



Flash | Manila | 29 November 2021


A breakthrough post-breakdown

Landlords and investors reposition in recovery anticipation

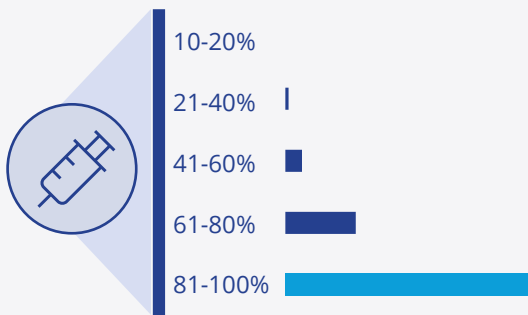
Insights & recommendations

- The results of our Q3 2021 Metro Manila Property Market Presentation survey reveal that with the increased confidence from the Covid vaccines, employers are expecting more of their employees onsite by 2022; investors and end-users are being enticed by developers' extended and flexible payment terms in buying condominium units; and more consumers are likely to visit physical malls with the easing of restrictions in Metro Manila.
- We recommend occupiers finalize their split-operations plans and prepare for employees to return to the office; residential developers should be more innovative with their promos and while continuing flexible payment schemes to re-capture demand; and mall operators should re-configure their layouts to maximize available space, introduce alternative dining options and continue highlighting health and safety protocols.



 Office

What percentage of your employees have already been vaccinated?

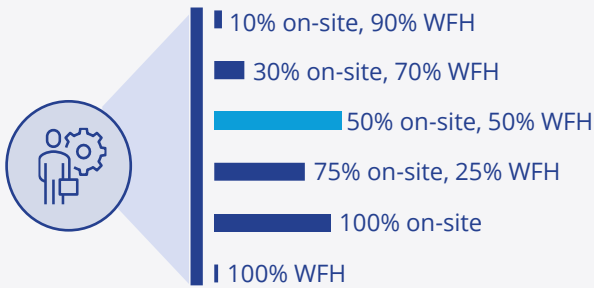


More than 70% of our respondents said that 81-100% of their employees have already been vaccinated against Covid. In our view, the arrival of more vaccines should increase inoculation rates, enabling employees to return to the office.

Data from the Department of Health (DOH) show that about 35 million Filipinos have been fully vaccinated as of November 25, 2021, or 45% of the country's eligible¹ (77.1 million) population. About 40 million vaccines are still expected to arrive before the end of 2021². The Philippine government projects about 50 million³ to be fully vaccinated by the end of 2021. Colliers believes that the reopening of the economy and resumption of more businesses will play a crucial role in reviving office space absorption. This is in line with our forecast of a recovery in office leasing in 2022 which should also signal a gradual rebound of lease rates.

Note: 1 sq m = 10.76 sq ft. USD1 = PHP51 as of the end of Q3 2021. Traditional occupiers includes companies in various sectors such as legal, engineering and construction, government agencies and flexible workspace operators. ¹The country's eligible population includes individuals ages 12 and above. ²[Schedule: Philippines' COVID-19 vaccine deliveries](#) ³[Gov't aims to fully vaccinate 50 M. Filipinos vs COVID-19 by year end — Galvez](#)

What will be the ratio of your company's on-site versus WFH employees by 2022?



About 34% of the respondents said that at least half of their workforce are returning to their traditional offices starting 2022. This signifies

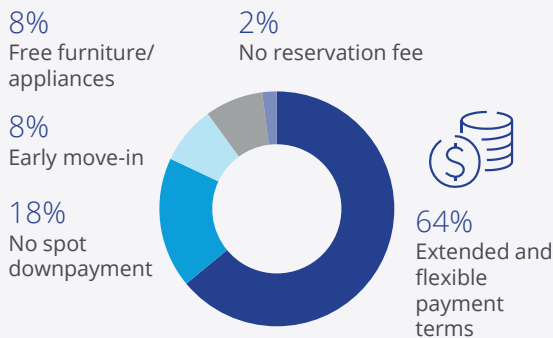
that occupiers are still considering a hybrid working model including a mix of work-from-home and on-site operations. Meanwhile, 31% answered that all their employees will work on-site in 2022.

In our view, any rebound in office leasing will be supported by the successful Covid inoculation which should allow more employees to report back to their offices. Despite the implementation of work-from-home (WFH) arrangements, some firms, including outsourcing companies, continue to look for office space across the country. We see these leasing queries materializing over the next 12 months and resulting in greater office space take-up.



Residential

Which of the following promos will likely lure you to buy a condominium unit in Metro Manila?

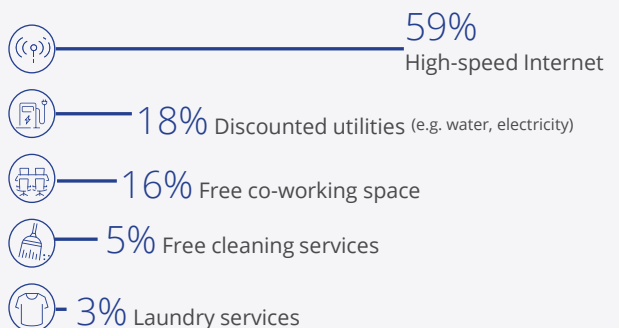


The majority, or 64% of respondents are likely to buy a condominium in Metro Manila, if they can get extended and flexible payment terms. We have observed select developers offering attractive payment terms to potential investors. New promos include reserve now, pay later schemes (with 50% lower reservation fees), free furniture and parking slots upon contracting for

a unit, and up to 20% discount on the Total Contract Price (TCP) for selected projects paid on the spot with cash.

Colliers recommends that developers further sweeten their promos and discounts to re-capture demand in the residential market; and for buyers to be proactive in monitoring projects with discounted rates, both in the pre-selling and secondary market.

Which of the following freebies/amenities from co-living operators will likely lure you back to their facilities?



Nearly 60% of respondents are likely to stay in co-living facilities that offer high-speed and reliable internet connection. According to the Metro Manila Development Authority (MMDA), the volume of traffic in Metro Manila has returned to pre-Covid levels. MMDA recorded a daily average of about 390,000 vehicles along Epifanio de los Santos Avenue, or EDSA, in October 2021, which is already close to the 2019 average of 405,000⁴. Colliers believes that co-living will be a popular option among employers and their workers given the often-challenging traffic situation in Metro Manila. As of 9M 2021, Colliers recorded about 7,200 co-living beds in

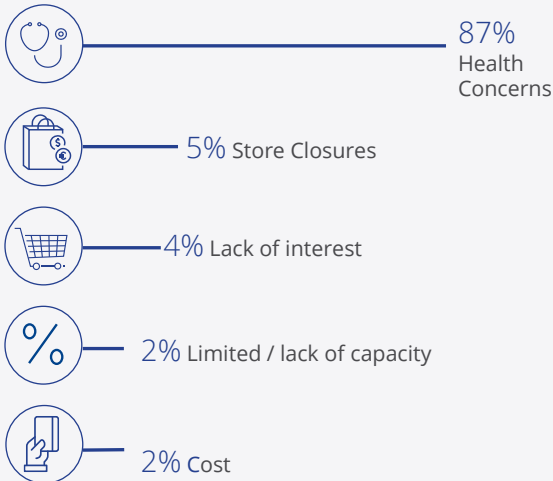
key business hubs including Makati CBD, Bay Area and Fort Bonifacio. We see an additional 6,000 beds in these areas from 2022 to 2023 with the Bay Area accounting for more than 50% of upcoming supply.

Co-living operators have also upgraded their amenities to attract and retain tenants. These include free housekeeping and laundry services. Selected operators also bundle flexible workspaces with a free stay in a co-living facility. Colliers recommends that operators provide attractive lease terms to tenants including discounted rental rates for long term contracts of between 6-12 months.

⁴MMDA: [EDSA traffic congestion on pre-pandemic levels, but not time yet for number coding](#)



What is currently preventing you and your family from using leisure in malls?

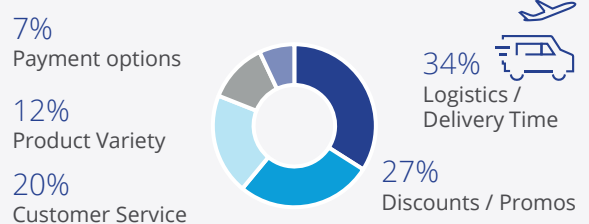


About 87% of the respondents cited health and safety concerns as their primary reason for not visiting malls, followed by store closures. This has resulted in mall operators reporting low consumer traffic, which is estimated to be between 50-60% below pre-Covid levels.

Colliers sees the increasing vaccination rate and further easing of lockdowns in Metro Manila encouraging more consumers to visit malls and spend, especially during the upcoming holiday season. We have observed that the fourth quarter is perennially a strong period for retail spending, driven by employees' holiday bonuses and increase in Overseas Filipino Worker (OFW) remittances.

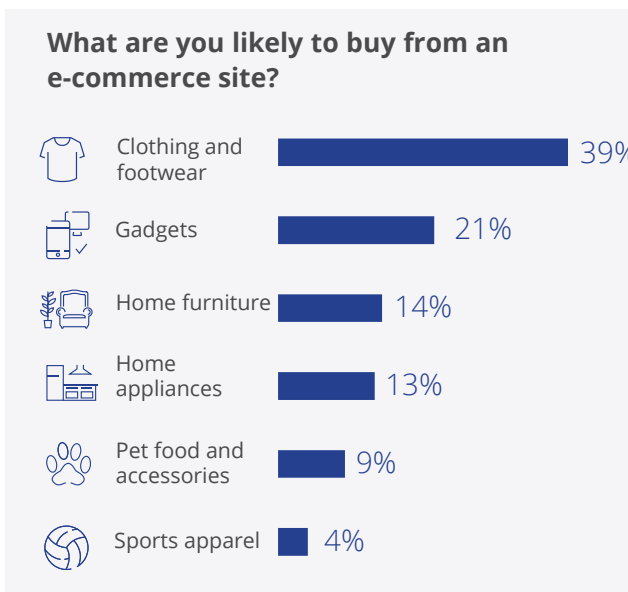
Colliers recommends that mall operators continue highlighting their strict health and safety protocols to ensure a safe shopping experience for consumers.

What should online shopping or e-commerce platforms improve on?



About 34% of respondents said that e-commerce platforms must improve on logistics and committed delivery times, followed by offering more discounts and innovative promos (27%), quality and immediacy of customer service/feedback (20%), product variety (12%) and payment options (7%).

As more Filipinos shop online, we encourage mall operators, retailers as well as e-commerce platforms to firm up their partnerships with logistics firms that have modern warehouses and efficient delivery systems for faster order fulfillment.



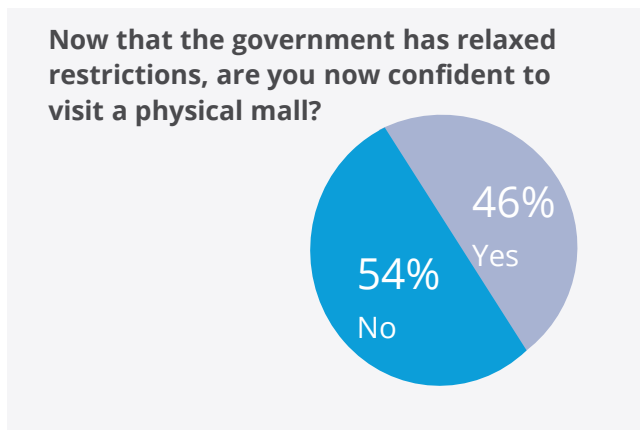
Nearly 40% of the respondents answered that they are most likely to buy clothes and shoes from an e-commerce site, followed by gadgets (21%), home furniture (14%), appliances (13%), pet food (9%), and sports apparel (4%).

The Philippine Department of Trade and Industry (DTI) projects the number of domestic online businesses will reach 750,000 in 2021 before rising to about 1 million in 2022⁵.

As more Filipino consumers shop online, we recommend that retailers expand their e-commerce presence and maximize technological advantages. We have seen retailers complementing their physical stores with online

platforms. For instance, IKEA, which is set to open its 5-storey shop in Pasay City (reportedly the world's largest)⁶ in Q4 2021, recently launched a 24/7 online store.

Brick-and-mortar stores should also be proactive in partnering with mobile wallet apps for ease of payment, especially for older customers.



Despite the improving roll-out of the government's inoculation program, 54% of respondents are still not confident to visit retail establishments due to the threats from the Covid variants as well as existing government regulations (e.g. age restrictions and social distancing measures). Meanwhile, 46% of respondents said that they are now confident to visit a physical mall. This is an improvement over the 38% that said they are confident to shop in a brick-and-mortar store during our Q3 2020 survey back in October 2020, about a year ago.

To attract more consumers, we recommend that mall operators introduce alternative dining options (e.g. Park and Dine, al fresco dining), open pop-up stores, utilize available spaces such as activity centres for government transactions (e.g. Covid vaccination, National ID and voter registration) and offer exclusive promos and discounts for vaccinated individuals.

⁵[DTI eyes e-commerce industry growing to 1M merchants by 2022](#)

⁶[IKEA officially opens online store in PH: to operate 24/7](#)

For further information, please contact:

Joey Bondoc

Associate Director | Research |
Philippines
+63 2 8858 9057
Joey.Bondoc@colliers.com

Richard Raymundo

Managing Director | Philippines
+63 2 8858 9028
Richard.Raymundo@colliers.com

Martin Aguila

Research Analyst | Research |
Philippines
+63 2 8863 4116
Martin.Aguila@colliers.com

Brent Respicio

Research Analyst | Research |
Philippines
+63 2 8863 4197
Brent.Respicio@colliers.com

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 66 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice to real estate occupiers, owners and investors. For more than 25 years, our experienced leadership with significant insider ownership has delivered compound annual investment returns of almost 20% for shareholders. With annualized revenues of \$3.3 billion (\$3.6 billion including affiliates) and \$45 billion of assets under management, we maximize the potential of property and accelerate the success of our clients and our people. Learn more at corporate.colliers.com, Twitter [@Colliers](https://twitter.com/Colliers) or [LinkedIn](https://www.linkedin.com/company/colliers).

Legal Disclaimer

This document/email has been prepared by Colliers for advertising and general information only. Colliers makes no guarantees, representations or warranties of any kind, expressed or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from. This publication is the copyrighted property of Colliers and /or its licensor(s). © 2021. All rights reserved. This communication is not intended to cause or induce breach of an existing listing agreement.
