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Pliant amid new variant

Industrial sector to grow on the back of rising manufacturing, e-commerce investments

Insights & recommendations

The industrial sector continues to exhibit relative stability despite the pandemic. In our view, the demand for warehouses, cold storage facilities, and industrial spaces will be driven by a thriving e-commerce segment and a rebound in manufacturing activities.

- Colliers encourages developers to highlight the advantages of locating within industrial parks.
- Both developers and locators should take advantage of tax and non-tax perks awarded by the government.
- With the rebound of manufacturing-driven foreign direct investments, industrial park developers should closely monitor the profile of incoming locators and evaluate their requirements.

		H2 2021	Full Year 2022	2022-26 Annual Avg
	The thriving e-commerce sector will continue to drive demand for warehouses. A rebound in manufacturing activity should sustain industrial space absorption.	 138 ha	 14 ha	 35 ha
	From 2022 to 2024, Colliers sees the delivery of about 85 ha (210 ac) of new industrial space in CALABA. We see Batangas covering bulk of the new supply.	 127 ha	 28 ha	 28 ha
	In 2022, Colliers expects warehouse lease rates to grow at a faster pace than land leasehold. We see more logistics firms leasing out industrial space with the growing demand in e-commerce and online groceries.	QOQ/ End H2  +0.6% PHP82	YOY/ End 2022  +2.8% PHP84	Annual Avg Growth 2022-26/ End 2026  +1.9% PHP90
	Colliers recorded a decline in vacancy in 2021 as new locators from the manufacturing and logistics segments take up space in CALABA. In 2022, Colliers expects vacancy to increase marginally due to substantial new supply in Batangas.	 -0.4pp 5.2%	 +0.3pp 5.5%	 +0.0pp 5.4%

Source: Colliers

Note: USD1 to PHP50 as of the end of Q4 2021. 1 sq m = 10.76 sq ft; 1 ha = 2.5ac; pp = percentage point. Data in the table above represents land leasehold rates. CREATE = Corporate Recovery and Tax Incentives for Enterprises. CALABA = The Cavite, Laguna, Batangas corridor.

“The demand for industrial space and warehouses have been stable despite the pandemic. Aside from traditional industrial assets, Colliers has also seen the emergence of demand for cold chain facilities. The continued growth of e-commerce and the government-projected rise in manufacturing-led foreign investments should sustain the industrial sector’s growth over the next 12 to 24 months. The industrial sector will continue to withstand Covid-related disruptions. Hence, we see firms ramping up industrial space expansion in northern and southern Luzon which continue to corner the bulk of manufacturing investments”

Joey Roi Bondoc
Associate Director, Research

Recommendations

Highlight advantages of locating in an industrial park

We recommend that developers highlight the advantages of locating within an industrial park to potential locators. Industrial parks are flexible or easily reconfigured and have zoning regulations tailored for industrial uses. They also have modern infrastructure design such as well-maintained road networks. Locating in an industrial park could also be more cost-efficient as utilities including water and electricity are managed systematically.¹

Take advantage of government perks

Colliers believes that the continued inflow of foreign investments is likely to support recovery in the industrial sector post-pandemic. In our view, Foreign Direct Investments (FDI) committed to fund manufacturing projects will most likely be channeled into the Cavite-Laguna-Batangas (CALABA) and Northern-Central Luzon industrial zones as they house majority of the country’s industrial parks. Colliers recommends that investors proactively monitor government policies and incentives as they plan their expansion in the Philippines. The recently enacted Corporate Recovery and Tax Incentives for Enterprises (CREATE) law should help attract more investments into the country through reduced corporate income taxes. Meanwhile, industrial park developers should highlight these perks as among the factors why investors need to locate within industrial spaces in northern and southern Luzon regions, the Philippines’ primary industrial locations.

Monitor profile of incoming manufacturers and investors

Colliers recommends that developers monitor the profile of firms that are planning to expand in the country. Some firms expanding their operations include electronics giants Amkor, Murata and Samsung. The Philippine Economic Zone Authority (PEZA) also held meetings with Taiwanese firms such as Yeonho Electronics and Taiwanese investors including Furukawa Group, Taiwan Economic and Cultural Office (TECO) and YFC. These investors are eyeing ecozones in Cavite, Bulacan and Bataan.² Pharmaceutical firms are also among the interested sectors in locating in the country’s ecozones³, along with the approval of the Philippines’ first pharmaceutical ecozone in Bulacan.⁴ In our view, developers should thoroughly assess their industrial space and warehouses to fit to the requirements of incoming investors.

¹[Greatest Advantages Of Industrial Parks](#)

²[3 big multinational firms plan ecozone expansions](#)

³[Pakistani pharma firms interested to locate in ecozones](#)

⁴[PEZA approves pharmaceutical ecozone in Bulacan capital](#)



Manufacturing to rebound as business sentiment improves

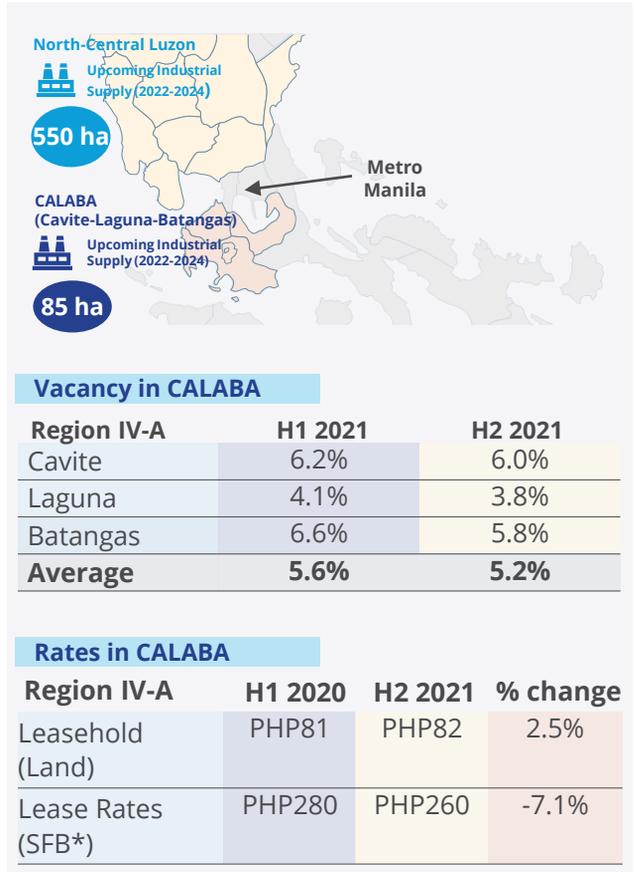
Data from the Philippine Statistics Authority (PSA) show that approved foreign direct investments (FDI) in 9M 2021 amounted to PHP58.9 billion (USD1.2 billion), down 22% from PHP75 billion (USD1.5 billion) approved FDI in the same period in 2020. The decline shows investor sentiment continuing to be impacted by the uncertainties of new Covid variants.

FDI committed to fund manufacturing projects amounted to PHP24.4 billion (USD478 million), a slight decline of 10% YOY from PHP27.3 billion (USD535 million). We expect these investments to likely benefit the CALABA industrial zones as they house a majority of the country’s industrial parks. The Cavite-Laguna-Batangas-Rizal-Quezon (CALABARZON) region received the highest foreign investment allocation of PHP18.1 billion (USD354 million) in 9M 2021, 31% of the total approved FDI for the period.

Colliers sees a rebound in manufacturing activity as IHS Markit reports that the Philippine Manufacturing Purchasing Manager’s Index (PMI) rose to 51.8 in December 2021, up from 51.7 in November and the country’s highest in nine months.⁵ The headline index continued to register above the 50-neutral mark that separates expansion from contraction. This follows the downgrade to Alert Level 2 in Metro Manila and several provinces, which prompted higher domestic demand and a slight uptick in manufacturing output.

Colliers believes that the industrial sector will thrive through the successful Covid inoculation, completion of major infrastructure projects, and continued inflow of foreign investments through recently enacted policies such as CREATE law.

Upcoming industrial supply, 2022-2024



Source: Colliers

⁵Factory activity hits 9-month high, *Standard factory building.



E-commerce to fuel take up

In H2 2021, we recorded a decline in vacancy in the CALABA corridor to 5.2% from 5.7% in H1 2021. We attribute this to the increased demand from e-commerce and manufacturing firms for warehousing and logistics.

Over the past 12 months, Colliers saw food manufacturing, asset management solutions and logistics firms catering to e-commerce companies taking up space in CALABA.

Colliers believes that e-commerce and online groceries will continue to thrive post-2021 due to Filipinos' growing propensity to shop online. Logistics technology firm Zyllem is planning to expand in the Philippines to capitalize on the heightened demand for e-commerce. The cloud-based logistics technology provider allows distributors and e-commerce companies to consolidate their partnerships and comply with changing government policies.⁶

The Department of Trade and Industry (DTI) projects the number of domestic online businesses to reach to about 1 million in 2022. DTI also projects the e-commerce sector to contribute to about 5.5 percent to the economy by 2022 from 3.4% in 2020.⁷ To support these sectors, Colliers sees sustained demand for cold storage facilities beyond 2022. FAST Logistics recently ventured into the cold chain business with the opening of its Cavite and Cebu facilities. The cold chain hubs will cater to fresh meat processors, importers, fruits and vegetable retailers and pharmaceuticals. The firm also plans to expand in other locations nationwide and invest about PHP2 billion (USD39.2 million) in the next two years.⁸

According to the Cold Chain Association of the Philippines (CCAP), among the factors that will likely drive demand for cold chain assets include consumer preference shifting to frozen food products, population growth, economic recovery and the rising trend of e-commerce platforms.⁹

Colliers sees vacancy slightly rising to 5.5% in 2022 partly due to new supply. We see an increase in industrial stock concentrated in Batangas from 2022 to 2024 with the completion

of New-First Industrial Park, Sinisian Lemery Batangas Port and Lima Technology Park Expansion. Outside CALABA, we also see the delivery of the 200-hectare (494 acres) Tipo Hightech Eco Park in Subic and the 6.2-hectare (15 acres) CentralHub Tarlac by DoubleDragon Properties.

Sustained rental recovery

Land leasehold rates grew by 0.6% HOH in H2 2021. On the other hand, we recorded a 7.1% decline in warehouse lease rates HOH. Colliers attributes this to negotiations waged by the locators. We expect warehouse lease rates to increase by 4.8% in 2022, fueled by robust demand from manufacturing and e-commerce firms.

⁶[Singapore-based logistics firm to expand in PHL](#), ⁷[DTI eyes e-commerce industry growing to 1M merchants by 2022](#), ⁸[Fast coldchain aims nationwide presence, investing P2 billion](#), ⁹[Philippine Cold Chain: Challenges and Future Ahead](#)



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