Prices of Dec. retail construction materials in metro rise faster

RETAIL price growth of building materials in the National Capital Region accelerated in December to the highest level in five months, the Philippine Statistics Authority (PSA) reported on Monday.

Preliminary data from the PSA indicate that the construction materials retail price index rose to 1.4% in December from 1.1% in November. The growth rate for December 2022 had been 5.6%.

The December reading was the highest since the 1.5% posted in July and equal to the August 2023 level.

In 2023, retail price growth of building materials in Metro Manila averaged 2.4%, slowing from 5.8% in 2022.

Nicholas Antonio T. Mapa, senior economist at ING Bank N.V. Manila, said that the slower year-on-year growth rate for building materials reflects a softening in global commodity prices due to weak demand.

"Onshore, we did note only a modest pickup in construction although a sustained push for public construction could keep construction prices supported," he said in an e-mail.

In December, headline inflation slowed to 3.9% from 4.1% in November and 8.1% in December 2022.

In 2023, inflation averaged 6%, rising from 5.8% in 2022. It was the highest reading since the 8.2% posted in 2008.

Miscellaneous construction materials prices posted -0.3% growth in December from -1.2% in the previous month, the PSA said, noting that this category had the most outsized impact on the overall index number.

This was followed by plumbing materials (0.7% in December from 0.3% in November), painting materials and related compounds (2.6% from 2.4%), electrical materials (0.8% from 0.7%), and carpentry materials (0.7% from 0.6%).

Logging slower price growth were masonry materials (0.7% from 0.9%) and tinsmithry materials (2.9% from 3.1%).

The PSA noted that in 2023, "all commodity groups exhibited slower annual average increases relative to their annual average increments in 2022." — **Abigail Marie P. Yraola**

REITs expected to do better in 2024

By Sheldeen Joy Talavera *Reporter*

THE OUTLOOK for real estate investment trusts (REITs) is more positive this year on the back of rate cut prospects and attractive dividend yields, analysts said.

"REITs are expected to do better in 2024 as interest rates start to decline on the back of a dovish pivot in monetary policy," Juan Paolo C. Colet, managing director of China Bank Capital Corp., said in a Viber message.

Mr. Colet said a much better interest rate environment and a "more buoyant" stock market could open the door to more REIT initial public offerings (IPOs).

The Bangko Sentral ng Pilipinas (BSP) has kept the policy rate at a 16-year high of 6.5% at its last meeting in December as inflation remains elevated. From May 2022 to October 2023, the Monetary Board raised borrowing costs by a cumulative 450 basis points to tame inflation.

However, the market anticipates the BSP will loosen monetary policy once the US Federal Reserve begins its easing cycle.

Toby Allan C. Arce, head of sales of Globalinks Securities and Stocks, Inc., said the outlook for REIT listings "appears more promising" this year.

"REITs possess hybrid characteristics combining equity and fixed-income features, making them more attractive to investors amid the prevailing uncertainties," Mr. Arce said in a Viber message.

China Bank Securities Corp. Research Associate Lance U. Soledad likewise said in a Viber message that they are bullish on the REIT sector due to its relatively attractive dividend yields compared to prevailing benchmark rates.

However, Mr. Soledad said another spike in inflation and "persistent weakness" in the office sector may hurt the outlook for REITs.

The REIT sector's performance was weak in 2023 due to elevated interest rates and declining occupancy rates.

"This [2023] was a lackluster year for REITs in terms of price performance, with most of them trading below their IPO prices and even below where they were at the end of 2022," Mr. Colet said.

Mr. Soledad noted that challenges in the office segment have affected the REITs' price performance in 2022, as most REITs are exposed to office assets.

"Investor sentiment may have also been affected by negative reports concerning vacant downtown office spaces, a consequence of the widespread adoption of remote work," Mr. Arce said.

The Philippine REIT market has grown since Ayala-led AREIT, Inc. listed on the Philippine Stock Exchange in August 2020.

There are currently eight REITs in the country, namely AREIT, DDMP REIT, Inc., Filinvest REIT Corp., RL Commercial REIT, Inc., MREIT, Inc., VistaREIT, Inc., Citicore Energy REIT Corp., and Premier Island Power REIT Corp. The REITs' portfolio includes office buildings, hotels, malls, land, renewable energy and infrastructure.

Data collated by Colliers Philippines showed that six out of the eight REITs had prices that are lower than their IPO prices as of Nov. 28.

"In our view, the Philippine REIT market is primed for further diversification and developers should be on the lookout for other assets that can be divested into their REIT companies," Colliers said in a report.

Sy-led SM Investments Corp. last year deferred the record $1-billion REIT IPO of its real estate unit SM Prime due to unfavorable market conditions.

Madrid's new business district aims to learn from rivals

MADRID — Madrid has broken ground on a new business district three decades in the planning, but with similar zones in London, Paris and New York struggling as more people work from home, critics see a risk the project could become a giant white elephant.

With a first phase due to be completed by 2035, Madrid Nuevo Norte (MNN) will add 1.6 million square meters (17 million square feet) of office space to the capital, including Spain's tallest skyscraper.

The plans also include 10,500 new homes and a large park, while Chamartin station will be upgraded to become Madrid's hub for high-speed and local trains.

Wary that areas like London's Canary Wharf are losing tenants as remote working grows, developer Crea Madrid Nuevo Norte has tried to future-proof by studying 16 similar projects.

That informed the decision to mix offices with housing, shops and restaurants, head of strategy Miguel Hernandez said.

"Today people want to work, to live, to have leisure, to have retail in areas that are not completely empty by night," he told Reuters.

Crea Madrid Nuevo Norte is a consortium made up of Spanish bank BBVA, real estate investment trust Merlin Properties and constructor Grupo SanJose.

It is working with Madrid's mayor's office on the project, which was snarled up by legal challenges for almost 30 years.

MNN will also seek to attract a more diverse range of tenants than business districts that have relied heavily on the financial sector to fill their offices. These include health sector companies, to take advantage of their location next to one of Madrid's largest hospitals, Mr. Hernandez said.

The vacancy rate in New York's financial district has almost doubled since the pandemic, when remote working surged, to 21% in the third quarter of 2023, according to real estate data provider CoStar Group.

Vacancies at Paris' La Defense soared to 19.7% in the first half of 2023 from 6.7% at the end of 2018, while Canary Wharf has lost 1 million square feet in demand for its offices since the pandemic, according to CoStar.

HSBC is set to leave Canary Wharf for a smaller office in central London, while Barclays is reducing its footprint there. Credit Suisse's long-running presence is also uncertain after its takeover by UBS, which plans to axe thousands of jobs.

Canary Wharf Group is seeking to adapt and diversify by developing a giant life sciences campus and building more flats, restaurants and bars. Canary Wharf Group did not respond to a request for comment.

LESS COMMUTING

Spaniards embraced working from home during the pandemic more loosely than some neighbors. They attend the office an average of 2.6 days a week compared to the European average of 1.8 days, a study by CBRE — one of the world's largest real estate investment managers — released last week showed.

Merlin Properties CEO Ismael Clemente said that factor, and a shorter commute than to Canary Wharf or La Defense, made him confident there would be demand for office space.

"If it takes you 20 minutes to get to work, why the hell are you going to work from home?" Mr. Clemente said.

But some analysts argue that Madrid, which already has the AZCA and Four Towers business parks nearby, really needs more residential, not commercial property.

PwC estimates that Madrid will need 11,000 new homes per year to meet demand while a study by Gesvalt found the city has a shortfall of 214,000 affordable homes.

According to EY, the city had 1.7 million square meters of empty offices in the first half of 2023 and an office vacancy rate of 11%, up from 9.3% in 2020.

Javier Garcia-Mateo, EY's head of strategy and transactions for the real estate sector in Spain, said MNN should reduce its planned office space by 500,000 square metres and build 15,000-20,000 additional homes instead.

"Why are you going to develop offices when what you need there is residential?" Mr. Garcia-Mateo said.

But some local residents have campaigned against the project because they fear it will eventually become a giant upmarket suburb that marginalizes its working class neighbors.

"When they don't have demand in the market the developers will convince the government to allow them a change of classification so that instead of offices in 20, 30 years they'll be homes — luxury ones, of course," said Vicente Perez, who led one such campaign. — ***Reuters***

FULL STORY

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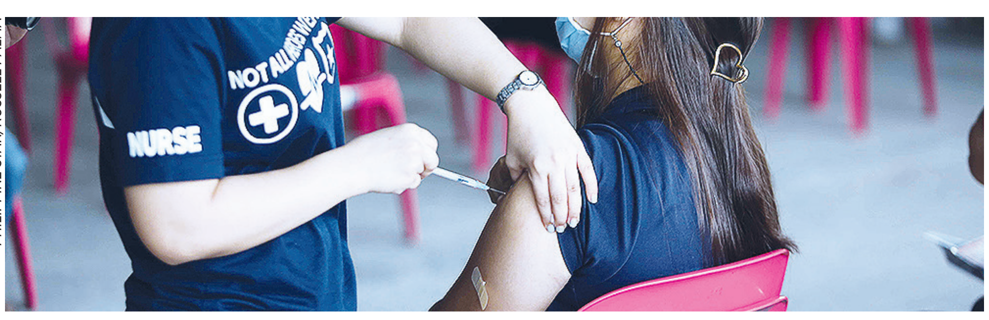

PHILIPPINE STAR/RUSSELL PALMA

Over P30 billion in allowances for health workers released

THE Department of Budget and Management (DBM) said it released P30.11 billion last year for the emergency allowance claims of healthcare and other workers entitled to such funds.

"As long as your documents are complete and we have available funding from our excess revenue collections, we will make sure that we can quickly release the budget for these claims," DBM Secretary Amenah F. Pangandaman said in a statement.

The DBM said that the amount released follows the P24.19 billion released to the Department of Health in 2022 for the same purpose.

This year, P18.96 billion has been allocated under the General Appropriations Act to cover the payment of health emergency allowance claims of eligible healthcare and other workers.

"This leaves a balance of P14.88 billion out of the P88.14 billion required for the implementation of the program," the DBM said.

"We will endeavor to release the balance, as well as the unfunded health emergency allowance claims of roughly P14 billion to fulfill the commitment of President Ferdinand R. Marcos, Jr.," Ms. Pangandaman added.

The DBM also said it will ensure that such workers "will be provided with the benefits and allowances entitled to them." — **Luisa Maria Jacinta C. Jocson**

Regulator gears up to increase accredited pest control personnel

THE Fertilizer and Pesticide Authority (FPA) said it is planning to accredit more pest control professionals.

In a statement, the regulator said that it recently signed an agreement to train more candidates this year who will undergo programs created by the FPA and the Department of Agriculture.

The FPA said that it signed a memorandum of understanding with the Fertilizer and Pesticide Training Association (FATA) to conduct the accreditation programs.

Under the program, professionals are trained as Accredited Responsible Care Officers (ARCO), Certified Pesticide Applicators (CPA), Exterminators and Fumigators, and Fertilizer and Pesticide Researchers.

Last year, FATA conducted 26 training sessions involving 635 participants. About 551 individuals took the accreditation exam.

"Results revealed that 67.50% passed the CPA fumigator exam, while 68.63% passed the CPA exterminator exam. Meanwhile, 87.34% passed the ARCO exam," it said.

Additionally, FATA ran 19 symposiums for fertilizer and pesticide researchers, care officers, and applicators, with a combined 1,457 participants in 2023.

FATA includes the Philippine Association of Certified Pesticide Applicators, PMCP Foundation, Inc., the Philippine Association of Entomologists, Inc., the Philippine Association of Professional Fumigators, Inc., and the Kapisanan ng mga Pest Control Operators sa Pilipinas, Inc. — **Adrian H. Halili**