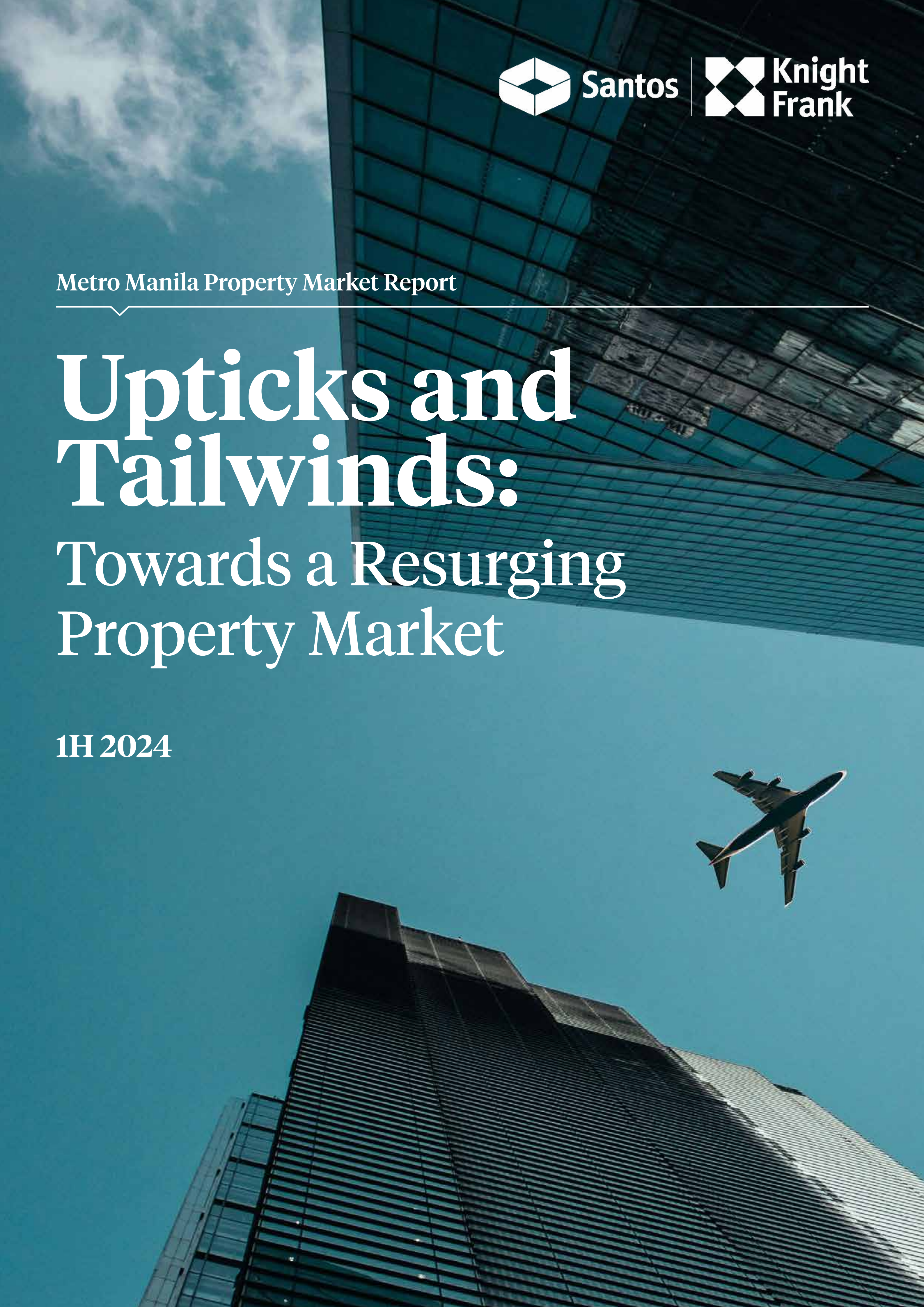


Metro Manila Property Market Report

Upticks and Tailwinds:

Towards a Resurging Property Market

1H 2024

General Overview

In 2023, we glimpsed paths to growth; 2024 continues to expound that narrative as we see a more advance chapter.

A recurring theme across various sectors in the first half of this year has been the emergence of upticks and tailwinds.

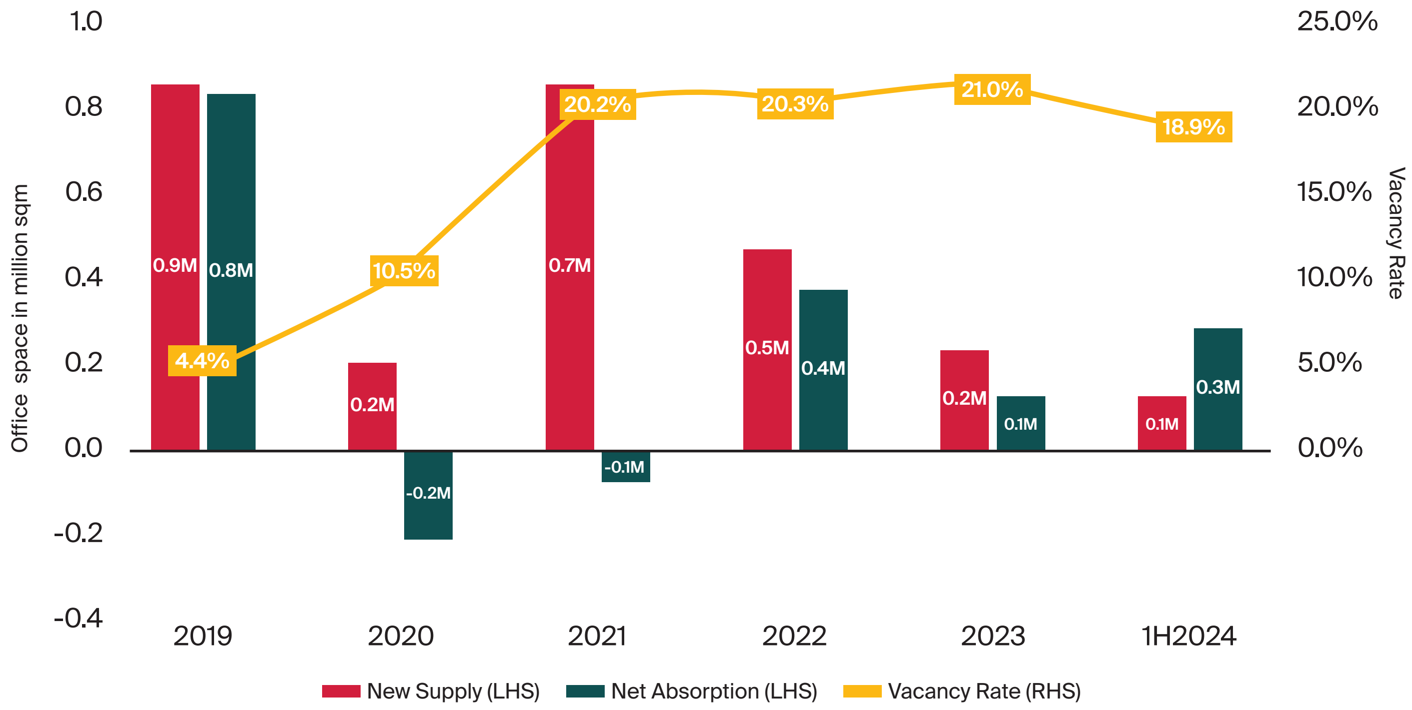
In the office sector, net absorption has already surpassed the total for 2023. In the residential sector, Manila is set to enter the Super Prime Market. On the retail side, an era of mall redevelopment begins. The industrial sector shows that logistics and emerging subsectors drive growth. Meanwhile, the hospitality industry benefits from a sustained recovery in tourism, leading to an expanded hotel supply.

These upticks and tailwinds reflect realities that the Philippines is finding its footing after years of shifting trends. While the market's natural ebb and flow calls for a cautious approach to incoming changes, they also highlight that the path to full recovery is steadily progressing.

Office

IT-BPM, government agencies, lead 1H24 take-up

Figure 1. **Metro Manila historical new supply, net absorption & vacancy rate**



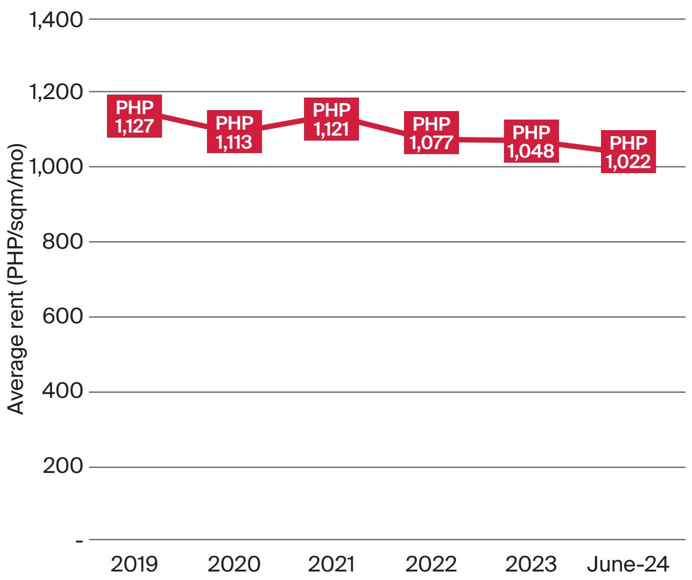
At the end of June 2024, YTD net absorption in Metro Manila stood at approximately 281,000 sqm, a 125% increase from the full-year figure of 125,000 sqm for 2023. This comes with increased return-to-office mandates, as well as the continued activity from the Information Technology and Business Process Management (IT-BPM) sector. Government agencies also took up considerable office space in the 1st half of 2024.

Meanwhile, new supply from January to June was recorded at approximately 127,000 sqm, just 3% lower than the same period last year. At the end of the 1st half of the year, total office supply across Metro Manila CBDs stands at 8.5 million sqm.

With limited additional supply and improving market activity, overall vacancy rate closed at 18.9%, 200 basis points (bps) lower on a quarter-on-quarter (QoQ) basis, and 270 bps lower year-on-year (YoY).

While the occupied office stock continues to improve, the vacancy rate remains elevated as compared to the single-digit figures that Metro Manila enjoys pre-pandemic. With this, some landlords continue to apply some downward rental adjustments, leading to an overall average rent of PHP 1,022/sqm/mo, a decline of 1.3% QoQ and 3.7% YoY.

Figure 2. **Metro Manila historical average rent**



Residential

Manila set to enter Super Prime Market

Manila is set to enter the Super Prime* market with the introduction of luxury residential projects with record-breaking price tags, particularly in Makati CBD and in the Bay Area.

Last June, the grand launch of Banyan Tree Residences Manila Bay unveiled an ultra-high-end project that has residential, hotel, and retail components. The Banyan Tree Group has partnered with TransAsia Construction Development Corporation to build the project.

Also in June, Ayala Land Premier broke ground for its ultra-high-end residential project called Park Villas, a 45-unit, 51-storey condominium designed by Skidmore, Owings & Merrill and Yabu Pushelberg.

Figure 3. **Knight Frank Q2 2024 Prime Global Cities Index**

Rank	City	12-month Change	3-month change
1	MANILA, PH	26.0%	16.4%
2	Mumbai, IN	13.0%	2.5%
3	Delhi, IN	10.6%	0.1%
4	Los Angeles, US	8.9%	3.5%
5	Miami, US	7.1%	1.8%
6	Nairobi, KE	6.6%	2.0%
7	Madrid, ES	6.4%	1.3%
8	Lisbon, PT	4.7%	3.1%
9	Seoul, KR	4.6%	5.0%
10	San Francisco, US	4.5%	4.7%

*Super Prime refers to properties priced at least USD 10M


Banyan Tree Residences Manila Bay
Parañaque City


Park Villas
Makati City

Both Banyan Tree Residences Manila Bay and Park Villas aim to take advantage of the lack of ultra-high-end options not only in Metro Manila, but in the Philippines.

Projects like the two are some of the reasons why Manila has been topping Knight Frank's Prime Global Cities index as the fastest-growing luxury market globally in terms of price appreciation. It must be noted, however, that despite the continued rise of ultra-high-end projects in the country, the Philippines continues to be among the most affordable luxury markets, attracting foreigners to check out these projects instead of those from more expensive locations.

Retail

An era of mall metamorphosis begins


Artist perspective of ATMP Towers at The Jewel featuring the new Robinsons Forum at as the retail podium.

Five ongoing mall facelifts ranging from renovations to as much as total redevelopment, as well as announcements of more redevelopment activity happening in the near future, ushers an era of mall metamorphosis in Metro Manila.

Last January, the ATMP Towers at the Jewel by Robinsons Land Corporation was unveiled. The project features an upscale mall with four office towers which will replace the old Robinsons Forum. The project comes with premium architectural elements, as well as eco-friendly features.

In April , the over four-decade-old Greenbelt 1 was closed to make way for a modern high-end mall that's ready to host a growing roster of luxury brands that were previously not available in the country.

Meanwhile, a couple of renovation and minor redevelopment works are on full swing for Trinoma, Glorietta, and Greenbelt 2.

The Bases Conversion and Development Authority, the SM Group, and Shang Properties, have also made separate announcements for future redevelopment with malls in their respective portfolios.


Artist perspective of the new Greenbelt 2


Artist perspectives of the new Greenbelt 1

Industrial

Logistics and emerging subsectors fuel growth


Semiconductors, pharmaceuticals, and EVs drive growth in the industrial sector.

The Philippine industrial landscape continues to expand due to sustained growth in the logistics scene, together with a strong push for emerging industrial subsectors.

Wholesale and retail businesses have been consuming industrial spaces for growing their respective distribution networks. The same industries have been influencing a growing pipeline for cold storage facilities across the country.

Last May, AyalaLand Logistics inaugurated ALogis Artico Santo Tomas, its new cold storage facility within the Light Industry and Science Park III in Batangas. Aside from the upcoming ALogis Artico Mabalacat in Pampanga, AyalaLand Logistics made statements in February that three more sites are set to be launched, covering all three of the country's major island groups.

Logistics services companies, on the other hand, have been expanding their geographical reach. These companies are taking advantage of improved connectivity thanks to recently completed and upcoming infrastructure projects such as roads, bridges, and even ports, allowing them to tap not only other parts of the Philippine archipelago, but also neighboring countries.

Meanwhile, the visit of United States Department of State Assistant Secretary Ramin Toloui in April 2024 is expected to trigger mobilization in the implementation of the US CHIPS and Science Act wherein the Philippines is one of the countries chosen by the US as a partner for strengthening their semiconductor supply chain, boosting the domestic semiconductor sector.

There is a strong push from the National Government to foster local manufacture not only of medical devices but also of medicines and vaccines. Setting up green lane for pharmaceutical investments, as well as the creation of a new pharma-ecozone in Victoria, Tarlac, seeks to invite big pharmaceutical firms to invest in the Philippines, with hopes that doing so can also push the cost of medicines lower.

The local manufacture of electric vehicles (EV) is also among the emerging subsectors that can are seen to fuel industrial growth. The Philippine Economic Zone Authority (PEZA) stated that at least four EV firms have expressed interest to set up local manufacturing capabilities late last year, and as in January, PEZA has approved Cirtek's application for the local assembly of electric motorcycles.

With limited industrial estates in Metro Manila, a lot of the industrial growth are seen in Laguna, Cavite, and Batangas in the south, as well as in Clark in the north.

Artist perspective of the upcoming Solaire Resort North in Quezon City

Grand Westside Hotel
Parañaque, Quezon City

Citadines Roces
Diliman, Quezon City

ibis Styles Manila Araneta City
Cubao, Quezon City

Lansons Place Mall of Asia
Pasay City

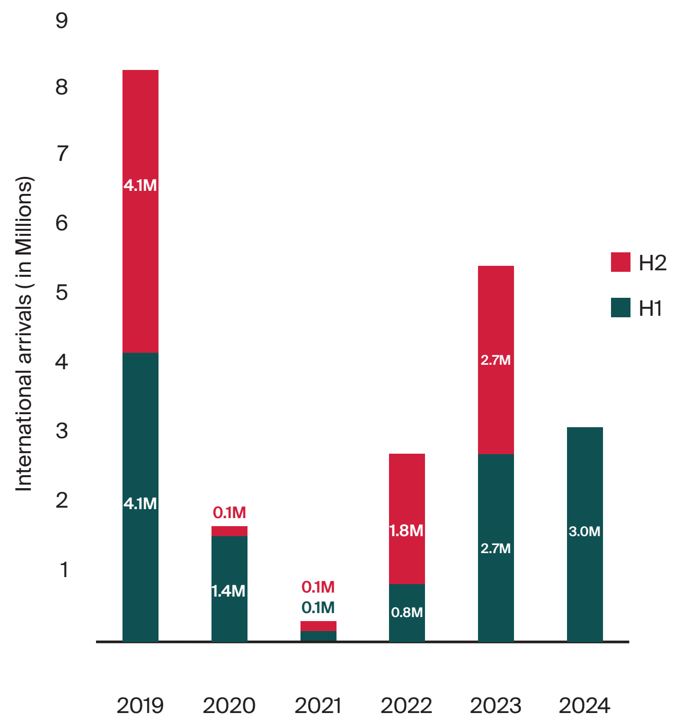
Hospitality

Tourism recovery drives supply expansion

For the first half of 2024, international tourist arrivals registered at over 3 million, 12.1% more than that of first six months of 2023. While this is still 27% less than the 4.1 million figure in the 1st half of 2019, there has been a sustained improvement since the country reopened to foreign tourists in May 2022.

Data from DOT also showed that there are over 55.3 million overnight travelers that stayed in accommodation establishments nationwide, a growth of 38.5% as compared to the 39.9 million in 2022. Of the 55.3 million, 48.5 million or 87.7% are domestic travelers.

Figure 4. **International tourist arrivals from 2019 to 1H2024**



These improving tourism figures give confidence to hotel developers and operators to introduce more hotel options to the market.

In the first half of the 2024, Quezon City saw the opening of 3 hotels: Citadines Roces, Ibis Styles Manila – Araneta City, and Solaire Resort North. Upon full opening, these hotels will add almost 1,000 rooms.

Meanwhile, two hotels also opened in the Bay Area: Lansons Place Mall of Asia, and Grand Westside Hotel. Both hotels are banking not only on revitalized tourism activities, but also a recovering meetings, incentives, conferences, and exhibits (MICE) market.

There are three more hotels that are slated for completion in the 2nd half of 2024. These three are part of a growing hospitality and leisure pipeline not only in Metro Manila but also in other parts of the country, particularly in Baguio, Subic, Palawan, Cebu, Davao, and Cagayan de Oro.

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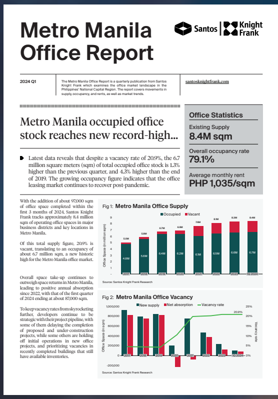

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