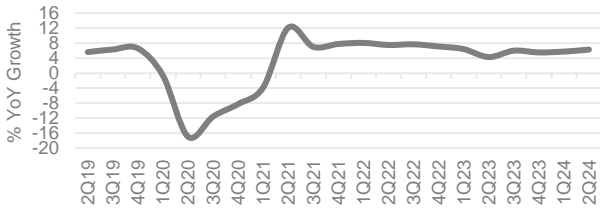




GENERAL PROPERTY

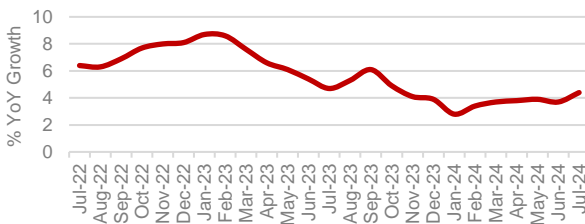
6.3% YoY

2Q 2024 Real GDP



4.4% YoY

Jul 2024 Headline Inflation



Source: Philippine Statistics Authority

□ Due to the prevailing high-interest rate environment, consumer demand in some emerging Asian economies, including the Philippines, is seen to remain muted. While consumer demand is expected to remain generally stable in Emerging Markets (EM) Asia, the spillover effects of softer economic growth in the previous year, coupled with tighter monetary policy, are suppressing consumption growth. Specifically, the Philippines has maintained the policy rate at a high level amidst the country's stubborn inflation. Nonetheless, the resumption of tourism activities and resilient labor markets continue to buoy consumer spending. Moreover, the long-term growth forecast across some emerging markets is seen to be weaker attributable to slower labor productivity

and fixed investment, while EM Asia with higher domestic savings could boost long-term growth prospects as they “may be better positioned to finance investments”. The S&P Global forecasts Philippine GDP to average 5.8% in 2024, below the government target of 6-7% growth, whilst it remains the fastest growing in the region in 2024 compared with the year prior.

[Read the original article](#)

➤ *While the inflation rate has shown a declining trend as compared to last year, it was nearly enough to motivate consumers as the growth of household spending continues to move sideways, although it is seen as the major catalyst of growth in the medium term should the downward pattern of overall price growth be sustained.*

□ News article cited

➤ C&W Philippines Research view

OFFICE

□ Following the total banning of Philippine offshore gaming operators (POGO), Fitch Ratings noted that the jobs losses attributable to the industry could affect the quality of residential mortgage and consumer loan credit, whilst the effect is seen to be on a limited scale due to the banks' healthy buffer against losses. Moreover, landlords and lenders have proactively limited exposure to POGO tenants due to their aversion towards the industry amidst previous calls to ban the industry as it has become a haven for crime-related activities. Notwithstanding the departure of POGO tenants, large listed firms with significant exposure to the industry are expected to sustain their strong debt-servicing capacity with EBITDA at over 4X annual interest expense. Fitch further noted that banks' total soured residential mortgage portfolio in Q1 2024

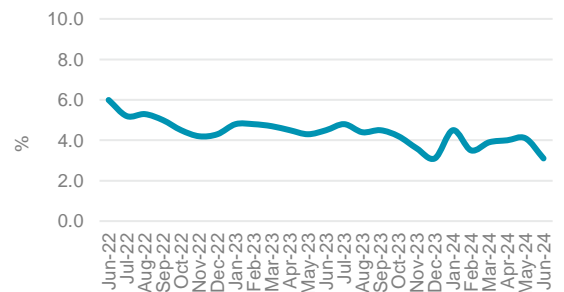
was down to 7%, from 9.6% in 3Q 2021, whilst it remained above the prepandemic level of 3.1%, attributable to the “fallout from speculative activity and more lax housing loans credit standards during the boom years of POGO.” [Read the original article](#)

➤ *The office segment remains under substantial pressure from the downtrend in global activities as occupiers adjust to changes in leasing demand which include the proliferation of hybrid working arrangements. Meanwhile, the return-to-office mandates are gaining momentum which buoys activities in the segment, whilst the total ban of POGO operations is seen to create a minor shortfall in office space demand for office as its activities have significantly declined over the past few years before the recent total ban directive.*



3.1%

Jun 2024 Unemployment Rate



Source: Philippine Statistics Authority

□ News article cited

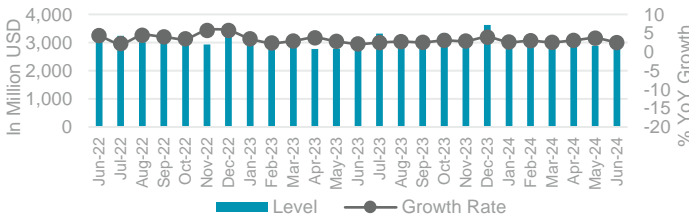
➤ C&W Philippines Research view



RESIDENTIAL

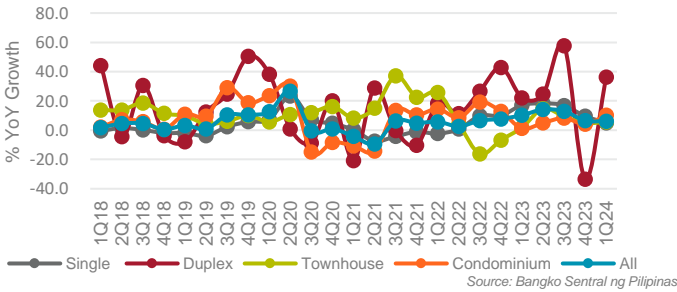
2.5% YoY

Jun 2024 OF Personal Remittances



6.1% YoY

1Q 2024 Residential Real Estate Price Index (Q1 2014 = 100)



Source: Bangko Sentral ng Pilipinas

Amid higher non-performing real estate loans, banks' real estate exposure increased to 20.31% as of end-Q1 2024, from 20.17% as of end-2023, whilst lower than the recorded 21.08% in the same period in 2023. Investments and loans extended to the property sector slipped by 1.9% in end-March to PHP 3.09 trillion from PHP 3.15 trillion in end-2023. Whilst commercial real estate loans declined by 5.6% to PHP 1.69 trillion, residential real estate loans increased to PHP 1.02 trillion from PHP 1.01 trillion. Past due commercial real estate loans also increased by

7.8% while past due residential real estate loans declined by 1.6%, bringing overall past due real estate loans to PHP 136.8 billion in March, a 1.1% increase from PHP 135.3 billion recorded in December 2023.

[Read the original article](#)

➤ Residential demand is anticipated to exhibit a renewed momentum in the medium term due to the easing of several challenges to affordability, amidst hopes of a mortgage rate drop as the central bank kickstarted the reduction of the record high policy rate.

News article cited

➤ C&W Philippines Research view

HOSPITALITY

The Philippines is falling behind its Southeast Asian peers in terms of tourism recovery as its foreign arrivals remain below its pre-pandemic level, at only 70% of the recorded arrivals in 2019. The Bank of America (BofA) Global Research noted a contrasting scenario compared to markets such as Vietnam wherein tourist arrivals are estimated to be 105-110% of their 2019 levels, while Thailand is already at more than 90%, and Malaysia and Singapore are at 80-90%. The research further noted that the rather gradual recovery of the country's tourism market is attributable to slow arrivals of visitors from China owing to the decline in the activities of Philippine offshore gaming operators (POGOs). Further, whilst outbound seats from China to the other five member countries of ASEAN are

News article cited

seen to increase between Q2 2024 and September/October 2024, outbound seats to the Philippines recorded a 46% decline from 2019 levels. Other factors that make the country unattractive to Chinese visitors are the ongoing tension over contested waters in the South China Sea and the tightened rules for the issuance of tourist visas to Chinese nationals.

[Read the original article](#)

➤ The slowing rate of growth of international tourist arrivals from major markets, including China, may also be associated with the rising cost of outbound travel, as well as mobility restrictions, in these source markets. The slower-than-expected economic recoveries of major source markets prompts cost-consciousness among foreign travelers.

➤ C&W Philippines Research view



525.5 Th Persons

Jul 2024 Visitor Arrivals



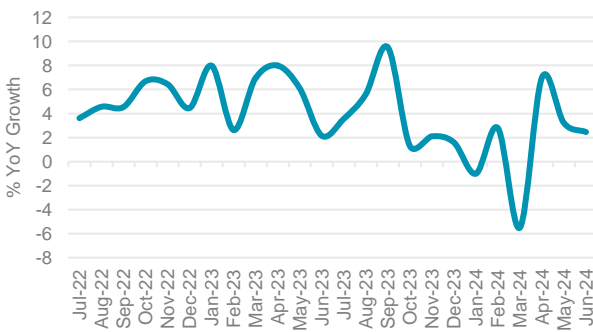
Source: Department of Tourism



INDUSTRIAL/LOGISTICS

2.5% YoY

Jun 2024 Volume of Production Index (2018 = 100)



Source: Philippine Statistics Authority

□ In June 2024, approved investment by the Philippine Economic Zone Authority (PEZA) declined by 73.4% to PHP 8.65 billion, from PHP 32.56 billion worth of investments approved in June 2023. The promotion board approved 25 new and expansion projects from three economic zone developers and locator companies engaged in export manufacturing projects (11), information technology and business process management (6), domestic markets (3), facilities development (1), and logistics services (1). The recorded new and expansion projects increased from 22 approved projects in the same period last year and are expected to generate around 5,881 direct jobs and USD 416 million in export value. Meanwhile, PEZA approved a total of PHP 45.48 billion worth of investments in 1H

2024, down by 43.6% from PHP 80.59 billion in 1H 2023. The total approved projects for the first half also reached 120 projects, an increase by 18% from 102 projects a year ago, led by investments from the electronic manufacturing services sector (19.77 billion), ecozone development (PHP 16.21 billion), IT-BPM industry (PHP 2.89 billion), and automotive (PHP 1.04 billion). [Read the original article](#)

➤ Demand for industrial properties remained high as online retailing continued to be strong, contributing to increased interest from both logistics and warehousing tenants. Capitalizing on the rising demand, investors and developers increased investments in industrial development, driving industrial land values in existing and newly developed key industrial estates.

□ News article cited

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RETAIL

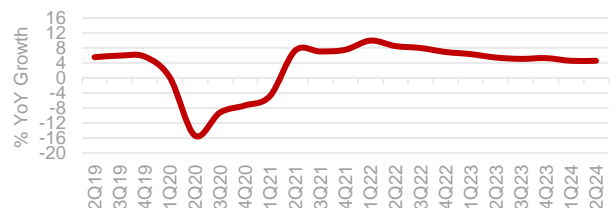
□ To promote fair competition among brick-and-mortar retailers and international online sellers, the Philippine Retailers Association (PRA) calls for increased taxation for the latter, which are predominantly Chinese online retailers. The agency suggested prioritizing the imposition of the 12% VAT on online marketplaces, which is currently being imposed on physical store retailers. The Philippines is also seen to be losing in terms of tax revenue with the burgeoning e-commerce, which is estimated to reach USD 60 billion in gross merchandise value by 2030, while the overall digital economy is estimated to be between USD 80 billion and USD 150 billion. [Read the original article](#)

➤ Whilst the sensory experience in brick-and-mortar stores remains a motivating factor that attracts consumers, the increasing share of e-commerce in total retail sales is highly attributable to flexible pricing on online platforms that compels consumers to shop online. Regulating e-commerce transactions, especially for foreign retailers, will drive operational efficiency and promote price competition between online and offline retail platforms.



4.6% YoY

2Q 2024 Real Household Spending



Source: Philippine Statistics Authority

□ News article cited

➤ C&W Philippines Research view

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