Metro Manila retail reaps post-pandemic gains

By Joey Roi Bondoc

COLLIERS INSIGHTS

THE Philippine retail sector has been growing steadily after the government lifted most of mobility restrictions across the country.

Mall operators and retailers are reporting a rebound in consumer traffic and some even note that revenues are even stronger compared to pre-pandemic levels.

Colliers believes that the retail sector is one of the most dynamic segments of the property sector and we see it continuously outperforming other segments as malls serve as Filipinos' de facto public spaces.

The entry of more foreign retailers should make the mall scene more dynamic, exciting, and competitive. This should result in a further evolution of the Philippine mall culture, benefitting consumers.

Holiday spending stoked the country's retail segment in the fourth quarter of 2022. An upside for the sector is that Filipinos continue to spend even after the festive season and despite elevated prices, although inflation is starting to cool down at least for the first four months of 2023.

Given a sanguine macroeconomic as well as business and consumer confidence outlook, Colliers believes that the retail sector will continue to grow for the remainder of the year, resulting in greater absorption of mall space and marginal rise in lease rates. However, the delivery of substantial new supply starting the second half of 2023 will be a major concern, as this will likely raise vacancy rates across Metro Manila and as more operators compete for retailers willing to take up brick and mortar mall spaces.

Now is an opportune time for landlords planning to take advantage of retail sector's recovery to launch retail real estate investment trust (REIT). Lease rates are starting to rise, that's why retailers should be quick in locking in prime spaces in major business districts.

Meanwhile, given the growing interest from foreign retailers, Colliers recommends that mall operators seize the demand from these firms by taking into account their sizes and fit out requirements. Online and offline shopping will continue to complement each other, which should compel mall operators and retailers to ramp up their omnichannel strategies.

AN OPPORTUNE TIME TO LAUNCH RETAIL REITS

Colliers believes property developers with retail footprint should consider divesting malls into their REIT portfolio especially now that the retail segment is recovering. Malls generate recurring income and are now a viable REIT asset class as vacancies are declining and lease rates are starting to increase.

In our view, developers should carefully assess which retail outlets to add to their REIT portfolio and should consider projected mall space absorption as well as profiles of retailers willing to take up brick-and-mortar spaces. Developers should take advantage of renewed interest from foreign and homegrown retailers as well as continued expansion of Philippine economy that is mainly driven by personal consumption expenditure.

LOCK IN SPACE IN PRIME LOCATIONS

Colliers believes that retailers should be quick in securing mall spaces in key business districts across Metro Manila now that vacancy rates are declining while rents are gradually increasing. In our view, this trend is likely to persist in the market as footfall is rebounding across the capital region.

We still see substantial vacancies in selected malls in Quezon City, Bay Area, and Alabang and retailers should further explore the viability of opening physical space in these locations.

Looking forward, we see heightened competition for prime retail space, especially in key business districts that will house new and expansive office and residential towers.

SEIZE DEMAND FROM FOREIGN RETAILERS

Colliers sees an improving demand for physical space from foreign retailers. We attribute this to improving consumer demand on the back of sustained macroeconomic expansion and the enactment of measures that further relax the country's retail regulatory environment.

Mall operators should capture demand from foreign retailers planning to enter the country by taking into account their size and fit-out requirements.

MALL SPACE TAKE-UP RISES

In the first quarter of 2023, vacancy rates across malls in the capital region dropped to 14% from 15.4% in the fourth quarter of 2022. Major developers have reported that consumer traffic has now reverted to 90-100% of pre-COVID levels. Some mall operators even noted that footfall especially in the fourth quarter of 2022 was even greater than pre-pandemic levels.

With rising purchasing power due to improving consumer confidence (according to the latest central bank survey) and personal income tax cuts implemented by the government, retailers have been active in taking up physical mall space.

While online shopping will remain relevant among Filipino consumers (especially among young shoppers), Colliers expects in-store shopping will continue to rebound, as shown by relentless absorption of physical mall space within Metro Manila.

In our view, mall operators should not consider online presence as competition but as a necessary complement to retailers' omnichannel strategies. Both retailers and mall operators unable to update their omnichannel presence will be left behind.

Colliers is optimistic that sound macroeconomic fundamentals are likely to support the retail sector's growth over the next 12 months. The reactivation of high-density retail, staging of various events at malls' activity centers, and renewed interest in experiential retail should entice more Filipinos to visit physical malls and further stoke spending.

Joey Roi Bondoc is the research director at Colliers Philippines.

Lumina Homes unveils 'eco-bins' in projects

LUMINA HOMES introduced an eco-bins system at its residential project in Pandi, Bulacan last April.

"Eco-bins function as an efficient waste management system that is built right into the property's wall. With such convenient access to waste containers, homeowners will generally find it easier and simpler to keep their dwellings cleaner, neater, and healthier," Lumina Homes said in a statement.

Lumina Pandi is a 22-hectare house and lot development with amenities such as a 24/7 guarded entrance with CCTV, covered basketball court, mini gardens and a playground.

Prospective homeowners check out the eco-bin system by visiting Lumina's model home in Barangay Pinagkuartelan, Pandi, Bulacan.

Lumina Homes is also planning to launch projects in Plaridel, Calumpit, Baliwag, and San Miguel in Bulacan.

Arthaland to develop P6-B luxury residence in Makati

By Brontë H. Lacsamana *Reporter*

ARTHALAND Corp. is developing a 31-storey luxury condominium in Makati City, which is expected to generate as much as P6 billion in sales.

Located along Rada Street in Legazpi Village, Eluria features 37 limited edition units designed by Sydney-based architecture and interior design firm FMB Architects.

"The main features of Eluria are, one, the hospitality directors and their personalized level of service, and two, the sustainability," said Oliver L. Chan, Arthaland's senior vice-president for sales, leasing, and marketing, at a media briefing on May 30.

The company expects about P6 billion in sales value from the property.

"We can really take care of the residents in a personal way. That is the main concept of Eluria — providing another level of service we have never seen before in this country," Mr. Chan told *BusinessWorld*.

"Another thing is, we screen the people who want to buy. What we want to create here is a community of cohesiveness."

Future residents will have the utmost privacy with at most two units per floor except for the Garden and Penthouse Suites that occupy one floor each. Residents will have direct access to their unit through a private lift.

The smallest condominium unit will have three bedrooms with a floor area of 287 square meters (sq.m.), while the Penthouse Suite will have five bedrooms with a floor area of 578 sq. m.

All units are priced at about P540,000 per sq.m., putting the smallest units at around P140 million to P150 million.

Sheryll P. Verano, Arthaland's senior vice-president for strategic funding and investments, said the project is being built in partnership with real estate private equity investment company ARCH Capital.

"Arthaland has a 60% interest in the project while ARCH Capital has a 40% stake," she said.

Eluria's hospitality directors will train for ten weeks with the International Butler Academy in the Netherlands, famous for training butlers for royal families and high net-worth individuals.

Other amenities at Eluria will include a heated saltwater leisure and lap pool, an indoor children's playroom, a function hall, a potager garden at the roof deck, and chauffeur shuttle services to select nearby destinations. The building will have eight parking levels, with each unit allowed three slots.

The green developer also ensured that, like its other projects, Eluria is pre-certified gold under LEED (Leadership in Energy and Environmental Design) and on track for a BERDE (Building for Ecologically Responsive Design Excellence) certification.