RESEARCH & FORECAST REPORT

PHILIPPINE REAL ESTATE MARKET

MARKET INDICATORS

OFFICE	↑
RESIDENTIAL	↑
HOTEL & LEISURE	↑
INDUSTRIAL	–

Executive Summary

ECONOMY

The Philippine economy grew by 6.4% in 1Q12, higher than the 4.9% registered in the same period last year. Amid the global economic slowdown, the strong economic growth was mainly attributable to higher government expenditures (+24%), robust consumer spending (+6.6%) and a resilient service sector (8.5%), of which the real estate subsector contributed a remarkable 24.3% growth. With the strong 1Q12 performance and a favorable economic environment, most multilateral institutions expect the Philippine economy to grow from 4.5% to 5.5% by year-end.

OFFICE

Due to the lack of developable land in Makati CBD, the Zuellig Building remains the only new office in the CBD and is slated to be fully operational by the third quarter of 2012. In 2Q12, vacancy in Makati marginally declined to 3.9% and is seen to stabilize at the sub 4%-level by end-2012. Meanwhile, office rental rates consistently increased as landlords experienced strong pricing power mainly due to limited office space.

RESIDENTIAL

No completions were sighted in Makati CBD in 2Q12. However, about four high-rise condominiums may be turned over by year-end. This includes the premium condominium Raffles Residences, with some 220 units. The large supply of studio and one-bedroom units, a segment most associated to Grade A and B buildings, has contributed to the relatively high level of vacancies since last year. Yet in the second quarter, overall vacancy rate in Makati was stable at the 11% level.

HOTEL & LEISURE

In Metro Manila, over 11,000 new hotel rooms are expected to be completed in the span of five years. New hotel developments will range from budget to premium hotels, and many will be gaming-oriented in conjunction with the upcoming Entertainment City project in Parañaque. In 2011, Average occupancy levels for Metro Manila hotels improved to 69%. Occupancy rates are expected to exceed the 70% level by the end of 2013, as the number of foreign arrivals is seen to grow by an additional 660,000 by the end of 2012.

INDUSTRIAL

As of May 2012, manufacturing economic zones registered with Philippine Economic Zones Authority (PEZA) grew by 16% since the second half of 2011. Region III, particularly Clark, remains to have the biggest industrial stock by some 31,853 hectares. Region IV ranks next, improving by less than one percentage point to 7,832 hectares. Prohibitive power rates continue to be the biggest challenge in the export industry, and it exacts a heavy toll especially on large-scale manufacturing firms. It is for this reason that supply continues to remain passive, as developers are less poised towards expanding their industrial project portfolio.

ECONOMIC INDICATORS	2005	2006	2007	2008	2009	2010	2011	1Q12
Gross National Product	3.5%	4.8%	6.1%	6.0%	6.5%	8.4%	2.60%	5.80%
Gross Domestic Product	4.8%	5.2%	6.6%	4.2%	1.1%	7.6%	3.70%	6.40%
Personal Consumption Expenditure	4.4%	4.2%	4.6%	3.7%	2.3%	3.4%	6.10%	6.60%
Government Expenditure	2.1%	10.6%	6.9%	0.3%	10.9%	4.0%	-0.70%	24.00%
Capital Formation	3.0%	-15.1%	-0.5%	23.4%	-8.7%	31.6%	8.10%	-23.50%
Exports	5.0%	12.6%	6.7%	-2.7%	-7.8%	21.0%	-4.20%	7.90%
Imports	3.3%	3.5%	1.7%	1.6%	-8.1%	22.5%	0.20%	-2.60%
Agriculture	2.2%	3.6%	4.7%	3.2%	-0.7%	-0.2%	4.50%	2.10%
Industry	4.2%	4.6%	5.8%	4.8%	-1.9%	11.6%	2.30%	4.90%
Services	5.8%	6.0%	7.6%	4.0%	3.4%	7.2%	5.00%	8.50%
Average Inflation (Full Year %)	7.6%	6.2%	2.8%	9.3%	-3.2%	6.7%	4.80%	3.10%
Budget Deficit (Billion Pesos)	PHP146.8	PHP62.2	PHP12.4	PHP68.1	PHP298.5	PHP314.4	PHP197.7	PHP27.0
PHP:US$ (Average)	PHP55.0	PHP51.3	PHP46.1	PHP44.7	PHP47.6	PHP45.10	PHP43.31	PHP43.30
Average 91-Day T-Bill Rates	6.4%	5.3%	3.4%	5.2%	4.0%	3.7%	1.37%	-

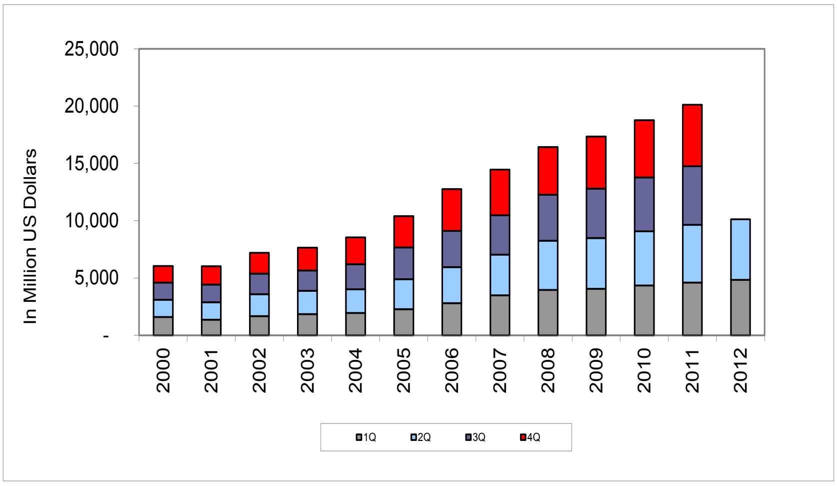
At constant prices (based on 2000 level)

ECONOMY

The Philippine economy grew by 6.4% in 1Q12, higher than the 4.9% registered in the same period last year. The country's GDP for the period was the highest in the ASEAN region, and came in second to China (8.1%) across all of Asia. Amid the global economic slowdown, the strong economic growth was mainly attributable to higher government expenditures (+24%), robust consumer spending (+6.6%) and a resilient service sector (8.5%), of which the real estate subsector contributed a remarkable 24.3% growth.

Business executives are now more optimistic on the economy, given the country's healthy investment scenario and strong macroeconomic fundamentals. Real estate loans grew further by 20% YoY to PHP524B, while non-performing loans projected a downward quarterly trend to just 5.11% as against 6% in 1Q10. Currently the interest rate is at its lowest levels, with lending rates hovering between 5% to 8%, in contrast to a range of 12% to 15% over a decade ago. The robust inflow of remittances, which reached US$10.1B (+5.1%) as of June, is expected to further spur consumer spending for the remainder of the year. With the strong 1Q12 performance and a favorable economic environment, most multilateral institutions expect the Philippine economy to grow from 4.5% to 5.5% by year-end.

OFW Remittances



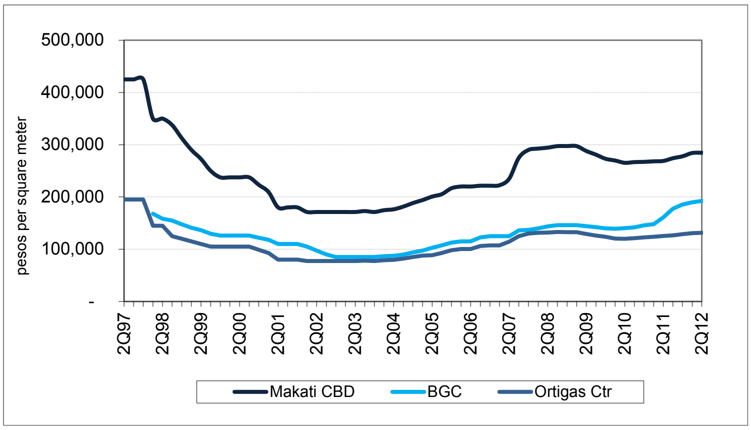
Source: Bangko Sentral ng Pilipinas

** As of June 2012*

LAND VALUES

Implied land values in the Makati CBD appreciated by a slight 0.20% in the second quarter, resulting in an average price of PHP284,635 per sq m or an accommodation value of PHP17,790 per sq m. Similarly, land values in Ortigas Center grew by a marginal 0.50% to PHP131,430 per sq m. With a moderate number of developments planned in both districts, land values may register a 4% to 5% annual growth in the second half of 2012. In contrast, land in Fort Bonifacio grew 20% YoY to PHP192,575 per sq m. The same is seen to breach the PHP200,000 per sq m level by next quarter. Despite the limited availability of lots, secondary market prices may drive average accommodation values to break the PHP20,000 per sq m level in the next 12 months.

Makati CBD, Ortigas & Fort Bonifacio Average Land Values



Source: Colliers International Philippines Research

COMPARATIVE LAND VALUES					
PESO / SQ M	2Q12	1Q12	% CHANGE (QoQ)	2Q13F	% CHANGE (YoY)
MAKATI CBD	272,170-297,100	271,501-296,759	0.20%	290,250-327,300	8.50%
ORTIGAS CENTER	98,434-164,420	97,952-163,614	0.50%	103,800-175,200	6.10%
BGC	155,500-229,647	154,500-225,145	1.40%	212,000-275,000	15.10%

Source: Colliers International Philippines Research

LICENSES TO SELL

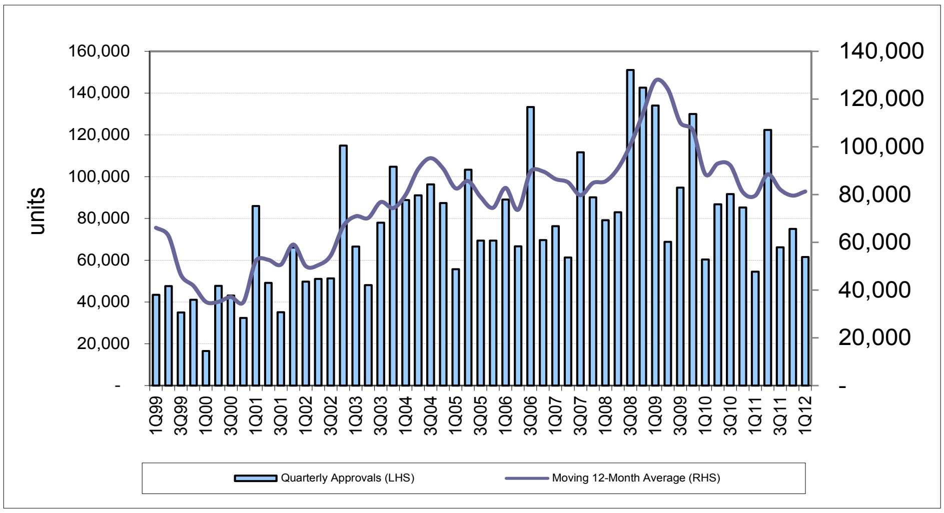
Although overall residential licenses issued by the HLURB improved by 20% in the first quarter, the growth trend was stunted in the month of May. The latest figures indicate that 60,229 units were licensed as of May 2012, down by around 5,500 units compared to the same period the year before. In spite of this, the low cost segment started to show signs of recovery as implied by the increase in license applications. Albeit at marginal increments, low-cost housing increased by 1.5% to 16,887 units. However, license for socialized housing development declined by 305 units. High-rise residential licenses also dropped by 8.5% in contrast to the double-digit growth posted during the same period last year. Mid-income housing licenses declined the most, dropping 26% to just 9,870 units.

Some of the recently approved licenses under the high-rise segment in Metro Manila are Grass Residences Tower 3 (1,987 units) by SMDC and Accolade Place (106 units) by DMCI, both in Quezon City; San Miguel Residences (1,478 units) by High Riser Group/San Miguel Properties in Makati City; Sorrento Oasis Buildings H1 and H2 (219 units) by Filinvest in Pasig; and the Positano and Miami buildings at Azure Urban Resort Residences (1,156 units) by Century Properties in Parañaque City. Overall, the backlog in the residential sector which stood at 3.7 million in 2010 is mainly composed of demand for socialized and economic housing. The recent development activity in both segments suggests a gradual ease in supply at present but may not signify a trend over the long term.

HLURB LICENCES TO SELL			
UNITS	JAN-MAY	JAN-MAY	% CHANGE YOY
	2012	2011	
Socialised Housing	12,237	12,542	-2.4%
Low-Cost Housing	16,887	16,663	1.5%
Mid-Income Housing	9,870	13,442	-26.6%
High-Rise Residential	21,235	23,195	-8.5%
Commercial Condominium	1,534	327	369.1%
Farm Lot	0	60	-100.0%
Memorial Park	58,071	49,524	17.3%
Industrial Subdivision	0	24	-100.0%
Commercial Subdivision	85	437	-80.5%
Total (Philippines)	119,919	116,214	3.2%

Source: Housing and Land Use Regulatory Board

HLURB Licenses



Source: Housing and Land Use Regulatory Board

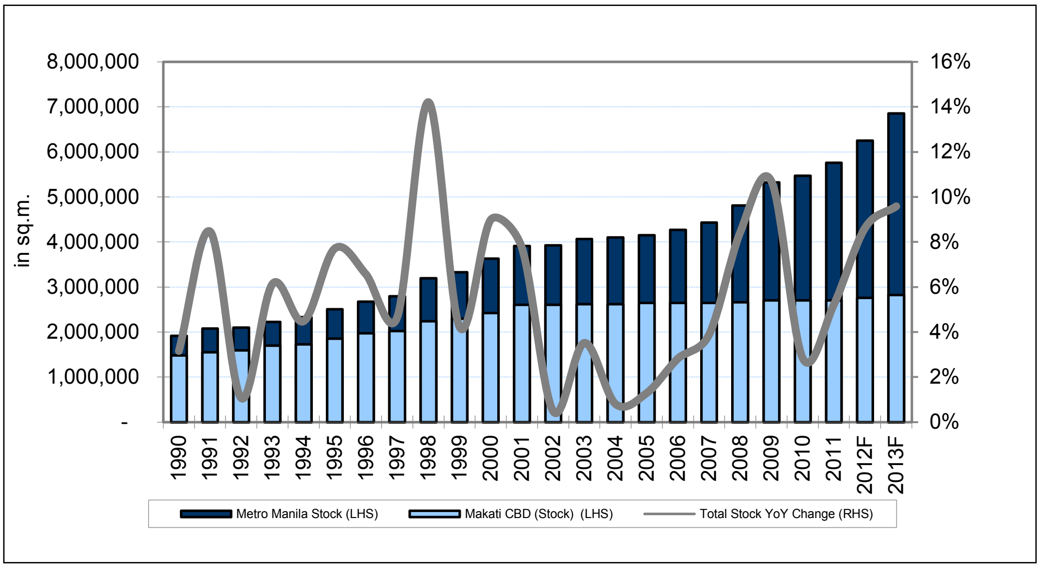
OFFICE SECTOR

Supply

As of 2011, Metro Manila had an office stock of 6 million sq m of net usable space. Some 48% of the total stock is located in Makati CBD. With the emergence of new business districts and the dearth in space in the CBD, Makati's share will decline to roughly 40% in the next two years.

Currently, strong demand from the Offshore and Outsourcing sectors translated to ramped-up construction activities. As a result, total office stock is projected to reach 7 million sq m in 2014, over 20% higher than the previous year. Despite this, supply remains modest in Makati. Due to the lack of developable land in the area, the Zuellig Building remains the only new office in the CBD and is slated to be fully operational by the third quarter of 2012. Some other projects in the pipeline are Alphaland Makati Tower (38,400 sq m), V-Tower (23,000 sq m) and the Glorietta 1 and 2 BPO buildings (27,800 sq m each). In other locations, projects such as the A Place, Techno Plaza Two, Net Lima, Bench Tower and Aseana One are targeted to be fully operational by the second half of the year.

Makati CBD vs. Metro Manila Office Stock



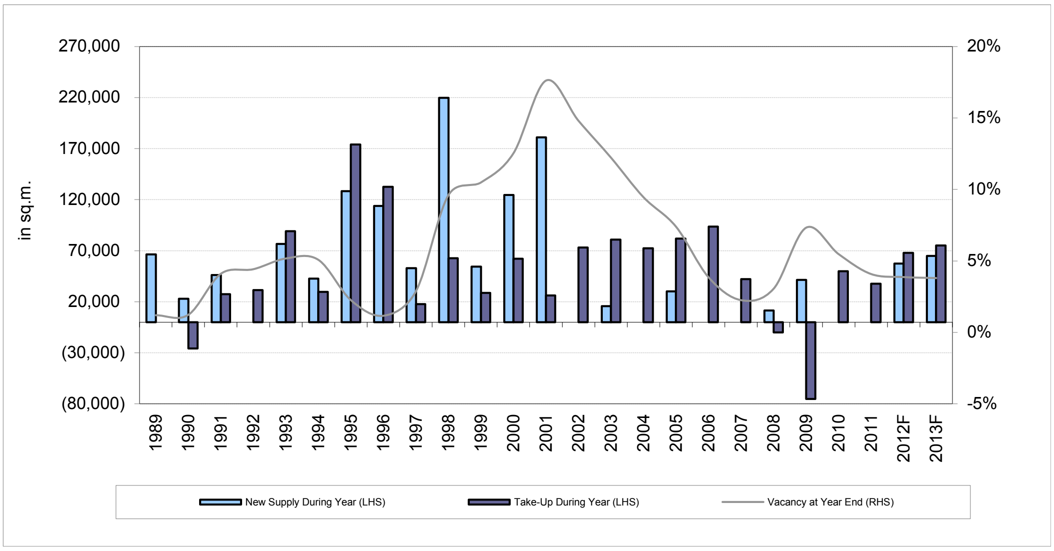
Source: Colliers International Philippines Research

OFFICE SECTOR

Demand

In 2Q12, vacancy in Makati marginally declined to 3.9% but is seen to increase to around 4% as the Zuellig Building becomes fully operational next quarter. In particular, Premium, Grade A and Grade B vacancies contracted to 2.12%, 3.46% and 4.47% respectively. The net take-up may reach some 65,000 sq m this year, a 74% increase YoY driven once again by the Zuellig Building. Nevertheless, the vacancy rate is seen to stabilize at the sub 4%-level by end-2012.

Makati CBD Office Supply and Demand



Source: Colliers International Philippines Research

MAKATI CBD COMPARATIVE OFFICE VACANCY RATES (%)			
	2Q12	1Q12	2Q 2013F
PREMIUM	2.12%	3.38%	
GRADE A	3.46%	3.63%	
GRADE B & BELOW	4.47%	4.83%	
ALL GRADES	3.99%	4.42%	3.77%

Source: Colliers International Philippines Research

FORECAST OFFICE NEW SUPPLY					
LOCATION	End-2011	2012	2013	2014	TOTAL
MAKATI CBD	2,699,696	57,353	87,837	-	2,844,886
ORTIGAS	1,145,350	-	69,720	-	1,215,070
FORT BONIFACIO	592,272	173,839	263,923	114,147	1,144,181
EASTWOOD	292,819	35,765	-	-	328,584
ALABANG	265,552	-	33,560	10,400	309,512
OTHER LOCATIONS*	766,369	199,803	146,179	115,284	1,227,635
TOTAL	5,762,058	466,760	601,219	239,831	7,069,868

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

Rents

Office rental rates consistently increased in the second quarter as landlords experienced strong pricing power mainly due to limited office space. Specifically, premium rates grew by 2.5% to an average of PHP895 per sq m and are expected to break the PHP900 level in the third quarter. Average rental rates in Grade A and B segments breached the PHP700 and PHP500 per sq m level and are projected to further expand by around 4% and 3% respectively in the next twelve months. Meanwhile, in Fort Bonifacio, strong demand for BPO buildings propelled rental rates to reach levels of around PHP750 per sq m. However, a correction in the rates is expected to occur next year as new supply becomes substantial.

COMPARATIVE OFFICE RENTAL RATES (PESO / SQM / MONTH)					
MAKATI CBD (BASED ON NET USEABLE AREA)					
	2Q12	1Q12	% CHANGE (QOQ)	1Q13F	% CHANGE (YOY)
PREMIUM	840-950	825-922	2.5%	865-1,035	6.1%
GRADE A	550-900	500-895	3.9%	580-930	4.1%
GRADE B	465-530	455-510	3.1%	480-550	3.5%

Source: Colliers International Philippines Research

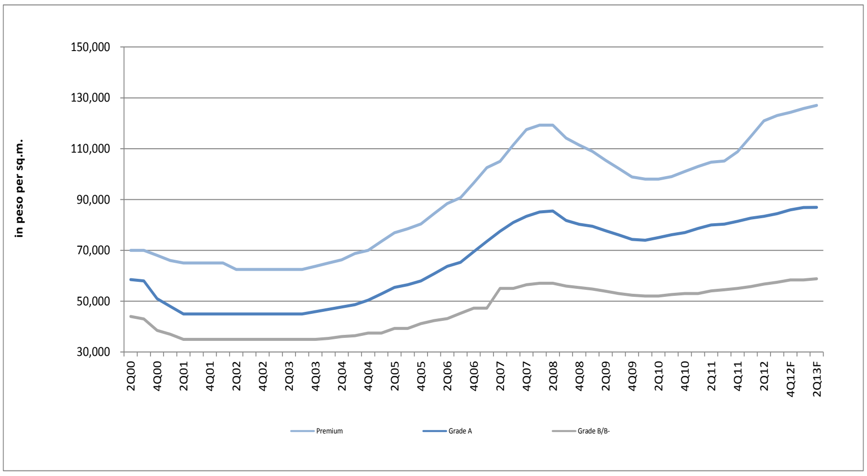
NOTABLE LEASING DEALS			
Building	Area	Locator	Size (sq m)
Net Lima	Taguig	Philamlife	10,300.00
Glorietta 2 Building	Makati	ADP	11,300.00
SLC Building	Makati	Stream Global Services	17,300.00

Source: Colliers International Philippines Research

Capital Values

Capital values in Makati CBD grew by 15.6% YoY. Rates for premium units are currently pegged at an average of PHP120,950 per sq m and will eventually reach PHP127,000 per sq m in the next twelve months. On a quarterly basis, capital values for Grade A and B offices inched up by 0.9% and 1.8% to PHP83,400 and PHP56,755 per sq m, respectively. Both grades are seen to adjust by 3% to 4% by second quarter of next year.

Makati CBD Office Capital Values



Source: Colliers International Philippines Research

COMPARATIVE OFFICE CAPITAL VALUES (PESOS / SQM)					
MAKATI CBD (BASED ON NET USEABLE AREA)					
	2Q12	1Q12	% CHANGE (QOQ)	2Q13F	% CHANGE (YOY)
PREMIUM	115,800-126,113	104,569-125,113	5.3%	121,100-133,000	5.0%
GRADE A	70,173-96,634	70,091-95,267	0.9%	72,788-101,000	4.2%
GRADE B	48,810-64,700	48,060-63,430	1.8%	49,200-65,910	3.6%

Source: Colliers International Philippines Research

RESIDENTIAL SECTOR

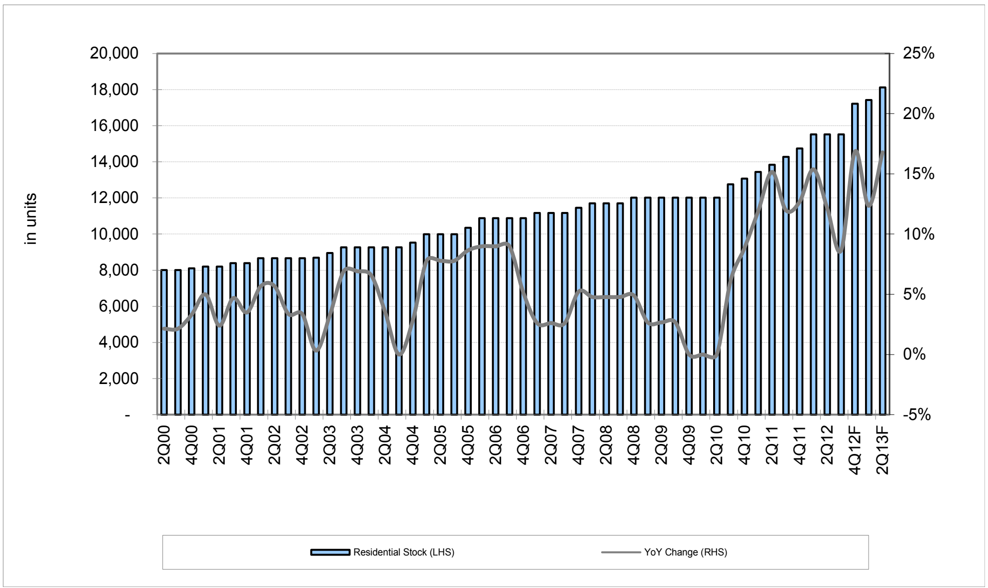
Supply

As of the end of 2011, the supply of high-rise residential condominiums in the five sub-markets tracked by Colliers was over 46,000 units. An average of about 5,500 units will be completed annually, leading to a growth in total stock of 30% by 2014. Makati and Fort Bonifacio currently have the strongest residential development activity, followed by Eastwood and Ortigas. This is in contrast to Rockwell, where supply will be constrained before the completion of Edades in 2014.

No completions were sighted in Makati CBD in 2Q12. However, about four high-rise condominiums may be turned over by year-end. This includes the premium condominium Raffles Residences, with some 220 units. Total new supply in Makati will reach to 1,750 units this year, 5% more than in 2011. Meanwhile, Fort Bonifacio is projected to deliver over 1,600 units in the second half to reach 4,511 units for the year.

Overall in Metro Manila, project launches reached over 19,000 units in the first half of this year, while reservation sales exceeded the total launches by over 5,000 units. . Take-up remains consistently strong despite the substantial number of supply in the pipeline.

Makati CBD Residential Stock



Source: Colliers International Philippines Research

FORECAST					
RESIDENTIAL NEW SUPPLY					
LOCATION	end 2011	2012	2013	2014	TOTAL
MAKATI CBD	14,735	2,483	2,358	220	19,796
ROCKWELL	3,718	-	-	441	4,159
FORT BONIFACIO	12,074	4,511	1,992	1,276	19,853
ORTIGAS	9,870	1,117	934	792	12,713
EASTWOOD	5,735	558	977	278	7,548
TOTAL	46,132	8,669	6,261	3,007	64,069

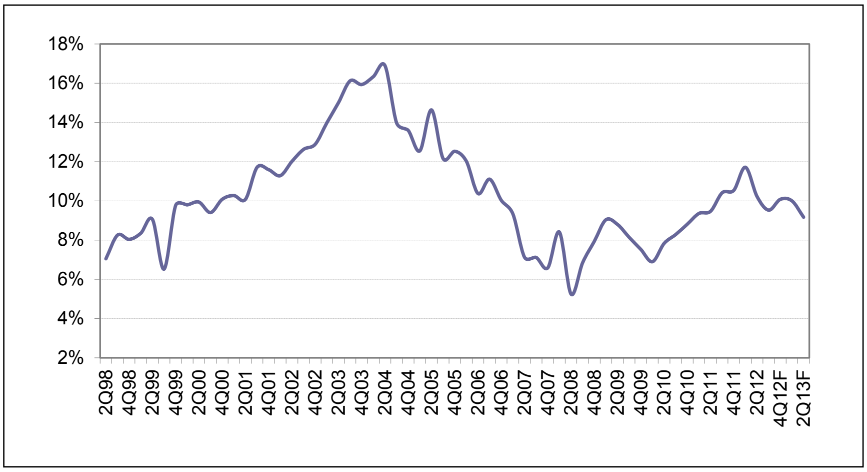
Source: Colliers International Philippines Research

Demand

Premium residences have continuously been supported by expatriate demand. Prohibitive rents and the limited supply of prime single family homes have swayed expats, particularly those with families, to resort to 3-BR condo units, which likewise have a limited supply available for lease. Nonetheless, prime condominiums in Rockwell are still the preferred option due to its exclusivity, followed by both the Makati CBD and the more recently developed Fort Bonifacio. Overall, the vacancy level for prime condominiums remains low at 5% – down from the first quarter's 6%.

The large supply of studio and one-bedroom units, a segment most associated to Grade A and B buildings, has contributed to the relatively high level of vacancies since last year. Yet in the second quarter, overall vacancy rate in Makati was stable at the 11% level. Grade A and Grade B vacancy remained the same at the sub-11% and sub-15% level respectively. Overall, a 13% vacancy rate in the CBD is estimated by year-end due to the sizeable new supply coming in.

Makati CBD Residential Vacancy



Source: Colliers International Philippines Research

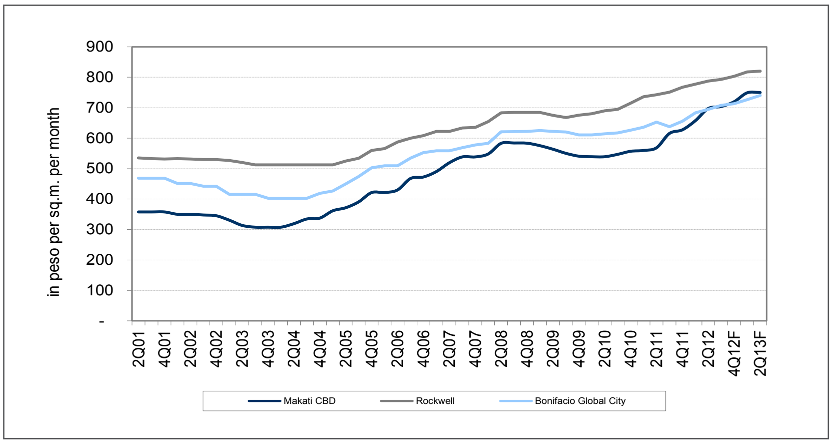
MAKATI CBD			
COMPARATIVE RESIDENTIAL VACANCY RATES (%)			
	2Q12	1Q12	2Q13F
LUXURY	5.0%	6.0%	
OTHERS	12.8%	12.4%	
ALL GRADES	11.8%	11.7%	12.6%

Source: Colliers International Philippines Research

Rents

Luxury 3BR rental rates in the Makati CBD increased by 6% in 2Q12. Rents are currently at PHP700 per sq m, which translates to PHP175,000 monthly for a 250 sq m unit. The completion of the posh Raffles Residences may only have a trivial effect on average rental rates, as its abnormally high rental rate expectations seem feasible only for short term leases. Nonetheless, prime rates may expand by 6.6% in 2Q13 due to a lack of supply. On the other hand, prime rates in Rockwell and BGC grew by over 1% quarterly to PHP785 and PHP695 per sq m per month, respectively.

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



Source: Colliers International Philippines Research

METRO MANILA RESIDENTIAL CONDOMINIUM					
COMPARATIVE LUXURY 3BR RENTAL RATES					
	2Q12	1Q12	% CHANGE (QOQ)	2Q13F	% CHANGE (YOY)
MAKATI CBD	520-875	455-860	6.08%	570-920	6.67%
ROCKWELL	675-900	665-890	1.27%	700-940	4.14%
BONIFACIO GLOBAL CITY	562-828	584-897	1.68%	584-897	6.53%

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	15,000	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	70,000	160,000	280,000
Average Size	130	200	300

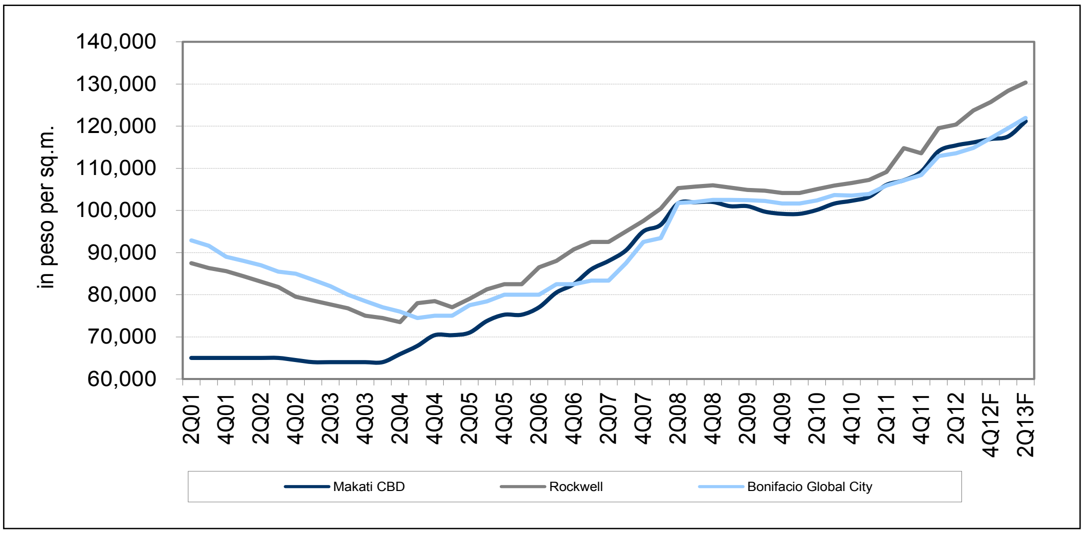
* in pesos per month
** in square meters

Source: Colliers International Philippines Research

Capital Values

Capital values for residential condominiums in Makati CBD are currently pegged at PHP114,000 per sq m. This exceeds the BGC average value (P113,500 per sq m) since the second quarter of 2011. In the next 12 months, prices in both locations are expected to level off at PHP121,000 per sq m, driven by the introduction of new premium supply. In Rockwell Center, capital values improved modestly by almost 1%. Now at 120,000 per sq m, it is estimated to increase by 10% upon completion of Edades in 2014.

Makati CBD Residential Capital Values



Source: Colliers International Philippines Research

METRO MANILA RESIDENTIAL CONDOMINIUM COMPARATIVE LUXURY 3BR CAPITAL VALUES (PESOS / SQ M)					
	2Q12	1Q12	% CHANGE (QOQ)	2Q13F	% CHANGE (YOY)
MAKATI CBD	78,936-151,922	78,000-150,121	1.2%	87,096-155,217	5.0%
ROCKWELL	98,913-141,816	98,421-140,551	0.7%	101,042-145,710	2.5%
BONIFACIO GLOBAL CITY	90,658-136,746	90,658-135,125	0.6%	92,669-151,219	7.4%

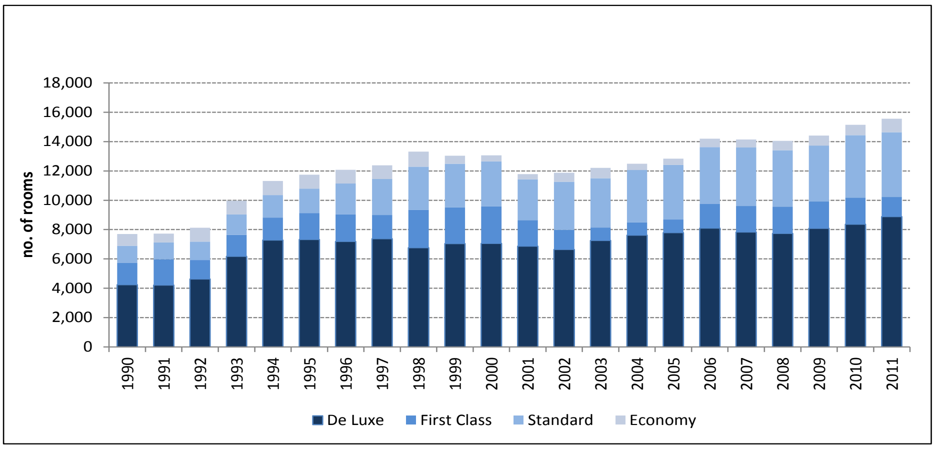
Source: Colliers International Philippines Research

HOTEL & LEISURE

Supply

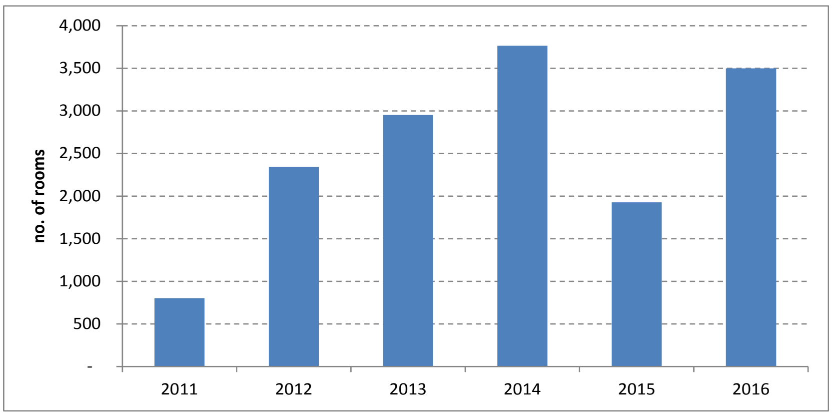
In 2011, tourist arrivals in the Philippines breached the government's forecast to reach 3.9 million. The influx of foreign travelers are good indicators that the government will hit its target of about 4.6 million visitors in 2012 and eventually its 10-million target by 2016. This growth potential has encouraged developers to venture into hospitality-related projects all over the country. In Metro Manila alone, over 11,000 new hotel rooms are expected to be completed in the span of five years. New hotel developments will range from budget to premium hotels, and many will be gaming-oriented in conjunction with the upcoming Entertainment City project in Parañaque. The said project is envisioned to become a key gaming center in Asia and may attract a million tourist arrivals annually. Currently, there are a total of 5,000 rooms in the pipeline with projects such as the Solaire, Belle Grand Complex and Resorts World Bay Shore. New supply this year may reach 2,340 units, 1,500 units more than the new rooms introduced in 2011.

Metro Manila Room Stock



Source: Department of Tourism

Forecast on New Hotel Room Supply



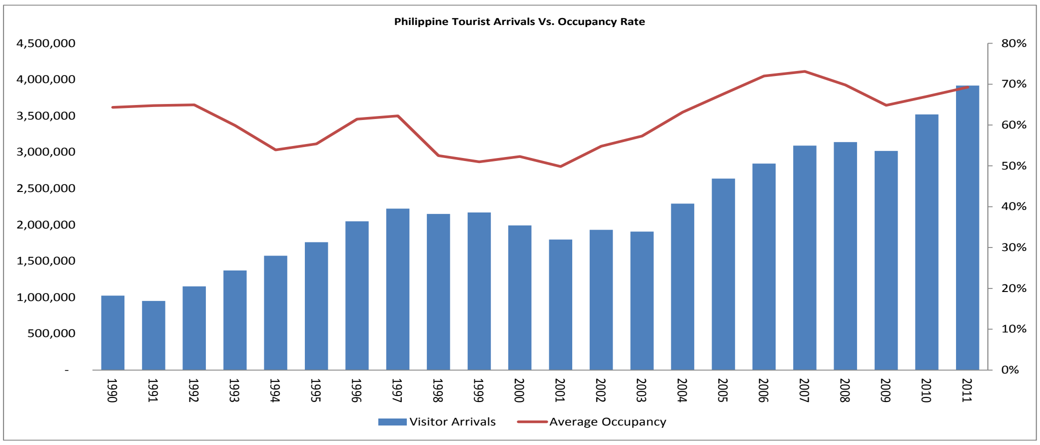
Source: Colliers International Philippines Research

Demand

Average occupancy levels for Metro Manila hotels improved in 2011, growing by 2.43%. Occupancy rates were slightly lower than 70% across all segments, yet higher than the 67% recorded in 2010. The improvement in occupancies has mainly been attributed to the increase in tourist arrivals, which has been growing at 11% annually. Furthermore, the length of stay slightly improved from 2.30 days in 2010 to 2.48 in 2011.

Occupancy rates are expected to exceed the 70% level by the end of 2013, as the number of foreign arrivals is seen to grow by an additional 660,000 by the end of 2012. In 1Q12, monthly arrivals grew in double digits and registered an all-time high of 1,148,072. While Koreans visit the country all year round because they are mainly drawn to educational and leisure related establishments, a cyclical variation in foreign arrivals illustrates that annual entries typically increase in May in sync with the USA's and Japan's summer vacations. This again increases during the holiday festivities towards the end of the year. Together with various tourism development plans and the upcoming Entertainment City, a 3% growth in occupancy levels is assumed.

Philippine Tourist Arrivals vs. Hotel Occupancy Rate

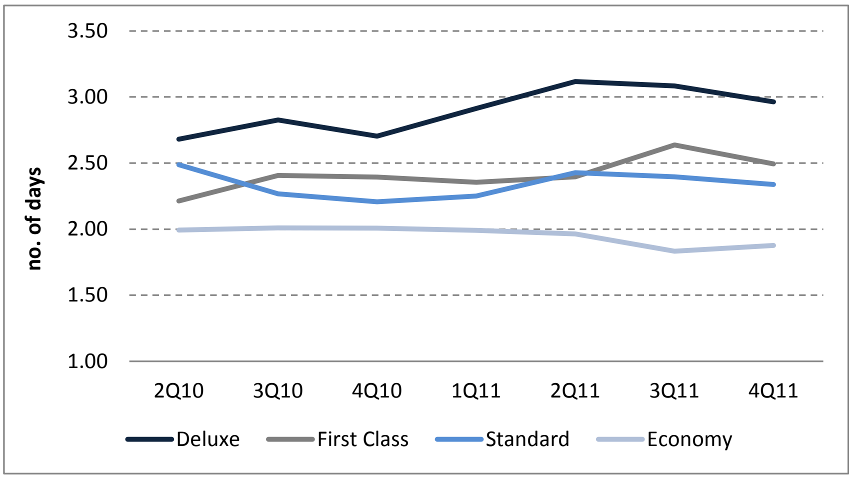


Source: Department of Tourism

Metro Manila Hotels – Average Occupancy Rate

Source: Department of Tourism

Metro Manila Hotels – Average Length of Stay



Source: Department of Tourism

Rates

In contrast with the hotel industry performance during 2H11, five-star published rates increased significantly by 20% to US312 per night. Meanwhile, three-star average rates grew by 3%, while four-star rates remained stable with a meager growth of less than a one percentage point. On the other hand, corporate rates for five-, four- and three-star hotels improved HoH by 16%, 20% and 5%, respectively. The increasing trend is most likely to continue in the long term, in anticipation of the rise in tourist arrivals.

MM Average Hotel Room Rates

CLASS	Published Rates (US$)		Corporate Rates (US$)	
	1H12	2H11	1H12	2H11
5 - Star	312	259	209	180
4 - Star	257	255	191	158
3 - Star	133	129	118	112

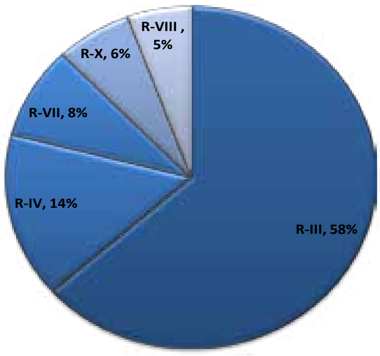
Source: Colliers International Philippines Research

INDUSTRIAL

Supply

As of May 2012, manufacturing economic zones registered with Philippine Economic Zones Authority (PEZA) grew by 16% since the second half of 2011. Region III, particularly Clark, remains to have the biggest industrial stock by some 31,853 hectares. Region IV ranks next, improving by less than one percentage point to 7,832 hectares. In Cavite, Laguna and Batangas, where the majority of the economic zones are located, supply expanded minimally by 0.75% to 6,240 hectares – mainly due to the inclusion of Golden Gate Business Park-Cavite Export Processing Zone (46.75 hectares).

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



* PEZA accredited economic zones

Source: Philippine Economic Zone Authority

INDUSTRIAL SUPPLY STOCK (MANUFACTURING) *a*			
Region IV	1H12 *b*	2H11	CHANGE (HoH)
	hectares	hectares	%
Batangas	2,669.48	2,669.48	0%
Cavite	2,224.00	2,177.20	2.15%
Laguna	1,347.23	1,347.23	0%
Total	6,240.66	6,193.91	0.75%

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

Source: Philippine Economic Zone Authority

Demand

The latest government data shows that total exports rose by 19.7% to US$4.3 billion in May this year, the highest in 17 months. The recovery in the electronic segment, particularly in semiconductors, may have fairly been a result of a lower base in the latter part of 2011. In spite of this, industry officials are hopeful for moderate growth towards the remainder of the year. Meanwhile, vacancy rates in Cavite and Batangas slightly eased to 5.86% and 23.2% respectively in the first half of 2012. On the other hand, Laguna vacancy rates inched up to 4.63%. Unlike heavy manufacturing operations, other industrial activities such as logistic services, warehousing, storage and assembly processing are highly likely to increase in the long term since these are more viable industries in the Philippines.

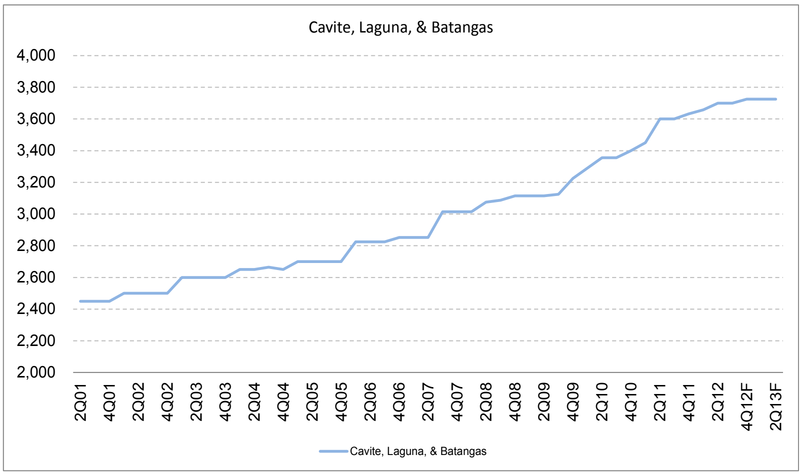
Prohibitive power rates continue to be the biggest challenge in the export industry, and it exacts a heavy toll especially on large-scale manufacturing firms. A study conducted by the Australian-based international energy consultant AIC showed that the Philippines has the second-highest industrial rate in the world at US$0.13 per kilowatt hour, second to Singapore (US$0.14) yet higher than Japan (US$0.12), Thailand (US$0.09), Malaysia (US$0.08), South Korea (US$0.07), Vietnam (US$0.06) and Indonesia (US$0.05). It is for this reason that supply continues to remain passive, as developers are less poised towards expanding their industrial project portfolio.

*INDUSTRIAL VACANCY RATES (MANUFACTURING)		
REGION IV	1H 2012	2H 2011
Laguna	4.63%	3.07%
Cavite	5.86%	6.60%
Batangas	23.21%	24.66%
Total	11.39%	11.61%

* PEZA accredited economic zones

Source: Colliers International Philippines Research

Region IV Industrial Land Values



Source: Colliers International Philippines Research

Rates

As of the first half of 2012, land leasehold rates and lease rates for warehouses and standard factory buildings witnessed minor upticks of 2.7% and 0.83% respectively. The recent recovery in electronic products, which account to 38% of the total export earnings, may not reflect a trend in the long term. Moreover, the lack of upward momentum in rents suggests a growth of less than 5% by year-end. Meanwhile, land values are seen to be generally flat with a growth of 0.68% in the next twelve months from the current PHP3,700 per sq m rate.

INDUSTRIAL LEASE RATES (MANUFACTURING)		
Region IV *a*	1H12	2H11
	(PHP/sq m/month)	(PHP/sq m/month)
Lease Hold (Land)	23.08	22.46
Lease Rates (SFB *b*)	165.12	163.76

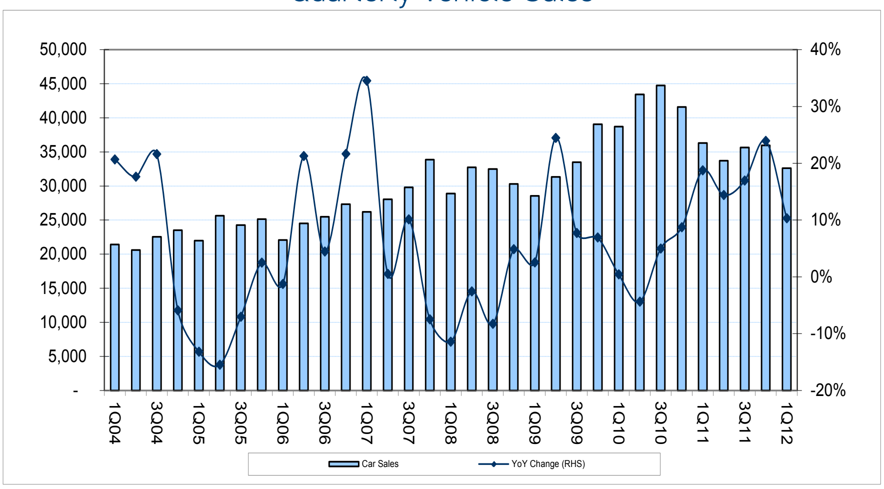
a Cavite, Laguna and Batangas
b Standard Factory Building

Source: Colliers International Philippines Research

Spending Indicators

The improved supply chain in Japan and Thailand have recently boosted car sales in the Philippines to about 14,265 units in May – a quarterly growth of 31%. However, this only resulted in a negligible growth of about 0.26% during the first five months of the year, or just about 155 units more compared to the same period a year ago. Based on the data from the Chamber of Automotive Manufacturers of the Philippines Inc. (CAMPI), passenger car sales contracted by 9.98% despite the 5.34% increase in commercial vehicles sold. The recovery in production output suggests an upswing in sales for the remainder of the year.

Quarterly Vehicle Sales



Source: Chamber of Automotive Manufacturers of the Philippines

COLLIERS INTERNATIONAL PHILIPPINES MANAGEMENT TEAM

INVESTMENT SERVICES
ieyo De Guzman | Executive Director

OFFICE SERVICES - Landlord & Tenant Representations
Jie Espinosa | Director

REAL ESTATE MANAGEMENT SERVICES
Christian Espinar | Director

VALUATION & ADVISORY SERVICES
Marissa Benitez | Director

RESIDENTIAL SERVICES
Gigi Limguangco | Associate Director

REAL ESTATE MANAGMENT SERVICES
Micky Oriola | Associate Director

RECENT RECOGNITIONS

INTERNATIONAL PROPERTY AWARDS ASIA PACIFIC
in association with HSBC
HIGHLY COMMENDED
PROPERTY CONSULTANCY PHILIPPINES
Colliers International
2012-2013
RICS the mark of property professionalism worldwide

EUROMONEY 2011 Awards for excellence

PHILIPPINE EUROMONEY
Real Estate Awards 2011 - Winner
* Best Overall Adviser & Consultant
* Agency | Letting
* Valuation
* Reseach

522 offices in 62 countries on 6 continents

United States: 147 offices
Canada: 37 offices
Latin America: 19 offices
Asia Pacific: 201 offices
EMEA: 118 offices

- $1.8 billion in annual revenue
- 1.25 billion square feet under management
- Over 12,300 professionals worldwide

COLLIERS INTERNATIONAL PHILIPPINES
10F Tower 2 RCBC Plaza
Ayala Avenue, Makati City
Philippines
TEL +632 888 9988
FAX +632 845 2612
www.colliers.com

Karlo Pobre
Research Analyst
Consultancy and Valuation Services
Main +632 888 9988 ext.4030
Fax +632 845 2612
Email karlo.pobre@colliers.com

Julius Guevara
Associate Director & Dept. Head
Advisory & Research
Main +632 888 9988 ext.4024
FAX +632 845 2612
Email julius.guevara@colliers.com

David A. Young
Managing Director
Colliers Philippines
Main +632 888 9988
FAX +632 845 2612
Email david.a.young@colliers.com

Colliers INTERNATIONAL
Accelerating success.