

## **Indonesia Commercial Construction - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2020 - 2029**

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### **Report description:**

The Indonesia Commercial Construction Market size is estimated at USD 30.99 billion in 2024, and is expected to reach USD 45.64 billion by 2029, growing at a CAGR of 8.05% during the forecast period (2024-2029).

#### Key Highlights

-Indonesia's Construction sector is expected to grow at a rapid pace over the forecast period, not being affected much, except short term disruption due to the Coronavirus outbreak. Upgrade of commercial infrastructure is anticipated, after retention of the position by the Joko Widodo as the president, and increasing cross border investments as part of the Belt and Road Initiative (BRI) from China, implementation of the 2030 Sustainable development Goals, Indonesia's Infrastructure plan and the increasing demographic interest towards modern commercial built environment, though, short term hefty losses worth several trillion USD, might result due to the regulation of cross border traffic from China to prevent spread of the novel COVID-19.

-By 2045, it is predicted that Indonesia would be a high-income nation with the fifth-largest GDP worldwide. As long as the nation maintains political stability, its rapidly urbanising population will continue to boost demand in the building sector.

-Overall, Indonesia's construction industry continues to be in good shape, with robust development prospects underpinned by low inflation, political stability, a high credit rating, and responsible macroeconomic policies. Investors are urged to look for local partners who have experience and a strong network so they can gain an advantage in Indonesia's fiercely competitive building market.

-The National Medium-Term Development Plan, 202-24, has prime focus on the development of infrastructure across the country and commercial construction is set to rise further as a part of the plan and the increasing public as well as private investments. But, increasing the skill set as per the state-of -the art technologies are a challenge for the small-scale private competitors as state owned enterprises are getting the desired funding and development opportunities. This has made finding private partner in the PPP models challenging due to unhealthy competition thriving.

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-Investments worth 400 Billion USD have been floated into the infrastructure pipeline, as against a similar 350 Billion USD in the previous infrastructure plan by the Joko Government. Keeping in mind the low rank in terms of infrastructure in the WEF Global Competitiveness Index, 2019 (50th), this investment reflects the intent of the Govt to elevate the infrastructure setup in the country.

## Indonesia Commercial Construction Market Trends

Co-working Space, Retail Space and Hospitality space driving growth in the sector.

Despite relatively low office space market in Indonesia, coworking spaces have shown a steep rise in every part of the country, especially in the Centre of Business, Jakarta. Increased number of startups, facing unpredictability, primarily in the capital region, along with increased SMEs and overseas businesses, are responsible for the growth in demand. Leasing out optimum amount of space as per requirement, low cost due to sharing of lease money and readily available services like Wi-Fi, cleaning, meeting space, pantry etc. have favored the rise in Coworking space market. Demand on the other hand was proportioned unequally among ITes Companies and Construction based companies, besides maximum office space being developer occupied. Office rentals decreased in 2019-20 and is expected to be going further down due to decrease in revenue of all the sectors, culprit being COVID-19. Agung Sedayu Group, Loka Mampang Indah Realty, Mardhika Artha Upaya, Ciputra Residence, Graha Kartika Anugrah, Ciputra Group, Waskita Realty & RNI Group, and Hutama Karya are some of the developers of office space active during 2019-20, in Indonesia. But, despite fluctuations, office market is tending growth post COVID breakout with huge investments coming in as part of the Infrastructure plan.

As the real estate industry in Indonesia continues to develop away from traditional markets and toward contemporary retail outlets, the retail real estate sector is quickly becoming into one of the most exciting property niches in the country. The need for modern shopping experiences is rising as the populace becomes more prosperous and worldly. 53.7% of Indonesia's people live in cities, and the country's enormous population is still moving there at an average rate of 4.4% per year. With China, India, Malaysia, and Kazakhstan topping the list of the world's most attractive retail markets, consultancy AT Kearny ranks Indonesia as having one of the most desirable retail property sectors in the world.

Furthermore, educational institutions, food and beverage outlets, fashion retailers have gradually increased the retail office absorption, as against the departmental stores dominant previously. Also, the hotel segment is fast becoming a major growth driver for private contractors, with Jakarta standing as one of the world's largest hotel construction markets, driven by rising foreign visitor arrivals and the growing business travel segment.

## Focus of Government towards Strengthening Indonesian Commercial Sector likely to Attract the Foreign Investment

Recently, in November 2022 the Indonesian government proposed 30% budget top-up around 12.7 trillion rupiah (\$807.68 million) in extra funds over the next two years to speed up construction of the country's new capital city on Borneo island.

As per the World Economic Forum (WEF), Global Competitiveness Report, based on parameters including infrastructure, Indonesia lies at 50th, in 2019-20 as compared to 62nd in 2016-17, out of total 140 economies. Though there is a little bit of an improvement, but Indonesia still lies at a very low rank in terms of infrastructure of the country. The increasing attractiveness of the Indonesia commercial space is very visible from the fact that a Warbug Pincus backed retail real estate venture, Nirvana Wastu Pratama, better known as NWP Retail in Indonesia announced 2019's largest shopping Centre acquisition, buying a set of 5 malls for approximately 123.5 Million USD, adding nearly 185,000 square metres of retail space to the company's portfolio, expanding the platform to 1.2 million square metres of gross floor area (including projects still in progress).

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In the wake of pro-business reforms and commitments pertaining to infrastructure development, some of the largest retailers have been investing and expanding their portfolio in the Indonesian Commercial Construction Market. The liberalization of the regulations by the government has brought decreased levels of risk and has increased the investors penetration into the market. Today, Indonesia is home to a mix of modern and traditional retail outlets, with an exponential increase in e-commerce activity, which is both advancing the growth of the modern retail sector and creating new opportunities for entrepreneurs. Hence, the increase in investment as part of the Govt. Plans and increased private entrepreneur's interest is a key necessity in the current mixed market scenario, though commercial construction market shows a rise with variations over the forecast period.

## Indonesia Commercial Construction Industry Overview

The Indonesia commercial construction market is not very competitive, due to the imbalance between the public and private competitors in terms of funding and opportunities to improve the skillset in order to match the state-of-the art technology. Still, the market opens opportunities for small and medium players due to increasing govt investments in the sector. The Indonesian construction market presents opportunities for growth during the forecast period, which is expected to drive market competition.

A few key players in the market include PT Pembangunan Perumahan (PTPP) (Persero) Tbk, PT Wijaya Karya Bangunan Gedung Tbk, PT. Metropolitan Land TBK, PT. Total Bangun Persada TBK, PT. Nusa Raya Cipta, PT. Shimizu Bangun Cipta Kontraktor and PT. Tunas Jaya Sanur. Most of the companies manage several portfolios and commercial sector form a genuine share in the gross revenue. With the increasing investment by foreign players as a result of the ease in regulations forced by the Govt. recently, competition seems to be becoming fair over the forecast period.

### Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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