



GENERAL PROPERTY

Following the success of the majority of the foregoing REIT market debuts, another company, Megaworld Corporation's real estate investment trust (MREIT), made its stock market debut on October 1 to be the country's second-biggest to date in terms of market capitalization, next to RL Commercial REIT, Inc. (RCR) which debuted just a month ago. MREIT generated over PHP 15 billion from its stock market debut while RCR generated around generated PHP 12.6 billion. With the exemption of DDMP REIT, Inc. (DDMPR), the existing REIT companies are now trading above their IPO prices. The country's REIT market is expected to further gain momentum as the global economy recovers to boost activities in the outsourcing sector allowing "high cash yield and capital value

appreciation potential for investors that eventually will include long term money holders such as pension funds and insurance companies." The investment vehicle is seen to fuel the growth of the country's property sector as it encourages the participation of foreign investors in the local market.

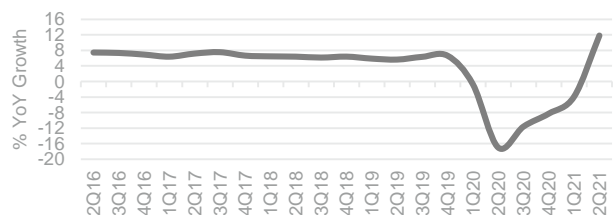
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The Philippines' REIT market enters a new phase of growth with the eager participation of the country's major real estate developers and it is seen to further grow as it extends to other sub-sectors. The success of most of the current REIT market debuts emphasizes the strong pent-up demand from investors which may help in the overall recovery of the property sector.

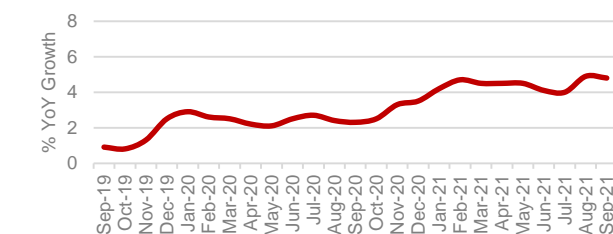
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11.8% YoY 2Q 2021 Real GDP



4.8% YoY Sep 2021 Headline Inflation



Source: Philippine Statistics Authority

OFFICE

A survey by Future Forum revealed that 76% of the respondents prefer flexibility in where they work while 93% favor flexibility to decide the 'when or how much' of their working hours. The hybrid workplace strategy is seen to transcend the pandemic according to WeWork, a flexible workspace solution provider. The co-working space provider has noted that companies are now looking at longer-term sustainable workplace strategies while workspace flexibility is being eyed by smaller businesses. Whilst WeWork is currently putting its expansion plans on hold, it seeks to optimize its current footprint in order to warrant that its "locations are creating value for its portfolio in the long term." WeWork

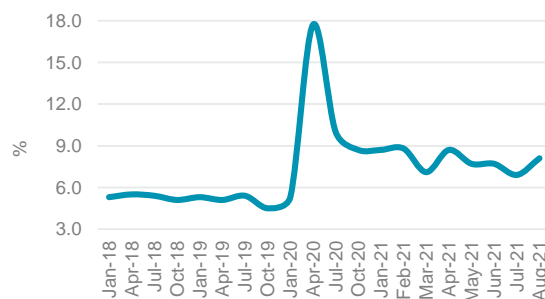
further noted that setting up a professional space such as co-working spaces that facilitates collaboration and socialization will help elevate the stress that the employees are currently experiencing from the isolation and distractions of the prolonged working from home.

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While the flexible work arrangement is still faced with many impediments such as the technology gap and issues on productivity, it will bring much change to the future of the office market space as many companies will now also view its implementation as a way of retaining and attracting employees who have already settled in their current set-up.



8.1% Aug 2021 Unemployment Rate



Source: Philippine Statistics Authority

News article cited

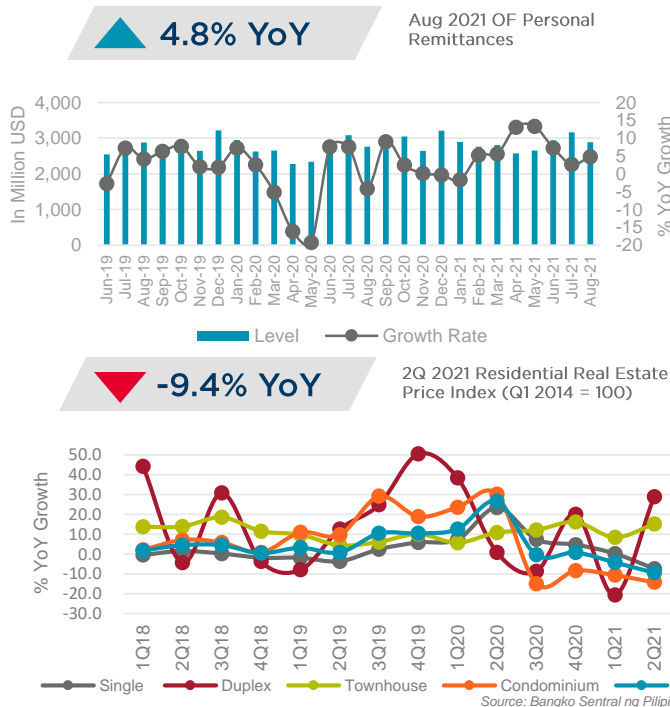
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RESIDENTIAL

□ The pandemic has generated more residential demand from younger-age groups as the work-from-home set-up stirs their interest in owning a house. An official of the Organization of Socialized and Economic Housing Developers of the Philippines (OSHDP) noted that inquiries are being observed even from first-time employees and single young people. In terms of demand for socialized and economic housing properties, it is seen to remain less affected by upward movements in interest rates in the future as the bulk of these which is around 90%, are financed through the country's Home Development Mutual Fund which fixes socialized housing interest rate to 3%. [Read the original article](#)

➤ Options and solutions targeted towards young consumers who are now recognizing the growing importance of owning a home will help capture the pent-up demand from this consumer segment. The young workforce will constitute a growing market for mid-end residential properties post-pandemic and easing the barriers to homeownership will assist in giving the residential sub-sector its much-needed boost.



□ News article cited

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HOSPITALITY

□ The country's travel and tourism industry stakeholders are optimistic that there will soon be a surge of tourism activities as seen in the Western regions, in the US and Europe. In anticipation of this surge, Alliance Global Group Inc. (AGI), a conglomerate engaged in real estate development and tourism-entertainment and gaming, continues to strengthen its investments in the hotel sub-sector. Whilst tourism activities are more likely to be regional in nature in the mid-term, this will also benefit the AGI's gaming business which gains from the regionally-sourced market. Meanwhile, JG Summit Holdings Inc., which businesses include the country's budget airline Cebu Pacific, reiterates the vitality of speeding up the vaccination efforts in order to fully recover

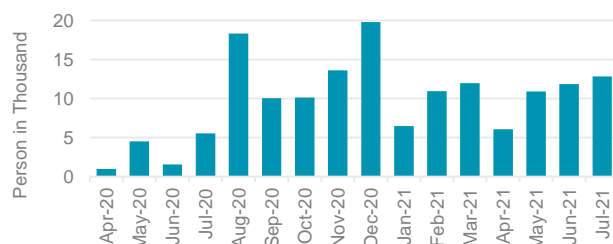
from the disruptions of prolonged travel restrictions which already cost Cebu Air Inc. a significant net loss of PHP 13.79 billion in H1 2021. [Read the original article](#)

➤ As several tourist destinations are now relaxing their restrictions on leisure travels for fully-vaccinated individuals, accommodation establishments are expected to see better occupancies. In terms of target age group, the Millennials and Gen Z age groups are likely to resume traveling first and establishments that had reinvented and innovated to cater to the demand (addressing health & safety issues) of these age groups are now well-positioned to receive this renewed demand.



11.8 Th Persons

Jul 2021 Foreign Visitor Arrivals



Source: Department of Tourism

□ News article cited

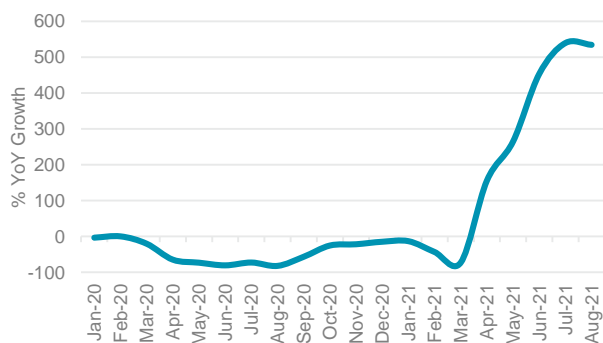
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INDUSTRIAL/LOGISTICS

535% YoY

Aug 2021 Volume of Production Index (2018 = 100)



Source: Philippine Statistics Authority

□ The Philippines is set to have its first Artificial Intelligence (AI) Industrial Park as Tokushima Auction Market, represented by Global Trade Venture Co., Ltd. Group of Japan, and a local property owner signed a memorandum of understanding (MOU) to set up the AI Industrial Park in a 25,000-hectare parcel of land located in Camarines Sur, Bicol Region. The Japanese investors, in partnership with the Department of Trade and Industry (DTI), establish the region as an ideal industrial corridor to exclusively serve the Japanese AI industry. The anticipated AI Industrial Park is seen to produce “new aqua-agri robots systems and farming operations and management, manufacturing and development services of robots, industrial and automotive robotics

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systems” as it targets industry locators involved in the manufacture of new components battery, assembly and testing, digital high-speed ground and satellite IT network services for global connections; as well as global finance network service and high information security sectors. The AI industrial park will also feature a 4-kilometer runway to accommodate the logistics requirements of locators and warehousing and cold storage facilities, among others.

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➤ Innovative technologies, particularly in the area of logistics and warehousing, that will improve operational efficiency in logistics facilities and fulfillment centers will help mitigate the challenges that will arise from the surge in demand in online transactions.

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RETAIL

□ As e-commerce activities gain traction in the Philippines, retailers express support on imposing a tax on digital transactions as they view that the absence of taxes on foreign e-commerce companies that were still able to deliver products locally without having had undergone business registration in the country creates unfair competition for the country's registered retailers that pay proper VAT and customs duties. The House of Representatives has already approved on final reading the House Bill No. 7425 which seeks to amend Section 105 of the National Internal Revenue Code (NIRC) by imposing 12% VAT on digital service providers

that operate through online platforms.

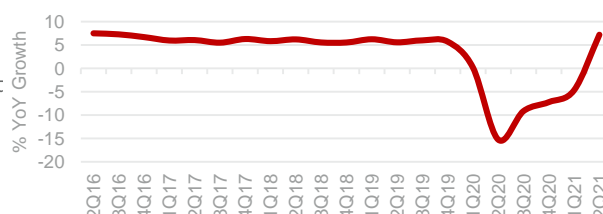
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➤ While traditional retail channels will remain to be preferred by consumers once the situation normalizes, the digital transformation and growing middle-class population will continue to fuel e-commerce growth in the country to be a significant driver of economic growth. Rather than competing with online channels, complementing brick-and-mortar stores with an online presence is seen as an ideal strategy even after transitioning to the post-pandemic scenario.



7.2 % YoY

2Q 2021 Real Household Spending



Source: Philippine Statistics Authority

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