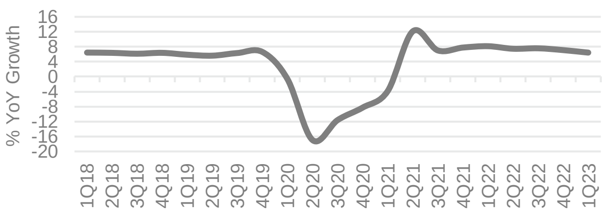
PROPERTY MARKET NEWS

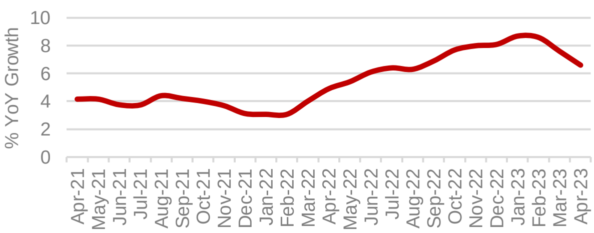
PHILIPPINES

MAY 2023

▼ 6.4% YoY — 1Q 2023 Real GDP



▼ 6.6% YoY — Apr 2023 Headline Inflation



Source: Philippine Statistics Authority

GENERAL PROPERTY

❑ In the first quarter of 2023, the Philippine economy posted a growth of 6.4%, the slowest in two years and below the revised growth figure of 7.1% in the previous quarter and 8.0% growth a year ago. Whilst the recent economic expansion was heavily affected by the high levels of inflation and interest rates which eventually hampered the spending of households, it is viewed as "the economy normalizing its previous trend" rather than a slowdown and also signals that the country is reverting to its high-growth trajectory. The country's Q1 2023 growth performance is better than its neighboring countries such as Indonesia (5%), China (4.5%), and Vietnam (3.3%). Whilst household spending slowed to a growth of 6.3% from 10% last year, government expenditure posted a growth of 6.2% from 3.5% a year ago. The gross capital formation decelerates to a growth of 12.2% from 17.7% a year ago although better than the 3.8% growth last quarter. Meanwhile, the services sector modestly slowed to a growth of 8.38% from 8.42% last year while the industry sector posted a growth of 3.9% in Q1 2023 from 10% a year ago. In the remaining quarters of the year, the economy should expand by an average of 5.9% to meet the lower end of the 6-7% growth target by the government and an average of 7.2% to hit the upper end of the target.
Read the original article

➢ *The growth direction of the country's economic growth drivers speaks different indications to the growth of various real estate sub-sectors. While the household spending cut will likely also result in a dampened consumer demand in retail and hospitality sub-sectors, the resilient services sector bodes well for the IT-BPM industry which will continue to propel the office segment growth.*

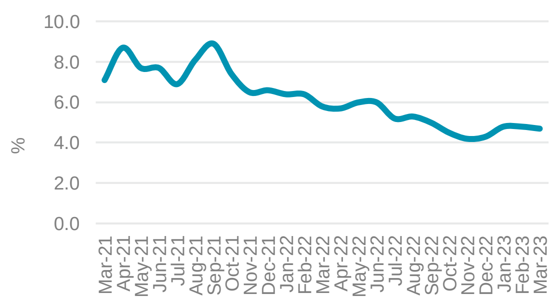
❑ *News article cited* ➢ *C&W Philippines Research view*

OFFICE

❑ The IT and Business Process Association of the Philippines (IBPAP) is recognizing the growing number of freelancers, known as the "gig economy", as an emerging competition of the information technology and business process management (IT-BPM) industry, fueled by the pandemic and the insurgence of work from home. The 2023 Global Freelancer Insights Reports by a financial technology company Payoneer noted an increase in demand for freelancers globally in areas that include programming, marketing, project management, and web design. With a number of businesses banking on freelancers for support of their full-time employees due to the offer of convenience, flexibility, and outstanding quality of work, the gig economy is seen to sustain its growth momentum in the future.
Read the original article

➢ *The rise of the gig economy that operates a flexible mode of working is another reason to further revolutionize office space offerings to cater to this growing segment of the Philippine labor market. As freelance employees manage at-home distractions, the flexible office space segment is likely to benefit from this rising trend over the traditional office set-up.*

▼ 4.7% — Mar 2023 Unemployment Rate



Source: Philippine Statistics Authority

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

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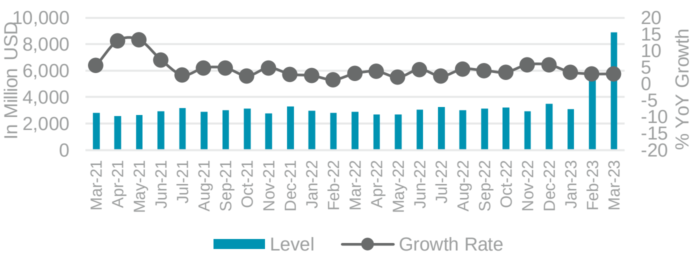
PHILIPPINES

MAY 2023

RESIDENTIAL

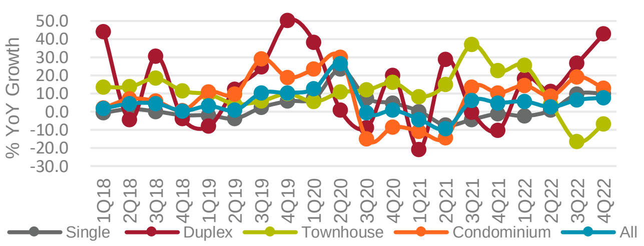
3.0% YoY

Mar 2023 OF Personal Remittances



7.7% YoY

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



Source: Bangko Sentral ng Pilipinas

- ❑ The Subdivision and Housing Developers Association (SHDA) is seeking a price threshold review of residential units to be classified as low-cost housing which are eligible for Board of Investments (BoI) incentives, from the current PHP 2 million to around PHP 4.2 - 4.4 million. Moreover, the SHDA is proposing that the incentive period be extended to as much as six years from the current four years, noting that sales are not usually recognized in the first 12 to 18 months as within this timeframe, project proponents are still in the land development stages. The SHDA also flagged the current administration's goal of building one million housing units annually until 2028 to be very difficult given that only 2,000 units per year were recorded in the past two years, 80% of which are developed by SHDA developers.
  [Read the original article]

- ➢ *With the profitability issue being among the greatest concern of affordable housing builders, a constant review of current policies to reflect the current market conditions is necessary to increase the private sector engagement in this segment.*

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

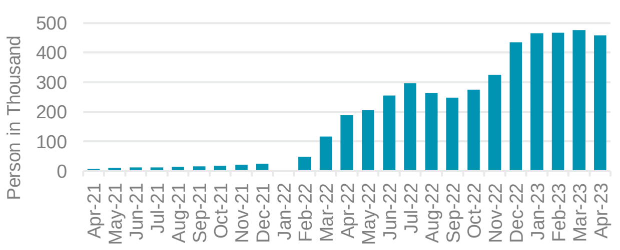
HOSPITALITY

- ❑ As of mid-May this year, the Department of Tourism (DOT) already recorded around 2,002,304 international visitor arrivals which officially breaches the target for 2022 which was set at 1.7 million arrivals. The bulk of international arrivals were from South Korea with 487,502 (24.35%), the United States with 352,894 (17.62%), Australia with 102,494 (5.12%), Canada with 98,593 (4.92%), and Japan with 97,329 (4.86%). The government agency also noted that inbound visitor receipts in the first four months of 2023 reached PHP 168.52 billion, a 782.59% increase from the PHP19.09 billion generated in the same period last year. Meanwhile, DOT remains highly optimistic about the Philippines' tourism industry prospects as it expects the country to remain highly competitive in the region.
  [Read the original article]

- ➢ *The increase in the number of people making travel plans since the reopening of borders has given the hospitality segment a strong footing this year, defying the global recessionary threats. Hotel operators may consider offering lodging options that will further encourage the renewed demand for both business and leisure such as flexible rates and bookings, to consider the prevailing uncertainties that may affect consumers' future travel plans.*

458.1 Th Persons

Apr 2023 Visitor Arrivals



Source: Department of Tourism

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

PROPERTY MARKET NEWS

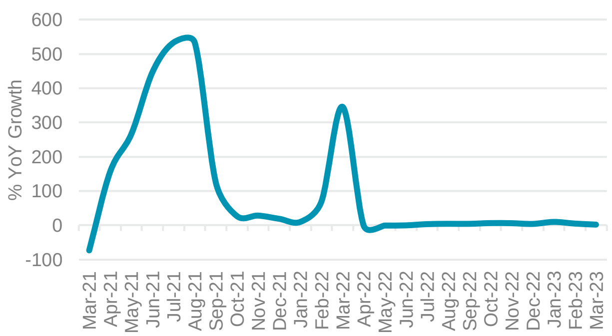
PHILIPPINES

MAY 2023

INDUSTRIAL/LOGISTICS

2.2% YoY

Mar 2023 Volume of Production Index (2018 = 100)



Source: Philippine Statistics Authority

- ❑ A manufacturing company has undergone a massive expansion in Calamba, Laguna, specifically at Carmelray Industrial Park I– Special Economic Zone. Sercomm Philippines' new PHP 2.5 billion facility covers around 20,000 sq.m which will serve as a production hub for wireless telecommunication devices such as 5G and fiber products and is expected to generate 5,000 employments. With this massive new facility, Sercomm Philippines is eyed to become a manufacturing and distribution hub of 5G and Fiber products, that will serve North America and Southeast Asia markets. Notably, the company's first site which is also Carmelray generates 20% of the company's total manufacturing capacity since 2019 and is also its third largest facility globally. The latest expansion is set to increase the company's manufacturing output in the country to at least 40% which is comparable to its production in China. Meanwhile, the Philippine Economic Zone Authority (PEZA) notes that the country's attractiveness as a priority investment destination is boosted by the English language-proficient workforce whilst recognizing that efforts that will address the skills and jobs mismatch are highly needed to adapt to the "ever-changing world and technological advancement." Read the original article

- ➢ *Despite the global slowdown in the manufacturing sector (due to the softening in global consumer demand), the logistics & industrial sector continues to attract new manufacturing investments and locators, as well as logistics and e-commerce companies.*

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

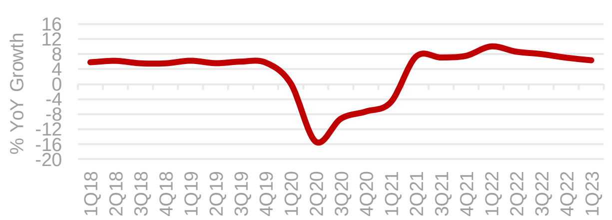
RETAIL

- ❑ Driven by the country's economic uncertainties, consumers are seen cutting back spending on non-essential items, according to the findings of PwC's February 2023 Global Consumer Insights Pulse Survey. The survey results note that 16% of the respondents are stopping non-essential spending while 64% are reducing, totaling about 80% of respondents cutting their spending on non-essential items, above the Asia-Pacific average of 65%. Over the next six months, respondents are expected to spend less on fashion (50%), home entertainment (46%), and consumer electronics (45%). The report further notes that factors that will likely influence spending from consumers are when they find items are discounted (61%), buy from retailers offering "better value" (53%), or switch to cheaper brands (47%). Surveyed consumers that express worry about their personal financial situation due to the rising cost of living are at 53% which is also higher than the average in the APAC region at 48%. Read the original article

- ➢ *Whilst a downtrend in retail sales of non-essential items can be expected in the mid-term due to persistent high inflation, e-commerce sales are likely to benefit from this shift in consumer behavior as they look for options for sourcing cheaper products.*

6.3 % YoY

1Q 2023 Real Household Spending



Source: Philippine Statistics Authority

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

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