

# Walking the Streets—Makassar

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Jakarta

Makassar

## South Sulawesi's Economy \*

Year	GRDP (US\$ billion)	Economy Growth (%)
2010	18.90	N.A
2011	21.16	11.97
2012	21.54	1.76
2013	20.83	-3.31
2014	19.72	-5.29

Source: TRIM Research, BPS  
\*GRDP at 2010 constant price

## Makassar's Economy\*

Year	GRDP (US\$ billion)	Income per Capita (US\$)
2009	1.42	2,362
2010	1.79	3,041
2011	2.03	3,669
2012	2.09	3,969
2013	2.04	4,027

Source: TRIM Research, BPS  
\*GRDP at 2010 constant price

### Makassar, a hub city in eastern Indonesia

We visited Makassar, capital city of South Sulawesi province and located at the southern tip of Sulawesi island, recently. It takes about 2.5 hours flight from Jakarta to Makassar. As a hub for cities in eastern Indonesia, Makassar is surely interesting to be traced. The city is a reflection of economy situation in eastern part of Indonesia.

### Reclamation & property projects enliven Makassar

With just about 181.35 sq km total area (or around one-fourth of Jakarta area), Makassar needs reclamation to expand. The approval from legislative council of Makassar on reclamation of coastal area around Losari Beach benefits big developers who already have projects there, i.e Lippo Group, Ciputra Group, Agung Podomoro Group, Bosowa Group, and CT Corp. PTPP seems to have strong market share in Makassar, as we noticed that most of the major projects use PTPP as their contractor.

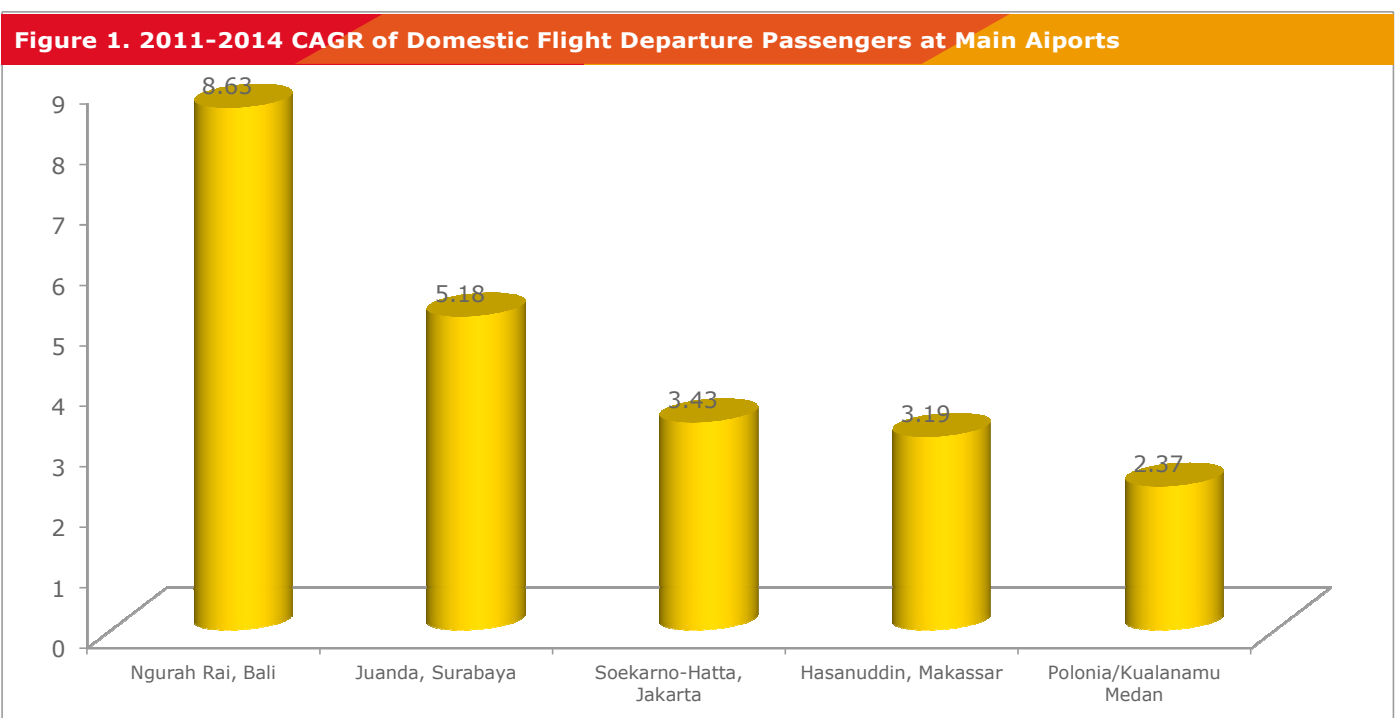
### Growth opportunity in Gowa & Maros Regencies

Gowa and Maros district are the next most potential area to be developed. Both those regencies are located next to Makassar and are likely to serve as suburbs to Makassar, similar as Depok, Bekasi or Tangerang for Jakarta. Recently, Ciputra Group has started developing a big residential project in Gowa.

TICKER	Price (Rp)	Mkt. Cap (Rpbn)	TP	Ups. (%)	Rec	EPS Growth (%)		P/E (X)		P/BV (X)	
	22-Oct					2015	2016	2015	2016	2015	2016
PTPP	3,755	18,183	4,720	25.7	Buy	38.7	38.3	24.7	17.8	5.9	4.5
CTRA	1,105	16,940	1,085	(1.8)	Neutral	1.9	11.7	12.6	11.2	2.7	2.4
APLN	295	6,048	250	(15.3)	Sell	-0.6	14.1	6.7	5.9	0.8	0.7
SMRA	1,510	21,784	2,000	32.5	Buy	9.6	33.7	19.5	14.6	3.7	3.1

## Makassar is the hub for Eastern Indonesia

Makassar serves as the hub between western part and eastern part of Indonesia. Most flights to eastern Indonesia cities transit at recently renovated international airport Sultan Hassanuddin in Makassar. In 2013, air transportation sector contributes almost 10% to Makassar city’s economy. This position also benefits the property sector. We found that one businessman from Papua has an entire floor of units in Royal Apartment, the first apartment development in Makassar. Although hotel occupancy rate in South Sulawesi reported at 41.24% last July (no data for Makassar city), we experienced how hard to get a room in Makassar when we went there, which was supposedly during off-peak season. According to statistic data, there were 314 hotels (classified and non classified hotel) with total 8,860 rooms in Makassar in 2013.



Source: TRIM Research, Central Bureau of Statistic (BPS)

## BIRD spreads its wings in Makassar

Hotel guests are the main target for taxi operators in Makassar. Since business activities in Makassar is tend to increase years lately, business travelers are coming frequently to the city. BIRD (Blue Bird Taxi) saw the opportunity and start servicing Makassar in June this year with just 40 unit cars operated. We saw the competition is not easy for the newcomer BIRD since it still face rejections from earlier taxi operators in the city. BIRD can not pick up passenger at the airport or even at some malls and hotels. However, the drivers told us the additional cars will be operated soon, as demand for BIRD’s service is good. BIRD gets about 400 orders per day, so that 50-60 orders can not be served due to the limited number of cars.

### Buzzing with apartments: new projects by Ciputra and Lippo groups

The first apartment building in Makassar is called the Royal Apartment, which is finally completed after 10 years of delays. The 45 sqm–180 sqm apartments are priced at Rp700mn up to Rp4.7bn per unit or Rp16mn to Rp26mn per sqm, similar to apartment prices in outer Jakarta areas. Most of the apartment buyers are business people from outside Makassar. The sales person told us that they just have few unit left. Royal Apartment only cooperate with Muamalat Bank (sharia bank) for mortgage facility.

Ciputra Group and its local partner PT Sinar Galesong Perkasa targeted to finish their first tower of Vida View Apartment next year. Vida View, a three-towers apartment complex, offered 21 sqm–47 sqm apartment unit priced at Rp400mn up to Rp800mn or Rp17mn–Rp19mn per sqm.

Next to Vida View, Lippo Group is building mixed-use development called St. Moritz Makassar. The project will include residential towers, mall, Siloam hospital, hotels, and school. The construction process is expected to be complete by mid 2018. For the residential tower, St. Moritz is offering 35 sqm–104 sqm apartment priced at Rp700mn up to Rp2.2 bn per unit or Rp20mn–Rp21mn per sqm. BBRI, BBNI and BNII are the partners that provide mortgage funding for the St. Moritz Makassar. Actually, Vida View, St. Moritz and Royal Apartment are located next to each other in Panakkukang area, about 30 minutes drive to the iconic Losari Beach.

Both Vida View and St. Moritz constructions are handled by PTPP.

**Figure 2. St. Moritz Makassar project (above), Vida View apartment of Ciputra (below) & one of PTPP’s project in Makassar**



Source: TRIM Research

### Losari reclamation project benefits large property developers

Makassar did a reclamation approximately 10 years ago, with some big developments on it already. Lippo group (Matahari department store, Hypermart, Siloam hospital) has built developments on the reclaimed area along with CT group’s trans mall.

The legislative council of the city approved the 2015 to 2035 city bylaw on spatial planning with 4000ha reclamation, last August. It is a very big issue there, since it is all about the approval for the city administration to reclaim of the coastal area around Losari Beach, Makassar. It benefits large property developers who already have land banks there, i.e Lippo Group (through LPKR and GMTD), Ciputra Group (CTRS), Agung Podomoro Group (APLN), SMRA, and Bosowa Group. It also benefits PTPP, since we saw the company is doing the construction work for several property projects in Makassar. It is true that Makassar’s economic growth is slowing down right now along with the rest of Indonesia, but the property development in Makassar seems promising since the demand is not only from its city but cities all around eastern Indonesia and also Jakarta and Surabaya.

**Figure 3. Lippo Group’s properties at Tanjung Bunga area in Makassar**



Source: TRIM Research

Figure 4. Losari Beach and its surrounding area—the icon of Makassar city (above), seaport entrance which located next to Losari (below)



Source: TRIM Research

**Automotive: Honda seems to gain market share**

We saw various brand of cars on the Makassar’s road, but most of it are seven seater cars. As a family oriented community, Makassar people’s favorite cars are MPVs such as Avanza and Xenia (distributed by ASII). Our observation suggests that Honda Mobilio is gaining market share in Makassar. Meanwhile, Toyota sales person told us that buyers need to wait around two weeks for the Grand New Avanza. Grand New Avanza 1.5 G M/T is priced at Rp224mn in Makassar or 6% higher than Rp211mn in Jakarta. This is roughly in-line with the customary 5% premium price for cars in Makassar versus Jakarta.

**Figure 5. Car dealers hold a small show at Trans Mall Makassar (left); traffic situation at one of main road in Makassar**



Source: TRIM Research

**ACES keeps its eye on Makassar growing economy**

Another listed company which has business in Makassar is ACES. At the 4th and latest ACES’ outlet in Makassar (just opened on October last year), we found out less than 10% price different on some items versus Jakarta’s stores. There is even no price different for the big and expensive items such as air cooler which is priced at more than Rp1mn per unit. The 4th ACES store in Makassar is a stand-alone store which relatively experience deserted buyers compare to another store in a mall. Although so, we believe that the store will gain more buyers in the next coming years since the it located very next to Lippo and Ciputra apartment projects.

**Figure 6. ACES’ store at Pettarani Street in Makassar**



Source: TRIM Research

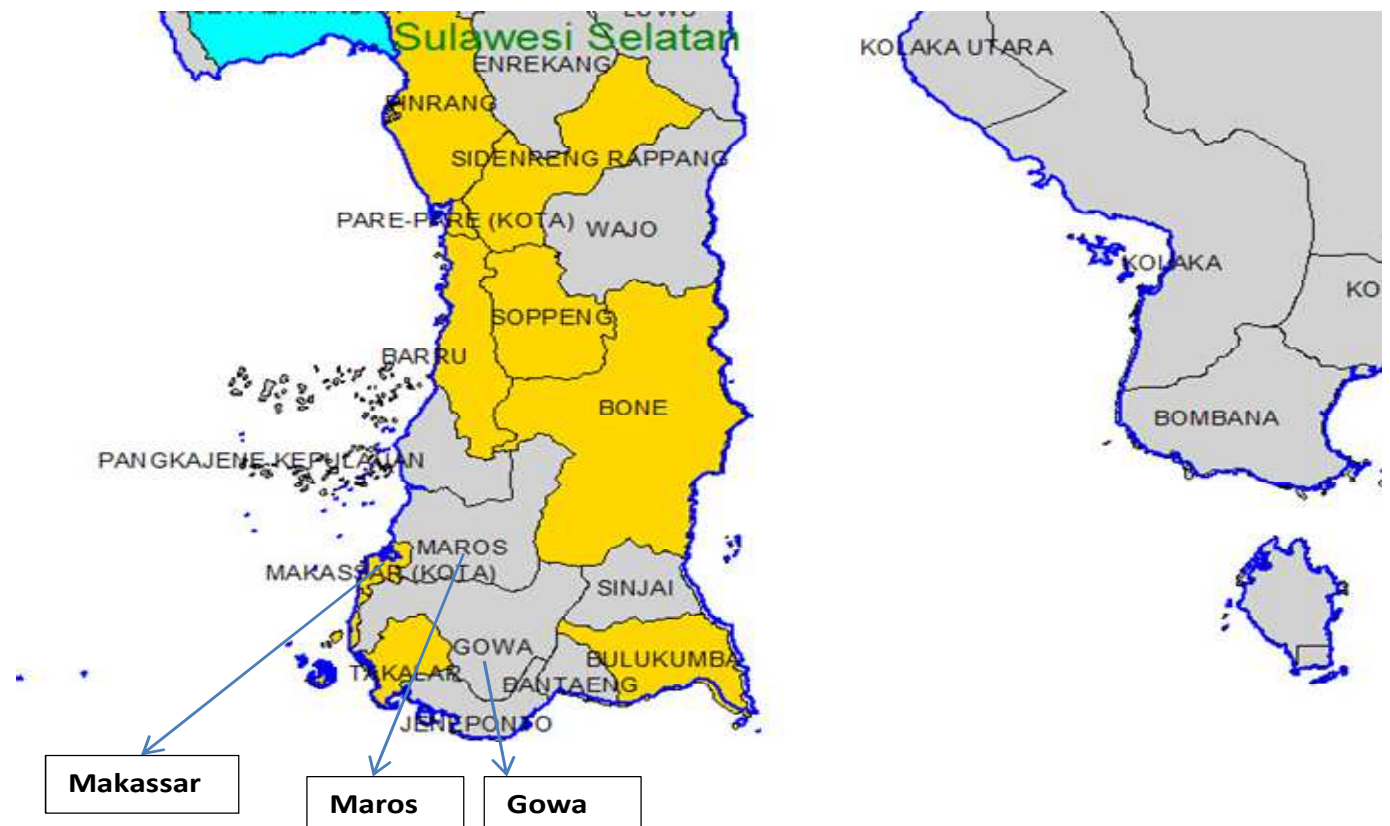
**HIPMI: Gowa & Maros are the next most potential area**

We met with Indonesia Young Entrepreneur Association (HIPMI) of South Sulawesi’s Vice Chairman Mr. Arianto Burhan during our visit in Makassar. He said that Gowa and Maros Regency are the next most potential area to be developed. It sounds reasonable since both regencies are located next to Makassar and are likely to serve as suburbs to Makassar, similar as Depok, Bekasi or Tangerang for Jakarta.

Directly located south of Makassar, Gowa is starting to be an attractive regency for property developers. Nowadays, some agriculture areas in Gowa are already converted to residential areas. One just need to drive directly through the straight and smooth road along Tanjung Bunga area about 30 minutes before reaching Gowa territory. Tanjung Bunga is a well known area in Makassar where Lippo Group’s high segment residentials, GTC Mall (which also belongs to Lippo), Trans Mall and indoor theme park Trans Studio, and several other big development were developed. Since Makassar has a very limited land area (just around one fourth of Jakarta area), Gowa surely has a big potential to be developed. Ciputra Group has already develop big residential project in Gowa.

Maros Regency is directly adjacent with eastern side of Makassar and about 30 kilometers from the city center. The region is a popular destination for tourists. Bantimurung-Bulusarung National Park, which worldwide known with its hundreds of butterfly species, is located in Maros. Maros has some accommodation facilities as it also located near Sultan Hasanuddin Airport. Its’ economy relies on agriculture and livestocks sector as it supports Makassar city on food supply.

**Figure 7. Gowa & Maros located next to Makassar City**



Source: TRIM Research

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