



JUNE 2019

INDONESIA REPORT

CONSTRUCTION MARKET
UPDATE



WISMA SUDIRMAN ▲

JAKARTA, INDONESIA

CLIENT:	PT Panen Lestari Basuki
ARCHITECT:	Kohn Pederson Fox Associates / PT Airmas Asri
SERVICE:	Quantity Surveying
COMPLETION:	2023

Wisma Sudirman is a mixed-use development with a site area of approximately 20,000m², located conveniently by the MRT at JL. Jend. Sudirman, Jakarta. The re-development consists of a 7-storey retail block, basement carpark with swimming pool, a 51-storey office tower and a 64-storey residential tower.

INDONESIA ECONOMY

The 2019 outlook for the Indonesian economy is anticipated to be fairly moderate and an improvement over the previous year. This perspective is in line with market sentiment arising from the political tensions of the general elections, the ongoing trade war between the country's two biggest trading partners, China and the US, and the depreciation of the Indonesian currency. However, the government is optimistic and forecasts that Indonesia's economy will achieve 5.2% growth in 2019.

Economic growth will be supported by strong domestic spending and investment. Inflation is estimated at 3.5 % in 2019 on account of expected market demand, increased food and consumer prices, and a more stable foreign exchange rate of the Rupiah. In the short term, the Rupiah will remain under pressure because of global trade uncertainties, US monetary tightening, and rising crude oil prices. Recent foreign exchange depreciation will curb the flow of imports and improve

export competitiveness.

It should be noted that consumption growth has picked up due to ongoing job creation and the expanding government social programmes. Investment growth remains supported by infrastructure investment although it has eased off previous highs. Exports have grown faster than export markets. The increased imports of capital goods and higher oil prices have pushed Indonesia's trade balance into deficit during 2018. The current account deficit was projected to decline to 2.5 % of GDP from the current position of above 3 percent.

Credit growth is estimated at between 10 and 12 %, while financing through third-party funds was expected to grow between 8 and 10 %. The projection takes into account the government's efforts to control imports and boost exports as well as increase the number of tourist arrivals.



INDONESIA CONSTRUCTION MARKET

The FY 2019 public infrastructure budget is 420.5 trillion IDR (US\$28.8 billion), and comprises about 6 per cent of the infrastructure deficit of US\$500 billion reported by the World Bank in 2017. More private sector involvement is therefore anticipated as the Government moves ahead with its ambitious infrastructure development plans. China's BRI (Belt and Road Initiative) involvement is also expected to grow, with Jakarta having already partnered Beijing in awarding the US\$6 billion Jakarta Bandung High-Speed rail project to Chinese investors.

Indonesia is catching up on its substantial delay in infrastructure and residential commitments for its population of 268 million people. The Indonesian archipelago consists of around 18,000 islands, resulting in high logistics costs from the producer to the user, given the lack of inter- and intra-island infrastructure. The heavy reliance on imported machinery and the need to increase local content usage will require the construction of more airports, highways, bridges, and accordingly, substantial infrastructure targets still remain to be fulfilled.

Indonesia's property market has slowed down over the past years, after experiencing a sharp growth from the end of 2012 and throughout 2013. The average residential price increase has slipped from 14% in 2013, and moderated to around 3% in 2017 and 2018. This decline was generally due to political uncertainty, lower occupancy rates, introduction of a new luxury property tax, and a drop in the GDP per capita. From August 2018, the Central Bank has removed its 15 percent

minimum mortgage down payment for first-time homebuyers and relaxed rules on loan disbursements. It is hoped that these measures will have a multiplier effect on the other sectors of the economy.

The anticipated construction tender price escalation is in the order of 3% for the year 2019. Notwithstanding the external and internal uncertainties arising from the current US-China trade war, the Indonesian general elections and the fluctuating currency strength of the IDR, construction tender prices together with material supply and labour prices at this point in time have largely remained relatively stable and consistent.

The Indonesia construction industry is expected to continue to grow over the next 5 years. Government investments in transport infrastructure, energy and utilities construction and residential buildings will contribute to this growth. Moreover, the National Affordable Housing Programme will also support the industry. With the enhancement of the local infrastructure, there should be further growth of the mid-range housing and residential sector, as well as the industrial and warehousing sector. The building of new toll roads and railroad networks in the future will lead to better connectivity and commerce between the various regions.

Prominent ongoing construction projects in Indonesia include the Menara Taspen, Meikarta, Signature 111, Balikpapan-Samarinda Toll Road, Jakarta International Stadium, New Yogyakarta International Airport, and Patimban Port.

SUPERMAL PAKUWON INDAH PHASE 3 & 4 ◀

JAKARTA, INDONESIA

CLIENT:	PT Pakuwon Permai
ARCHITECT:	PT Airmas Asri & PT Design Global Indonesia for LaViz Tower
SERVICE:	Quantity Surveying
COMPLETION:	2020

Supermal Pakuwon Indah was opened in 2003. It comprises a modern shopping centre which is able to host exhibitions and conventions, weddings and other events. Phase 3 of the development's extension will comprise a new 37-storey Ritz Condo tower, 15-storey mall and three levels of basement parking and shops. Phase 4 of the redevelopment comprise 2-storey mall and 3 blocks of 33 and 55-storey apartments..

LABOUR PRICES

SELECTED OCCUPATIONS	UNIT	AVERAGE SUPPLY RATE IDR ('000)			
		2Q2018	3Q2018	4Q2018	1Q2019
General Workers	Day	100,100	110,000	110,000	110,000
Carpenter (General)	Day	150,200	155,000	155,000	158,000
Tiler	m ²	45,100	47,500	47,500	48,000
Concretor	m ³	49,600	50,500	50,500	52,000
Steel bar worker	Kg	1,900	2,000	2,000	2,200
Formworker	m ²	67,600	70,000	70,000	72,500
Bricker Layer	m ²	27,500	30,000	30,000	32,500
Plasterer	m ²	37,600	40,000	40,000	42,000
Painter	m ²	27,500	28,000	28,000	28,000
Glazer	m ²	200,300	225,000	225,000	225,000
Plumber	Day	175,200	180,000	180,000	180,000
Electrician	Day	175,200	180,000	180,000	180,000

Data Sources: Public Works Department Indonesia (Jakarta); Market Sources

Exclusions: • Plant and Equipment • Transport • Wastage • Overheads and Profit • Import Tax • Value Added Tax (VAT)

Notes: All supply prices and labour rates stated above are only applicable for building construction projects in Jakarta.

CONSTRUCTION MATERIAL PRICES

MATERIAL	UNIT	AVERAGE SUPPLY RATE ('000 IDR)			
		2Q2018	3Q2018	4Q2018	1Q2019
Concreting Sand	m ³	215,600	261,000	226,000	225,000
Stone Aggregate (20mm)	m ³	227,300	255,000	255,000	210,000
Ordinary Portland Cement	kg	67,100	70,000	70,000	69,000
Reinforced Concrete (Grade 30 MPA)	m ³	1,100,500	850,000	870,000	895,000
Reinforced Concrete (Grade 40 MPA)	m ³	1,219,700	900,000	930,000	950,000
High Tensile Steel Bars (10 - 40mm)	kg	9,300	9,500	8,800	8,400
Mild Steel round bars (6 - 20mm)	kg	9,300	9,500	8,800	8,400
Structural Steelwork (U-beam, stanchions)	tonne	11,388,200	12,500,000	12,500,000	12,300,000
Timber Sawn Form-work	m ²	207,300	160,000	160,000	170,000
Clay Bricks (100mm thick brick-wall)	m ²	96,100	110,400	110,400	108,000

Data Sources: IMF

Exclusions: • Plant and Equipment • Transport • Wastage • Overheads and Profit • Tax Expenses (VAT)

Notes: All supply prices stated above are only applicable for building construction projects in Jakarta. Specific cost consultancy should be sought for your particular factual situation prior to utilising this information.

CURRENCY EXCHANGE

CURRENCY	UNITS PER USD			
	2Q2018	3Q2018	4Q2018	1Q2019
Indonesian Rupiah (IDR)	13,960	14,580	14,801	14,099

Data Source: Oanda

JAKARTA CONSTRUCTION PRICES

DEVELOPMENT TYPE	COST PER CFA IDR ('000) / m ²	COST PER CFA USD / m ²
OFFICE		
Good Quality, 10 to 25 storeys	7,500 - 8,800	530 - 620
Good Quality, 26 to 40 storeys	9,000 - 11,550	640 - 820
Prestige, 10 to 25 storeys	11,130 - 11,730	680 - 830
Prestige, 26 to 40 storeys	12,100 - 15,900	860 - 1,130
HOTEL (Excluding FF&E)		
Three Star	13,500 - 18,000	960 - 1,280
Five Star	15,000 - 20,000	1,060 - 1,420
COMMERCIAL		
Retail	6,520 - 8,520	460 - 600
RESIDENTIAL		
Good Quality Condominium	6,870 - 8,090	490 - 570
Luxury Condominium	7,910 - 16,000	560 - 1,130
INDUSTRIAL		
Warehouse	4,790 - 6,080	340 - 430
Factory	5,200 - 6,500	370 - 460
CARPARK		
Multi Storey	3,500 - 4,500	250 - 320
Basement outside CBD	4,000 - 6,000	280 - 430
Basement, CBD	5,000 - 7,000	350 - 500

Notes: Construction Floor Area (CFA) - The area of all building enclosed covered spaces measured to the outside face of external walls including covered basement and above ground car park areas.

All Jakarta construction prices stated herein are as at 1st Quarter 2019 and include a general allowance for foundation and external works. The price ranges herein are indicative and due consideration should be given to the different specification, size, location and nature of each project when utilising this information. The prices here may not fully reflect the extent of current market forces and tendering conditions.

Exchange Rate Assumption: 1 USD = 14,099 IDR

Exclusions: • Land cost • Legal and professional fees • Development charges • Authority fees • Finance costs • Loose furniture, fittings and works of art • Tenancy work • Site infrastructure work • Diversion of existing services • Resident site staff cost • Models and prototypes • Future cost escalation • Import Tax • Value Added Tax (VAT)

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