PROPERTY MARKET NEWS

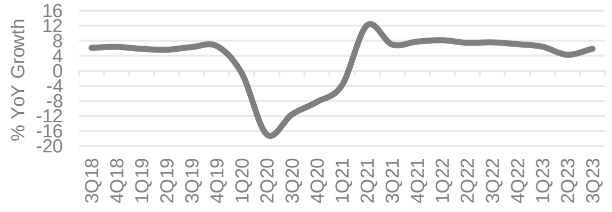
# PHILIPPINES

NOVEMBER 2023

CUSHMAN & WAKEFIELD

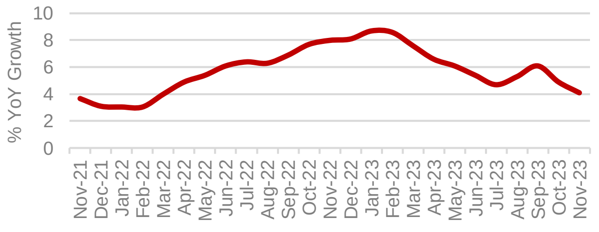
5.9% YoY

3Q 2023 Real GDP




4.1% YoY

Nov 2023 Headline Inflation




*Source: Philippine Statistics Authority*

## GENERAL PROPERTY

- The Philippine economic growth for Q3 2023 was posted at 5.9%, faster than the recorded growth of 4.3% in Q2 2023, albeit still slower than the 7.7% growth posted a year ago. The main driver of growth for the recent quarter was the recovery of government spending which expanded by 6.7%, a reversal from a decline of 7.1% last quarter and the 0.7% growth in the same quarter in 2022. Meanwhile, household consumption, which comprises the bulk of the economy, posted its weakest growth in two years at 5%, below the recorded growth of 5.5% in the previous quarter and 8% a year ago. The gross capital formation also contracted by 1.6% from a growth of 18.2% last year and 0.3% in the previous quarter. The country's growth performance is the fastest among the emerging economies in Southeast Asia, which include Vietnam (5.3%), Indonesia and China (4.9%), and Malaysia (3.3%). Economic growth for the first nine months averaged 5.5%. To reach the government's 6-7% full-year target for 2023, the economy will need to further expand by 7.2% in the final quarter of the year.

  Read the original article

➢ *The declining inflation which will allow the central bank enough leeway for policy rate reduction will assist in a more stable economic growth amidst the persisting grim outlook in major markets globally. Safeguarding stability in economic growth will play a major role in the decision-making process of foreign investors that will drive the property sector's expansion in the medium term.*

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

## OFFICE

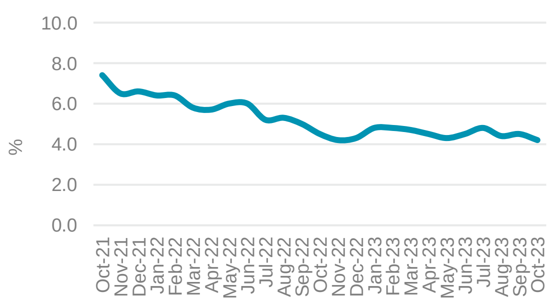
- The office solutions firm, International Working Group plc (IWG), is set to further expand in the Philippines by adding eight new sites to its co-working space portfolio in 2024. The company's upcoming new facilities will include the 1,292 sq.m. Regus Nepo Centre in in Angeles, Pampanga which is set to open in July 2024; a 700-sq.m. HQ Triumph Building in Quezon City; 1,000 sq.m. HQ Mahi Center in Cebu; 2,050-sq.m. Spaces PNB Makati Centre which will be located in the penthouse of PNB building and a partnership with PNB Holdings Corp; 987-sq.m. center at Regus Adriatico Square in Manila; and 1,610 sq.m. flexible workspace at Regus PMI Tower in Makati City. The Regus AMA Tower Residences in Mandaluyong City and Regus Doña Elena Tower in Manila are also set to open in the first half of 2024. In 2023, IWG opened five new sites in Cagayan de Oro, Las Piñas City, Iloilo, Quezon City, and Subic Bay Freeport Zone which brings the company's network in the country to 34 locations.

  Read the original article

➢ *The growth in co-working space is also attributable to the rising pressure among organizations to blend remote and in-office work in order to cater to the growing desire among employees and the majority of the workforce to promote more flexibility in work.*

4.2%

Oct 2023 Unemployment Rate




*Source: Philippine Statistics Authority*

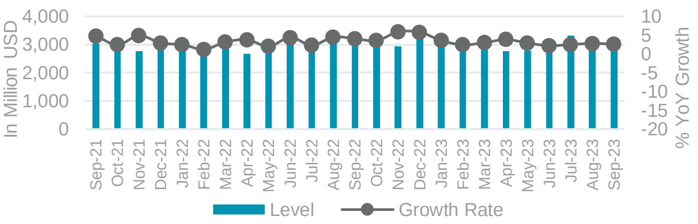
❑ *News article cited* ➢ *C&W Philippines Research view*

# PHILIPPINES

NOVEMBER 2023

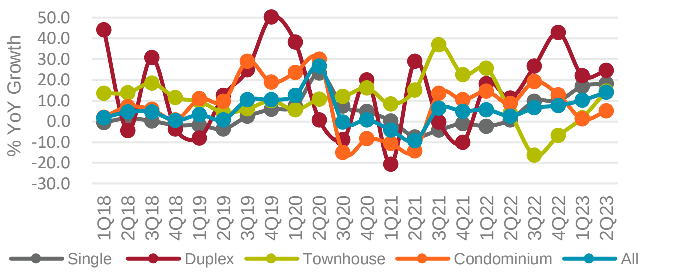
2.6% YoY

**Sep 2023 OF Personal Remittances**




14.1% YoY

**2Q 2023 Residential Real Estate Price Index (Q1 2014 = 100)**




*Source: Bangko Sentral ng Pilipinas*

# RESIDENTIAL

- ❑ In a report by the ASEAN+3 Macroeconomic Research Office (AMRO), the country's real estate vacancies, particularly in the capital region, could double due to the government's housing program. The report further noted that vacancy rates for office spaces and residential condominiums in Q2 2023 were at 18.4% and 17.2%, respectively, higher than the pre-pandemic vacancy rates at 5% for office and 10% for residential condominiums. As the government aims at building around six million residential units in the next years, this could lead to an additional stock of vacant homes which could result in property price corrections. Also, if higher vacancies persist for an extended period, it will eventually affect the financial health of vulnerable developers, which is estimated at around 10% of the property sector's total assets. Moreover, the report noted the relatively high level of non-performing loans (NPLs) at 6.9% in auto loans and 7.6% in mortgages in Q2 2023, which remain above the pre-pandemic levels, whilst noting the risks remain limited attributable to the improved profitability and sufficient liquidity and capital buffers of the banking sector.

[Read the original article]

- ➢ *Aside from the volume of new project launches, residential property prices are heavily determined by the location and a number of economic factors. Whilst the housing project by the government will greatly assist in addressing the burgeoning back-log in economic housing, this new stock of residential units is anticipated to be in the fringes and provincial areas. The residential market in the central business districts will continue to be driven by the recovering business environment in these areas.*

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

# HOSPITALITY

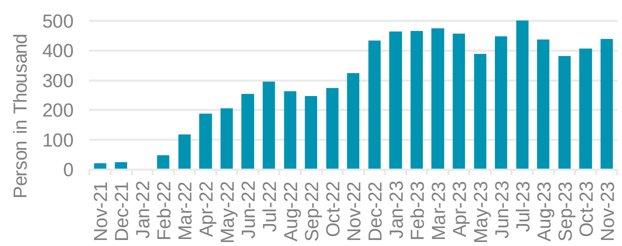
- ❑ As of November 2023, foreign visitor arrivals in the Philippines is recorded at 4.82 million, breaching the 4.8 million target set by the Department of Tourism (DoT) for the year. Foreign visitors from South Korea topped the list, comprising 26.37% of the total arrivals, followed by visitors from the United States at 16.53%, Japan at 5.66%, China at 5.02%, and Australia at 4.68%. The travel and tourism industry remains a vital contributor to the country's economy with visitor spending in the country is estimated at PHP 404 billion while the sector also generates around 5.35 million employments.

[Read the original article]

- ➢ *The resurgence of foreign visitor arrivals is a promising sign that the hotel segment may soon resume to pre-pandemic vibrancy despite the traditional and new threats which include structural and technological challenges that can be impediments to its recovery. The sector is also faced with intense competition in service offerings and workforce management that will require prompt solutions from investors, operators, and other industry stakeholders.*

439.9Th Persons

**Nov 2023 Visitor Arrivals**




*Source: Department of Tourism*

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

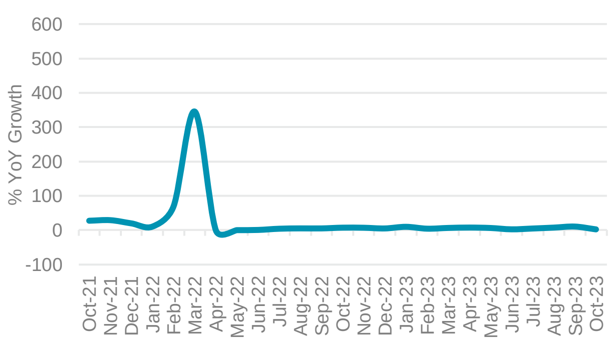
# PHILIPPINES

NOVEMBER 2023

## INDUSTRIAL/LOGISTICS

▼ 1.7% YoY

**Oct 2023 Volume of Production Index (2018 = 100)**




*Source: Philippine Statistics Authority*

- ❑ The manufacturing sector has recorded its fastest growth in 10 months with the manufacturing purchasing managers' index (PMI) soaring to 52.7 in November from 52.4 last month. A PMI record of above 50 indicates expansion whilst an index of below 50 denotes overall contraction. Notably, the expansion of new business and output is buoyed by the strong demand conditions while new orders have risen due to better domestic and foreign demand which is expected to further improve in the coming months. Meanwhile, as backlogs also continue to fall, some manufacturing firms have reduced employment while other firms are also seen to reduce their buying activity in November for the first time since mid-2022. Nonetheless, the observe contractions are seen to pose a slight concern as it may be outweighed by the sustained growth momentum of the sector.
  Read the original article

- ➢ *The impact of the global slowdown is clearly visible in the more tamed growth in activities in the manufacturing sector this year as compared to pre-pandemic levels where it closely trails the growth pattern of the overall economy. Whilst its outlook remains bleak attributable to threats on a global scale, the incredibly strong growth fundamentals in logistics and e-commerce will remain the major factors in driving changes to the industrial sector.*

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

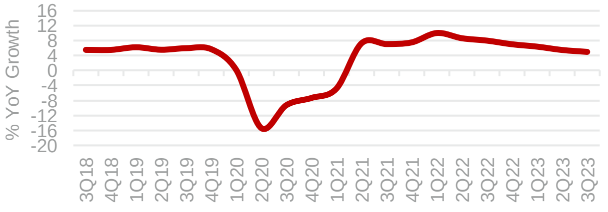
## RETAIL

- ❑ Attributable to elevated borrowing cost and level of prices, household consumption is seen to remain constrained in the remaining quarter of 2023. Moody's Analytics also expects economic growth to fall short of the government's growth target to settle at an average of 5.4% in 2023. Whilst policy rate hikes are seen to stop in 2023, no rate cuts are expected until mid-2024 which will prompt households to restrain spending before then. Meanwhile, Nomura sees infrastructure spending to drive growth in the upcoming years, with growth seen at 5.8% in 2024 and 6.1% in 2025, while downside risks still include the steeper global economic slowdown and the resurgence in food energy prices.
  Read the original article

- ➢ *The dampening effects of inflation and interest rates remain the major challenge to the full recovery of consumer spending, which subsequently counters the positive developments in the retail segment which are the result of the resumption of in-office work and positive growth of the overall economy.*

▼ 5.0 % YoY

**3Q 2023 Real Household Spending**




*Source: Philippine Statistics Authority*

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

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