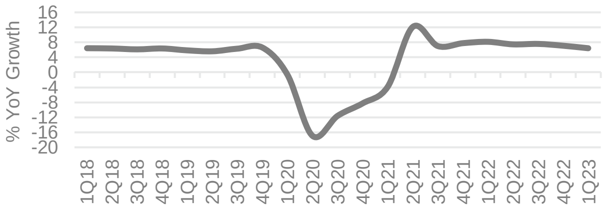
PROPERTY MARKET NEWS

PHILIPPINES

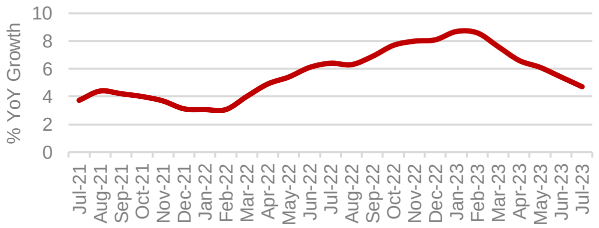
JULY 2023

GENERAL PROPERTY

6.4% YoY 1Q 2023 Real GDP



4.7% YoY Jul 2023 Headline Inflation



Source: Philippine Statistics Authority

- ❑ Attributable to the dampened demand due to the high-interest environment amidst the persisting contractionary monetary policy stance of the Federal Reserves, SM Prime Holdings, Inc. has withheld the filling of its own real estate investment trust (REIT) which was originally scheduled on Q3 2023. After the consecutive rate hikes for 10 straight meetings for a total of 500 basis points benchmark rate increase, the Fed eventually paused its tightening cycle in June 2023, although future rate hikes are still looming. Meanwhile, the Bangko Sentral ng Pilipinas (BSP) has following the Fed's stance which eventually raised the policy rate to a near 16-year high of 6.25%. With the higher rates, banks are said to be "siphoning off demand from the bond market" towards time deposits.
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- ➢ *As the overall demand for real estate is highly-sensitive to interest rate changes, investors continue to weigh on REIT in favor of other alternative forms of investments in the near term. Nevertheless, the long-term outlook on the Philippine REIT market remains positive once the challenges imposed by the global economic slowdown affecting the growth of various real estate sector demand drivers are hurdled.*

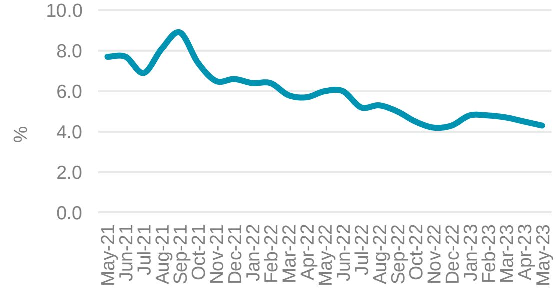
❑ *News article cited* ➢ *C&W Philippines Research view*

OFFICE

- ❑ The Philippine Economic Zone Authority (PEZA) is optimistic that the moratorium on new economic zones (ecozones) under the Administrative Order (AO) 18 will be lifted within 2023 as it will be superseded by the Corporate Recovery and Tax Incentives for Enterprises (CREATE) law. The current moratorium encourages the growth of the countryside through the development of economic zones, eventually banning the development of new ecozones in Metro Manila. The PEZA pushes that moratorium be suspended in order to align with the provisions of the CREATE law which makes no distinction on where ecozones should be located. The PEZA further noted that the establishment of new ecozones in the capital region will cater to the growing demand for office space from new players in the information technology (IT) sector, noting that developers have been seeking to establish economic zones in the area targeted for the IT Industry.
  Read the original article

- ➢ *Achieving the ultimate goal of the Administrative Order (AO) 18 to foster more inclusive economic growth requires long-term planning and commitment to improve accessibility to both digital and structural infrastructure networks. As Metro Manila remains the preferred location to many locators, allowing new economic zones will assist in office market recovery as its main driver, the IT-BPM industry, still greatly favors locating in economic zones.*

4.3% May 2023 Unemployment Rate

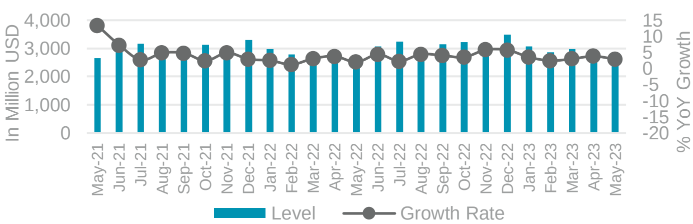


Source: Philippine Statistics Authority

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

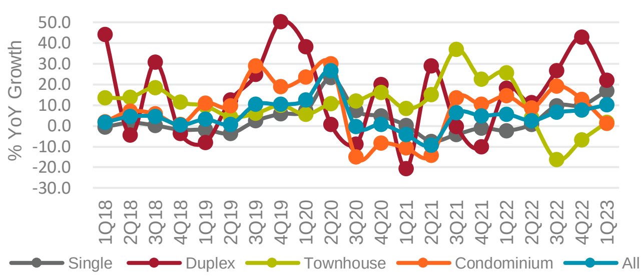
2.9% YoY

May 2023 OF Personal Remittances



10.2% YoY

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



Source: Bangko Sentral ng Pilipinas

RESIDENTIAL

- The country's overall residential real estate prices grew by 10% YoY in Q1 2023, faster than the 7.7% YoY growth in the previous quarter. On a quarter-on-quarter basis, the Residential Real Estate Price Index (RREPI) also grew by 1.4%, slower than the 2.2% QoQ growth in Q4 2022. In terms of residential prices by property type, YoY growth accelerated for single detached/attached property to 17.0% in Q1 2023 from 10.0% in the previous quarter, while townhouse properties recovered to a growth of 1.8% from a decline of 6.8% last quarter. Tamer YoY growths were observed in duplex properties to 22.1% from 42.9% last quarter and condominium units to 1.2% from 12.9% in Q4 2022. Residential property prices in Metro Manila slowed to a growth of 7.3% YoY in Q1 2023 from 16.1% YoY last quarter with condominium prices in the area contracting by 0.8% YoY from a growth of 15.9 YoY. Residential prices of properties outside the capital region accelerated by 11.4% YoY in Q1 2023 from 4.5% YoY last quarter with faster growths recorded in single detached/attached houses at 15.6% YoY from 8.8% YoY last quarter and condominium units at 6.6% YoY from 3.9% YoY. Meanwhile, the appraised value of new residential units in the Philippines averages at PHP 73,724 per sq.m in Q1 2023 with properties in Metro Manila commanding a significantly higher average value of PHP 123,053 per sq.m as compared to the areas outside the capital region at PHP 51,459 per sq.m.
  Read the original article

➢ *An expected uptick in demand prompted developers to launch new residential condominium projects along the newly completed and planned infrastructure projects. Aside from improved accessibility, the availability of amenities and proximity to emerging urban districts amidst the preference for flexible work arrangements are among the outstanding factors that attract new buyers.*

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

HOSPITALITY

- The local hospitality segment is exhibiting an uneven recovery between the Metro Manila market and other locations despite the strong domestic demand. The Hotel Sales and Marketing Association (HSMA) noted that whilst member hotels in Metro Manila are recording high occupancy rates of between 70-80%, which is also above the pre-pandemic level, properties in other locations are not at par, despite still showing a significant improvement in terms of rates and occupancy. Among the factors that the association cited is the higher cost of flight which is reflected in the performance of the country's key tourist destinations. Moreover, while the Metro Manila market is buoyed by the domestic market and the resurgence of MICE (meetings incentives conventions exhibitions) activities, the highly seasonal nature of domestic tourism is affecting the ability to sustain operations and expenses of markets that are highly dependent on it, thus, stressing the vitality of international tourist for the segment's full recovery. Meanwhile, the Revenue Per Available Room (RevPAR) of most HSMA-member hotels is also still below the 2019 level which averaged PHP 3,708.30 according to the research firm STR. In the same period, SRT noted that the average hotel occupancy was 80% and ADR at PHP 5,425.49.
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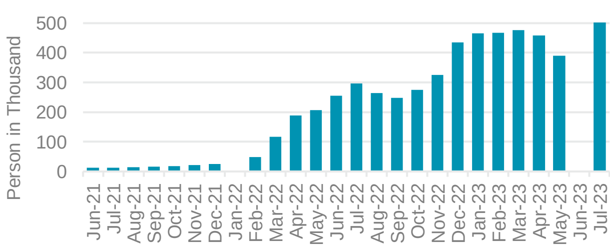
➢ *Despite the highly seasonal nature of the domestic travel and tourism market, the hotel segment can further tap into the staycation and workcation phenomenon to boost the performance of hotel developments in key destinations outside Metro Manila as a number of corporates have adapted to hybrid work setup for its workers.*

516.3 Th Persons

Jul 2023 Visitor Arrivals



Source: Department of Tourism

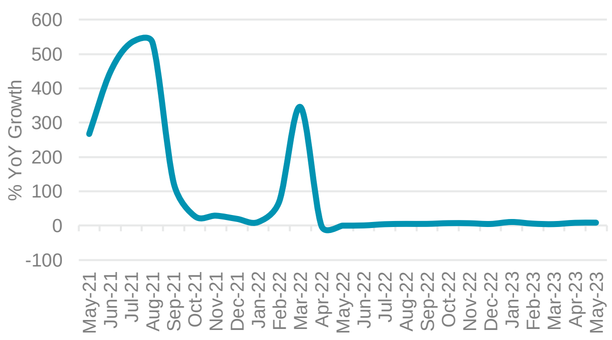
❑ *News article cited* ➢ *C&W Philippines Research view*

PHILIPPINES

JULY 2023

INDUSTRIAL/LOGISTICS

8.1% YoY — May 2023 Volume of Production Index (2018 = 100)



Source: Philippine Statistics Authority

- ❑ By 2025, the Philippines' data center capacity is expected to increase by five folds to about 300 megawatts (MW) as estimated by the Department of Information and Communications Technology (DICT) buoyed by the increased adoption of digital transformation and demand for cloud-based services. Currently, the data center capacity of the country is estimated at 60 MW while construction of additional data centers is being undertaken with the cooperation of telecommunication companies and the private sector of which most projects having more than 100 megawatts capacity. Moreover, hyperscalers are also drawn to investing in the Philippines as they see the country as an ideal location. The DICT notes that the anticipated increase in capacity will assist in integrating an e-government platform that will allow data-driven decisions for government agencies. The DICT has also signed a memorandum of understanding for e-governance with various government agencies as it seeks to "strengthen collaboration and facilitate knowledge-sharing in developing interoperable systems and programs."
  Read the original article

- ➢ *The wide adoption of digital technologies in how businesses and organizations operate led to the rapid growth of the data centre economy, especially in secondary markets such as the Philippines. Whilst the interest among hyperscalers continue to grow, the country's current power constraint and effective disaster resilience programs in preferred locations (particularly within Metro Manila and nearby urban areas) impede the country's full potential in hosting big players.*

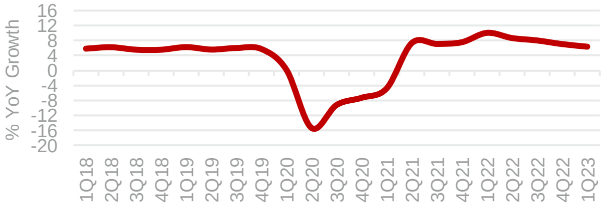
❑ *News article cited* ➢ *C&W Philippines Research view*

RETAIL

- ❑ A global fast fashion player is ramping up its online and in-store presence by strengthening its marketplace strategy that allows online platforms and physical stores to carry third-party brands. With this strategy, H&M plans to sell more brands on its platforms which include Adidas, New Balance, Klättermusen, and Cos, among others, as it aims to compete with its online rivals such as Zalando, ASOS, and Shein. H&M notes that it now carries 70 external brands in six markets as the strategy has been well received by customers . Whilst the company has a wide customer reach and infrastructure edge, the challenge is mainly on how to rise above the highly saturated field of third-party apparel platforms.
  Read the original article

- ➢ *Despite the economic reopening, e-commerce transactions will continuously rise due to altered consumer behavior shaping the post-pandemic future of the retail segment. Finding a unique niche is crucial for online platforms to serve this new consumer discipline and rise above the fast-growing competition among online retailers and physical stores. .*

6.3 % YoY — 1Q 2023 Real Household Spending



Source: Philippine Statistics Authority

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

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