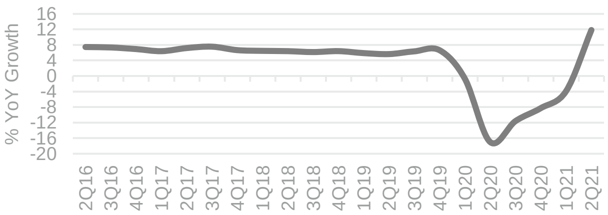
PROPERTY MARKET NEWS

PHILIPPINES

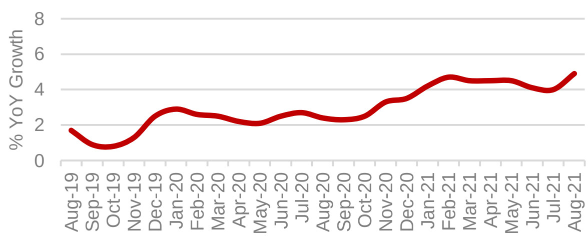
SEPTEMBER 2021

CUSHMAN & WAKEFIELD

11.8% YoY 2Q 2021 Real GDP



4.9% YoY Aug 2021 Headline Inflation



Source: Philippine Statistics Authority

GENERAL PROPERTY

- ❑ While the Philippine e-commerce is gaining traction, the industry remained underpenetrated with a penetration rate estimated at only 5%, as compared to the average in the Southeast Asian region at 6%, Indonesia at 8%, and far below that of Singapore at 14%. In 2020, the country's e-commerce industry recorded an estimated gross merchandise value of USD 4 billion after it exhibited strong growth as the pandemic forced to temporarily shut down traditional retail stores. By the year 2025, the value is seen to balloon to USD 15 billion. Meanwhile, the region's digital economies, including that of the Philippines, Indonesia, Malaysia, Singapore, Thailand, and Vietnam, which make up around USD 2 trillion in gross domestic product (GDP), are also presented with great potential particularly in the areas of financial technology (fintech) and gaming. The region's digital payment gross transaction value which was at USD 620 billion in 2020 could potentially grow to USD 1.2 trillion in 2025, while its gaming market which was valued at USD 5 billion last year could reach USD 13 billion by 2025.
  Read the original article

- ➢ As the pandemic and digital innovations push e-commerce to new heights, it has stirred a winner and loser scenario wherein the industrial and logistics property sub-sectors are gaining increased business opportunities while retailers are forced to adapt new strategies to keep up with the evolving consumer preference.

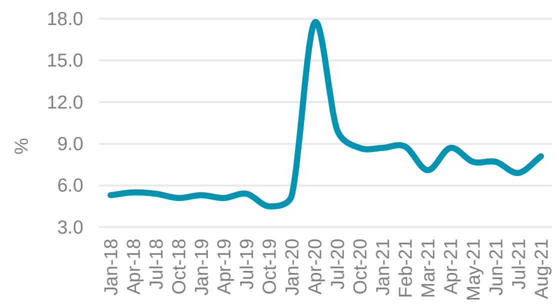
❑ *News article cited* ➢ *C&W Philippines Research view*

OFFICE

- ❑ The prolonged pandemic has once again prompted the Information Technology and Business Process Association of the Philippines (IBPAP) to cut its revenue and employment targets. From the 8% employment CAGR target set in 2016, it is now projected at 2.7%-5% up to 2022. Meanwhile, the revenue projection for the BPO industry was set at 3.2%-5.5% CAGR. The industry players also recognize the increasing digital requirements that widened the skills gaps, bringing the need for upskilling and reskilling programs of the BPO workers to meet the evolving needs of the industry. These skill gaps arise from the pandemic implications such as the relocation of BPO employees from brands that experienced slowdowns such as travel and hospitality, to clients with increased requirements such as gaming and e-commerce companies. The industry's future recruitment criteria are also seen to give preference to those with specialized talent and technology skills.
  Read the original article

- ➢ With the global and local business environment remain uncertain in the short-term, any slowdown in consumer activities in major markets will bring susceptibility to the Philippines' IT-BPM industry. Investing in the development of additional skills and new capabilities of the industry's manpower at present is critical to withstanding the pandemic aftermath.

8.1% Aug 2021 Unemployment Rate



Source: Philippine Statistics Authority

❑ *News article cited* ➢ *C&W Philippines Research view*

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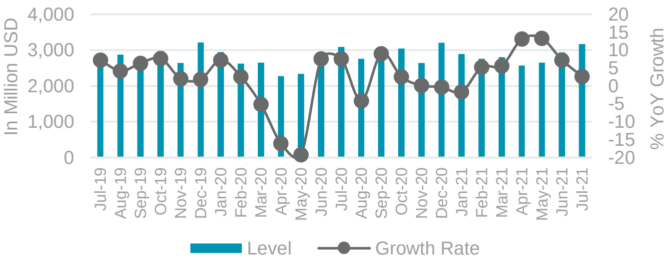
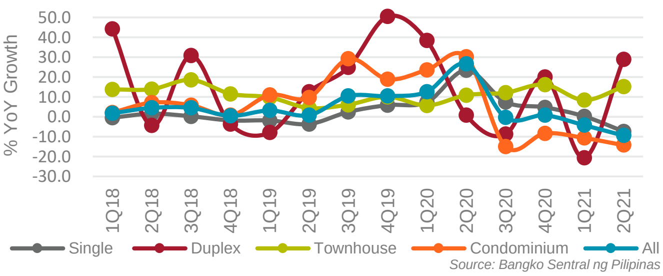
2.6% YoY — Jul 2021 OF Personal Remittances



-9.4% YoY — 2Q 2021 Residential Real Estate Price Index (Q1 2014 = 100)



Source: Bangko Sentral ng Pilipinas

RESIDENTIAL

- ❑ The Bangko Sentral ng Pilipinas' (BSP) Residential Real Estate Price Index (RREPI) has contracted for the second consecutive quarter in Q2 2021 by 9.4% YoY, from a decline of 4.2%YoY in Q1 2021. The recent decline was a mix of the record high index registered in Q2 2020 and the lingering COVID-19 crisis. The latest RREPI release also marks the fourth consecutive quarter decline of residential prices in Metro Manila which fell by 18.% YoY in Q2 2021 with price drops seen in single-detached, condominium, and townhouse residential units. No new bank loans for duplex housing were granted and reported to the central bank during the reporting period. Residential properties outside Metro Manila also posted a decline in Q2 2021 albeit modestly at 0.6% YoY, coming from a growth of 0.8% YoY last quarter, weighed down by the decline in the prices of single-detached properties which contracted by 6.0% YoY. Meanwhile, the decline in the overall RREPI was largely driven by the tamed price growth in condominium units and single detached or attached houses. The overall residential condominium prices, in particular, is now on its fourth consecutive quarter of decline with muted demand for properties in Metro Manila.
  Read the original article

- ➢ The downward price movement in the residential market is widely expected as the demand drivers continue to be greatly affected by the short-term weaknesses besetting the local and global economy. The anticipated rebound in the mid-end residential condominium market is seen to occur simultaneously with the recovery of the Philippine economy. It may, however, come later than expected as attaining the vaccination target remains a challenge due to the limited supply and logistical challenges of vaccine handling.

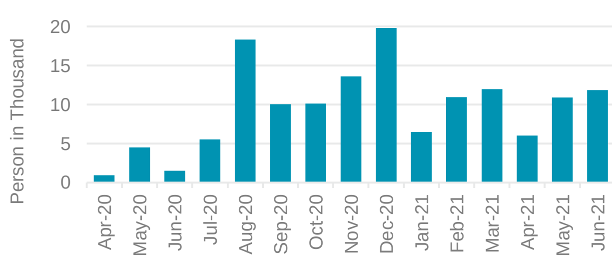
❑ *News article cited* ➢ *C&W Philippines Research view*

HOSPITALITY

- ❑ A tourism industry group has determined a target amount which is half of the PHP 3.14 trillion income generated from domestic travel in 2019 to allow the industry to recover from the pandemic. As part of their promotional strategy, the focus will be on land trips first as restrictions and documentary requirements are still enforced in domestic air travel. To attract international visitors, the tourism industry is looking at welcoming fully vaccinated foreign visitors without the quarantine requirement, similar to the "Phuket model or sandbox model" in Thailand.
  Read the original article

- ➢ More than a year after the pandemic took off, the hospitality segment has yet to seize the opportunity to finally kickstart recovery. The segment players may also look for immediate opportunities in the vaccinated population by formulating marketing strategies that will entice them to support local tourism activities and enable the tourism industry to adapt and survive. Massive capital outlay is expected to instill new technologies and upgrade the skills of the workforce in order to effectively operate under new normal market conditions. Several developments, on the other hand, are also faced with repurposing opportunities.

11.9 Th Persons — Jun 2021 Foreign Visitor Arrivals



Source: Department of Tourism

❑ *News article cited* ➢ *C&W Philippines Research view*

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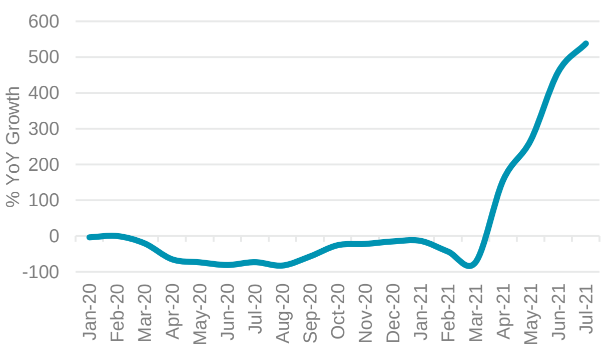
INDUSTRIAL/LOGISTICS

▲ 538% YoY

Jul 2021 Volume of Production Index (2018 = 100)



Source: Philippine Statistics Authority

❑ The Organization for Economic Cooperation and Development (OECD) noted that easing the barriers to entry in the logistics sub-sector is seen to boost its over-all competitiveness and assist faster economic rebound in the Southeast Asian region, including the Philippines. The OECD further stresses the significance of attracting foreign direct investments (FDI) in spurring growth. The OECD also reports that the region's total freight and logistics sector generates around 5% of jobs and it is set to return to its pre-pandemic level by end of 2021. The report further suggests enhancing the liberalization of the logistics segment in the Philippines which currently limits foreign ownership for public utilities at 40%. Other barriers such as the required minimum capital deposits of PHP 2 million for international freight forwarders and PHP 10 million for foreign investors reinforce the FDI restrictions which could "limit market entry, increase consumer prices with spill-over effects across the economy, reduce economic growth, job creation, transfer of know-how, and innovation." Read the original article

➢ The unprecedented growth that the logistics segment is currently experiencing is a major influence to attract foreign investments. With intense competition among markets to attract FDI, major policy initiatives targeted towards the segment will help position the country in the front run.

❑ *News article cited*   ➢ *C&W Philippines Research view*

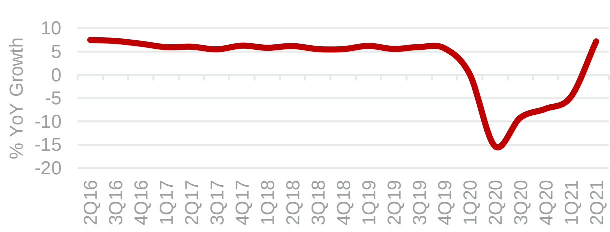
RETAIL

❑ The amendment to the Retail Trade Liberalization Act is now waiting for formal approval of Congress before seeking the approval of the Executive body. The bicameral body in Congress agreed to settle the minimum investment for foreign retailers at PHP 25 million with per-store minimum requirement of PHP 10 million. The new minimum capital requirement is a compromise from the previously eyed PHP 50 million set by the Senate while the House of Representatives was looking at an even lower PHP 10 million minimum investment requirement. This move, however, was not very much welcomed by the Philippine Retailers Association (PRA) due to its effects on the micro-, small-, and medium-sized enterprises (MSMEs) which are heavily vulnerable to foreign competition which has the advantages of "efficient lower cost supply chain and government support." Under the current Retail Trade Liberalization Act (RA8762), the minimum capitalization that will allow foreign investors to own domestic retail enterprises is at USD 2.5 million, well above the minimum set by other countries in ASEAN. Read the original article

➢ The recent amendment to the Retail Trade Liberalization Act which eases the entry of foreign retailers signals positive stimulus to global retailers and helps support the segment's recovery particularly in the area of new job creation in retail. The global best practices of global retail players also bid well in the segment's shot at faster recovery given the post-pandemic market conditions.

▲ 7.2 % YoY

2Q 2021 Real Household Spending



Source: Philippine Statistics Authority

❑ *News article cited*   ➢ *C&W Philippines Research view*

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