



GENERAL PROPERTY

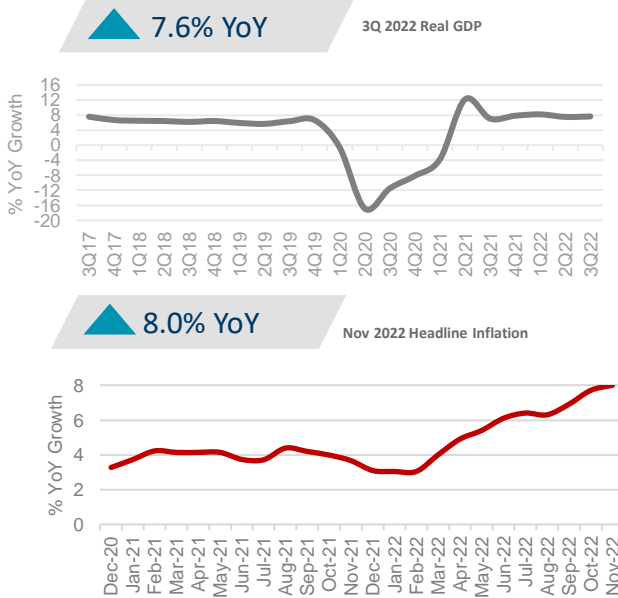
With the aim of bringing the inflation rate between the 2%-4% range by Q3 2023, the Bangko Sentral ng Pilipinas (BSP) signaled further tightening in 2023 with the possibility of fresh rate hikes to be delivered in the Monetary Board's (MB) first two meetings this year. Whilst the policy rate decisions will be based on data, the BSP noted that the tightening cycle will unlikely pause in the first two MB meetings and that the terminal policy rate could reach 6% by end of 2023. The benchmark interest rate of 5.5% is now at its highest since November 2008, after the BSP delivered a 50 basis points (bps) increase in December and a total of 350 bps since May 2022. The

decision was prompted when inflation surges to 8% in November 2022, the highest in 14 years and which brings the full-year average to 5.6%. The upcoming rate hikes in 2023 could be smaller at 25-bps or 50-bps rate increases whilst subject to a number of local and global uncertainties. [Read the original article](#)

The aggressive rate hikes and economic uncertainties on a global scale will likely delay the full recovery of the real estate sector in the short- to medium-term. The sector is seen to move beyond the headwinds buoyed by the country's long-term growth prospects, which are in a relatively bright spot in comparison to its neighboring countries.

News article cited

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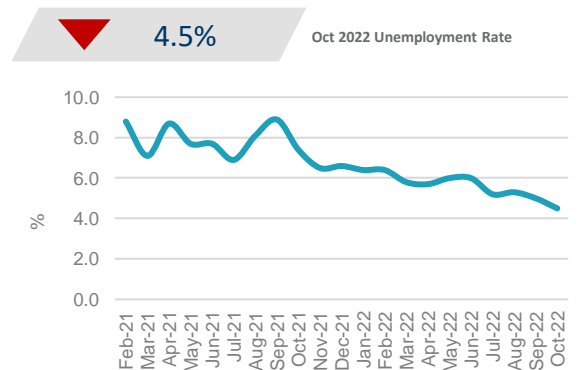
Source: Philippine Statistics Authority

OFFICE

A report by the Department of Labor and Employment (DOLE) noted a decline in the number of employees that are covered by telecommuting work arrangement (TWA) in the past three months to November 2022. The November figure of TWA was at 39,502, lower than the 71,406 workers recorded a year ago, whilst still above the recorded 37,434 employees two years prior. Following the sustained easing of the pandemic restrictions, around 5,146 companies have enforced a flexible work arrangement (FWAs) in the first 11 months of 2022, a massive decline from 16,586 establishments during the same period in 2021. The FWAs across all types exhibited a year-on-year (YoY) decline in the number of affected employees with the biggest decline recorded in the

'reduction of workdays' by 262,779 employees, followed by the 'others' category – defined as modes that do not fall under any of the FWA categories – which declined by 90,082 employees, and 'rotation of workers' which fell by 44,966 employees. [Read the original article](#)

The flexible working setup is expected to be sustained through 2023 as it is seen as an important factor for employee retention and development. The Fiscal Incentives Registration Board (FIRB) extended the validity until January 31, 2023 of Resolution No. 026-22, which will allow affected registered business enterprises in the IT-BPM sector to adopt, on a long-term basis, flexible work arrangements without adverse effects on their tax incentives.



Source: Philippine Statistics Authority

News article cited

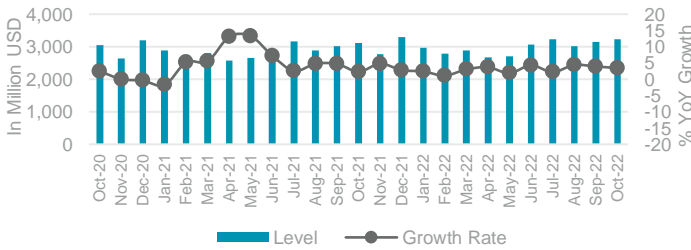
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RESIDENTIAL

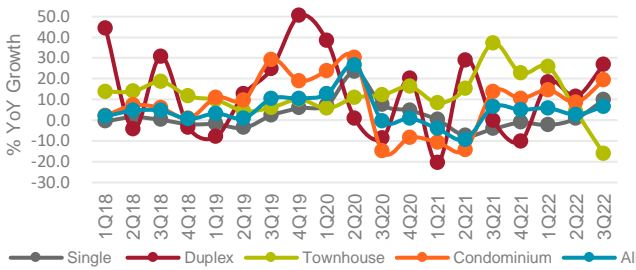
▼ 3.5% YoY

Oct 2022 OF Personal Remittances



▲ 6.5% YoY

3Q 2022 Residential Real Estate Price Index (Q1 2014 = 100)



Source: Bangko Sentral ng Pilipinas

□ In Q3 2022, the BSP's Residential Real Estate Price Index (RREPI) rose by 6.5% YoY, faster than the recorded growth of 2.6% YoY in Q2 2022 and 6.3% YoY a year ago. In terms of performance by residential property types, price increases accelerated for duplex properties by 26.7% YoY, condominiums by 19.2% YoY, and single detached/attached units by 9.8%; whilst townhouse properties declined by 16.3% YoY. The prices of residential properties in Metro Manila grew by 17.5% YoY in Q3 2022 as compared to 6.3% YoY in the previous quarter, outpacing the properties located outside the capital region which grew by 2.3% YoY in Q3 2022 from 2.2% YoY in Q2 2022. The average appraised value for new residential units in Metro Manila was PHP 139,283 per sq.m while properties outside Metro Manila were valued at an average of PHP 47,129 per sq.m. The national average appraised value for new housing units was set at

PHP 84,589 per sq.m. Meanwhile, the bank's residential real estate loans (RREs) in Metro Manila and areas outside the capital region contracted by 2.0% YoY and 5.7%, respectively, bringing the overall decline in RREs to 4.2% YoY.

[Read the original article](#)

➤ *Residential condominium demand in Metro Manila, particularly the high-end segment, is seen sustainable despite the rising cost of living and interest rates as business operations, particularly the return to office scenario, become more prominent amidst further reopening in 2023. The unfavorable economic conditions, however, are likely to be weighing heavily on the growth of demand for mid-end housing projects in the mid-term.*

□ News article cited

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HOSPITALITY

□ The tourism industry is expected to see a boost in foreign visitor arrivals by 50% in 2023 from the set target of 1.7 million visitor arrivals by the Department of Tourism (DOT) for 2022, whilst also noting that the actual count of foreign arrivals for the year is estimated to be above 2.4 million. For 2023, the low scenario was set at least 2.6 million foreign arrivals while the high scenario target is at 6.4 million. The executive department further stresses the significance of "improving tourism infrastructure, establishing cohesive digitalization and connectivity, enhancing the country's overall tourism experience and equalizing

product development" in order to boost the country's attractiveness for international tourism.

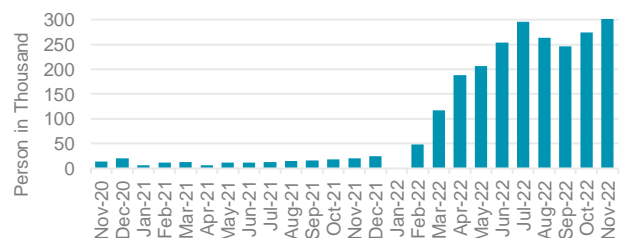
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➤ *The travel and tourism industry is on a strong course of growth and is expected to deliver a much better performance this year amidst the anticipated lifting of flight bans from various countries. The increase in international tourism activities; resumption of Meetings, Incentives, Conventions and Exhibitions (MICE) events; and strong domestic tourism are seen to boost occupancy rates in hotel and accommodation establishments.*



▲ 324.6 Th Persons

Nov 2022 Visitor Arrivals



Source: Department of Tourism

□ News article cited

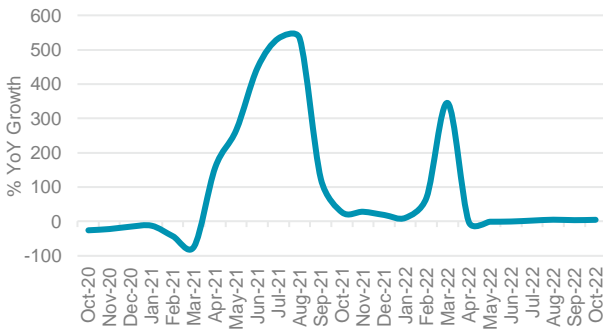
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INDUSTRIAL/LOGISTICS

▲ 5.1% YoY

Oct 2022 Volume of Production Index (2018 = 100)



Source: Philippine Statistics Authority

□ In 2023, the country's economic growth will be led by the services sector, as well as the industries of business process outsourcing (BPO), semiconductor, and infrastructure. In Q3 2022, the services sector grew by 9.1%, the fastest among industry sectors, remaining the biggest contributor to the Philippine gross domestic product (GDP). The services sector can further leverage digital technology advancement as many of the current transactions no longer require face-to-face presence, whilst improvement in the country's internet infrastructure is deemed necessary to realize its full potential. Meanwhile, the semiconductor industry is seen to benefit from the ongoing new chips ban on China by attracting US chipmakers to locate in the country instead. Also, the country's electronics exports remain strong. Growing

by 12.9% in 2021 to USD 45.92 billion, it is the country's top export category as it accounts for 60.6% of the total commodity exports. The BPO industry will remain the major employment driver in the country as it eyes to generate up to 1.1 million direct employments by 2028; while investment in infrastructure should remain a key priority to close the country's infrastructure gap to its regional peers.

[Read the original article](#)

➤ *Long-term investment targets in the industrial property segment present a strong case given the explosive growth of the country's digital economy. Complementing the demand from e-commerce companies, the resurgence of the manufacturing and trade industries can represent another boon for industrial real estate investors.*

□ News article cited

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RETAIL

□ Weighed down by the elevated level of prices and interest rates, as well as the depreciating currency, the consumer confidence index further fell to -14.6% in Q4 2022, from -12.9% last quarter. The recent decline marks the 10th consecutive quarter of pessimism since the index deep-dived to -54.5% in Q3 2020, albeit still an improvement from -24% in Q4 2021. For Q1 2023, consumers are also more pessimist as the index fell to 9.5% from 13.4% previously, mirroring their outlook for the next 12 months with the index declining to 21.7% from 33.4% previously. Also, the business confidence index slipped to 23.9% in Q4 2022 from 26.1%

in the previous quarter and 39.7% a year ago. Moreover, the businesses are pessimistic for the next 12 months with the index declining to 46.2% from 57.7%, as they anticipate the financial condition and access to credit to be tighter.

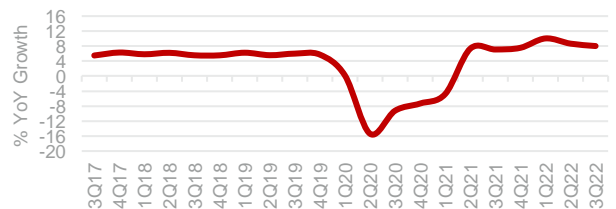
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➤ *Despite the dampened consumer and business confidence, the retail segment is seen to exhibit a stronger performance this year as foot traffic is on track to revert to pre-pandemic levels. With e-commerce continuing to gain prominence, retail brands will continue to benefit from the integration of physical and virtual elements.*



▼ 8.0 % YoY

3Q 2022 Real Household Spending



Source: Philippine Statistics Authority

□ News article cited

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