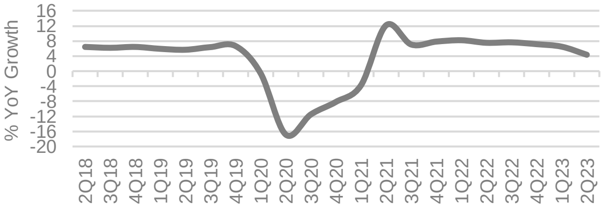
PROPERTY MARKET NEWS

PHILIPPINES

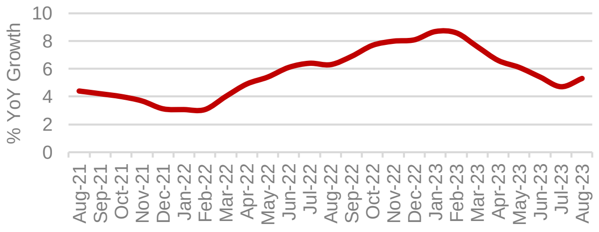
AUGUST 2023

CUSHMAN & WAKEFIELD

4.3% YoY — 2Q 2023 Real GDP



5.3% YoY — Aug 2023 Headline Inflation



Source: Philippine Statistics Authority

GENERAL PROPERTY

❑ Following the Philippine government's mandate to suspend the reclamation projects in Manila Bay to give way to a thorough review of the overall long-term environmental impact of these projects, business groups are weighing on its possible effects on investors' interest in general. Businesses raised concerns that it may create an uncertain environment for investors given that these projects have previously been approved and that their sudden suspension questions the consistency of government policies. Also, these actions may redirect future investment flow towards neighboring economies such as Vietnam or Thailand instead. The planned reclamation projects in the Bay area are seen to expand the cities of Manila and Pasay, which will assist in stabilizing land prices in these areas.
Read the original article

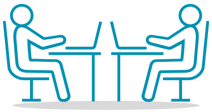
➢ *The growth of investments in the real estate market is due to favorable government policies that level the playing field for all players. On the other hand, inconsistent government policies serve as significant obstructions and undermine the risk management frameworks of investors.*

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

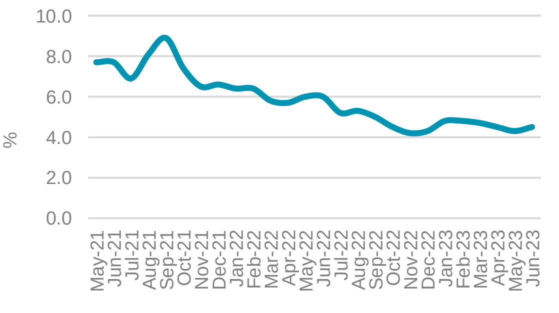
OFFICE

❑ Damosa Land, Inc. has recently opened the newest flexible office workspace in Cagayan de Oro, which is also the first flexible office workspace in Northern Mindanao. The Regus CDO Downtown Tower is a partnership between Damosa and International Workspace Group (IWG) and it has a 249-work seat capacity and around 1,136 sq.m. of office space. With the opening of the new facility, Damosa seeks to attract new businesses and investors to the region.
Read the original article

➢ *With a continuously evolving work culture, flexible offices are gaining more traction across mature, urban areas. From being a small fraction of office space pre-pandemic, it has rapidly evolved into a fast-growing segment designed to foster a flexible and inclusive work environment. Meanwhile, it also creates opportunities for companies to decentralize business operations from the main central districts to sub-urban locations without the need for a dedicated office space.*



4.5% — Jun 2023 Unemployment Rate



Source: Philippine Statistics Authority

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

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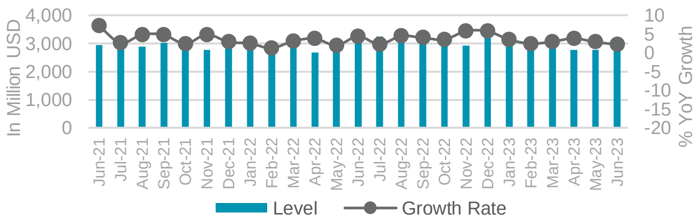
AUGUST 2023

CUSHMAN & WAKEFIELD

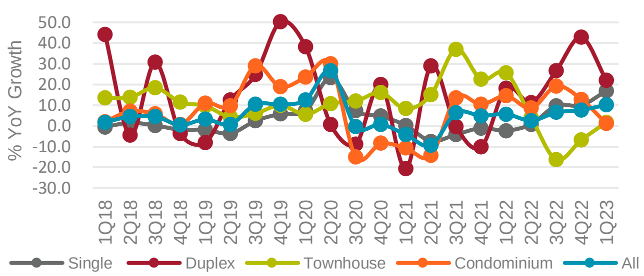
2.2% YoY

Jun 2023 OF Personal Remittances



10.2% YoY

1Q 2023 Residential Real Estate Price Index (Q1 2014 = 100)



Source: Bangko Sentral ng Pilipinas

RESIDENTIAL

- Overseas Filipino (OF) remittances in June 2023 increased by 2.1% YoY to USD 2.81 billion, from USD 2.75 billion in the same period last year. The remittance inflow in June was the highest recorded in six months since the USD 3.16 billion in December 2022, whilst the lowest in 13 months in terms of YoY growth since the 1.8% YoY increase in May 2022. Meanwhile, the recorded inflow in 1H 2023 of USD 15.79 billion is a 2.9% growth as compared to USD 15.35 billion in H1 2022. The recent performance of OF remittances is attributable to the improved economic conditions of host countries that resulted in increased demand for jobs and better wages for OF workers, as well as the stronger Philippine Peso in June, while the lower YoY growth performance was likely due to high base effect. In terms of OF remittance by source country, inflows for June 2023 were from the United States (41.1%), while the remaining bulk came from Singapore and the United Arab Emirates (UAE). Meanwhile, the future inflow is seen to be dampened by the economic slowdown risk in the United States as a result of the country's aggressive policy rate hikes, whilst further economic reopening in China is seen to buoy its performance.
  Read the original article

➢ *The promising performance of OF remittances can boost mid-end residential real estate amidst the lagged impact of higher mortgage rates. The hike in mortgage rates will potentially dampen the growth in demand and property prices in the medium-term.*

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

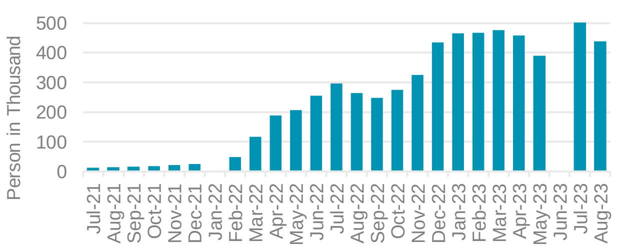
HOSPITALITY

- The anticipated opening of new hotel developments across the country is expected to worsen the shortage of workers in the industry, as many hotel employees have shifted to other industries or have found new sources of income when the hospitality sector was forced to halt operations during the onset of the COVID-19 crisis. In the next 15 months, the Hotel Sales and Marketing Association (HSMA) expects the opening of around 30,000 rooms, as developers and operators are now slowly resuming their stalled pipeline. Meanwhile, as these workers have found employment in the IT-BPM and other industries with remote set-up, it has made it challenging for the hospitality sector to get them to work in the industry again. As a result, many hotels implemented salary hikes in order to remain competitive in the market.
  Read the original article

➢ *The hospitality industry has made a significant recovery this year in terms of new supply and project launches as investors and developers bank on the anticipated recovery of international arrivals and the Meeting, Incentive Travel, Conferences and Exhibitions (MICE) industry, despite the drawbacks resulting from factors which include high inflation and staffing shortage.*

437.6 Th Persons

Aug 2023 Visitor Arrivals



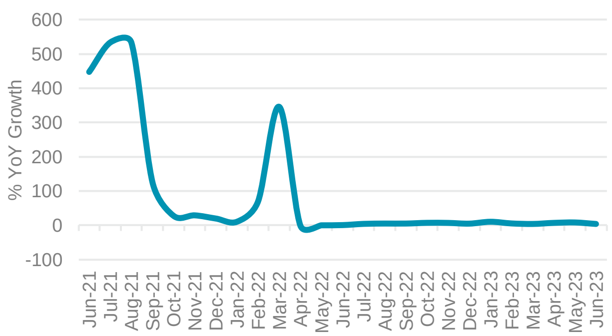
Source: Department of Tourism

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

INDUSTRIAL/LOGISTICS

▼ 3.4% YoY

Jun 2023 Volume of Production Index (2018 = 100)



Source: Philippine Statistics Authority

- ❑ Filinvest Land, Inc. has recently held the groundbreaking ceremony for the expansion of its industrial estate in Calamba, Laguna. The 50-hectare Filinvest Innovation Park-Ciudad de Calamba (FIP-CDC) is set to be expanded by another 25 hectares. Established in 2002, FIP-CDC is a PEZA ecozone which is set to offer a new supply of ready-built factory (RBF) and built-to-suit units upon its expected completion by end-2023, as well as industrial lots which are expected for completion by mid-2024. The new facilities will pass the Grade A specifications and will also include provisions for rooftop solar panel installation and rainwater harvesting. The expanded area is targeted to house logistics, e-commerce, and light manufacturing locators, which will further promote growth in the CALABAZON region.
  [Read the original article]

- ➢ *Industrial real estate is adapting to meet the growing demand of key market trends such as e-commerce and cold storage logistics. In order to thrive amidst the economic tailwinds, new development offerings should embrace innovations such as green initiatives, sustainable practices, and increased automation.*

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

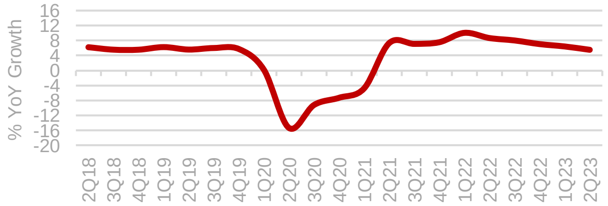
RETAIL

- ❑ With impending higher wage hikes set by Congress, the retail industry stakeholders warn of the inevitable job losses for the industry as many businesses will be forced to reduce staffing. Once the proposed wage increase is legislated, the Philippine Retailers Association (PRA) estimates around 50,000 jobs from the industry or around 10% of the industry's workforce will be shed. The PRA noted that retailers were already struggling to comply with the recently imposed PHP 40 wage hike in Metro Manila to be able to absorb the proposed higher wage hikes. Instead, the PRA suggests collective bargaining in setting up future hikes. Moreover, as many companies have their own labor unions, it is ideally up to them to negotiate for better wages and benefits for every renewal of contract and that legislated wage hikes will only force companies that are currently not in the position to impose them.
  [Read the original article]

- ➢ *With the loosening of restrictions and the eventual lifting of the COVID-19 health emergency in the country, consumers are back to retail developments, with footfall slowly reverting to pre-pandemic levels. Nonetheless, as the segment has had its challenging period in the past few years, along with the relatively slower level of consumer spending due to economic uncertainties, many retailers are still seeking steady ground. An increase in operating expenses could be another stumbling block for the segment, which has yet to recover from the pandemic.*

▼ 5.5 % YoY

2Q 2023 Real Household Spending



Source: Philippine Statistics Authority

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

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