RESEARCH

METRO MANILA

MARKET UPDATE Q1 2019

METRO MANILA REAL ESTATE SECTOR REVIEW

MANILA REMAINS ONE OF THE HOTTEST CITIES ACCORDING TO THE WEALTH REPORT

COVER | Opportunities in the local property market arise from the steadfast growth of the ultra-wealthy

In the latest edition of the Wealth Report - released by global property consultancy firm, **Knight Frank**, the number of ultra-high net worth individuals (UHNWI) in the Philippines was forecasted to rise by 38% in the next 5 years. A UHNWI was defined as a person with a net worth of over US$30 million. The Philippines has consistently been reported as one of the countries with the fastest UHNWI growth projections in the past versions of the report. Moreover, the Philippines was expected to record 296 UHNWI by 2023. The projected growth of UHNWI in the Philippines was second to India's 39%.

Backed by a strong overall economic performance, 8 out of the top 10 countries with the fastest projected UHNWI population growth were from Asia. India, Philippines, China, Indonesia, Malaysia, Vietnam, South Korea, and Thailand boasted higher percentages compared to the world average of 22%

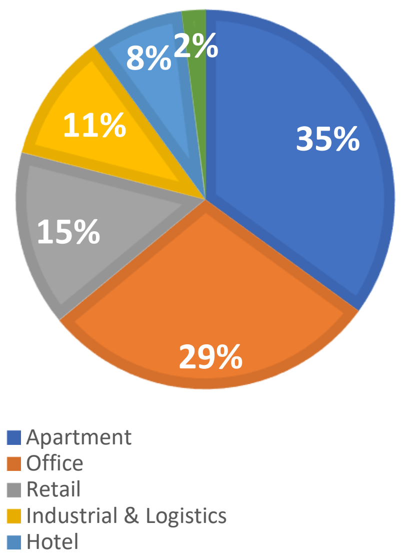
The projected growth of millionaires in the Philippines was likewise remarkable at 34%, following India's 35%. From 24,162 in 2018, the number of Filipino millionaires is forecasted to reach more than 32,000 in 2023.

One of the leading factors driving UHNWI growth is investments in non-financial assets such as real estate. The UHNWI are diversifying asset portfolio and investing in various areas worldwide. Appetite for real estate investments continues to increase globally due to the relatively higher yield. Thirty-four percent (34%) of the surveyed private bankers and wealth advisers revealed an increase in client's allocation to property in 2018.

In addition, Knight Frank's Prime International Residential Index (PIRI 100) tracks the movement in the price of luxury homes in key cities. Manila registered the highest growth in luxury home prices for the year 2018. The 11% rise in prices signified an already robust market. Nevertheless, the growing number of UHNWI presents opportunities for further growth of the Manila prime residential sector.

The continuously expanding commercial real estate sector is another area of interest to the growing Filipino UHNWI. Local property developers and large companies are intensifying their business development activities with the continuous acquisition of land and commercial spaces.

FIGURE 1
Private Capital Investment



Source: Knight Frank The Wealth Report

SNAPSHOTS
Economic Indicators

5.6% ▼
GDP
Q1 2019

3.3% ▼
Inflation Rate
March 2019

3.0% ▼
OFW Remittances
February 2019

6.68% ▼
Avg. Bank Lending
February 2019

5.58% ▲
91-Day T-Bill
Q1 2019

52.41 ▼
Avg. PhP-USD
March 2019

OFFICE MARKET OUTLOOK REMAINS UPBEAT WITH A FIERY START IN 2019

OFFICE | Rents, occupancy rates and upcoming stock signify a strong office market

TABLE 1
Q1 2019 Office Data

Area	Weighted Avg Lease Rates (PhP/sq.m./mo.)	Vacancy Rate
Makati	1429.11	3.24%
Fort Bonifacio	1262.23	5.97%
Alabang	772.63	3.10%
Quezon City	879.62	9.35%
Ortigas	713.29	5.25%
Bay Area	918.92	0.00%
METRO MANILA	₱1,078.81	4.99%

Source: Santos Knight Frank Research

The Metro Manila office sector momentum extended to the first three months of 2019 as demonstrated by sound performance indicators. A generous supply of leasable area increased the documented end of year office stock. In the first quarter of 2019, more than 200,000 square meters of Gross Leasable Area (GLA) was added to the 2018 total supply. Nevertheless, the overall occupancy rate remained within healthy levels of above 95%. The first quarter net absorption of 191,871.02 square meters almost equaled the new stock introduced in the quarter. Moreover, the year-on-year growth rate of the weighted average asking rent was noted at a record high of 10.35%. The average asking lease rate was pegged at PhP 1,078.81 per square meter per month.

An estimated 1.4 million square meters of new GLA is forecasted to enter the market in 2019. Majority or around 74% of the upcoming supply will be in Fort Bonifacio, Ortigas, and Quezon City.

MAKATI

Makati continued to command the highest headline rents in Metro Manila. The Makati Central Business District (CBD) remained the most preferred location for office operations and business activities. Office rents in Makati's prime and grade A buildings averaged PhP 1,429.11 per square meter per month in the first quarter of 2019.

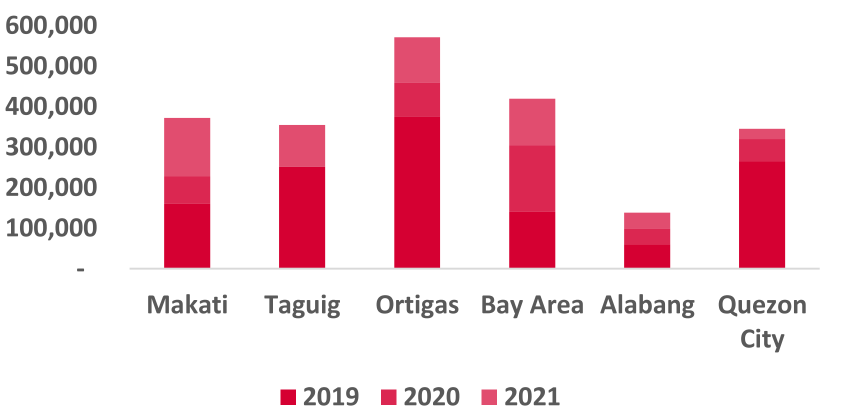
Situated along the business district's main avenue, Nex Tower, with an office GLA of 31,173.00 square meters, was unveiled and started operations within the first quarter. In addition, Makati is anticipating another 160,065.34 square meters of new office GLA within 2019.


Nex Tower
Source: Nova Group

FORT BONIFACIO

Fort Bonifacio displayed a robust office market with a growing demand. Although second only to Makati in terms of weighted average lease rate, Fort Bonifacio recorded the highest quarter-on-quarter (q-o-q) rental growth at 9.71% in the first quarter of the year. Makati's rents grew less than 1%. PhP 1,262.23 per square meter per month was the weighted average asking rent of office spaces in Fort Bonifacio for the period.

FIGURE 2
Upcoming Office Space (in sq.m.)



Source: Santos Knight Frank Research

Fort Bonifacio's vacancy rate was measured at 5.97%. Newly turned-over Asian Century Center added 26,000 square meters of GLA to the business district's total supply.

ALABANG

The Alabang business district continued to show signs of high return potentials. The area is at a prime location in the southern portion of Metro Manila, away from the highly-congested areas of Makati and Fort Bonifacio. The weighted average rent in Alabang has been growing at a rate of 5% annually in the past 5 years, reaching PhP 772.63 per square meter per month in the first quarter of 2019. The vacancy rate was at 3.10%, despite the opening of One Griffinstone, which added 22,903 square meters of office GLA to Alabang's total supply.

BAY AREA

The Bay Area existing office supply has been fully absorbed as of the first quarter of 2019. Filinvest Cyberzone A and D added a combined total of 28,220 square meters to the Bay Area GLA. The buildings were immediately taken up. The dwindling supply and rising demand pushed rents up 20% from PhP 767.12 in 2018 to PhP 918.92 in 2019.

Several developments are presently in the pipeline to address the supply shortage. More than 410,000 square meters of GLA is expected within the next 3 years. Some of the upcoming office projects include Megaworld Corporation's One Fintech building in Westside City, which is set to be completed by Q4 2020, and DM Wenceslao and Associates Inc.'s Aseana 4 for turnover in 2021.

ORTIGAS

Numerous construction activities were observed in the Ortigas area. Approximately 375,000 square meters of new office stock are for turnover in 2019. Office development was likewise noted in

One Griffinstone Alabang
Source: Business World

the fringes of the business district. Ortigas Technopoint Two and CBC (Charles Builders Company) Business Hub started operations in the first quarter of 2019, adding about 25,000 square meters of new office space options.

Ortigas vacancy rate was almost reduced in half from 11.30% in 2018 to 5.25% in 2019. A strengthening demand was evidenced by the 2.46% q-o-q rental growth rate in the area. The weighted average office lease rate was PhP 713.29 as of the first quarter of 2018.

QUEZON CITY

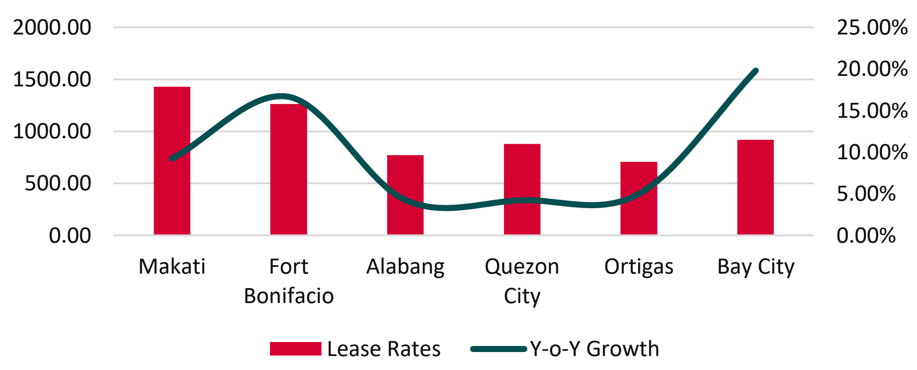
The absence of available office space in Bay Area forced occupiers to consider options in areas such Quezon City that boasts several mixed-use developments in various locations within the city. The Araneta Group is presently revamping the Araneta Center in the well-located Cubao area, adding more office buildings to the existing masterplan. Araneta Cyberpark 2 recently started operations, increasing Quezon City's total office stock by 74,849 square meters of GLA.

At the end of the first quarter of 2019, Quezon City's occupancy rate remained above 90%. The asking rents in the area averaged PhP 879.62 per square meter per month.

Araneta Cyberpark 2
Source: Araneta Group

FIGURE 3

Weighted Average Lease Rate (in PhP) and Year-on-Year Growth Rate (in %)



Source: Santos Knight Frank Research

THE RESIDENTIAL MARKET BOOM EXTENDS TO THE INITIAL QUARTER OF 2019

RESIDENTIAL | End-users and Investors crave for new inventories as supply further dwindles

The Metro Manila residential market continued to exhibit strong growth in the first quarter of 2019. Selling prices rose, absorption rates approached 100 percent and fresh inventories were quickly taken-up. Given the limited residential supply in prime locations within city centers, property buyers rushed to purchase newly launched units in these areas.

Although a number of existing projects remained in the market, new projects in Makati, Bay Area, Ortigas and Fort Bonifacio already sold most of the tallied floated inventory within months from launch date. The notable new project launches included Novo's Citrine Residences in Makati and Federal Land's Mi Casa – Hawaii Tower in the Bay Area. Half of the inventories from these projects were reportedly sold in less than a month. The launching of high-end and luxury developments such as Alveo's The Ametrine at Portico in Ortigas and Megaworld Infinite's The Albany – Yorkshire in Fort Bonifacio were likewise met with high demand from residential investors. A robust residential market was evidenced by the impressive market acceptance of the new projects, despite the higher price premium if compared to projects in the far fringes.

Citrine Residences
Source: Novo

ABSORPTION AND TAKE-UP

Metro Manila's residential market absorption rate soared to 95.55% in the first quarter of 2019. Foreign investors are recognizing the growing real estate investment prospects in the country while the local sector continues to create wealth for investment in their country of residence.

Backed by further purchases pouring in from the PAGCOR-enabled companies, the Bay Area led the other business districts in terms of residential take-up. Approximately 36 units per month were absorbed during the first three months of the year.

The base of large local and multinational companies, Ortigas and Makati displayed take-up rates of about 31 units and 23 units, respectively. Makati registered a 48% year-on-year (y-o-y) increase in take-up, which is attributed to the rising demand from buyers.

TABLE 2
Q1 2019 Residential Condominium Sales Market Statistics

Area	Units Sold (%)	Avg. Monthly Take-up
Makati	96.14%	23.48
Taguig	97.03%	12.26
Quezon City	93.44%	14.92
Ortigas	95.66%	31.46
Alabang	97.25%	17.94
Bay Area	97.20%	36.15
METRO MANILA	95.55%	20.87

Source: Santos Knight Frank Research

Capital appreciation is expected once lined-up infrastructures, such as the Makati subway, are in-place.

The announced price increase of Filigree's residential projects in Alabang prompted investors to purchase residential units. This boosted the area's monthly take-up rate to around 17 units per month, a 70% y-o-y growth.

In addition, monthly take-up of Quezon City and Fort Bonifacio projects were estimated at 14 units per month and 12 units per month, respectively.

Furthermore, the influx of foreign workers and the migration of people from nearby provinces resulted to a faster take-up of affordable projects. The first quarter take-up was noted at 16 units per month, corresponding to a 35% increase in speed of sale.

SELLING PRICES

Due to the large demand for residential units in the area, Bay Area was the forerunner among all business districts in terms of average residential unit prices across the various price segments. Bay Area posted a 50.4% y-o-y growth in selling prices, reaching an average price of PhP 286,277 per square meter in the first quarter of 2019.

Following Bay Area, Alabang exhibited a y-o-y growth of 34.6%, coming from a low base of PhP 119,821 per square meter in the initial quarter of 2018. Alabang's average price per square meter was PhP 161,310 in the same period of this year.

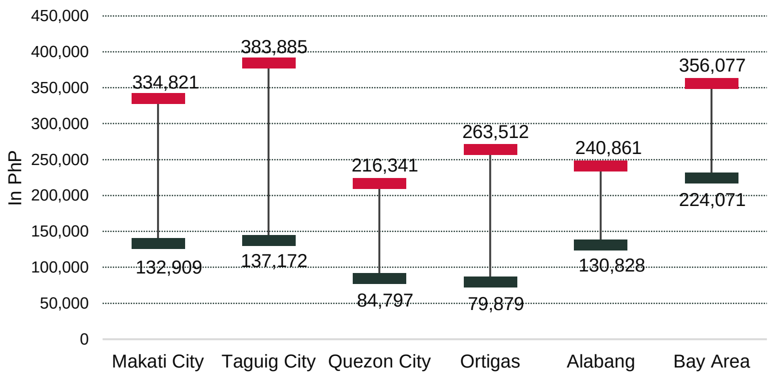
Makati's average selling prices tailed Alabang in terms of y-o-y growth at 27.9%. Makati recorded the second highest average price per square meter across segments at PhP 232,474 per square meter.

Presently, Makati's luxury market inventory is 100% sold, with a few units available for re-sale. However, the ground breaking of a new luxury project, Estate Makati, was held in the late part of January 2019. The official start of selling has not been announced. Upon launching, the prime residential supply in Makati will increase by another 180 units. The limited supply to be introduced and the large underserved demand are foreseen to further escalate selling prices in the area.

The inventory of Horizon Homes of Shang Properties, regarded as the most expensive vertical residential development of the recent periods, was fully depleted in the first quarter of 2019. Nevertheless, Fort

FIGURE 4

Indicative Average Selling Prices per Area (PhP/sq.m.)



Source: Santos Knight Frank Research

Bonifacio remained as one of the priciest areas in Metro Manila having an average selling price of PhP 231,360 per square meter.

The average prices in Ortigas rose 22% y-o-y. Almost at the same level as Alabang, the average price in Ortigas during the first quarter of 2019 was pegged at PhP 163,303 per square meter.

Quezon City offers a variety of residential projects, from affordable condominiums in Fairview to high-end developments in Vertis North, as well as residential components of numerous pocket developments and mixed-use projects. In the first quarter of 2019, the residential units in Quezon City were valued at PhP 127,514 per square meter at an average. A 13.6% y-o-y increase in prices was justified by the infrastructure projects in the pipeline such as the MRT-7.

At present, all residential projects in Ayala Land's Vertis North are completely sold out while Alveo plans to launch Orean Place Tower 2 in the second quarter to address the huge unserved demand.

METRO MANILA HOSPITALITY MARKET HEATS UP EARLY IN 2019

HOSPITALITY | Impressive performance of the hospitality sector is evidenced by key tourism indicators

TOURIST INFLUX & SPENDING

Nearly 2 million tourists from around the world were reported to have visited the Philippines in the first two months of 2019. The Department of Tourism (DoT) reported a y-o-y increase of 6% in the country's foreign tourist arrivals, creating optimism in the country's tourism market this year.

As of February 2019, South Korea remained the top source of foreign visitor arrivals and tourist spending in the Philippines. An estimate of 360,800 arrivals and PhP 26.4 billion were generated from South Korea in the first two months of the year. China continued to occupy the second spot with a y-o-y growth in visitor arrivals of 20%. Chinese visitor arrivals during the period was recorded at 305,300 arrivals while tourists spending from China was documented at PhP 16.67 billion. The third place was taken by USA after recording 203,800 visitor arrivals and spending PhP 13.68 billion in the country.

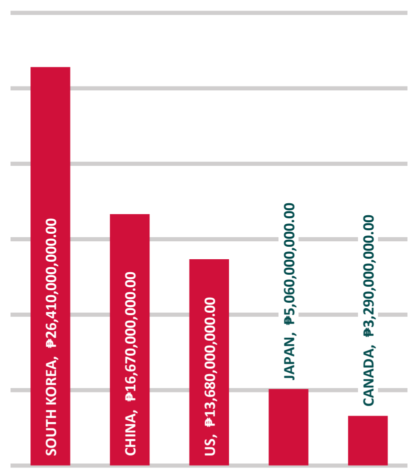
In addition, the DoT pointed out that tourist spending from Europe substantially increased over the periods of January to February. European tourist spending in the Philippines have surged by at least 60% during the said period. Tourists from France reportedly spent PhP 1.45 billion, while tourists from Germany consumed PhP 1.47 billion.

The latest Inbound Tourism Expenditure report of the Philippine Statistics Authority revealed that foreign tourists mostly spent on food and beverage, which accounted for 26% of the overall foreign tourist spending in the Philippines. Moreover, the accommodation services likewise covered a large portion of the total tourist spending at 23%, contributing to the solid growth of the hospitality sector.

Furthermore, the Civil Aeronautics Board (CAB) forecasted an increase of 10% in international and domestic air-traffic this year. Philippine Airlines, Cebu Pacific and other local airline companies have been increasing and expanding operations to secondary airports outside Metro Manila to decongest the Ninoy Aquino International Airport (NAIA), as well as offering direct flight routes to various tourist destinations in the country.

FIGURE 5

Top 5 Tourist Spenders in the Philippines (Jan & Feb 2019)



Source: Department of Tourism (DoT)

MM HOSPITALITY DEMAND

The Metro Manila hospitality Q1 2019 demand mainly originated from staycations, get-togethers, business travels and Meetings, Incentives, Conventions, and Exhibitions (MICE). Staycations is a notable growing trend in the country. It enables spending quality time with family and friends. Various packages and discount promos are offered to encourage booking hotel stays even without a particular occasion to celebrate.

Get-togethers and reunions are popular especially after the Christmas season, when provincial-based or foreign-based relatives and friends extend their stays to fully maximize the visit to Manila. Business travels are likewise very common in the first quarter of the year, when refreshers, sales rallies and year-starter events are held.

Moreover, Manila remained to be the primary MICE destination in the country due to its proximity to the international airport, the availability of MICE-capable facilities and presence of integrated resorts and casinos for more activities. The DoT and the Tourism Promotions Board (TPB) urged Local Government Units (LGUs) to coin initiatives that will strengthen the local MICE industry in the Philippines and advance the recognition of the country as a preferred MICE destination in the world.

MICE-Capable Facilities: World Trade Center Manila & SMX Convention Center

Sources: World Trade Center
SMX Convention Center

HOTEL SUPPLY

Bay Area, Pasay accounted for the largest supply of hotel rooms in Metro Manila, offering approximately 9,300 hotel rooms across 23 hotels. Most of the integrated resorts and casinos are located in the Bay Area. Majority of the hotels in the area feature 4-star and 5-star accommodations that cater to the exceptional taste and preference of international guests

The existing hotel supply in Makati is comprised of 9,000 rooms, second largest in Metro Manila, coming from 55 hotels. The hotels in Makati are mostly situated within the central business district and the Poblacion area. 5-star hotel accommodations are located in the city center, within walking distance from the regional offices of multinational firms. Inns and 3 to 4-star hotel accommodations are typical in the Poblacion area and target backpackers and travelers on a budget.

Fort Bonifacio, Ortigas, Alabang and Quezon City have a combined total of 10,800 rooms under different star-ratings.

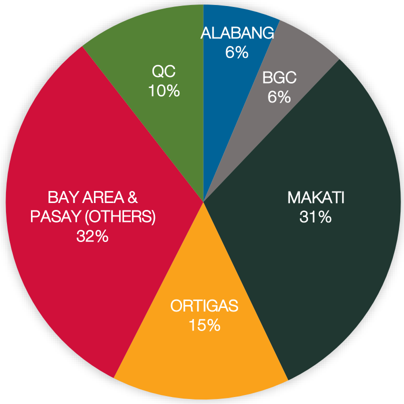
AVERAGE DAILY RATE

Hotels in the Bay Area commanded the highest Average Daily Rate (ADR) rates among the Metro Manila business districts. ADR in the area ranged from PhP 1,915 per night to PhP 47,203 per night. The high demand for accommodations in integrated hotels, resorts, and casinos was the main driver in the continuous escalation of ADR in the Bay Area.

Makati offers a wide selection of hotel accommodation that matches the budget and desires of the market. 20 budget hotels were noted in the fringes of Makati with ADR of PhP 1,406 to PhP 4,380. On the other end, the ADR of 5-star hotels start from a low of PhP 5,080 to a high of PhP 17,030.

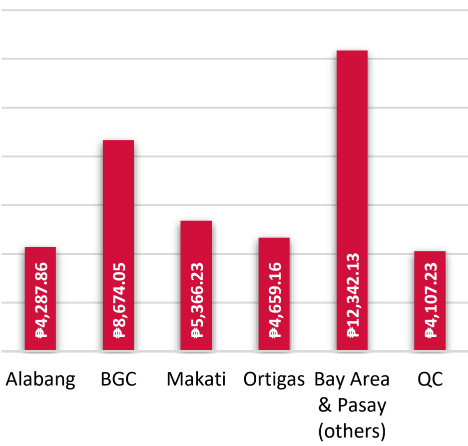
Still within the peak season which normally starts during the pre-holiday season in November and ends during the late summer season in May. ADR in Fort Bonifacio, Ortigas, Alabang and Quezon City averaged PhP 8,670, PhP 4,660, PhP 4,300, and PhP 4,100, respectively.

FIGURE 6
Metro Manila Hotel Room Supply Distribution



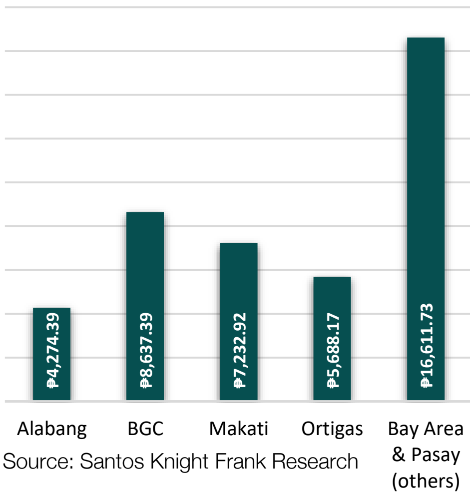
Source: Santos Knight Frank Research

FIGURE 7
Metro Manila Average Daily Rate (ADR)



Source: Santos Knight Frank Research

FIGURE 8
Metro Manila 5-Star Average Daily Rate (ADR)



Source: Santos Knight Frank Research

NEW & UPCOMING HOTELS

A number of hotels commenced operations in Metro Manila during the first quarter of 2019. Around 900 hotel rooms were added to the Metro Manila hotel supply, bringing the total supply to approximately 30,000 hotel rooms.

Close to 740 hotel rooms were launched in Newport City in Pasay. Mariott International's Sheraton Manila Hotel introduced 390 guest rooms while Hilton Manila Hotel added 350 hotel rooms to the growing Newport City hospitality sector.

Metro Manila is set to witness 7,000 additional hotel rooms in the next 5 years. Developers such as Megaworld Corporation, Ayala Land Inc. (ALI), Filinvest Land Inc. (FLI), and Double Dragon Properties are looking to increase their hospitality footprint by setting up strategic developments all over Metro Manila.

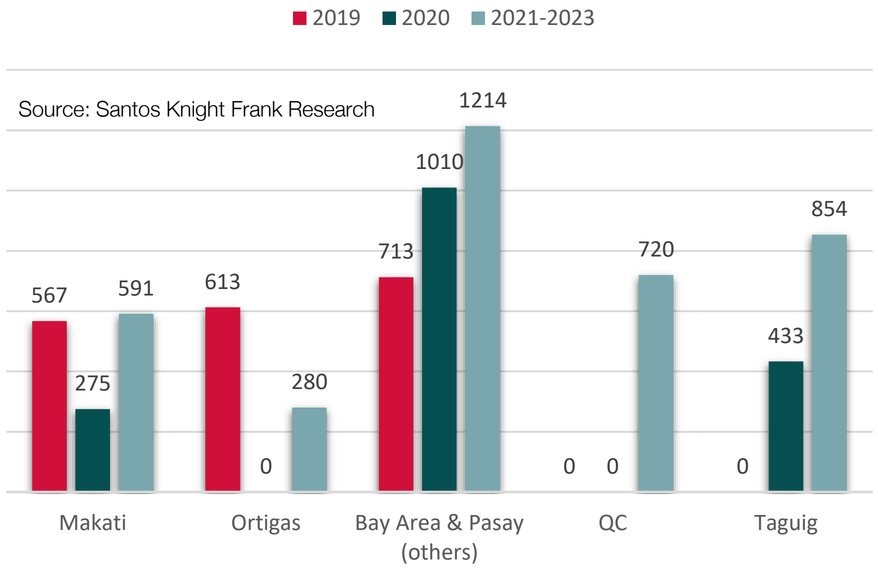
Managed by Prestige Hotels and Resorts, Megaworld Corporation's Grand Westside Hotel and Kingsford Hotel located in Bayshore City will add 1,200 hotel rooms to the busting Bay Area in Pasay. Moreover, ALI announced future expansions of the Seda Hotel brand within the developer's Circuit Makati and Bay Area projects. Furthermore, FLI's 220-room Canvas Hotel that will rise within the Activa Flex development and targets the millennial market, is expected to light-up the Quezon City skyline in 2022.

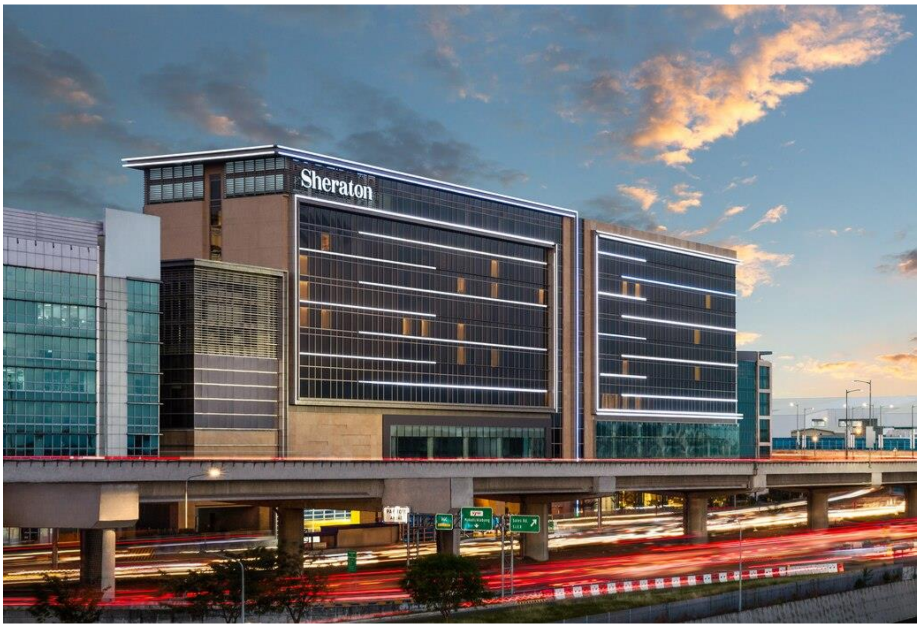
Araneta Group's Ibis Styles Hotel is a 300-room lifestyle and hospitality complex that will rise in Araneta Center. Ibis Styles Hotel is part of the Araneta Group's facelift masterplan of the Araneta Center, seeking to reinvent the business district. The hotel will be situated alongside the upcoming Gateway Mall 2 and will have seamless access to other Araneta Group developments in the area.

In addition, budget-friendly hotels, such as Red Planet Hotels and Hotel 101, already penetrated the hotel market of Fort Bonifacio. The entry of Red Planet and Hotel 101 in the growing Fort Bonifacio increases the number of available accommodation options within the business district.

International brands and major hotel players likewise continue to bolster their hospitality portfolio in Metro Manila with the planned addition of Ascott Meridian Park in the Double Dragon complex in Bay Area, and Hotel Okura in Megaworld Corporation's Westside City and Newport City developments in Pasay.

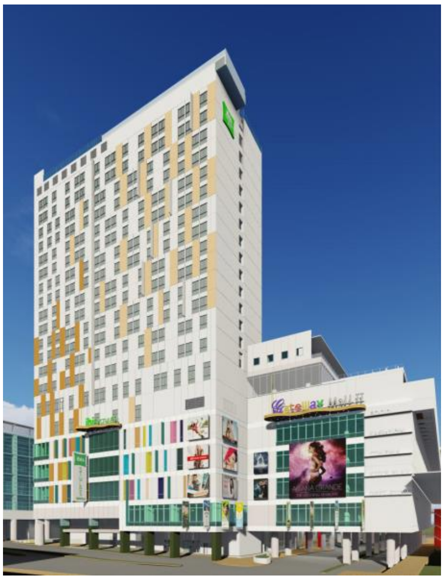
FIGURE 9
Upcoming Hotel Rooms in Metro Manila





Newly opened Sheraton Manila Hotel located in Newport City
Source: Marriott Hotels

Upcoming Hotel 101: The Fort
Source: Double Dragon Properties



Upcoming Ibis Styles Hotel QC
Source: Araneta Group

A BUSTLING RETAIL SECTOR RESULTED FROM IMPROVED CONSUMER CONFIDENCE

RETAIL | Mall expansions, international brands, and digital payments advanced the retail scene

Coming off the holiday season, the retail industry welcomed 2019 with strong market demand, further evidenced by the continuous development and opening of new malls together with the expansion and renovation of existing retail establishments across Metro Manila. The demand was mainly driven by favorable market conditions, such as increased disposable income and the easing of inflation in the first quarter of the year.

NEW AND UPCOMING MALLS AND EXPANSIONS

SM City Fairview recently completed and soft-opened Parkway, the shopping mall's 32,000-square meter expansion. Despite the noticeable vacant spaces in this particular wing, a number of shops were already open and selling. Majority of the locators were Food & Beverages (F&B) brands and services such as salon and spa.

The Araneta Group is expanding its retail portfolio through the construction of Gateway Mall 2 in Araneta Center. The new phase is slated to be completed by the second half of 2020. It will feature a 700-square meter activity area, upscale interiors, organic vegetable garden, European marketplace-inspired gourmet food hall, and a 500-seater chapel on the top floor. There will be more food options that will cater to the growing demand for F&B brands. A total of 126,000 square meters of floor area will be available upon completion.

D.M. Wenceslao & Associates is set to break ground next quarter its newest mixed-use development in Aseana City. Parqal, derived from the combination of the words "park" and "kalye" (street), will add around 68,000 square meters of leasable office and retail area. The development boasts of nature-like landscapes and leisure attractions for a unique retail experience and is scheduled to be completed by the end of 2021.

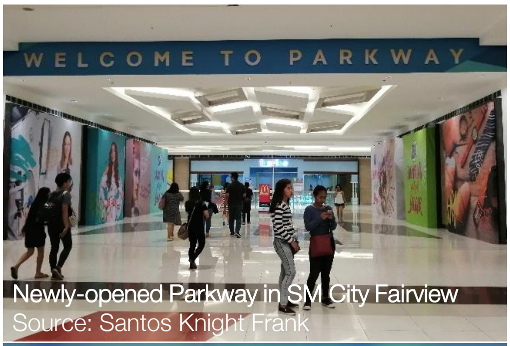
In addition to the new and upcoming shopping malls that were conceptualized taking into account consumer lifestyles and changing preferences, mall renovations are continuously being performed to further promote retail as an experience. Ayala Malls Glorietta in Makati is currently undergoing renovation in order to provide a better dining and shopping experience to its numerous mall-goers. Renovations of the Food Choices and Activity Center started in the first quarter of 2019 and are for completion within the year.

NEW STORES AND BRANDS

Several brands have set up shops in various shopping malls and retail establishments in order to cater to the various demands of foodies and mall-goers.

Botejyu, best known for its okonomiyaki and okosoba, recently unveiled its flagship restaurant in One Bonifacio High Street. In addition to existing branches in Luzon, the Japanese restaurant is set to open branches in other areas within Metro Manila, such as Greenbelt, Ayala North Exchange, Greenhills, and SM City Fairview.

An increasing presence of milk tea brands was noted as more and more foreign names are introduced to the market. After opening its first branch in One Bonifacio High Street last year, Taiwan-based milk tea brand Tiger Sugar recently



Newly-opened Parkway in SM City Fairview
Source: Santos Knight Frank


Gateway Mall 2
Source: Araneta Group

commenced stall operations in Eastwood Mall and TriNoma. Another store is set to open in SM City North EDSA by April 2019.

In addition, Xing Fu Tang, another Taiwanese milk tea brand opened its first branch in the country at The Podium Mall. Two additional stores are much awaited in Promenade Mall in Greenhills and Venice Grand Canal Mall in Taguig. The milk tea chain is famous for its brown sugar bubble milk tea.

Dessert shops have also been consistently present in the retail scene. Hongkong-based dessert brand Hui Lau Shan entered the Philippine market with the launch of its first branch in SM Megamall on March 2019. It has upcoming branches in Eastwood Mall, UP Town Center, SM City Fairview, SM City North EDSA, SM Mall of Asia, and Promenade Mall. Hui Lau Shan uses Philippine carabao mangoes along with other ingredients to create unique desserts.

UPCOMING STORE AND BRANDS

In the first quarter of the year, 299 upcoming brands were noted across Metro Manila.

F&B continued to account for the largest share in the pie of upcoming brands in Metro Manila with a 42% share. Of the 129 F&B brands, 74 or 59% were restaurants. Other notable categories were Milk Tea and Desserts with shares of 10% each.

Clothing and Apparel represented 21% of the upcoming stores. The category was distributed as follows: apparel (41%), accessories (28%), footwear (23%) and eyewear (8%).

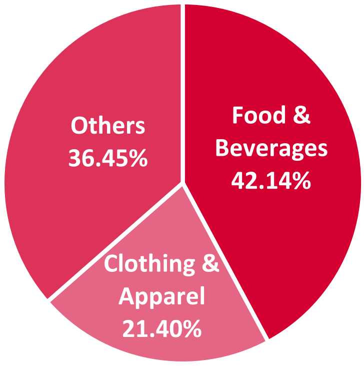
The remaining 36% of the upcoming brands were under health & wellness, technology, cosmetics, services, and others.

Popeyes Louisiana Kitchen, under the Kuya J Group, is a well-anticipated fast food restaurant. The brand was founded in New Orleans in the 1970s and is now considered as one of the most popular fried chicken restaurants in North America. Its menu features biscuits with honey, fried shrimp, and spicy chicken. Popeyes is set to open in 9 locations within Metro Manila (Alabang Town Center, Vertis North, Festival Mall, Ali Mall, SM City San Lazaro, SM City Manila, Arcovia City, Eastwood City, and Kroma Tower in Makati).

NOTABLE TRENDS

Despite the evolution of e-commerce and online shopping, the sensory experience that physical stores offer to consumers remains an advantage. To keep up with the changing preferences of mall-goers and to provide convenience and better customer service, retailers are now incorporating digital innovation into the physical stores.

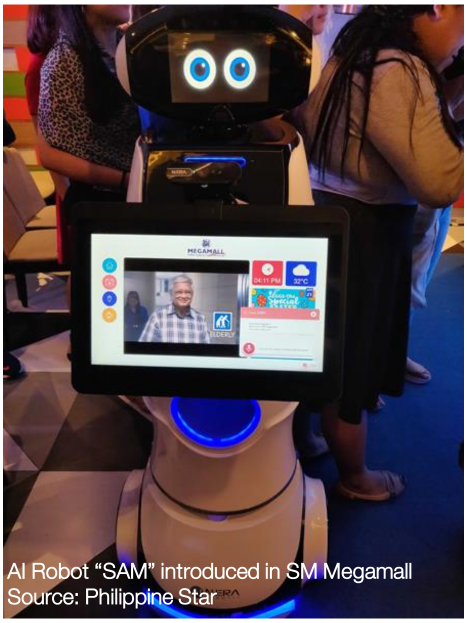
FIGURE 10
Upcoming Retail Supply Per Retail Category



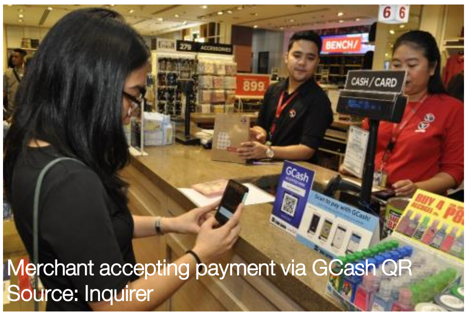
Source: Santos Knight Frank Research

Cashless transactions through digital payments are expected to further pick up in 2019. Quick Response (QR) codes are being used by brick and mortar stores as a form of offline e-payment. The majority of mobile payment applications (GCash, PayMaya, Coins.ph, AliPay, WeChat Pay) are QR code-capable. Over 50,000 merchants accept payments via QR codes from GCash, while 7,300 merchants allow transactions through PayMaya. Moreover, Coins.ph is accepted in select restaurants and cafés. Furthermore, GrabPay could soon be used in retail establishments under a partnership with SM Investments Corporation.

SM Supermalls recently launched its newest artificial intelligent (AI) humanoid robot, SAM, in SM Megamall. The technology can provide mall goers with directions, mall schedules, and tips on sales, promos and events. More SAM robots will be stationed in other SM Supermalls nationwide (SM Aura Premier, SM City North EDSA, SM Mall of Asia, and SM Seaside City Cebu).



AI Robot “SAM” introduced in SM Megamall
Source: Philippine Star



Merchant accepting payment via GCash QR
Source: Inquirer

LEASE RATES AND VACANCIES

In the first quarter of 2019, lease rates of Metro Manila malls averaged PhP 1,417 per square meter per month. Of all the various business districts in Metro Manila, Bay Area recorded the highest lease rate at PhP 1,750 per square meter per month.

With the opening of Parkway in SM City Fairview, Quezon City's vacancy rate rose to 2.21%, coming from 1.07% in the previous quarter. Fort Bonifacio vacancy was lowest of Metro Manila's business districts at 1.02%, or around 3,000 square meters of leasable space. Mall rents in the area averaged PhP 1,542 per square meter per month, which is the second highest in Metro Manila.

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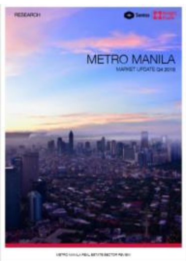

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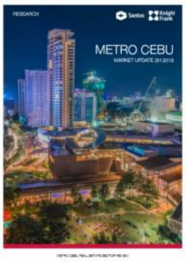

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