Maximizing opportunities

Landlords, tenants face precarious office market

By Kevin Jara

METRO MANILA office vacancy remains elevated due primarily to continued completion of new office buildings and the implementation of hybrid work arrangements. Rents continue to drop and is expected to bottom out by end-2023.

We saw a marginal rise in Metro Manila transactions but deals outside the capital region plummeted by more than a third.

Despite more optimistic forecasts from industry groups, the office market continues to face headwinds which could further derail our projected recovery in terms of net absorption, vacancy, and lease rates.

Colliers believes that landlords and tenants should continue seizing opportunities within and outside Metro Manila.

Landlords should continue offering concession to firms especially amid a tenant-leaning market. This is also important to achieve optimal levels of occupancy despite elevated vacancies.

Tenants, meanwhile, should take advantage of rental corrections in selected business districts and continue employing flight-to-value strategies.

COLLIERS INSIGHTS

RECOMMENDATIONS:

Proactively offer flexible, creative lease structures

Over the past three months, a number of traditional firms have implemented a mix of non-renewal and pre-termination of their leases. Given this, retention of existing tenants in the landlord's portfolio as well as securing new leases from new clients are important to most developers today.

Landlords may achieve this by engaging on early renewal discussions with their existing tenants, providing creative renewal terms and other special concessions that will enable them to retain high occupancy in their buildings.

In our view, developers that also provide tenant improvement or fit-out allowance will be able to attract new occupiers in their portfolio.

Take advantage of prevailing market conditions

With the existing tenant-leaning market, Colliers believes that now is an opportunity for tenants to implement flight-to-value strategies by locking in spaces in locations with substantial supply of quality office spaces.

Occupiers should review their real estate plans as early as 18 months prior to their lease expiry to be able to capitalize on the high vacancy rates, especially newly completed, quality office spaces.

TAPERED NEW SUPPLY

In the first quarter of 2023, Colliers recorded the completion of 48,000 square meters (sq.m.) of new office space, with the delivery of PMI Tower in Makati Fringe and Savya Financial Center South Tower in Arca South.

By the end of 2023, we project the completion of 569,100 sq.m. of new supply, down from our previous forecast of 641,100 sq.m. as some developers delay completion of their buildings due to muted pre-commitment. Ortigas central business district (CBD), Quezon City and the Makati fringe area are likely to account for close to 60% of the new supply in 2023.

From 2023 to 2025, we expect about 506,300 sq.m. of new office space to be completed annually, only close to half of the 996,600 sq.m. delivered per annum pre-COVID (2017 to 2019).

METRO MANILA TRANSACTIONS UP 6%

In the first quarter of 2023, office transactions in Metro Manila reached 117,500 sq.m., up by a mere 6% from the 111,200 sq.m. of deals recorded in the fourth quarter of 2022.

However, this figure is down 27% from the 160,700 sq.m. posted a year ago. Transactions slowed year on year due to the paper transfer of Philippine Economic Zone Authority (PEZA)-registered enterprises to the Board of Investments (BoI) to allow IT-BPM companies to work from home.

Traditional firms accounted for more than half (56%) of the total transactions. By submarket, Ortigas CBD, Fort Bonifacio and Quezon City posted the largest volume of transactions as some outsourcing firms (both newly set up and expanding ones) took up spaces with sizes ranging from 1,000 to 13,000 sq.m.

Among the notable transactions in the first quarter of 2023 include: Telus in Quezon City, Work.Able in Ortigas CBD, Cagayan Economic Zone Authority (CEZA) and AC Energy (ACEN) in Makati CBD and IGT Solutions in Alabang.

PROVINCIAL DEALS DOWN 37%

Office deals in the provinces declined in the first quarter of 2023. Colliers recorded 29,200 sq.m. of transactions during the quarter, 37% lower compared to the 46,300 sq.m. posted a year ago.

Cebu continued to dominate, followed by Pampanga, covering 55% and 36% of total provincial transactions, respectively.

In 2022, data from the Information Technology and Business Process Association of the Philippines (IBPAP) showed that the country's industry headcount and revenues reached 1.57 million and $32.5 billion (P1.8 trillion), a 10.3% and 8.4% annual growth, respectively.

IBPAP noted that the increase in headcount may be attributed to the growth in the banking, financial services, healthcare, technology, retail and telecommunications sectors.

Meanwhile, about 70,000 jobs were generated in Cebu, Davao, Pampanga, Bacolod and Laguna, with provincial full-time employees (FTEs) now reaching 486,000, or 31% of the industry's total headcount.

In 2023, the IBPAP is projecting the country's IT-BPM industry headcount to reach 1.7 million with revenues estimated to reach $35.9 billion (P2 trillion).

Kevin Jara is the associate director for tenant representation at Colliers Philippines.

Robinsons Homes unveils new Bulacan project

ROBINSONS Land Corp. (RLC) recently broke ground for a new residential housing project in Baliwag, Bulacan.

RLC is developing Springdale Baliwag, a new 11-hectare subdivision that will offer affordable house and lots units, amenities, and green open spaces.

"Our goal in Robinsons Homes is to provide not just houses but homes — comfortable and well-designed living spaces that promote the well-being of our homeowners. We take pride in our commitment to quality, and we look forward to welcoming new families into the vibrant community of Springdale Baliwag," Teddy V. Bernas, Robinsons Homes general manager, said in a statement.

Springdale Baliwag offers buyers two modern contemporary house models, the two-storey Atlanta townhouse units and two-storey Boston single attached units.

The Atlanta house model will feature two bedrooms, a living room, dining room, kitchen, and toilet and bath over a total floor area of 42 square meters (sq.m.).

The Boston house model has a total floor area of 57 sq.m., and offers three bedrooms, a living room, and dining room, kitchen, and two toilets and baths. Lot areas for Boston units range between 96 sq.m. and 154 sq.m.

"Our goal at Springdale Baliwag is to offer families the chance to start living The Good Life they deserve. We strive to create an unparalleled living experience with our wide array of lifestyle amenities, including swimming pools, multipurpose court, parks, play area, and village clubhouse. Our community provides a peaceful and secure living environment, setting a new standard for residential communities in Bulacan," Mr. Bernas said.

The Springdale Baliwag showroom and model units are now open to interested homebuyers.

RLC's Springdale residential brand was given the award for Best Mid-End Housing Development (Central Luzon) by PropertyGuru Philippines in 2021 for Springdale at Pueblo Angono.

Ex-DBP president joins Ovialand board

OVIALAND, Inc. on Monday said former Development Bank of the Philippines (DBP) President and Chief Executive Officer (CEO) Emmanuel G. Herbosa has joined its board as independent director.

EMMANUEL G. HERBOSA

"We welcome Mr. Herbosa to our board, with his expertise in the financial industry being crucial in our goal to expand throughout the Philippines. We look forward to working with him in identifying key areas where Ovialand can strategically maximize its growth for the long term," Pammy Olivares-Vital, president and CEO of Ovialand, said in a statement.

Mr. Herbosa has over 40 years of experience in the financial industry. He was the president and CEO of DBP from 2019 to 2023.

Prior to his DBP stint, he served as president and CEO of Philippine Import-Export Credit Agency, executive vice-president for Bank of Commerce, and chief operating officer of Ayala Insurance Group.

"I am thankful for the opportunity to serve as an independent board member of a fast-growing company that is yet to realize its full potential," Mr. Herbosa said.

Ovialand recently filed a P2.2-billion initial public offering (IPO) plan with regulators. Proceeds from the IPO will go to landbanking initiatives in Laguna and Bulacan; and the development of real estate projects in Laguna, Batangas, Quezon, and Bulacan.

Singapore home sales reach 7-month high as curbs introduced

SINGAPORE's home sales jumped to a seven-month high in April, underscoring why authorities introduced fresh measures to cool the market during the month.

Purchases of new private apartments rose to 887 units, figures from the Urban Redevelopment Authority showed on Monday. The 80% increase from a month earlier came as more projects were launched.

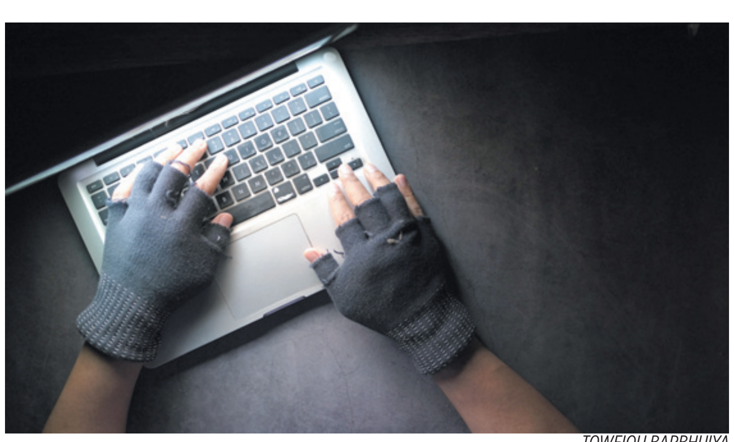
Surging home prices and rents are becoming a headache for Singapore's government as it tries to mollify citizens and remain competitive as a financial hub. Authorities raised taxes on property purchases in late April, mainly targeting foreign and second-home buyers in a bid to maintain affordability.

While there could be a knee-jerk reaction, the measures should have little impact on purchases between S$1.8 million ($1.3 million) and S$4 million, said Tan Tee Khoon, Singapore country manager at PropertyGuru.

"Demand remains from the upgraders as households have a stronger liquidity position due to intergenerational wealth transfers," Tan said. The risk of further curbs down the road may prompt some property seekers to bring forward their purchases, he added.

Last month saw the launch of developments including the 638-unit Tembusu Grand. The 275-unit Blossoms by the Park, which opened two days after the cooling measures, sold about 75% of its apartments on the first day. Eight went to foreigners — four Chinese and four American buyers, said Lim Yew Soon, a managing director of the project's developer EL Development Pte.

Inflows of money from abroad have helped Singapore's property sector remain buoyant even as soaring interest rates cool markets elsewhere. Last month's increase in stamp duties included doubling the rate for foreign buyers to 60%, the highest among major markets. — ***Bloomberg***



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Kaspersky blocked almost 1.6M security threats to local firms

GLOBAL security firm Kaspersky said it blocked a total of 1.59 million local threats from infecting Philippine companies in 2022.

The number is a 57.74% decline from the over 2.7 million attacks recorded in the Philippines in 2021, which Kaspersky said is consistent among Southeast Asian countries.

"The peak of the pandemic in 2020 saw 92 million local infections prevented by Kaspersky. It dipped in 2021 with 69 million incidents and further down last year with 49M, almost just half of 2020's total number," said Yeo Siang Tiong, general manager for Southeast Asia at Kaspersky.

"Despite the downward trend, businesses should still be on guard because weaponized USBs and removable drives can still be an effective source of malware that can compromise your networks, servers, and even hardware," he said.

In Southeast Asia, Kaspersky recorded the highest attacks in Indonesia at 19.61 million, followed by Vietnam at 17.83 million and Thailand at 5.83 million.

Meanwhile, around 3.84 million local threats were prevented in Malaysia, followed by the Philippines at 1.59 million, and Singapore at 328,844.

According to Kaspersky, the numbers represent the "malicious programs found directly on users' computers or removable media connected to them or which initially made their way onto the computer in non-open form."

Removable media include flash drives, camera memory cards, phones, and external hard drives, while non-open forms are programs in complex installers and encrypted files, among others.

To counter the threats, Kaspersky said businesses should build a firewall, anti-rootkit functionality and control over removable devices besides having an antivirus solution. — **Justine Irish D. Tabile**

ABS-CBN's net loss shrinks after cutting costs

ABS-CBN Corp. has managed to narrow its attributable net loss to P1.16 billion in the first quarter from P1.38 billion last year after reducing costs and expenses.

In the three months that ended March, the company generated lower revenues at P4.26 billion, down 8.4% from P4.65 billion last year, which it attributed to lower consumer sales.

Consumer sales in the first quarter went down by 12% to P2.79 billion from P3.17 billion in 2022, while advertising revenues inched down by 0.6% to P1.48 billion.

"Consumer sales are lower by P380 million due to the decline from the prior year's licensing and syndication of the company's content library," the company said.

ABS-CBN incurred P1.74 billion in production costs in the first quarter, lower by 1.4% than P1.77 billion previously. Cost of services also dropped by 1.6% to P1.78 billion from P1.8 billion last year.

"Production costs and cost of sales and services are lower... due to the continuous cost control measures implemented by the company," it said. General and administrative expenses likewise declined to P1.86 billion, 14.8% lower than the P2.19 billion booked in 2022.

PATRICK ROQUE

CONSUMER sales in the first quarter went down by 12% to P2.79 billion from P3.17 billion in 2022, while advertising revenues inched down by 0.6% to P1.48 billion.

"This is mainly attributable to the Employee Stock Plan (ESP) provided last year," it said. "The facilities-related expenses of cable and broadband business also contributed to the decrease."

ESP is the compensation ABS-CBN provided its employees wherein it gave stocks in exchange for the voluntary pay cuts they took to help the company in 2022.

The company has two business segments: content production and distribution, and the services offered by telecommunications firm Sky Cable Corp.

In its report, the company said its first business segment trimmed last year's loss to P1.09 billion, while the cable and broadband segment widened it to P128 million.

During the quarter, the company's capital expenditures and program rights acquisitions amounted to P293 million.

On Monday, shares in the company closed a centavo higher or by 0.14% to P7.34 each. — **Justine Irish D. Tabile**

CREIT income rises 1.6% to nearly P305 million

CITICORE Energy REIT Corp. (CREIT) reported a first-quarter net income of P304.96 million, a 1.6% increase from P300.30 million a year ago, driven by revenue growth.

In the company's stock exchange disclosure, CREIT reported a 13.5% increase in revenues during the quarter to P376.45 million from P331.79 million a year ago.

The revenue rise was driven by lease contracts from newly acquired parcels of land funded by the proceeds of its ASEAN green bond issuance in February.

CREIT said the lease contracts contributed about 11% to the company's total lease revenues.

"CREIT's investment strategy is focused on adding value-accretive assets to its clean and green real estate portfolio," said CREIT President and Chief Executive Officer Oliver Y. Tan.

In February, CREIT announced its plan to build 5 gigawatts (GW) of renewable energy projects in the next five years, with at least 1.5 GW targeted for development in 2023.

CREIT said it had expanded its Batangas property's land area to 3.4 million square meters (sq.m.) as of March 31, saying it had secured its position as "largest landlord" for renewable energy real estate properties at 5.4 million sq.m. of leasable space.

The company said its newly acquired land parcels in Batangas are leased out to affiliate solar power developers at full occupancy.

"We see a clear path to grow CREIT's green asset portfolio with potential assets for infusion of land parcels coming from CREC's 5 GW (gigawatts) project pipeline and commitment to start building one gigawatt every year for the next five years," Mr. Tan said.

CREIT declared a cash dividend of P0.047 per share for the quarter, 6.8% higher than its cash dividend in the same period last year. Its shares closed unchanged at P2.52 each on Monday. — **Ashley Erika O. Jose**