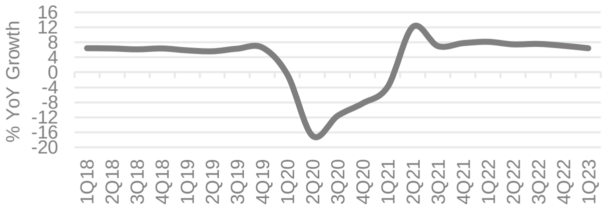
PROPERTY MARKET NEWS

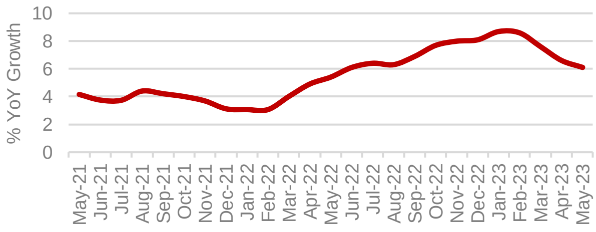
PHILIPPINES

JUNE 2023

6.4% YoY **1Q 2023 Real GDP**



6.1% YoY **May 2023 Headline Inflation**



Source: Philippine Statistics Authority

GENERAL PROPERTY

❑ In the recent 2023 World Competitiveness Yearbook released by the International Institute for Management Development (IMD), the Philippines slipped four notches to the 52nd spot out of 64 economies, from the 48th spot in the previous year. With prevailing issues in global inflation, public health crises, and geopolitical concerns, the country's recent performance declined in three out of four competitiveness factors namely: economic performance, government efficiency, business efficiency, and infrastructure. The Philippines fell by a notch to the 58th spot in infrastructure factor, citing the country's poor and inefficient infrastructure and services. Meanwhile, the country slipped one notch to the 40th spot in the business efficiency factor and four notches to the 52nd spot in its government efficiency factor. In terms of the economic performance factor, the country saw a major improvement by thirteen notches to the 40th spot with better performance in economic growth, employment, and prices. The report further notes that the prevailing global downside risks pose a challenge to sustaining recovery and growth, while the country is also confronted with challenges in strengthening its social protection and healthcare systems for inclusive development. The recent competitiveness result also marks the sixth year that the country remained in the 13th spot out of 14 economies in the Asia-Pacific region.
Read the original article

➢ *As the Philippine economy gradually recovers, improving the overall competitiveness entails a lengthy fight against restrictive regulations and lacking infrastructure. Nonetheless, the country's resilient economy amid the global economic slump should present strong prospects to investors and encourage investment inflows.*

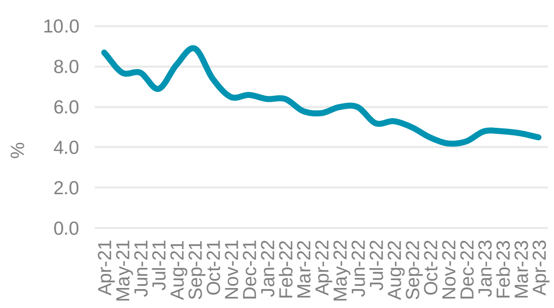
❑ *News article cited* ➢ *C&W Philippines Research view*

OFFICE

❑ A survey conducted by a cloud-based HR platform Sprout Solutions called the State of the HR Report 2023 revealed that 51% of the country's employees have resumed adopting on-site work arrangements, amidst the continued recovery of many companies and easing of pandemic restrictions. The survey further showed that only about 33.4% of HR professionals expressed uncertainties about the transition to the on-site arrangement, suggesting that the seemingly lack of resistance to the return to pre-pandemic work arrangements implies the wide recognition of the advantages of traditional work set-ups in terms of fostering "better communication and collaboration, improved work-life balance, and stronger company culture and a sense of belongingness." Whilst 50.5% of surveyed HR professionals expect hybrid set-up as the future of work, the fairly neutral response downplays its urgent adoption.
Read the original article

➢ *With the return to normalcy of business operations, hybrid work is seen to remain as the trend in the medium term wherein the implementations of stricter return-to-office mandates are more on gradually increasing the number of days in the office instead of the full return-to-office scenario.*

4.5% **Apr 2023 Unemployment Rate**



Source: Philippine Statistics Authority

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

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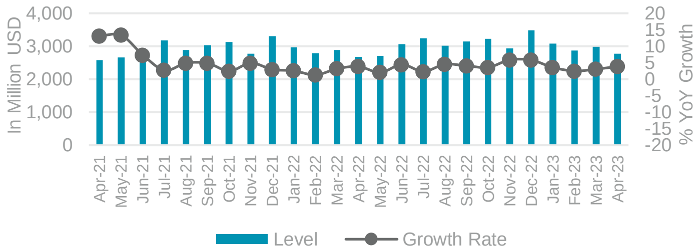
RESIDENTIAL

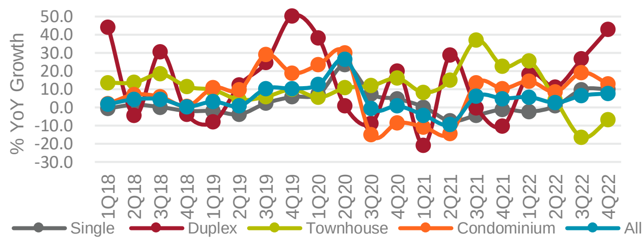
3.8% YoY

Apr 2023 OF Personal Remittances



7.7% YoY

4Q 2022 Residential Real Estate Price Index (Q1 2014 = 100)



Source: Bangko Sentral ng Pilipinas

- ❑ Amidst the anticipated slowdown in global economic growth and the downtrend in migration, the World Bank expects remittance inflows to the Philippines to grow by 2.5% YoY in 2023 to reach USD 39 billion in 2023 and USD 40 billion in 2024. The World Bank's growth forecast is slower than the 3% YoY growth projected by the Bangko Sentral ng Pilipinas' (BSP) for 2023 and the actual growth figure of 3.6% YoY recorded in 2022. Meanwhile, the World Bank noted that the previous year's growth was attributable to the implementation of bilateral arrangements with destination governments and the resumption of deployments to Saudi Arabia and countries in the new Organisation for Economic Co-operation and Development (OECD). Notably, remittance inflows to the Philippines account for roughly 48% of the total remittances to East Asia and the Pacific Islands, with the country ranking fourth as the largest recipient of remittances globally in 2022, only behind India, Mexico, and China.
  Read the original article

- ➢ *The expected slump in OF remittances which is a main driver of residential property demand will have a greater impact on residential demand for newly-launched projects. Nonetheless, the expected economic recovery will buoy the segment although the rising building cost may affect the delivery of upcoming supply in the medium term.*

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

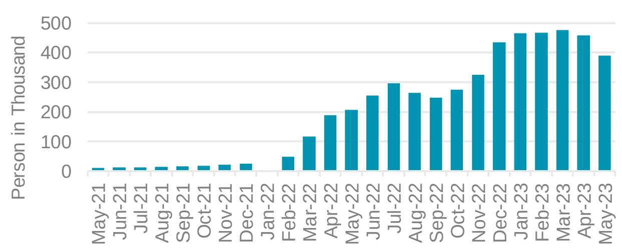
HOSPITALITY

- ❑ In the next five years, the Alliance Global Group, Inc. (AGI) is eyeing to expand its hospitality business to six new locations as the company anticipates the revival of domestic and international tourism activities while noting that its current inventory is recording high occupancy rates and better average daily room rates. The set expansion will add about 11,000 room keys across the eyed new locations which are in Parañaque City; Laguna; Bacolod City in Negros Occidental; City of San Fernando in Pampanga; Boracay Island in Malay, Aklan; and San Vicente in Palawan. Moreover, the company is eyeing to expand its resort and casino business outside Metro Manila through its Travellers International Hotel Group, Inc. unit which currently has six hotel brands under its umbrella. Meanwhile, Megaworld which is also among AGI's subsidiaries currently operates 12 hotel developments in the Philippines.
  Read the original article

- ➢ *Hotel players are reevaluating hotel investment opportunities as tourism activities have gradually improved at both domestic and international levels. Nonetheless, the recovery to pre-pandemic levels of both local and international travel may be impacted by the rising travel costs and reduced disposable income that may influence consumers to cut back on travel in the short to medium term.*

389.3 Th Persons

May 2023 Visitor Arrivals



Source: Department of Tourism

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

PHILIPPINES

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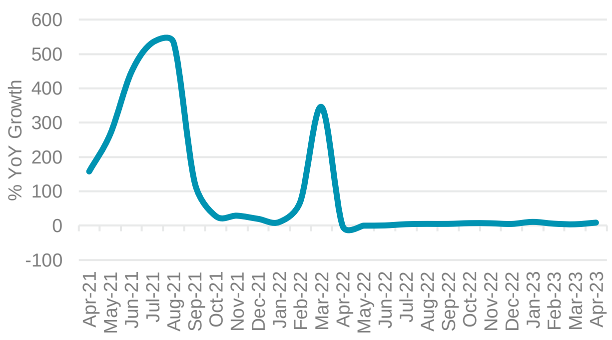
INDUSTRIAL/LOGISTICS

8.2% YoY

Apr 2023 Volume of Production Index (2018 = 100)



Source: Philippine Statistics Authority

- ❑ To cater to the growing demand, the ST Telemedia Global Data Centres (STT GDC Philippines) – a joint venture between Globe Telecom, Inc., Ayala Corp., and Singapore-based ST Telemedia Global Data Centers – is eyeing capacity expansion of its data centers by 5.2 megawatts. The expansion, which is driven by the surging demand for digital services, covers its existing facilities in Makati, Cavite, and Quezon City. With its planned expansion, STT GDC Philippines aims to accommodate global hyperscalers and other customer segments. The JV company currently operates in five sites in Metro Manila for a combined capacity of 22 megawatts. It has also recently announced the STT Fairview facility which will be its largest data center with a projected capacity of 124 megawatts. [Read the original article]

- ➢ *The increasingly digital lifestyles buoyed by the e-commerce boom and persistent remote work set-up continue to create opportunities for data center players. Along with the uptick in demand for warehouses and logistics facilities, these asset classes are seen driving healthy demand for industrial properties which sequentially encourages investments in these areas.*

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

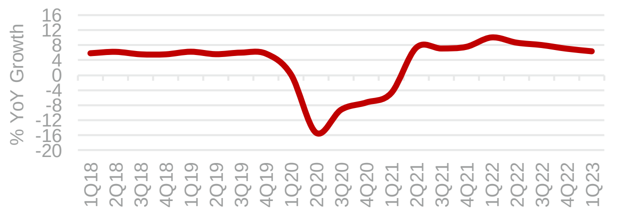
RETAIL

- ❑ No new investors have yet responded to the implementation of the amended Retail Trade Liberalization Act (RTLA) which reduced the minimum paid-up capital for foreign retailers from USD 2.5 million to only USD 446,000 or PHP 25 million, whilst the legislation has enticed existing foreign retailers to expand their current operations in the country. Although the amendment was originally intended to invite the entry of big foreign retailers, the Philippine Retailers Association (PRA) noted that the new floor amount is better targeted for potential small- and medium-scale potential foreign investors. Additionally, the agency noted that rather than the capitalization requirements, investors may give greater consideration to the incentives and the economic environment. [Read the original article]

- ➢ *Whilst continuous improvement in footfall and retail sales were observed as consumers become less wary of the local market conditions, the global retail industry is still faced with disruptions which include the cost of living crisis, supply chain disruptions, and growing preference towards e-commerce. The highly uncertain global retail market scene may deter the entry of new international brands in the short to mid-term.*

6.3 % YoY

1Q 2023 Real Household Spending



Source: Philippine Statistics Authority

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

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