PROPERTY MARKET NEWS

PHILIPPINES

OCTOBER 2022

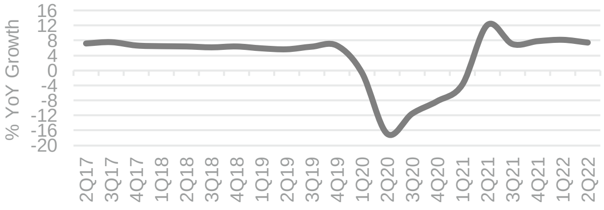
GENERAL PROPERTY

- ❑ Advancing the Philippines' global value chains (GVC) by one percentage point corresponds to an increase in the country's gross domestic product by more than one percent, according to World Bank's Global Value Chain report. To achieve this, the country could leverage in three areas which it has comparative advantages, namely: Industrials, Manufacturing, and Transport (IMT); Technology, Media, and Telecommunications (TMT); and Health and Life Sciences (HLS). Fully utilizing the country's strong position in IT-BPM; manufacturing of electronics and components; and providing skilled nurses, seafarers, and a healthy labor force is deemed important in advancing the Philippines' GVC participation. The country, nonetheless, needs efforts in prepping the country's talent and skills to match what the industries currently need. Successfully leveraging these strong positions is seen to assist in sustaining economic growth, creating more jobs, and reducing poverty.
  [Read the original article]

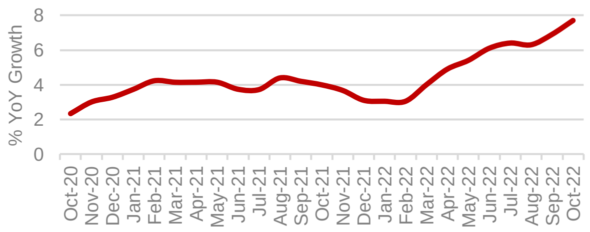
- ➢ *Fostering innovation and advancement in these industries will play a major role in boosting economic recovery and resiliency, as well as in strengthening the country's position against neighboring countries. The development of these industries will provide further impetus to the growth of new real estate asset classes.*

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

▼ 7.4% YoY **2Q 2022 Real GDP**



▲ 7.7% YoY **Oct 2022 Headline Inflation**



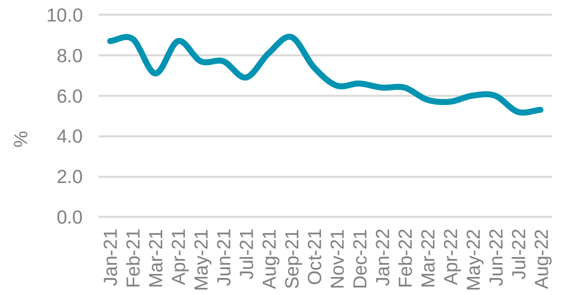
Source: Philippine Statistics Authority

OFFICE

- ❑ Following the long-standing disagreement between the government and the Information Technology and Business Process Management (IT-BPM) industry stakeholders regarding the extension of the implementation of the work-from-home (WFH) setup for Philippine Economic Zone Authority (PEZA) registered IT-BPM companies, the former has finally determined to allow agile working arrangements for employees by letting PEZA-registered BPO companies transfer their registration to the Board of Investments (BoI). Under the current law, PEZA-registered BPO companies may only avail of the fiscal incentives if most of their works are performed within economic zones. The proposed transitions from PEZA to BoI will allow these operators to maintain their tax breaks without having to implement the full return to office of their employees, as previously mandated. The government "strongly recognizes the need to integrate new, adaptive, and sustainable workforce models" as a much-needed action to boost the Philippines' competitiveness in the IT-BPM industry.
  [Read the original article]

- ➢ *With the persisting global uncertainties, real estate expansionary demand from new and existing multinational companies is expected to be delayed to Q1 2023. Seeing that many of these multinational companies, particularly, the IT-BPM companies, have embraced flexible working practices, implementing policies for agile business models will help attract and maintain international office market locators.*

▲ 5.3% **Aug 2022 Unemployment Rate**



Source: Philippine Statistics Authority

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

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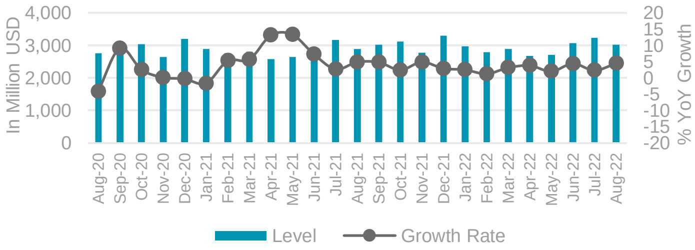
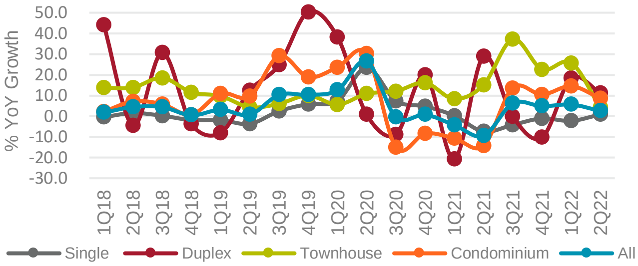
4.4% YoY

Aug 2022 OF Personal Remittances



2.6% YoY

2Q 2022 Residential Real Estate Price Index (Q1 2014 = 100)



Source: Bangko Sentral ng Pilipinas

RESIDENTIAL

- Amidst the burgeoning housing backlog, which is now estimated at 6.5 million, the government is urging the support of private banks and government financial institutions to assist in addressing the issue. President Ferdinand Marcos Jr. calls that these institutions will craft an effective financing scheme that will assist the government's housing program. The government is also looking at incentivizing the housing segment to encourage the participation of private banks. Meanwhile, the Department of Human Settlements and Urban Development (DHSUD) is now looking at building about one million residential units annually for a total of six million units until the end of the term of the current administration in 2028, targeting "in-city, mix-use residential hubs" for minimum-wage earners and middle-class consumer segment.
  [Read the original article]

➢ *During the pandemic, a shift in homebuyer preferences was observed in favor of location and density, boosting demand in provincial areas especially those in strategic locations along major infrastructure developments. Whilst several new residential developments in these areas continue to emerge to cater to this rising demand, the affordable housing market remains largely unserved due to the enormous supply-demand gap for this segment, attributable to the lack of investment incentives for private developers and structural support and infrastructures for the buyers.*

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

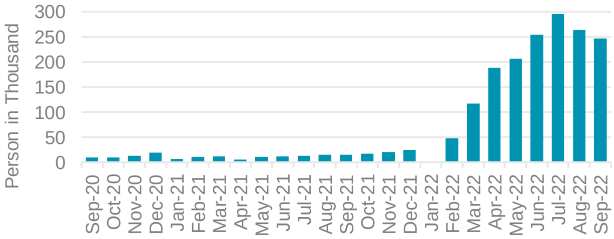
HOSPITALITY

- Hotel operators are currently noting an occupancy rate of between 60-80%, boosted by eager travelers during long weekends where some operators recorded occupancy rates of up to 50-90%, despite the bad weather situations that disrupted many travel plans. Hotel occupancy rates are expected to reach pre-pandemic levels in 2024 with both international and domestic air traffic resuming to the 2019 levels which were at 8.2 million and 110 million, respectively. The hospitality and tourism industry performance will continue to be impacted by changes in air travel fares, flight availability, and the global situation which includes the position of the Russia-Ukraine conflict which bears a great impact on long-haul travel.
  [Read the original article]

➢ *Tourism activities continue to pick up along with the relaxation of travel restrictions and the hospitality sector is expected to see better occupancies given the seasonal surge in demand, whilst the cost-of-living crisis brought about by high inflation rates will weigh in on its momentum, both for local and international travels, in the medium term.*

246.9 Th Persons

Sep 2022 Visitor Arrivals



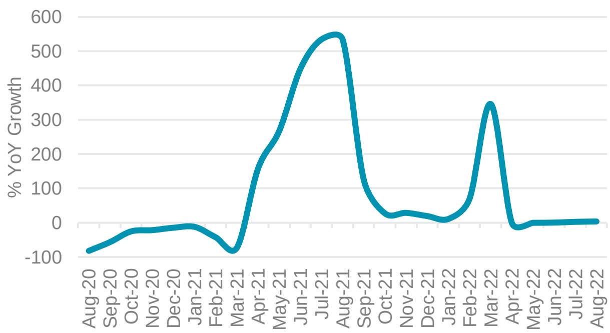
Source: Department of Tourism

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

INDUSTRIAL/LOGISTICS

3.5% YoY

Aug 2022 Volume of Production Index (2018 = 100)



Source: Philippine Statistics Authority

- ❑ A report by Google, Temasek, and Bain & Co. estimate the country's digital economy to grow at a compound annual growth rate (CAGR) of 20% to reach USD 35 million by 2025, from USD 20 billion this year. The growth of the digital economy will be led by the e-commerce sector which is seen to be valued at USD 22 billion by 2025, translating to a CAGR of 17%. Other drivers of growth include online travel which is seen to reach USD 4 billion in 2025 (CARG of 44%), transport and food which is seen to balloon to USD 4 billion (CARG of 29%), and online media is expected to be valued at USD 5 billion (CARG of 18%). Meanwhile, the growth of the digital financial services sector will be led by lending and remittance by a CARG of 53% and 25%, respectively, to reach USD 8 billion each by 2025. Digital payments and investments are seen to hit USD 123 billion (CARG of 18%) and USD 1 billion (CARG of 50%), respectively, while insurance is seen to be valued at USD 0.4 billion USD (CARG of 51%) in 2025. The country is seen is to attract future investments as it is considered among the "hot spots" for investments over the long term, along with Indonesia and Vietnam, owing to a large portion of these countries' populations that remain unbanked.
  Read the original article

- ➢ *As e-commerce evolved to be a major influence on how enterprises do business, it continues to drive a steady expansion of the industrial segment, especially in warehousing and logistics. With many companies scaling up their online operations, e-commerce will continue to fuel industrial segment demand amidst the gradual recovery of the manufacturing sector.*

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

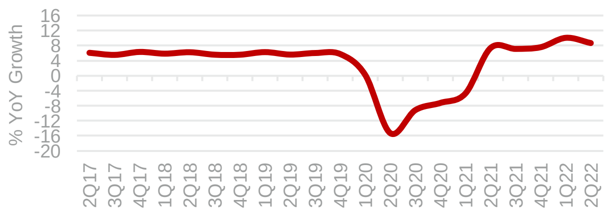
RETAIL

- ❑ SM Markets, the food retailing arm of SM group, is eyeing to open seven new stores in Luzon before the end of 2022 as the company remains optimistic about growth notwithstanding the economic uncertainties. Six of the new stores will be in locations outside Metro Manila, namely: Deca Homes Marilao in Bulacan; Tanza, Cavite; EB Town Center in San Jose Del Monte, Bulacan; Sorsogon City; Tuguegarao City; and Taytay, Rizal. The seventh property will complement the Air Residences in Makati. SM Markets is already noting an improvement in the sales of fresh products, snacks, beverages, and other school-related commodities while it sees sustained momentum in consumer spending growth following the implementation of the face-to-face classes and the upcoming holiday season.
  Read the original article

- ➢ *Despite the proliferation of e-commerce, traditional retail spaces geared towards the tenants offering essential goods and services are seeing a revival in physical store visits as business and economic activities resume normalcy. Nonetheless, retail space expansion is seen to lag its pre-pandemic pace amidst the impending full recovery of consumer confidence.*

8.6 % YoY

2Q 2022 Real Household Spending



Source: Philippine Statistics Authority

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

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