Property sector seen to slow down on higher rates

THE property sector is expected to slow down next year because of incoming stock coupled with higher interest rates and commodity prices, Jones Lang Lasalle (JLL) said.

JLL Philippines Head of Research and Consultancy Janlo de los Reyes said that the office segment would move slower next year as new work spaces enter the market.

"We have a significant volume of stock coming in not only for the fourth quarter but also for 2023. We have 326,000 sq.m. that's coming in the fourth quarter and if you will add that to the future stock, that's going to bloat up what we have here," Mr. De los Reyes said in a chance interview last week.

In the third quarter, the office market added 61,500 sq.m. of new space, bringing the total stock to 10.36 million sq.m.

Mr. De los Reyes expects the new office developments from the fourth quarter onwards to pull up the vacancy rate amid a weaker leasing volume and weaker leasing demand.

"So, we might see vacancy increase to around 17.5% to 18% or even north of that depending on what the volume of take-up we will see next year," he added.

Meanwhile, Mr. De los Reyes said that the residential market is expected to slow down next year due to higher interest rates.

"I think residential will also slow down [and] the reason is that we think the interest rates will catch up now and will impact demand coming from consumers and buyers," he said.

"I think the upscale and luxury market will continue to grow because they have the financial muscle or financial flexibility and are able to weather this pandemic," he said, adding that higher interest rates will particularly hit the mid-scale market.

Mr. De los Reyes said that for the residential market, big developers are expected to be more resilient in facing the economic climate.

"They would be able to fund launches and the new projects that they have compared to boutique or small developers, which have limited cash to play with in terms of developing the projects," he said.

Meanwhile, retail and hotel segments are expected to pick up in the fourth quarter this year on seasonal demand.

"I think for [the] fourth quarter, you'd see that it's going to improve given the seasonality of demand," Mr. De los Reyes said.

However, he said the property market's performance will depend on how cases of the coronavirus disease 2019 (COVID-19) are contained.

"We're seeing more foot traffic in terms of the malls and I think that will continue assuming that there is no significant surge or there will be no significant development on COVID-19," Mr. De los Reyes said.

"But even if there were, I think we'll have less restrictions now so it's not as restrictive as before," he added.

Mr. de los Reyes said that inflation could also affect the hotel and retail segment, as prices are expected to go higher.

"Also with inflation soaring, I think the non-essentials will be hit ... but likely it's still going to be resilient and stable now that we've opened the borders," he said.

He said spending might be curbed because of inflation, "but I think it will be felt by 2023."

"Overall, I think developers are still quite optimistic in terms of the retail market given that the market has been stabilizing," he added. — **Justine Irish D. Tabile**

PAVI to energize 60,000 homes in Visayan islands

PRIME Asset Ventures, Inc. (PAVI), through its power companies, is set to energize 60,000 households in Siquijor and Camotes Islands to address growing power demand.

Jose Rommel Orillaza, president of PAVI's power group, said in a media release the company has detected an increase in demand for electricity due to the holiday season.

He said the company's units — S.I. Power Corp. and Camotes Island Power Generation Corp. — "has built the necessary infrastructure to serve these previously underserved, and unelectrified households."

Through the two companies, PAVI said it is set to produce 21.27 megawatts (MW) of power that is expected to serve almost 60,000 households in Siquijor and Camotes Islands in the Visayas.

"Our presence in these underserved areas is helping the government and the DoE (Department of Energy) in reaching 100% electrification in all households," Mr. Orillaza said.

S.I. Power has a 20-year power supply agreement (PSA) with Siquijor Electric Cooperative, Inc. It provides 12.86 MW of power through bunker-fired power generation facilities and power stations.

Meanwhile, Camotes Island Power has a 15-year PSA with Camotes Electric Cooperative, Inc. that supplies residents with a total of 8.41 MW of power through diesel plants and generating units.

According to the DoE's accomplishment report, the country last year recorded a 95.41% household electrification level, with 25.02 million households now with electricity. — **Ashley Erika O. Jose**

OUTLIER

SMC share price dips as power unit moves to buy back its debt overseas

SAN MIGUEL Corp. (SMC) was the 11th most actively traded stock last week when it announced that its unit SMC Global Power Holdings Corp. is set to buy back securities listed overseas.

Data from the Philippine Stock Exchange (PSE) showed a total of 5.7 million SMC shares worth P557.89 million were traded from Oct. 24 to 28, making the stock among the active movers.

SMC shares declined by 1.1% week on week, finishing at P96.20 apiece last Friday from its closing of P97.31 on Oct. 21. Year to date, the stock has fallen by 16.3%.

"There have been rumors of SMC Global Power's financial strength. The volatility was supposedly caused by the continued pressure that SMC Global Power faced on its profits this year due to the spike in input costs," Globalinks Securities and Stocks, Inc. Head of Sales Trading Toby Allan C. Arce said in a Viber message.

In a company disclosure on Wednesday, the Ang-led conglomerate announced that it authorized wholly owned subsidiary SMC Global Power to purchase $400 million worth of debt in a tender offer of securities listed in Singapore Exchange Securities Trading Ltd., or SGX-ST.

"The appropriate announcement of the tender offers shall be made by SMC Global Power in SGX-ST on even date," SMC said.

The tender offer is said to be part of the company's process of streamlining its existing financing mix. In a press release last week, SMC denied reports that the company is in a difficult financial position.

In a report, CreditSights said SMC Global Power's perpetual capital securities are volatile in the short to medium term, prompting the credit research provider to withdraw its strong debt rating for SMC on rising concerns over its power arm.

Its assessment comes after the Energy Regulatory Commission denied a joint petition filed by Manila Electric Co. (Meralco) and two SMC units for an increase in their previously agreed electricity rate due to a change in circumstances.

Diversified Securities, Inc. Equity Trader Aniceto K. Pangan attributed the decline in SMC's share price to the impact of the weakened peso against the greenback.

He said SMC was affected by the inflationary environment and the depreciation of the local currency "on foreign loans that have affected its raw materials including fuel prices, especially coal."

Although SMC's revenues were up so far this year, the increase in fuel prices, particularly coal, has hit the bottom line of its power business while the peso's weakness resulted in forex losses, especially in the second quarter, Mr. Pangan said in a text message.

"This may mitigate their losses due to increased interest expense on dollar loans," he said, adding that the depreciation of the peso "persists with the US Fed increasing lending rates to reign down on inflation."

For Mr. Arce, SMC's net income could reach P10.8 billion for the full year 2022.

Mr. Pangan expects a decline as SMC nears its full-year results despite easing restrictions.

In the third quarter, SMC's net loss amounted to P7.68 billion, a turnaround from the P3.78 billion net income recorded in the same period last year. Its revenues increased by 88.9% to P394.65 billion from P208.97 million previously.

Mr. Pangan placed SMC's near-term support at P96.20 and its resistance at P98.75.

"For the week, SMC support could range between P95.00 to P92.00, while resistance could be between P100.00 and P103.00," Mr. Arce said. — **Mariedel Irish U. Catilogo**