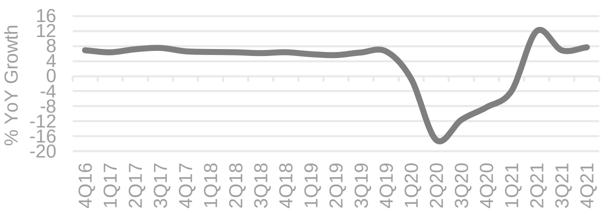
PROPERTY MARKET NEWS

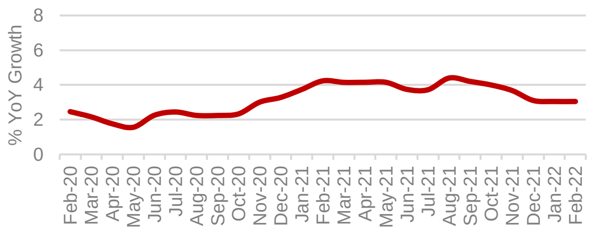
PHILIPPINES

MARCH 2022

7.7% YoY **4Q 2021 Real GDP**



3.0% YoY **Feb 2022 Headline Inflation**



Source: Philippine Statistics Authority

GENERAL PROPERTY

- ❑ The enactment of the Republic Act (RA) No. 11659 which amends the 85-year old Public Service Act (PSA) is expected to attract foreign investments totaling around USD 100 billion in a period of two years as it allows full foreign ownership of various economic sectors in the Philippines. The country's foreign investment openness in these sectors is now comparable to its ASEAN peers such as Singapore, Thailand, and Vietnam. Along with the recently-enacted RA No. 11647 which amends the Foreign Investments Act of 1991 and the Retail Trade Liberalization Act, the amended PSA is seen to aid economic recovery from the pandemic onslaught, assist in job generation, and promote sustainable long-term growth. These new laws will also improve the basic services offerings to Filipinos as it promotes a more competitive public sector and generates interest among investors for modernized public services in telecommunications, shipping, air carriers, railways, and subways.
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- ➢ Easing foreign equity restrictions on public services will help revolutionize the sector as it promotes competition and adoption of global best practices among public service companies. The influx of new investments is seen to not only boost the short-term economic growth but also deliver the much-needed digital transformation, as well as enhance the efficiencies in key sectors such as transport and logistics, benefitting the Philippine property market.

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

OFFICE

- ❑ With the impending expiration of the government-issued resolution that allows Philippine Economic Zone Authority (PEZA) registered IT-BPM companies to implement work-from-home (WFH) arrangements (for up to 90% of its workforce and still avail of the fiscal incentives), PEZA is set to issue a memorandum circular that will allow registered BPO companies to implement a hybrid work model wherein 70% will work onsite while the remaining 30% will work from home. PEZA's announcement comes after its unsuccessful appeal to the Foreign Investment Review Board (FIRB) to extend the validity of the 90-10 WFH-onsite work arrangement past its expiration on March 31. According to PEZA, the memorandum circular will apply the same logic as its current 70-30 export-domestic sales/services ratio requirement wherein registered business enterprises (RBEs) are allowed to have 70% of their production for export and 30% for the domestic market.
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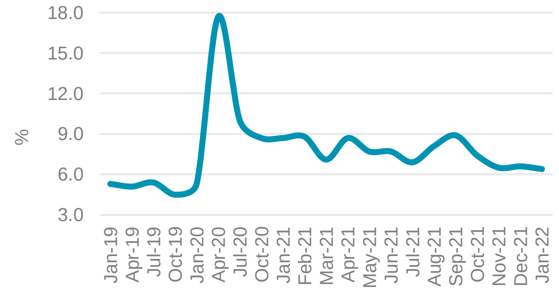
- ➢ While the return to office is a desirable scenario that will not only hasten the office sub-sector recovery but also stimulate activities in the rest of the country's real estate sub-sectors, particularly in retail and residential sub-sectors, it is also evident that the work-from-home scenario has gained a significant footing that may upend its full implementation. With many companies and employees seen thriving in the current setup, it is necessary to develop optimal policy responses on implementing agile working practices that will balance the country's competitiveness and economic benefits.

6.4% **Jan 2022 Unemployment Rate**

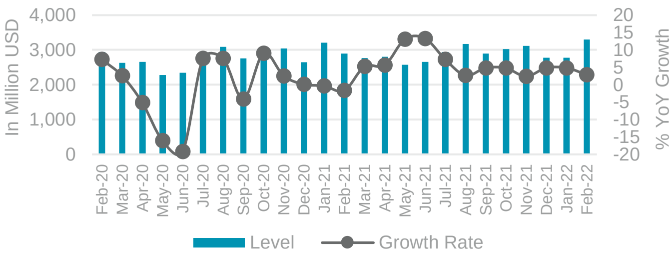


Source: Philippine Statistics Authority

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

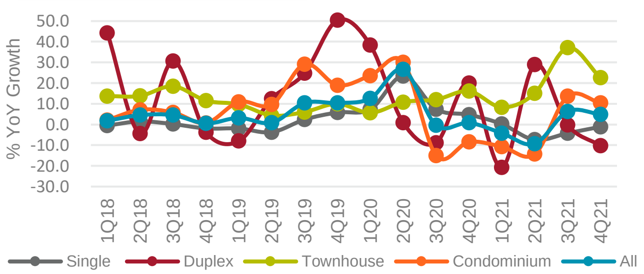
2.5% YoY

Feb 2022 OF Personal Remittances



4.9% YoY

4Q 2021 Residential Real Estate Price Index (Q1 2014 = 100)



Source: Bangko Sentral ng Pilipinas

RESIDENTIAL

❑ With the easing of the mobility and business restrictions that drive the demand for residential real estate, the country's Residential Real Estate Price Index (RREPI) grew by 4.9% YoY in Q4 2021, faster as compared to 0.8% YoY during the same period last year. The prices of residential properties outside Metro Manila grew by 5.1% YoY in Q4 2021, just slightly above the recorded growth for properties in the capital region which increased by 5.0% YoY. In terms of performance by property type, townhouses and condominium properties grew by 22.6% YoY and 10.4% YoY, respectively, offsetting the recorded decline in the prices of single detached/attached and duplex properties which contracted by 1.1% YoY and 10.2% YoY, respectively. As of end-2021, the Bangko Sentral ng Pilipinas (BSP) noted that the average appraised value of new housing units in Metro Manila stood at PHP 115,235 per square meter (sq.m), significantly above the PHP 49,905 per sq.m average for areas outside the capital region and the PHP 74,347 per sq.m national average.
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➢ The reduced level of COVID-19 related anxieties and the gradual implementation of return to office plans will facilitate the resurgence of demand for residential condominiums in major business districts. Nonetheless, residential demand in the provinces will be bolstered by further improvements in transport infrastructures that also encourage residential property developments in these areas.

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

HOSPITALITY

❑ Loan applications from the Travel and Tourism sector is seen to surge following the further easing of documentary and quarantine requirements for domestic and international travel and the increased demand for COVID-19 Assistance to Restart Enterprises (CARES) from typhoon Odette-hit tourism destinations in the Philippines. The Small Business Corp. (SB Corp.) noted that it has already approved around PHP 278 million in loans from the Travel and Tourism sector and currently processing around PHP 524 million more. The financing arm of the Department of Trade and Industry (DTI) further noted that the extended lockdown period and the uncertainty in the sector have caused the industry to fall behind the multi-sectoral MSMEs in terms of availing of loan assistance from the government. Under the Bayanihan 2 Act, SB Corp. was granted PHP 7.93 billion loan funds of which PHP 4 billion was for travel and tourism while the remaining PHP 3.93 was set for loans to multi-sectoral MSMEs. To date SB Corp. has already granted PHP 5.9 billion to MSMEs, exceeding the original fund allocation.
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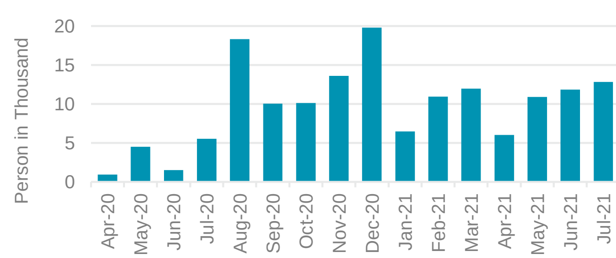
➢ The hospitality industry will see a continued improvement over the medium-term as foreign and domestic travel restrictions are eased. A boost in tourism infrastructure development will drive the industry to regain its lost momentum and support its full recovery over the long term, as the short to medium-term outlook remains highly susceptible to future global and local surges.

11.8 Th Persons

Jul 2021 Foreign Visitor Arrivals



Source: Department of Tourism

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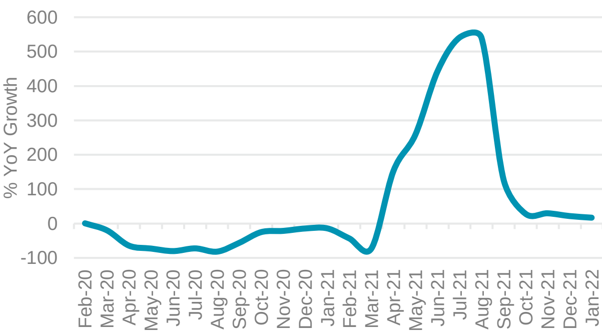
INDUSTRIAL/LOGISTICS

16.5% YoY

Jan 2022 Volume of Production Index (2018 = 100)



Source: Philippine Statistics Authority

- ❑ SpaceDC, a Singapore-based data company, is eyeing to build the country's largest hyperscaler data center in Cainta, Rizal. The facility will be known as MNL1 Data Center, and it is announced to involve around USD 700 million worth of investment according to the Department of Trade and Industry (DTI). With its proposed capacity of 72-megawatt, it is intended to serve hyperscalers which are "global technology companies providing cloud and internet-based services, which require huge amounts of space, power, and connectivity because of their massive customer base and user demand surges" upon the start of its operations which is targeted by end of 2022. To be powered by renewable energy, the investment is anticipated to stir more interest in the development of renewable energy in the country. Furthermore, figures from Global Data show that Philippine enterprise spending on cloud services is seen to reach USD 1.8 billion to USD 2.6 billion by 2024.
  Read the original article

- ➢ Data centers as a specialized asset class have become an increasingly attractive investment along with the pressure for businesses to adopt digital transformation. The country, however, still has to address the improvement of a sustainable power supply and digital infrastructure in order to support the growth of these assets and further attract major global players.

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

RETAIL

- ❑ Following the enactment of RA No. 11595 which amends the Retail Trade Liberalization Law, foreign investors are now waiting for its Implementing Rules and Regulations (IRR) to be issued in order to materialize their planned investments in the country's retail trade sector. The National Economic and Development Authority (NEDA) has already noted potential investments from retailers from Japan (mainly for convenience store expansion and specialty restaurants), Indonesia (for pharmaceuticals), China (for food services and motor vehicle retail operations), South Korea (for feeds and food franchises), and UAE (for medical equipment and food).
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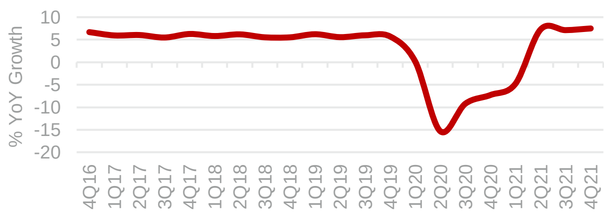
- ➢ Retail vacancies are seen to taper off in the mid-term as the signs of economic resurgence become more blatant to encourage increased consumer spending and the entry of new locators as well as store expansions. Also, the new supply of retail space is seen to continuously lag as compared to other more resilient sub-sectors such as office, residential, and industrial.

7.5 % YoY

4Q 2021 Real Household Spending



Source: Philippine Statistics Authority

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

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