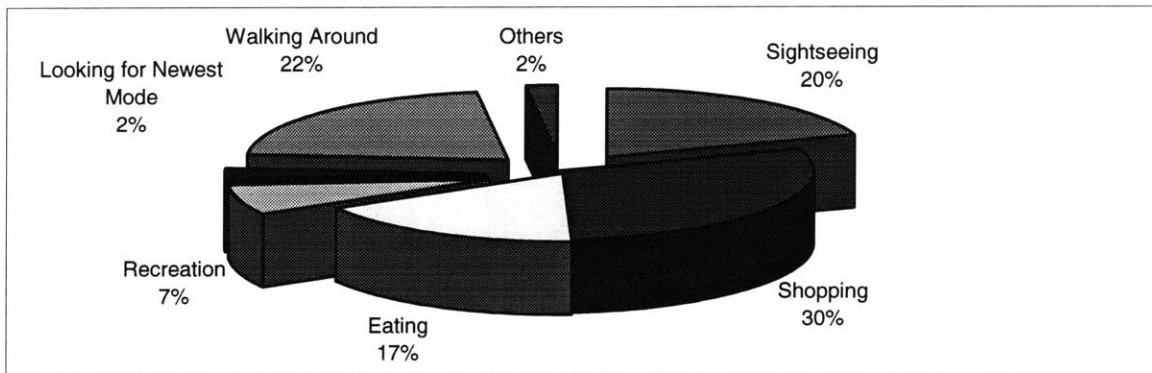


Figure D.2 Purpose Going to Shopping Malls

REFERENCES

- Cane, Alan. *Service Asia: How to Win and Keep Business in Asia*. Melbourne: The Business Library, 1993.
- Chow, Lotte. "Property: Safe as Houses," *Far Eastern Economic Review*, January 9, 1997.
- Colliers Jardine Research. *Jakarta Residential Update 1996*. Jakarta, 1996.
- Colliers Jardine Research. *Jakarta Property Market Review*. Jakarta, February 1997.
- Colliers Jardine Research. *Asia Pacific Property Trends: Conditions and Forecasts*. New South Wales, January 1997.
- Colliers Jardine Research. *Jakarta Property Market: Press Release*. Jakarta, March 1997.
- Condon, Tim. *Indonesia: Interest Rates Can Fall Further*. Morgan Stanley Asia, April 4, 1997.
- Credit Suisse First Boston. *Indonesia: Monthly Review and Comment - April 1997*. Hong Kong, April 1997.
- Dresdner Kleinwort Benson. *Asian Quarterly Outlook*. New York, March 3, 1997.
- "Economic Focus: Indonesia," *Asian Business*, February 1997.
- Economist Intelligence Unit. *Indonesia, Country Profile, Analysis of Economical and Political Trends Every Quarter*. London, 1995.
- First Pacific Davies. *Office: Jakarta Market Overview*. Jakarta, 2nd Quarter 1997.
- "Government Moderately Successful in Attracting Investors, Despite Drop in Value of Foreign Investments," *Indonesian Commercial Newsletter*, January 13, 1997, 15-17.
- Habir, Manggir. "Property: Timing is the Key," *Far Eastern Economic Review*, April 28, 1994.
- Hill, Hal. *The Indonesian Economy Since 1966: Southeast Asia's Emerging Giant*. New York: Cambridge University Press, 1996.
- "Indonesia: De-Regulating The Residential Market," *Property Link Asia Pacific*, November-December 1996.
- Indonesian Business Data Centre. *Real Estate Indonesia*. Jakarta, 1995.
- Indonesian Business Data Centre. *Property Indonesia*. Jakarta, 1990.
- "Indonesia: Commercial Sector Performs Well," *Property Link Asia Pacific*, May-June 1997, 26-28.
- "Indonesia: Next Year Expected to Be Good," *Property Link Asia Pacific*, January-February 1997, 24-26.
- "Indonesia: Scaling New Height," *Property Link Asia Pacific*, March-April 1997, 32-58.
- ING Barings. *ASEAN Property Sector Review*. Singapore, February 1997.

- ING Barings. *Property Sector Review*. Jakarta, August 1996.
- International Monetary Fund. *International Financial Statistic*. Washington D.C., March 1997.
- Jakarta Statistical Office. *Jakarta in Figure*. Jakarta: Central Bureau of Statistics, 1996.
- Jardine Fleming. *Retail Shopping Centres in Jakarta*. Jakarta, March 25, 1992.
- Jones Lang Wootton Research. *JLW Asia Property 1997*. Jakarta, 1997.
- Jones Lang Wootton Research. *JLW Regional Property Investment Guide*. Singapore, 1994.
- "Law: Foreign Market Mission Impossible," *Properti Indonesia*, August 1996, 116.
- Macpherson, Neil T. *The Southeast Asian Investment Guide*. Hong Kong: Longman Group Far East, 1992.
- Makmoen, B. Chandra. *Analysis of Demand and Investment Outlook in Office Market in Jakarta - Indonesia*. Thesis, MIT, Center for Real Estate, 1993.
- Morgan Stanley. *Asia/Pacific Property: Property in Picture*. April 15, 1997.
- "New Rules for Foreign Buyers of Indonesia High-End Residential Market," *Property Link Asia*, November 1996.
- "Office Space: Strata Title Strong," *Properti Indonesia*, January 1997, 99.
- "Permits: A Time to Freeze," *Properti Indonesia*, November 1996, 20.
- "PP No. 41/1996: Look Who's Qualified Now", *Properti Indonesia*, November 1996, 108.
- "Prospect of Construction Industry in Indonesia, 1996," *Indocommercial*, March 19, 1996, 3-25.
- "Prospect of Construction Industry in Indonesia," *Indocommercial*, January 11, 1997, 3-28.
- Price Waterhouse. *Doing Business in Indonesia*. Jakarta, 1993.
- Procon Indah/JLW Research. *Property Market Outlook: Jakarta - April 1997*. Jakarta, March 1997.
- Procon Indah/JLW Research. *Property Market Outlook: Jakarta, Surabaya, Bali - January 1997*. Jakarta, January 1997.
- "Real Estate Business Sluggish," *Indonesian Commercial Newsletter*. Jakarta, June 10, 1996.
- Sastrowardoyo, Sanyoto. "Indonesia: A Favourable Location for Foreign Direct Investment," *Economic & Business Review Indonesia*, December 11, 1996.
- Schroders. *Indonesian Property Sector*. Jakarta, January 15, 1997.
- "Smaller Apartment, Bigger Demand," *Properti Indonesia*, January 1997, 96.
- "Shaking the Family Tree," *Asian Business*, February 1997, 28-32.
- SocGen-Crosby Research. *Monthly Regional Overview*. Hong Kong, May 1997.

- Tan, Cheng Leong, and Terence Lim *Indonesia: Business and Investment Opportunities*. Singapore: Cassia Communications, 1992.
- "The Golden Triangle of Indonesia," *Property Link Asia Pacific*, July/Aug 1996.
- "The Race to Riches: Indonesia's Retail Renaissance," *Economic & Business Review Indonesia*, July 3, 1996.
- Urban Land Institute. *ULI Asia Pacific Market Profiles: 1997*. New York, 1997.
- W.I. Carr Far East. *Indonesia Weekly*. Jakarta, April 3-8, 1997.
- Yanai, Akiko. *Asian Quarterly Review: Indonesia*. Fuji Research Institute Corporation, April 1997.
- "Yellow Light on Credit," *Properti Indonesia*, October 1996, 132.

REFERENCES IN INDONESIAN

- "Ada Apa Kredit Properti," *Properti Indonesia*, October 1996, 28-41.
- "Apartemen Turun Kelas," *Properti Indonesia*, June 1997, 18-35.
- "Asing Masuk, Lokal Tak Gentar," *Properti Indonesia*, September 1996, 82-83.
- "Babak Baru Politik Pertanahan," *Properti Indonesia*, July 1996, 18-41.
- "Benang Kusut Perizinan," *Properti Indonesia*, November 1996, 20-31.
- "Bisnis Apartemen Ketika Mega Real Estate Marak," *Swa*, June 1995, 26-27
- "Boom Pusat Belanja," *Properti Indonesia*, February 1997, 20-42.
- "Botabek Dibuka Kembali," *Properti Indonesia*, March 1997, 78.
- "Fenomena Mal dan Gaya Belanja Golongan Menengah," *Properti Indonesia*, April 1996, 3-24.
- "Gelombang Proyek Bermasalah," *Properti Indonesia*, September 1996, 18-35.
- "Hunian Vertikal Belum Menjadi Pilihan Utama," *Suara Pembaruan*, May 21, 1997.
- "Jojoran Spekulasi Apartemen," *Warta Ekonomi*, September 27, 1993, 22-36.
- "Jual Murah Proyek Macet," *Properti Indonesia*, May 1997, 22-36.
- "Kalau Sertifikat Tak Kunjung Datang," *Properti Indonesia*, October 1996, 116-117.
- "Kawasan Industri - Bisnis Mikro atau Makro," *Informasi* (Jakarta: August 1993).
- "Kiat Pendanaan Saat Uang Ketat," *Properti Indonesia*, March 1997, 18-31.
- "KPR Model Baru dari Bakrie-REI," *Properti Indonesia*, January 1997, 88-89.
- "Mengebuk Spekulasi Tanah," *Properti Indonesia*, April 1997, 20-31.
- Pane, Libertus S. "Membangun Rumah Susun dengan Nalar Ganda," *Suara Pembaruan*, May 2, 1997.
- "Perekonomian Indonesia 1996 dan Prospek 1997," *Indocommercial*, December 26, 1996, 3-14.
- "Perkembangan dan Prospek Kawasan Industri di Indonesia," *Indocommercial*, April 26, 1994, 3-26.
- "PMA Properti Asia Ekspansi ke Indonesia," *Bisnis Indonesia*, April 22, 1997.
- Properti Indonesia. *Rumah Untuk Anda*. Jakarta, 1995.
- Properti Indonesia. *Rumah Untuk Anda*. Jakarta, 1996.
- "Rodapun Berputar ke Bawah," *Swasembada*, March 27, 1996, 12.

- “RS/RSS: Menagih Janji Pengembang Besar,” *Properti Indonesia*, February 1997, 54.
- “Rumah Bandar Strata Title,” *Properti Indonesia*, February 1997, 52-53.
- “Rumah Favorit '96,” *Properti Indonesia*, December 1996, 20-33.
- “Rumah Munggil Yang Kian Menarik,” *Properti Indonesia*, August 1996, 18-36.
- “Rumah Murah Lebih Banyak Dibangun,” *Properti Indonesia*, January 1997, 16.
- “Sekitar Peluang dari PP 41/1996 Masih Perlu Tindak Lanjut,” *Media Indonesia*, January 3, 1997.
- “Serbuan Menjelang Pasar Bebas,” *Kontan*, July 7, 1997, 5.
- “Target Pemerintah dan Peran Swasta dalam Pembangunan RS/RSS,” *Informasi*, March 1997, 10.
- “Target Repelita VI Insya Allah Terlampaui,” *Properti Indonesia*, January 1997, 19.
- “Tumpuan Baru Kala Kredit Makin Irit,” *Properti Indonesia*, November 1996, 32-33.
- Wibisono, Christianto. “Kawasan Industri-Bisnis Mikro atau Makro,” *Informasi*, August 31, 1993.