



# The Philippines

*Asia's Rising Tiger*





“The opportunities in the Philippines are vast. Once called the “Sick Man of Asia”, the country has enjoyed consistently high GDP growth and increasing foreign direct investments. The Philippines’ strong macroeconomic fundamentals, massive infrastructure program and continued economic expansion all point towards an even brighter road ahead.”

**Rick Santos**  
Chairman & CEO

# Let's Talk Philippines



The Philippines is a melting pot of cultures, having deep ties with China, India, Southeast Asia, US, Middle East and Europe.



The Philippines is the 3<sup>RD</sup> largest English-speaking nation.



GDP growth in 2018 was the 7<sup>TH</sup> consecutive time above 6%.



Some of the biggest malls in the world are in Manila, such as SM North Edsa (5.36 million sqft) and SM Megamall (5.1 million sqft).



Bonifacio Global City is a fast-growing business and lifestyle district, now with over 1.8 million sqm of prime office space.



# Driving Real Estate Growth



## Cost Competitiveness

The Philippines has one of the most competitive labor rates in the world – a key driver of the growth of the business process outsourcing (BPO) industry. With low labor cost, companies who outsource can either save significant amounts of cash or hire a significantly larger workforce.

Manila's gross effective rent of USD 24.9 per square meter per month is also one of the most competitive globally. Low costs apply to all other business expenses, such as building management fees, supplies and third-party services.



## Highly-skilled and available workforce

The third largest English-speaking country in the world, the Philippines produces over 630,000 university graduates each year and boasts a high 96% literacy rate. Local universities such as the University of the Philippines, De La Salle University, Ateneo de Manila University and University of Santo Tomas are renowned internationally for quality graduates and outstanding education.



## Government Incentives

The Philippine government has created the Philippine Economic Zone Authority (PEZA) program, which grants both fiscal and administrative incentives to the program's participants.

# State of the Market

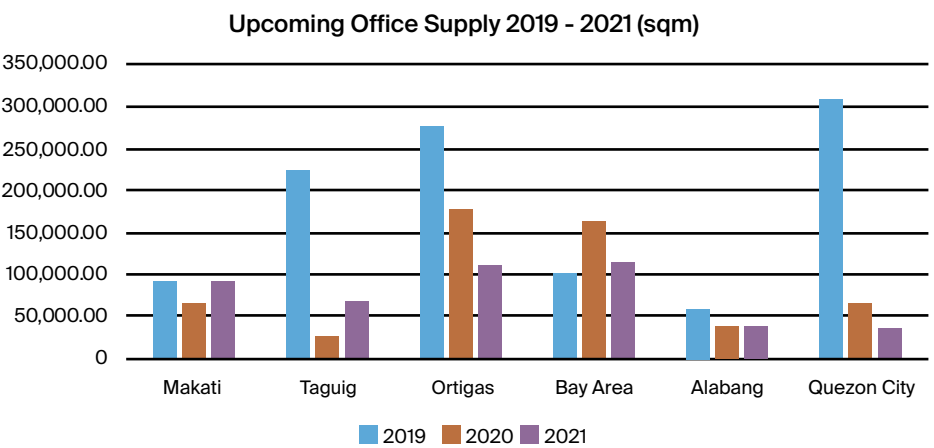
## Office Sector

With 5.8 million sqm of Prime and Grade A offices in the market, Metro Manila's office sector is rapidly expanding as demand for occupiers such as business process outsourcing (BPO) and offshore gaming continues. The co-working space has emerged in Manila over the last three years, with a take up of at least 76,200 sqm in Prime and Grade A offices as of Q2 2019. Overall, there are 2 million sqm of office space in the pipeline, majority of which will be located in Ortigas business district.

Among the six major CBDs, Makati remains to be the premiere location. It has the highest average rent at USD 29/sqm/mo, which is almost double that of Ortigas, the lowest average lease rate.

Bonifacio Global City (Taguig), situated on a former military base, saw an increase in rents by 18% over a 12-month period in Q2 2019. Demand has been high particularly from BPOs and traditional offices, as more companies prefer to move into the district's modern office towers.

The Bay Area is another up-and-coming district with a wide mix of office, residential, retail and entertainment properties. With huge demand from offshore gaming operators, vacancy rates in the Bay Area are zero. The growth of its average rent was the highest in Q2 2019 on a 12-month performance, rising by 22%.



## BPO Growth Story

The business process outsourcing sector employed 1.5 million Filipinos and reached nearly USD25 billion in revenues last year. Having capitalized on the young demographic and talent in the Philippines, the sector is recognized for moving a significant number of Filipinos to the middle class and driving real estate growth in Manila and secondary cities.

While the first wave of BPOs arrived in the 1980s, there was a boom in the industry in the late 1990s, with the arrival of the multinational shared services companies, and the early 2000s with the emergence of call centers (e.g. Convergys, Sykes and Telus) and India-based service providers (Genpact, Sutherland and Infosys). This growth continued in the succeeding years as large multinational captive centers such as Chevron, Dell and HSBC entered the Philippines. Currently, the industry continues to expand with the rise of sub-sectors focused on animation, game development, healthcare, accounting and many other specialist work.

# State of the Market

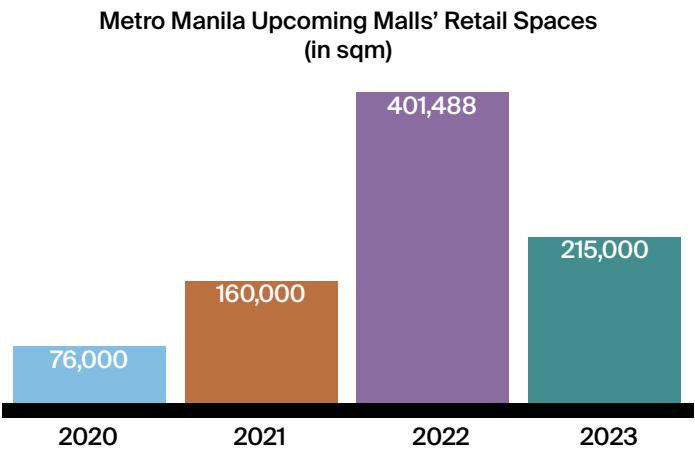
## Retail Sector

The Philippines is one of the few countries where both e-commerce and the traditional brick-and-mortar retail thrive hand-in-hand. Natural mall-goers, Filipinos consumed 10% more goods and services in the first half of 2019.

Metro Manila has more than 4.3 million sqm of retail space across the six CBDs. The largest footprint of malls in Manila is located in Quezon City, with 1.5 million sqm of space and where one of the world's biggest malls – SM North Edsa – is located.

Locals spend the most on food and beverage, utilities, recreation, restaurants and hotels. Food has thus been an anchor for malls to attract foot traffic. During mid-2019, more than half of the new stores tracked by Santos Knight Frank were F&B.

Clothing and apparel stores, especially foreign fashion brands, have multiplied in malls. The rising middle class and young population have greatly contributed to the growth of high-class and luxury foreign brands. But while international brands are increasing in number, so are local brands. Aside from the traditional stores, co-retailing concepts are expanding in new malls to provide opportunity for smaller local vendors to access the market.



## Residential Sector

Luxury properties in Metro Manila are primarily located in Makati, Bonifacio Global City and Ortigas. Over the last two years, selling prices of prime residential condominiums in Makati have increased by almost 25% while in BGC, prices rose by 12%. Meanwhile, BGC experienced a higher growth in lease rates, rising more than 35%, compared to Makati's 8% growth.

Faced with a tight supply of prime residential properties, the market welcomed the introduction of new projects that include Aurelia Residences, a joint venture between Shang Properties and Robinsons Land, and The Estate Makati by SMDC and Federal Land. This additional supply is evidence of developers' confidence in the prime condominium market, especially with growth in the number of ultra-high net worth individuals (UHNWIs) locally and as more foreign buyers look into the Philippines for investment opportunities. According to Knight Frank's *The Wealth Report 2019*, the number of UHNWIs in the Philippines will increase by 38% between 2018 and 2023 – the world's second largest growth only after India.



*Industrial Sector*



The growing e-commerce market and continuous retail expansion have spurred demand for last-mile delivery hubs, inner-city distribution centers, cold storage and warehouse facilities in Manila. Several factors are re-shaping the logistics sector, pushing developers, landlords and investors to rethink present business strategies and reinvent existing business models.

The industrial sector is faced with a variety of challenges. Firstly, Manila's unprecedented level of development over the last few decades saw the transformation of once highly industrialized areas, such as the C5 Quezon City-Pasig City corridor, into estates with multi-building complexes. This has decreased the available land for warehouses and industrial properties.

Secondly, the cost of land has been rising especially within city centers while rents in warehouses have remained stagnant. The price of land in Makati and Bonifacio Global City fell within PHP 300,000 (USD 5,800) to PHP 600,000 (USD 11,600) per square meter. Given the present land values, construction costs and lease rates in Metro Manila, it has been increasingly difficult to achieve an ideal internal rate of return for a traditional warehousing business model.

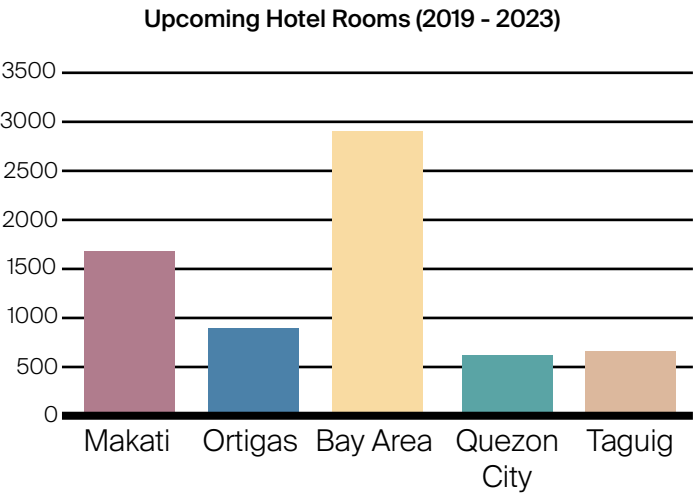
Warehouses have turned to technology to enhance their business models. One such technology, called the Automated Storage and Retrieval Systems, efficiently store items in compact spaces to decrease space requirements. Optimistic about the future of logistics in the country, more property developers and companies started entering the industrial sector.

*Hospitality Sector*

With the popularity of destinations such as Palawan, Boracay, Cebu and Bohol, the Philippines' tourism industry is one of the low-hanging fruits of the country. International tourist arrivals in the Philippines have doubled since 2010 to 7.1 million annually. Majority of these come from China, US, South Korea, Japan and Taiwan. Domestic tourism is far greater, though, with an estimated 60 million Filipinos traveling annually.

The demand for accommodations has spurred the growth of hotels from across categories, both local and international brands. Manila expects 2,900 more rooms until 2021. Most of the upcoming hotel rooms will be launched in Makati and Bonifacio Global City, where demand for business hotels is high.

Over the last decade, integrated resort facilities namely Resorts World, Okada Manila, Solaire and City of Dreams have been introduced, capitalizing on the steady stream of high rollers and tourists. The Bay Area, where most of these are located, account for the largest average daily rate among 5-star hotels.



# Growth Cities



## Manila

The country's capital, accounting for 37% of the nation's economy. It is home to 13 million people and is one of the densest cities in Asia.



## Cebu

A famous tourism destination and the largest city in the Visayas region, home to 3 million people.



## Davao

Home of Philippine President Rodrigo Duterte, Davao is the largest city in Mindanao.



## Clark

North of Manila, Clark was a former U.S. airbase. It is a rising location for businesses and will host the 2019 Southeast Asia Games.



## Iloilo

With 1.2 million residents, it is a fast-rising international gateway with a number of emerging business districts.



## Bacolod

Known for its sugar plantations, Bacolod is home to 3 million residents and the famous "Masskara Festival"





**Santos Knight Frank** is the Philippines' pioneering real estate services company. With 1,200 associates spread across 11 service lines, the company provides best-in-class transactional support and expert advice to the Philippines' leading occupiers, multinational firms, business process outsourcing companies and private individuals.

Its partner, **Knight Frank**, is the largest independent global real estate consultancy with over 500 offices in 60 countries, including the strategically important partnership with **Newmark Knight Frank** in the U.S.



Occupier Services  
& Commercial  
Agency



Investment &  
Capital Markets



Residential Sales  
& Leasing



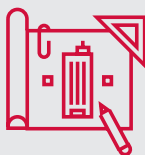
Asset  
Management



Research &  
Consultancy



Valuations



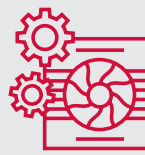
Project  
Management



Property  
Management



Facilities  
Management



Technical  
Services &  
Engineering



Global Business  
Services



# We shape cities.

## Makati City

**700,000+ sqm**  
office space  
transacted

**400,000+ sqm**  
managed  
properties

**41,000+ sqm**  
managed  
projects

**88,000+ sqm**  
managed  
facilities

**24,000 sqm**  
office space  
transacted

**13,200 sqm**  
managed  
projects

**4,000 sqm**  
managed  
facilities

**10,000 sqm**  
managed  
facilities

**17,500 sqm**  
office space  
transacted

**3,000 sqm**  
managed  
facilities

**4,000 sqm**  
office space  
transacted

Managed  
property

**17,800 sqm**  
office space  
transacted

**37,000 sqm**  
office space  
transacted

Managed  
property

**9,200 sqm**  
office space  
transacted

**15,000 sqm**  
office space  
transacted

**10,400 sqm**  
managed  
facilities

**10,000 sqm**  
office space  
transacted

**2,500 sqm**  
managed  
project

**6,700 sqm**  
managed  
facilities

**21,600 sqm**  
office space  
transacted

**71,200 sqm**  
office space  
transacted

**8,500 sqm**  
managed  
project

**6,700 sqm**  
managed  
facilities

**15,460 sqm**  
office space  
sold

**11,100 sqm**  
office space  
transacted

**10,500 sqm**  
office space  
transacted

**3,500 sqm**  
managed  
project

“ Over the last 25 years, we are proud to have transformed cities across the Philippines like **Makati** through personalized, clear and considered advice on all areas of property. ”

Residence sold

**10,100 sqm**  
office space  
transacted

**21,300 sqm**  
office space  
transacted

**18,800 sqm**  
managed  
facilities

**21,300 sqm**  
managed  
facilities

Managed  
property





# Occupier Services & Commercial Agency

## Services

### Tenant Representation

- Occupier & tenant advisory
- Lease consultancy

### Workforce & Labor Analytics

- Labor pool analysis
- Compensation analysis
- Competitor analysis
- Labor market interview
- Employment driver assessment

### Workplace Consultancy

- Assessment
- Strategy development
- Change management

### Lease Administration & Management

- Lease data audit
- Lease documents bookmarking and management
- Lease abstraction, database setup and amendments
- Rent roll monthly billing, cash application and monthly accruals

## Track Record

**4 million sqm of office spaces transacted**



**Sold Shell House**  
Valero st. cor. Villar st., Makati City  
14,500 sqm



**Sold ACCRALAW Tower**  
Bonifacio Global City, Manila  
18,400 sqm



**Leased Uptown 6**  
Bonifacio Global City, Manila  
70,000 sqm

Santos Knight Frank provided advisory and landlord representation services to the Zuellig Building and today continues as its property management partner.





# Residential Sales & Leasing

## *Services*

- Residential agency & brokerage
- Destination services
- Orientation & settling-in
- Home search
- Portfolio and tenancy management

## *Track Record*

**Over PHP 2 billion in transacted value**



**Penthouse in Discovery Primea**  
Ayala Avenue, Makati City  
409 sqm



**HQ Albert & HQ Alphonso**  
Poblacion, Makati City  
1,419 sqm (combined)

# Asset Management

## *Services*

- Lease administration
- Financial and accounting services
- Minor technical works
- Housekeeping
- Monthly maintenance

## *Track Record*

**55,000 sqm managed**



Santos Knight Frank's Asset Management team oversees a number of units at **Pico de Loro**, Nasugbu, Batangas.



# Investment & Capital Markets

## *Services*

- Investment advisory and due diligence
- Real estate asset, disposition, sealed bidding & portfolio planning
- Real estate asset acquisition
- Commercial leasing services
- Residential project marketing management
- REIT advisory
- Hotel operator selection & hospitality services
- Bridge financing & equity placement

## *Track Record*

### **Advised on assets in excess of PHP 150 billion**



**Sold Ford Motors Philippines'** 210,000 sqm property in Sta. Rosa, Laguna.



**Sold a 1.1-hectare land in Cebu IT Park**, which was the biggest transaction in the area in 2016.



**Advised on Nestle's** built-to-suit distribution centers.



# Research & Consultancy

*Services*

- Real estate evaluation and industry standards
- Project feasibility studies and investment due diligence
- Development planning
- Site search selections
- Research and project planning services

*Track Record*  
**Over 250 completed studies**



# Valuation & Advisory

*Services*

- Sale-purchase-lease
- Financing
- Financial & tax reporting
- Estate management
- Insurance & risk
- Public offering & listing
- Mergers & acquisition
- Joint-venture investments
- Expropriation & right-of-way
- Litigation support & testimony

*Properties appraised*  
Land, Office, Retail, Residential, Industrial & Machinery, Township Projects, Mix-Use Development, Hospitality, Resorts & Casino, Hospitals.

*Track Record*  
**Valued over 2,000 projects**



Energy Development Corporation's **Malitbog Geothermal Power Station** in Leyte.



Santos Knight Frank provided valuation services to Energy Development Corp.'s Palinpinon power plant in the Southern Negros Geothermal Production Field, Negros Oriental.



# Project Management

## *Services*

- Fit-out management
- Base building construction management
- Building renovation & rehabilitation
- Site development management
- LEED consultancy
- Quantity surveying
- Reinstatement and move management
- Technical due diligence

## *Track Record*

**1.2 million sqm area managed**



**Provided full project management services for the Toyota Marikina Showroom (16,500 sqm)**

# Property Management

## *Services*

- Contract management and lease administration
- Purchasing and accounting management
- Equipment operations and maintenance
- Security and safety management
- Housekeeping and pest control management
- Utilities management
- Waste management

## *Track Record*

**19.4 million sqm managed**



**Bellagio 3**  
3,100 sqm



**Mabuhay Tower  
Cebu Business  
Park**  
17,500 sqm



**The Brilliance  
Center**  
11,700 sqm

# Facilities Management

## *Services*

- Building operations and maintenance facility
- Management, evaluation and selection of third-party contractors
- Management reporting and process reviews
- Security, janitorial and catering
- Purchasing and accounting services
- Helpdesk and reception services
- Provision of mailroom and reprographic services

## *Track Record*

**1.4 million sqm managed**



# Technical Services

## *Services*

- Design and estimation
- Repairs and maintenance
- Projects
- Industrial
- Energy management
- Fire detection and alarm system
- Duct cleaning
- Vibration analysis
- Air balancing

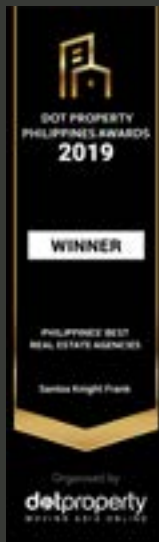
## *Track Record*

**2,000 projects completed**





# Locally expert, globally connected.



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