PROPERTY MARKET NEWS

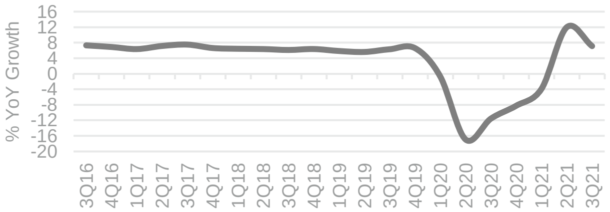
PHILIPPINES

DECEMBER 2021

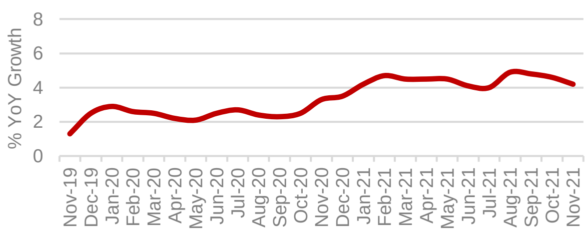
CUSHMAN & WAKEFIELD

GENERAL PROPERTY

7.1% YoY 3Q 2021 Real GDP



4.2% YoY Nov 2021 Headline Inflation



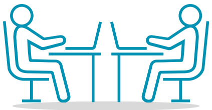
Source: Philippine Statistics Authority

- ❑ The next 12 to 24 months will bode well for the Philippine property sector on the back of a better operating environment and eased mobility while the increase in the rate of vaccination is seen to aid a sustainable economic reopening, according to First Metro Securities Brokerage Corp. The residential segment will continue to be fueled by the stable household purchasing power, labor market recovery, and continuous flow of overseas Filipino remittances, as well as the availability of credit to consumers. The further easing of restriction will facilitate a faster rebound of sales in the retail segment and will finally put the rental reprieve to a halt. While it is observed that rental charges are at currently 30% to 50% of the normal levels, “landlords were now reevaluating rental concessions rather frequently to allow them to price in the recovering operating environment.” For the office segment, the regulatory pressures and data privacy risks will continue to restrict the full adoption of the work-from-home (WFH) setup, while the demand from the outsourcing sector will result in lower vacancy and an increase in rental rates.
  Read the original article

- ➢ The recovery of the Philippine property sector by the beginning of 2022 will likely be affected by the emergence of new COVID-19 virus mutations that could easily cloud market optimism that is slowly gaining momentum following the shift to a more liberal community quarantine policies in Metro Manila during the latter part of 2021.

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

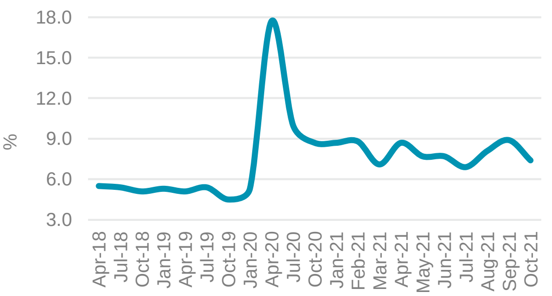
OFFICE



- ❑ The Philippine Economic Zone Authority (PEZA) appeals at the lifting of Administrative Order No. 18 which bans new economic zones, which allow locators to enjoy fiscal and non-fiscal incentives, in Metro Manila since 2019. Administrative Order No. 18 was issued with the aim of accelerating investments in rural areas. Nonetheless, PEZA noted that the policy will not immediately translate to increased investments in the countryside but would rather potentially deter new foreign investors that greatly prefer the capital region as their location. The majority of locators in various ecozones within Metro Manila are from the outsourcing industry which are also after the tax breaks that are granted to them when locating in an ecozone. After unsuccessful appeals to the current administration, PEZA will seek the policy change to the upcoming administration to further attract investments that are essential to faster economic recovery.
  Read the original article

- ➢ The implementation of Administrative Order No. 18 in 2019 was met with mixed reaction and C&W maintained that priority should instead be focused on equipping the rural locations with the much-needed support infrastructure developments and technologies to be able to compete with Metro Manila. The lifting of policy will boost the Philippines’ competitiveness in promoting investments as locators remain to put greater preference in locating to the major business hubs in the capital region.

7.4% Oct 2021 Unemployment Rate



Source: Philippine Statistics Authority

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

PHILIPPINES

DECEMBER 2021

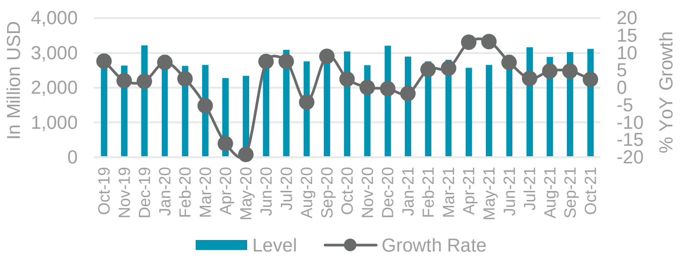
RESIDENTIAL

- After two consecutive quarters of year-on-year (YoY) decline, the Bangko Sentral ng Pilipinas' (BSP) Residential Real Estate Price Index (RREPI) posted a growth of 6.3% in Q3 2021, with condominium units posting a price increase of 13.6% YoY while the prices of townhouses grew by a massive 37.1% YoY. Modest decline was recorded in duplex housing units by 0.2% YoY while single-detached/attached houses contracted by 4.2% YoY. The improvement in the overall RREPI was a result of the slight recovery of residential property demand due to brighter economic prospects while the low-interest-rate environment boosted the new residential property loans by 51.1% YoY in Q3 2021. Residential prices in National Capital Region also exhibited a faster growth by 11.4% YoY as compared to residential units outside Metro Manila which grew by 4.9% YoY.
  Read the original article

➢ The recovery of residential prices picks up speed along with the better-than-expected performance of the economy beginning in Q3 2021, encouraging an increase in residential transactions. The launches and completion of new residential supply are expected to slowly pick up as restrictions in construction activities were eased and as the developers start to catch up on their stalled development pipeline.

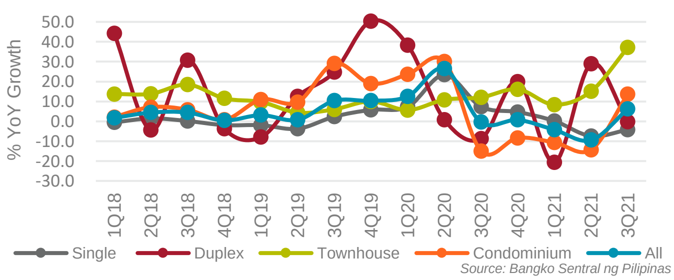
▼ 2.4% YoY

Oct 2021 OF Personal Remittances



▲ 6.3% YoY

3Q 2021 Residential Real Estate Price Index (Q1 2014 = 100)



Source: Bangko Sentral ng Pilipinas

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

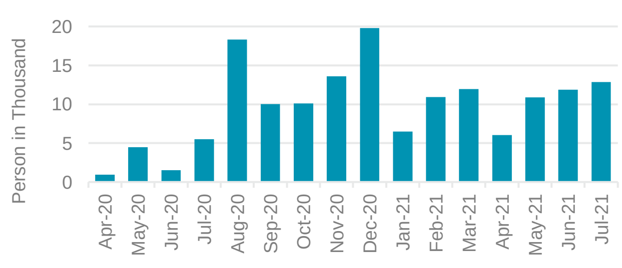
HOSPITALITY

- Whilst the hospitality segment's recovery to pre-COVID vibrancy could take up to four years or until international air traffic reverts to its 2019 level, the segment is seeing good recovery beginning in 2022 amidst the growing confidence of local tourists. Hotel operators are also urged to "redirect their marketing efforts and capture leisure as well the MICE industry" while waiting for the resurgence of business travel which could not be expected in the near term. In case of the threat of fresh infection surge due to the Omicron variant, the hospitality segment is seen to be more prepared to ensure the guests' safety and convenience.
  Read the original article

➢ The hospitality sub-sector made progress in Q4 2021 as consumers take the chance to travel domestically or just spend leisure time away from home to the hotels. Gradual improvements can be further observed in the segment if the Omicron variant situation will not aggravate to again restrict cross-border travel to capture pent-up demand from remote workers and leisure travelers.

▲ 11.8 Th Persons

Jul 2021 Foreign Visitor Arrivals



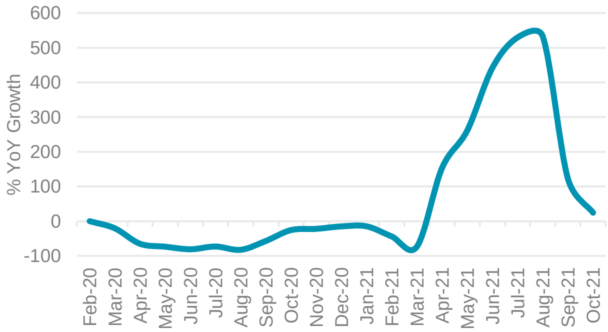
Source: Department of Tourism

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

INDUSTRIAL/LOGISTICS

24.7% YoY

Oct 2021 Volume of Production Index (2018 = 100)



Source: Philippine Statistics Authority

- Flash Express, a Thailand-based courier and logistics service company, extended its operations in the Philippines drawn by the country's burgeoning e-commerce market as shown by the significant increase in the online business category during the pandemic period. As the company shares the optimism on the growth of the logistic segment, it eyed having at least 300 distribution centers across the country in 2021 as it aims at becoming a leader in delivery and courier services in the Philippines.
  Read the original article

- ➢ The industrial and logistics segment shines through its resilience throughout the course of the pandemic and will continue to see the biggest upturn in 2022 fueled by sustained growth in the country's online economy. As the segment continues to attract interest among foreign investors, the country should look at relaxing further the rules to entry of foreign players to attract investments.

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

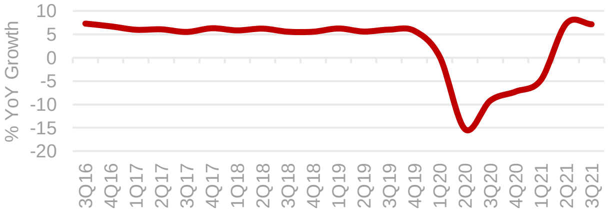
RETAIL

- The holiday season is seen to boost the sales of the local retailers despite the threat of the Omicron variant, in anticipation of the "revenge spending" habit of consumers during the season. Whilst it will not likely cover in full the drop in sales since the onset of the pandemic, it should partially help recover some of the lost revenue. Spending is also expected to be boosted by the upcoming national elections, especially in the food retail industry, as part of the campaign efforts of the aspirants. The retail industry stakeholders are seeing better prospects for the segment as long as operations will not be halted despite the ongoing threat of the Omicron variant. The sector is relying heavily on the improvement of vaccination rate and contact tracing to mitigate the impacts of the entry of the new COVID variant in the country.
  Read the original article

- ➢ The holiday season has given people the push to spend more although sustaining this positive momentum remains heavily linked to the further reopening of the economy and improvements in macro indicators, such as inflation and employment levels, that greatly affect consumer confidence.

7.1 % YoY

3Q 2021 Real Household Spending



Source: Philippine Statistics Authority

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

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