NCR Q1 residential vacancy rate seen at 18%

ALEKS GERARD-UNSPLASH

THE VACANCY RATE for residential property in Metro Manila will likely hit up to 18% in the first quarter of 2024 due to the sizable completions of new condominium units, Colliers Philippines said.

"Residential vacancy definitely will not drop below 17%. Between 17.5-18%, that's the vacancy that we'll likely see for the first quarter of 2024," Colliers Philippines Research Director Joey Roi H. Bondoc told *BusinessWorld* on the sidelines of a briefing last week.

"You still have sizable number of completed units on the market so it will take time before the vacancy drops," he added.

According to Mr. Bondoc, there is a "lukewarm demand" in the pre-selling or primary market due to higher interest rates and mortgage rates which discourage investors to buy completed condominium units.

"Let's see if the central bank signals or cuts interest rates starting second half of this year. That will likely result in lower mortgage rates, but even if that happens, we're only likely to see marginal improvement because we don't see a drastic interest rate cut from the central bank," he said.

In December, the Bangko Sentral ng Pilipinas kept its policy rate unchanged at 6.5% for a second straight meeting after the 25-basis-point (bp) off-cycle hike in October.

It had raised borrowing costs by a total of 450 bps between May 2022 and October 2023.

In a *BusinessWorld* poll of 17 analysts last week, 15 analysts expect the Monetary Board to maintain its target revenue repurchase rate at 6.5% this week.

"If they implement such a cut, it will definitely be marginal and it will not have substantial impact on the take-up of these completed condominium units in Metro Manila," Mr. Bondoc said.

In a report, Colliers said that the vacancy in the secondary residential market dropped to 16.8% as of end-2023 brought by the improved vacancies across all sublocations.

The property consultancy firm recorded a take-up of about 23,400 condominium units in the National Capital Region (NCR) preselling market, an improvement from the 21,600 units sold in 2022.

It is expecting completion of more than 7,000 new condominium units this year.

"Vacancies, slow tempered launches, and then marginal correction in rents and prices — that might still happen for 2024, especially given on these significant number of condos to be completed this year," Mr. Bondoc said. — **Sheldeen Joy Talavera**

AI boom reawakens Silicon Valley's housing market

RICHES from the artificial intelligence (AI) boom are reigniting the housing market in California's Silicon Valley.

Open houses in the San Jose area are packed, million-dollar-plus starter homes often sell for hundreds of thousands over asking, and listings are flying off the market at the fastest rate in the US.

Buyers are rushing to take advantage of a recent dip in mortgage rates, and they're flush from a yearlong rally in Big Tech stocks fueled by AI exuberance. Many people taking the plunge now have never purchased a house before.

"We have so many first-time buyers," said Julie Wyss, a Los Gatos-based agent with Keller Williams. "They're feeling very wealthy."

Competition for homes is intensifying as the pandemic exodus from Northern California to cheaper locations around the country winds down. Return-to-office mandates are pressuring workers to find places close to the many headquarters that dot the suburban landscape, from Apple, Inc. and Alphabet, Inc. to AI chipmaker Nvidia Corp., with a share price that's tripled in the past year.

That's helped offset the effect of thousands of layoffs roiling the tech industry. In an area known for scarce supply, even a small bump in demand can set off bidding wars.

No US housing market is as tied to the tech industry's fortunes as Silicon Valley and the broader San Francisco Bay Area. But agents in other hubs, from Boston and Seattle to Denver, may also see a bounce in demand during the key spring selling season, traditionally kicking off right after the Super Bowl this weekend.

Among the 50 biggest US metro areas, San Jose is in the lead with the fastest home-sales pace. There, 61% of new listings went under contract in less than 14 days, according to Redfin Corp. data measuring the four weeks through Feb. 4. In second place was the Seattle market — home to Amazon.com, Inc. and Microsoft Corp. — where 59% of listings disappeared that quickly.

Properties in the San Jose area sold at an average of 2% over the list price, Redfin said. That could translate to a significant premium in a place where sellers asked a median of $1.3 million.

Company stocks often make up a big chunk of compensation for software engineers and other tech employees, which explains how they can afford such pricey houses.

"You don't buy a $3-million home in Los Altos on a $200,000 salary," said Michael Simonsen, founder of San Francisco-based housing data firm Altos Research. "But you can buy it with your stock wealth."

Tech workers Karan Syal and his wife had been looking for months, eager to find something before prices moved even higher. But time after time, they were discouraged by 100 people touring an open house, or a barrage of offers that would have forced them to bid more than what they were willing to pay.

So they changed their strategy, making offers immediately after agents tease that a property will be "coming soon" to the market.

In December, they set sights on a 2,000-square-foot (186-square-meter) house in San Jose's sought-after Cambrian school district, only to find themselves competing with another early-bird buyer. Their agent, Rabeet Noor of Intero Real Estate, sent in his final counteroffer, amping up the urgency by setting it to expire in less than one hour. The seller accepted the $1.725-million bid — $100,000 over asking — and the couple closed last month.

"We still got into a slight bidding war," Mr. Syal said. "That's way easier than fighting 10 wolves at the same time."

It helped that the chipmaker where his wife works has seen its stock soar. That provided reassurance to their mortgage lender and enabled the couple to sell some shares to make the 20% down payment, he said.

The monthly mortgage bill of $8,500 is a bit of a stretch, but Mr. Syal said it's a calculated risk. If borrowing costs fall, they'll simply refinance out of their current 6.375% rate.

Mortgage rates that surged over the past couple years have kept inventory in the area — and across the US — tight because few homeowners are willing to sell if it means giving up their cheap loans. Move-up buyers like Mr. Syal aren't selling at all. He said he plans to fill his previous house with a tenant instead, while hanging onto the 2.25% mortgage.

The San Jose housing market — one of the most expensive in the world — has been on a roller coaster in recent years. Prices peaked in 2022 after COVID sent buyers racing to the suburbs, but then the market cooled with the surge in rates last year. The drop in borrowing costs from October's peak helped set off the latest buying frenzy.

The pandemic migration to less-expensive places such as Nashville and Austin has slowed, and far fewer homeowners are leaving the Bay Area now. Net outflow fell to 26,000 in the fourth quarter, down 13% from a year earlier and just half of the level of the peak in September 2021, Redfin data show.

While high costs are still driving some people away, Silicon Valley keeps minting millionaires who see value in living close to their jobs. Buyer desperation is creeping back, especially in prized locations like Cupertino or Los Gatos, where few homes are available to buy, said Ms. Wyss, the Keller Williams agent.

She's been trying to persuade a husband and wife, both earning big tech salaries, to bid a little higher. After a year of looking, they decided to go hard on a house in San Carlos that they really wanted. The asking price for the 1,600-square-foot property with canyon views was $2.35 million. They came in at $2.6 million and Ms. Wyss was told by the seller's agent to not even bother trying $2.7 million. It sold to somebody else.

"We've been writing offers, left and right," Ms. Wyss said. "We're always like $50,000 behind." — ***Bloomberg***

US office buildings remain half empty 4 years after pandemic

FOUR YEARS after coronavirus disease 2019 (COVID-19) filled hospital emergency rooms, closed schools and emptied out cities, US offices remain about half vacant.

Office occupancy in 10 of the largest US metropolitan areas rose to a new high of 53% for the week ended Jan. 31, according to Kastle Systems, a firm that provides security to buildings. The firm's barometer on how corporate return-to-office policies is going has been hovering around that level for 13 months. Yet, cities are shrugging off empty offices and its implications for the commercial real estate market because they can, for now.

"Commercial real estate is not a key driver of general fund revenues for the majority of local governments," said Michael Rinaldi, head of US local governments at Fitch Ratings, in an e-mail. "Declines can be managed through careful expenditure management and/or stability in other revenue sources, including residential property taxes, sales tax, utility taxes, etc."

The reluctance of workers to return to offices has shaken the real estate market, with New York Community Bancorp being cut to junk this week by Moody's Investors Service after it said was slashing payouts and stockpiling reserves to cover troubled loans tied to commercial real estate.

To be sure, the bedrock of most municipal finance is the property tax. And any decline in a property's assessed valuation, which are affected by vacancy rates, will translate to a decrease in taxes collected. How deep those declines are can vary and will determine the impact on each city.

The Kastle Back to Work Barometer, which measures employees swiping into offices that the firm provides services to, hit a low of 14.6% in April 2020 and first reached 50% in January of 2023. Despite companies requiring employees to return to offices, some threatening dismissal if they don't comply, the measure has remained around that level, with dips during summer holidays and the week between Christmas and New Year's.

For those cities with large central business districts, Mr. Rinaldi said any pressure would be "more meaningful but not insurmountable."

"The full impact of commercial real estate valuation declines on tax revenues will likely be phased in over several years allowing time for contingency plans to take hold," he said. — ***Bloomberg***

JOB VACANCY

Company Name: Unilever Philippines, Inc.
Address: 7th Floor Bonifacio Stopover Corporate Center, 31st Street corner 2nd Avenue, Bonifacio Global City, Taguig City

Contact details of the Company:
Cathlea Marcelo | Cathlea.Marcelo@unilever.com

Job Position: Net Revenue Management (NRM) Director – Tools, Capability and Portfolio Transformation

Job Description:
- Dial up performance culture by empowering and engaging the NRM community of 4 priority cohorts (Design, Experts, Practitioners and Partners) with the NRM Capability to become data based decision Market Makers for their business through cohort tailored NRM training plan
- Drive digital transformation by simplifying and automating resource intensive NRM analytics utilizing Future Fit Tooling
- Be Market Makers by driving Portfolio Transformation through NRM Lever 2 (Pack Price Architecture) methodologies as an integral part of the IBP process
- Establish a vibrant NRM community that cross-fertilizes best practices and champions decision making capability for Unilever
- NRM Design (COE): External Engagement (1 per year), Skills for Success (100%)
- NRM Foundation Availability: 75% TO markets for Foundations and 40% TO markets for BU-views by the end of 2024
- NRM Funnel iTO for Lever 2 + NPD: 400m iTO captured in the NRM Funnel enabled with effective tracking and monitoring
- Maintain an updated NRM Community database and bring them together to share Best Practices (BG CSP calls (10 sessions in 2024), Spotlight calls (70+ NRM Community members attending), Spotlight Stars calls (3 Spotlight Stars with external/senior UL speakers)

Basic Qualifications for the Position:
- Strong strategic and analytical skills
- Should be data savvy and be able to convert insights into action
- High level of understanding of key data bases like Nielsen, HHP or Ad Hoc research
- Experience in NRM preferable, or at least experience Key Account Management or Category Management
- Preferable experience with Data & Analytics (able to design wireframes and visuals that enable decision making)
- A strong sense of ownership and accountability
- Self-starter and able to drive progress in an ambiguous environment
- Influencing skills – ability to work in cross-functional teams
- Bias for action and strong results orientation
- Excellent communication skills and can articulate complex issues in an easy to understand way

Salary Range (monthly): PHP 300,000 – 500,000

LANDBANK-DBP,
from S1/1

Meanwhile, Bangko Sentral ng Pilipinas (BSP) Deputy Governor Chuchi G. Fonacier said in a Viber message that the central bank has not received an application for the planned merger.

Former Finance Secretary Benjamin E. Diokno in March 2023 announced that President Ferdinand R. Marcos, Jr. is in "support" of the merger of the state-run lenders, with LANDBANK as the surviving entity. The transaction had been expected to be completed before the end of that year.

The merger was expected to create the largest bank in the country in terms of assets. Data from the Department of Finance (DoF) showed the consolidated bank would have an estimated asset size of P4.185 trillion and deposit base amounting to P3.588 trillion.

The DoF earlier said the merger can generate P975 million in savings annually for the government through the consolidation of the banks' branch operations.

DBP officials earlier said the merger could endanger the economy as the consolidated entity would be too big to fail, with the concentration of risks in one lender making it vulnerable.

LANDBANK's primary mandate is to promote countryside development and provide financial assistance and support services to its priority sectors, namely farmers, fisherfolk, agrarian reform beneficiaries, agri and aqua businesses and agri-aqua related projects of local government units and government-owned and -controlled corporations; micro, small, and medium enterprises; and countryside financial institutions.

Meanwhile, DBP is tasked to provide banking services to cater to the medium- and long-term needs of agricultural and industrial enterprises, especially small- and medium-scale industries. It is also the government's designated infrastructure bank.

On the other hand, asked about DBP's contribution to the Maharlika Investment Fund (MIF), Mr. De Jesus said there will be no change.

Under Republic Act No. 11954, the DBP and LANDBANK are mandated to contribute P25 billion and P50 billion, respectively, as the initial seed capital for the MIF. The two state lenders remitted the funds to the Treasury in September.

"It (contribution) will stay there. Both LANDBANK and DBP are on the board of Maharlika. So, we expect that to do very well. It's just building the organization at this point," he said.

Enrico P. Villanueva, senior lecturer of economics at the University of the Philippines Los Baños, said in a social media message that the scrapped merger could leave the DBP unable to address the capital adequacy impact of its MIF contribution.

"I still think there are economies of scale or efficiencies to be achieved from the merger," Mr. Villanueva said.

LANDBANK and DBP sought regulatory relief from the BSP after making their contributions to the MIF. — **A.M.C. Sy**

FDI,
from S1/1

Meanwhile, net investments in equity capital other than reinvestment of earnings fell by 52.5% to $85 million in November from $180 million in the same month a year prior. Broken down, equity capital placements declined by 41.3% to $115 million, while withdrawals climbed by 89.8% to $29 million.

Reinvestment of earnings likewise decreased by 8.1% to $66 million in November from $72 million a year prior.

Investments in equity and investment fund shares also went down by 39.8% year on year to $151 million in November from $251 million.

The equity placements were mainly from Japan and the United States. These were invested mostly in the manufacturing, real estate, and construction industries.

"Large investments in specific sectors or an overall improvement in the Philippine economic outlook (inflation control, growth projections) could have attracted investors," Security Bank Corp. Chief Economist Robert Dan J. Roces said in a Viber message.

"Global factors, such as diversification away from volatile regions, might also have contributed," he added.

Headline inflation cooled to a 20-month low of 4.1% in November from 4.9% in October and 8% a year ago, still above the BSP's 2-4% target range. The consumer price index has since eased further, hitting 2.8% in January.

Meanwhile, the Philippine economy expanded by 5.6% in the fourth quarter of 2023, bringing full-year gross domestic product (GDP) growth to 5.6% last year.

The Philippines was one of the best performing economies in Southeast Asia last year even as GDP growth fell short of the government's 6-7% target.

SUBDUED FDI

For the first 11 months of 2023, FDI net inflows went down by 13.3% to $7.58 billion from $8.74 billion in the comparable year-ago period.

"Notwithstanding the country's sustained economic growth, FDI remained subdued due to the lingering impact of high inflation and low growth prospects globally," the central bank said.

BSP data showed foreign investments in debt instruments declined by 11.3% year on year to $5.47 billion in the January-to-November period.

Reinvestment of earnings went down by 6.5% to $1.01 billion in the 11 months through November 2023.

Investments in equity and investment fund shares also declined by 18.1% to $2.12 billion in the 11-month period.

Net foreign investments in equity capital reached $1.04 billion during the period, 26.4% lower than the previous year's level. Equity capital placements decreased by 7.1% to $1.6 billion, while withdrawals more than doubled (118%) to $504 million.

Most of these placements were from Japan, the United States, Singapore, and Germany.

"Looking forward, predicting future FDI will be anchored on the actualized pledges, which now stands at 20%," Mr. Roces said.

Around $14.2 billion in investments from the foreign trips of President Ferdinand R. Marcos, Jr. are now being "actualized," the Department of Trade and Industry said over the weekend.

These investments involve 46 projects and are at about 20% of the total investment pledges of $72.2 billion across 148 projects.

"We could see continued high inflows if positive economic indicators and investor confidence persist," Mr. Roces said. "As for 2024, the long-term outlook hinges on global economic stability, Philippine policy reforms, and specific investment deals."

He added that the Philippines should maintain a stable and attractive investment environment this year to ensure sustained FDI growth.

"Hopefully, with the Philippines still posting growth, we could see FDI eventually reverse the slide in 2023," Mr. Mapa said.

The BSP expects to record FDI net inflows of $8 billion at end-2023 and $10 billion at end-2024.