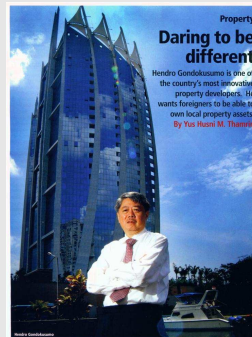


Media Coverage

Publication : **GLOBE**
Type : Magazine
Page : 100-101
Date : Vol 3 No 6 June 2009
Circulation : -



Daring to be different

Hendro Gondokusumo is one of the country's most innovative property developers. He wants foreigners to be able to own local property assets.

By Yus Husni M. Thamrin

Jakarta has long had beach areas that are dirty and closed to the public. Hendro S. Gondokusumo, Vice President Commissioner of property company Intiland Group, is one of the few people who believed this must change.

He developed a part of that beach to become the Pantai Mutiara housing complex in North Jakarta, transforming it into a clean and beautiful public area. Hendro also built the prestigious condominium project near the North Jakarta beach area under the name The Regatta, with total investment of Rp5 trillion (about \$500 million).

"Beautiful buildings in Indonesia are mostly located in the city center, not in the coastal areas, which are mostly dedicated to fishermen. So I built Pantai Mutiara, and opened up the beach area for the public. In foreign countries, all beach areas in the city are open to the public and the buildings located near the beach areas are the most expensive," says the businessman, born in Malang, East Java, on September 6, 1950.

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In 1985, Hendro hired New York architect Paul Rudolph to design an office building for him in the business district area of Central Jakarta. The result was Wisma Dharmala Sakti, now called Intiland Tower, on Jl. Sudirman. The building was uniquely designed with energy conservation in mind to consume less electricity for lights and air conditioning.

"After 24 years, the tenants say the building is still quite good. The occupancy rate is more than 90% and most of the tenants have long-term lease contracts," says Hendro.

Hendro, the third son of businessman Gondokusumo, the founder of the Dharmala Group, whose core business was in agriculture, decided in 1973 to move into property, and built his first project, the Ci-landak Garden housing complex in Lebak Bulus, South Jakarta, which he then sold to state oil and gas firm Pertamina.

Chairman of the Indonesian Real Estate Association (REI) Teguh Satria says Hendro has been quite successful in building and selling property products in the country and is also known for his innovation in developing property.

"Just look at the Wisma Dharmala Sakti building, and The Regatta, which is very nautical and unique," says Teguh.

Hendro explains that when designing a building, he always keeps in mind the buildings constructed during the Dutch colonial era which still look good after one hundred or two hundred years. He wants his own buildings to be unique and avoids competing in a market already crowded with competitors.

Intiland Group currently owns and manages 27 property projects including landed houses, apartment, condominium, office spaces, commercial spaces, industrial estate, hotels, country clubs and golf courses. Some are already in operation, while others are still being developed.

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Hendro Gondokusumo

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Going through the crisis

Hendro says the property sector was the first to be hit by the current global financial crisis as liquidity tightened and consumers cancelled buying property products. Despite the crisis, he says, there is still demand for good quality property products.

Consultancy firm Jones Lang Lasalle property analyst Anton Sitorus says the crisis has slowed down growth in the property sector as sales decline and the share prices of property firms tumble. Consumers have preferred to park their money in the banks.

Beginning in the third quarter of 2008, many developers cancelled the launching of their projects. "But there are now some developers who are preparing to resume expansion and enter the market. They want to take advantage of the economic recovery," he explains.

Teguh Satria says the crisis has hit hard the low to middle segment of the property sector, as purchasing power of consumers in this class has been weakened by the crisis. "But sales of premium class property are relatively normal because the buyers generally have high purchasing power," he says.

Hendro says share prices of property companies in the stock market are currently undervalued, and it is time now for investors to buy their shares.

Missed opportunity

Indonesia property products are considered to be among of the cheapest in Asia, thus providing opportunity to lure more investors to buy into the products. To take advantage of this opportunity, the government must allow foreign investors to be able to personally own property assets in Indonesia, Hendro believes.

"The major obstacle is that foreigners have not been allowed to own property here. On the other hand, developers in Singapore, Malaysia and Australia are selling their products in Indonesia. We can't sell our products in their countries because of the existing regulation here," he says.

If foreigners are allowed to own property in Indonesia, this would create a great multiplier effect to the country's overall economy. He points out that in the property sector alone, there at least 100 sub-sectors involved.

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And when the foreigners have bought the local property assets, this would further create additional stimulus to the economy as they certainly will spend on other things as well.

If the government is concerned that allowing foreigners to buy local property assets could inflate property prices in this country, making it harder for local people to acquire property, a limit could be made, for instance, banning foreigners from buying assets with a price tag of less than Rp1 billion.

Hendro acknowledges that the availability and quality of infrastructure facilities in Indonesia such as roads, electricity, clean water, and drainage systems is still far behind other neighboring Asian countries. This is seen as another problem in property development in the country. ***