RESEARCH

Santos Knight Frank

METRO MANILA

MARKET UPDATE

Q2 2019

METRO MANILA REAL ESTATE SECTOR REVIEW

FOCAL PHILIPPINE MACROECONOMIC INDICATORS REVERT TO DESIRABLE LEVELS

The thriving local economy is expected to increase spending and investment activities in the property sector

SNAPSHOTS

Economic Indicators

5.5% ▼
GDP
Q2 2019

2.7% ▼
Inflation Rate
June 2019

4.5% ▲
OFW Remittances
January – May 2019

7.2% ▼
Avg. Bank Lending
June 2019

4.6% ▼
91-Day T-Bill
June 2019

PhP51.8 ▲
Avg. PhP-USD
June 2019

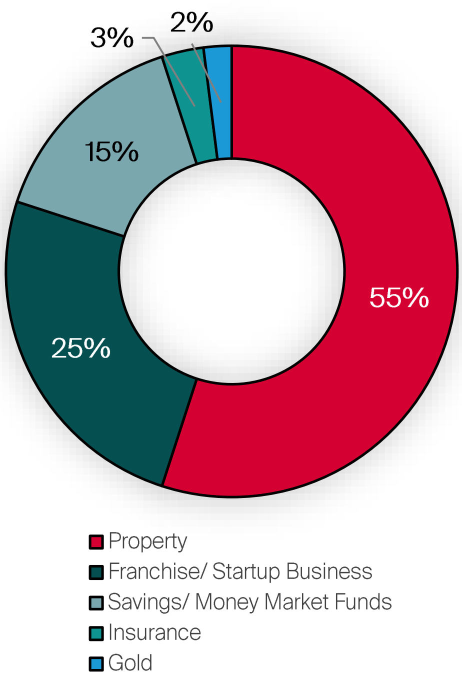
The second quarter of 2019 registered strong macroeconomic fundamentals that supports the country's foreseeable expansion. The Philippine inflation figures are back within the government's target range at 2.7 percent in June 2019. With the tamed inflation environment, consumption levels are expected to normalize and investments to further expand. The lowered real interest rates should bode well for investors and businessmen who intend to raise capital via debt financing.

The second quarter unemployment rate of the country decreased to 5.1% from the previous quarter's 5.2% and same period last year's 5.5%. With positive labor and wage indicators, an additional boost in the country's consumption-driven economy is anticipated. In general, more than two-thirds of the Philippine's total aggregate expenditures originate from household spending.

Overseas Filipino (OF) remittances from January to April 2019 rose by 4.5% year-on-year (Y-O-Y), with sea-based remittances exhibiting the largest growth of 9.2%. OF remittances have consistently played a major role in the domestic economy. The growth in remittances is expected to fuel consumption expenditure reinforced by increased investments from Filipino expatriates.

A recent survey by the New Perspective Media Group, a leading marketing company based in Dubai, revealed that a sizeable population of Filipino expatriates based in the United Arab Emirates (UAE) and the Gulf are considering to purchase a property in the Philippines within the next 12 months. In addition, more than half of the surveyed Filipino expatriates prefer to acquire properties located in Metro Manila. The 20% five-year annual sales escalation in UAE sales of Ayala Land International Sales for the North America and Middle East evidences solid demand for Metro Manila real estate. The growth in sales is mostly attributed to the rising

FIGURE 1
Investment Preference of Filipino Expats in UAE and the Gulf



Source: New Perspective Media Group

Continued on page 13...

OFFICE SECTOR ELEVATES TO GREATER HEIGHTS

Further rising rents and continuing construction activities draw a buoyant office market outlook

The Metro Manila office sector boasted impressive performance indicators in the second quarter of 2019. While the overall vacancy rate rose to above 5%, the 10% Y-O-Y office rents demonstrated the ability of landlords to command higher rents for their higher quality of office buildings. The weighted average lease rate across the major business districts of Metro Manila escalated to PhP 1,099.63 per square meter (sq. m.) per month with rents foreseen to remain strong into the future, despite the anticipated 1.1 million sq. m. of new office space coming to the market within 2019.

MAKATI

Makati's weighted average lease rate remained highest in Metro Manila at PhP 1,462.10 per sq. m. per month with asking rents of Prime grade buildings in Makati going as high as PhP 1,950 per sq. m. per month.

The vacancy rate in Makati stayed within a healthy level -5% level, despite the continuously rising rents in the area. An estimated total of 100,000 sq. m. of new space slated for turnover in 2019 but vacancy is expected to remain low due to pre-committed lease transactions.

FORT BONIFACIO

The second quarter weighted average asking lease rate rent in Fort Bonifacio was PhP 1,300 per sq. m. per month, for an office market that has doubled in size over the past 5 years to 1.8 million sq. m. Demand has remained robust in Fort Bonifacio due to the availability of modern and LEED-certified buildings that are being offered at rents lower than Makati's. However, if Fort Bonifacio's rents are to continue to grow at the present rate of 18% Y-O-Y, then those rents will surpass Makati's by 2021.

In terms of new office stock in Fort Bonifacio for 2019, the substantially-completed World Commerce Place is poised to go online with 105,000 square meters in the third quarter, bringing Fort Bonifacio's total office supply closer to 2 million square meters. The office building, developed by Megaworld Corporation in the Uptown BGC sub-district, has an interconnected twin-tower layout that is in close proximity to the Uptown Mall and the upcoming Makati-Taguig Skytrain.

ALABANG

Rents in Alabang remained notably lower than both Makati and Fort Bonifacio, with a second quarter weighted average asking rent of PHP 777 per square meter per month. Alabang's rents grew 4.8% year-on-year due to the

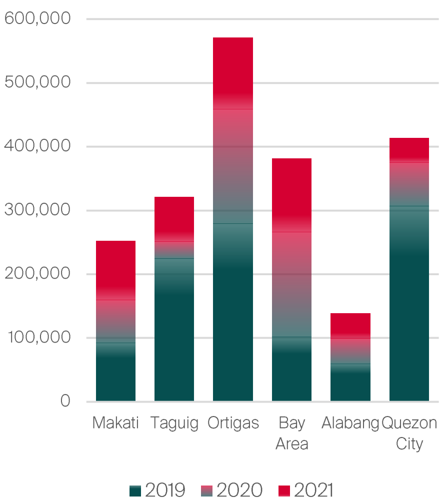
FIGURE 2
Weighted Average Lease Rate (In PhP) and Y-O-Y Growth Rate

Source: Santos Knight Frank Research

Frabelle Corporate Plaza
© Frabelle Properties

Y Building
© ASYA Design

FIGURE 3
Upcoming Office Supply per Area (In Sq. M.)



Source: Santos Knight Frank Research

limited availability of leasing options in the district, allowing landlords to increase rents accordingly. Despite the rental growth, however, the still relatively affordable rents in Alabang have pulled down the business district's vacancy from 3.24% in the first quarter to 2.97% in the second quarter.

ORTIGAS

Ortigas maintains the lowest weighted average asking rents of the major districts in Metro-Manila at PHP 736 per square meter per month. The vacancy rate of Ortigas further declined in the second quarter to 2.35%, due to significant demand for the business district's competitive rental rates. Property developers have recognized an opportunity in Ortigas, and have been introducing more new developments than in any other district. Around 279,000 square meters of new office space is expected in Ortigas within the year, with Keppel Land's The Podium West Tower comprising 103,000 square meters of that figure.

QUEZON CITY

Notwithstanding the 50,000 sq. m. of new supply introduced in the quarter, QC exhibited the highest quarter-on-quarter (Q-O-Q) growth in terms of average asking rents at 8.07% in the second quarter of 2019. The weighted average asking lease rate in QC was noted at PhP 950.62 per sq. m. per month.

The considerable new supply in QC has increased the area's vacancy rate to 14.07% of total leasable space. Of that available area, the recently turned over Vertis Corporate Center Tower 3 has contributed to 38,000 sq. m., of which 56% are occupied.

QC is expecting a further 307,000 sq. m. of new leasable office space in the second half of 2019. Notable upcoming developments include Centris Cyberpod Five by Eton Properties (42,336 sq. m. of GLA) and Giga Tower by Robinsons Land Corporation (30,000 sq. m. of GLA).

BAY AREA

Driven by the high demand coming from Philippine Offshore Gaming Operators (POGOs), rental rates in the Bay Area have gone through the roof, recording a 22.06% year-on-year increase. Average asking rents in Bay Area are PHP 936 per square meter per month, which is notably higher than last year's PHP 767 per square meter per month.

The second quarter office building turnovers in Metro Manila were mostly concentrated in 3 locations, Bay Area, Quezon City and Makati CBD. Nearly 54,000 sq. m. of new supply will come from the South West Integrated Terminal System office component, along with Y Tower. Yet despite the vast supply and strong rental growth, the Bay Area has been able to sustain a close to zero vacancy rate.

To cater to the high demand for space in the Bay Area, property developers are looking into the pipelined reclamation areas

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RESIDENTIAL MARKET REMAINS UPBEAT ALBEIT NEW MARKET SUPPLY


Grand Hyatt South Residences
© Federal Land

TABLE 1
Residential Condominium Sales Market Statistics Q2 2019

City/ Area	Units Sold	Average Monthly Take-up
Makati	98%	▼ 21
Taguig	97%	▼ 11
QC	94%	▲ 17
Ortigas	97%	▼ 25
Alabang	98%	▼ 16
Bay Area	94%	▲ 147
Metro Manila	96%	▲ 29

Source: Santos Knight Frank Research

High market absorption, speeding take-up recorded ending the 1st half of 2019

In the second quarter of 2019, Metro Manila's residential absorption rate remarkably remained above 95% of the total floated inventory. Despite the new supply from new project launches and expansions, the overall monthly take-up rate rose to 29 units from 21 units per month in the previous quarter.

The second quarter absorption and take-up can be mainly attributed to both foreign and local investors that were reported to be buying in bulk with the intention of leasing out the units or using the units as employee housing. The growing number of foreign workers under PAGCOR-enabled companies and the similarly booming IT-BPM sector made investments in residential projects highly appealing.

TAKE-UP AND ABSORPTION

Makati, Alabang, and Taguig posted the largest absorption rates among the Metro Manila CBDs. Bay Area's take-up rate remained fastest at nearly 150 units per month, followed by Ortigas and Makati at more than 20 units per month. SMDC's newly-launched Sail Residences pulled up Bay Area's average take-up while decreasing the overall absorption of the area.

Middle income projects continued as the most preferred price segment with a take-up rate of almost 45 units per month. Moreover, one-bedroom unit was the most saleable unit type at a rate of 18 units per month.

SELLING PRICES

Bay Area and Makati boasted the highest average selling prices at PhP 280,437 per square meter and PhP 240,993 per square meter, respectively.

Average selling prices in Quezon City impressively grew by 12% q-o-q and 26% y-o-y. The main contributor to the growth was Alveo Land's Orean Place Tower 2 with a selling price of Php 254,351 per square meter.

Middle income projects recorded the highest q-o-q growth in prices, rising 9% from PhP 162,218 per square meter in Q1 to PhP 176,831 per square meter in Q2.

The selling prices of Makati's residential units ranged from a low of PhP 139,654 per square meter to a high of PhP 421,905 per square meter. Residential prices in Taguig went from PhP 125,605 per square meter to PhP 353,364 per square meter. Makati and Taguig comprise 40% of the total stock in the market.

Sail Residences
© SMDC

NEW LAUNCHES

Property developers continued to saturate the residential market through launch and expansion of new projects. Suntrust Properties Inc. and SM Development Corporation (SMDC) went on introducing residential inventories to the middle-income market. Suntrust Properties Inc. started pre-selling a new tower in the Asmara project along E. Rodriguez Avenue in QC. Asmara Tower 3 added more than 650 units to the total QC residential supply. In addition, SMDC created around 4,400 units with the launching of Sail Residences in the Bay Area.

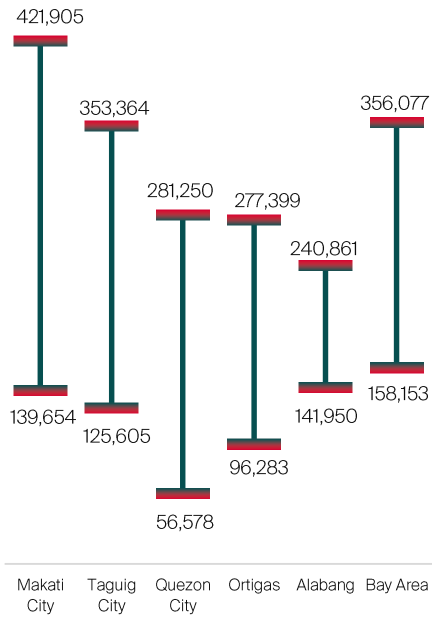
Catering to the unserved demand for high-end residential projects in QC, Alveo Land unveiled the second tower of the Orean Place in Vertis North. The first tower was sold out within 18 months from launch date, indicative of a robust demand for high-end properties within the area.

BRANDED RESIDENCES

The limited supply of luxury residential projects in Metro Manila enticed developers to enlarge market portfolio by offering branded residences. Branded residences are luxury residences that partnered with hospitality firms to use the brand name in proposed residential projects. In a report by Knight Frank, Asia's rapid urbanization and growing market fuel the strong growth of hotel brand residences for the past years. Manila placed third among the top 4 cities with the most noteworthy premiums above non-branded luxury residences at 36%, following Bangkok and Kuala Lumpur at 139% and 69%, respectively. Brand premiums are primarily driven by the location of the project. The potential for capital appreciation, along with a trusted brand and high-quality services, drives the property buyers to favor branded residences.

In Metro Manila, developers such as Shang Properties and Federal Land had the first-mover advantage in introducing branded residences. Federal Land's Bonifacio Landmark Realty is selling the second tower of The Grand Hyatt Residences, which is presently 36% sold within 8 months from launching. Shang Properties added another brand carrier to the existing Shang Salcedo project in Makati with the pre-selling of Shang at Wack Wack in Mandaluyong. Shang Wack Wack is 88% sold as of the second quarter of 2019. Robinsons Land's Westin at Sonata Place is another notable branded residence available in the market.

FIGURE 4
Indicative Average Selling Prices per Area (In PhP/ Sq. M.)



Source: Santos Knight Frank Research


Shang Residences at Wack-Wack
© Shang Properties

RETAIL SECTOR MAINTAINS PROGRESSIVE MOMENTUM IN 1ST HALF OF 2019

Retail expansions, entry of foreign and local brands, and low vacancy demonstrate the 1st half performance of Metro Manila Retail Sector

Filipino consumer confidence is sustained as the first half of 2019 comes to an end. According to the latest National Accounts report of the Philippine Statistics Authority (PSA), overall Filipino consumption of goods and services exhibited Y-O-Y growth of 9.8%. As shown in PSA's latest report, Filipinos spent most of their money on food & beverage, utilities, recreation, restaurants, as well as accommodations.

The continuous decline of the inflation rate boosted the confidence of Filipinos to spend on goods and services. The increase in private spending, together with the changing taste and preferences of the retail market motivated retailers and developers to expand operations all over the Philippines.

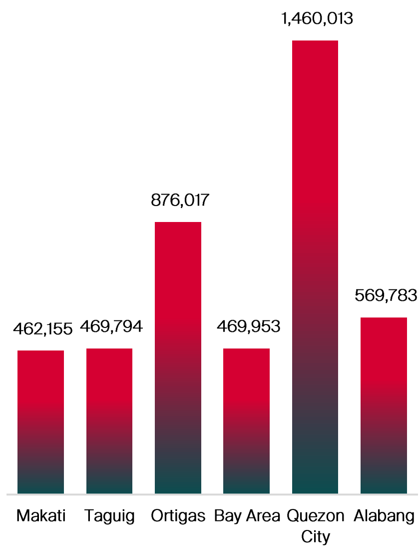
RETAIL EXPANSIONS

Rampant expansion of retail establishments in Metro Manila was observed in the first 6 months of 2019. Despite the growth of e-commerce and convenience of online shopping, Filipinos continue to prefer the actual mall experience and visiting physical stores during their free time. In response, retailers and property developers are converting shopping malls into lifestyle centers by adding landscaped gardens and offering a wide-range of stores with unique and creative concepts.

SM Prime Holdings continuously unveiled components of the latest expansion area in SM North EDSA, solidifying SM's retail portfolio in the northern part of Metro Manila. The North Towers is a mixed-use establishment by SM Supermalls on the former site of the Super Sale Club. It can be accessed from within SM North-The Block. The North Towers will feature office buildings, Park Inn by Radisson Blu Hotel, and a 33,000 sq. m. of retail establishments, including several high-end restaurants that will ramp up the consumer dining experience.

Vista Land's flagship retail development, Evia Lifestyle

FIGURE 5
Metro Manila Retail Footprint (in Sq. M.)



Source: Santos Knight Frank Research

Evia Lifestyle Center Expansion Phase 2

Center recently completed the second phase of mall expansion. Evia Lifestyle Center aims to be one of the crown jewels of the southern Manila area. The expansion area highlights green open spaces, more high-end restaurants, All Home and All Day Supermarket, and an IMAX Theater. Vista Land plans to further expand its footprint in the south as they start the third and final phase of Evia Lifestyle Center's expansion, which will increase the mall's footprint to 120,000 sq. m. in the next 3 years.

Coming from the success of their past and existing real estate projects, DoubleDragon Properties ventured into the grocery retail business. MerryMart Grocery Centers uncovered its first branch at the ground floor of the DD Meridian Park in Pasay City. DoubleDragon Properties intends to open 10 additional stores in 2019.

In Makati, Glorietta 3, Glorietta 4, and Greenbelt 5 are undergoing mall renovations to create a whole new retail experience for mall goers and patrons.

UPCOMING BRANDS

About 260 stores selling local and international brands are set to open in the major shopping malls across Metro Manila. Around 50% of the upcoming stores in Metro Manila are Food & Beverage brands.

A sizable portion of the upcoming brands in Metro Manila shopping malls remained primarily comprised by Food & Beverage brands from outside the Philippines. Popeyes in Ali Mall and Festival Supermall, Din Tai Fung in Greenbelt, Marugame Udon in Ayala Malls Circuit, The Podium, Fisher Mall, and the Taiwanese bubble tea brand, The Alley in SM North EDSA, will soon offer American, Chinese, Japanese, and Taiwanese delights in Makati, Quezon City, Alabang, and Ortigas.

Local brands are also notably increasing in number. The local favorite Manam is ready to start cooking Filipino foods with a "twist" in Powerplant Mall, SM North EDSA, SM Fairview, and Trinoma. Moreover, Cebu's very own "Chikaan" will be serving Cebuano dishes in SM Mall of Asia within the year.

Food & Beverage has consistently been a primary anchor for shopping malls. Most of the Filipino consumers go to shopping malls to dine with family and friends. Dining is complemented by other bonding activities such as shopping, film watching and other leisure activities.

In addition, brick and mortar stores bank on tactile experience of trying on clothes, fast delivery and immediate availability of products upon purchase. Clothing & Apparel brands account for 23% of the upcoming stores in Metro Manila. Foreign fashion brands further multiplied in local shopping malls. The rising middle class and young population have greatly contributed to the growth of high-class and luxury foreign brands.

Famous international fashion brands such as Charles & Keith, Cole Haan, Nine West, Tom Ford, Rolex, Aeropostale are to launch stores in Ayala Malls: Circuit, SM Aura Premier, Bonifacio High Street, SM Mall of Asia, The Podium, and SM Megamall, respectively.

The openings of various brands that fall under the Health & Wellness category are well-anticipated by the market. Gyms, health clinics, organic products retailers, and other brands that focus on one's self-development comprised 8% of the total estimated upcoming stores in Metro Manila, as of the second quarter of 2019. Health & Wellness brands grow with the rising number of health-conscious Filipinos. Well-known gyms such as UFC Gym and Anytime Fitness, as well as health clinics and diagnostic centers, such as Hi-Precision, are in the present pipeline.

RETAIL VACANCY

The Metro Manila Retail Sector continued to exhibit low vacancy rates notwithstanding the recent completion of shopping mall expansions. The growing demand for retail spaces stemming from local and international brands remained a key driver of the retail sector's low vacancy rate.

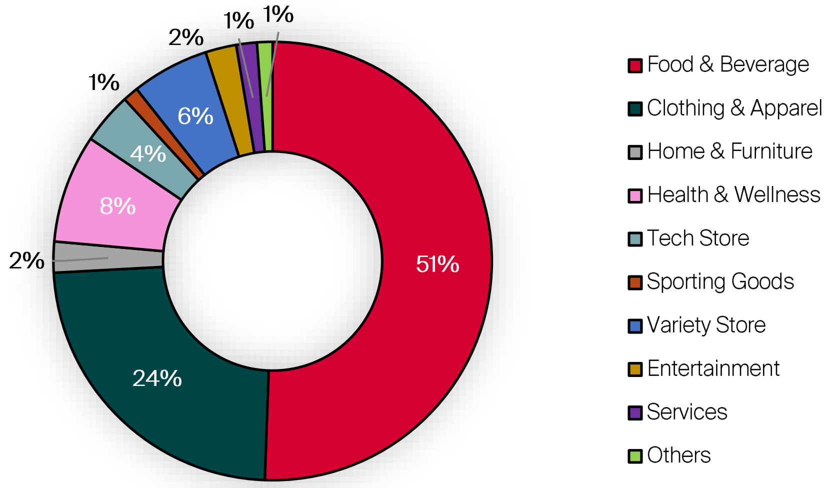
Taguig City displayed the lowest retail vacancy rate in Metro Manila at 0.4%. Mall occupiers in Taguig City are mostly foreign fashion and food brands targeting the considerable expatriate and tourist market. Local and foreign brands are set to occupy the remaining retail spaces located in the high-end malls in Taguig City.

QC's vacancy rate was recorded at 2.8%. Boasting the largest retail footprint in Metro Manila, QC anticipates a huge number of potential tenants occupying pre-committed space.

Vacancy for Makati was 3.45% of the total mall GLA in the area. Retail demand is high in Makati coming from the local residents and office workers.

The openings of various brands that fall under the Health & Wellness category are well-anticipated by the market. Gyms, health clinics, organic products retailers, and other brands that focus on one's self-development.

FIGURE 6
Upcoming Stores this Q2 2019



Source: Santos Knight Frank Research

THE FUTURE OF RETAIL

The growth of e-commerce, resulting from the rapid growth of modern technology, has put the brick and mortar foundations of the retail sector at risk. According to UBS, "Retail Apocalypse" in the United States is predicted to happen as physical retail stores shut down at a rapid rate and the e-commerce market continues to rise.

Convenience is the main advantage of e-commerce. Anyone with a smartphone, computer, and internet connection can easily purchase products in just a click away. However, most online shoppers press for the immediate delivery of orders. According to UPS, consumers, especially from Asia, expect and demand purchased products to be the delivered within the day or the day after the order has been placed.

According to We Are Social's "Global Digital Report 2019," the Philippines ranked 11th in the internet growth rankings, as the country was reported to have gained 9 million internet users from January 2018 to January 2019. The report further stated that Filipinos spent the most time on the internet. Internet surfing time of a typical Filipino averaged 10 hours and 2 minutes beating the global average of 6 hours and 42 minutes. Moreover, a Filipino online shopper spends an average of PhP1,000 (USD20) online on popular sites such as Lazada, Zalora, and Shopee.

Despite the numbers shown in the report, the retail sector in the Philippines remained resilient, as traditional retail responds to the growth of e-commerce in the country. Brick and mortar stores provide consumers first-hand experience of the products that they intend to purchase. Shoppers are given the opportunity to see and try the products as opposed to online shops. Online shops sell convenience while physical stores promote experience.

Collaboration between retailers, retail developers and e-commerce players describe the future of retail in the Philippines. The SM group developed "Click and Collect", an online site that allows users to order groceries online and later pick up the actual goods from the nearest SM Supermarket or SM Hypermarket branch. At present, the service is available only in two areas, SM Mall of Asia and SM Makati.

Continued in page 13...

HOSPITALITY RESEARCH

INVESTMENTS AND INCREASING TOURIST ARRIVALS TO DRIVE GROWTH IN HOSPITALITY

Manila continues to attract guests and create significant hotel demand

Solaire Cruise Center
© Solaire Resorts & Casino

TABLE 2
Philippine Tourist Arrivals (January – May 2019)

Country	Arrivals	Y-O-Y Growth
South Korea	788,530	▲ 11.76%
China	733,769	▲ 30.96%
USA	472,469	▲ 1.98%
Japan	281,988	▲ 2.19%
Taiwan	128,986	▲ 27.24%
Australia	123,851	▲ 2.70%
Canada	114,605	▲ 5.01%
United Kingdom	92,914	▲ 3.49%
Singapore	64,951	▼ 14.38%
Malaysia	62,144	▲ 1.81%

Source: Department of Tourism

The Philippines is increasing air connectivity and mobility with the continuous modernization, expansion, and construction of international and domestic airports across the country. This would enable the gateways to add flight routes and accommodate more tourists, furthering growth of the tourism sector.

In Metro Manila, the Ninoy Aquino International Airport (NAIA) Terminal 2 is undergoing rehabilitation and for completion by March 2020. This will include the expansion of departure check-in hall and arrival baggage area and upgrade of the terminal's façade. Moreover, a consortium composed of the country's biggest conglomerates submitted an unsolicited proposal to expand NAIA, aiming to increase the current passenger capacity of 31 million annual passengers to up to 65 million annual passengers. However, a new policy requiring unsolicited offers to follow the Clark International Airport operations and maintenance (O&M) contract as template may delay the awarding of contract until 2022.

TOURISM INDUSTRY

The tourism industry remains optimistic as evidenced by its performance in the first five months of the year. Visitor arrivals was recorded at 3.49 million, a 9.76% increase from the 3.18 million noted in the same period last year. There was a surge in arrivals in May, corresponding to a 15.62% growth relative to last year's number. Of the total foreign arrivals, South Korea continued to contribute the largest share at 22.6%, followed by China at 21%. A significant growth in the number of Chinese visitors was noted, which increased by 30.96% from the same period last year. United States of America, Japan, and Taiwan occupied the third, fourth, and fifth spot, respectively. With the current tourism figures, the Department of Tourism (DOT) is confident of achieving the goal of reaching 8.2 million visitors by the end of the year.

One sector foreseen to further boost tourist arrivals is the Meetings, Incentives, Conventions, and Exhibitions (MICE) market. The government is intensifying its efforts to strengthen the market through the MICE Roadmap 2030, which was launched last year by the DOT. The roadmap aims to increase the gross value added of the MICE industry. Ambassador of Japan to the Philippines, Koji Haneda, added that the MICE market has a potential to increase the arrivals of Japanese nationals in the country.

The booming tourism industry likewise attracted additional investments in budget hotels in the country. Online booking platforms RedDoorz and Oyo Philippines have expressed interest to capitalize on the huge potential of local budget hotels in the country. These platforms partner with small and unbranded hotels to help the latter with marketing strategies, and provide their staff with technology and basic customer training to standardize offerings. RedDoorz plans to expand their footprint to up to 250 properties across major cities in 2019. Oyo Philippines, on the other hand, intends to invest over $50 million in the country.

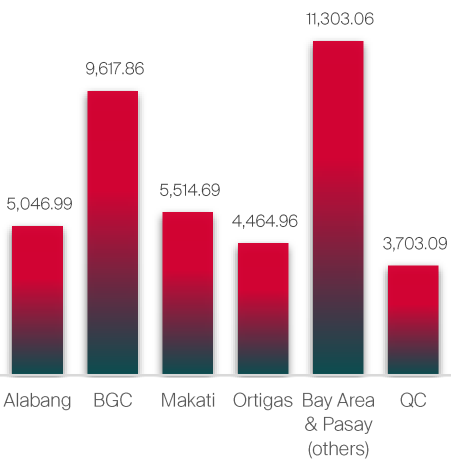
GAMING INDUSTRY

The country has maintained a positive outlook on the gaming industry. Integrated resorts in the capital, namely Okada Manila, Resorts World Manila, City of Dreams Manila, and Solaire Manila showed favorable revenues, hugely brought upon by the steady stream of high rollers and foreign tourists. The Philippine Amusement and Gaming Corporation (PAGCOR) expects the gross gaming revenue of the industry to reach PhP 217 billion this year, an 8.5% increase from last year.

Bloomberry Resorts Corporation is scheduled to open its integrated resort and casino, Solaire North, in Quezon City by 2022. Solaire North will be located in Vertis North, targeting the mass gaming population and

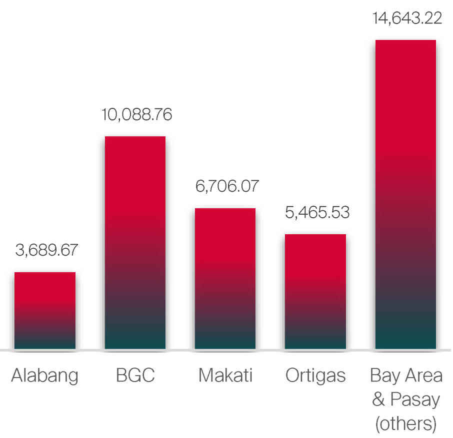
Seda Bay Area
© Seda Hotels

FIGURE 7
Average Daily Rate (In PhP)



Source: Santos Knight Frank Research

FIGURE 8
5 Star ADRs (In PhP)



Source: Santos Knight Frank Research

and heavy foot traffic in Quezon City, including players from the nearby provinces of Bulacan and Pampanga.

In addition, Solaire Resorts & Casino is set to have a major upgrade with the addition of Solaire Cruise Center to be operational by 2021. This will make the integrated resort the first in the world to have its own cruise port. The luxury marine leisure gateway will link Manila to the rest of the world as well as offer unique experiences to its guests.

EXISTING AND NEW SUPPLY

Makati and Bay Area continue to boast the greatest number of hotel rooms in Metro Manila at 33% and 31%, respectively. Makati has a total inventory of about 9,900 hotel rooms, most of which are from 5-Star hotels, followed by 3-Star hotels. Around 250 additional rooms were added to the Makati hotel supply with the soft opening of Seda Residences Makati, Ayala Land's first serviced apartment in Makati. The aggregate supply in Seda Residences Makati will increase to 293 rooms, comprising of studios to three-bedroom serviced residences, once the final stages of construction are completed. On the other hand,

Bay Area and other areas in Pasay City, currently offers about 9,300 hotel rooms, which are mostly 5-star and 4-Star accommodations.

The remaining CBDs in Metro Manila, such as Ortigas, QC, Alabang, and Fort Bonifacio, cover approximately 10,900 hotel rooms or 36% of the total inventory in Metro Manila.

AVERAGE DAILY RATE

Bay Area (and other parts of Pasay City) continued to command the highest average daily rates (ADR) in Metro Manila. Mainly pulled up by the integrated resorts in the area, the overall ADR was recorded at PhP 11,300 while the ADR for 5-Star hotels was at PhP 14,600.

Fort Bonifacio followed Bay Area at an average of PhP 9,600, primarily driven by the large concentration of luxury hotels. In terms of 5-Star ADR, the CBD noted an average of PhP 10,000.

Overall ADR for Makati, Alabang, Ortigas, and QC were pegged at PhP 5,500, PhP 5,000, PhP4,500, and PhP 3,700, respectively.

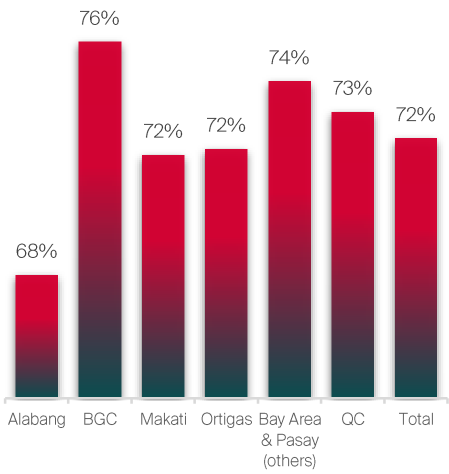
OCCUPANCY

Overall hotel occupancy for the month of June was at 72%, after the peak season tapered off in the latter part of May. BGC at 76% and Bay Area (and other parts of Pasay City) at 74% registered the highest occupancy rates in Metro Manila. BGC, despite being a prime business district, has one of the lowest supplies of hotel rooms in Metro Manila. The limited supply and large demand from business travellers and visiting overseas Filipinos resulted to a high hotel occupancy rate. In Bay Area (and other parts of Pasay City), the high occupancy rates of hotels in Newport City and the Entertainment City pulled up the overall rate.

UPCOMING SUPPLY

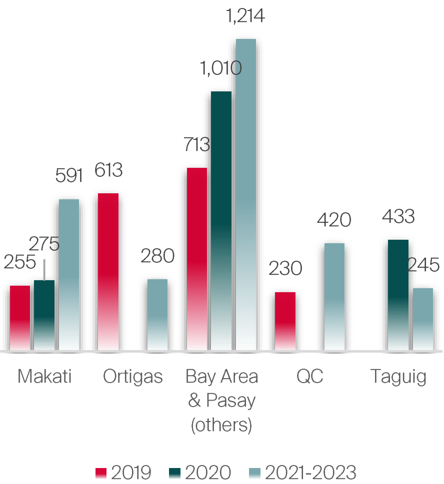
New hotels are being strategically planned and developed to cater to the growing number or tourist arrivals in the Philippines. The continuous influx of tourists from South Korea and China in Bay Area (and other parts of Pasay City) entices developers to invest in hotel developments in these areas. An estimate of 2,900 rooms from 8 hotels are in the pipeline up until 2021. Some of the notable upcoming brands are Seda Bay Area, Hotel Okura, and Ascott DD Meridian Park.

FIGURE 9
Hotel Occupancy (In %)



Source: Santos Knight Frank Research

FIGURE 10
Upcoming Hotel Room Supply (In Room Quantity)



Source: Santos Knight Frank Research

Moreover, Makati is expecting about 1,100 additional rooms from 5 hotels in the next 4 years. Most of the upcoming supply will be situated within the CBD. Furthermore, around 2,200 rooms are expected to be added to the existing supply in Ortigas, Quezon City, and Fort Bonifacio.

CONTINUATION OF RESEARCH ARTICLES

COVER STORY

financial awareness and investments planning of Filipino expatriates working in UAE.

In addition, business confidence for the second quarter of this year rose to 40.5%, improvement from last quarter's 35.2% and same quarter last year's 39.3%. The Bangko Sentral ng Pilipinas (BSP) identified several factors that led to the upbeat outlook, such expectations of usual uptick in demand during the summer season, enrollment and harvest periods, election-related spending, sustained increase in orders and projects leading to higher volume of production, expansion of businesses and new product lines and continued roll-out of government infrastructure and development projects. These prospects played vital roles in upping the second quarter's business confidence.

The result of a survey conducted by the Australia-ASEAN Chamber of Commerce backed the reported improvement in business confidence. The Philippines was chosen as the top expansion destination of Australian companies. According to the survey, 80% of the participants plan to expand operations in Southeast Asia by 2023, as they recognize the strengthening demand from the growing middle class. At least 24% of the respondents reported choosing the Philippines as investment destination. At present, about 36% of Australian businesses in the Philippines have been in operation for more than 2 decades.

OFFICE

within Metro Manila. The Philippine Reclamation Authority (PRA) currently has 19 reclamation projects along the Manila Bay coastline in various stages of development and implementation, six of which are in the detailed engineering stage and one already under implementation (Navotas City Coastal Bay Reclamation project). The 360-Hectare reclamation project in Pasay, a joint venture of the Pasay Local Government Unit and SM Prime Holdings, Inc., is one of the most awaited developments.

RETAIL

SM likewise partnered with mobile-delivery apps, such as Mober and Transportify, for the delivery of purchased groceries directly to the customer's indicated address. Furthermore, retailers partnered with digital payment providers, including GrabPay, GCash and PayMaya, that enable mall-goers to avail goods and services through more convenient cashless transactions.

Robinsons Retail Holdings ventured in tech start-ups and online shops to participate in the e-commerce business. Robinsons reportedly invested PhP105 million in GrowSari which enables Small to Medium Enterprises (SME) to have grocery items delivered right at their doorstep. Robinsons also acquired a 20% stake in Taste Central Curators, Inc., the company that operates one of the largest e-commerce sites, BeautyMNL.

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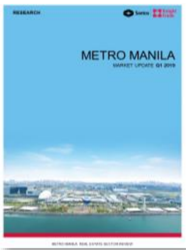

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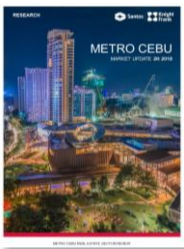

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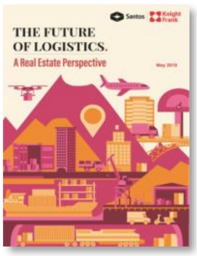

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