Lamudi sees heightened developer confidence with rise in ad spending

ONLINE property marketplace Lamudi Philippines said developers are increasing their spending on online advertising as they continue to launch new projects this year.

"The outlook is bright. We are seeing more confidence from developers as they continue to launch new projects and increase their advertising spending online," Lamudi Philippines Associate Director for Corporate Accounts Mark Bailey told *BusinessWorld* on May 5.

Mr. Bailey added that one of the key opportunities this year for developers is international marketing to overseas Filipino workers, following a record year of remittances.

Data from the Bangko Sentral ng Pilipinas showed that cash remittances rose 2.5% to $2.74 billion in March from $2.67 billion in the same month last year.

"While we enable a seamless property search journey online with *lamudi.com.ph*, there will always be a need for face-to-face interaction when considering an investment," Mr. Bailey said, referring to the Lamudi Property Fair held from May 3 to 5 at TriNoma Activity Center.

The three-day fair allowed real estate developers to open stalls and offer deals, discounts, and promotions to property seekers.

Mr. Bailey said the fair brought the property-seeking audience closer to its partner developers such as RLC Residences, Ayala Land, Avida, Amaia, Aboitiz Land, PH1 World Developers, Filinvest Alabang, Vista Land, and BPI Buena Mano.

Taylormade Construction and Realty Corp., Picar Development Corp., Community Creators, Inc., Eton Properties, DMCI Homes, Hausland Development Corp., and Primehomes Real Estate Development, Inc. were also present.

Lamudi Philippines Associate Director for Brand Marketing Carlo Rosales said the company is also set to go to Cebu as part of its plan to cater to an expanded audience in the Visayas-Mindanao region.

The anticipated Cebu leg is set for Aug. 16 to 18 at Robinsons Galleria Cebu, marking a comeback from the two-day expo in 2019.

Lamudi said this was brought about by the key insights from its 2023 Real Estate Hotspots Unwrapped, which showed a rising interest among condo buyers in Cebu, coupled with the city's improving infrastructure. — **Aubrey Rose A. Inosante**

Colliers: Office market sustained momentum amid challenges

By Kath Taburada *and* **Kevin Jara**

DURING the first quarter (Q1), total office transactions in Metro Manila reached 240,100 square meters (sq.m.), 88% higher versus the same period in 2023. Traditional firms cornered 44% of total office space deals recorded in Metro Manila, followed by business process outsourcing firms (BPOs) at 33% and Philippine Offshore Gaming Operators (POGOs) at 23%.

While transactions volume has increased year on year (YoY), we noted that area size requirements of some tenant classes have decreased. For instance, the average deal size of traditional firms decreased from 800 sq.m. to 600 sq.m.

Despite sustained demand, net take-up remains muted (75,000 sq.m. in Q1 2024) in Metro Manila due to continued space surrenders due to nonrenewal and rightsizing of occupiers. In Q1 2024, we recorded 161,000 sq.m. of new surrenders, slightly higher than the average quarterly vacated space of 145,000 sq.m. in 2023. We expect this trend to persist until early 2025 as the remaining pre-pandemic leases are yet to expire.

2024 US ELECTIONS SEEN TO PAUSE NET DEMAND

The 2024 US Elections is expected to affect net take-up as the largest office space occupiers are outsourcing companies which get as much as 60% of their businesses in America. Colliers' historical office market data has shown that over the past three pre-pandemic US Elections, office net demand peaks the quarter before the end of the elections as occupiers are signing up deals before the election has decided.

COLLIERS INSIGHTS

On average, net demand decreased by 30% quarter on quarter (QoQ), yet eventually recovers by 40% QoQ in the succeeding quarter of the election period.

PERSISTING HIGH VACANCY MARKET

While overall Metro Manila office vacancy marginally improved to 19% in Q1 2024, we expect this to increase to 19.6% by end-2024 given new supply completions and space surrenders. The volume of vacated spaces is expected to follow the trend of office transactions as the market is still contending with expiring pre-pandemic leases.

FLATTISH RENTAL GROWTH

Growth of headline rates in Metro Manila remains flat as we recorded an increase of only 0.6% YoY. Rental spreads (i.e the difference from headline to transacted rates) range between from 5% to as high as 30%, especially in high vacancy markets such as Bay Area.

BRIGHT SPOT IN THE COUNTRYSIDE

The countryside saw better performance during the first three months of the year. A total of 52,000 sq.m. of office deals were recorded in provincial areas, with Metro Cebu (35%) leading in terms of activity followed by Pampanga (17%) and Davao (15%).

While there is an increase in demand for office space in provincial areas, Colliers has noted that some markets have limited availability of options for outsourcing locators with typical area size requirements of 2,500 sq.m. Using our Q1 2024 data, Colliers has identified regions with high, middle, and low availability of options for a typical BPO requirement of 2,500 sq.m. Some areas identified with moderate to low supply are Bacolod, Iloilo, Cavite, Davao, Cagayan de Oro, and Dumaguete.

MAXIMIZE EXISTING MARKET CONDITIONS

The current market condition presents opportunities that both tenants and landlords can take advantage of. We encourage tenants to review their real estate as early as 18 months before lease expiry date to have a better position for a good renewal or relocation.

The leasing process has now lengthened as current hybrid policy and employee demographics have become key considerations in real estate planning. We advise that the first six months be dedicated to workplace strategy, i.e, studying utilization metrics and employee locations then the next 12 months be spent for proper site selection, landlord discussions and fit-out construction or renovation.

While landlords taper down Metro Manila supply in the next four years, refurbishment of aging properties in their current portfolio is encouraged to support market-competitive rental rates. Developers are also encouraged to assess their provincial office pipeline and ramp up the construction of ongoing projects in identified key locations with low availability of options.

KATH TABURADA is a senior market analyst, while KEVIN JARA is the director, both at Colliers Philippines.

Steady rates expected for prime developments in CBDs — Cushman & Wakefield

THE OFFICE VACANCY in Grade A and prime offices in Metro Manila rose during the first quarter, according to real estate services firm Cushman & Wakefield.

Office vacancies in Metro Manila increased to 16.53% from 16.16% between the first quarters of 2024 and 2023, Cushman & Wakefield said in a statement last week.

It expects vacancy rates to stay between 15% and 20% in the near to medium term.

This is because of the combined impact of new completions, the return of spaces from right-sizing initiatives by major occupiers, and the delayed expansion plans of certain information technology and business process outsourcing management (IT-BPM) firms, the real estate agency said.

"Despite the setback in overall market vacancies, we are optimistic that the commercial real estate market in Metro Manila will continue its recovery, albeit at a slower pace, for the remainder of 2024," said Tetet Castro, director and head of Tenant Advisory Group at Cushman & Wakefield.

Meanwhile, the total supply is expected to increase by 0.44 million square meters (sq.m.) in the second quarter but completion delays are imminent.

The real estate agency also noted that the recovery of office space absorption in the office segment hit a snag due to delays in the expansion decisions of local IT-BPM companies.

The negative net absorption of roughly 25,000 sq.m. was due to slower take-up in the first quarter. Ms. Castro noted that average asking rates fell to P1,012 per sq.m. per month from P1,023 per sq.m. in the last quarter as high market and building vacancy rates rose.

The report said that despite a decline in headline rent, the majority of prime and Grade A developments in major central business districts (CBDs) are expected to keep their asking rates steady. — **A.R.A. Inosante**

Finance dep't expects rice prices possibly falling 20% by September

THE RETAIL PRICE of rice is expected to drop by September by as much as 20% due to the impact of improved domestic production and the relaxation of import procedures and tariffs, the Department of Finance said.

"We expect rice prices to go down by 20%, maybe by September. This would entail one, increasing production, and second, reducing tariffs," Finance Secretary Ralph G. Recto said during the Philippine Economic Briefing on Monday.

The average retail price of well milled rice was P56.52 per kilogram as of early May, according to the Philippine Statistics Authority. A kilo of regular milled rice averaged P51.24 during the period.

"I think we have a game plan as far as that is concerned," Mr. Recto added.

National Economic and Development Authority (NEDA) Secretary Arsenio M. Balisacan said that the domestic price of rice has been a challenge for the past few months.

"The forecast on global rice prices by the second half of the year, particularly by September, is going down... It's past El Niño and the election in India is over," he added.

Mr. Balisacan said that by September, all restrictions on exports by major producing countries will have been lifted.

"Domestic prices simply reflect the trends in global prices, particularly for rice. So, as global prices come down, provided our exchange rate does not sharply depreciate, which I don't expect, then we should see domestic prices coming down," he added.

Separately, Agriculture Undersecretary Asis G. Perez said the decline in rice prices will require not just an increase in rice production, but also imports.

"That's a common aspiration. That's been discussed, and 20% is around P10 less in price. (We are) looking at whether we can increase our production," Mr. Perez said on the sidelines of the briefing.

He added that rice prices could still be influenced by external factors like global price surges.

The Department of Agriculture (DA) downgraded its palay (unmilled rice) target to 20.4 million metric tons (MT) this year, citing the impact of El Niño on domestic production.

Its initial target had been 20.8 million MT. It had hoped to exceed the 20.06 million MT recorded in 2023. — **Adrian H. Halili**

Mineral processing seen key to unlocking EV investments

DOMESTIC mineral processing will be critical to attracting more investment in electric vehicles (EVs) and batteries, according to Secretary Frederick D. Go, the Palace's chief investment adviser

Mr. Go, who heads the Office of the Special Assistant to the President for Investment and Economic Affairs (OSAPIEA), said mineral processing will enable Philippine ambitions to become a hub for the manufacturing of electric vehicles and components.

"Instead of just focusing on exploration, or the exploitation of the minerals, we should really be looking at attracting investment in the downstream process," he said during the Philippine Economic Briefing on Monday.

"In a perfect world, the dream, I suppose, of the Department of Trade and Industry (DTI) and the whole government is that we move up from raw nickel to processed nickel to electric batteries and then electric vehicles," Mr. Go said.

He noted that the Philippines has yet to fully utilize its mineral reserves. "We are now the largest exporter of raw nickel ore to the world. And we supposedly have the largest mine by copper deposits here in the Philippines, and this can increase the value of our exports by perhaps 10 times."

The Mines and Geosciences Bureau reported that Philippine metal production by value rose 4.8% to P249.05 billion in 2023.

The Department of Environment and Natural Resources is completing its geomapping of the country's natural resources as well as streamlining the approval of mining permits, according to Mr. Go.

"A lot of the mining investors, when they come in, are taking a huge risk not knowing what minerals they can find underneath the soil," he said.

Mr. Go also cited the need to shorten the approval of mining permits to two to three years from the current five to seven years.

The proposed rationalization of the mining fiscal regime was approved at the House of Representatives on third and final reading in September.

The proposal seeks to impose margin-based royalties and a windfall profit tax on mining companies. — **Beatriz Marie D. Cruz**

AI, data center investors will evaluate PHL by strength of talent, cyber-security

THE Philippines' plan to attract investment from artificial intelligence (AI), data center, and cloud companies will have to contend with the fact that such investors will thoroughly evaluate the country's talent base and cyber-security infrastructure, analysts said.

Dominic Vincent D. Ligot, founder of Cirrolytix and AI, technology, and research consultant for the IT and Business Process Association of the Philippines, said that the Philippines will have to improve its value proposition as a tech hub.

"We do not project a strong IT workforce. So, that is probably a deciding factor in their decision to invest," Mr. Ligot told *BusinessWorld*, citing the recent investments of Microsoft in Thailand and Indonesia.

"I think we also need to manage our optics in cyber-security. The recent government hacks don't paint a mature picture of our resilience," he added.

He said that AI is based on big data, so the Philippines will have to demonstrate that it is actually capable of keeping data secure.

In a report by Reuters last month, Microsoft said that it will invest $1.7 billion over the next four years in cloud services and AI in Indonesia, with the possibility of building data centers. — **Justine Irish D. Tabile**

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