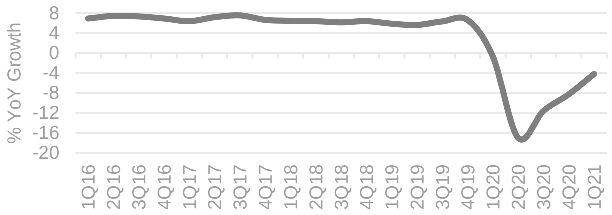
PROPERTY MARKET NEWS

PHILIPPINES

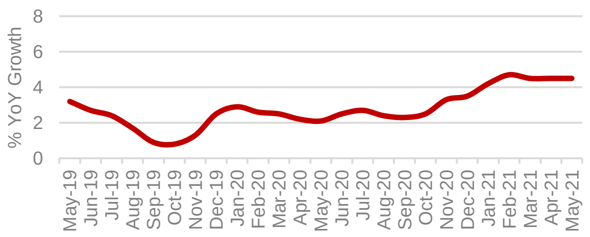
JUNE 2021

GENERAL PROPERTY

-4.2% YoY 1Q 2021 Real GDP



4.5% YoY May 2021 Headline Inflation



Source: Philippine Statistics Authority

- Bloomberg Economics noted that the world's real estate prices are showing bubble warnings not seen prior to the 2008 financial crisis with New Zealand, Canada, Sweden, the U.K., and the U.S. topping the risk rankings. In their report, it is stated that among the factors that are pushing global houses prices up to remarkable levels are the "record low-interest rates, unparalleled fiscal stimulus, lockdown savings ready to be used as deposits, limited housing stock, and expectations of a robust recovery in the global economy." Bloomberg Economics' ranking is based on five indicators which include price-to-rent and price-to-income ratios which help assess the sustainability of price gains and the house price growth which gauges the current price increases. Nonetheless, even as the risk metrics rise, the trigger for a crash isn't as apparent with the low level of interest rate, higher lending standards, and policies that are in place to ensure the stability of the financial system, pointing the future scenario to a likely cooling than a collapse. *Read the original article*

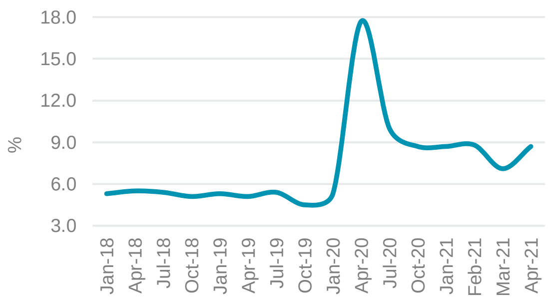
- The Philippine real estate industry was insulated from the 2008 global financial crisis, as prices and rental rates immediately recovered after two consecutive quarters of market correction. The bubble scenario was prevented due to several structural reforms, specifically in the banking system. Earlier this year, the Financial Institutions Strategic Transfer (FIST Law or Republic Act 11523) was passed to address the level of non-performing assets (NPAs) of credit-granting institutions.

OFFICE

- The practice of a hybrid work model dates prior to the pandemic although the current health crisis accelerated its prevalence. According to WeWork's global survey, 76% of global business leaders believe that traditional office remains vital for collaboration. Moreover, the same survey shows that 74% want the workplace to practice increased sanitation measures with thorough and regular cleaning and sanitation while 61% want to impose social distancing upon their return to physical office. Whilst office spaces will continue to be significant to companies, it is necessary for future workplace strategies to be flexible. WeWork's survey further noted that 90% of millennials put greater emphasis on work freedom over their pay compensation. *Read the original article*

- The hybrid work model progresses from being a trend during the pandemic to be the future of office as it redesigns the work experience to balance in-person collaboration and flexibility that benefits both employees in terms of increased satisfaction and the businesses in terms of associated real estate costs.

8.7% Apr 2021 Unemployment Rate



Source: Philippine Statistics Authority

PROPERTY MARKET NEWS

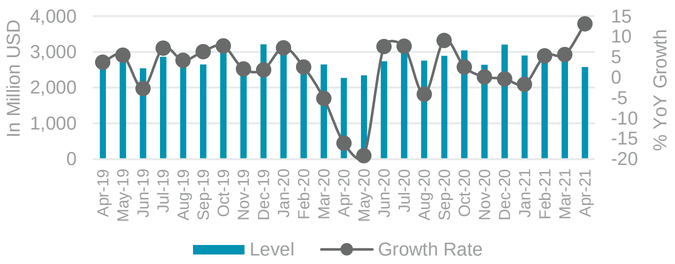
PHILIPPINES

JUNE 2021

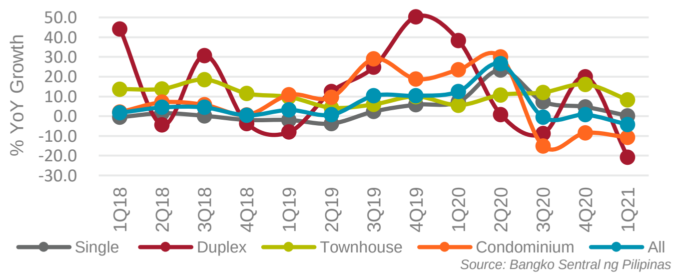
CUSHMAN & WAKEFIELD

RESIDENTIAL

USD 2.6B Apr 2021 OF Personal Remittances



-4.2% YoY 1Q 2021 Residential Real Estate Price Index (Q1 2014 = 100)



Source: Bangko Sentral ng Pilipinas

- The Residential Real Estate Price Index (RREPI), Bangko Sentral ng Pilipinas' (BSP) barometer of local residential property prices, slid by 4.2% year-on-year (YoY) in the first quarter of 2021 as the overall demand for residential units remained tamed throughout the pandemic. Similarly, there is a decline in the recorded real estate loans in Q1 2021; the number of residential property loans, in particular, contracted by 14.7% YoY and 32% quarter-on-quarter (QoQ). Residential properties outside Metro Manila modestly increased by 0.8% YoY, however, this was countered by the sharp decline of residential properties in Metro Manila which contracted by 10% YoY in Q1 2021. The recent contraction of the RREPI is the third consecutive decline following a contraction of 12.2% YoY and 4.8% YoY in Q3 2020 and Q4 2020, respectively. *Read the original article*

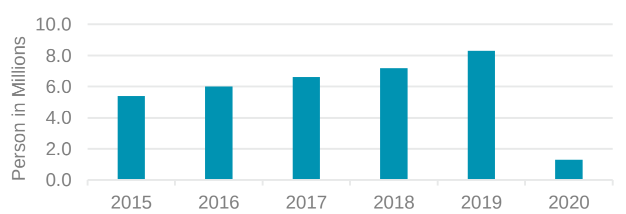
➢ The weaker demand for residential real estate reflects the instability of economic recovery as the rollout of mass vaccination progresses rather slowly, exposing the country to the risk of another COVID-19 cases surge. The decline persisted even with modest improvements in overseas Filipino (OF) remittances as the demand is deferred in the short to medium term until the business and economic environment stabilizes.

HOSPITALITY

- Following the muted tourism activities since early last year, tourism's direct gross value added (TDGVA) bottomed to PHP 973.31 billion in 2020, down by 61% from PHP 2.51 trillion recorded in 2019. Similarly, tourism's share to the economy fell to just 5.2% of GDP in 2020 from 12.8% in 2019. As travel firms continue to endure the challenges of the ongoing pandemic, they are seeking the Department of Tourism (DOT) to extend the grace period of loans intended for the micro, small and medium enterprises (MSMEs) in tourism under the Bayanihan 2. Whilst Small Business (SB) Corp., the agency that manages the PHP 6 billion credit facility, has already extended the grace period to two years, travel firms urge to further adjust the deadline to allow borrowers enough time as they have yet to stabilize their operations and anticipate for the appetite for travel and tourism to recover. *Read the original article*

➢ Providing financial stimulus to travel and tourism industry players will enable them to develop strategies that will aid their recovery and strengthen the resiliency of the industry. These strategies could include improving their package offerings and features to attract pent-up demand from local 'staycationers' and domestic tourists.

1.3 Mil. Persons 2020 Annual Foreign Visitor Arrivals

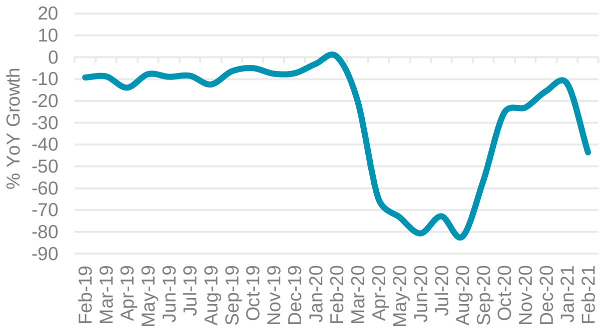


Source: Department of Tourism

INDUSTRIAL/LOGISTICS

-43.56% YoY

Feb 2021 Volume of Production Index (2018 = 100)



Source: Philippine Statistics Authority

- The Philippines proved to be one of the emerging Data Center (DC) markets as it attracts various local and regional players in the field. Fueled by the increased prominence of e-commerce and the need for digitization, a number of players have announced their plans to build data centers in the country, among which are the Alibaba Cloud for its very first data center in the Philippines and the Converge ICT Solutions, Inc. for another data center site in Cebu. While e-commerce in the Philippines still lags compared to other Southeast Asian countries, data center firms anticipate its huge potential for growth towards a more data-driven economy.
  [Read the original article]

- The growth of e-commerce in the Philippines is still in its early stage and has yet to peak its momentum. Similarly, businesses have yet to integrate data-driven operations but are headed in that direction following the faster acceleration of the internet economy, fueled by high internet penetration and the introduction of better technology in the Philippines, such as the 5G network. These, together with the rise in data usage and bandwidth demand, will further accelerate the need for a highly-secured storage facility for big data.

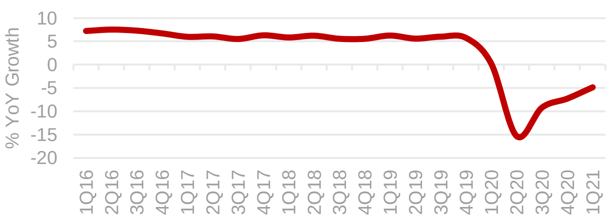
RETAIL

- The PHP 15 billion worth of pending applications from foreign retailers under the existing Retail Trade Liberalization Act (RTLA) can potentially be “multiplied a couple of times over” upon the passage of the amendments to RTLA stipulated in the Senate Bill No. 1840 which seeks to reduce the capitalization requirement from the current PHP 125 million to PHP 50 million and lower the first store capital requirement to PHP 25 million from PHP 41.5 million. The amendment also seeks to remove the retail exclusivity to Filipinos by allowing foreign retailers up to 40% equity for investments below the new threshold amount. Meanwhile, the House of Representatives version of the amendments to the RTLA under House Bill No. 59 in 2019, proposes the paid-up capital for foreign retailers to be even lower at PHP 9.57 million, prompting a bicameral meeting to resolve the conflicting provisions.
  [Read the original article]

- The attractiveness of the country to foreign retailers reflects the soundness of the local retail scene amidst the wide proliferation of e-commerce. Built on strong consumerism, in-store retailing is seen to thrive again post-pandemic along with online retailing while the further easing of regulation for foreign investors in doing retail trade will entice more international brands to locate in the Philippines.

-4.8 % YoY

1Q 2021 Real Household Spending



Source: Philippine Statistics Authority

CUSHMAN & WAKEFIELD

Contacts

Claro dG. Cordero Jr., MSc
Director & Head
Research, Consulting & Advisory Services
m: +63 998 518 5158
e: Claro.Cordero@cushwake.com

CUSHMAN & WAKEFIELD PHILS., INC.
11th Floor Ecotower, 32nd Street corner 9th Avenue
Bonifacio Global City, Taguig City, Metro Manila
Philippines 1630
t: +63 2 8554 2926
cushmanwakefield.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2020, the firm had revenue of $7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.