Despite the weak external environment, Indonesia’s gross domestic product (GDP) expanded 4.8% year-on-year (y-o-y) last year. But it was also the country’s slowest growth since the 2009 financial crisis. In 1Q 2016, the economy contracted 0.34% quarter-on-quarter (q-o-q) to 4.92% as compared to 5.04% in 4Q 2015 due to weaker public spending and limited fixed investment.

According to Statistics Indonesia (BPS), the annual inflation rate for June 2016 was 3.45%, compared with 3.33% in the previous month. The core inflation rate rose to an annualised 3.49% in June 2016. The consumer price index (CPI) rose by 0.66% in June from the preceding month.

Although Indonesia enjoyed a higher growth rate last year than most commodity export economies in the Southeast Asia region amid declining global commodity prices, the government expects discouraging trade figures and low commodity prices to continue for the rest of 2016.

The Ministry of Finance projects private investment growth to remain subdued for the whole of 2016 as effects of the 12 economic policy packages that were released since September 2015 have not been felt yet. In addition, tax collected from 1H 2016 only fulfilled 33.7% of the total targeted amount set in the Revised 2016 State Budget, which prompted a governmental proposal to lower their state revenue target by IDR 88 trillion (approx. US$6.5 billion) from the Revised 2016 State Budget.

The low fiscal revenue results as at 1H 2016 undermines the government’s commitment to its ambitious infrastructure development targets. This led to a recent proposal by the government to increase the funding from IDR 35 trillion (approx. US$2.6 billion) to IDR 38 trillion (approx. US$2.8 billion) for these construction. The funds will be allocated to housing and public facilities and extended to building facilities for the 2018 Asian Games in Jakarta and Palembang.

The government also revised its 2016 economic growth forecast in line with the sluggish global economy from 5.3% y-o-y to 5.2% y-o-y. The International Monetary Fund (IMF), World Bank and Asian Development Bank (ADB) forecast the Indonesian economy to achieve 5.0%, 5.1% and 5.2% respectively for 2016.

With the tax amnesty bill passed in June this year, Bank Indonesia (BI) estimates that this legislation could potentially boost the 2016 economic growth by 0.3% y-o-y to as much as 5.4% y-o-y, as compared against a six-year low of 4.8% in 2015 and help 2017’s economy expand at the higher end of its 5.2-5.6% projected range.
In 1Q 2016, the Residential Property Price Index (RPPI) decelerated to 4.15% y-o-y from 4.62% y-o-y in 4Q 2015. On a quarterly basis, the RPPI accelerated to 0.99% q-o-q in 1Q 2016. The annual price growth outlook for residential property prices is expected to slow down for the rest of the year on the back of weakening rupiah, rising prices of building materials, higher wages and more expensive fuel charges.

Bank Indonesia (BI) reported that overall residential real estate sales growth slumped to 1.5% q-o-q in 1Q 2016, and such a slowdown affected all house types, particularly small houses due to their relatively high prices. Condominium sales were also mainly concentrated in the lower and middle income segments of the market. The rate of condominium construction across the Jakarta metropolitan area also shrank in correspondence to the slower demand in that quarter.

Published market data revealed there would be around 54 high-rise apartment projects being developed in Jakarta throughout 2016. Nearly all of these projects are situated outside the city’s central business district (CBD). The government anticipates the demand for residential real estate to improve in 2017 on the back of an expanding middle-class and affluent consumer population.

In the commercial real estate sector, the Commercial Property Price Index (CPPI) grew -0.01% q-o-q in 1Q 2016, reversing the positive growth of 0.39% q-o-q in the previous quarter while the Commercial Property Supply Index (CPSI) observed a growth of 0.74% q-o-q in 1Q 2016.

There are high hopes that the tax amnesty bill will be able to bring back much-needed capital into the country. The legislation is slated to benefit the real estate market most as funds get channeled into investments in the nation’s houses and apartments. The legislation also extends to offering discounted tax rates for small- and medium-sized enterprises that declare their wealth.

Overall, the demand in the real estate market has leveled off while supply continued to rise especially in the commercial sector since 2014. This mismatch in the whole property market is expected to continue into the next two years as more project completions add on to the overhanging supply, “further saturating a market that is already plagued by tepid demand”, according to industry experts.
Gross domestic product (GDP) from the construction sector decreased to IDR 223.6 trillion (approx. US$16.5 billion) in 1Q 2016 from IDR 237.9 trillion (approx. US$17.6 billion) in 4Q 2015, according to Statistics Indonesia (BPS).

Total foreign direct investment (FDI) for this industry rose 17.1% y-o-y in 1Q 2016 to IDR 96.1 trillion (approx. US$7.1 billion) in 1Q 2016, easing from a 26.0% growth in the preceding quarter (IDR 99.2 trillion), data from the Investment Coordinating Board showed.

The construction industry is expected to play a leading role for its GDP in the coming decade. The government plans to spend an estimated US$450 billion on infrastructure development plans from 2015 to 2020, with over US$22 billion (approx. IDR 297.7 trillion) worth of funds already set aside for 2016.

The government, through the Committee for the Acceleration of Priority Infrastructure Delivery (KPPIP), has prioritised about 30 infrastructure projects across the country to help boost social and economic development until 2019/20. These projects are worth some IDR 851 trillion (approx. US$62.9 billion).

They include the light rapid transit (LRT) of Greater Jakarta, more mass rapid transits (MRT), an airport express line between Jakarta city and the Soekarno-Hatta International Airport, and a waste management system in North Jakarta. In addition, the million-unit house-building programme in Jakarta is projected to help meet the shortfall of 20 million homes.

The construction industry is currently facing stiffer challenges with the full implementation of the ASEAN Economic Community (AEC) on 1 January 2016. The AEC sets out to create a simple market and production platform with free movement of goods, services and skilled labour for the ASEAN members, thus allowing greater access for foreign competitors looking to enter the Indonesian market to satisfy rising demand for construction services and building materials.

This led the Indonesian Contractors Association (AKI) to call on the government to grant a tax exemption to the construction industry by revoking the 3.0% prepaid value-added tax (VAT) in order to give more support to local contractors who are facing increased competition for construction projects abroad.

Barring any unforeseen market conditions, building tender prices in Jakarta are expected to increase by about 1.0% to 4.0% in 2016.
## Labour Prices

<table>
<thead>
<tr>
<th>SELECTED OCCUPATIONS</th>
<th>UNIT</th>
<th>AVERAGE LABOUR RATE (IDR '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>3Q 2015</td>
</tr>
<tr>
<td>General Worker</td>
<td>day</td>
<td>100,000</td>
</tr>
<tr>
<td>Carpenter (General)</td>
<td>day</td>
<td>125,000</td>
</tr>
<tr>
<td>Tiler</td>
<td>m²</td>
<td>35,000</td>
</tr>
<tr>
<td>Concretor</td>
<td>m³</td>
<td>35,000</td>
</tr>
<tr>
<td>Steel Bar Worker</td>
<td>kg</td>
<td>1,500</td>
</tr>
<tr>
<td>Formworker</td>
<td>m²</td>
<td>60,000</td>
</tr>
<tr>
<td>Tiler</td>
<td>m²</td>
<td>23,000</td>
</tr>
<tr>
<td>Plasterer</td>
<td>m²</td>
<td>32,000</td>
</tr>
<tr>
<td>Painter</td>
<td>m²</td>
<td>20,000</td>
</tr>
<tr>
<td>Glazer</td>
<td>m²</td>
<td>175,000</td>
</tr>
<tr>
<td>Plumber</td>
<td>day</td>
<td>150,000</td>
</tr>
<tr>
<td>Electrician</td>
<td>day</td>
<td>150,000</td>
</tr>
</tbody>
</table>

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

p: preliminary

## Construction Material Prices

<table>
<thead>
<tr>
<th>BUILDING MATERIALS</th>
<th>UNIT</th>
<th>AVERAGE SUPPLY RATE (IDR'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>3Q 2015</td>
</tr>
<tr>
<td>Concreting Sand</td>
<td>m³</td>
<td>200,000</td>
</tr>
<tr>
<td>Stone Aggregate (20mm)</td>
<td>m³</td>
<td>210,000</td>
</tr>
<tr>
<td>Ordinary Portland Cement</td>
<td>bag</td>
<td>67,500</td>
</tr>
<tr>
<td>Reinforced Concrete (Grade 30 MPA)</td>
<td>m³</td>
<td>1,025,000</td>
</tr>
<tr>
<td>Reinforced Concrete (Grade 40 MPA)</td>
<td>m³</td>
<td>1,150,000</td>
</tr>
<tr>
<td>High Tensile Steel Bars (10 - 40mm)</td>
<td>kg</td>
<td>9,000</td>
</tr>
<tr>
<td>Mild Steel Round Bars (6 - 20mm)</td>
<td>kg</td>
<td>9,000</td>
</tr>
<tr>
<td>Structural Steelwork (U-Beam, stanchion)</td>
<td>tonne</td>
<td>10,350,000</td>
</tr>
<tr>
<td>Timber Sawn Formwork</td>
<td>m³</td>
<td>195,000</td>
</tr>
<tr>
<td>Clay Bricks (100mm thick brickwall)</td>
<td>m³</td>
<td>85,000</td>
</tr>
</tbody>
</table>

Data Source: Market Sources. 

p: preliminary

### Exclusions:
- Plant and Equipment
- Transport
- Wastage
- Overheads and Profit
- Import Tax
- Value Added Tax (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

<table>
<thead>
<tr>
<th>CURRENCY</th>
<th>UNITS PER USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesian Rupiah (IDR)</td>
<td>13,855</td>
</tr>
</tbody>
</table>

Data Source: Oanda. 

p: preliminary
### 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 2016**, and include a general allowance for preliminaries, 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 Used: USD 1.00 = IDR 13,533

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

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<thead>
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<th>QS and Cost Consultancy</th>
<th>Project Management</th>
<th>Advisory Services</th>
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<tbody>
<tr>
<td>Feasibility Studies</td>
<td>Project Management Services</td>
<td>Asset Advisory</td>
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<td>Value Engineering</td>
<td>Risk Management Services</td>
<td>Transaction Review</td>
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<tr>
<td>Cost Planning and Estimating</td>
<td>Development Management</td>
<td>Technical Due Diligence</td>
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<tr>
<td>Tender &amp; Contract Documentation</td>
<td>Client Representation</td>
<td>Replacement Cost Assessment</td>
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<td>Progress and Variation Valuations</td>
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<td>Financial Reporting and Management</td>
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<td>Final Accounts</td>
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<td>Industry Trend Analysis</td>
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<td>Auditing Services</td>
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</tr>
</tbody>
</table>

For enquiries, please contact:
PT. Rider Levett Bucknall
Jl. Jend. Surdiman Kav. 45-46 Sampoerna Strategic Square, South Tower Level 19, Jakarta 12930, Indonesia
Tel: +62 21 5795 2308 | Fax: - | Email: rlb@id.rlb.com | Web: www.rlb.com

OTHER REGIONAL RLB PRACTICES

SINGAPORE
Rider Levett Bucknall LLP
150 Beach Road
#09-01 Gateway West
Singapore 189720
Tel: +65 6339 1500
Fax: +65 6339 1521
Email: rlb@sg.rlb.com
Contact: Silas Loh

MALAYSIA
Rider Levett Bucknall Sdn Bhd
B2-6-3 Solaris Dutamas
No. 1 Jalan Dutamas 1
50480 Kuala Lumpur
Malaysia
Tel: +60 3 6207 9991
Fax: +60 3 6207 9992
Email: rlb@my.rlb.com
Contact: Lai Kar Fook

VIETNAM
Rider Levett Bucknall Co. Ltd
Centec Tower, 16th Floor
Unit 1603, 72-74 Nguyen Thi Minh Street Ward 6,
District 3, Ho Chi Minh City,
Vietnam
Tel: +84 83 823 8070
Fax: +84 83 823
Email: rlb@vn.rlb.com
Contact: Ong Choon Beng

MYANMAR
Rider Levett Bucknall Limited
Union Business Centre
Nat Maik Road, Bo Cho Quarter, Bahan Township,
Suite 03-02, Yangon 11121,
Myanmar
Tel: +95 1 860 3448 Ext 4004
Fax: -
Email: rlb@mm.rlb.com
Contact: Serene Wong