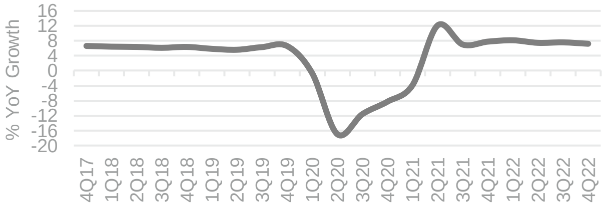
PROPERTY MARKET NEWS

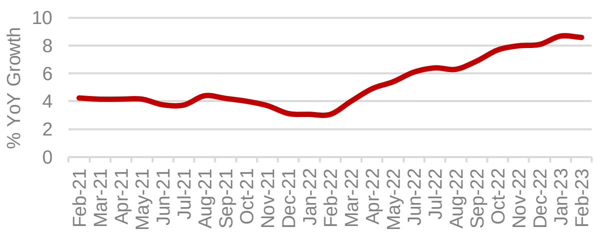
PHILIPPINES

FEBRUARY 2023

7.2% YoY 4Q 2022 Real GDP



8.6% YoY Feb 2023 Headline Inflation



Source: Philippine Statistics Authority

GENERAL PROPERTY

- The government is currently not keen on extending the country's status as being under a state of calamity due to the COVID-19 crisis as the number of infections in the country is now considered manageable. President Marcos noted the Philippines is now ready to move past the pandemic, citing that the country's healthcare system maintains a low occupancy rate for COVID-19 cases. Nonetheless, necessary precautionary measures should remain in place to manage the possibility of future surges. Moreover, the business sector notes that the availability of vaccines to the public should remain a priority even if the country is out of the emergency phase. With the lifting of the state of calamity status, the procurement of vaccines will have to go through the normal process of competitive bidding, whilst the Department of Health does not see the occurrence of a gap in the vaccination of the population against COVID-19 as the country is still expecting the arrival of fresh supply from donations, along with the procured vaccine doses. Read the original article

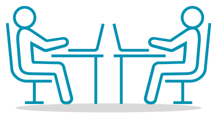
➢ *Emerging from one of the world's longest lockdowns to finally return to some sort of "normalcy" as the number of cases and transmission decelerates will encourage further economic growth. Nonetheless, the pandemic has clearly triggered trends that will transcend the crisis, among which is the accelerated development of a cashless society, along with the widespread adoption of digitization and e-commerce that will have lasting effects on businesses including the property sector moving forward.*

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

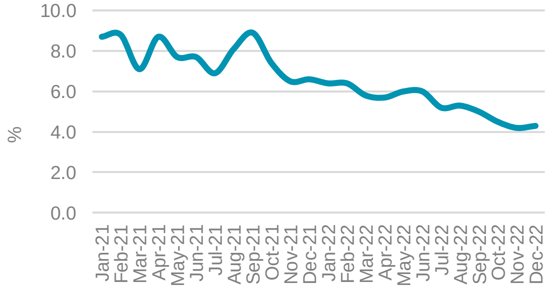
OFFICE

- The recently released Global Innovation Sustainability Index 2023 by Tholons has placed the Philippines in the 15th rank among the Top 50 Global Digital Nations. Also, the Philippines ranked 6th as a country with the greatest number of cities included in the Global Top 200 Global Cities, having 6 cities on the list. Previously known as the Top 100 Outsourcing Cities in the World, the number of cities in the Philippines recognized as top locations for BPO operations increased from 3 in the initial report in the late 2000s to 9 cities in 2016. In the initial report, the Philippines also ranked second, only next to India, while Metro Manila was included in the top 10 cities. Whilst the previous ranking performance highlights the country's strong position in the BPO sector, owing to the collective efforts of the government and industry stakeholders, as well as the implementation of the Next Wave Cities Program, the revision of criteria in 2017 to incorporate innovation has downgraded the Philippines' competitiveness, stressing the country's weakness in "nurturing innovation ecosystem." To address this, the country has recalibrated the Next Wave Cities Program to look into the "development of the cities into innovation hubs" before launching a rebranded campaign known as Digital Cities 2025. Read the original article

➢ *The integration of environmental, social and governance (ESG) and sustainable factors into business practices is gradually becoming a global trend with many investors taking into consideration the market's efforts in these aspects when making investment decisions. Building a business environment with these into consideration will present a positive impact in the corporate world and increase the businesses' edge over competitors.*



4.3% Dec 2022 Unemployment Rate



Source: Philippine Statistics Authority

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

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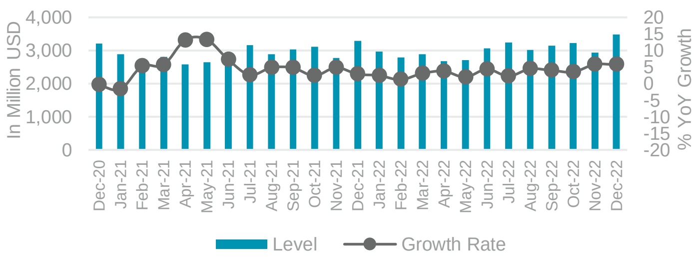
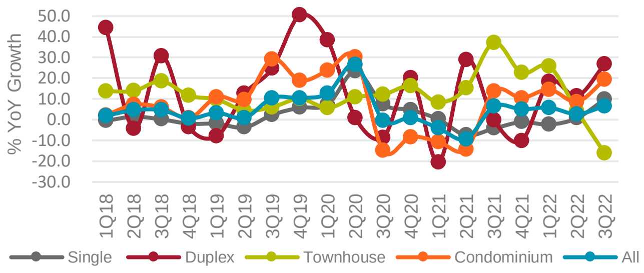
5.7% YoY

Dec 2022 OF Personal Remittances



6.5% YoY

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



Source: Bangko Sentral ng Pilipinas

RESIDENTIAL

- As the country's inflation rate remains high, surging at 8.7% in January 2023, the Bangko Sentral ng Pilipinas (BSP) has delivered another benchmark interest rate hike by 50 basis points (bps) which brings the policy rate to 6%. The policy rate is now at its 16-year high while the overnight deposit and lending facilities were set at 5.5% and 6.5%, respectively. The central bank also revised its inflation projection for 2024 upwards from 2.8% previously to 3.1% amidst the vibrant recovery of domestic demand. Inflation is also seen to continuously breach the 2-4% target band this year, averaging 7.7% in 1H 2023, 5.4% in Q3 2023, and 3.8% in Q4 2023. The central bank has signaled further policy rate hikes in the upcoming months which could be up to two 25-bp rate increases for the rest of 2023 to address the inflationary pressures. Read the original article

➢ *The strong prospects for overseas Filipino (OF) remittances will continue to buoy the demand for the mid-market residential segment. Whilst the effect of policy rate hikes will not immediately translate to increases in mortgage rates in the short term, the demand for the mid-market housing property segment will likely take a hit once it takes effect in the near term, especially with a high inflation rate environment that dampens consumers' purchasing power.*

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

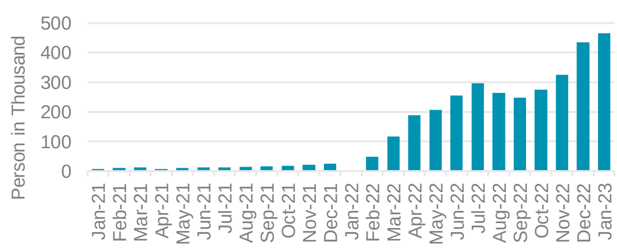
HOSPITALITY

- The "strong domestic tourism" has buoyed occupancy rates in hotels to surpass the pre-pandemic levels, reaching around 80% in the first month of 2023, from 60% to 70% in the same period prior to the COVID-19 outbreak. Whilst inbound tourism is slowly gaining traction, domestic tourism activities will remain the major driver of the sector, bolstered by the increased adoption of online booking platforms. The use of online platforms has surged as the pandemic requires consumers to go online with mobility restrictions in place. The hospitality segment operators, on the other hand, have directed marketing efforts toward domestic travelers to generate revenue. Currently, the government has several initiatives in place in order to attract key tourism markets to the Philippines, among which include the eyed issuance of electronic visas (e-visa) and the value-added tax (VAT) refund program. Read the original article

➢ *Hotel bookings are seen to recover in the upcoming months during the summer period especially in traditional destination areas from domestic tourists, amidst the shortage of skilled labor force in the industry. As the upward trend in the hotel segment is becoming more evident, hotel players should leverage social and technological developments to capture the demand of increasingly digital consumers.*

464.2 Th Persons

Jan 2023 Visitor Arrivals



Source: Department of Tourism

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

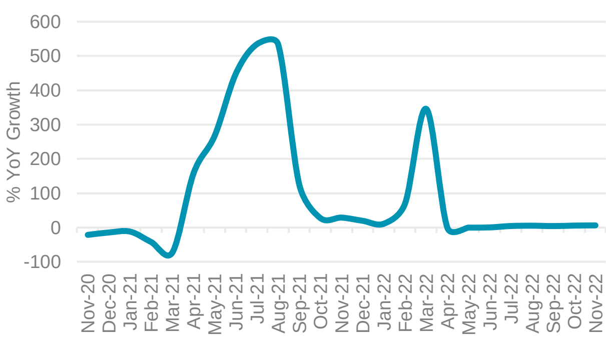
PHILIPPINES

FEBRUARY 2023

INDUSTRIAL/LOGISTICS

5.9% YoY

Dec 2022 Volume of Production Index (2018 = 100)



Source: Philippine Statistics Authority

- ❑ The Philippines' factory activity as represented by the S&P Global Philippines Manufacturing Purchasing Managers' Index (PMI) has reached a seven-month high in January this year to 53.5, which also marks its third consecutive month of increase. The index stood at 53.1 in December and 53.8 in June 2022, with the recent performance being buoyed by the increase in foreign demand. Improvements were both noted in output and new orders due to the rise in demand for manufactured goods, ranking the Philippines as the second country to have the highest PMI reading among six Association of Southeast Asian (ASEAN) member countries, next to Thailand (54.5) while Indonesia is ranked third with 51.3. Meanwhile, the factory activities of the other member countries namely Myanmar (49.6), Vietnam (47.4), and Malaysia (46.5) showed a contraction. Nonetheless, the overall ASEAN manufacturing sector remains in the growth phase with an index of 51 in January, from 50.3 a month prior.
  Read the original article

- ➢ *Market turbulences are seen to follow the global manufacturing sector amidst supply chain and geopolitical issues in the near term. Meanwhile, demand for industrial assets from the manufacturing segment is seen to gradually recover provided the effects of the global economic recession are temporary and weak.*

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

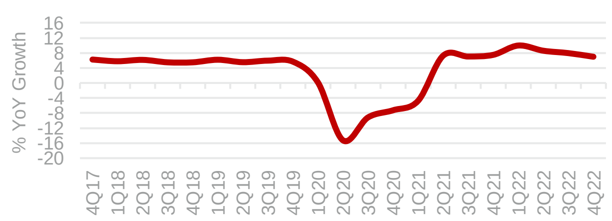
RETAIL

- ❑ Amidst surging inflation and interest rates, consumer spending in the Philippines is expected to post the steepest decline among Southeast Asian countries in 2023. The slump in spending is attributable to the growth of prices outweighing the increase in wages last year, significantly impacting the purchasing power of consumers. Notably, "the rise in the cost of living almost doubled compared to the rise in wages", and whilst the effect of the rising level of prices will not immediately manifest as "inflation usually work with a lag", consumers are likely to readjust spending pattern to match the rise in the cost of living. Overall, the rest of the ASEAN member countries are also expecting some slowdown in consumer spending whilst countries such as Vietnam, Malaysia, and Singapore are seen to exhibit some resilience.
  Read the original article

- ➢ *The rising level of prices may bite into consumers' appetite to some extent whilst the Philippine retail sector's growth is seen to maintain its growth momentum, sustained by the resumption of normal business operations. In order to consistently draw consumer traffic, the physical retail landscape needs to evolve to incorporate the 'shopping experience' shaped by the recent pandemic and move beyond shopping and leisure.*

7.0 % YoY

4Q 2022 Real Household Spending



Source: Philippine Statistics Authority

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

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