RESEARCH & FORECAST REPORT

# PHILIPPINE REAL ESTATE MARKET

Colliers INTERNATIONAL

## MARKET INDICATORS

| | |
|---|---|
| OFFICE | ↑ |
| RESIDENTIAL | ↑ |
| INDUSTRIAL | ↔ |
| HOTEL & LEISURE | ↑ |

## Executive Summary

### ECONOMY

The country's full year economic growth in 2012 is at 6.8%, exceeding market expectations of 5.0-6.0%. The services sector remained a major contributor to growth, comprising almost half of the total GDP. It grew by 7.4% in 2012, driven by the robust performances of its subsectors that include Real Estate (+18.9%), Renting and Business Activities (+8.4%) and Ownership of Dwellings (+2.1%). Backed with a strong economic performance, majority of the economists expects GDP to grow by 6.0% in 2013, up from a previous projection of 5%.

### OFFICE

In the 4Q 2012, the overall vacancy rate in all sub-markets dropped to the sub-3% level mainly driven by the strong expansion demand from the Outsourcing & Off-shoring industry. As developers anticipate sustained demand coming from this industry, new supply in 2013 and 2014 will reach record highs of over 500,000 sq m per year. Meanwhile, rents in the Makati CBD continued to increase in 4Q 2012 as landlords gained more pricing power resulting from the relatively low vacancy rate.

### RESIDENTIAL

In the Makati CBD, three new condominium projects were completed in 4Q 2012 totaling 792 units. These, in development, include premium condominium, Raffles Residences. The demand for the premium segment remained high in the fourth quarter, pushing vacancy levels below 5% over the last three quarters. As vacancy remains low, rents are seen to further improve by more than 6% in Makati CBD.

### HOTEL & LEISURE

Developers have been banking on increasing tourist arrival levels to justify new hotel development. In Metro Manila, Over 15,000 new rooms will be introduced in a span of four years. Roughly half of this will be located in the upcoming Entertainment City in developments such as the Belle Grand Manila Bay, Solaire Manila, Manila Bay Resorts, and Resorts World Bayshore.

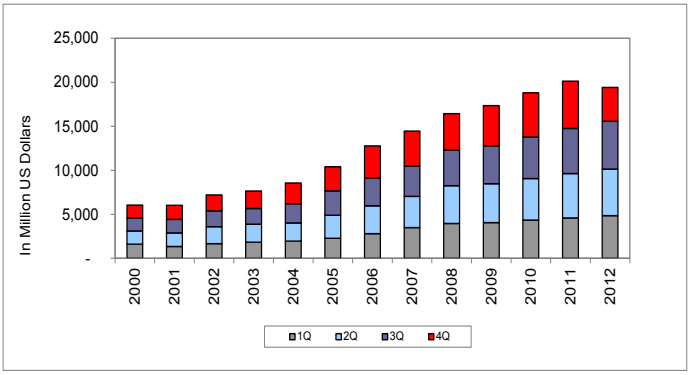
### INDUSTRIAL

As of 2H 2012, the average land lease hold rate increased by a slight 0.74% HoH to PHP23.25 per sq m monthly. On the other hand, lease rates for warehouses and logistics facilities improved by 2.0% to P168.25 per sq m monthly. As the U.S. and Europe slowly recover from economic turmoil, a slight improvement in global business confidence should gradually result in an increased demand for export products in the near term.

| ECONOMIC INDICATORS[a] | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 1Q12 | 2Q12 | 3Q12 | 4Q12 |
| Gross National Income(%) | 6.10 | 6.00 | 6.50 | 8.40 | 3.20 | 5.80 | 5.60 | 6.60 | 5.40 |
| Gross Domestic Product (%) | 6.60 | 4.20 | 1.10 | 7.60 | 3.90 | 6.40 | 5.90 | 7.10 | 6.80 |
| Personal Consumption Expenditure (%) | 4.60 | 3.70 | 2.30 | 3.40 | 6.10 | 6.60 | 5.70 | 6.20 | 6.90 |
| Gov't Expenditure (%) | 6.90 | 0.30 | 10.90 | 4.00 | 1.00 | 24.00 | 5.90 | 12.0 | 9.10 |
| Capital Formation (%) | -0.50 | 23.40 | -8.70 | 31.60 | 8.10 | -23.50 | 2.30 | 4.30 | -1.40 |
| Exports (%) | 6.70 | -2.70 | -7.80 | 21.00 | -4.20 | 7.90 | 8.30 | 6.90 | 9.10 |
| Imports (%) | 1.70 | 1.60 | -8.10 | 22.50 | 0.20 | -2.60 | 4.40 | 8.30 | 4.60 |
| AHFF[b] (%) | 4.70 | 3.20 | -0.70 | -0.20 | 2.70 | 1.00 | 0.70 | 4.10 | 4.70 |
| Industry (%) | 5.80 | 4.80 | -1.90 | 11.60 | 2.30 | 4.90 | 4.60 | 8.10 | 7.50 |
| Services (%) | 7.60 | 4.00 | 3.40 | 7.20 | 5.10 | 8.50 | 7.60 | 7.00 | 6.90 |
| Average Inflation[c] (%) | 2.9 | 8.3 | 4.1 | 3.9 | 4.6 | 3.1 | 2.90 | 3.10 | - |
| Budget Deficit (Billion Pesos) | (P12.4) | (P68.1) | (P298.5) | (P314.4) | (P197.7) | (P33.9) | (P.573) | (P148.5) | - |
| PHP:US$ (Average) | P46.1 | P44.7 | P47.6 | P45.10 | P43.31 | P43.30 | P42.80 | P42.33 | P41.20 |
| Average 91-Day T-Bill Rates (%) | 3.40 | 5.20 | 4.00 | 3.70 | 1.37 | 1.88 | 2.33 | 1.45 | 0.34 |

***a At constant 2000 price***
***b Agriculture, Hunting, Forestry, Fishing***
***c at constant 2006 prices***

## OFW Remittances




*Source: Bangko Sentral ng Pilipinas*

** as of November 2012*

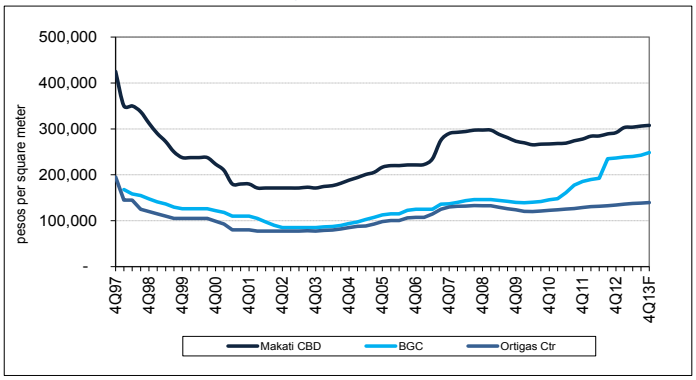
## ECONOMY

The country's full year economic growth in 2012 was at 6.8%, exceeding market expectations of 5.0-6.0%, and was substantially higher than the 3.9% in 2011. In 4Q12, the Philippine economy registered a 6.8% growth which was higher compared to the other neighboring ASEAN countries such as Vietnam (+5.4%) and Singapore (+1.1%), and so far, second highest to China (+7.8%) in the wider region. Data from the other countries are yet to be finalized.

The services sector remained a major contributor to growth, comprising almost half of the total GDP. It grew by 7.4% in 2012, driven by the robust performances of its subsectors that include Real Estate (+18.9%), Renting and Business Activities (+8.4%) and Ownership of Dwellings (+2.1%). The growing business process outsourcing (BPO) industry and the steady inflow of Overseas Filipino remittances facilitated growth in the Real Estate sector as take-ups were high particularly for commercial and residential properties. Meanwhile, remittances from overseas Filipino workers reached US$19.4B from January to November last year (+6.0%).

Also fuelling economic growth in 2012 were consumer and government spending, which both increased by 6.1% and 11.10% respectively. Moreover, investments in construction rose by 13.7% from a decline of 6.2% in 2011. Backed with a strong economic performance, majority of the economists expects GDP to grow by 6.0% in 2013, up from a previous projection of 5%.

## Makati CBD, Ortigas & Fort Bonifacio Average Land Values




*Source: Colliers International Philippines Research*

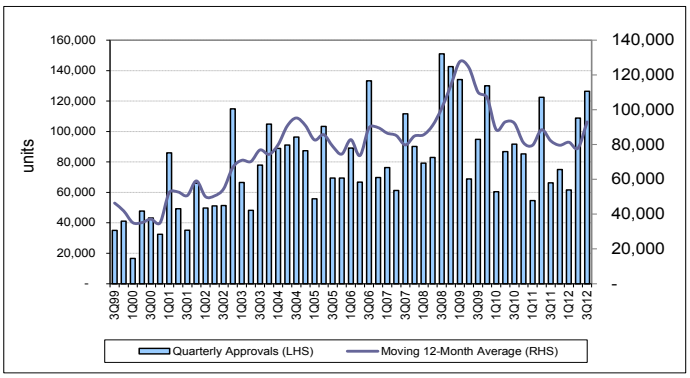
## LAND VALUES

Implied land values in the Makati CBD appreciated by close to 1.0% in 4Q 2012, resulting in an average price of PHP291,825 per sq m or an accommodation value of PHP18,240 per sq m. Similarly, land values in Ortigas Center increased to PHP134,000 per sq m (+0.97%). In BGC, land values sustained double-digit growth annually, currently with an average accommodation value of PHP23,650 per sq m. Land values in both Makati and BGC are seen to grow by over 5% in 4Q13, while a 4.1% increase is projected in Ortigas Center.

| COMPARATIVE LAND VALUES | | | | | |
|---|---|---|---|---|---|
| PESO / SQ M | 4Q 2012 | 3Q 2012 | % CHANGE (QoQ) | 4Q 2013F | % CHANGE (YoY) |
| MAKATI CBD | 280,100 - 303,550 | 280,100 - 298,100 | 0.94 | 290,310 - 338,950 | 5.42 |
| ORTIGAS CENTER | 100,365 - 167,645 | 99,400 - 166,030 | 0.97 | 105,250 - 176,300 | 4.12 |
| BGC | 195,000 - 280,000 | 195,000 - 275,000 | 1.10 | 195,000 - 305,000 | 5.26 |

*Source: Colliers International Philippines Research*

## HLURB Licenses




*Source: Housing and Land Use Regulatory Board*

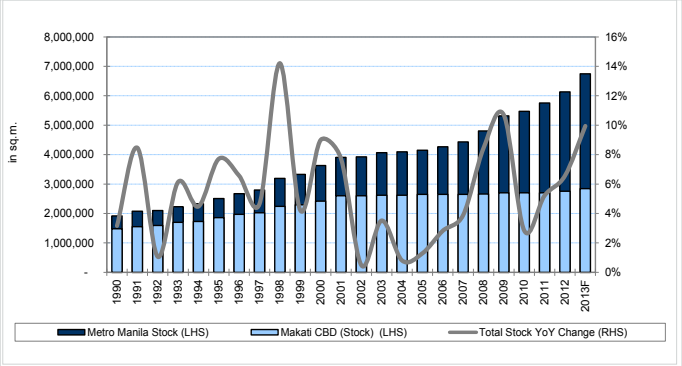
## LICENSES TO SELL

Overall residential licenses issued by the HLURB from January to October of 2012 increased by 31.1%, the highest YoY growth since 2008. The figures indicate that licenses were issued for 188,084 units, up by 22,686 units compared to the 2011 level. Licenses issued both under the socialized and low-cost housing segments grew by over 14% YoY to 35,259 and 44,176 units respectively. The number of licenses in these segments has been on an upward trend since January of last year, and has fully recovered from its double digit contraction in 2011. Meanwhile, issued high-rise residential licenses almost doubled to 87,123 units. The most recent of these were Grace Residences by SMDC (3,560 units), Ilustrata Residences by Property Company of Friends Inc. (1,800 units), Amaia Steps Sucat by Amaia Land Corp. (1,632 units), and Proscenium by Rockwell Land Corp. (1,070 units).

| HLURB LICENCES TO SELL | | | |
|---|---|---|---|
| UNITS | JAN - OCT | JAN - OCT | % CHANGE YoY |
| | 2012 | 2011 | |
| Socialized Housing | 35,259 | 30,821 | 14.4 |
| Low Cost Housing | 44,176 | 38,539 | 14.6 |
| Mid Income Housing | 21,526 | 29,356 | -26.7 |
| High Rise Residential | 87,123 | 44,570 | 95.5 |
| Commercial Condominium | 1,849 | 666 | 177.6 |
| Farm Lots | 51 | 444 | -88.5 |
| Memorial Park | 131,332 | 103,888 | 26.4 |
| Industrial Subdivision | 0 | 30 | -100.0 |
| Commercial Subdivision | 471 | 473 | -0.4 |
| Total (Philippines) | 323,799 | 250,798 | 29.1 |

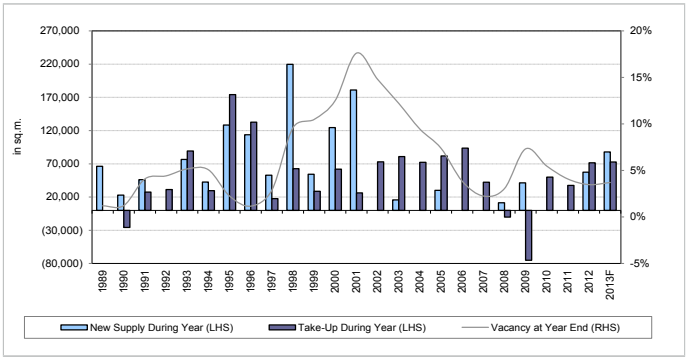
*Source: Housing and Land Use Regulatory Board*

## Makati CBD vs. Metro Manila Office Stock




*Source: Colliers International Philippines Research*

## Makati CBD Office Supply and Demand




*Source: Colliers International Philippines Research*

| MAKATI CBD COMPARATIVE OFFICE VACANCY RATES (%) | | | |
|---|---|---|---|
| | 4Q 2012 | 3Q 2012 | 4Q 2013F |
| PREMIUM | 7.37 | 7.62 | |
| GRADE A | 3.49 | 2.03 | |
| GRADE B & BELOW | 2.69 | 3.19 | |
| ALL GRADES | 3.48 | 3.55 | 3.94 |

*Source: Colliers International Philippines Research*

## OFFICE SECTOR

### Supply

Since the completion of Zuellig Building in 3Q 2012, the Makati CBD office stock was unchanged at 2.75 million sq m. In the wider Metro Manila market, total office stock was at 6.2 million sq m following the completion of Techno Plaza Two (15,000 sq m) in Eastwood City, Filinvest Edsa (7,000 sq m) in Mandaluyong, A-Place (7,400 sq m) in Pasay, Gateway Tower (60,800 sq m) in Quezon City, Bench Tower (27,400 sq m), NAC Tower (21,200 sq m) and ECO Tower (29,000 sq m) in Bonifacio Global City.

As developers anticipate sustained demand coming from the BPO industry, new supply in 2013 and 2014 will reach record highs of over 500,000 sq m per year. This includes Glorietta BPO 1 & 2 offices (26,400 sq m) in the Makati CBD for this year. Both offices are almost fully-leased out and will be completed within the first four months of this year.

### Demand

In the 4Q 2012, the overall vacancy rate in all sub-markets dropped to the sub-3% level mainly driven by the strong expansion demand from the Outsourcing & Off-shoring industry. In the Makati CBD, vacancy slightly declined to 3.48% QoQ and will remain below 4% over the next twelve months. Moreover, office take-up was at 71,500 sq, m. in 2012, the highest since its contraction in 2009.

### Rents

Rents

Rents in the Makati CBD continued to increase in 4Q 2012 as landlords gained more pricing power resulting from the relatively low vacancy rate. Premium grade office rents increased 7.6% YoY, and are currently at PHP915 monthly (per net usable area). Meanwhile, rents for Grade A and B buildings increased by over 5% YoY to average at PHP735 and 510 per month, respectively. As the vacancy rate stabilizes throughout 2013, the strong demand for office space in Makati will push rental rates to grow further between 5-9%.

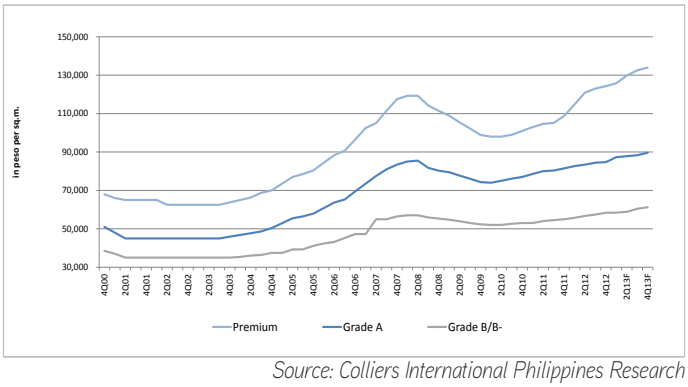
| FORECAST OFFICE NEW SUPPLY | | | | | |
|---|---|---|---|---|---|
| LOCATION | End of 2012 | 2013F | 2014F | 2015F | Total |
| MAKATI CBD | 2,771,784 | 87,837 | - | - | 2,859,621 |
| ORTIGAS | 1,175,350 | 75,127 | 22,800 | - | 1,273,277 |
| FORT BONIFACIO | 747,116 | 159,247 | 193,796 | 78,366 | 1,178,525 |
| EASTWOOD | 313,864 | - | - | - | 313,864 |
| ALABANG | 303,866 | 28,929 | 36,843 | 30,714 | 400,352 |
| OTHER LOCATIONS* | 872,983 | 207,618 | 266,415 | - | 1,347,016 |
| TOTAL | 6,184,963 | 558,758 | 519,854 | 109,080 | 7,372,655 |

*Source: Colliers International Philippines Research*
**Manila, Pasay, Mandaluyong and Quezon City*

| COMPARATIVE OFFICE RENTAL RATES (PESOS/SQM/MONTH) | | | | | |
|---|---|---|---|---|---|
| MAKATI CBD (BASED ON NET USEABLE AREA) | | | | | |
| | 4Q 2012 | 3Q 2012 | % CHANGE (QOQ) | 4Q 2013F | % CHANGE (YOY) |
| PREMIUM | 860 - 970 | 855 - 950 | 1.4 | 870 - 1,110 | 8.2 |
| GRADE A | 570 - 900 | 560 - 900 | 0.7 | 610 - 950 | 6.1 |
| GRADE B | 450 - 565 | 450 - 550 | 1.5 | 465 - 605 | 5.4 |

*Source: Colliers International Philippines Research*

## Makati CBD Office Capital Values




*Source: Colliers International Philippines Research*

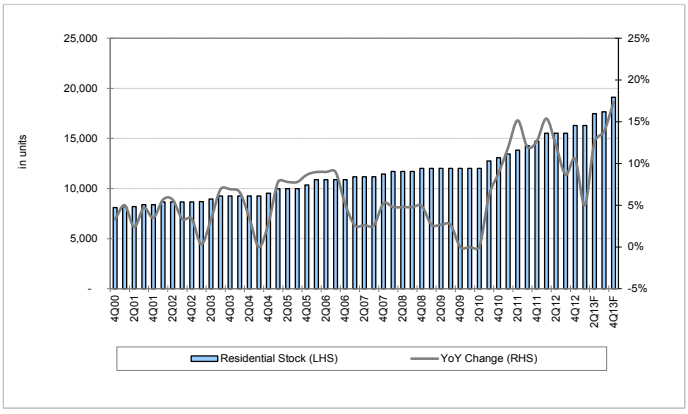
### Capital Values

As with rental rates, capital values in the Makati CBD are on an upward trend surpassing its peak in 2008. Currently, premium grade offices are priced at an average of PHP124,000 per sq m. Grade A capital values increased by a marginal 0.4% to PHP84,700 per sq m, while Grade B buildings are at PHP58,350 per sq m. Tracking office rents, capital values in Makati will increase between 5 and 8% in the next 12 months.

| COMPARATIVE OFFICE CAPITAL VALUES (PESOS / SQM) | | | | | |
|---|---|---|---|---|---|
| MAKATI CBD (BASED ON NET USEABLE AREA) | | | | | |
| | 4Q 2012 | 3Q 2012 | % CHANGE (QOQ) | 4Q 2013F | % CHANGE (YOY) |
| PREMIUM | 118,500 - 130,100 | 118,000 - 128,100 | 1.0 | 126,000 - 137,500 | 7.8 |
| GRADE A | 72,080 - 99,845 | 71,015 - 97,794 | 0.4 | 75,015 - 104,220 | 5.8 |
| GRADE B | 49,500 - 67,205 | 49,298 - 65,600 | 1.3 | 53,260 - 69,210 | 4.9 |

*Source: Colliers International Philippines Research*

## Makati CBD Residential Stock




*Source: Colliers International Philippines Research*

## RESIDENTIAL SECTOR

### Supply

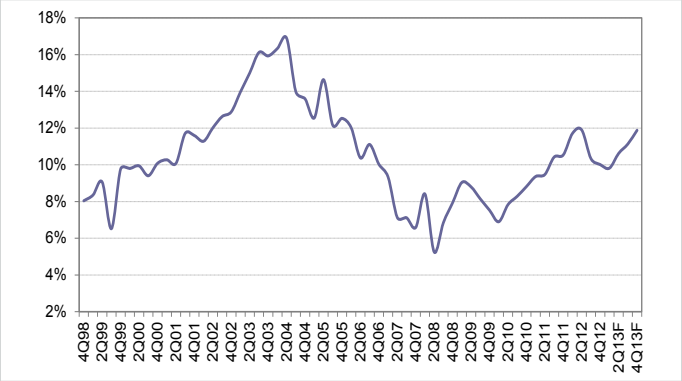
In the Makati CBD, three new condominium projects were completed in 4Q 2012 totaling 792 units. These were Raffles Residences, Greenbelt Madison, and The Grand Midori Tower 1. In 2013, the level of new supply to be introduced in the CBD will hit a record high at 2,825 units, most of which are Grade A residential condominiums.

In all sub-markets, total residential stock stood at over 53,000 units as of end-2012. Over the next four years, some 23,600 new units or an annual average of 5,900 units will be introduced. Fort Bonifacio will have the strongest supply pipeline and subsequently the highest level of stock by 2015.

| FORECAST | | | | | |
|---|---|---|---|---|---|
| RESIDENTIAL NEW SUPPLY | | | | | |
| | end-2012 | 2013 | 2014 | 2015 | 2016 | Total |
| MAKATI CBD | 16,288 | 2,825 | 875 | 2,169 | 779 | 22,936 |
| ROCKWELL | 3,718 | - | 441 | - | - | 4,159 |
| FORT BONIFACIO | 15,491 | 3,726 | 3,450 | 1,276 | 2,721 | 26,664 |
| ORTIGAS | 10,987 | 934 | 792 | 1,560 | 405 | 14,678 |
| EASTWOOD | 6,830 | 440 | 278 | 988 | - | 8,536 |
| TOTAL | 53,314 | 7,925 | 5,836 | 5,993 | 3,905 | 76,973 |

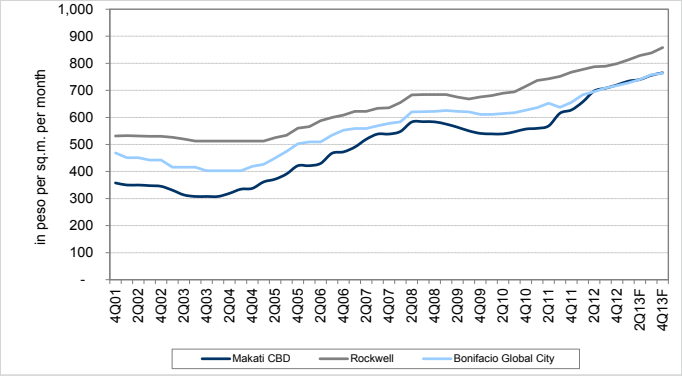
*Source: Colliers International Philippines Research*

## Makati CBD Residential Vacancy




*Source: Colliers International Philippines Research*

## Makati CBD, Rockwell, Bonifacio Global City Prime 3BR Units Residential Rents




*Source: Colliers International Philippines Research*

### Demand

In 4Q 2012, residential vacancy in the Makati CBD dropped by a marginal 0.3% QoQ to 10.01%. It has been tracking downwards over the last three quarters but is expected to flatten at these levels by 1Q 2013. Subsequently it will increase at most to 12% by 4Q 2013 due to the new supply to be introduced in the coming months, most of which are lower grade condominiums. On the other hand, demand for premium condominiums remained high, pushing vacancy levels below 5% over the last three quarters.

| MAKATI CBD | | | |
|---|---|---|---|
| COMPARATIVE RESIDENTIAL VACANCY RATES (%) | | | |
| | 4Q 2012F | 3Q 2012 | 4Q 2013F |
| LUXURY | 4.8 | 4.6 | |
| OTHERS | 10.7 | 11.1 | |
| ALL GRADES | 10.0 | 10.3 | 11.8 |

*Source: Colliers International Philippines Research*

### Rents

In 4Q 2012, the average rent for luxury 3-BR units in the Makati CBD further increased by 1.6% QoQ to average PHP720 per sq m per month. This translates to a monthly rent of Php180,000 for a 250-sq m unit. Average rents in both the Makati CBD and BGC were virtually at parity since 2Q 2012. Meanwhile, Rockwell remains the most expensive area on a per sq m basis, at PHP800 monthly. As vacancies remain low across premium residences, rents are seen to further improve by more than 6% in BGC and the Makati CBD, and by over 7% in Rockwell Center by the end of 2013.

| METRO MANILA RESIDENTIAL CONDOMINIUM | | | | | |
|---|---|---|---|---|---|
| COMPARATIVE LUXURY 3BR RENTAL RATES | | | | | |
| | 4Q 2012 | 3Q 2012 | % CHANGE (QOQ) | 4Q 2013F | % CHANGE (YOY) |
| MAKATI CBD | 525 - 915 | 525 - 890 | 1.75 | 550 - 980 | 6.25 |
| ROCKWELL | 686 - 912 | 677 - 900 | 1.30 | 766 - 950 | 7.43 |
| BONIFACIO GLOBAL CITY | 570 - 865 | 568 - 850 | 1.17 | 585 - 942 | 6.39 |

*Source: Colliers International Philippines Research*

| COMPARATIVE RESIDENTIAL LEASE RATES | | | |
|---|---|---|---|
| THREE-BEDROOM, SEMI-FURNISHED TO FULLY FURNISHED | | | |
| | MINIMUM | AVERAGE | MAXIMUM |
| Apartment Ridge / Roxas Triangle | | | |
| Rental Range * | 100,000 | 150,000 | 250,000 |
| Average Size ** | 210 | 280 | 330 |
| Salcedo Village | | | |
| Rental Range | 65,000 | 95,000 | 135,000 |
| Average Size | 170 | 190 | 330 |
| Legaspi Village | | | |
| Rental Range | 65,000 | 190,000 | 250,000 |
| Average Size | 120 | 210 | 280 |
| Rockwell | | | |
| Rental Range | 150,000 | 200,000 | 300,000 |
| Average Size | 200 | 260 | 330 |
| Fort Bonifacio | | | |
| Rental Range | 75,000 | 160,000 | 280,000 |
| Average Size | 130 | 200 | 300 |

* in pesos per month
** in square meters

*Source: Colliers International Philippines Research*

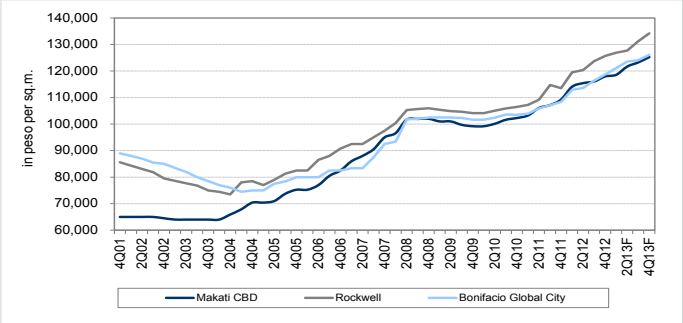
| COMPARATIVE RESIDENTIAL LEASE RATES (EXCLUSIVE VILLAGES) | | |
|---|---|---|
| 3BR - 4BR, UNFURNISHED TO SEMI-FURNISHED | | |
| | LOW | HIGH |
| Forbes Park | 250,000 | 550,000 |
| Dasmarñias Village | 200,000 | 450,000 |
| Urdaneta Village | 180,000 | 450,000 |
| Bel-air Village | 100,000 | 300,000 |
| Ayala Alabang Village | 85,000 | 300,000 |
| San Lorenzo Village | 80,000 | 280,000 |

*Source: Colliers International Philippines Research*

## Capital Values

The average capital value for premium 3-BR units in the Makati CBD was PHP117,950 per sq m in 4Q 2012. The price is slightly lower than in BGC – pegged at PHP118,690 per sq m. Capital values in both districts were at par at PHP116,000 per sq m the previous quarter. Meanwhile, in Rockwell Center, the average capital value was at PHP125,720 in 4Q 2012 and is expected to increase by 6.7% in the next twelve months.

### Makati CBD Residential Capital Values

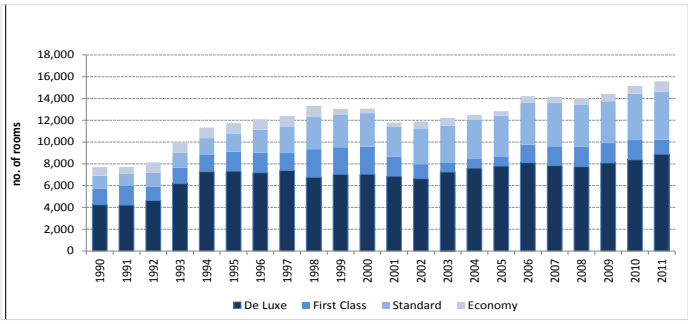



*Source: Colliers International Philippines Research*

| METRO MANILA RESIDENTIAL CONDOMINIUMS | | | | | |
|---|---|---|---|---|---|
| COMPARATIVE LUXURY 3BR CAPITAL VALUES (PESOS / SQ M) | | | | | |
| | 4Q 2012 | 3Q 2012 | %CHANGE (QOQ) | 4Q 2013F | %CHANGE (YOY) |
| MAKATI CBD | 80,050 - 155,850 | 78,950 - 153,150 | 1.6 | 87,782 - 162,710 | 6.2 |
| ROCKWELL | 101,000 - 150,440 | 99,900 - 147,490 | 1.6 | 107,225 - 161,100 | 6.7 |
| BONIFACIO GLOBAL CITY | 91,750 - 145,630 | 91,290 - 141,390 | 2.0 | 93,540 - 158,610 | 6.2 |

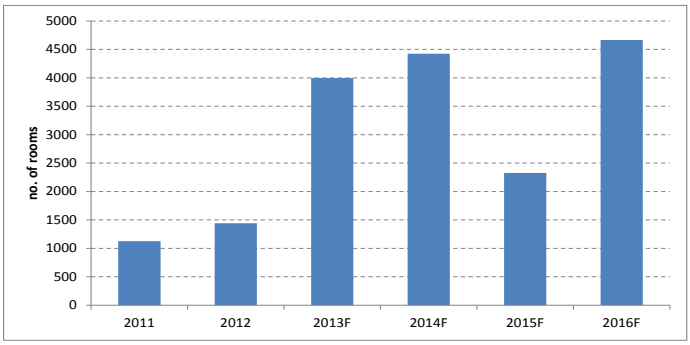
*Source: Colliers International Philippines Research*

## Metro Manila Hotel Room Stock



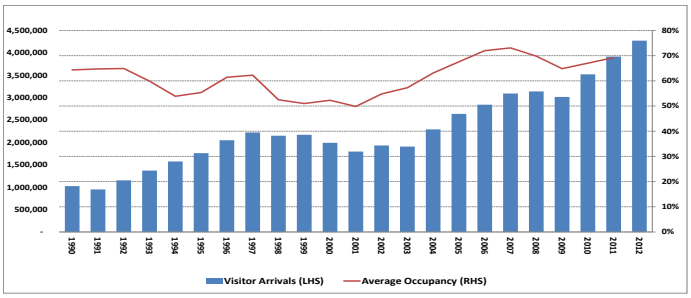

*Source: Department of Tourism*

## Forecast on New Hotel Room Supply



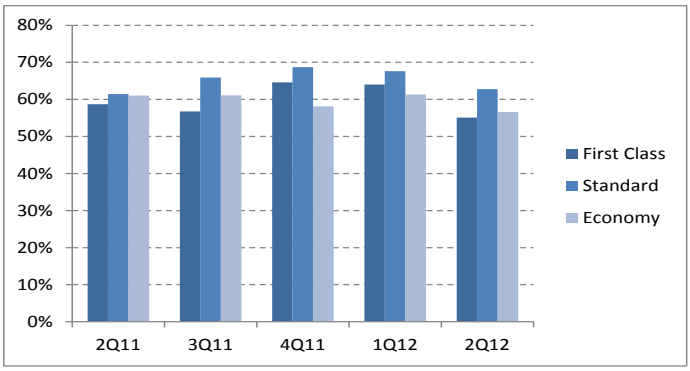

*Source: Colliers International Philippines Research*

## Philippine Tourist Arrivals vs. Hotel Occupancy Rate




*Source: Department of Tourism*

## Metro Manila Hotels – Average Occupancy Rate




*Source: Department of Tourism*

## HOTEL & LEISURE

### Supply

Developers have been banking on increasing tourist arrival levels to justify new hotel development. In 2012, seven new hotels were introduced in Metro Manila alone. This represents about 1,440 new rooms, roughly 30% higher than the previous year. Data shows that in 2012, tourism growth remained positive - up by 9% to 4.2 million arrivals. While these figures indicate a shortfall against the government's target of 4.6 million tourist arrivals for 2012, new hotel developments continue to increase.

Over 15,000 new rooms will be introduced in a span of four years. Roughly half of this will be located in the upcoming Entertainment City in developments such as the Belle Grand Manila Bay, Solaire Manila, Manila Bay Resorts, and Resorts World Bayshore. Meanwhile, some of the recently completed hotels across the metropolitan area were Crimson Hotel in Alabang (345 rooms), Fairmont Hotel in Makati (303 rooms), Seda Hotel in BGC (180 rooms), Luxent Hotel in Quezon City (118 rooms).

### Demand

Government data shows that the average occupancy rate for Metro Manila hotels dropped by 1.75% to 62.2% from January to August of 2012 compared to the same period in 2011. The lowest occupancy rate was recorded in August at 47.5% while the highest was at 81.4% in February of last year. As tourist arrivals further improved in the second half, this may result in better occupancy levels, possibly between 66 and 70% for the entire 2012. Similarly, the average length of stay slightly decreased to 2.42 nights compared to 2.44 in 2011.

### Rates

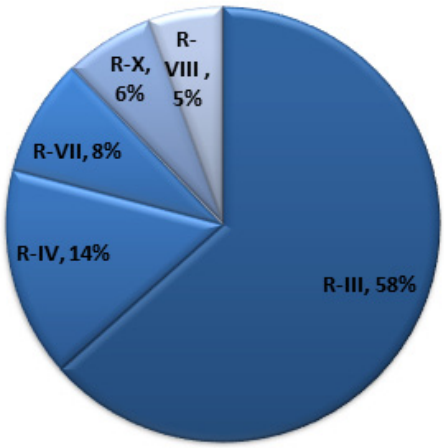
Since some of the hotels in Metro Manila consider December as a low to moderate season, promotional rates were offered at a discount of 10 - 15% off the regular rates. But apart from this, regular published rates further improved in 2H 2012. On average, both five-star and four-star room rates per night improved by around 2.0%, HoH, while three-star published rates increased by 3.0%.

**MM Average Hotel Room Rates**

| CLASS | Published Rates (US$) | | Corporate Rates (US$) | |
|---|---|---|---|---|
| | 2H 2012 | 1H 2012 | 2012 | 2011 |
| 5 - Star | 318 | 312 | 209 | 180 |
| 4 - Star | 263 | 257 | 191 | 158 |
| 3 - Star | 137 | 133 | 118 | 112 |

*Source: Colliers International Philippines Research*

*Philippines Industrial Supply Stock by Region of Highest Supply (Manufacturing)




*Source: Philippine Economic Zone Authority*

## INDUSTRIAL

### Supply

As of 2H 2012, manufacturing economic zones in the Philippines registered with the Philippine Economic Zones Authority (PEZA) grew by a dismal 0.6% from the previous half to 5,5183.62 hectares. Region III, particularly Clark, accounts for roughly 53% of the total stock with 29,365 hectares. Meanwhile, in Region IV (the nearest industrial zone to Metro Manila), stock was unchanged at 7,832 hectares.

As the U.S. and Europe slowly recover from economic turmoil, a slight improvement in global business confidence should gradually result in an increased demand for export products in the near term. Since last year, Japanese firms have expressed interest in relocating in the country. As some of these plans materialized, it resulted in an increase in industrial development. Minor expansions are likewise transpiring at present in some economic zones in Batangas and Laguna, which suggests an increase in requirements from their current locators.

| INDUSTRIAL SUPPLY STOCK (MANUFACTURING)[a] | | | |
|---|---|---|---|
| Region IV | 2H 2012 | 1H 2012[b] | CHANGE (HoH) |
| | Hectares | Hectares | % |
| Batangas | 2,690.02 | 2,690.02 | 0.0 |
| Cavite | 2,109.02 | 2,109.02 | 0.0 |
| Laguna | 1,411.03 | 1,411.03 | 0.0 |
| Total | 6,210.07 | 6,210.07 | 0.0 |

[a] PEZA (operating, proclaimed, and development in progress)
[b] As of May 2012

*Source: Philippine Economic Zone Authority*

| [a]INDUSTRIAL VACANCY RATES (MANUFACTURING) | | |
|---|---|---|
| Region IV | 2H 2012 | 1H 2012[b] |
| Laguna | 6.47 | 6.86 |
| Cavite | 15.75 | 18.96 |
| Batangas | 26.90 | 29.56 |
| Total | 17.41 | 19.29 |

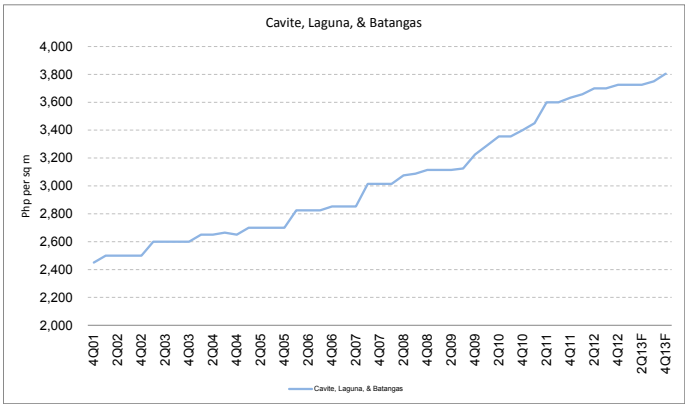
[a] PEZA accredited economic zones
[b] Revised, Rebased

*Source: Colliers International Philippines Research*

### Demand

In 2H 2012, the average industrial vacancy rate in all of Cavite, Laguna and Batangas dropped by 1.9% to 15.22% HoH. The decrease in vacancy is mainly attributed to the lack of new supply being introduced. The take-up was highest in Batangas at eight hectares YoY. Despite this, the area remains to have the highest vacancy at 26.9% compared to Laguna and Cavite. With industrial expansions happening in the areas of Batangas and Cavite, the overall vacancy rate may slightly increase by close to 1.0% in 1H 2013.

## Region IV Industrial Land Values




*Source: Colliers International Philippines Research*

### Rates

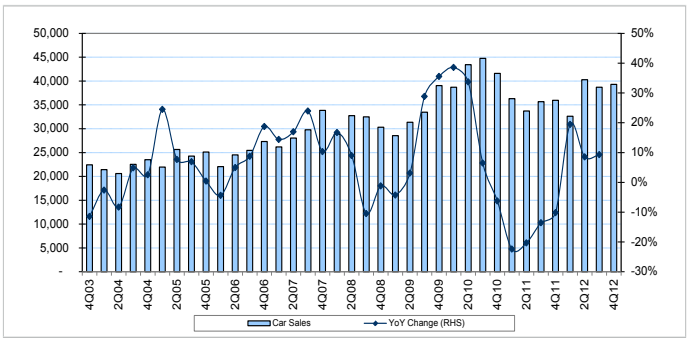
As of 2H 2012, the average land lease hold rate increased by a slight 0.74% HoH to PHP23.25 per sq m monthly. On the other hand, lease rates for warehouses and logistics facilities improved by 2.0%, the highest so far over the past two years. Local consumption may continuously drive demand for this year, suggesting that rents particularly for storage facilities may improve by 3 - 5%. However, demand from heavy manufacturing industries may remain passive which indicates constricted growth in leasehold rates.

| INDUSTRIAL LEASE RATES (MANUFACTURING) | | |
|---|---|---|
| Region IV[a] | 2H 12 | 1H 12 |
| | (PHP/sq m/mo) | (PHP/sq m/mo) |
| Lease Hold (Land) | 23.25 | 23.08 |
| Lease Rates (SFB[b]) | 168.25 | 162.57 |

*a* Cavite, Laguna and Batangas
*b* Standard Factory Building

*Source: Colliers International Philippines Research*

## Quarterly Vehicle Sales




*Source: Chamber of Automotive Manufacturers of the Philippines*

### Spending Indicators

The automotive industry has fully recovered in 2012 with an 11% growth in car sales versus its contraction in 2011. Based on the data from The Chamber of Automotive Manufacturers of the Philippines Inc. (CAMPI), total car sales in 2012 reached 156,656 units or some 15,040 units more than the previous year. Car sales started sluggishly in 1Q 2012 since supply was disrupted by the flooding in Thailand. This gradually recovered in the succeeding quarters. Moreover, the improvement in car sales is reflective of high consumer spending levels, which grew by 6.2% last year.

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