

PHILIPPINES

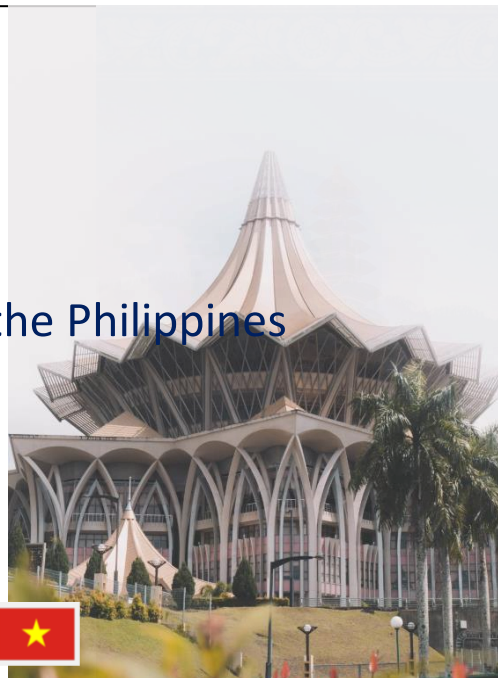


Philippine Annual Property Market Report

Institute For Real Estate Appraisers



Country Background of the Philippines



Background

Sovereign Territory

- A sovereign archipelagic state in Southeast Asia with 300,000 square kilometers of territory.
- The country is comprised of 7,641 islands
- It is the 73rd largest country in the world

Population

- 111 million people.
- It is the 7th and 13th most populated country in Asia and the World, respectively.

Sectors with Notable Decline (YOY) in 2022

- The country has abundant natural resources and some of the world's greatest biodiversity.



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Economic Background of the Philippines



Gross Domestic Product

GDP (Year on Year) Comparison

- **2021:** \$394.1 billion
- **2022:** \$404.3 billion
- **Change:** GDP increased by 7.6%

GDP per Capita (Year on Year) Comparison

- **2021:** \$3,461
- **2022:** \$3,499
- **Change:** GDP per Capita increased by 7.49%

Sectors with Notable Growth (YOY) in 2022

- Service: 9.2% (2022) from 5.4% (2021).
- Industry: climbed to 6.5%
- Construction: 12.1% (2022) from 10.1% (2021)
- Manufacturing: 4.6% (2022) from 8.9% (2021)
- Mining and Quarrying: 5.3% (2022) from 5.0% (2021)
- Public Administration, Defense, and compulsory social activities: increased by 4.0%
- Education : growth of 7.4%
- Financial and insurance : 7.1% (2022) from 4.7% (2021)
- Agricultural : decline by 0.5%



Figure 1: Philippine Gross Domestic Product (2018-2022)

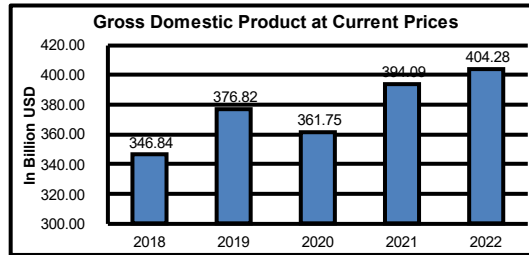
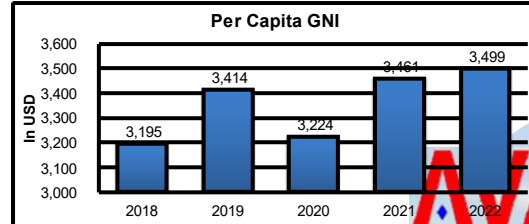


Figure 2: Philippine Per Capita Income (2018-2022)



Source: The World Bank

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Inflation Rate (Year on Year) Comparison

Headline Inflation

- **2021:** 3.6%
- **2022:** 5.8%
- **Change:** Rate Increased by 61.1%

Average National Inflation

- **2021:** 4.5%
- **2022:** 5.8%
- **Change:** Rate increased by 28.9%

Core Inflation

- **2021:** 3.3%
- **2022:** 3.9%
- **Change:** Rate increased by 18.2%

Average Core Inflation

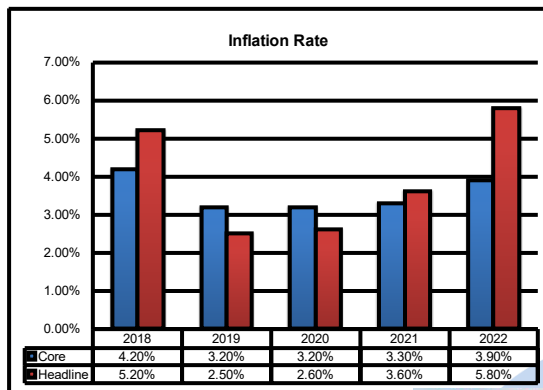
- **2021:** 3.3%
- **2022:** 3.9%
- **Change:** Rate increased by 18.2%

National Inflation Rate for Food

- **2021:** 3.2%
- **2022:** 6.1%
- **Change:** Rate increased by 90.6%



Figure 3: Philippine Inflation Rates (2018-2022)



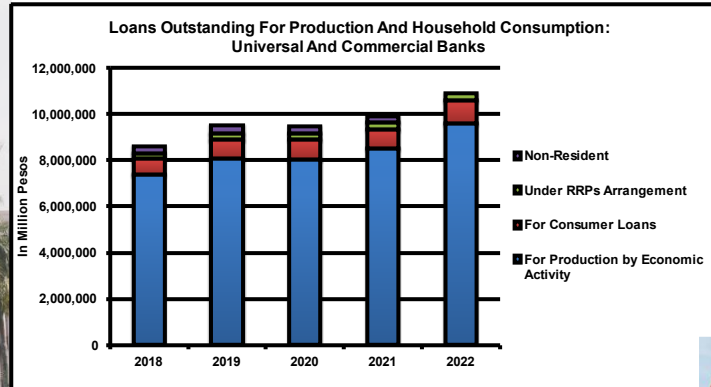
Source: Philippine Statistics Authority (PSA)

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Loan Approval by Sector\Purpose

As of December 2022, there were 11,206,155 million pesos' worth of outstanding loans for private capital expenditures from commercial banks and universal banks, more than 2021's 9,892,183 million pesos.

Figure 4: Philippine Loan Approval by Sector/Purpose (2018-2022)



Source: Bangko Sentral ng Pilipinas (BSP)



Labor Force Participation (Year on Year) Comparison

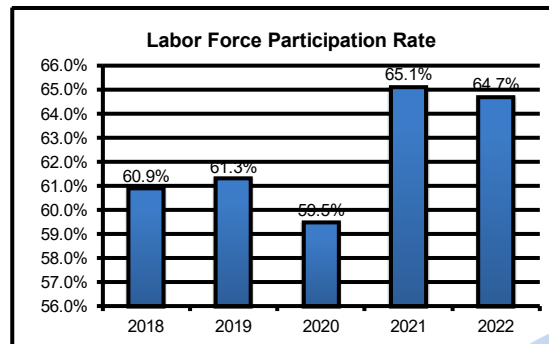
Labor Force Participation Rate

- **2021:** 65.1%
- **2022:** 64.7%
- **Change: Rate** decreased by 0.6%

Employment

- **December 2021:** 46.27 million
- **December 2022:** 46.89 million
- **Change:** Total number of employed Filipinos increased by 1.3%
- The employment rate displayed 94.6% for the year 2022.

Figure 5: Philippine Labor Force Participation Rate (2018-2022)



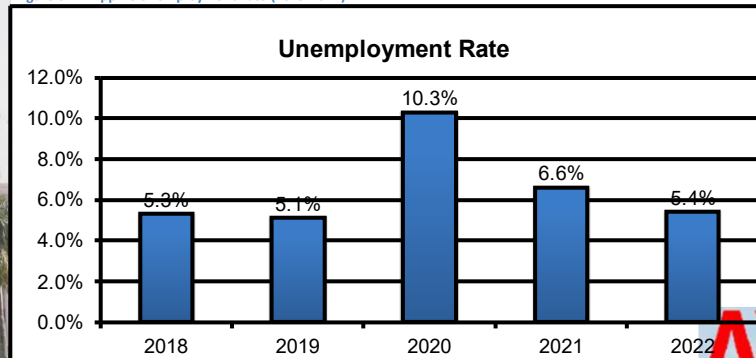
Source: Philippine Statistics Authority



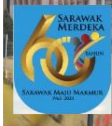
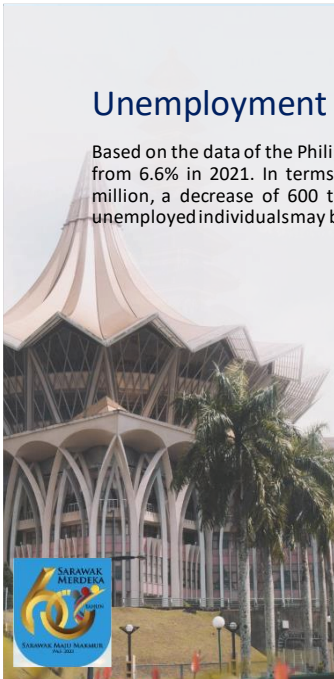
Unemployment Rate

Based on the data of the Philippine Statistics Authority, the national unemployment rate significantly decreased to 5.4% in 2022 from 6.6% in 2021. In terms of quantity, the predicted total number of unemployed Filipinos in December 2022 was 2.67 million, a decrease of 600 thousand from the 3.27 million reported in December 2021. The decrease in the number of unemployed individuals may be attributed to the easing COVID-19 restriction and increasing job opportunities.

Figure 6: Philippine Unemployment Rate (2018-2022)



Source: Philippine Statistics Authority



Foreign Direct Investment

FDI Inflows

- **2018:** 9.95 Billion USD
- **2019:** 8.67 Billion USD
- **2020:** 6.82 Billion USD
- **2021:** 11.98 Billion USD
- **2022:** 9.378 Billion USD
- **Change: Rate** decreased by 0.6%

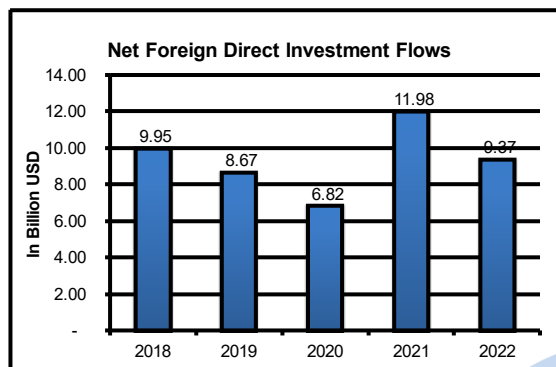
Equity Infusion Primary Sources in 2022

- Japan
- Singapore
- USA
- Malaysia
- Germany

Major Recipients

- Manufacturing
- Financial
- Insurance
- Real Estate
- Information and Communication

Figure 7: Philippine Foreign Direct Investment (2018-2022)



Source: Bangko Sentral ng Pilipinas (BSP)





Property Market Overview



Property Market Overview

Hospitality and Tourism Sector

- Faced continued challenges since international travel restriction and safety concerns persisted
- Domestic tourism emerged as a crucial driver for the industry's recovery

Industrial and Logistic Sector

- Continued to be a focal point in e-commerce and supply chain expansion
- Demand for last mile-delivery facilities, cold storage warehouses, and fulfillment centers underscored the critical role of the industrial sector in supporting the evolving retail landscape.



Info Source: Colliers, Cushman, Jones Lang LaSalle and Wakefield



Property Market Overview

Residential Sector

- Sustained demand for residential properties particularly in key urban centers.
- The market showcased robustness because of low interest rates, flexible payment schemes, and a growing preferences for home ownership due to remote work arrangements.
- High-rise condominium, townhouse communities, and sub-urban developments gained traction.

Commercial Real Estate Sector

- The pandemic induced shift towards remote work, which led to a temporary dip in office leasing.
- Companies adopted hybrid work models
- Commercial spaces evolved to accommodate consumer behaviors with the integration of technology in shopping and dining experiences.



Info Source: Colliers, Cushman, Jones Lang LaSalle and Wakefield



Property Market Overview

The government introduced measures to stimulate the real estate sector, such as incentives for sustainable and inclusive property developments, as well as efforts to streamline permitting processes to facilitate ease of doing business. Additionally, on-going infrastructure projects, such as the Build, Build, Build program, continued to enhance connectivity and accessibility, influencing property values in key growth areas.

Industry stakeholders demonstrated a willingness to innovate, exploring digital platforms for property viewings, virtual tours, and online transactions. Sustainability and wellness consideration also gained prominence, with a growing emphasis on green building standards and wellness amenities in property development.



Info Source: Colliers,
Cushman, Jones Lang
LaSalle and Wakefield



Residential Property Market

Increasing Supply of Residential Units

- **New Residential Buildings:** Proscenium Residences, The Imperium, The Levels Burbank Tower, etc.
- **2021:** 8,731 units were added to the supply
- **2022:** 9,000 units were added to the supply
- **Change:** 3.1 % (Year on Year) increase

Decreasing Demand for Residential Units

- **Q4 2021:** 17.9% vacancy in the secondary residential market
- **Q4 2022:** 17.6% vacancy in the secondary residential market
- Vacancy continue to rise in the Bay Area
- Completion of 3,100 units contributed to the increase in the vacancy rate in the Bay Area,



Table 1: An Overview of the Residential Market in Metro Manila

Cities in Metro Manila	Vacancy (%)	RFO Sales	Market Share		RFO Prices		Rent Prices	
			Existing (%)	Future (%)	Lower (Pesos)	Upper (Pesos)	Lower (Pesos)	Upper (Pesos)
Makati	9.9	97.5	17	7	165,500	384,500	12,000	700,000
Mandaluyong	6.4	99.7	9	11	100,000	248,900	10,000	150,000
Manila	2.3	99.5	10	6	136,500	252,900	9,000	60,000
Muntinlupa	3.2	95.2	3	3	136,100	363,000	10,000	183,000
Paranaque	3.9	92.8	5	13	98,900	206,200	8,000	150,000
Pasay	6.8	97.1	8	11	188,800	384,700	14,000	125,000
Pasig	1.6	96.7	10	17	98,400	250,000	10,000	120,000
Quezon	4.4	99.4	22	15	73,600	237,500	9,000	85,000
Taguig	10.0	98.5	14	11	119,300	339,100	15,000	420,000
Others	-	-	2	6	-	-	-	-

Source: Jones Lang LaSalle (JLL)



Residential Property Market

Imbalance between Supply and Demand

- A severe asymmetrical relationship existed between supply and demand, wherein there was an outstanding supply of retail units but an absence of significant demand for such assets.

Diminishing Rents and Falling Lease Rates

- 1.2% uptick in rental rates for 2022
- 3.9% increase in housing prices for 2022

Demand Side of the Market

- Significant increase in demand for high -end properties priced between Php 8M to Php 20M, as well as ultra - luxury projects exceeding Php 20M.
- In Q4 of 2022, Rockwell Land's Edades West and Arthaland's Eluria, were introduced.



Info Source: Colliers, Cushman, Jones Lang LaSalle and Wakefield



Office Property Market

Increasing Supply of Office Spaces

- **Primary Location:** Bay Area; Fort Bonifacio, Alabang, Quezon City, Ortigas CBD, and Makati CBD.
- **New Office Buildings:** One Ayala Towers, NEX 54, DoubleDragon Tower, Four Ecom Tower 3, Iland Bay Plaza, Dona Elena Tower, Reach Building, iMet BPO 2, Filinvest Axis 4, Park Triangle Corporate Plaza, One Wheels Condominium, The Stiles Enterprise Plaza East, Century Spire, Studio 7 iMet BPO 3, 1 Proscenium, Makati Commerce Tower, Filinvest Axis Tower 3, The Flaston Tower and Manta Corporate Center.
- **2021:** 633,000 sq. meters were added to the supply
- **2022:** 750,300 sq. meters were added to the supply
- **Change:** 19% (Year on Year) increase

Lease Transactions of Office Spaces

- **2021:** 357,400 sq. meters were transacted
- **2022:** 422,400 sq. meters were transacted
- **Change:** 18% (Year on Year) increase

Net Take-ups of Office Spaces

- **2021:** 422,400 sq. meters were absorbed
- **2022:** 603,800 sq. meters were absorbed
- **Change:** 43% (Year on Year) increase



Table 2: An Overview of the Office Market in Metro Manila

Cities in the Metro Manila	Pre-commitment rates (%)	Vacancy (%)	Market Share		Rental Rates	
			Existing (%)	Future (%)	Lower (Pesos)	Upper (Pesos)
Makati	-	18.2	20	13	550	1,800
Mandaluyong	-	25.8	6	-	700	1,200
Manila	-	40.1	1	3	600	650
Muntinlupa	-	26.0	6	-	600	975
Paranaque	10.6	53.1	3	3	550	1,500
Pasay	-	18.5	7	4	900	1,750
Pasig	-	12.8	16	3	500	950
Quezon	4.3	18.5	14	45	650	1,000
Taguig	29.9	11.9	26	22	800	1,600
Others	-	-	1	7	600	700

Source: Jones Lang LaSalle (JLL)



Retail Property Market

Decline of the Retail Property Market

- In terms of real estate supply, new retail space deliveries totaled 130,000 square meters in Q1 of 2022
- Retail vacancy increased to 15.2% in Q1 of 2022 compared to 14.8% in Q3 of 2021, it showed signs of stabilization.
- Recent amendments to the Retail Trade Liberalization (RTL) and Foreign Investment Act (FIA) had opened the door for more foreign retailers and expansion of existing one.

Retail Expansion

- Despite the increase in inflation rate, from 4% in 2021 to 5.1% in 2022, F&B and fashion retailers are expected to account for 50% of new retailers and clothing & footwear at 21%
- In Q4 2022, 16,000 sqm of new retails were added, and expecting 356,000 square meters before the year ended, and 247,700 sqm annually from 2022 to 2025.



Table 3: An Overview of the Retail Market in Metro Manila

Cities in the Capital Region	Vacancy (%)	Existing Market Share	Future Market Share
Makati	7.8	8	11
Mandaluyong	3.9	7	12
Manila	3.4	11	-
Muntinlupa	9.0	6	1
Paranaque	13.3	7	-
Pasay	1.6	10	-
Pasig	9.4	5	-
Quezon	2.9	26	73
Taguig	4.3	7	3
Others	-	13	-

Source: Jones Lang LaSalle (JLL)



Retail Property Market

Important Notes

- Mall Vacancy in the Capital Region slightly increase to 15.4%
- Consumer traffic had largely recovered to 85 -95% of pre-Covid levels.
- Lease rates saw a slight increase in the Q3 of 2022
- Challenges to retail sector expansion include supply chain disruption, global recession fears, and high inflation. Consumer confidence declined on Q3 of 2022 but was expected to improve after a year.



Info Source: Colliers, Cushman, Jones Lang LaSalle and Wakefield



Hospitality Property Market

- In 2022, the hospitality sector in the Philippines witnessed a gradual recovery after the challenges posed by the global pandemic. Hotel occupancy rates showed promising signs of improvement compared to the previous years. While it is important to note that specific rates varied by region, on average, major cities experienced occupancy rates ranging from 40% to 60%. Popular tourist destinations, such as Boracay, Palawan, and Cebu, saw rates surge to around 70% during peak seasons



Info Source: Colliers, Cushman, Jones Lang LaSalle and Wakefield



Hospitality Property Market

Hotel Pricing in Metro Manila (Php)

- Luxury Hotels – 7,000 – 12,000 per night
- Mid-ranged hotel and Boutique accommodations – 3,000 – 6,000 per night
- These rates were influenced by factors such as amenities, location, and brand reputation.

Important Notes

- Many hotels also incorporated innovative technologies to enhance guest experiences, such as contactless check-in and digital room keys.
- The emergence of boutique and eco -friendly accommodations resulted to an interesting trend for the sector.
- The rise of short-term rentals through platforms like Air BnB continued to provide an alternative for more personalized and homey stays.



Table 4: An Overview of the Hospitality Market in the Philippines

Aspect	Data
Total Number of Hotels	2,500
Total Number of Rooms	150,000
Average Hotel Occupancy Rate	60%
Average Daily Rate (PHP)	3,500
Major Tourist Destinations	Manila, Cebu, Boracay, Palawan

Source: Aviso Valuation & Advisory Corporation



Industrial Property Market

Occupancy Rate

- In key industrial zones, such as Metro Manila, Central Luzon and Calabarzon – 80 – 90 %

Lease Rates

- For well-located warehouses – Php 200 – 300 per sqm
- For properties offering advance amenities and strategic access point – commands the higher end of this range.

Important Notes

- Secondary and emerging industrial areas, while more affordable, also saw increased demand, leading to a slight appreciation in lease rates.



Table 5: Industrial Lease Price in the Philippines

Location	Non-PEZA (PHP/sqm/month)	PEZA - Accredited (PHP/sqm/month)	Occupancy Rate (%)
Metro Manila	150-200	200-300	87.5
Cebu	100-150	150-250	89.2
Davao	80-120	120-180	85.8
Clark Freeport Zone	120-180	180-250	91.0
Laguna Technopark	100-150	150-200	88.7
Subic Bay Freeport	100-150	150-200	92.3
Cavite Economic Zone	100-150	120-180	86.5
Batangas	100-150	150-200	90.1
Iloilo	80-120	120-180	84.3

Table 6: An Overview of the Industrial Market in the Philippines

Aspect	Data
Total Industrial Space (sq. m.)	12,500,000
Total Vacant Space (sq. m.)	900,000
Overall Occupancy Rate (%)	92.8
Key Industrial Hubs	Metro Manila, Cebu, Davao, Clark Freeport Zone
Major Industries	Manufacturing, Warehousing, Logistics

Source: Aviso Valuation & Advisory Corporation



Industrial Property Market

Important Notes

- The industrial sector saw a steady influx of new developments, particularly in strategic locations near major transportation hubs and ports. These included large-scale logistic parks and modern warehouses equipped with advanced technology for efficient operations. Additionally, developers showed a growing interest in building eco-friendly and sustainable industrial spaces, aligning with global trends in environmental responsibility.
- There was an increased integration of technology within industrial facilities. This included the adoption of automation, internet of things, and smart logistic solutions to optimize operation and enhance efficiency. These technological advancements were particularly evident in newly developed industrial spaces, reflecting a forward-looking approach to industrial real estate in the Philippines.



Info Source: Colliers,
Cushman, Jones Lang
LaSalle and Wakefield



Upcoming and Ongoing Mega Development / Infrastructure Projects





Property Market Outlook



Upcoming and Ongoing Mega Development / Infrastructure Projects

- **Flag Ship Projects:** 197 with total cost of 8.71 Trillion, notable addition includes the connectivity and transportation projects like the Metro Cebu Expressway and Nautical Highway Network
- 27 projects – received approval for implementation
- 8 projects – awaiting government approval
- 52 projects – under project preparation phase
- 36 projects – on-going pre-project preparation phase
- **Beyond 2022:** 85 are anticipated to be finished
- **High impact projects approved by the NEDA board:**
 - 300 – bed UP-PGH Cancer Center
 - MRT 3 Rehabilitation Project
 - New Communication, Navigation, Surveillance Air Traffic Management System
 - Dumaguete Airport Development Project
 - DOA's Mindanao Inclusive Agriculture Development Program
 - DPWH's 1st phase of the Integrated Flood Resilience
 - DPWH's adaptation project in 3 major river basin



Info Source: Colliers,
Cushman, Jones Lang
LaSalle and Wakefield



Property Market Outlook

- The Philippine real estate property market is gearing up for a dynamic 2023, capitalizing on the positive momentum carried over from the previous year. As the economy displays encouraging signs of recovery and investor confidence remains robust, the market is set to expand across its diverse sectors. The residential segment is primed to maintain its strength, driven by factors like a burgeoning young population, the ongoing trend toward urban living, and evolving housing preferences. Developers are gearing up to deliver innovative and sustainable housing solutions, aligning with the demands of an increasingly discerning clientele.
- Within the commercial sphere, the ever-expanding realm of e-commerce and a resurgence in consumer spending are poised to amplify the demand for logistics and warehousing spaces, providing a significant boost to the industrial sector. While the office market continues to adapt to the prevalence of remote work, it is also expected to see renewed interest in flexible workspaces and hybrid office solutions, reflecting the evolving nature of work.
- Furthermore, the hospitality sector is bracing for a resurgence, thanks to the gradual reopening of international borders and the anticipated uptick in tourism as travel restrictions ease. In summary, 2023 promises to be a dynamic year for the Philippine real estate property market, characterized by adaptability, innovation, and sustained growth across its multifaceted sectors.



Info Source: Colliers,
Cushman, Jones Lang
LaSalle and Wakefield



Thank you!

