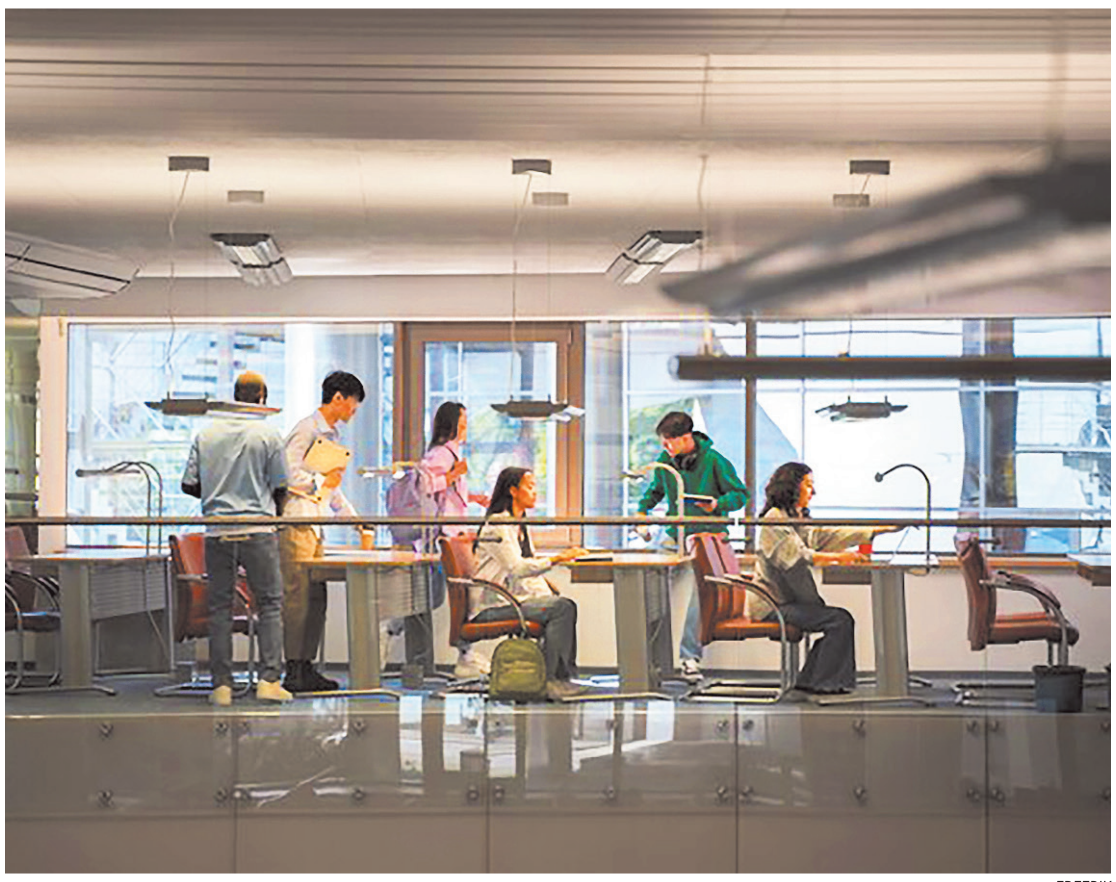
Coworking spaces are the trend after Manila's POGO ban — IWG

By Beatriz Marie D. Cruz
Reporter



FREEPIK

MULTINATIONAL office space provider International Working Group Plc (IWG) expects to boost its coworking spaces next year amid a total ban on Philippine offshore gaming operators (POGOs).

In an interview with *BusinessWorld*, IWG Country Manager for the Philippines Lars Wittig said the ban could push developers to refurbish vacated POGO spaces to cater to different office needs, including coworking spaces.

"The developers, landlords are right now affected by the POGOs being discontinued in the Philippines," he said. "So, there is a higher degree of urgency to reinvent your buildings so that you can attract more or different types of workspace requirements."

"If you had a lot of POGOs who were willing to pay premium for conventional space, you might postpone the investment into flexible workspace. But with the POGOs also gone, and with a higher vacancy rate, the landlords are now eager to make that development to the next level," he added.

Vacated office spaces surged 65% this year to 690,000 square meters (sq.m.) from 418,000 sq.m. last year, mainly due to the POGO ban, according to Leechiu Property Consultants.

IWG plans to add 17 to its 33 hybrid working spaces in the Philippines in 2025. It also plans to partner with more local developers to boost its presence nationwide.

Mr. Wittig said the demand for flexible workspaces has been increasing due to the unpredictability of workspace requirements.

"Even the biggest, most traditional employers cannot predict what their workspace requirements are five years from now, even three years, or even one year from now," he said. "So, they make it permanent to go flexible... because that gives them the agility to be able to expand or the opposite."

Hybrid working spaces also improve employees' productivity by avoiding long commutes, allowing companies to retain talent.

"[Employers] like the fact that they don't have to invest in conventional office space because you take out at least for five or 10 years, and then you have to make a capital investment. With us, there's zero," Mr. Wittig added.

The entry of foreign direct investments would boost the growth potential for IWG's coworking spaces, Mr. Wittig said.

"The fact that we are getting closer to a free trade agreement with the EU is a big driver for foreign investors to come here," he said, noting that this could increase the occupancy for hybrid working areas.

IWG is one of the biggest coworking space providers in the world, known for brands like Regus, Spaces and HQ. It has almost 10 million customers in 4,000 locations across more than 120 countries. The company's clients include startups and Fortune 500 corporations, Mr. Wittig said.

IWG charges P6,000 to P8,000 per employee per month, though the cost varies based on workspace requirements.

On the average, Philippine companies sign up for IWG's coworking spaces for at least 10 months, while the longest time is around three to five years, Mr. Wittig said.

The benchmark cost to build a coworking space is about $1 million (P58 million). It includes amenities such as Wi-Fi, meeting rooms, office supplies and a coffee maker.

IWG is aiming for 85% minimum occupancy rate for its coworking spaces in the Philippines this year, he added.

APPLEONE

TOURISM SECRETARY Christina Frasco (center), led the groundbreaking of JW Marriott Panglao in Bohol on Dec. 2, 2023.

AppleOne to complete JW Marriott Residences Panglao in four years

CEBU-BASED AppleOne Group seeks to complete its JW Marriott Residences Panglao in Bohol province in central Philippines by 2028, according to a high-ranking official.

"We're looking at 2028 for the entire hotel and residences," Samantha Manigsaca, assistant vice-president for hospitality at AppleOne Group, said in a video interview with *BusinessWorld* earlier this month.

The property, which broke ground in December last year, is being developed in partnership with Marriott International. It will be located on a seven-hectare beachfront on Panglao Island in Bohol.

The property will cater to luxury homebuyers and tourists. Taking inspiration from resorts in Bali, Indonesia, the luxury condotel will blend modern lifestyle with nature.

"We leaned towards the luxury segment for Bohol because compared with Cebu, the area is more exclusive," Ms. Manigsaca said. "We see that the luxury market is into those kinds of travel, the relaxation, the quiet [type.]"

The project will offer several restaurants with diverse food choices and quality amenities.

"When we were pre-planning this project, our main goal was very aligned to what the tourists nowadays do — that they don't want to go out of the resorts," Ms. Manigsaca said. "We really want to have multiple restaurants inside so our guests won't get tired. So, they get to try something different during breakfast, lunch or dinner."

The property will have 150 rooms — 80 keys for its hotel, JW Marriott Panglao Island Resort & Spa, and 70 for its residences, Ms. Manigsaca said.

The residence portion will feature one and two bedrooms and villas. It will also offer private amenities like a pool and lounge.

"It's very similar to what Sheraton [Hotels & Resorts] offers but of course, it's way more elevated because this is a luxury segment," she said. "So, these offer higher quality products and amenities." **— Beatriz Marie D. Cruz**

S&P 500's 2024 rally shocked forecasters expecting it to fizzle

BY THIS time last year, the stock market's rally had blown past even the most optimistic targets and Wall Street forecasters were convinced it couldn't keep up the dizzying pace.

So as strategists at Bank of America Corp., Deutsche Bank AG, Goldman Sachs Group Inc. and other big firms sent out their calls for 2024, a consensus took shape: After surging more than 20% as artificial intelligence (AI) breakthroughs unleashed a tech-stock boom and the economy kept defying the doomsayers, the S&P 500 Index would likely scratch out only a modest gain. As the Federal Reserve shifted to cutting interest rates, Treasuries were seen as ripe to give equities a run for their money.

What followed, instead, delivered another humbling to Wall Street prognosticators who have been caught off guard by the market's twists and turns ever since the end of the pandemic.

Rather than lose steam, equity prices continued to soar higher. By late January, the S&P 500 had already surpassed the average year-end target from strategists. It went on to hit one record high after another and is heading to a 25% gain in 2024, capping the strongest back-to-back annual runs since the dot-com bubble of the late 1990s.

"There is an element of miraculousness to it," said Julian Emanuel, chief equity and quantitative strategist at Evercore ISI, who by mid-year abandoned his call for a slight dip in the S&P 500 and was the first among major strategists to introduce a year-end target of 6,000. "Trends can go on longer and go farther than one could ever imagine."

The continuation of that trend is a testament to how much the post-pandemic economy has confounded forecasters by steadily expanding even after the Fed pushed interest rates to a more than two-decade high.

As 2023 was drawing to a close — and bonds were rallying strongly on speculation that the central bank would need to start easing policy aggressively — fixed-income strategists were predicting that the benchmark 10-year Treasury yield would drift lower to end this year around 3.8%. It has risen to eclipse 4.6% instead.

The economy's strength has supported the stock market's rise by trickling down to corporate profits. At the same time, excitement about AI continued to push up the stocks of big tech companies like Alphabet, Inc., Amazon.com, Inc., Apple, Inc., Meta Platforms Inc. and Nvidia Corp. The rally got another boost from Donald J. Trump's presidential victory by promising tax cuts and corporate-friendly policies.

The result has largely extinguished bearish sentiment on Wall Street and driven some strategists to capitulate by ditching pessimistic calls. **— *Bloomberg***

FULL STORY

Read the full story by scanning the QR code or by typing the link
<tinyurl.com/y5r7jcvf>

China's December manufacturing activity seen expanding for third month — Reuters poll

BEIJING — China's factory activity likely expanded for a third straight month in December, offering a glimmer of optimism to officials trying to steady the world's No. 2 economy as they brace for further US trade tariffs under a second Trump administration.

A Reuters poll of 28 economists forecast the official purchasing managers' index (PMI) would remain at 50.3, matching November's reading and staying above the 50-point threshold that separates growth from contraction in activity.

China's leaders are hoping policy support measures late this year will bolster the struggling property market, which significantly impact domestic demand.

This move could benefit manufacturers amid a global economic slowdown, reducing their exposure to US President-elect Donald J. Trump's threat of additional tariffs on Chinese goods.

Mixed industrial output and retail sales data for November released earlier this month underscores how challenging it will be for Beijing to mount a durable economic recovery heading into 2025. Government advisers are recommending that the $19 trillion economy maintain a growth target of around 5% next year and that policymakers ramp up consumer-focused stimulus.

Mr. Trump has vowed to impose a 10% tariff on Chinese goods to compel Beijing to halt the trafficking of Chinese-made chemicals used in fentanyl production. He also threatened tariffs in excess of 60% on Chinese goods during his campaign, posing a major growth risk for the world's top exporter of goods.

At an agenda-setting meeting earlier this month, policymakers pledged to increase the budget deficit, issue more debt and loosen monetary policy to support economic growth.

The World Bank last week raised its growth forecasts for China for 2024 and 2025, but warned that subdued household and business confidence, along with headwinds in the property sector, would weigh on economic growth next year.

Stabilizing the property sector, which at its peak in 2021 accounted for around a quarter of the economy and where 70% of household savings are parked, is critical for Beijing to revive domestic consumption and improve sentiment among factory owners.

Analysts polled by Reuters forecast the private sector Caixin PMI at 51.7. The data will be released on Thursday. **— *Reuters***

Nvidia supplier Ibiden weighs faster expansion for AI demand

IBIDEN CO., the dominant supplier of chip package substrates used in Nvidia Corp.'s cutting-edge semiconductors, may need to dial up the pace of production capacity increases to keep up with demand, according to its chief executive officer (CEO).

Sales of the 112-year-old company's artificial intelligence (AI)-use substrates are robust with customers buying up all that Ibiden has, CEO Koji Kawashima said, adding that that demand is likely to last at least through next year.

Ibiden is building a new substrate factory in Gifu prefecture, central Japan, expected to go online at 25% production capacity around the last quarter of 2025 before reaching 50% by March 2026. But that may not be enough, Mr. Kawashima said. The company's in talks about when to get the remaining 50% capacity online.

"Our customers have concerns," he said in an interview. "We're already being asked about our next investment and the next capacity expansion."

Ibiden's shares rose as much as 5.5% in Tokyo on Monday, their biggest intraday gain in more than a month.

Ibiden's clients include Intel Corp., Advanced Micro Devices Inc., Samsung Electronics Co. and Taiwan Semiconductor Manufacturing Co., as well as Nvidia, according to data compiled by Bloomberg. Many of them consult with the Japanese company early in product development, because the substrates — which help transmit signals from semiconductors to the circuit board — need to be tailored for each chip. Substrates must be made to withstand the heat of an Nvidia graphics processing unit to form an AI chip package complete with components such as memory.

Founded as a power utility company in 1912, Ibiden developed semiconductor expertise through a partnership with Intel that Mr. Kawashima cultivated by waiting every day in front of the Santa Clara company to stop engineers and executives for product feedback in the early 1990s. At one point, Intel comprised around 70% to 80% of Ibiden's revenue from chip package substrates. That fell to around 30% in the fiscal year ended March as the US chipmaker struggled to execute a turnaround that recently saw the ousting of CEO Pat Gelsinger.

Reliance on Intel has hurt Ibiden's stock, down around 40% this year. In October, Ibiden revised down its profit outlook after sluggish demand for components used in general purpose servers outweighed AI server-related growth. But while noting it was important to expand business with chipmakers other than Intel, Mr. Kawashima said he was confident Intel will bounce back.

"Intel's overall technology is very sophisticated," the 61-year-old said. "Intel raised us up and opened so many doors. Our relationship with Intel will always be our treasure, and Intel will forever be an important customer."

With many foreign chipmakers unwilling to transfer their latest technology to the US, Intel is likely to play a key role in Washington's goal to boost cutting-edge semiconductor production capabilities at home, Mr. Kawashima said. Ibiden itself has no manufacturing facilities in the US. It has no plans to build any due to the cost of labor and logistics, Mr. Kawashima said, irrespective of US president-elect Donald J. Trump's plans to impose tariffs on a wide range of products.

All of Nvidia's AI semiconductors now use Ibiden's substrates, although Taiwanese rivals such as Unimicron Technology Corp. are eyeing the field. But it won't be easy to break Ibiden's position as dominant supplier, according to Toyo Securities analyst Hideki Yasuda.

"Nvidia's AI chips need sophisticated substrates, and Ibiden is the only one that can mass produce them at a good production yield," he said. "Taiwanese competitors won't be able to take Ibiden's share away by much."

AI semiconductors earn more than 15% of Ibiden's sales of around ¥370 billion ($2.3 billion), with that percentage expected to rise further. Nvidia's said it's begun full production of its next-generation Blackwell chips after encountering some initial technical challenges.

Over the long term, Nvidia may face growing competition from application-specific chips by Marvell Technology, Inc. and Broadcom, Inc. as well as in-house silicon from Alphabet, Inc.'s Google and Microsoft Corp. In theory, Ibiden should be able to accommodate them all, as AI chip package design and material will likely remain similar to Nvidia's, according to Mr. Kawashima. **— *Bloomberg***