

Residential Real Estate Market In Indonesia - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 150 pages | Mordor Intelligence

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Report description:

The Indonesian real estate market is expected to register a CAGR of more than 10% during the forecast period (2022-2027).

The COVID-19 pandemic crisis has severely shocked the residential real estate sector, which could have important implications for macro-financial stability going forward because of the large size of the sector and its strong interconnectedness with the real economy. Using a novel methodology, this paper quantifies vulnerabilities in the residential sector and analyzes policy tools available to mitigate related risks.

The demand for the housing market is expected to be driven by Indonesia's favorable demographic composition, increasing urbanization, rising per capita income of people, and a significant young population, in the country, emerging as first-time homebuyers in the next few years. Meanwhile, more developers are focusing on building affordable apartments in the mid-low segment targeting genuine homebuyers. This has also intensified the competition amongst such products and is expected to continue in the near future.

Indonesia is set to become a new economic powerhouse in Southeast Asia, attracting more individual investors and corporations from overseas. Increasingly more foreign buyers, especially from China, have spotted investment opportunities in Indonesia's real estate market. The latest Residential Property Price Survey conducted by Bank Indonesia revealed moderate residential property price growth in the third quarter of 2021, as confirmed by a 1.41% (yoy) increment in the Residential Property Price Index (RPPI), decelerating from 1.49% (yoy) in the previous period.

Indonesia Residential Real Estate Market Trends

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Jakarta Emerging as a Prime Rental Market

Despite the rapid growth of the Indonesian property market in recent years, houses and apartments are still among the cheapest in the region. As per market estimates, the average price for a 120 sq. m property in Jakarta is USD 2,692 per sq. m, which is significantly cheaper than the prime locations in Malaysia, Cambodia, the Philippines, and Thailand. Increasing disposable incomes and migration of Indonesians to Jakarta, in search of better employment, makes Jakarta an attractive rental market for both buyers and investors. As per reports, Indonesia is amongst the list of countries where buy-to-let property earns the highest returns.

Government Incentives is Expected to Boost the Housing Starts Trend in the Country

As per estimates, the residential construction starts in Indonesia decreased by nearly 10% Y-o-Y in 2021, compared to 2020. In 2020 housing starts declined 5.6% compared to 2019. Small properties led the demand surge, followed by medium houses and big houses. In order to meet the property demand, the Indonesian government adopted several measures, such as lowering the key interest rates, giving tax incentives to Indonesian REITs, easing restrictions on individual foreign ownership, and increasing loan-to-value ratios.

The government also increased the price threshold for luxury property taxes, to encourage home buying in Indonesia. The 20% tax will now be applied only to any purchase of landed property or apartment worth at least IDR 30 billion (USD 2.10 million). The government support to the residential construction sector is expected to increase property sales in the country during the forecast period.

Indonesia Residential Real Estate Market Competitor Analysis

The Indonesian residential real estate market is highly competitive. The market is highly fragmented. Some of the major players present in the market include Agung Podomoro Land, Sinar Mas Land, Ciptura Group, and Tokyu Land Indonesia. The players are also adapting to technological trends, owing to the rising internet penetration and increasing expansion of e-commerce.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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