October 5, 2020
Volume 2

THE ROAD TO RECOVERY: REAL ESTATE SENTIMENTS AND STRATEGY CONSPECTUS

A 2020 SPECIAL REPORT

PRIME Philippines Research & Advisory

Real Estate. We Advise. You Advance.

We, in PRIME Philippines, stand with those who are relentlessly working to alleviate the adverse effects of COVID-19 in the overall welfare of the Philippines and the world. There is no better time for us to unite than this period of uncertainty and adversity, move past these hurdles, and plan our next steps towards a productive and succesful recovery.

PRIME Philippines remains committed to doing its part for this country. Through this report, our valued clients and stakeholders will be provided with its important data and information that is vital in coming up with a resilient strategy. We continuously stand by our commitment,
“Real Estate. We Advise. You Advance.”

Wishing you good health and more power!

Jettson Yu
Founder & CEO, PRIME Philippines
The fastest growing property brokerage and consultancy firm

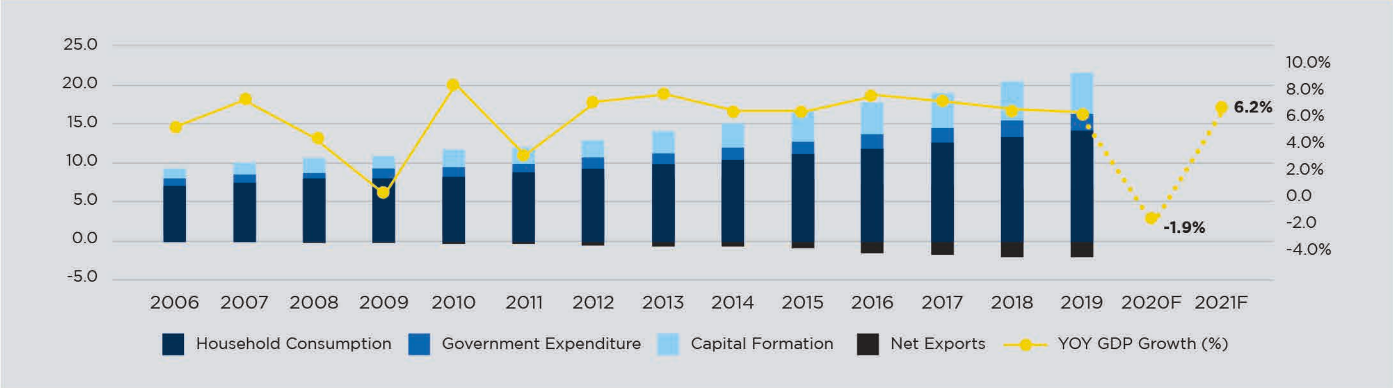
CONTENTS

List of Tables and Graphs

PHILIPPINE ECONOMY OVERVIEW

PHILIPPINE ECONOMY OVERVIEW

Philippine GDP Growth and Demand-Side Contributions



Source: Philippine Statistics Authority (PSA), World Bank | Note: 2020F and 2021F values are WB forecasts

Philippine economy seen dampening in 2020 but with sharp recovery in 2021

The Philippine economy encountered several unexpected shocks during the first half of the year. These include the Taal volcanic eruption, the onset of the COVID-19 pandemic, and the implementation of extended quarantine measures.

In 2020Q2, the country' gross domestic product (GDP) YOY growth registered at -16.5%. This is lower than the 0.7% GDP contraction recorded in 2020Q1. The sustained decline in GDP growth in 2020Q2 was due to the collapse in overall economic activity. Among the main contributors to this decline was the slowdown in activities in manufacturing, construction, and transportation and storage. On the demand side, household consumption, which accounts for about 70% of the overall Philippine economy, falls by 15.5% in 2020Q2 from its 2020Q1 expansion of 0.2%.

Given the continued adverse impact of the pandemic, the country's chief economist forecasts that for the entire 2020, the national economy may contract by 5.5%.

To aid the country from its slump, the Philippine congress is expediting the passing of the Bayanihan 2 Bill and revised the country's infrastructure program.

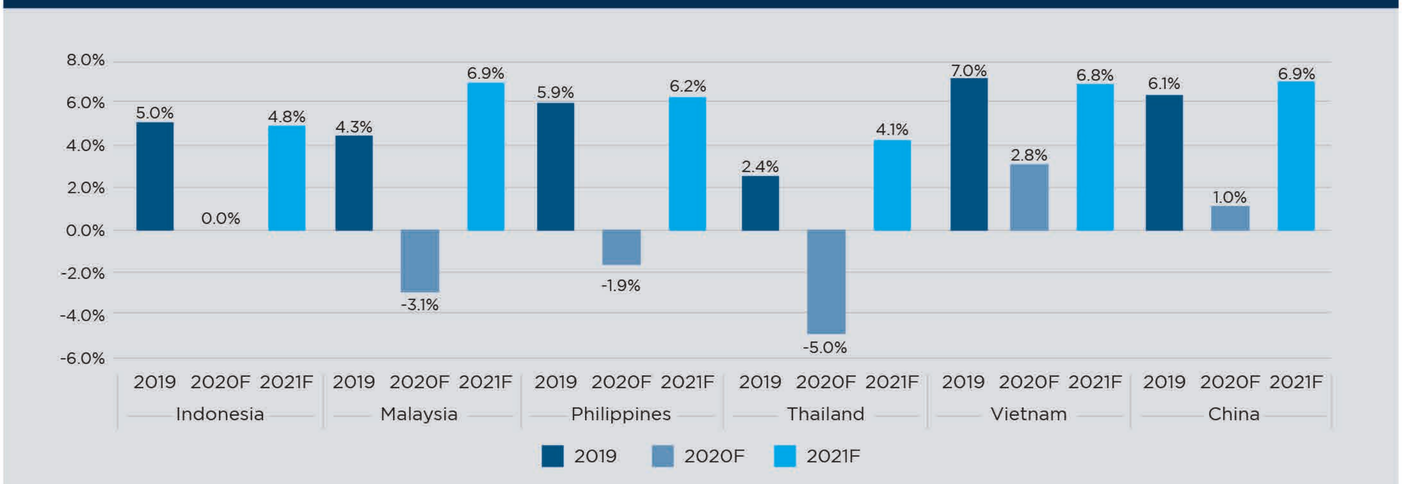
Philippine Credit Rating

Moody's	Baa2 (Stable)
S&P	BBB+ (Stable)
Fitch	BBB

Source: Moody's, S&P Global Ratings, Fitch

Despite this year's foreseen economic slackening, international debt watchers have maintained that the Philippine's credit rating will still have a stable outlook. They are expecting for a faster recovery in 2021.

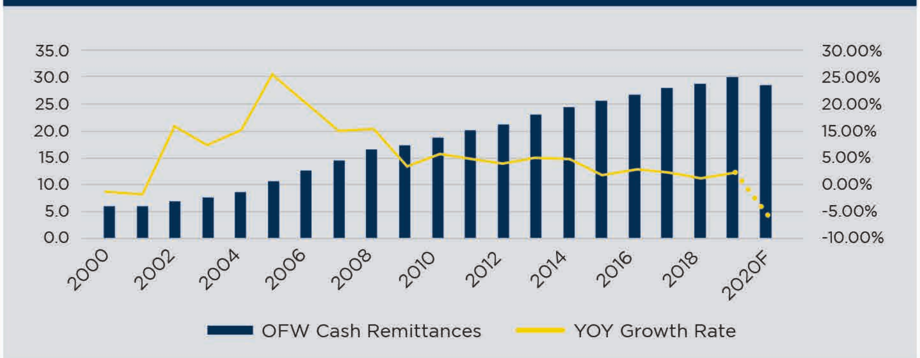
ASEAN5 and China GDP Growth Rate & Forecast



Source: World Bank

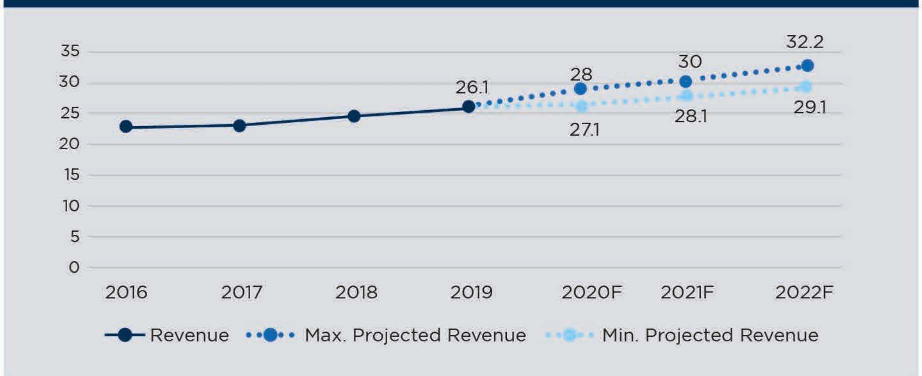
PHILIPPINE ECONOMY OVERVIEW
3 Legs of the Economic Risk Significant Losses Due to Pandemic

OFW Cash Remittances, 2000 - 2020F (Values in USD Billions)



Source: Banko Sentral ng Pilipinas (BSP)

IT-BPM Revenue Growth, 2016 - 2022F (Values in USD Billions)



Source: IT-Business Process Association of the Philippines (IBPAP)

COVID-19's Impact on Tourism Sector

	Foregone GVA (in Billions)	Loss of Employment
Travel & Tourism	PHP 77.5 - 156.9	33,800 - 56,000

Note: Gross Value Added (GVA) is an economic productivity metric that measures the contribution of a specific industry to the economy.
Source: National Economic Development Authority

Dip in OFW cash remittances

Cash remittances from OFWs have been one of the major drivers of the Philippine economy for many decades. It registered expansions even during previous global crises. In 2020Q1, OFW cash remittances managed to post a slight YOY increase of 1.4%, at USD 7.4 Billion, despite a 4.7% YOY decline in March 2020. However, after the 18 years of consistent growth in OFW remittances, because of the threat of the COVID-19 pandemic, it is expected to drop in 2020. BSP projected that by the end of the year, it may experience a decline of about 5%, or equivalent to USD 1.5 Billion losses, from its 2019 total of USD 30.1 Billion.

IT-BPO expansion activties slowdown

The IT-BPM Sector has been significantly contributing to the country's overall economic output and employment generation. Based on the revised revenue projections of IT-Business Process Association of the Philippines (IBPAP) published in November 2019, the sector is projected to register revenue of as high as USD 28 Billion in 2020. The current revenue projections of IBPAP, however, will be undergoing review to consider the industry disruptions caused by the pandemic.

Significant fall in toursim levels expected

The disruption in travel and tourism sector is seen driving down the overall economic output. According to the assessment of National Economic Development Authority (NEDA) on the socioeconomic impact of the COVID-19 pandemic, the sector may lose a gross value added equivalent to 0.4% to 0.8% of the 2020 GDP and an employment loss of about 33,800 to 56,000.

Foreign Tourist Arrivals, 2010 - 2020T (Values in Millions)

Note: 2020 data covers January to April 2020 foreign tourist arrivals

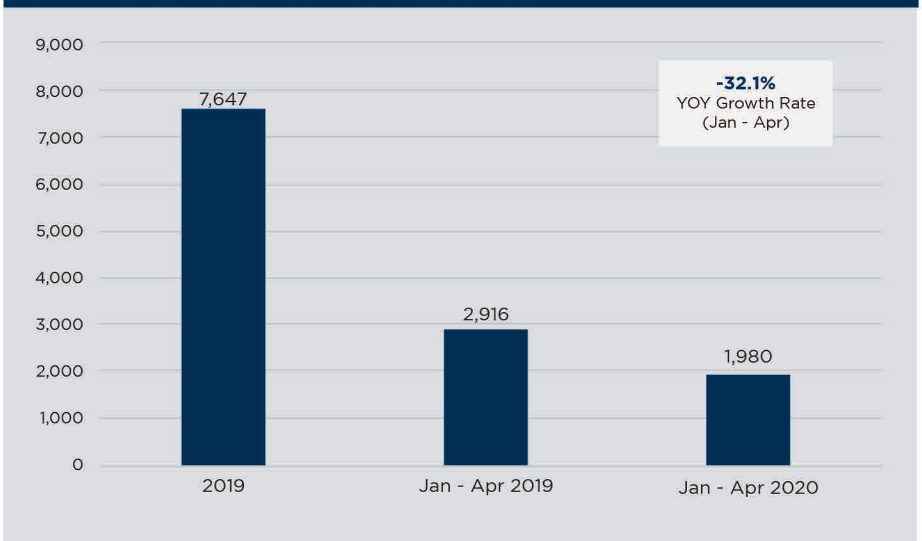
Source: Department of Tourism

Significant fall in tourism levels expected (cont.)

According to the Department of Tourism (DOT) tourist arrivals recorded an 8.8% YOY increase in January 2020. However, the following months saw a negative change in tourist arrivals due to the imposed travel bans.

The DOT, from January to April 2020, recorded a 54% decrease in foreign tourist arrivals, at 1.32 million. This resulted in a 56% decrease, at PHP 79.8 Billion, in total tourism receipts during the same period. To aid the tourism industry towards recovery, various economic stimulus packages being discussed in Congress have included subsidy programs for the tourism industry.

Net Foreign Direct Investments in USD Millions



Source: Bangko Sentral ng Pilipinas (BSP)

Uncertainties hurting investments sentiments

Approved Investment Pledges

PHP 29.4 Billion

-36.2%
YOY Decrease

2020Q1 | From Investment Promotion Agencies

The central bank recorded a YOY decline of 32.1% net foreign direct investments (FDI) in the first four months of 2020.

Due to the impact of the pandemic, the Governor of Banko Sentral ng Pilipinas (BSP) reduced its 2020 net FDI estimate from USD 8.8 Billion to USD 4.1 Billion. BSP expects, however, that the 2021 figures will recover and reach to about USD 6.5 Billion.

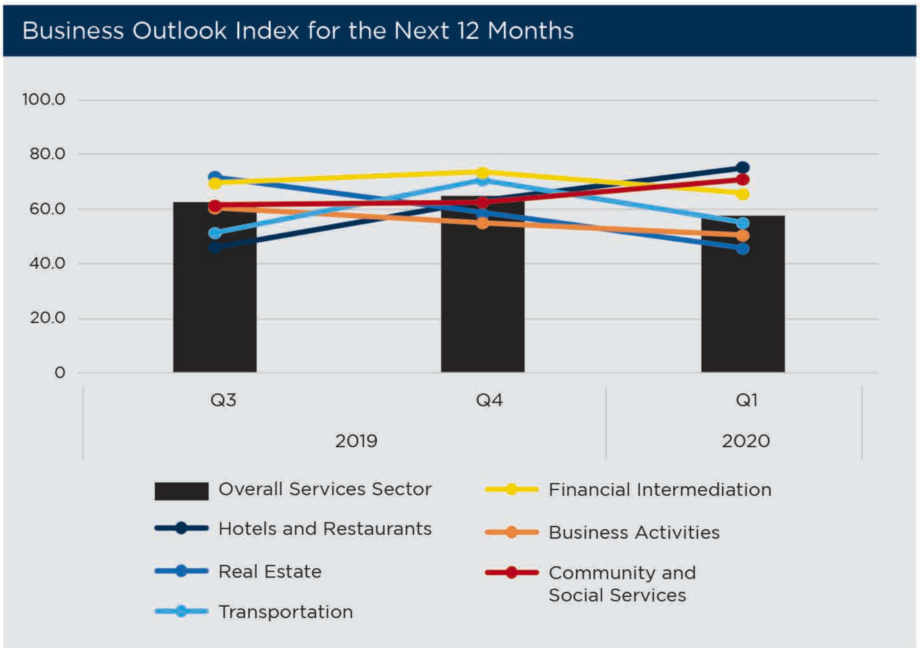
In terms of investment pledges recorded by Investment Promotion Agencies (IPAs), 2020Q1 saw a YOY decline of 36.2%, from its 2019Q1 amount of PHP 46 Billion. This is due to the significantly lowered pledges from Manufacturing, Electricity, Gas, Steam & Air Supply, and Information and Communication industries.

Despite the overall decrease in foreign investment commitments, Clark Development Corporation's (CDC) recorded approved foreign investments reached about PHP 2.5 Billion in 2020Q1, which is an impressive increase of almost 550% from its 2019Q1 record of PHP 381 Million.

INVESTMENT SENTIMENTS
Mixed Outlook on General Business

Mixed outlook on general business

According to the BSP's Business Expectations Survey (BES), which is a quarterly survey on selected firms included in the country's top 7,000 corporations, business outlook gathered during 2020Q1 showed that for the next 12 months, 57.8% of the respondents from the services sector had an optimistic outlook on the overall macroeconomy. This was a 10.4% decline from the previous quarter. Among the services sector's industries, firms from the real estate business had a more pessimistic outlook on the macroeconomy for the next 12 months, with 13.5 percentage points (pps) decrease in confidence index. Businesses from the hotel and restaurants services sector, on the other hand had a more positive outlook for the next 12 months, with a 13.3 pps increase in confidence index.



Source: BSP

Manufacturing sector showing signs of recovery

Amidst declines in several economic indicators, the manufacturing sector is showing signs of recovery. One of the indicators of market conditions, Purchasing Managers' Index (PMI), measures the trends in the manufacturing sector, wherein values above 50 translate to an expansion while values below 50 represents a contraction.

Based on IHS Markit's Manufacturing PMI Index, China's manufacturing sector has seen a sudden crash from 51.1 in January 2020 to 40.3 in February 2020. This is due to China's restrictions in manufacturing activities and exports due to its lockdown measures. China's Southeast Asian neighbors immediately felt the slowdown in China's manufacturing sectors as March 2020 records of ASEAN-5 countries started recording below-50 rates and in April 2020, these countries' rates are at an all-time low.

ASEAN-5's June 2020 PMI performances, however, signals a gradual recovery from the manufacturing sector. This may translate to the overall steady upturn in private and public spending in the coming months.

ASEAN-5 + China IHS Market Manufacturing Purchasing Managers Index

Key Locations	2019												2020					
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
China	48.3	49.9	50.8	50.2	50.2	49.4	49.9	50.4	51.4	51.7	51.8	51.5	51.1	40.3	50.1	52.3	50.7	51.2
Indonesia	49.9	50.1	51.2	50.4	51.6	50.6	49.6	49.0	49.1	47.7	48.2	49.5	49.3	51.9	45.3	27.5	28.6	39.1
Malaysia	50.9	50.6	50.2	52.4	51.8	50.8	50.6	50.4	50.9	52.3	52.5	53.0	51.8	51.5	48.4	29	45.6	51
Philippines	52.3	51.9	51.5	50.9	51.2	51.3	52.1	51.9	51.8	52.1	51.4	51.7	52.1	52.3	39.7	31.6	40.1	49.7
Thailand	50.2	49.9	50.3	51.0	50.7	50.6	50.3	50.0	50.6	50.0	49.3	50.1	49.9	49.5	46.7	36.8	41.6	43.5
Vietnam	51.9	51.2	51.9	52.5	52.0	52.5	52.6	51.4	50.5	50.0	51.0	50.8	50.6	49.0	41.9	32.7	42.7	51.1

Note: Orange to red indicates contraction (<50), while white to blue indicates expansion (>50)

Source: IHS Markit

WHAT'S THE DIFFERENCE?

CITIRA VS CREATE

CITIRA (Corporate Income Tax and Incentives Reform Act)	V.S.	CREATE (Corporate Recovery and Tax Incentives for Enterprises Act)
A gradual cut in the tax rate slapped on companies over a 10-year period.	**CORPORATE INCOME TAX (CIT) RATE REDUCTION**	A 1-percentage point reduction in the corporate income tax each year until 2027, cutting the rate to 20% so that the rate by that time + outright 5-percent tax cut in 2020.
NONE	**LONGER NOLCO FOR LOSSES INCURRED IN 2020**	For non-large taxpayers: Carry-over period of net losses in 2020 will be extended by two more years, prolonging the carry-over period from three to five years.
NONE	**NON-FISCAL OR NON-TAX SUPPORT TO BUSINESSES**	The Fiscal Incentives Review Board (FIRB), whose functions will be expanded under the bill, will also have the power to recommend to the President the grant of longer tax incentives and non-fiscal incentives to deserving companies.
Modify the period or manner of availment of incentives. Availment of up to 40 years.	**POWER OF THE PRESIDENT**	Modify the mix, period or manner of availment of incentives for highly desirable projects or specific industrial activities to create high-value jobs and attract significant foreign capital or investment. Availment of up to 40 years.
See CITIRA table below	**TRANSITION PERIOD FOR FIRMS ENJOYING A SPECIAL RATE OF 5% ON GROSS INCOME EARNED (GIE)**	See CREATE table below
House of Representatives: Approved on third and final reading. Senate: Committee report filed on Feb. 17, 2020 (birth of CREATE).	**STATUS**	Senate: On-going review

TRANSITION PERIOD FOR FIRMS ENJOYING A SPECIAL RATE OF 5% ON GROSS INCOME EARNED (GIE)

CITIRA

Under 5% GIE:

Transition Period (years)	# of years that firm has been under GIE regime
2	More than 10
3	5 - 10
5	Below 5
7	100% exporter; with at least 10,000 employment; footloose projects or activities

CREATE

Under 5% GIE:

Transition Period (years)	# of years that firm has been under GIE regime
4	More than 10
5	5 - 10
7	Below 5
9	100% exporter; with at least 10,000 employment; footloose projects or activities

Source: Department of Finance

METRO MANILA PROPERTY MARKET OVERVIEW 2020H1

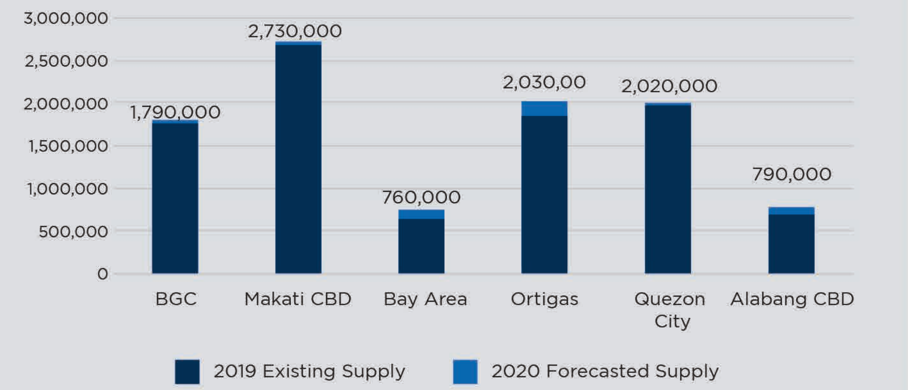
OFFICE SECTOR

Metro Manila Property Market Update

Delay from construction to hamper office supply in 2020H2

About 110,00 sqm of additional office space supply was completed in 2020H1, which brings Metro Manila's total existing leasable office space to about 9.6M. For the past few years, annual growth in office space supply typically ranged from 6% to 10%. This year's office space supply, however, is projected to slope downward as major and local developers have delayed their target completions due to construction restrictions implemented brought about by community quarantine measures.

Existing and Forecasted Metro Manila Office Space Supply 2019 - 2020F, by Business District



Note: Value indicates forecasted total 2020F supply per CBD | Source: PRIME Philippines Research and Advisory Group 2020

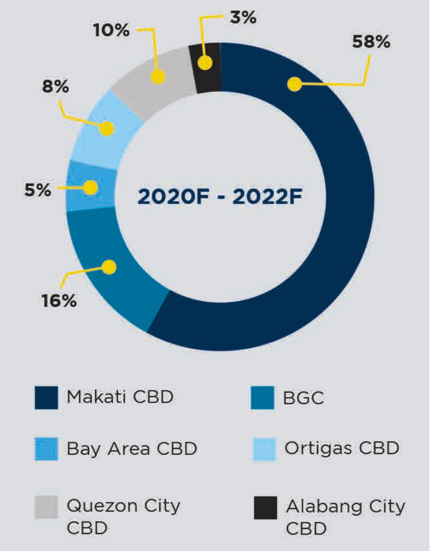
Supply to bounce back in 2021

Work stoppage due to the lockdown is likely to push office building completions back by at least two quarters. New supply will likely start to rebound in 2021, partly including the deferred completions in 2020. By 2022, total Metro Manila office space supply may reach Among the anticipated office building developments are SM Mega Tower in Ortigas CBD, Aspire Corporate Plaza in Bay Area, Filinvest Axis Towers 3 and 4 in Alabang CBD, One Ayala Towers in Makati City CBD, and Alveo Park Triangle Towers in BGC.

It is also expected that Grade A office buildings will be under pressure due to the conservative sentiment among less established corporate tenants, leading to restrained expansion demands in the second half of 2020.

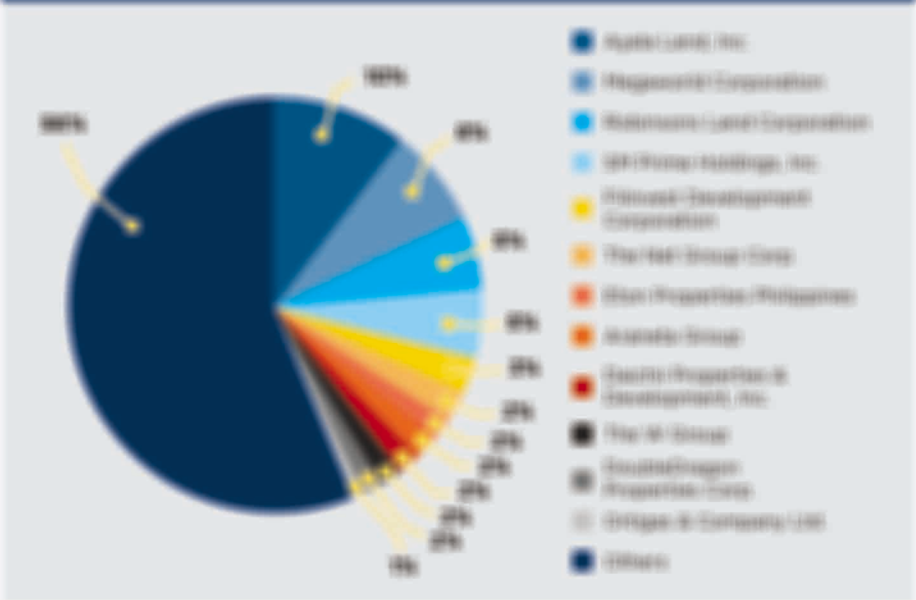
Despite the slowdown on the construction of additional office space supply, some landlords have taken into consideration the changes in tenant preferences such as fully-fitted units, smaller office spaces, negotiable lease term agreements and lower rental rates. They also prefer office buildings that mandate strict compliance with COVID-19 mitigation protocols.

Distribution of Metro Manila Additional Office Space Supply 2020F-2022F, by Business District



Source: PRIME Philippines Research & Advisory Group 2020

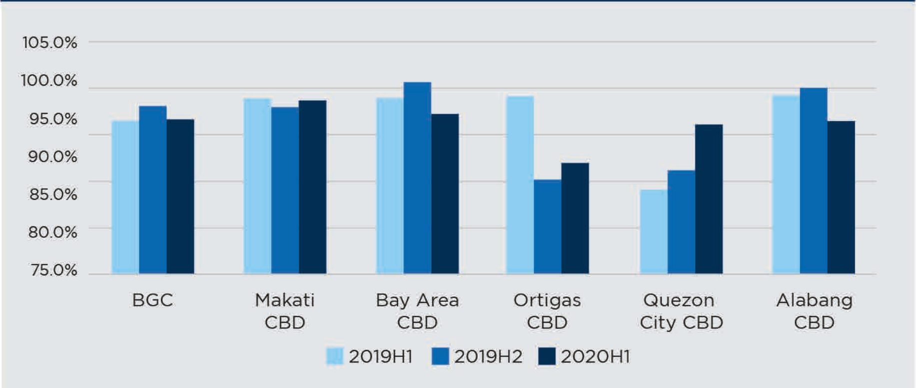
OFFICE SECTOR
Developer Market Share



Occupancy rates to decline in 20202H2

Occupancy rates in major CBDs in Metro Manila considerably plunged during the first two quarters of 2020 as the enhanced community quarantine restricted usual operations due to the COVID-19 pandemic. Office tenants have become vigilant to leasing new office spaces or extending their lease contract, resorting to telecommuting as employees continue to adapt work-from-home policies.

2019 - 2020H1 Metro Manila Office Occupancy Rate, by Business District



Source: PRIME Philippines Research & Advisory Group 2020

Expansion plans of major demand drivers, primarily the firms in the Information Technology and Business Process Management (IT-BPM) and the online gaming industries, were also delayed in major urban centers in the country.

Aside from this, a surge of office tenants have opted to move out of their current leases, settling for lesser prime office buildings to mitigate costs. Although Makati City CBD and Quezon City CBD are seen rallying despite the situation, occupancy rates are seen to lower this second half of 2020 due to more companies adopting flexible work arrangements.

SHIFTS IN THE OFFICE MARKET AMIDST THE PANDEMIC

OFFSHORE AND OUTSOURCING FIRMS' EXPANSION

As foreign firms continue to avail offshore services to cut costs during the global pandemic, the IT-BPO industry is expected to grow further this year.

RISING NEED FOR FLEXIBLE WORKSPACES

It allows companies to scale the amount of space needed while further influencing more organizations to take a conservative approach on lease flexibility, specifically during this time of pandemic.

TRADITIONAL OFFICE TRANSFER AND EXPANSION

Dampened movement in traditional offices' expansion is observed as fewer companies inquire and locate at prime business districts.

COMPANY RECOVERY SITES

Company recovery sites are re-emerging to serve as temporary location for companies while they continue with their business continuity plans and to lessen costs during the pandemic.

SATELLITE OFFICES

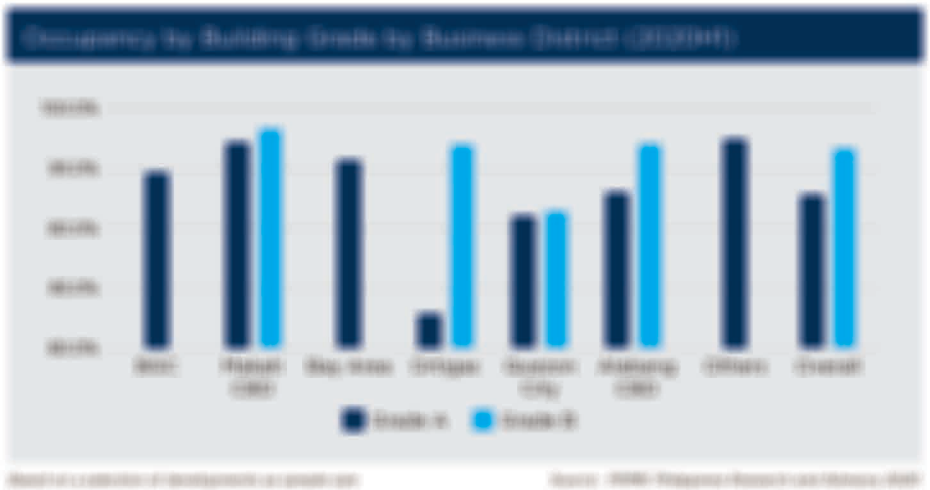
To increase work mobility among organizations amidst the pandemic, large office spaces split their operations into satellite offices for better reach and lower expenses.

DOWNSIZING

As a means to minimize expenses, companies have opted to downsize their large office spaces, either to smaller offices within the building or transfer smaller units into another building.

OFFICE SECTOR
Occupancy Rate During Crisis

OFFICE SECTOR
Building Specifications

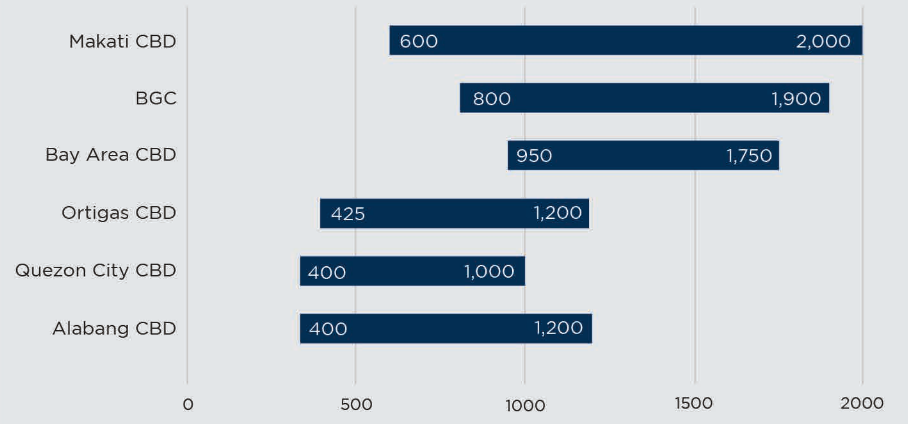


OFFICE SECTOR
Building Specifications

Lackluster demand push rates downward

Office rental rates in key business districts fell during the first half of 2020, mainly caused by the decrease in office space demand and slowdown in office space supply due to unforeseen delays in construction. Landlords coped with the outturn through negotiation of tenancy agreements and amenable price cuts to aid current tenants and attract potential tenants amid slower consumer spending. As vacancy rates creep up, growth is predicted to remain minimal as downward pressure on rental rates continues during this period.

2020H1 Metro Manila Office Rental Rates per sqm (in PHP), by Business District



Source: PRIME Philippines Research & Advisory Group 2020

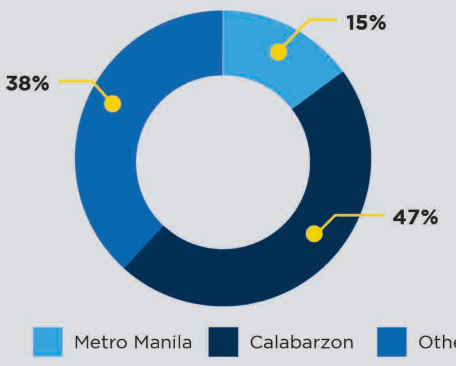
TREND WATCH: Office Sector Outlook

Metro Manila office market has slowed considerably since strict lockdown measures were implemented during the enhanced community quarantine. The Philippine Offshore Gaming Operators (POGO) industry was dealt with heavy blows as tax rules against online gaming deepened the effects of a ban on all casino operations. Philippine Amusement and Gaming Corporation (PAGCOR) recently gave the green light for POGOs to resume partial operations, but the outlook for their expansion remains dim.

The IT-BPM industry may soon scout for alternative business locations in the emerging provincial hubs which offer more competitive rental rates, lower labor costs, and have become sites of new government infrastructure projects. Due to the stronger demand from global companies heightening the need to outsource their businesses amid the pandemic, the 40 newly approved PEZA ecozones to be built in CALABARZON, Metro Manila, Ilocos, Western Visayas, Central Visayas, and Central Luzon also come off as an advantage.

Traditional offices, corporate tenants, and flexible workspaces took the huge share, attaining over 100,000 square meters of office space for the first half of 2020. Although lesser demand is expected in the second half of the year, demand is expected to pick up starting next year as companies have completely adapted to the new normal.

New PEZA Ecozone Locators

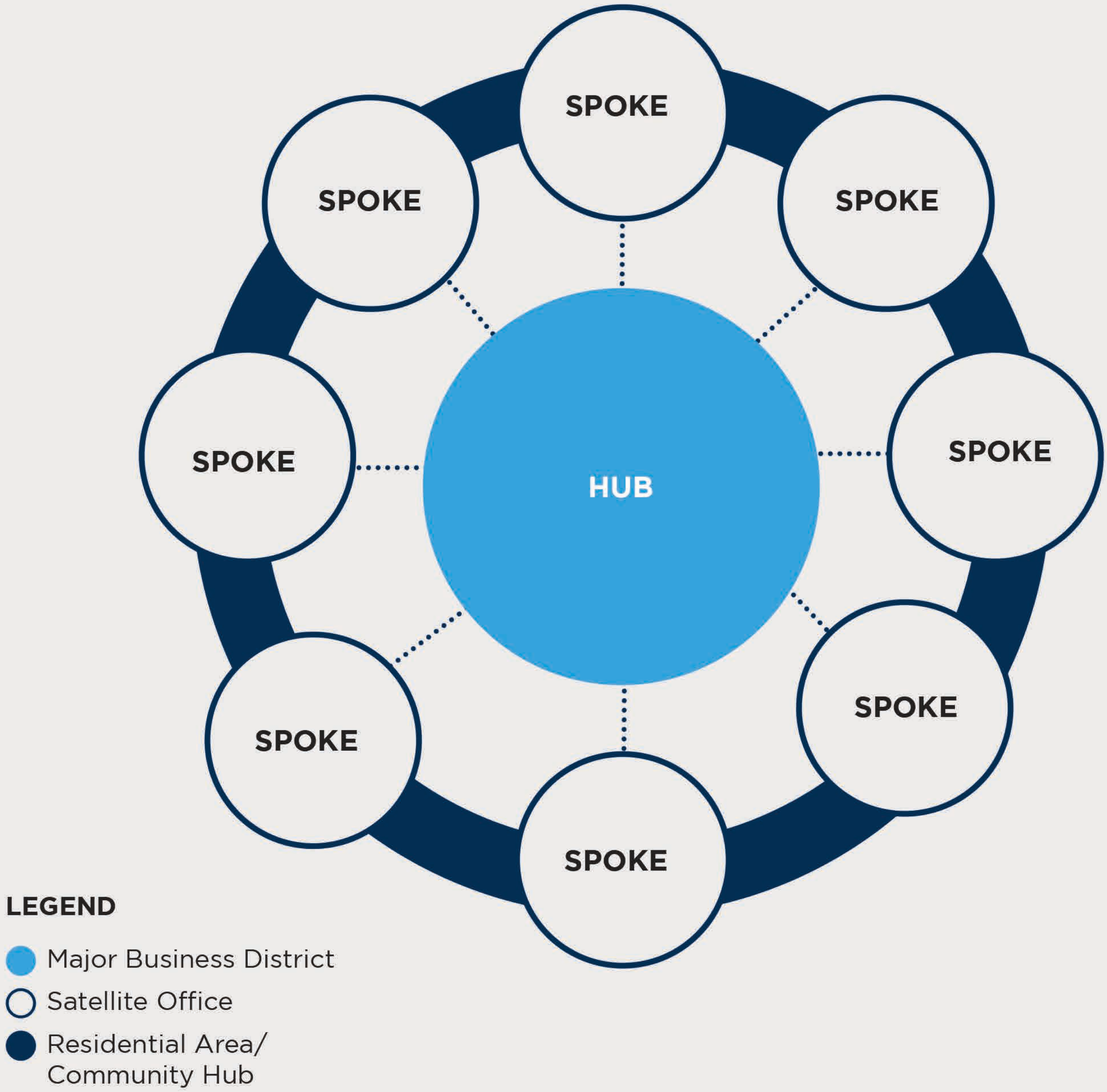


CALABARZON	22
Metro Manila	7
Others	11

OFFICE SECTOR
Lease Rates

TREND WATCH: The Emergence of Hub-And-Spoke Model

The concept of Hub and Spoke Real Estate Model is that, ideally, hubs are situated in prime locations such as in central business districts and are used as headquarters for 'core' employees and for hosting client meetings. Spokes, on the other hand, are support offices that are in various locations, usually in the fringes of or outside business districts and nearer to residential areas or community hubs. Although the hub and spoke model may sound new to the Philippine real estate landscape, it has actually been practiced in the industrial sector, primarily by logistics companies. Now, more companies from sectors like IT-BPO are also adopting this strategy. Most BPO companies are having their headquarters or hubs in Metro Manila, Cebu, and Davao central business districts. These companies have been expanding their businesses or their 'spokes' domestically through tapping emerging and digitally-ready markets.



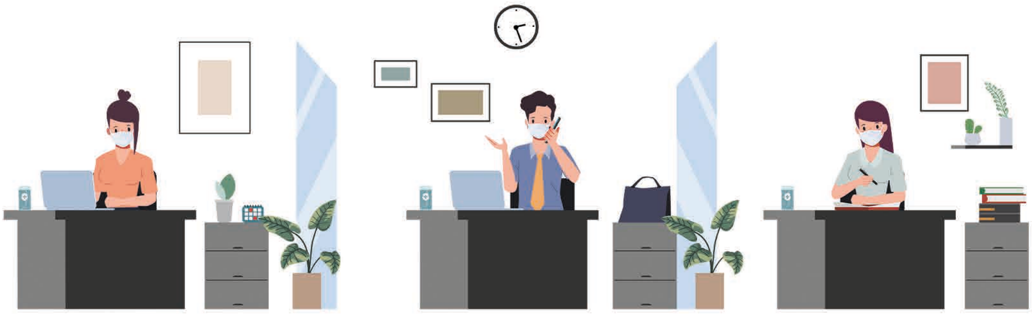
GUIDE FOR A NEW NORMAL WORKPLACE FOR OFFICE LANDLORDS

1 The Working Environment

- Consider any changes that may be necessary as a result of COVID-19 mitigation within the building
- Designate and signpost the direction of foot-traffic in main circulation paths: corridors, stairs, entries
- Sanitize all workspace areas, including offices, conference rooms, breakrooms, cafeterias, restrooms, and other areas
- Provide additional hand sanitizer, surface disinfectant wipes and tissue available in workspace, and other common areas

2 The Manpower

- Focus on the personal experiences of their employees from a work and life perspective, and how the pandemic affected their lives
- Conduct demonstrations and training to introduce new skills to staff
- Remind staff how to stay safe and keep others safe in the workplace by maintaining social distancing, following new meeting guidelines, hand washing reminders, the use of virtual collaboration tools rather than meeting rooms and so forth
- Communicate frequently to make employees aware of the changes designed to keep everyone safe & healthy



3 The Building-to-Room Access

- Explain building access rules and other protocols that impact how occupants use and move throughout the office
- Reduce the number of entrances monitor routes
- Limit the number of attendees at in-person meetings and limit to spaces that accommodate safe distances
- Modify internal and external meeting protocols, hosting of client events, and visitor access

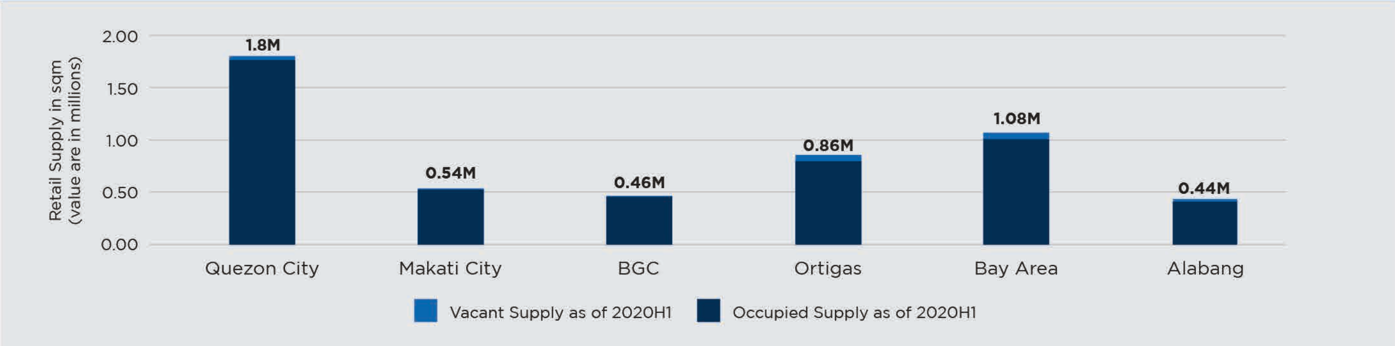
4 The New Normal Policies

- Comply with relevant regulations defining who should and should not return to the physical workplace
- Create contingency plans to address the impact of potential resurgence of disease in the workplace after re-opening sites
- Consider advocating that employees temporarily continue working from home, unless company shuttle services are provided
- Create contingency plan to address disruption in vendor-performed critical services after re-opening of sites

RETAIL SECTOR

Metro Manila Property Market Update

Existing Metro Manila Regional Mall Supply & Vacancy Performance, by Business District



Note: Value indicates total existing retail supply as of 2020H1

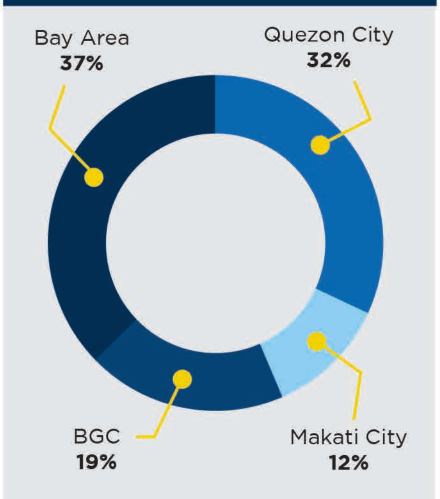
Source: PRIME Philippines Research and Advisory Group 2020

Muted retail supply movement observed across CBDs

For the first half of 2020, there were no retail mall completions recorded in Metro Manila CBDs, which brings the total existing retail supply to 5.2M sqm of GLA. Among Metro Manila CBDs, Quezon City continues to account for the greatest share in retail supply, with 1.8M sqm of GLA or equivalent to about 35%. This is due to the presence of the country's largest regional malls and the emergence of urban community centers in the city. For the rest of 2020, upcoming supply is likely to remain stagnant, with most additional supply coming from extensions of existing mall such as Gateway and Trinoma.

With the government's projection of a gradual economic recovery starting next year, new retail supply is also expected to rebound. From 2020 to 2022, the estimated additional retail supply within Metro Manila CBDs amounts to more than 700,000 sqm, of which Bay Area and Quezon City accounts for 37% and 32%, respectively. Among the shopping centers in the 2021 to 2022 pipeline are Mitsukoshi Mall, Ayala Malls Arca South, Ayala Malls Cloverleaf expansion, and Mall of Asia expansion.

Distribution of Upcoming Metro Manila Regional Mall Supply (2020F to 2022F), by Business District



Note: No additional retail space forecasted within 2020F to 2022F in Ortigas and Alabang CBDs
Source: PRIME Philippines Research and Advisory Group 2020

TREND WATCH: Safety Measures Applied by Retailers

MINIMUM HEALTH STANDARDS
Provision of protective equipment, regular facilities sanitation

MOBILITY AND DELIVERY
Transport provision for employees, takeout and delivery options

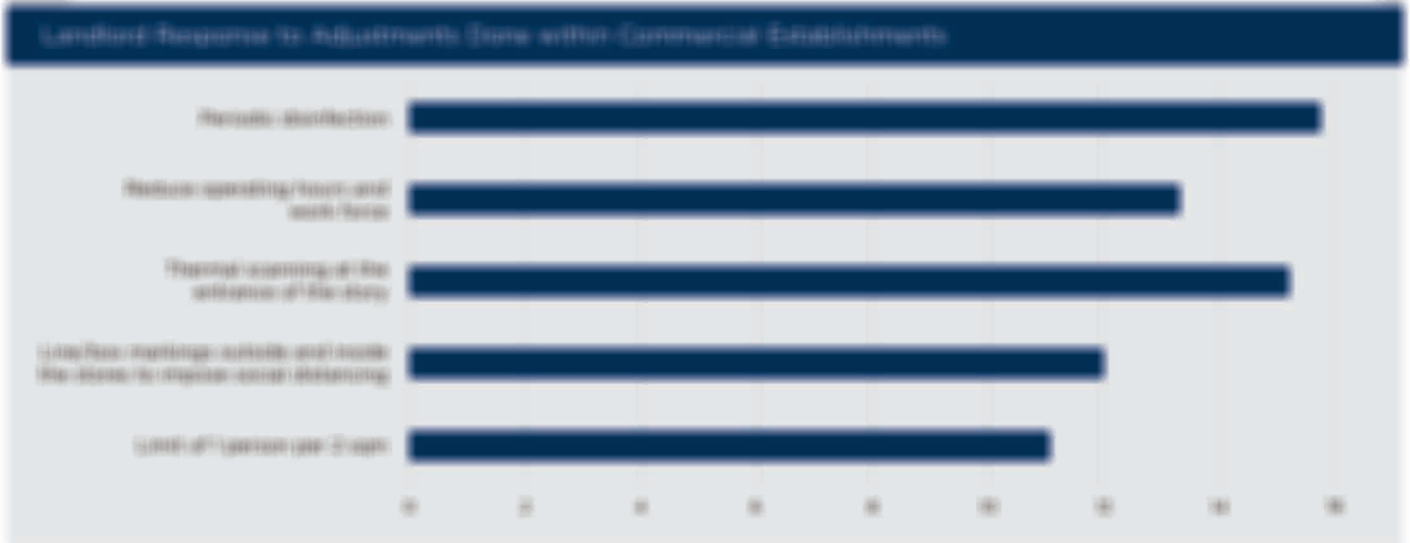
NO-TOUCH TECHNOLOGY
Cashless payments, plastic-covered facilities

STRICT MONITORING AND TESTING
Facilitation of rapid testing, thermal scanning and health declaration

PHYSICAL DISTANCING
Distancing marks, regulated number of people per store, 50% workforce

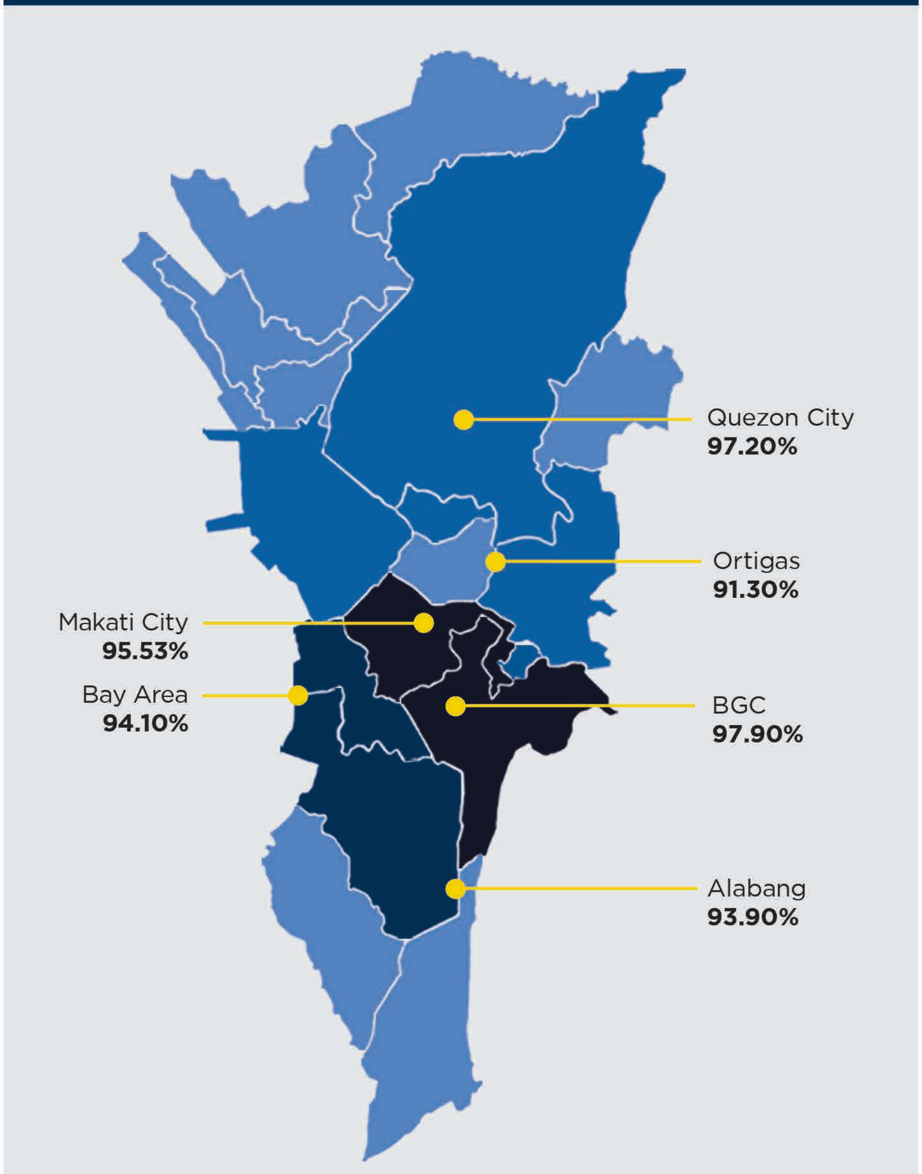
RETAIL SECTOR

Retail Landlord Responses to Survey



Priority on safety and security against the virus as regulations hamper foot traffic of commercial establishments

2020H1 Retail Occupancy, by District



Note: Occupancy rate computation is based on lease occupancy

Source: PRIME Philippines Research and Advisory Group 2020

Gradual decline in retail occupancy rate

From the 2019 year-end occupancy rate of Metro Manila of 96.7%, retail sector performance declined to 95.3% in 2020H1. This 1.4% contraction in occupancy rate can be attributed to the added retail space in 2019Q4 and increased vacated retail spaces and reduced retail transactions in 2020H1.

Due to the onset of the COVID-19 pandemic and the implementation of the government's strict quarantine measures, the local retail landscape has faced massive headwinds. Malls had to temporarily close shop during the almost four months of Luzon ECQ, causing many tenants to shut down and pre-terminate their lease contracts.

Even during the implementation of a more relaxed quarantine measure, during which malls could resume operations, consumers continued to limit their spending to only essential goods and services.

Most of the tenants that have vacated their spaces or temporarily halted their operations belong to the Food and Beverage industry, Beauty and wellness, and amusement and entertainment industries. On the other hand, tenants from industries like food merchandising and pharmacies have been the least affected.

Retail Demand Drivers

FOOD AND BEVERAGE

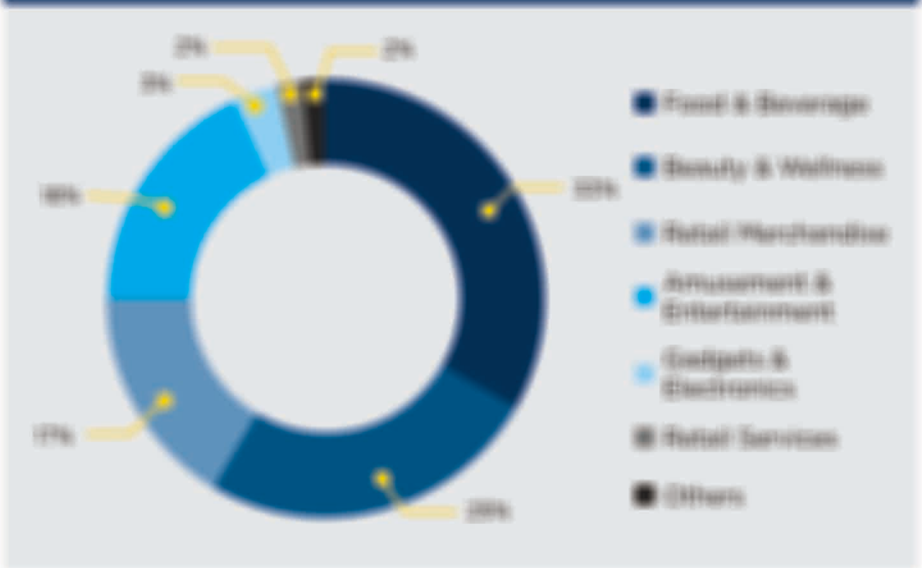
Before the Metro Manila lockdown, multiple foreign F&B brands aggressively expanded to different CBDs. Among these international brands are Shake Shack, Popeyes Louisiana Kitchen, and Panda Express. As strict lockdown measures were implemented during the pandemic, F&B remained to be a key driver for the retail sector as many resumed operations through adjusting their service to cater to take-out or curb-side pick-ups, delivery service, and limited dine-in service. There has also been an increased demand for kiosk and smaller formats due to the transition to product delivery services.

RETAIL MERCHANDISE: FOOD SUPPLY & PHARMACY

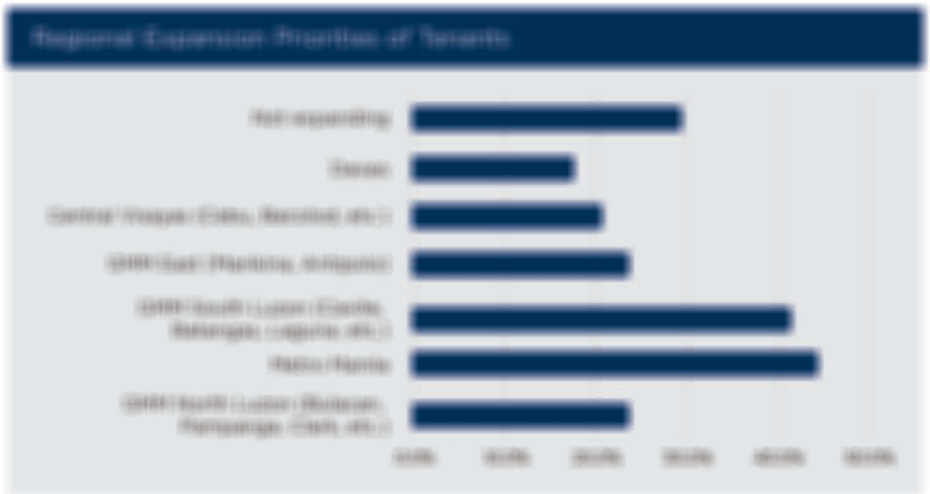
Following the outbreak of the pandemic and the lockdown measures, consumers have been prioritizing on stocking up on food and other essential items. Because of this supermarket players like Merry Mart, for instance, have been scouting for locations for their expansion.

RETAIL SECTOR
Occupancy Rate During Crisis

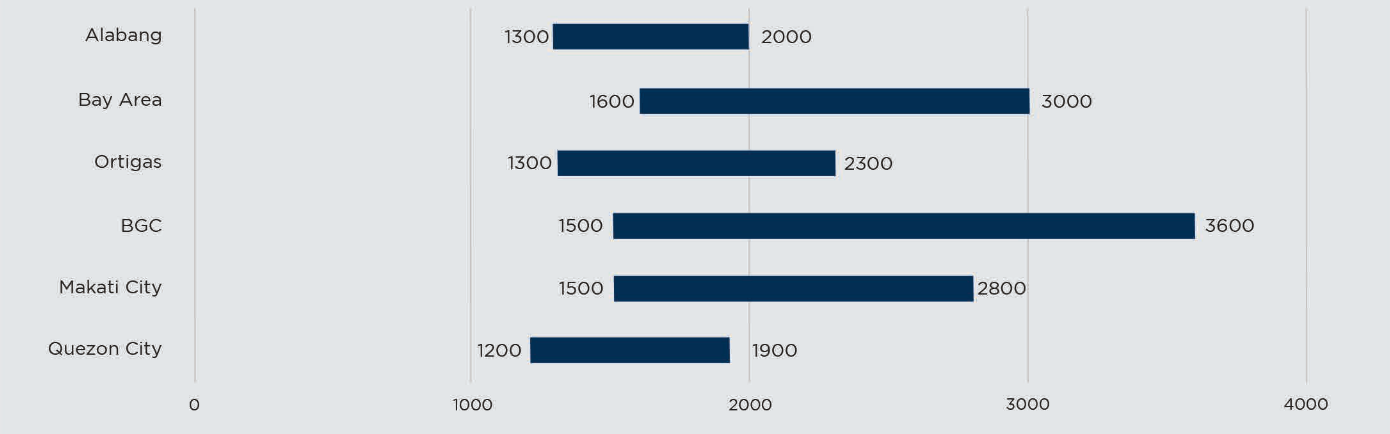
Retail malls resume operations, operational vacancy currently up by 1.8%.



RETAIL SECTOR
Outlook on Tenant Expansion



2020H1 Metro Manila Retail Rental Rate per sqm (in PHP), by Business District



Note: Rental rates are based on major shopping mall rental rates

Source: PRIME Philippines Research & Advisory Group 2020

Rental concessions provided as relief measures to tenants

Since the pandemic hit the retail market's performance and even when malls and other retail centers had to temporarily stop their operations during the Luzon ECQ, most tenants still had to pay for their monthly rent, while other tenants were given rental concessions by their landlords.

Metro Manila's asking retail rents remained to be relatively stable, with a typical rental rate range of PHP 1,200 to PHP 3,600 per sqm. Among the business districts, BGC recorded the highest rental rate, reaching PHP 3,600 per sqm. Malls have still yet to decrease their asking rental rates but to provide short-term assistance to tenants and to retain their existing tenant composition, retail landlords provided rental discounts and waived the minimum guaranteed rent.

The current sluggish consumer spending performance and the subpar foot traffic in malls are likely to impact malls' rental rates.

Based on these existing conditions, retail rents are estimated to continue its downward trend for the rest of 2020. Should this situation remain the same and should more businesses close, leading to lower occupancy levels, then rents will adjust accordingly.

Household Consumption Levels at Historical Low

Household Final Consumption 2007 - 2020
Quarterly YOY Growth

Source: Philippine Statistics Authority

For the longest time, strong household consumption has driven the upward performance of the retail sector. The sharp drop in household spending in 2020Q1, with a quarterly YOY growth of 0.2%, followed by an even lower rate in 2020Q2 of -15.5%, shows the serious impact of the COVID-19 pandemic. This level of consumption was last experienced in 2009, due to the impact of the Global Financial Crisis. In both 2008 and 2020 recessions, OFW remittances, which directly impact consumption, hit historically low levels.

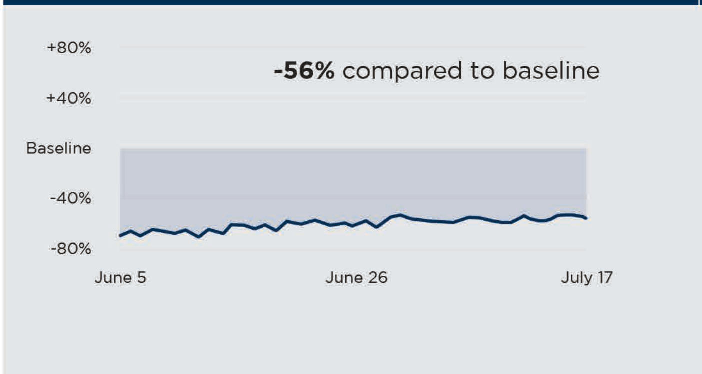
RETAIL SECTOR

Trends and Outlook on Retail Consumption Dynamics

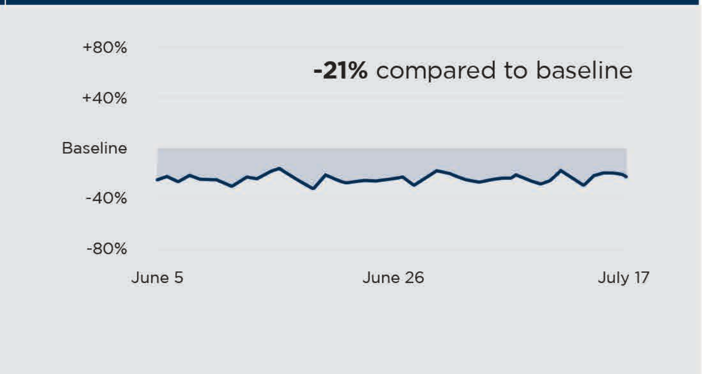
Community mobility limited

Based on Google's recent community mobility reports, general foot traffic in areas where people used to be concentrated in, like shopping centers, groceries, and places of work, have shown dramatic declines.

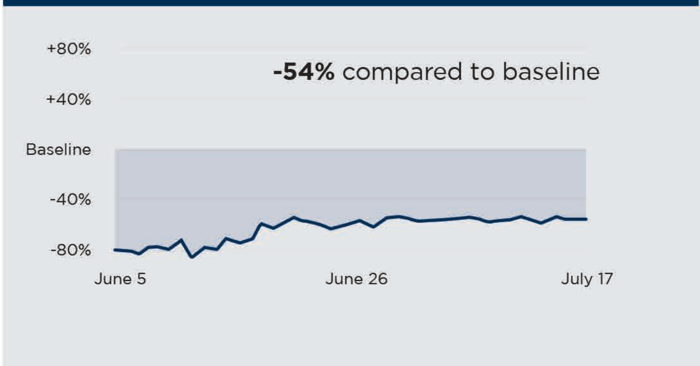
Retail & Recreation



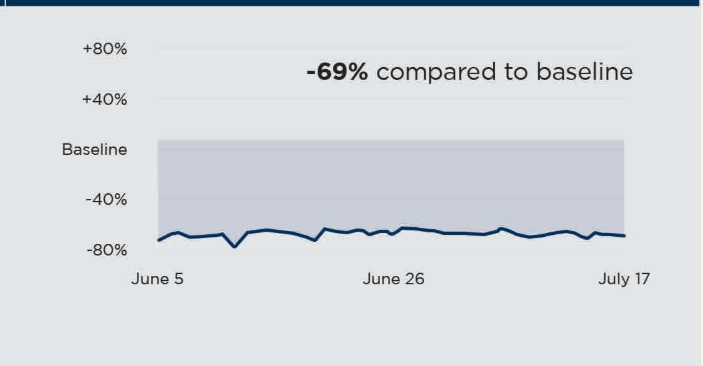
Grocery & Pharmacy



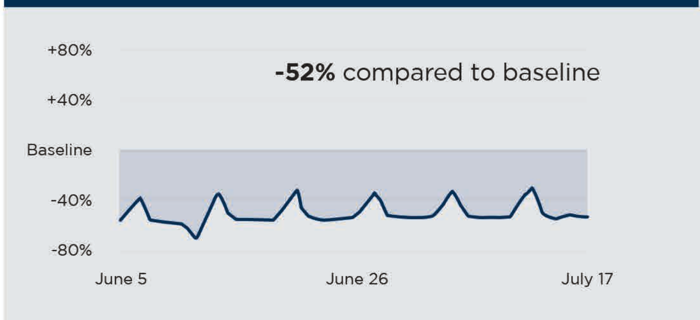
Parks



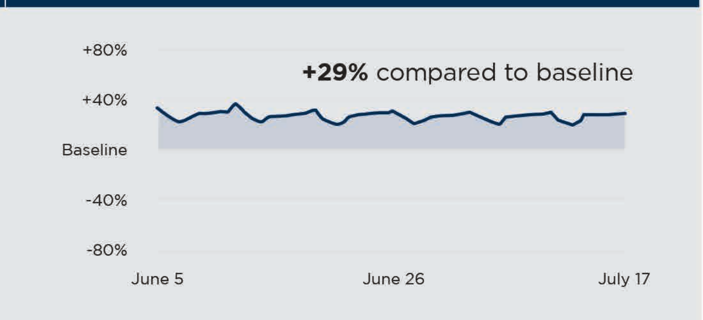
Transit Stations



Workplaces



Residential



Note: Baseline is the median value for the corresponding day of the week during the 5-week period June 5 to July 17, 2020 | Source: Google COVID-19 Community Mobility Report, July 17, 2020

Retailers transitioning to e-commerce

The retail sector saw a boost in online consumer transactions in 2020H1. According to Philippine Payments Management, Inc. (PPMI), a payment system management body under the National Retail Payments System Framework of the Bangko Sentral ng Pilipinas, there was a 54.4% and 76.2% increase in InstaPay and PESONet transactions, respectively, From March to May 2020 compared to the data from December 2019 to February 2020.

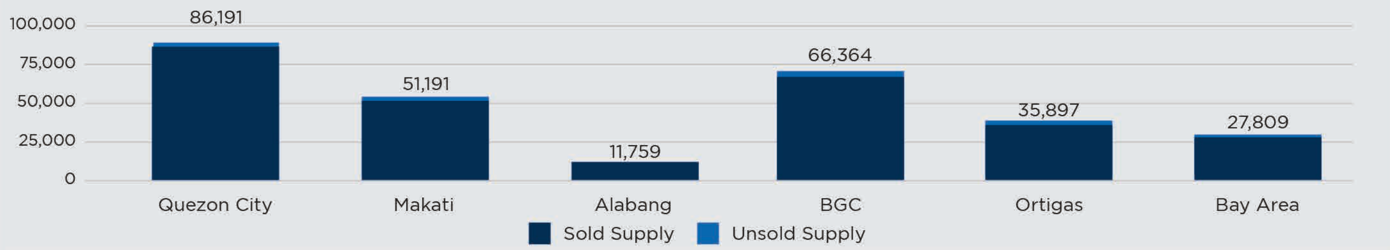
Recognizing this change in payment behavior, retail merchandisers and services have also integrated e-transactions to their operations.

RETAIL SECTOR
Outlook on the New Normal

RESIDENTIAL SECTOR
Metro Manila Property Market Update

Completion of 2020 projects to spillover in 2021

Residential Condominium Existing Supply, by Business District



Source: PRIME Philippines Research & Advisory Group 2020

For 2020H1, more than 8,000 units were added to the existing supply. However, due to the work stoppage on the first half of the year, the completion of some residential developments due for completion in 2020Q4 may be pushed back to 2021. Likewise, projects located in Bay Area, Alabang, and Makati CBDs that are set for completion in 2022H2 are expected to be delayed to 2023. There may be fewer project launches as well, as some developers cut their capital expenditure and adjust their cash flow strategies. Some of the residential condominium projects in the pipeline are Avida Towers Sola in Quezon City CBD, Park Central Towers in Makati City CBD, The Levels in Alabang CBD, Season Residences in BGC CBD, and Kai Residences in Ortigas CBD.

Sales rate expected to slow down until the end of 2020

Due to the extended travel ban and community quarantine measures, increasing unemployment, and declining remittances from Filipinos overseas, a softer demand from the residential market is expected. The softer demand for the residential market resulted in a slowdown in sales. Metro Manila business districts, especially the Bay Area and Makati CBDs, are observed to be among the most affected by the slowdown until 2020H2 as most of the demand comes from the POGOs located in these areas.

Despite the slowdown, sales rates are expected to be relatively sustained post COVID-19 due to the tempering in the forecasted additional condominium supply. Moreover, once the office sector in CBDs recovers, the residential market is set to gradually follow as a spillover from the former sector to the latter is expected, especially where outsourcing and traditional occupiers are concentrated.

Pre-Selling Condominium Sales Rate, by Business District

Key Locations	Pre-Selling Sales Rate
Bay Area	96.74%
Quezon City	96.40%
BGC	93.92%
Makati	92.17%
Ortigas	91.77%
Alabang	86.78%

Note: Sales rate as of 2020H1
Source: PRIME Philippines Research & Advisory Group 2020

Residential Sector Investment Opportunities

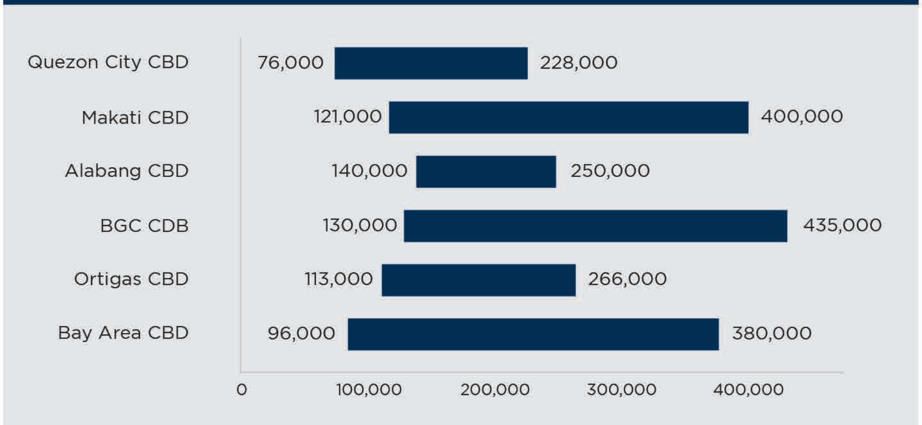
RENTAL YIELD

For 2019 to 2020, Metro Manila's recorded rental yield ranges from 3.4% to 14.38%. Due to the pandemic, prices of residential condominium units generally remained the same with their pre-selling prices. Investors can take advantage of this by buying units at better pricing with the same investment opportunities.

VALUE APPRECIATION

Another seen opportunity is buying residential condominium units for resale purposes. Investors can buy units at their pre-selling prices and sell it again at a much higher price once their value starts to appreciate post COVID-19.

Condominium Selling Price in PHP per sqm, by Business District



Note: Selling price as of 2020H1

Source: PRIME Philippines Research & Advisory Group 2020

Despite slowdown in sales, selling price showed relatively stable performance

After the onset of COVID-19, prices of residential condominium units stayed the same during 2020H1 with Makati, BGC, and Bay Area CBDs recording the highest average selling prices across all business districts in Metro Manila.

With the current situation, it is highly unlikely for selling prices to have a significant increase in 2020H2.

Trends & Outlook

FLEXIBLE PAYMENT PACKAGES AND TERMS

With a slowdown in economic activities and halt in employment, developers are expected to offer more flexible packages and terms (i.e. extended down payment period, 0% initial down payment, and rent to own promo) to attract potential buyers.

REDEVELOPMENT OF RESIDENTIAL PROJECTS

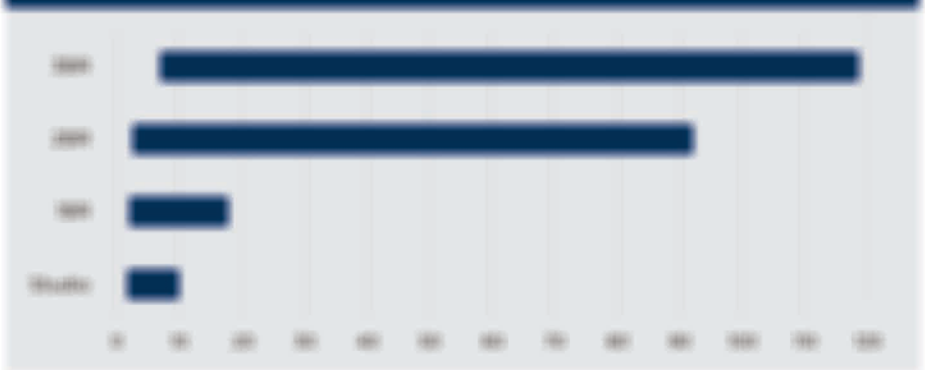
As the industry transitions to a new normal, redesigning and redevelopment of residential projects is expected to be one of the aspects that will be affected. The new normal redesigns may include: (1) larger unit sizes and lower unit densities per floor for privacy; (2) hands-free facilities and disinfecting rooms for hygiene and sanitation; and (3) CCTVs

CAPITALIZATION ON TECHNOLOGY

With the COVID-19 pandemic, the residential market started to capitalize on technology by conducting virtual tours and performing online transactions to reduce the stigma brought by the pandemic and to keep its business going. This practice, however, may continue even after the pandemic as people are likely to become more cautious than ever.

RESIDENTIAL SECTOR
Unit Rates

RESIDENTIAL SECTOR
Unit Sizes and Rates



HOTEL SECTOR

Metro Manila Market Property Update

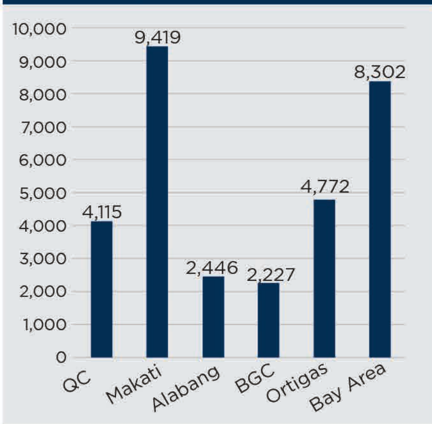
Deluxe hotels continue to dominate Metro Manila Central Business Districts

Due to the pandemic, there had been no significant movement coming from the hotel sector in terms of supply. Looking at the existing number of hotel rooms, 42% belong to the deluxe or higher-end classification, which are mostly located in Makati, Bonifacio Global City, and Bay Area.

The hotel sector struggled in 2020H1 but has managed to keep the business going with the help of its major demand drivers, including: 1) essential workers (i.e. medical, bank, and BPO employees); 2) overseas Filipino workers; and 3) repatriate foreigners.

Although the initial forecasted additional rooms for 2020 and 2021 are expected to be dominated by rooms under the deluxe category, delays in project completion are expected due to the unfavorable impact of the pandemic to the hotel sector, specifically to the high-end market. Moreover, an increase in serviced residences can also be anticipated as it has pivoted towards catering to long-staying guests and BPOs.

2020H1 Total Number of Hotel Rooms, by Business District



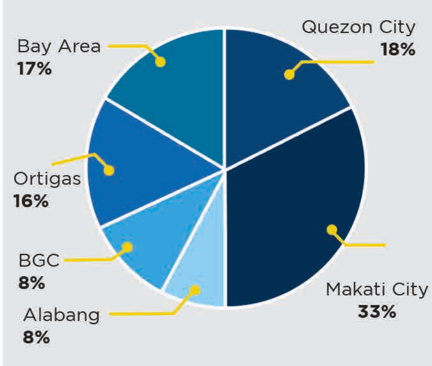
Note Number of rooms across all segments, including operating and non-operating hotels as of 2020H1
Source: PRIME Philippines Research and Advisory Group 2020

More than 12,000 hotel rooms remained operational amid the pandemic

Since the implementation of Enhanced Community Quarantine (ECQ) in March until today's situation under General Community Quarantine (GCQ), the hotel sector in Metro Manila managed to keep more than 12,000 hotel rooms operational, which are strictly used for quarantine and business purposes. Although the total existing numberof hotel rooms is dominated by deluxe hotels, most of the available rooms during the pandemic are offered by standard and economy hotels.

Once Metro Manila is put under a more relaxed community quarantine measure, more rooms are expected to be available to the public as accommodation would no longer be limited to quarantine and business purposes but open to leisure travel as well.

2020H1 Distribution of Operating Hotel Rooms Across All Segements, by Business District



Source: PRIME Philippines Research and Advisory Group 2020

Upcoming Deluxe Hotels in Entertainment City

Grand Westside Hotel

Developer: Megaworld Corporation
Target no. of units : 685
Completion year: 2021
Amenities: Swimming Pool, Fitness Gym, Massage Rooms, Zen Garden, Gazebo

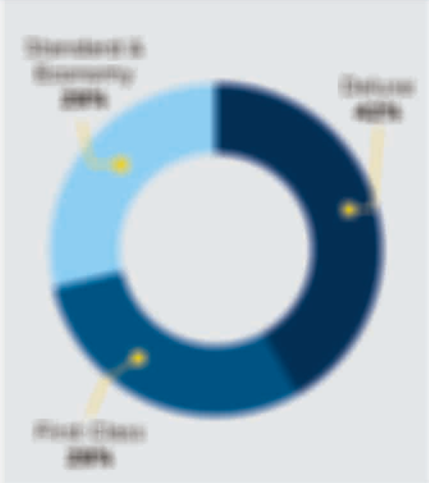
Kingsford Bayshore Hotel

Developer: Megaworld Corporation
Target no. of units : 529
Completion year: 2021
Amenities: Swimming Pool, Fitness Gym, Massage Rooms, Zen Garden, Gazebo

Hotel Okura Manila

Developer: Travellers International Hotel Group, Inc.
Target no. of units : 380
Completion year: 2023
Amenities: Sky Pool, Fitness Center, Wellness Center, Meeting Room

Source: PRIME Philippines Research & Advisory Group 2020



Occupancy Rates Across All Segments, by Business District

Key Locations	Occupancy Rate
Quezon City	40.69%
Makati	65.63%
Alabang	54.74%
BGC	35.11%
Ortigas	55.74%
Bay Area	72.01%

Note: Data presented covers all segments and are computed based on operational hotels from March 15 to June 30, 2020
Source: PRIME Philippines Research and Advisory Group 2020

Standard and economy hotels as most preferred type of hotel accomodation

With the restrictions in travel and room accommodation, the hotel industry recorded a 30% to 50% drop on occupancy rate among operational hotels since March. Compared to the occupancy rate under GCQ, the occupancy rate during ECQ was relatively higher brought about by the demand coming from essential workers, mostly from BPO companies. Hotels located in Quezon City, Makati City, and Alabang CBDs are usually occupied by BPO employees, while hotels in Bonifacio Global City and Bay Area CBDs, due to their proximity to the airport, are booked by overseas Filipino workers and repatriate foreigners. Ortigas CBD, on the other hand, is a mix of essential workers and guests endorsed by the Department of Tourism. Given its affordability, most of the guests prefer to book rooms under the standard and economy segment.

Online Room Rates per Night, by Business District

Key Locations	Online Rates (PHP) (as of 2019 Q3)		Online Rates (PHP) (as of 2020H1)	
	LOW	HIGH	LOW	HIGH
Quezon City	2,360	8,450	1,152	8,205
Makati	3,050	10,900	1,302	10,739
Alabang	1,880	8,750	1,520	6,930
BGC	4,680	11,700	3,140	12,500
Ortigas	1,860	9,200	1,248	7,725
Bay Area	2,000	15,840	1,782	14,700

Note: Data presented covers all hotel segments
Source: PRIME Philippines Research and Advisory Group 2020

Broad range of room rates are being offered

Since leisure travel is not allowed under GCQ, hotels mainly depend on corporate companies for revenue. They offer special rates for government agencies or corporate rates for BPOs and media companies for long-term accommodation. Most of the time, the longer a company stays in a hotel, the lower the rates are.

Although corporate rates, across all hotel classifications, range from Php 1,200 to Php 12,760 most of the companies still prefer budget hotels with rates ranging from Php 1,500 to Php 2,500, while other companies go for a much higher rate ranging from Php 3,000 to Php 5,000.

Online rates and published rates typically range from Php 1,152 to Php 14,700. Comparing the rates in 2019Q3, rates during 2020H1 are relatively lower as most of the hotels in all business districts are still temporarily closed or used as quarantine facilities.

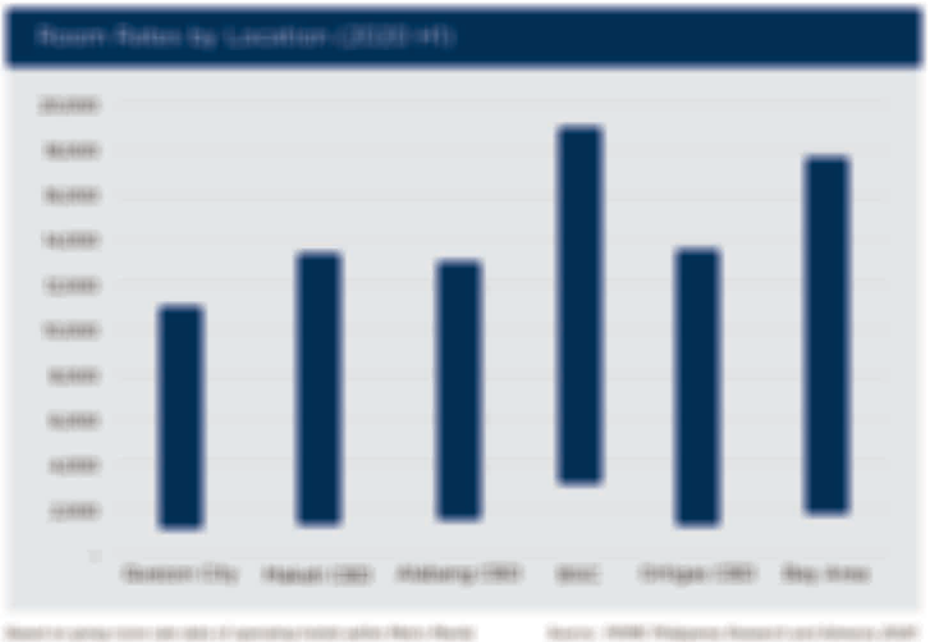
TREND WATCH: Work from Hotel

Source: Business World

While most of the companies adopted a work from home setup after the implementation of ECQ, BPO companies continued to report to their respective offices. Due to the lack of transportation means, BPOs partnered with hotels for their employees' accommodation, making it one of the main drivers of the hotel sector in this time of crisis. Due to the limitations in transportation and continued temporary closure of some office buildings during GCQ, a new trend has been seen to rise as some hotels in Ortigas, Makati, and BGC, introduce the Work from Hotel service. With this set-up, guests can either book hotel rooms to be used as 1) an office from 8:00 AM to 8:00 PM or 2) as a place where an employee can stay at while working, giving one a sense of being home. Room sizes may range from 45sqm to 140sqm with rates ranging from Php 4,600 to Php 11,400.

HOTEL SECTOR
Occupancy Rate by Hotel Classification

HOTEL SECTOR
Room Rates



INDUSTRIAL SECTOR

Metro Manila Property Market Update

Despite a general slowdown in real estate transactions, the industrial sector still manages to hold its own in terms of rental rates. Yearly increase in rates, even though miniscule in the grand scheme ofthings, has gradually increased. Warehouse and manufacturing facilities have grown in terms of demand due to a halt in the transport of goods and services.

Moreover, many people have converted to shopping for necessities online, thereby rendering warehouses used for storage somewhat valuable.

2019 - 2020H1 Industrial Warehouse Rental Rates per sqm (in PHP), by Key Location

Location	2019		2020		Average YOY Growth Rate
	LOW	HIGH	LOW	HIGH	
MM	150	500	175	500	3.85%
Laguna	130	270	130	340	17.50%
Cavite	160	200	130	250	5.56%
Batangas	185	300	180	310	1.03%
Pampanga	125	230	125	250	5.63%
Bulacan	90	120	110	150	23.81%

Note: Data presented covers both PEZA and non-PEZA accredited zones; MM for Metro Manila

Source: PRIME Philippines Research and Advisory Group 2020

A sustained boom in e-commerce

Regardless of the influence of the pandemic to the industrial sector, warehouses intended for e-commerce and online stores use have continued to see demand for their institutions. Additionally, it is likely that its market will continue to grow steadily, as the demographic for these types of commerce has been steadily expanding outside the millennial and generation Z market. The business climate in industrial warehouses before the pandemicsaw a growth in popularity directly proportionate to the demand in e-commerce brands, such as Lazada and Shopee. Despite the pandemic affecting other industries in the real estate scene, the industrial sector is expected to remain robust. With its capability to make use of logistics and warehouse supply, the industrial sector can prove to be more impactful in terms of income generation amidst a global crisis.

Moreover, various developers see this untapped potential posed by the industrial sector and are keen to maximize its presence in this real estate landscape. Among these developers is DoubleDragon Properties, which started their manufacturing and warehouse endeavors through the CentralHub Warehouse Complex projects. In 2020 it was expected that the DoubleDragon would develop eight of these complexes, located in various places in the country. Four of the eight include: CentralHub Iloilo, CentralHub Cebu, CentralHub Davao, and CentralHub Capiz. Some of these projects, however, had to be extended until 2022 given the construction constraints brought by the pandemic.

Industrial Warehouse Market in Davao and Cebu

	2020H1 Warehouse Rental Rates
Metro Cebu	150 - 450
Metro Davao	120 - 300

Note: Data presented covers both PEZA and non-PEZA accredited zones
Source: PRIME Philippines Research & Advisory Group 2020

Metro Cebu finds most of its warehouse concentrate in or near the Mandaue area, due to the proximity to the region's ports.

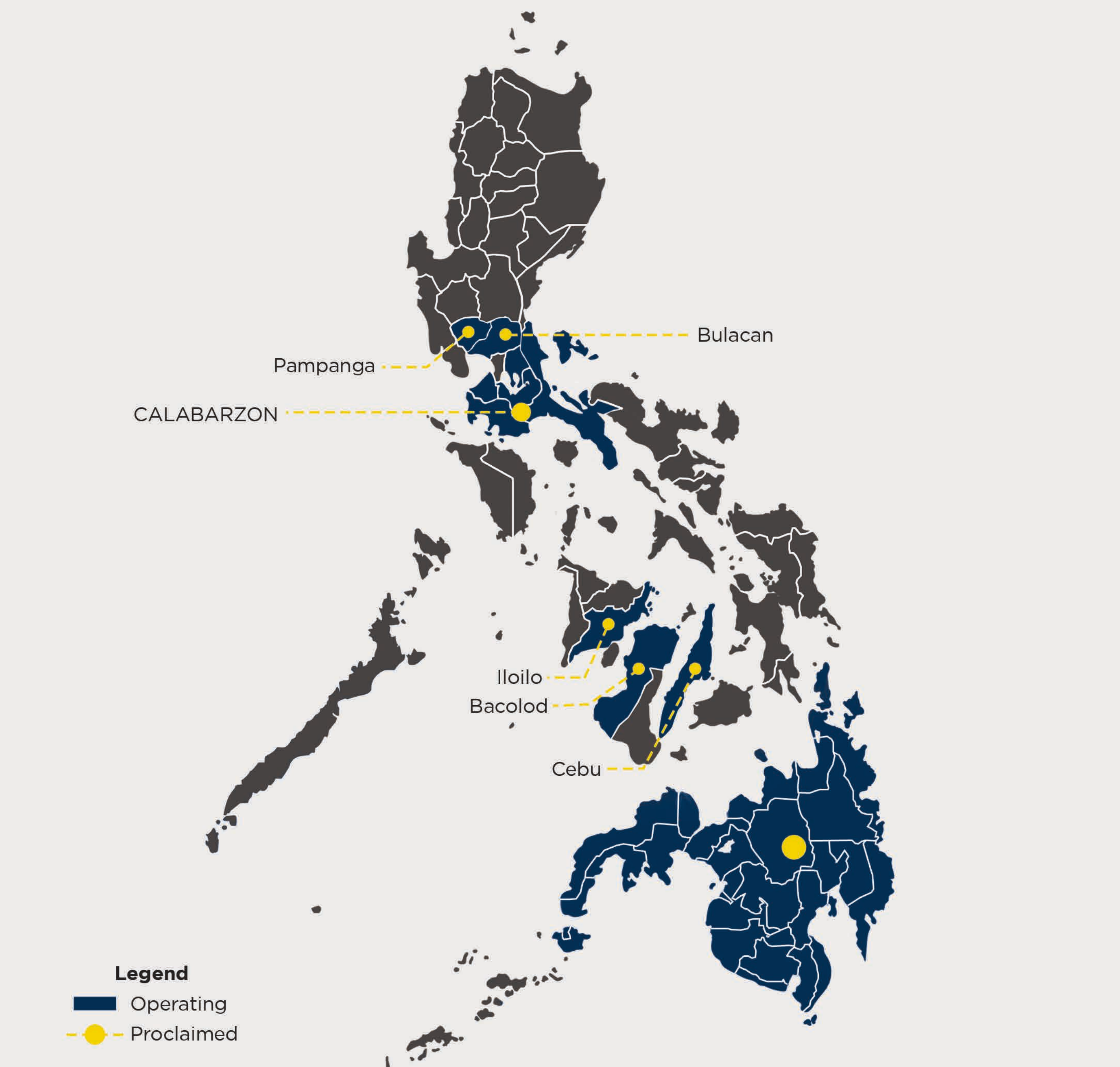
Metro Davao operates its warehouse scene in the fringes as opposed to the commercialized areas. Places, such as Agdao, Bunawan, Tugbok, and Toril all house a majority of Davao's industrial sector.

Inherent buoyancy amidst lull in business climate

Despite a general slowdown in real estate related transactions, 12 economic zones have been approved by the Malacañang since January 2020, which can further generate income from the manufacturing and warehouse sectors. Of the 12, nine are IT Centers, two are manufacturing ecozones, and one is an IT Park. The two manufacturing projects will be located in Davao del Sur and in South Cotabato. In addition to this 12 Palace-approved ecozones, the PEZA board is eyeing 10 new ecozones to be approved through Presidential Proclamations. Of these 10, the Cordillera Administrative Region (CAR), Ilocos Region, Western Visayas Region, and the Davao Region are expected to have an economic zone located in their respective vicinities. Additionally, the CALABARZON region may potentially find itself to be the home to four new economic zones, while Central Luzon is expected to have two additional zones under its belt.

Furthermore, PEZA has noted that they will have 40 new projects. Of the total 40, two will be constructed as logistic firms, 55% of the overall projects will be in the CALABARZON Region, while 18% will be divided across existing ecozones located in the Metro Manila area. The rest of the projects will be scattered across Ilocos, Western and Central Visayas, Davao and Central Luzon.

PEZA-ACCREDITED ECONOMIC ZONES OVERVIEW



Source: Philippine Economic Zone Authority

LAND SECTOR

Metro Manila Market Property Update

Commercial Land Selling Prices per sqm (in PHP), by Business District

Key Location	2020H1		Average Selling Price per sqm		YOY Growth Rate
	LOW	HIGH	2019H1	2020H1	
Makati CBD	333,333	1,122,784	588,540	660,804	12.28%
BGC CBD	550,000	1,200,00	757,059	840,336	11.00%
Bay Area CBD	230,000	674,000	367,851	476,792	29.62%
Ortigas CBD	160,000	380,000	189,961	240,618	26.67%
Alabang CBD	211,000	450,000	223,897	335,846	50.00%
Quezon City CBD	99,937	332,180	138,744	184,352	32.87%

Source: PRIME Philippines Research and Advisory Group 2020

The Philippine economy has been negatively affected by the COVID-19 pandemic. Despite this, land selling prices have been inching up, though the overall rate of increase across Metro Manila CBDs for the half-year periods between 2019 and 2020 are lower iwhen compared to the rate of ncrease from 2018 to 2019. This slower rate of increase in selling prices is one of the indicators of a market that could be transitioning from a seller's market to a buyer's market.

Additionally, one of the key indicators leading to a shift from a seller's market to a buyer's market is the willingness of the seller to negotiate the prices of their properties.

TOWNSHIP DEVELOPMENT UPDATES: Filinvest's Mimosa and Aboitiz's Lima

In light of the pandemic and a major halt to most significant developmental projects, Filinvest Development Corp. asserts that two of their township developments will proceed as originally planned. Located in New Clark City, the first phase of the Filinvest Innovation Park, which consists of 64 hectares of land, is targeted to be completed by the second half of 2020. Additionally, two other townships from Filinvest will continue to be developed, namely the Mimosa Plus Leisure City, which is set to occupy 201 hectares worth of land, and Filinvest at New Clark City, which will have about 288 hectares of property.

Similarly, Aboitiz Land is expected to continue its projects outside the major Metro Manila Districts. Among these projects include the LIMA township situated in Batangas. The development is on track to go through the next phase, which includes expansions and further renovation of the existing business district.

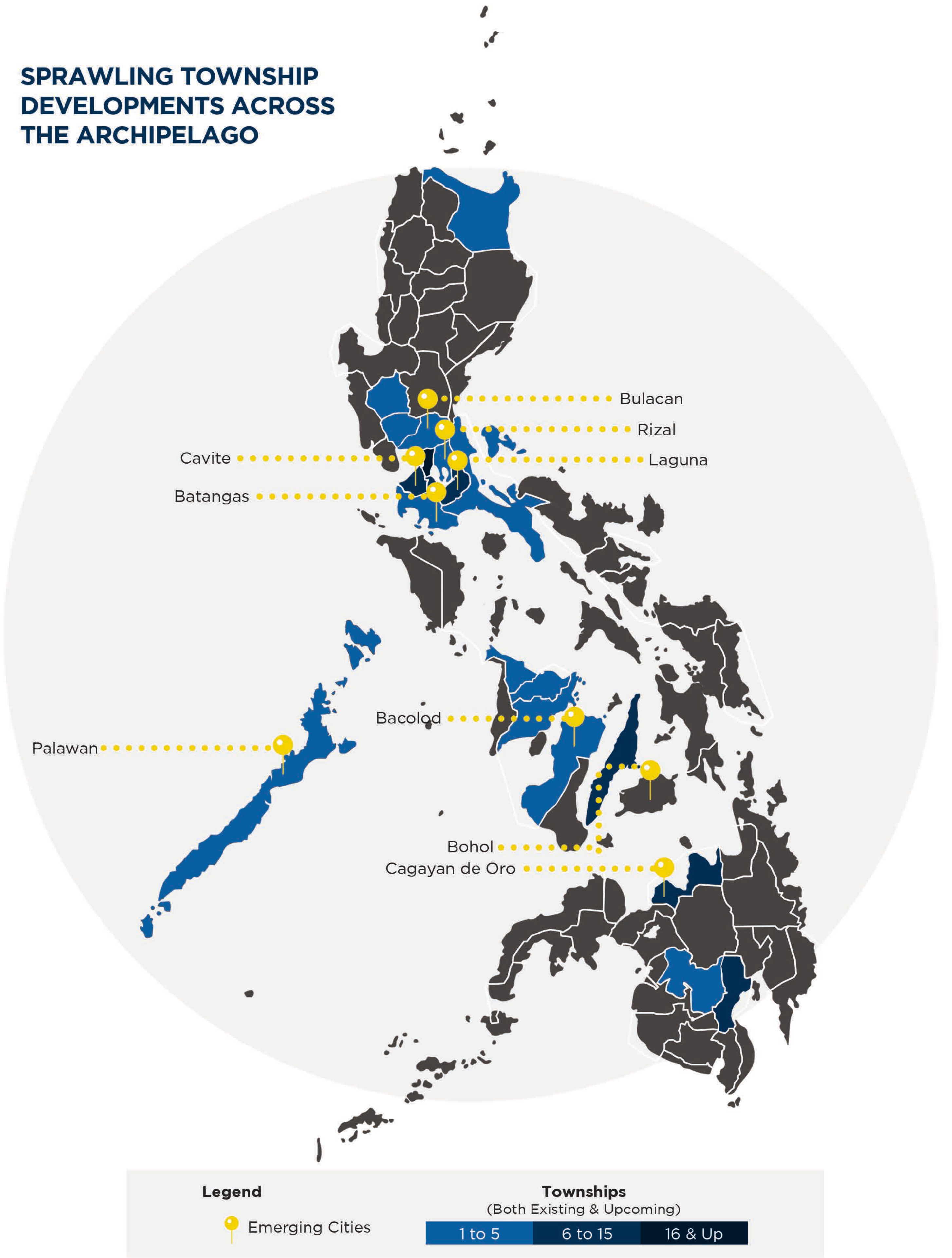
Source: Filinvest Mimosa + Liesure City


Source: Anoitiz Land | Business Mirror

Buyer's market: A move to the new normal

As aforementioned, the Philippines has been seeing a gradual shift from a seller's market to a buyer's market. The uncertainty brought about by the virus has prompted many individuals and sellers to actively look for buyers interested to purchase their properties. This may translate- to a potential increase in supply, though an increase in buyers is not definite. A commercial land market deviating from a seller's market means people looking to buy properties are at an advantage as more sellers are willing to negotiate the price of their properties.

SPRAWLING TOWNSHIP DEVELOPMENTS ACROSS THE ARCHIPELAGO



Sources: Philippine Statistics Authority (PSA), PRIME Philippines Research & Advisory Group 2020

LAND SECTOR

METRO CEBU PROPERTY MARKET OVERVIEW 2020H1

OFFICE SECTOR

Metro Cebu Property Market Update

The decrease in occupancy for the first half of the year can be attributed to the pre-termination of some business process outsourcing companies and traditional firms brought about by the longer and stricter quarantine measures implemented in these cities

Metro Cebu Office Space Supply and Occupancy Rate, by City

Key Locations	Existing Office Supply	Occupancy Rate	
		2019H2	2020H1
Cebu City	890,000 sqm	89.30%	86.58%
Mandaue City	75,000 sqm	82.72%	78.34%
Lapu-Lapu City	41,000 sqm	94.00%	93.00%

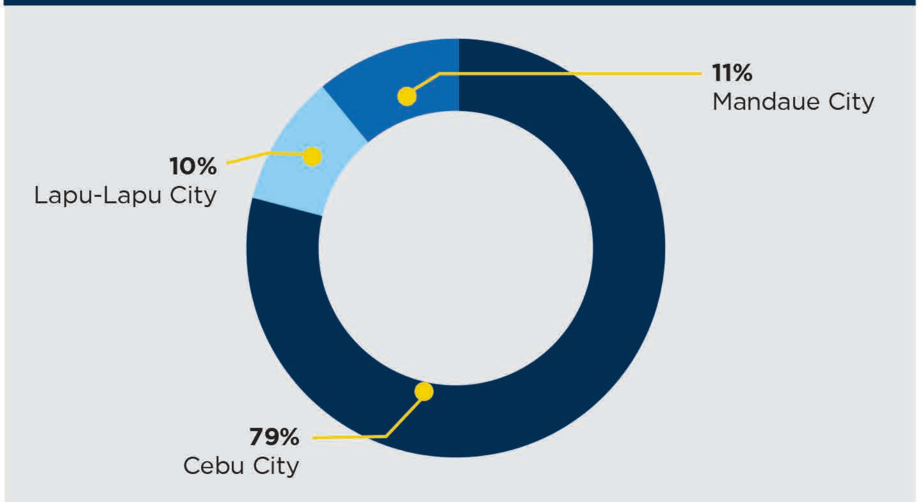
Source: PRIME Philippines Research and Advisory Group 2020

Additional supply to come from Cebu City's business parks

Due to the onslaught brought about by the pandemic, stricter measures are still being implemented in its key business areas, resulting in limitations in office building construction in the first half of 2020. For 2020H2 until 2022, Cebu City accounts for almost 80% of the future office supply in Metro Cebu. This is due to the location of business parks and PEZA-accredited IT centers within the city.

Other factors that contribute to the attractiveness of Metro Cebu as a preferred business destination include its competitiveness in terms of manpower, infrastructure, and cost of doing business.

Distribution of Metro Cebu Future Office Space Supply (2020F - 2022F), by City



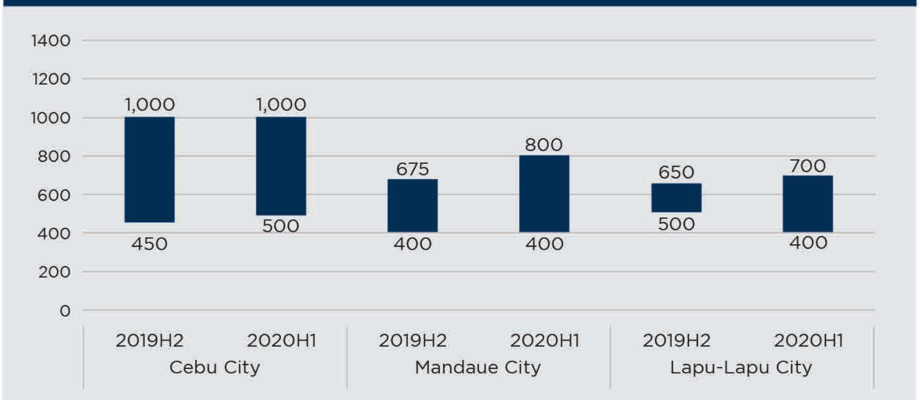
Source: PRIME Philippines Research & Advisory Group 2020

Office rents remained relatively stable

Metro Cebu's overall office rental rates in the first half of 2020 saw an increase of 5% from its 2019 yearend rate. Among the three highly urbanized cities in Metro Cebu, Cebu City remained to have the most premium office rates given its abundant supply of Grade A and PEZA-accredited buildings.

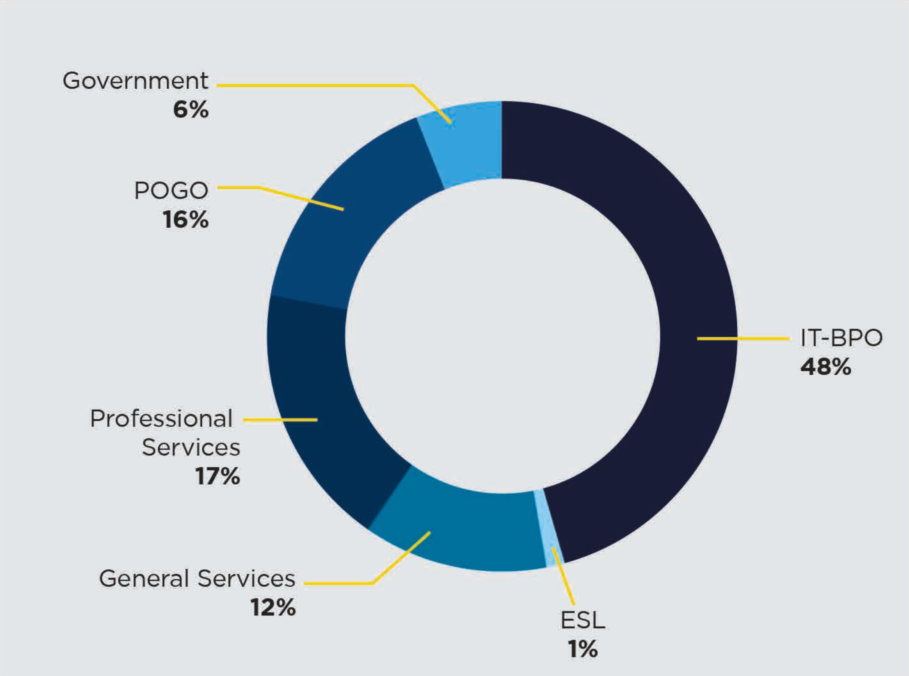
Overall rental rates may decrease in the second half due to a slowdown in demand for office space. Expected recuperation of the office market in 2021 onwards will mostly come from major demand drivers like the IT-BPM industry, which has been the dominant driver in Metro Cebu's office market for the past years.

Metro Cebu Office Rental Rate (in PHP), by City



Source: PRIME Philippines Research and Advisory Group 2020

Distribution of Metro Cebu's Existing Office Space Take-Up, by Industry



Source: PRIME Philippines Research and Advisory Group 2020

IT-BPM continues to lead Metro Cebu's office market

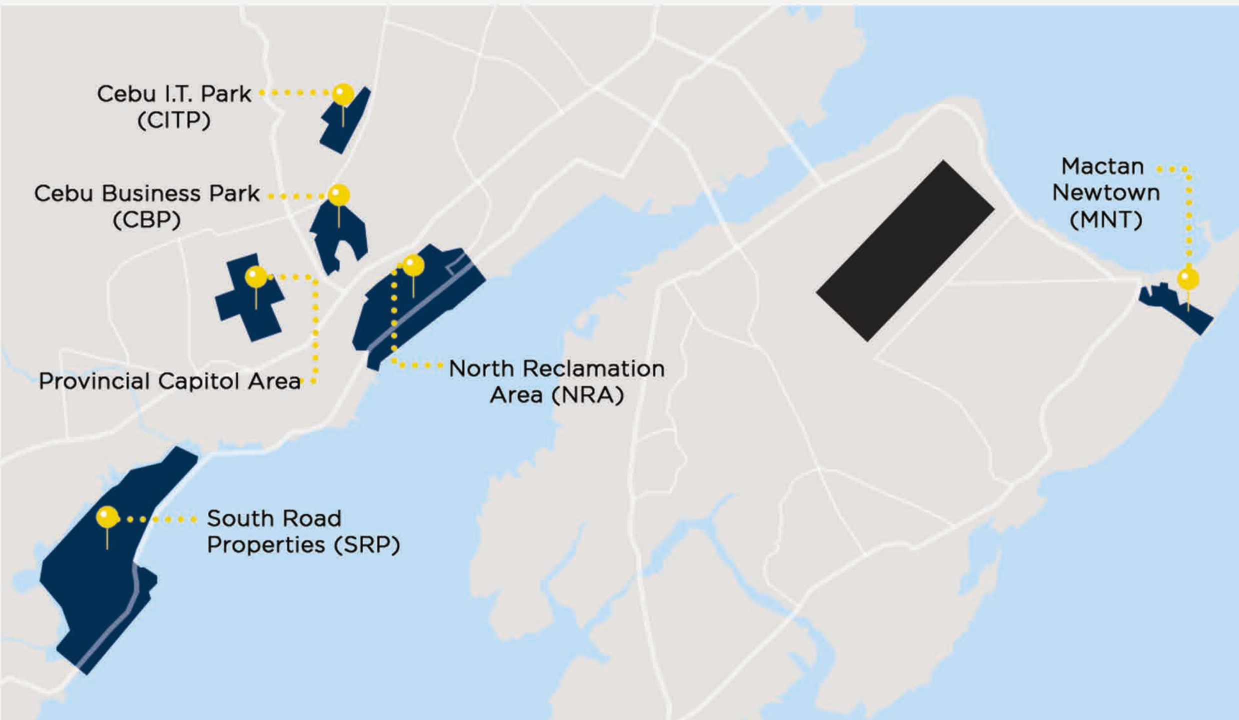
The IT-BPM industry takes almost half of the office take-up share as it continues to transform Metro Cebu's labor market into one of today's main job generators.

Compared to last year's Philippine Offshore Gaming Operators (POGO) take-up, 2020H2 saw an increase in percentage share among the sector's drivers. Although POGO has also dominated the office market, expansion remains uncertain as disputes with tax authorities are yet to be resolved. Professional services, general services, and government offices make up the remainder of the take-up, with a significantly increasing demand from English as a Second Language (ESL) companies as a result of the COVID-19 pandemic worldwide.

MAJOR DEMAND DRIVER: The IT-BPM Industry

Metro Cebu (composed of Cebu City, Mandaue City, and Lapu-Lapu City) is a thriving investment destination outside Metro Manila and a key economic hub that has a strong foothold in the IT-BPM industry.

Business parks such as Cebu Business Park and Cebu IT Park occupiers, mainly the IT-BPM industry since more foreign companies are looking to outsource in Metro Cebu for its lower land development costs, lower lease rates, advanced building technical specifications, and diverse manpower. Spillover is expected to be generated in nearby locations, such as South Road Properties such as South Road Properties (SRP), where a mixed-use township with industrial, commercial, and residential components is set to rise. As soon as commercial developments start rising in SRP, it is expected to accommodate the increasing demand from IT-BPO companies.



Source: PRIME Philippines Research and Advisory Group 2020

HOTEL SECTOR

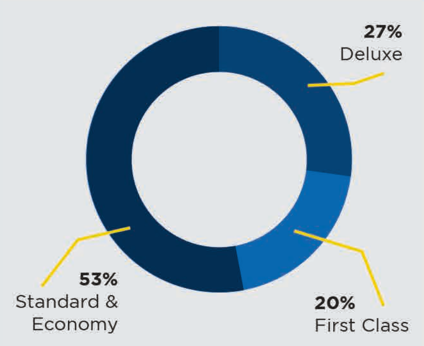
Metro Cebu Market Property Update

Corporate leasing drive the demand for hotel rooms during 2020H1

Most of the existing hotel rooms are under the Standard and Economy category. Likewise, most of the bookings during 2020H1 also came from the same category with almost 75% occupied rooms.

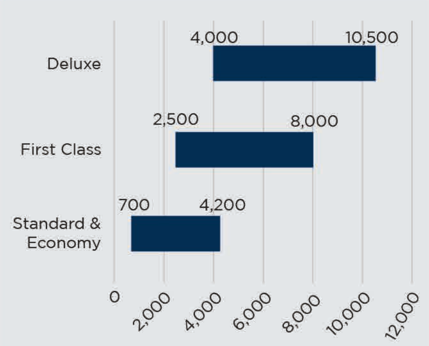
After being placed under ECQ for the second time, the hotel sector managed to pull through the pandemic by venturing into corporate leasing for 2020H1, which is expected to continue until the end of the year.

Metro Cebu Existing Hotel Room Distribution, by Classification



Source: PRIME Philippines Research and Advisory Group 2020

2020H1 Metro Cebu Hotel Room Rate (in PHP), by Classification



Source: PRIME Philippines Research and Advisory Group 2020

Flexible room rates for corporate companies

To keep the business going, the hotel sector provided special rates for corporate companies that need accommodation during the ECQ period. Since bookings are still limited for essential workers, most of the hotels had a decrease in their room rates.

Room rates for Standard and Economy range from Php 700 to Php 4,200, while First Class ranges from Php 2,500 to Php 8,000. Deluxe offersrooms with rates ranging from Php 4,000 to Php 10,500.

Cities outside Metro Cebu also had their own initiatives to survive the crisis, which include a gradual reopening of some tourist destinations and a competitive package coming from premium hotels and resorts to entice locals.

Mactan-Cebu International Airport

Source: MegaWide Construction Corporation

After its launch in 2019, the Mactan-Cebu International Airport (MCIA) has become the newest world-class passenger terminal with a capacity of about 12.5 million passengers. It is located at Mactan Island's Lapu-Lapu City and has two operating terminals. Once the MCIA becomes fully operational and the quarantine restrictions start to relax, gearing towards the resumption of domestic travel for leisure, tourist arrivals in Metro Cebu is expected to increase, prompting a movement for the hotel sector's revenue as well.

Awards: 2019 Global Architecture Award, 2019 Completed Buildings: Transport Category Winner, 2019 International Architecture Awards for Airports and Centers Category

Source: PRIME Philippines Research and Advisory Group 2020

LAND SECTOR

Metro Cebu Market Property Update

2020H2 Metro Cebu Commercial Land Selling Price per sqm (in PHP), by City

Key Location	Average Selling Price per sqm
Cebu City	115,400
Lapu-Lapu	20,500
Mandaue	63,500

Note: Values indicated are based on selling prices of prime properties

Source: PRIME Philippines Research and Advisory Group 2020

The Cebu region has seen its fair share of demand in its general vicinity, but Cebu City continues to be its most competitive location for income generation. With properties such as the Cebu IT Park, Cebu Business Park, and South Road properties, Cebu City remains a hotbed for commercialization, centralization, and business growth.

Meanwhile, Lapu-Lapu City and Mandaue City, though both considered as emerging cities, are expected to have more master-planned developments underway. Among these master-planned developments are Mandani Bay waterfront development in Mandaue City and Mactan Seagrove in Lapu-Lapu City. Additionally, upon the completion of infrastructure projects such as the fourth Mactan Bridge, Lapu-Lapu City can experience easier access to the goods and services from Cebu island, thereby spurring more growth in its commercial developments.

WATCH OUT!

Source: Metro Pacific Tollways Development

AT A GLANCE:

- To be constructed to connect Cebu and Mactan through Cordova.
- Project was approved in 2016 by the Cebu Provincial Board.
- Groundbreaking took place in 2017.
- Project is expected for completion in 2021.
- Total length of bridge is 8.25 kilometers, and total width is 27 meters.
- Four lanes in total.
- Can serve about 50,000 vehicles per day.

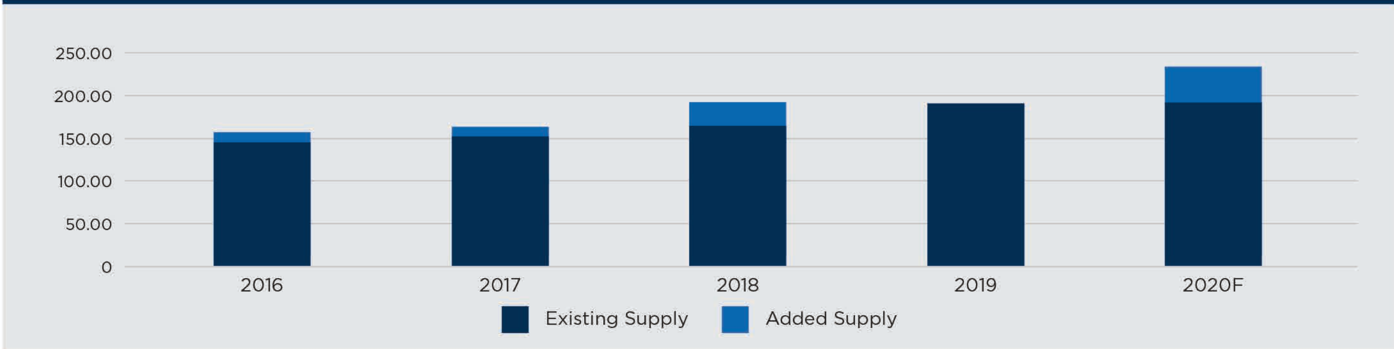
The **Cebu-Cordova Link Expressway (CCLEX)** is a priority project meant to decongest Cebu's traffic issue. Spanning 8.25 kilometers, it begins at Cebu's South Coastal Road Tunnel and ends at Mactan Cebu Circumferential Road. Additionally, the construction of the bridge connecting Cebu and Mactan aids in further connecting both cities, as well as stir additional economic growth. As of April 2020, the overall CCLEX project was already at 57% completion. The whole bridge is targeted to be completed in 2021. Once completed, it can reduce the travel time from Cebu City to Mactan-Cebu International Airport by 40 minutes.

METRO DAVAO PROPERTY MARKET OVERVIEW 2020H1

OFFICE SECTOR

Metro Davao Property Market Update

Davao City Office Space Supply 2016 - 2020F



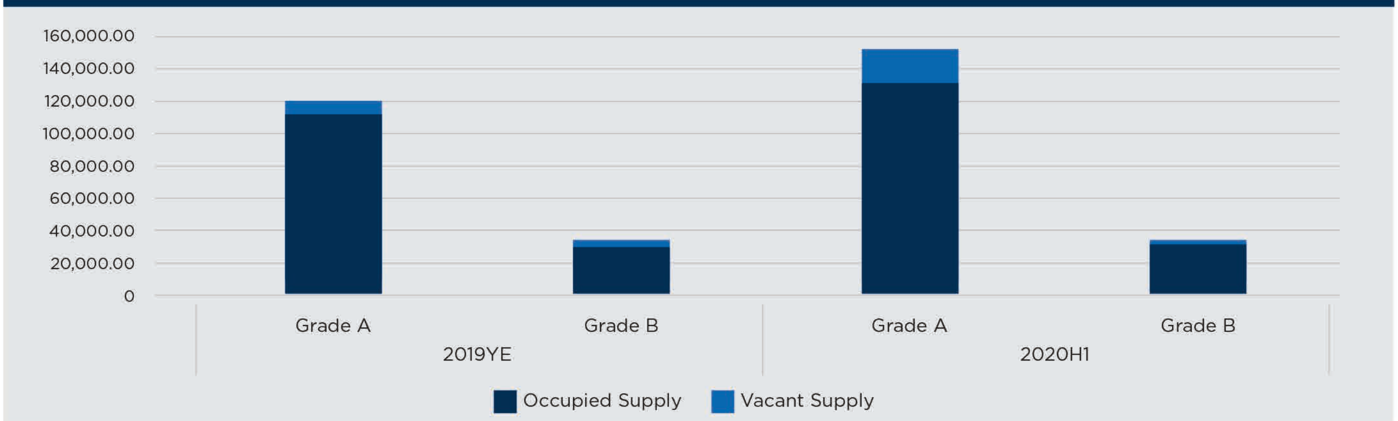
Source: PRIME Philippines Research and Advisory Group 2020

Additional supply to support scarce space demand in 2020H2

Most office building constructions have been put on hold after the execution of the enhanced community quarantine in Davao City. Still, around 43,000 square meters of office supply are expected to be completed this year, adding to the current supply of almost 192,000 square meters. Among the office buildings in the pipeline are Damosa Land's Diamond Tower and Robinsons Land's Cybergate Delta Tower 2.

In spite of this, demand for office space is expected to decrease in the second half of 2020, which may reduce the overall occupancy in the office space market.

Davao City Office Occupancy Rates 2019YE - 2020H1

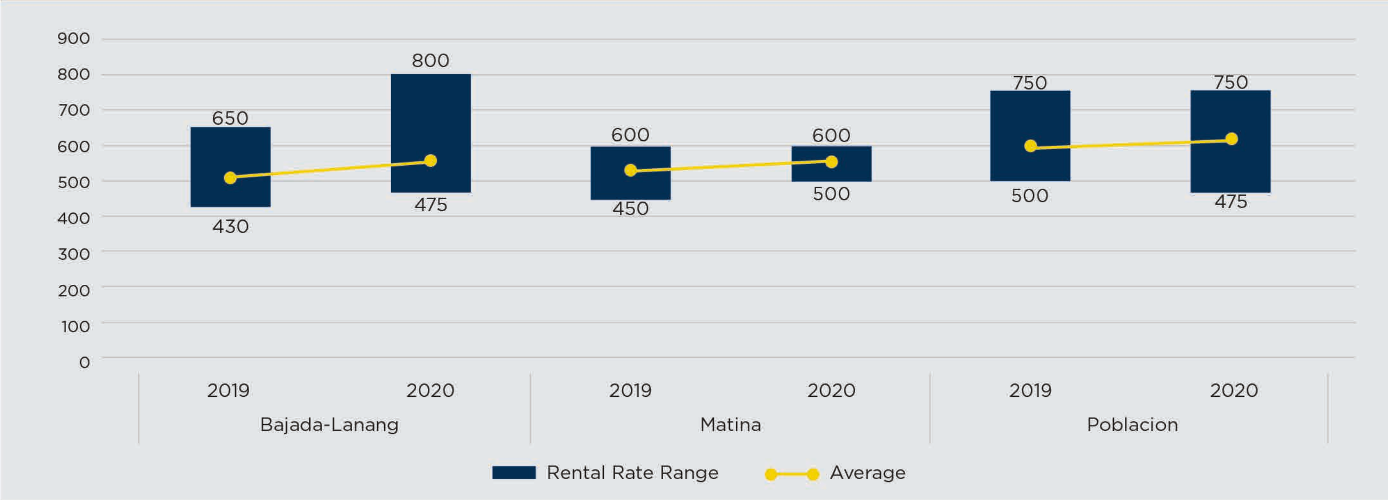


Source: PRIME Philippines Research and Advisory Group 2020

PEZA-accredited buildings remain preferred among office tenants

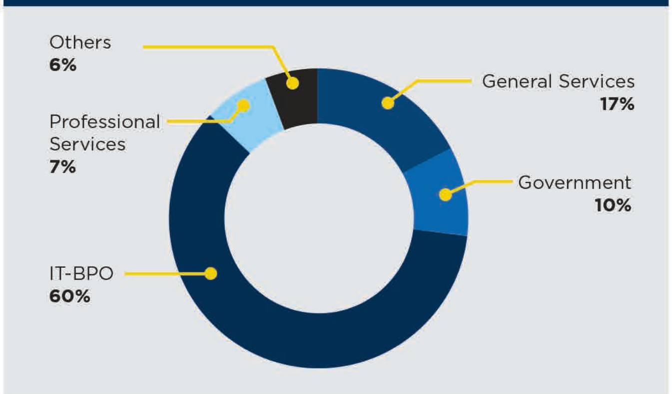
A decline in office tenant occupancies were observed as a result of the COVID-19 pandemic, from its 93% to 87% average occupancy on both Grade A and B office buildings. Although this does not come off as a surprise due to the economy's circumstances, PEZA-accredited buildings still have an optimistic performance of 92% occupancy, same as last year's. A gradual recovery in 2021 may be anticipated as outsourcing firms and traditional companies adjust to the local economy.

Davao City Rental Rate by Key Location 2019YE - 2020H1



Source: PRIME Philippines Research and Advisory Group 2020

Distribution of Davao City's Existing Office Space Take-Up, by Industry



Source: PRIME Philippines Research and Advisory Group 2020

Lease rates to rebound in 2021

Rental rates have gone up in the first half of 2020, mainly from the newly offered Grade A office buildings such as Diamond Tower and Aeon Towers. But due to the softening of demand for office space caused by the pandemic, rental rates may slightly lower in the second half of this year to adjust to the market conditions.

Rental recovery in 2021 will most likely take place first in I.T. Parks where demand drivers like the IT-BPM industry and serviced offices flourish, followed by the business district's fringes.

DEMAND DRIVERS: Davao City's Office Market Push

MAJOR OFFICE LOCATORS

IT-BPM INDUSTRY

ibex. iQor

VXI

SERVICED OFFICES

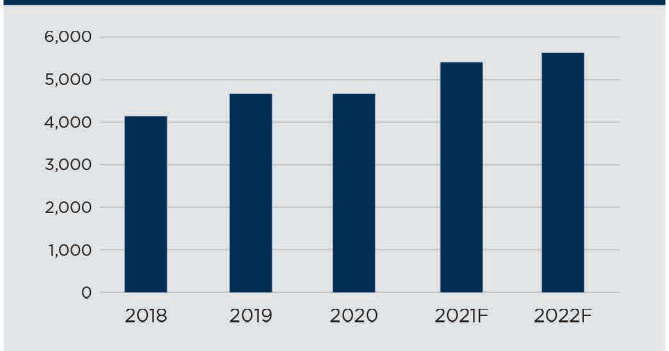
SKYNORA

THE WRKSPCE Regus

HOTEL SECTOR

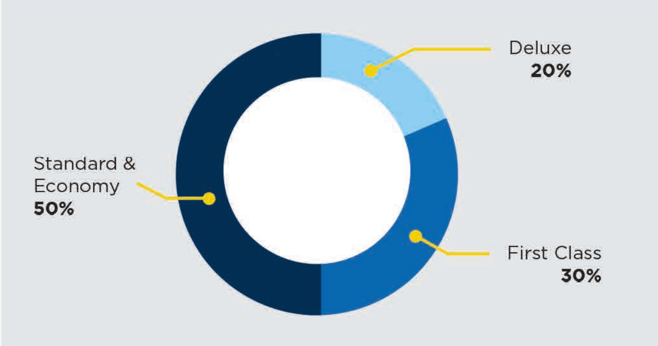
Metro Cebu Property Market Update

Davao City Total Existing Hotel Rooms (2018 - 2022F)



Source: PRIME Philippines Research and Advisory Group 2020

Davao City Hotel Room Distribution, by Classification



Source: PRIME Philippines Research and Advisory Group 2020

No additional supply expected until the end of 2020

For 2020H1, there had been no additional supply for the hotel sector. Due to the COVID-19 pandemic, construction of upcoming hotel developments were halted, causing for supply to start coming in in 2021 until 2022. Standard and Economy segment still dominates the hotel industry with more than 2,000 rooms. Additional rooms for 2021, however, are expected to be under the First Class and Deluxe categories. Included in Davao City's future hotel supply are Hotel 101 and Obsidian Suites.

Davao City Hotel Room Rates per Night (in PHP), by Classification

Category	Average Room Rate (2019)	Average Room Rate (2020H1)
Deluxe	5,900	3,600
First Class	4,580	2,800
Standard	2,370	1,365
Economy	1,280	920

Source: PRIME Philippines Research and Advisory Group 2020

Room rates drop in 2020H1

Due to the imposed travel ban, cancelled events, and implemented lockdowns in Davao, there has been a softer demand for the hotel sector in 2020H1. To attract more guests, hotels in Davao City had a 50% to 70% cut on their room rates.

Similar with other cities, Metro Davao depends on corporate companies for revenue and until it is placed under a more relaxed community quarantine measure, no significant increase in revenue is expected.

Cancelled Davao Events

Araw ng Dabaw

Kadayawan Festival

MICECON 2020

The cancellation of big and prestigious events in Davao City greatly affected its tourism industry and exposure. For Araw ng Dabaw alone it recorded a loss of around 200,000 domestic and foreign tourists. This collapse in the tourism industry had an adverse impact on the city's hotel sector as events and tourists have played a major role in its optimum performance over the years. Given the current situation, both domestic and foreign leisure travels are still unlikely to happen. In order to survive the crisis, the hotel sector needs to pivot its services from being leisure-driven to being diverse or being open to other opportunities and demands (i.e. corporate leasing, serviced apartments, condotels).

LAND SECTOR

Metro Davao Property Market Update

Davao City Commercial Land Values in PHP per sqm, by Key Location

Location	2019			2020			YOY Ave. Growth Rate
	LOW	HIGH	Average	LOW	HIGH	Average	
Bajada-Lanang	45,000	125,000	89,376	63,333	135,000	101,788	14%
Matina	30,000	65,000	46,651	40,000	65,000	49,803	7%
Poblacion	40,000	85,837	61,394	60,168	85,837	67,237	10%

Source: PRIME Philippines Research and Advisory Group 2020

Land selling values in all three major divisions in the Davao City have continued to see similar growth, with 2020's rate of increase being slightly higher than the previous year. Government projects, such as the ambitious "Build, Build, Build" initiative, and an increasingly progressive commercialization of the city remain to be the two key demand drivers. Additionally, more developers are locating to these three locations to erect township developments, thereby spurring further growth, and consequently reflecting investor's confidence in the city. These townships include Davao Park District, Davao Global Township, Azuela Cove, and LPU Town Davao.

Davao-Samal Bridge

Target Construction Period: 2021 – 2024
Target Year of Completion: 2025

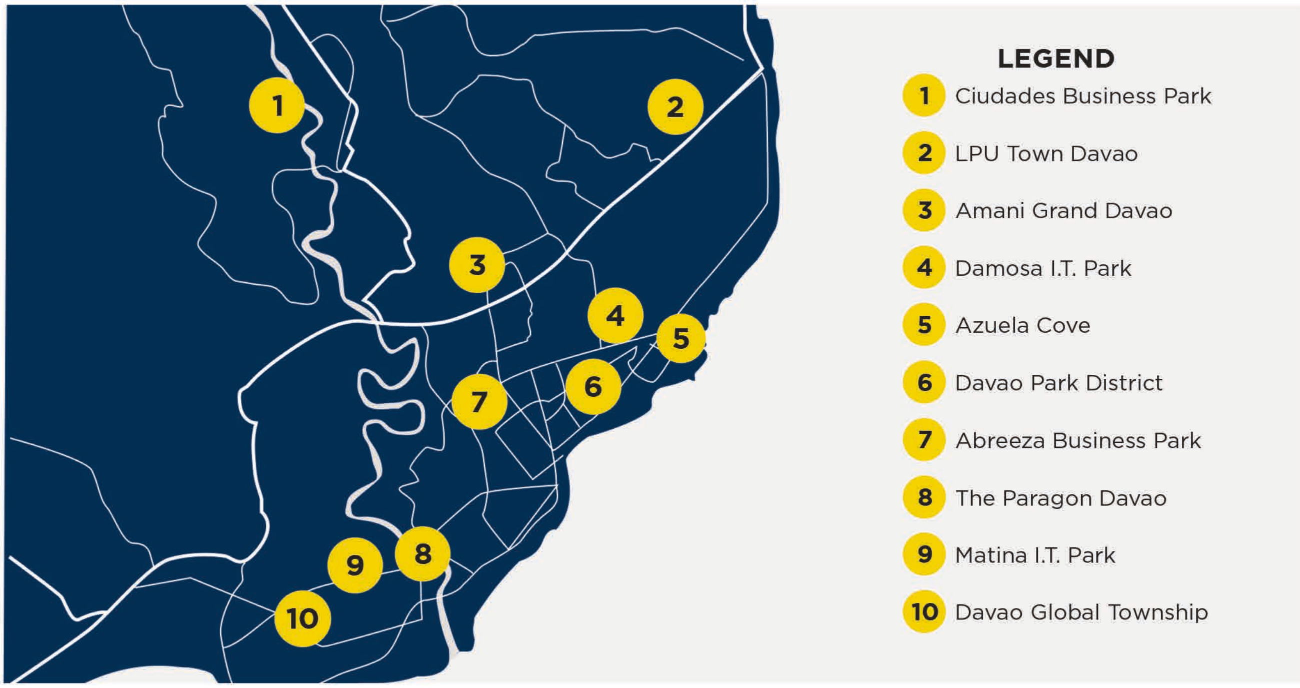
COVID-19 Update: In spite of the pandemic taking over the country, the Davao-Samal Bridge, as well as other big-ticket infrastructure projects, are expected to continue as planned, albeit with delays in completion.

Approved by the National Economic Development Authority on November 29, 2019, the highly anticipated Davao-Samal Bridge is expected to have its groundbreaking in 2020Q4 and start its construction period sometime in 2021.

Ultimately, the bridge will serve as a monumental link in order to spur further growth, as well as to provide a better access for the transportation of goods, services, and other such resources.

In terms of land values, it can be expected that the bridge, as well as its immediate vicinity, will benefit from future endeavors, and areas nearest the infrastructure will be in high demand.

LAND SECTOR
Davao Township in a Glance



The Davao region has grown to become an emerging hotspot for business parks and other such endeavors. Further growth is to be expected with the rise of townships in the area. Of these developments, many are from major developers such as Megaworld Corporation, Ayala Land, and Cebu Landmasters, Inc.

TOWNSHIP FEATURE: Agriya by Damosa Land Inc.

AT A GLANCE:

- 88 hectares of land.
- 44 hectares will be used for the initial phase.
  - Residential: 9 hectares
  - Commercial: 24 hectares
  - Agritourism: 9 hectares
- The University of Philippines Professional School for Agriculture and Environment (UP-PSAE) will also be taking up 3 hectares of the property.

"What Agriya is is a master-planned community, whose central theme is agriculture. And I think that's something that will really set us apart from a lot of other master-planned projects that you can find all over the country."

- Ricardo F. Lagdameo, DLI First Vice President

With a focus on combining agriculture with real estate, Damosa Land's agriculture-focused mixed use property has been launched in February 2020. Located in Panabo City, and spanning three of its barangays, namely New Pandan, Sto. Nino, and Cagangohan, it is considered to be the next prime agri-tourism location for investors everywhere. It also has agriculture as its backbone and gives its tourists an insight on Davao's rich agriculture landscape. Its unique masterplan and novel premise can aid in the promotion of Davao as a tourist center, as well as further growth within the region.

REIT IS HERE!

WHAT IS REIT?

REAL ESTATE INVESTMENT TRUST (REIT)

A stock corporation that owns, operates, or finances income-generating real estate assets. Portions of the returns are distributed to shareholders as dividends. REITs come in various forms – equity, mortgage and hybrid. Most common equity REITs – corporations own and operate income-generating properties.

- Revised IRR of the Philippines' REIT Act of 2009 (REIT Law) – January 2020
- The minimum public ownership requirement (MPO) of a REIT has now been reduced to at least one-third (1/3) of the outstanding capital of the REIT, with at least 1,000 public shareholders each owning at least 50 shares.
- Reinvestments in the Philippines is now required for any sponsor or promoter who contributes income-generating Real Estate to a REIT:
  - Any proceeds from the sale of shares or other securities issued in exchange for Income-generating real estate transferred to the REIT.
  - From the sale of any income-generating real estate to the REIT, must be reinvested by a sponsor or promoter in a real estate, redevelopment or infrastructure project in the Philippines.
- Amendments to the requirements for REIT Property Managers.

ASSETS CONSIDERED AS REIT COMPANIES

Apartment Buildings
Office Buildings
Medical Facilities
Shopping Centers
Hotels
Resorts
Hospitals
Highways
Warehouses
Railroads

AREIT: The First Real Estate Investment Trust to Debut on the Local Stock Echange

- Philippines' Securities and Exchange Commission (SEC) has approved an initial public offering (IPO) for Ayala Land, Inc.'s REIT subsidiary, AREIT.
- Expected to hold the IPO on July 27-31, 2020
- Scheduled Listing debut on the Philippine Stock
- Exchange is on August 13, 2020
- Initial public offering at P27 per share.
- Primary offer for the expansion of its building portfolio will be through the acquisition of a fourth building, Teleperformance Cebu.

INTERESTED DEVELOPERS

DoubleDragon Properties Corp.
Century Properties
Robinsons Land Corporation
Megaworld

PORTFOLIO OF COMMERCIAL PROPERTIES


SOLARIS ONE


MCKINLEY EXCHANGE


AYALA NORTH EXCHANGE

OUTLOOK

With the introduction of the very first REIT IPO in the country, other developers are expected to follow through, like DoubleDragon Properties, which plans on filing its REIT listing application by October 2020.

THE FIRST REAL ESTATE-FOCUSED SURVEY REPORT IN THE PHILIPPINES

Learn the sentiments and insights of nearly 500 landlords, occupiers and investors on the impact of COVID-19 in the overall economic and real estate business in the Philippines.

Watch out for the Volume 3 of PRIME Philippines' **2020-2021 Philippine Real Estate Business Intelligence Compendium** and get an access to exclusive package contents as follows:

VOLUME 3
(RELEASE DATE: 2021, for subscribers only)

BREAKING BOUNDARIES: Real Estate Sentiments and Philippine Emerging Cities
A 2021 SPECIAL REPORT

Analyzing collective insights from real estate practitioners from various sectors – office, retail, residential, hotel, and industrial, this report focuses on the strategies stakeholders may apply to recuperate from the adverse effects of the COVID-19 pandemic and how to move forward to sustain long-term business continuity.

To equip landlords, occupiers, and investors/ developers with critical market movements, forecasts, and sentiments on the rising hotspots outside the traditional business districts in the Philippines, a special report on the emerging cities will be covered.

Global Market and Business Situationer
Get access to a complete and high-level analysis of the impact of the pandemic on various industry performances globally and locally.

A Year after COVID-19: Philippine Real Estate Business Performance
Be updated about the performance of the office, retail, residential, hotel, industrial, and commercial land sectors in Metro Manila, Cebu, and Davao.

Philippine Real Estate Business Performance and Outlook
Be informed about the lasting market adjustments and calculated short-term and long-term impacts of COVID-19 from more than 1,000 data points to be gathered from our survey.

Emerging Cities outside Metro Manila
Know the sentiments of landlords, occupiers, and investors on where the next real estate hotspot could be through our geospatial investor confidence mapping.

Exclusive access to complete and raw survey results and derived statistics
Equip yourself with the right tools to strategize your next move given the impact of the pandemic through our comprehensive data gathered from landlords, occupiers, and investors.

WATCH OUT for **Volume 3** of PRIME Philippines'
2020-2021 Philippine Real Estate Business Intelligence Compendium

COMING SOON!

PROJECT PORTFOLIO

Research | Office Developments | Retail Developments

RESEARCH PORTFOLIO Partial List

BRAVO BUSINESS CENTER
Tanauan, Batangas
Development Feasibility Study

PRESTIGE BAY MALL
Bradco Ave., Pasay City
Development Feasibility Study

CORNERSTONE CORPORATE PLAZA
Cebu City, Cebu
Development Feasibility Study

UPLINE ENTERPRISE CENTER
Quezon Ave., Quezon City
Development Feasibility Study

CEBU CITY CORPORATE CENTER
Cebu City, Cebu
Development Feasibility Study

DD CORPORATE CENTER
J.P. Laurel Ave., Davao City
Development Feasibility Study

YINYI GROUP LTD.
Greater Metro Manila
Research on the Philippine
Real Estate Trends & Potential

CALAMBA CORPORATE CENTER
Calamba, Laguna
Development Feasibility Study

TOWNSHIP DEVELOPMENT WITH INTEGRATED HOTEL-CASINO
Davao City, Davao
Multi-Sector Development Feasibility Study

METRO CENTRAL MALL
Santa Cruz, Laguna
Development Feasibility Study

POP HIVE
Clark Global City Pampanga
Market Feasibility Study

Mall Developments Partial List

METROPLAZA MALL
Quirino Highway, Caloocan City

HAPPY GO SHOPPING MALL
Valenzuela City

STA. ROSA TOWN CENTER
Sta. Rosa, Laguna

THE OUTLETS AT LIPA
Lipa, Batangas

ASCAÑO TOWN CENTER
Sto. Tomas, Batangas

MANA TOWN CENTER
Kawit, Cavite

BRAVO BUSINESS CENTER
Tanauan, Batangas

PLAZUELA DE MOLINO
Bacoor City, Cavite

HOUSE OF PRECAST
Cubao, Quezon City

ONE MAYON PLACE
Mayon, Quezon City

FELMANS PLACE
Kalentong, Mandaluyong City

HPL CENTER ANNEX IIII
Guiguinto, Bulacan

2410 PLACE
Fairview, Quezon City

FELCRIS CENTRALE MALL
Davao City

LANANG BUSINESS PARK
Davao City

R SQUARE MALL
Taft Ave., Manila

THE SHOPPES
Angeles City, Pampanga

AA CORPORATE CENTER
Filinvest, Alabang

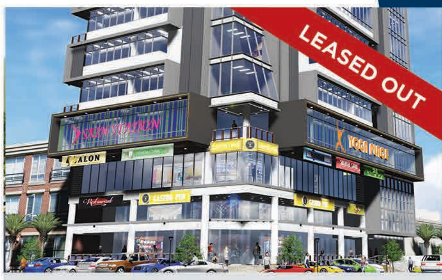
ONE BANAWE COMPLEX
Banawe, Quezon City

M1 CENTRAL
Quezon City

WESTSTAR ARCADE
Quezon City

PANCO SQUARE
Malabon City

HGL COMMERCIAL BLDG III
Caloocan City



HPL BLDG (ALPHABASE BLDG)
Quezon City

OUR CLIENTS Partial List

Lido, Mad Cafe, Eduardo's, Dean & Deluca Philippines, Starbucks, Whey King, MediCard, New World Diagnostics, Above Sea Level, Dampa Express, Conti's, Angel's Pizza, Fruitas Holdings, Inc., banapple pies & cheesecakes, Tim Hortons, Lay Bare, Hi-Precision Diagnostics, Skinbuffet, Tenya, Subway, Ministop, Nuat Thai, Manny & Pie Calayan, Hemotek Renal Center, Famous, Razon's of Guagua, The Pig Boss, McDonald's, Macao Imperial Tea, Alfamart, 7-Eleven, BDO, AUB, Siomai House, Amazon, Potato Corner, Pastamania, KFC, Pepper Lunch, Papa John's, Yellow Cab Pizza Co., All Day, Shopwise, Lawson, Watsons, Western Union, BPI, Chinabank, The Shawarma Shack, Belgian Waffles, Citrus Zone, Infini Tea, Knickerbockers, Crystal Clear, Manila Water, Ace Hardware, ilaw atbp., Opple, Phoenix, Unioil, Metro, Petron, Miniso, memoxpress, Anytime Fitness, Prime Elite Fitness Club, ROG, tnc, Victory, UNTV, Blade, Pro P, Lalamove

Office Developments Partial List

TRIUMPH SQUARE
Quezon Ave., Quezon City

HEXAGON CORPORATE CENTER
Quezon Ave., Quezon City

THE SKYSUITES TOWER
Quezon Ave., Quezon City

UPLINE ENTERPRISE CENTER
Quezon Ave., Quezon City

ONE CORPORATE CENTER
Pasig

BEN-LOR I.T. CENTER
Quezon Ave., Quezon City

TK MAXX BUILDING
Roces Ave., Quezon City

SHAW PLAZA
Shaw Boulevard, Mandaluyong City

MTE TOWER
Commonwealth Ave., Quezon City

PRIMEX TOWER
Greenhills, San Juan City

PMI TOWER
Makati

ONE BONIFACIO HIGH STREET
BGC, Taguig

WYNSUM CORPORATE PLAZA
Ortigas Center

IBM PLAZA
Eastwood, Quezon City

AAP TOWER
New Manila, Quezon City

ST. FRANCIS SQUARE
Ortigas Center, Mandaluyong City

DOUBLE DRAGON PLAZA
Macapagal Blvd., Pasay City

FELCRIS CORPORATE CENTER
Davao City

THE IGNACIA PLACE
Mother Ignacia, Quezon City

ALYVEA CORPORATE CENTER
Davao City

ROBINSONS CYBERGATE DELTA
Davao City

ROBINSONS CYBERGATE DELTA 2
Davao City

DAVAO FINANCE CENTER
Davao City

OUR CLIENTS Partial List

ECLOF Philippines · NFD International Manning Agents Incorporated · CIIT College of Arts and Technology · AMOREPACIFIC · GLOBAL Fitness & Leisure · GoDigital · ALINDECO · EMAPTA · FUJI Xerox · Gano iTouch · IPP · FRONTROW · EUREKA International Group · Diebold Nixdorf · QDYNAMICS Global Corporation · ClearSource · research now · SSI · MAPFRE | INSULAR · Big E Food Corporation · Goodwin · SHATECH Solutions Philippines Inc. · GreatWorx · Aquafoam · UCPB GEN · IDS · QUEST Marketing · STAR CINEMA · e-w@y business inc. · GEODATA Systems Technologies, Inc. · benmark · HIKVISION · Hostile Marketing · INFORM. · WPF World Partners Finance · SQREEM · Collectius · UNO Unlimited Network of Opportunities · INFINITE IT Solutions · ACG Arrea Consulting Group · OC GLOBAL · Vector Outsourcing Solutions Philippines · SKYNORA · OneOkada International Corporation · Global Dominion Financing Incorporated

Ever Fruity / Great Tree · H2H Technological Corporation · H2H Technological Corporation · Dragon Wealth System Inc.

PRIME PHILIPPINES - ADVISORY

LUZON
Cholo Florencio
Senior Vice President
(+63) 917 893 3939 / (+632) 7219 5932
cholo.florencio@primephilippines.com

VISAYAS
Ruth Coyoca
Regional Head
(+63) 917 818 2699 / (+6332) 230 4930
ruth.coyoca@primephilippines.com

MINDANAO
Chai Abaya
Regional Head
(+63) 917 633 0062 / (+6382) 324 1086
chai.abaya@primephilippines.com

OFFICE - TENANT REPRESENTATION
Aubrey Blancas
Head - Office Markets
(+63) 917 703 4659 / (+632) 7219 0782
aubrey.blancas@primephilippines.com

RETAIL - TENANT REPRESENTATION
Sondi Tuazon
Manager
(+63) 917 843 6128/ (+632) 7959 3561
sondi.tuazon@primephilippines.com

PHILIPPINES MARKET DATA
Connor Kelman
Head
(+63) 917 513 1068 / (+632) 8442 8888
connor.kelman@primephilippines.com

PHILIPPINES CONSTRUCTION
Helen Burser
Manager
(+63) 9177140547 / (+632) 7219 5889
helen.burser@primephilippines.com

COMMERCIAL PROPERTY INVESTMENTS
Romel Dellosa
Manager
(+63) 917 526 6143 / (+632) 7959 5962
romel.dellosa@primephilippines.com

INDUSTRIAL PROPERTY INVESTMENTS
Joy Rosario
Manager
(+63) 917 530 4685 / (+632) 7506 5744
joy.rosario@primephilippines.com

HOSPITALITY SERVICES
Douglas Louden
Manager
hospitality.services@primephilippines.com

Thank you for subscribing to our latest publication.

Contact Us

(+632) 8442 8888
(+63) 917 555 8222
inquiry@primephilippines.com
www.primephilippines.com

Manila Office

Ground Floor, Pacific Century Tower
1472 - 1476 Quezon Avenue
South Triangle, Quezon City
Metro Manila 1103, Philippines

Third Floor, Main Building, Ben-Lor I.T. Center
GreatWork Business Campus
Quezon Avenue, Diliman, Quezon City
Metro Manila 1184, Philippines

Cebu Office

Eleventh Floor, AppleOne Equicom Tower
Mindanao Avenue corner Biliran Road, Cebu City
Cebu 6000, Philippines

Davao Office

Fourth Floor, Topaz Tower
Damosa I.T. Park, J.P. Laurel Avenue
Lanang, Davao City
Davao Del Sur 8000, Philippines

References: References: PRIME Philippines Research & Advisory 2020 | Philippine Statistics Authority | World Bank| Bangko Sentral ng Pilipinas (Central Bank of the Philippines) | IT-Business Process Association of the Philippines | National Econmic Development Authority | Department of Tourism | Information Handling Services Markit | Department of Finance | Google COVID-19 Mobility Community Report | Information Handling Services Markit | Business World | Philippine Economic Zone Authority | Business Mirror | Filinvest Mimosa + Leisure City | Megwide Construction Compnay | Metro Pacific Tollways Development | Cover Photo, stock photos, and icons from www.freepik.com |