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Anticipating revenge shopping

Mall operators and retailers brace for revenge shopping and dining amid a liberalized landscape

Insights & recommendations

Colliers is closely looking at the return of malls as Filipinos' de facto public spaces, especially now that consumer traffic is reverting to pre-Covid levels and restaurants and activity centers are starting to welcome more guests. Aside from revenge shopping and dining which we project to kick in starting Q2 2022, we see more opportunities in the market given mall operators' and retailers' propensities to innovate amid a liberalized playing field. Consumer confidence abounds and this should have a positive impact on mall space absorption and rents in 2022.

- More physical retail space is likely to be completed in 2022 as operators and retailers maximize the pick up in discretionary spending and entry of foreign retailers
- Differentiation and diversification will be crucial. Filipinos' rising propensity to shop online and order food using delivery apps will likely challenge brick-and-mortar space absorption.

	Q4 2021 - Q1 2022	Full Year 2022	2022-26 Annual Avg
 Demand Colliers still sees Food & Beverage (F&B) retailers leading physical space take-up for the remainder of 2022. We project demand from non-F&B segments such as clothing and sports apparel will be picking up.	74,000 sq m	250,100 sq m	217,500 sq m
 Supply From 2022 to 2025, Colliers projects the completion of new retail space in business districts such as Makati CBD, Fort Bonifacio, Bay Area and Araneta Center. These areas are likely to cover 58% of the new supply.	130,000 sq m	409,000 sq m	200,400 sq m
	Q4 2021-Q1 2022/ End Q1	YOY/ End 2022	Annual Avg Growth 2021-26/ End 2026
 Rent Retail rents have dropped by 15% compared to pre-Covid levels. Colliers sees the rise in household spending and consumer traffic positively influencing rents starting H2 2022.	-1.7% PHP1,394	+1.0% PHP1,408	+1.5% PHP1,527
 Vacancy In Q1 2022, retail vacancy continued to rise albeit at a slower pace. Colliers revises its earlier projection of a 17% vacancy in 2022 to 16% given limited completion of new supply and a slight uptick in space take-up.	0.4pp 15.2%	1.2pp 16.0%	-0.6pp 12.0%

Source: Colliers

Note: USD1 to PHP52 as of the end of Q1 2022. 1 sq metres= 10.76 square ft. Note: Regional malls have a gross leasable area of between 50,000 sq metres (538,000 square feet) to 99,999 sq metres (1.08 million square feet); Super-regional malls above 100,000 sq metres (1.08 million sq feet).

“Colliers sees a pick up in discretionary spending as consumer confidence improves and footfall in malls reverts to pre-Covid levels. The election-related spending should partly contribute to a hike in household expenditures leading to the May 9 national polls. With the enactment of Retail Trade Liberalization and Foreign Investment Acts, we expect the entry of more foreign retailers. This should chip in to greater retail space take-up, a further diversification of offerings, and differentiation amongst mall operators which should eventually redound to the benefit of Filipino consumers.”

Joey Roi Bondoc
Associate Director, Research

Recommendations

Innovative products and services to welcome revenge shoppers

As mall operators and retailers prepare for revenge spending, Colliers believes that now is an opportunity for retailers to aggressively differentiate by introducing innovative products and services. For one, AllDay Supermarkets has introduced Smart Carts which allow shoppers to have detailed information and prices on the shopping cart’s interface. A running total is also generated in real-time as well as a QR (Quick Response) code which can be scanned at their self check-out counters¹. Decathlon Philippines also offers next-day delivery as well as click-and-collect services. The sports retailer has also introduced cashless self-checkout counters, personalization areas for customized clothing and foot scanners for precise shoe-size measurements.²

Opportunities from recently-passed economic stimulus measures

Colliers believes that the approval to the amendments of the Retail Trade Liberalization (RTL) and Foreign Investments Act (FIA) should pave the way for the entry of more foreign retailers and expansion of existing ones.

Metro Manila Retail supply and vacancy forecast, (2010 - 2023F)



Prior to the enactment of these measures, the Bistro Group³ announced that they will be opening at least 30 restaurants in 2022 with a mix of new international and expansion of existing brands. Some of the new retailers likely to open this year include Los Angeles-based donut brand, Randy’s Donuts, in Uptown Parade, SM Mall of Asia and Robinsons Magnolia. Other brands which are targeted to open this year include Olive Garden, Fogo de Chao, Las Flores, Modern Shanghai, Watami, Rumba and Ember.

Preparation of high-density retail for the return of more customers

In our view, retailers and mall operators should continue implementing strict health and safety protocols despite the easing of quarantine restrictions in Metro Manila. This is particularly important for high-density retail spaces where people usually gather such as fitness centres, cinemas, foodcourts and arcades. These retail segments suffered significantly since the implementation of strict lockdowns across Metro Manila in March 2020. Public health experts continue to warn of new case surges and this could threaten the much-awaited recovery of high-density retail. Colliers believes that looser physical distancing protocols and increased consumer traffic bode well for the much-anticipated rebound of this retail segment.

Source: Colliers. ¹AllDay introduces Philippines’ first supermarket ‘smart carts’ - BusinessWorld Online (bworldonline.com) ; ²Decathlon PH Opens Cool “Phygital” Store at SM Mall of Asia (spot.ph) ; ³Bullish In 2022: The Bistro Group embarks on major expansions | Inquirer Lifestyle.

Seize return-to-office opportunities

From 2022 to 2025, Colliers sees about 58% of the new retail supply likely coming from major business districts such as Makati CBD, Fort Bonifacio, Bay Area and Araneta Center. Colliers encourages retailers to lock in spaces in these locations and capitalize on firms' implementation of return-to-office (RTO). Meanwhile, retailers with long-term occupancy plans should negotiate for lower lease rates in these business hubs before we see a recovery in rents starting H2 2022.

New supply in CBDs

From Q4 2021 to Q1 2022, 130,000 sq metres (sq feet) of new retail space was completed with the delivery of SM City Grand Central in Caloocan. Meanwhile, we project new supply to reach 409,000 sq metres (4.4 million sq feet) in 2022 down from our previous estimate of about 523,700 sq metres (5.6 million sq feet) in Q3 2021. From 2022 to 2025, we see the annual delivery of about 250,500 sq metres (2.7 million sq feet) of new supply. This is down 17% from our previous forecast of about 300,900 sq metres (3.2 million sq feet) annually.

Upcoming retail supply (2022-2025)



Source: Colliers

Slight improvement in vacancy

In Q1 2022, retail vacancy continued to rise albeit at a slower pace in Metro Manila at 15.2% in Q1 2022 from 14.8% in Q3 2021. Despite the threat of the Omicron variant and low consumer traffic in January 2022, some retailers have announced store openings in selected super-regional malls. Some of these include: Asics, Crocs and No Brand in Glorietta, Ever New Melbourne in SM Mall of Asia and EKartRaceway in SM North EDSA.

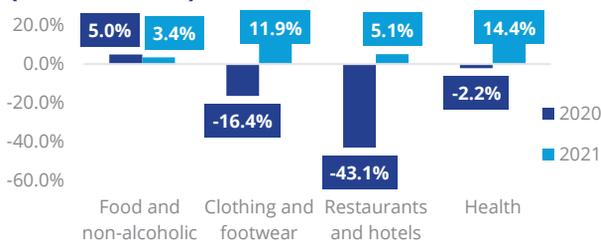
Source: Colliers

⁴[Confident PH consumers ready for retail therapy | Inquirer Business](#)

A report from TransUnion⁴ showed that Filipino consumers are more likely to spend on non-essential retail as 36% of the respondents saw an increase in household incomes over the past three months. The study also reported a 5% increase (compared to Q1 2021) per category on consumers likely to spend on discretionary spending, retirement funds and large purchases such as appliances and cars.

Following the de-escalation of Metro Manila's Covid classification to Alert Level 1 in March 2022, various business groups⁵ reported that consumer traffic in malls reached 63% of its pre-Covid level.

Household spending growth per sub-segment (2020 vs. 2021)



Source: Philippine Statistics Authority

The upcoming 2022 national election is also likely to raise consumer spending. Previously, analysts reported that election-related spending raises the country's Gross Domestic Product (GDP) by 0.5-1 percentage point.⁶

By the end of 2022, we see retail vacancy reaching 16%, this is slightly down from our previous forecast of a 17% vacancy. While this is still higher than pre-pandemic vacancy of between 9% to 10% in Metro Manila, the slight improvement indicates the start of slow rebound for Metro Manila's brick-and-mortar retail segment despite persisting challenges brought about by the popularity of online shopping and potential threats of a new Covid variant.

Slow rental recovery in 2022

In 2022, Colliers sees retail rents slowly recovering by about 1% from a cumulative 15% drop in 2020 and 2021. In our view, the gradual pick up in retail space absorption by the latter half of 2022 should partly support our projected rebound in lease rates. In our view, more retailers will be encouraged to occupy physical mall space as consumer traffic starts to improve.

⁵[Business groups to employees: Return to workplace - BusinessWorld Online \(bworldonline.com\)](#) ; ⁶[2022 election spending: Will it boost PH GDP amid COVID? | Inquirer News](#)

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