

## Real Estate/Property - Philippines

## Takeaways from Colliers' briefing: Sector recovery continues

Industry Overview

## Moving in a positive direction

In its 3Q23 briefing, Colliers maintains the property sector continues on the path to recovery, with all segments moving in a positive direction. MM office absorption continued positive net take-up of 154k sqm in 9M23 (+54% YoY). Office deals continued to increase, with a gross area of 502k sqm (+17% YoY) taken up in 9M23 despite continued hybrid work arrangements. Meanwhile, prices for residential condominiums have held, while rental rates recovered.

## Office: steady increase in transactions, slowing take-up

Office transactions were driven by expansions (40%) and new setups (30%). Remaining 30% were relocations of which 69% moved to higher grade properties. This bodes well for property companies and REITs under our coverage that operate mostly high-grade office buildings in prime areas. Traditional offices accounted for 45% of total transactions in 9M23 while the IT-BPM industry accounted for 37%. POGOs accounted for the remaining 18%. While we are seeing new activity from POGOs, unlikely they will lead demand in the near-term. Vacancy inched up to 18.7% (from 18.4% in 2Q23) driven by new supply. Lease rates recovering in major CBDs – Makati, Fort Bonifacio and Ortigas – where vacancy rates are below industry. Provincial transactions marginally up to 150k sqm in 9M23 (+3% YoY) with Cebu accounting for 48%.

## Residential: launches lag but take-up positive

Residential launches in MM dipped to 19k units in 9M23 (-10% YoY), while pre-sales take-up +14% indicating demand still up. Vacancies marginally declined to 17% (from 17.1% in 2Q23) on sustained return of local employees and expats. This led to marginal increases in prices and rents. Meanwhile, there was a jump in take-up for the lower mid-income segment to 54% in 9M23 (9M22: 38%) while the luxury segment rose to 11% (9M22: 8%). The affordable and economic segments appear to be pushed out with little to no launches in these price segments, hence the lower take-up. Also, Colliers notes an upcoming trend of leisure-oriented residential projects outside MM. This aims to capture the more affluent market for secondary/vacation homes.

## Retail: holiday spending to overtake revenge spending

Retail vacancy inched up to 14.4% (from 14% in 1H23) as new malls and expansions are completed. Leasing rates continued to recover, going up 2.2% 2023 (from -15% in 2020-2021). Food and beverage remained the top tenants (43%), with fashion health and beauty (35%) coming in second. Foreign brands continued coming into the PH market as an effect of retail trade liberalization. Discretionary spending was observed to shift away from F&B and fashion to travel and recreation. However, seasonally high 4Q on holiday spending to prop retail property in the coming months.

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Glossary:

**CBD** Central business district  
**IT-BPM** Information technology, and business process management  
**k** Thousand  
**MM** Metro Manila  
**POGO** Philippine offshore gaming operator  
**sqm** square meter  
**YoY** Year-on-year

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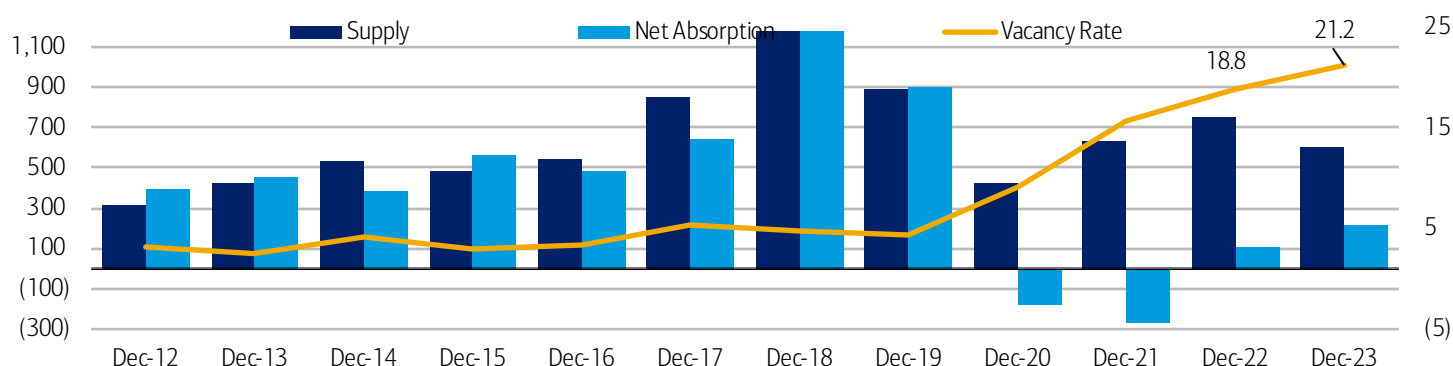
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## Key exhibits

### Exhibit 1: Metro Manila office supply, absorption and vacancy rate

9M23 vacancy rate inched up to 18.7% (1H23: 18.4%). 23E vacancy rate seen to increase to 21.2% on new completions in 4Q23.

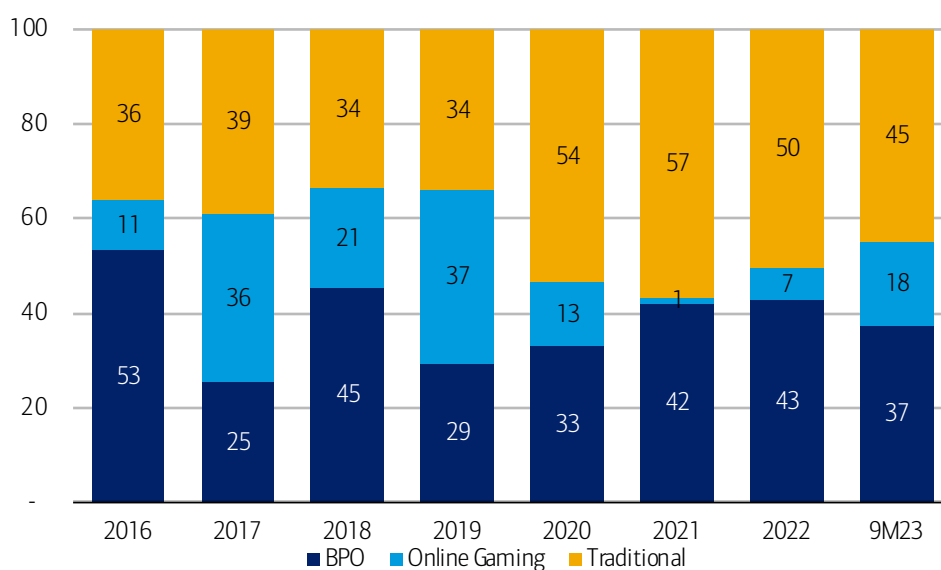


Source: Colliers International Philippines

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### Exhibit 2: Breakdown of office transactions

Traditional offices maintained the lion's share of transactions. POGO transactions highest since 2019.

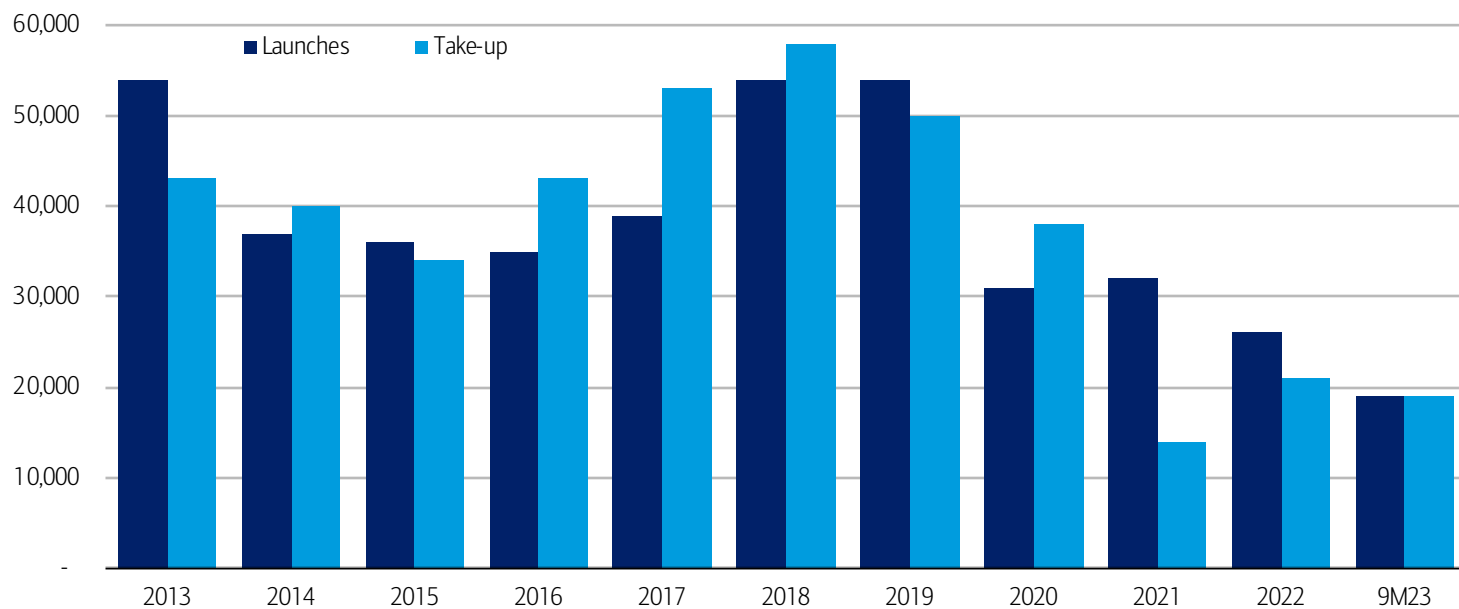


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**Exhibit 3: historical residential launches and take-up**

Launches dipped 10% YoY while take-up for 9M23 almost catching up to total FY22.

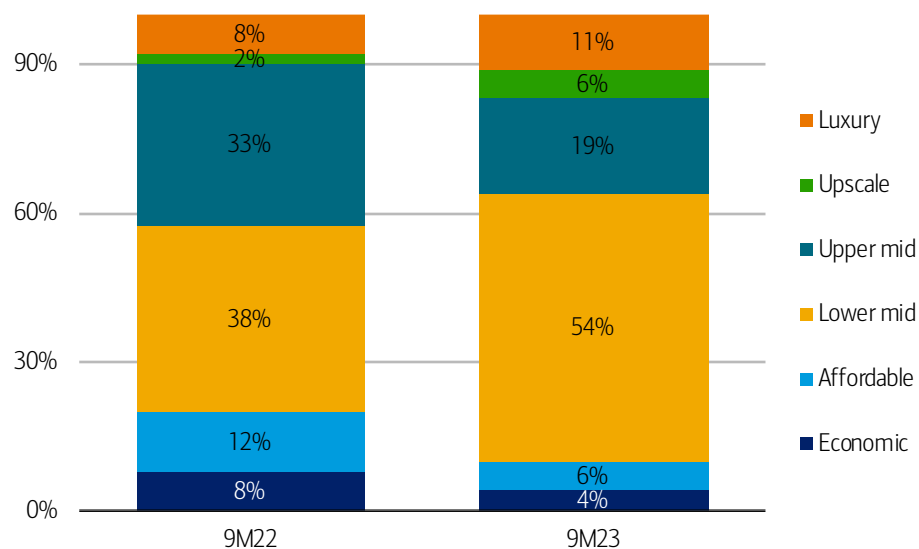


Source: Colliers International Philippines

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**Exhibit 4: Breakdown of residential take-up by segment**

Lower middle-income segment jumped 16ppt vs same period last year. Luxury segment continues to rise.



Source: Colliers International Philippines

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