



Philippine Real Estate Market *Outlook*

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Country Head, Philippines
September 2011



ASIA PACIFIC
PROPERTY
AWARDS

in association with

Bloomberg
TELEVISION



BEST PROPERTY
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PHILIPPINES

Jones Lang LaSalle Leechiu

2011

Philippines – Quick Overview

- Office
- Residential
- Hotel / Tourism
- Investment Opportunities

Office Overview



Average Office Rental Rates

Metro Manila Cities, per square meter per month

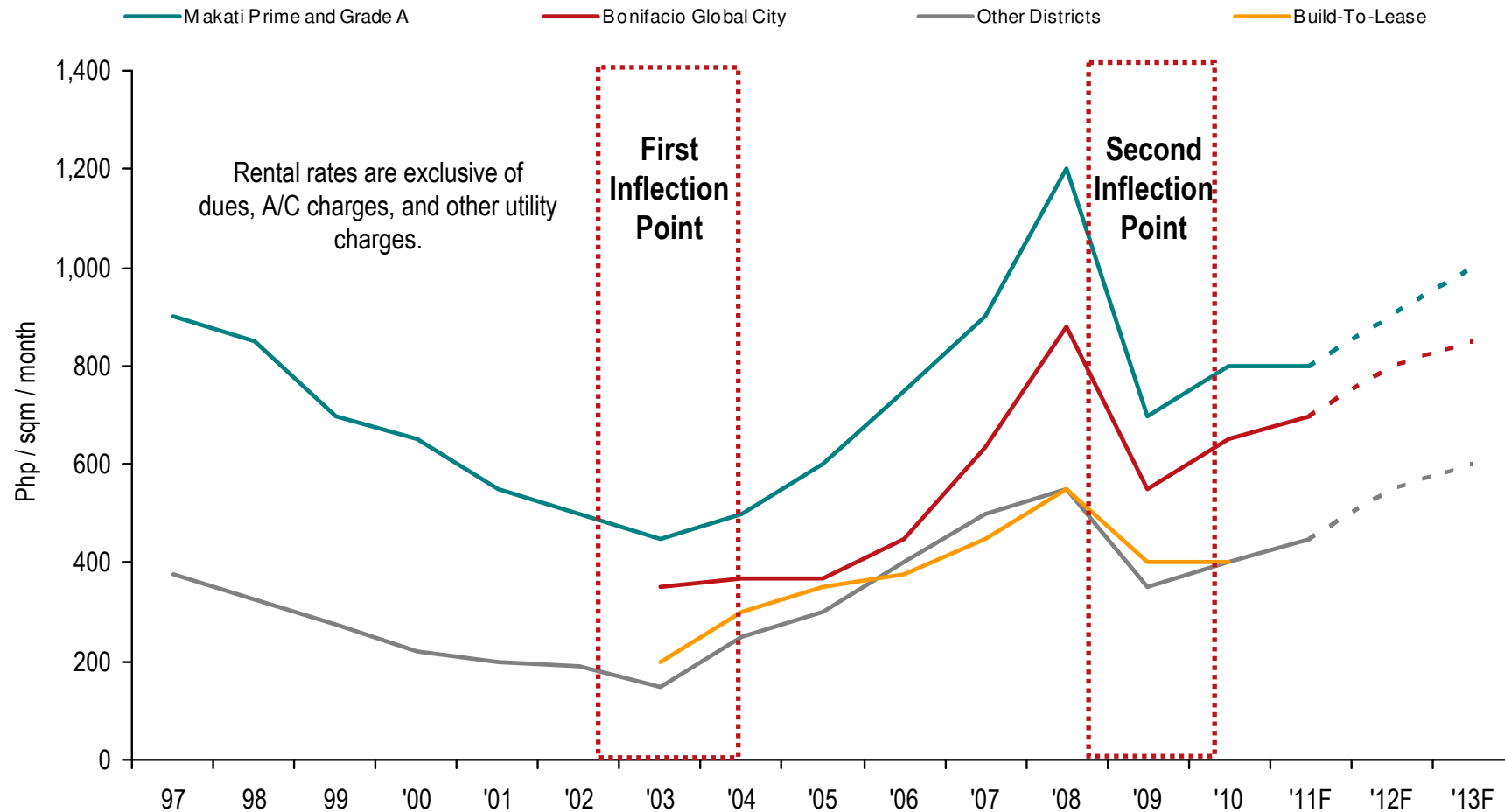
■ Makati City	Php 600.00 - Php 900.00
■ Bonifacio Global City	Php 600.00 - Php 800.00
■ Mandaluyong City	Php 450.00 - Php 650.00
■ Pasig City	Php 500.00 - Php 700.00
■ Quezon City	Php 400.00 - Php 600.00
■ Bay City	Php 500.00 - Php 550.00
■ Muntinlupa City	Php 350.00 - Php 550.00

Note: Rates above are only base rents. These are exclusive of common area charges.



Office Rental Rates Overview

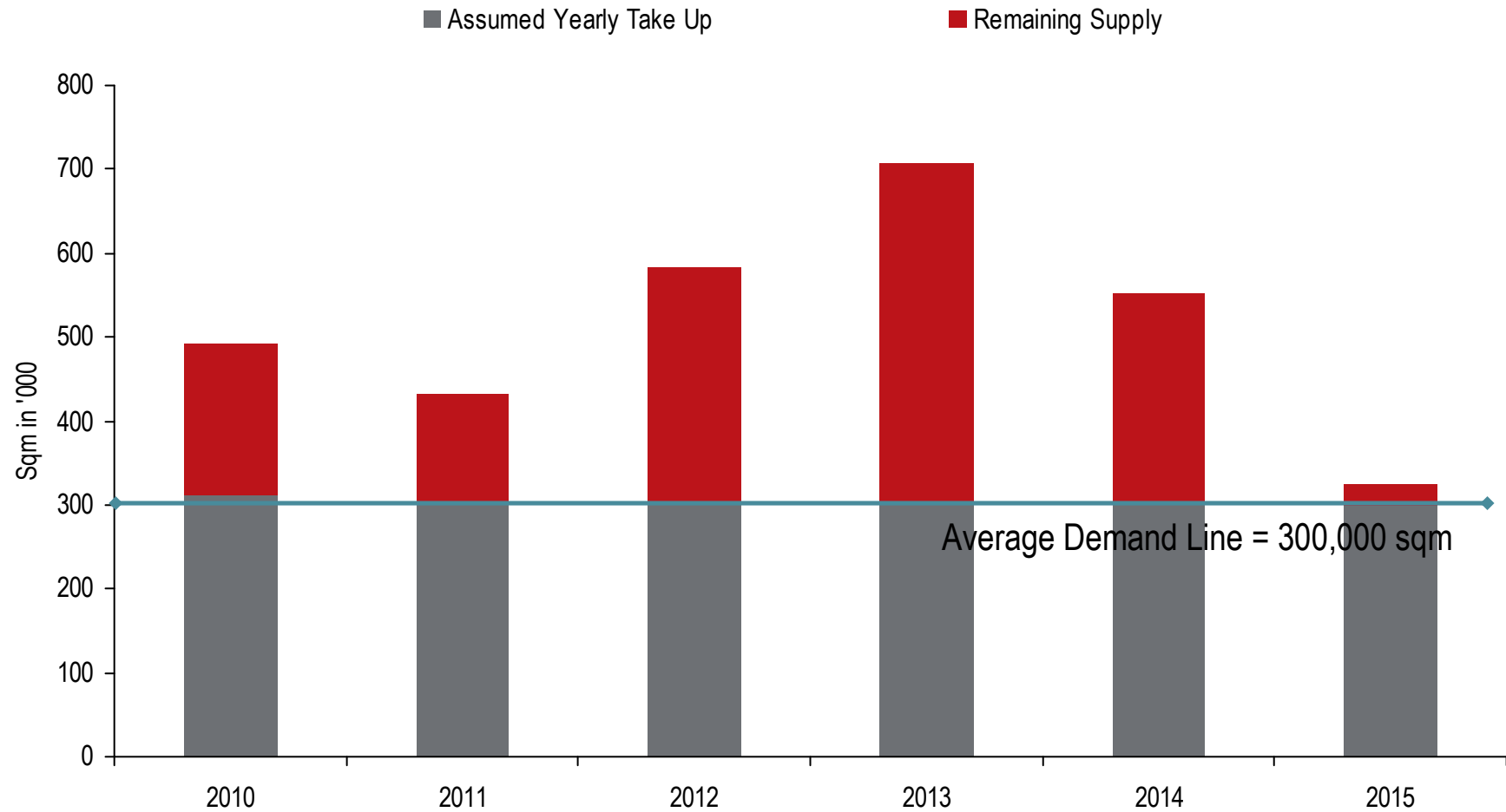
Historical and Forecasted Rents



Rents bottomed out in 4Q 2009; Bonifacio Global City and Makati will continue to experience growth in rental rates beginning 1Q 2012 .

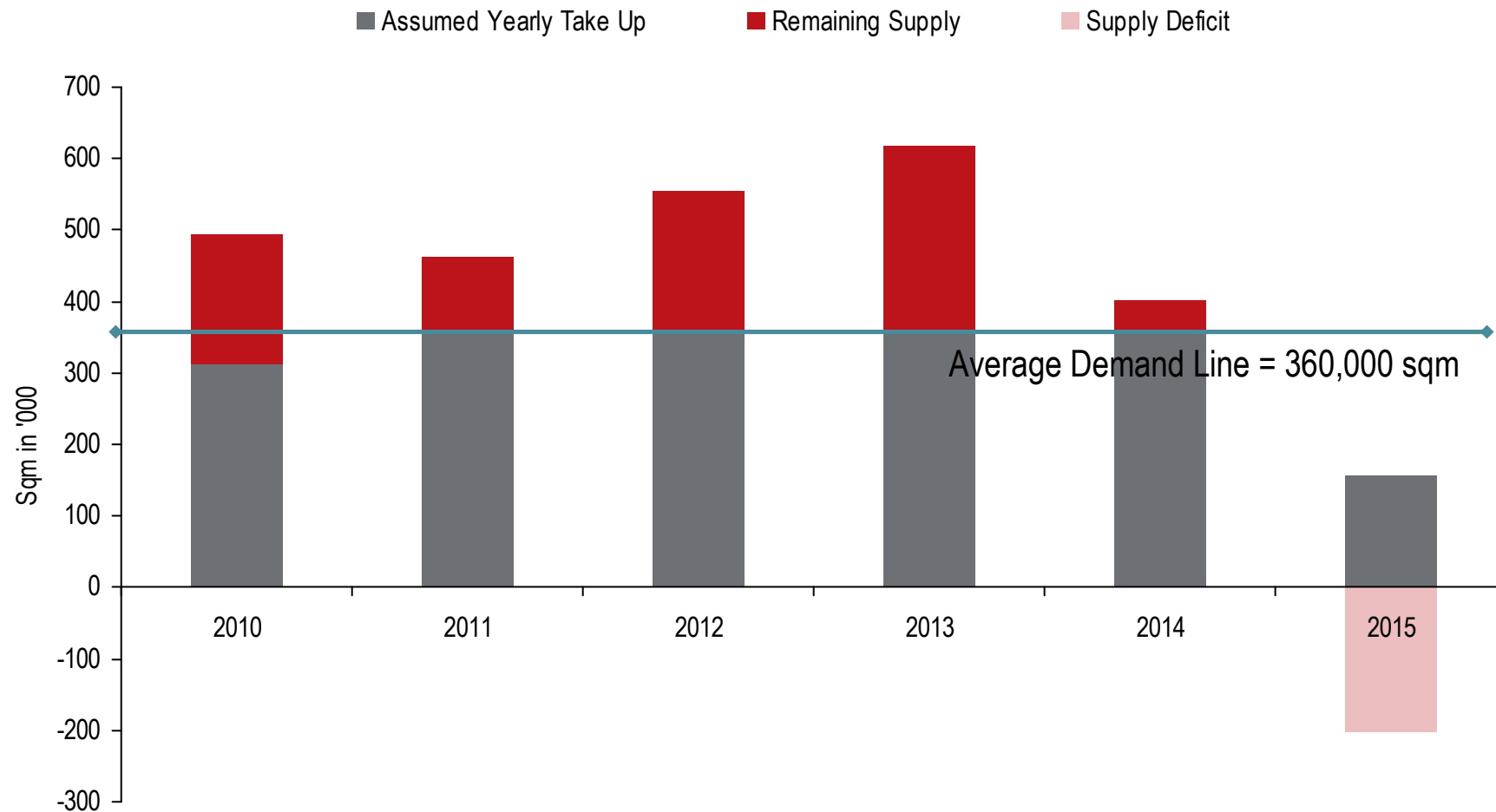
Annual Running Balance

GLA Per Year (2010 – 2015F)



Annual Running Balance

GLA Per Year (2010 – 2015F)



Net Lima at The Net Metropolis 5th Avenue Bonifacio Global City

- 5th Avenue corner 26th Street
- 28-storey boutique IT office building
- Pilot project of BERDE, *Building for Ecologically Responsive Design Excellence*, of the Philippine Green Building Council
- Master-planned and designed by Miami-based green architect Chad Oppenheim



Residential Overview



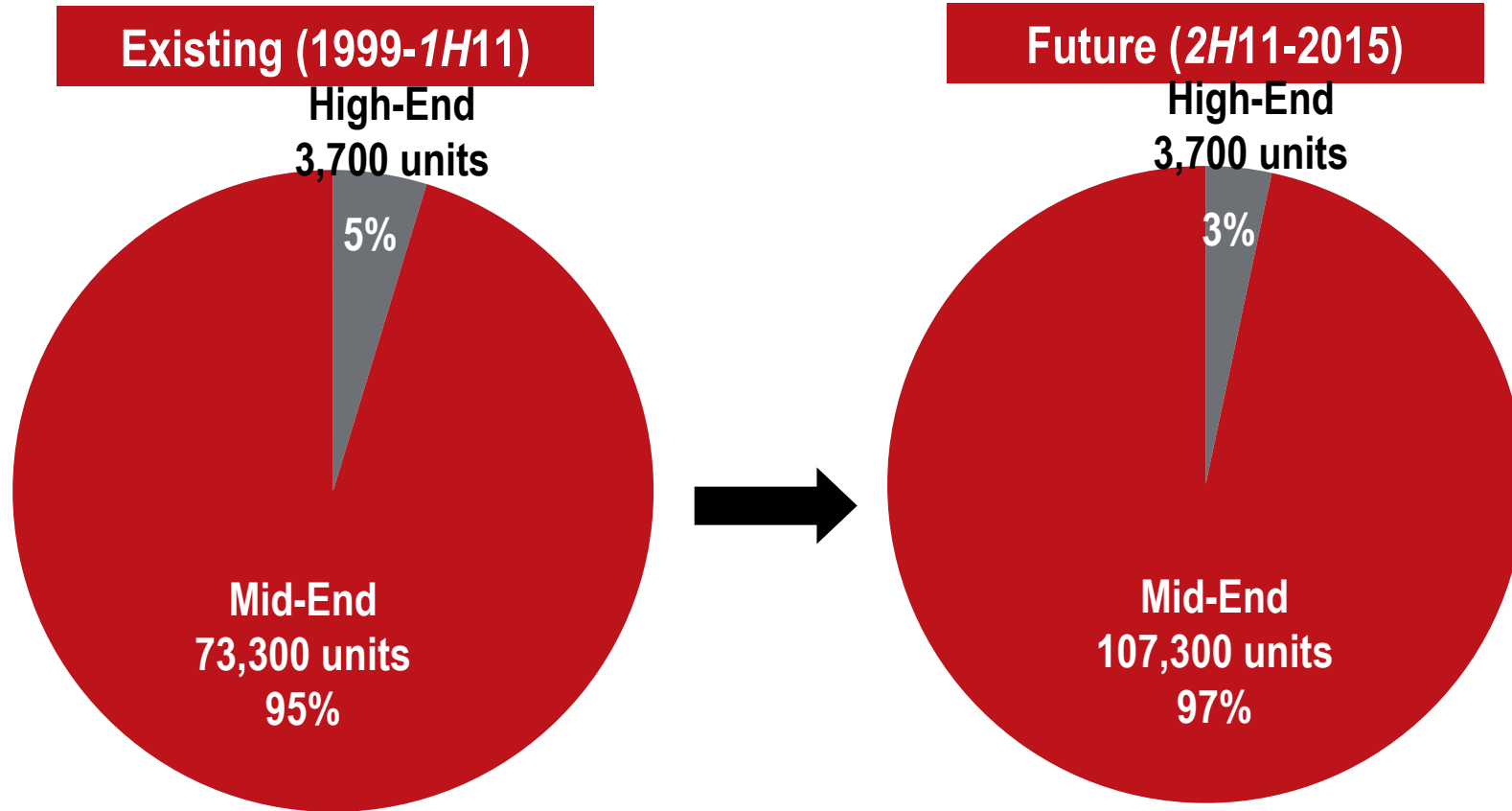
Residential Villages

Land Value Appreciation

VILLAGES		Land Values (Php/sqm)		% Increase
		2010	2011	
Quezon City	Corinthian Gardens	50,000 - 80,000	80,000 – 90,000	13% – 60%
Pasig City	Valle Verde	45,000 - 50,000	62,000 – 88,000	38% – 76%
Greenhills	Greenhills East	55,000 - 60,000	65,000 – 80,000	18% – 33%
Makati	Dasmariñas Village	80,000 - 100,000	100,000 – 130,000	25% – 30%
Alabang	Ayala Alabang Village	24,000 - 35,000	35,000 – 50,000	43% – 46%

Supply of High-End and Mid-End Developments

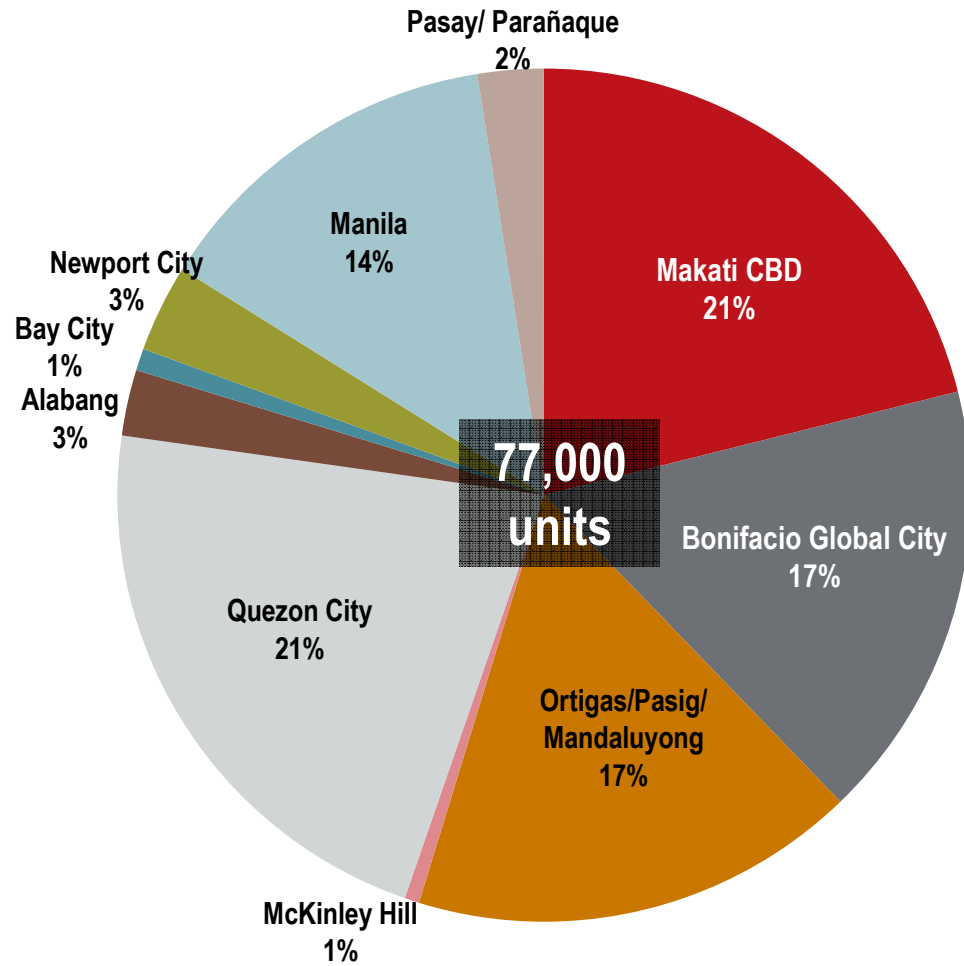
Metro Manila Supply from 1999 to 2015E



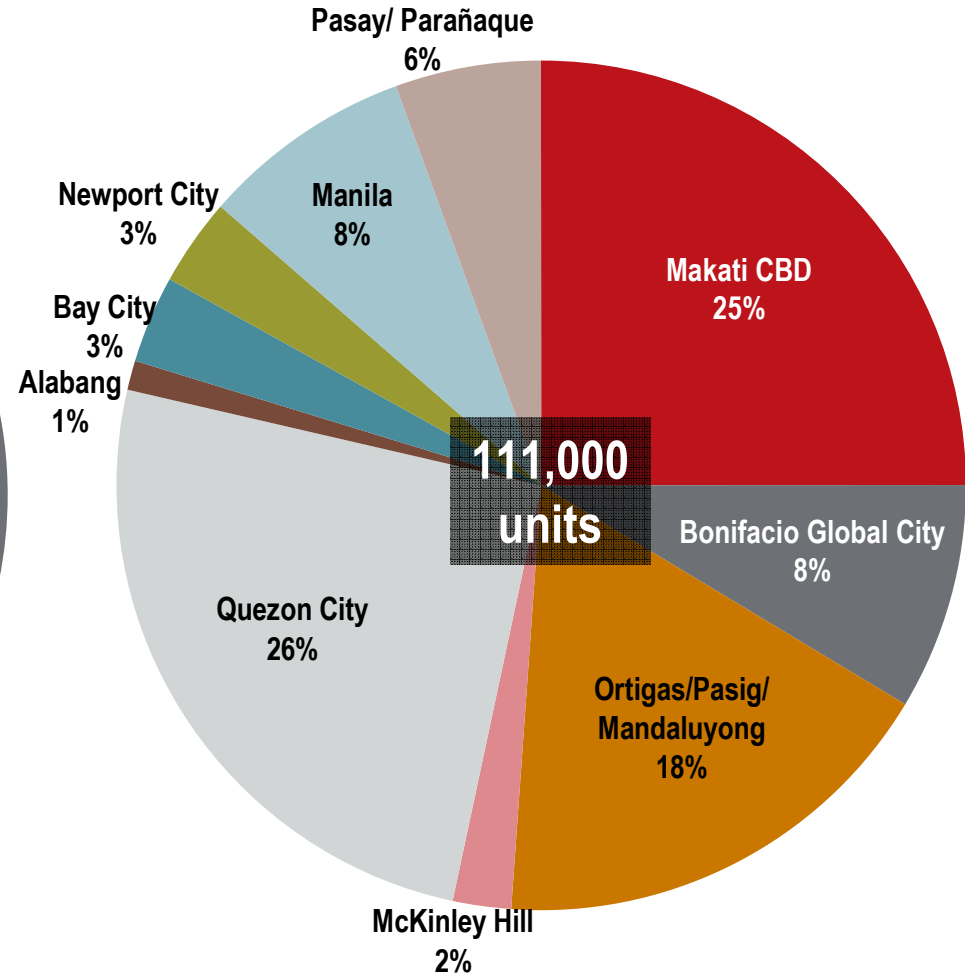
	Selling Price	Price per sqm	Unit Size
High-End	Php10 M and above	Php120,000 and above	Above 160 sqm
Mid-End	Php1.5 M to Php10 M	Php50,000 to Php110,000	Below 150 sqm

Residential Condominium Developments

Share Per District – 1999 to 2015F



Existing (1999-1H11)

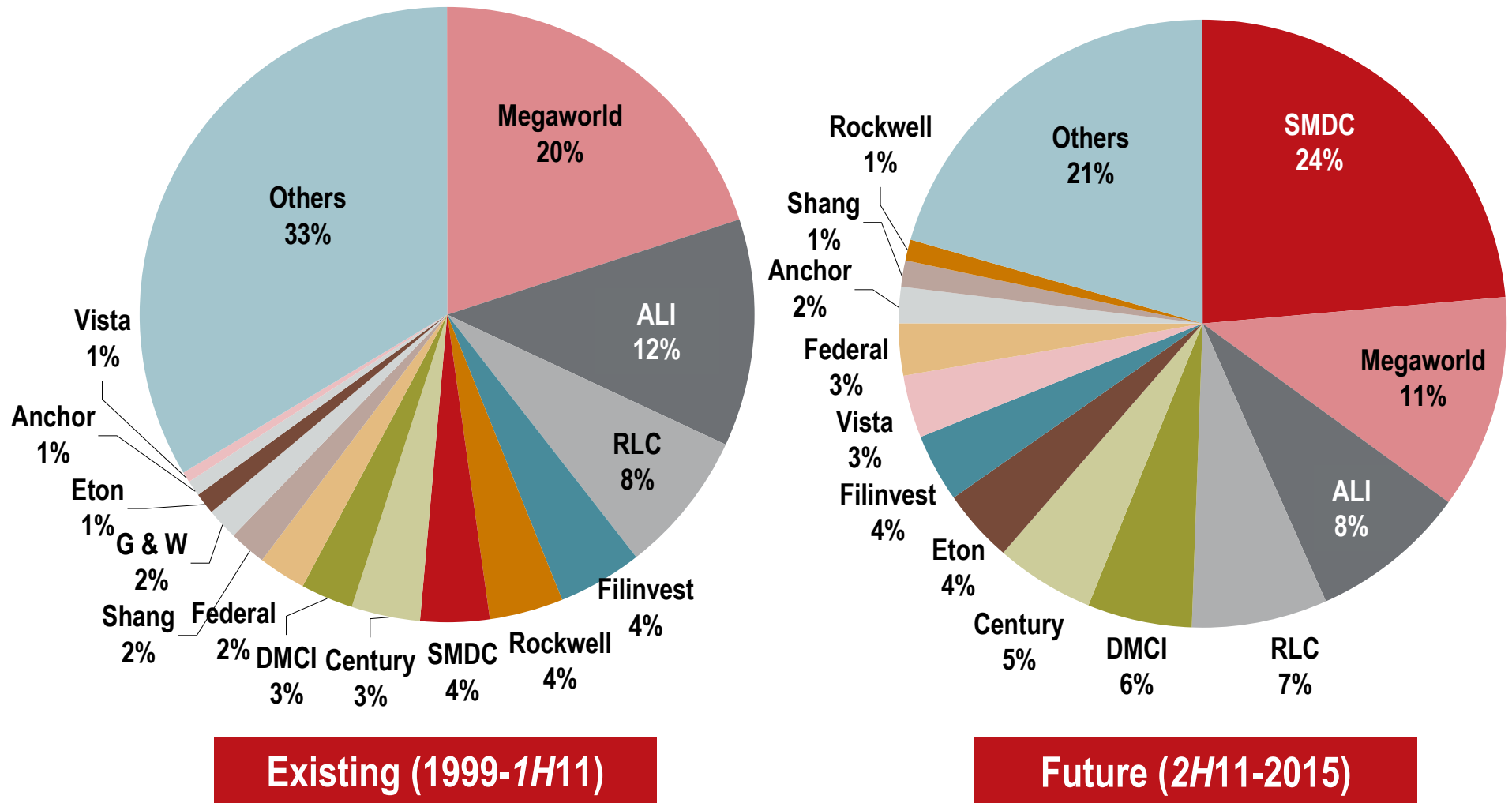


Future (2H11-2015)

Source: HLURB, Various brokers and developers, JLLL Research & Consulting

Real Estate Developers Share

Total Residential Condominium Market



World's Largest Malls

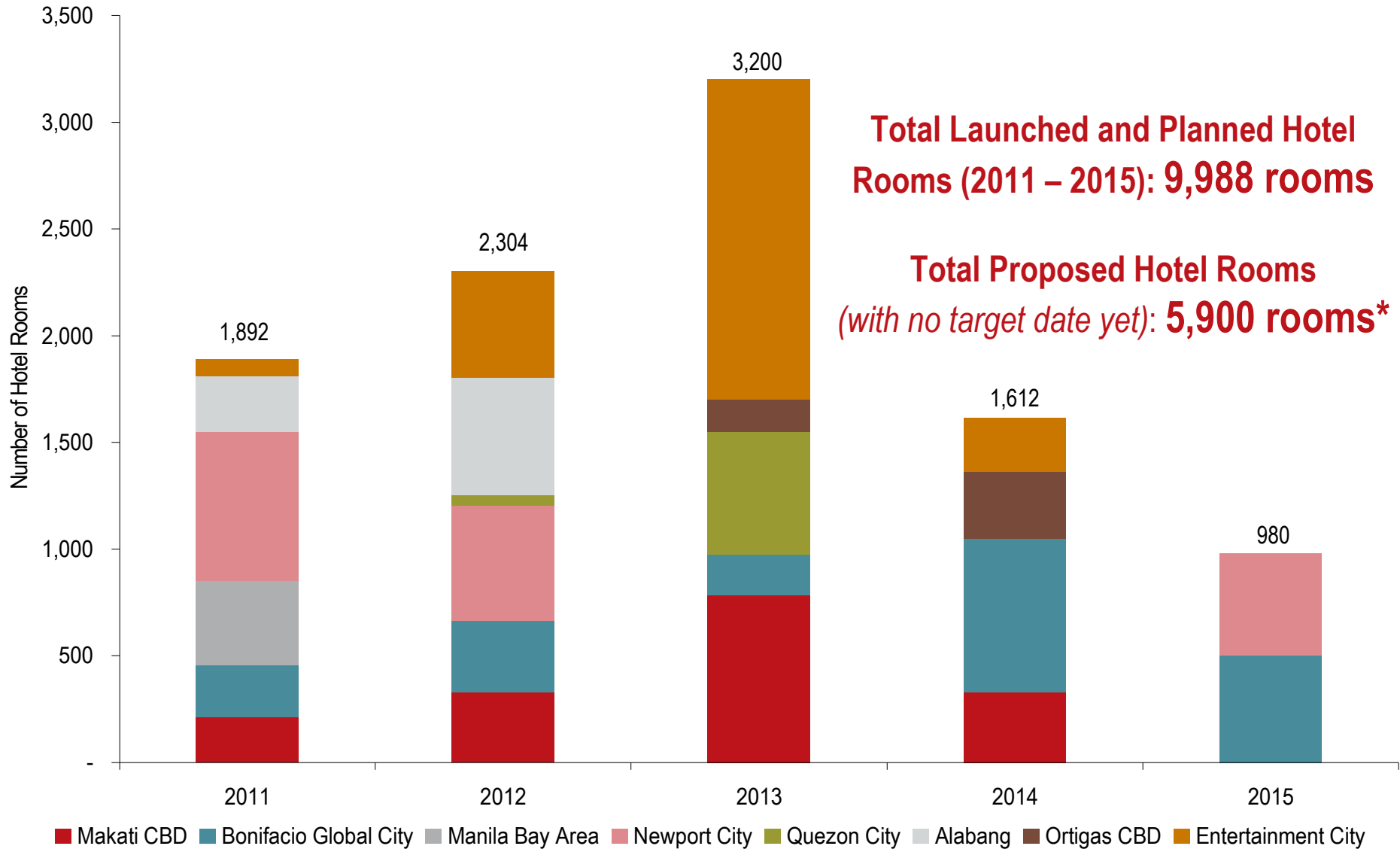
Rank	High-end Retail Development	Location	Country	Year of Completion	Estimated GLA* (in sqm)
1	South China Mall	Dongguan	China	2005	660,000
2	Jin Yuan	Beijing	China	2004	560,000
3	SM City North EDSA	Quezon City	Philippines	1985	425,000
4	SM Mall of Asia	Pasay City	Philippines	2006	407,000
5	SM Megamall	Mandaluyong	Philippines	1991	361,000
6	Dubai Mall	Dubai	U.A.E.	2008	350,000
7	West Edmonton Mall	Alberta	Canada	1981	350,000
8	Cevahir Istanbul	Istanbul	Turkey	2005	348,000
9	Berjaya Times Square	Kuala Lumpur	Malaysia	2005	320,000
10	Beijing Mall	Beijing	China	2005	320,000
11	Zhengjia Plaza	Guangzhou	China	2005	280,000
12	SM City Cebu	Cebu City	Philippines	1991	267,000

Philippine malls are competitive in terms of size, retail offerings and consumer traffic. Nowadays, largest malls are also considered as tourist destinations, which further contribute to consumer traffic and retail sales.

Hotel / Tourism Overview



Future Supply of Hotel Developments in Metro Manila



Note: Total proposed hotel rooms with unconfirmed target completion dates are mostly located within Entertainment City in Parañaque City.

Source: JLLL Research & Consulting

Global Tourism Overview - 2010

- Total international tourist arrivals: 940 million
- Total tourism receipts of USD 919 billion, of which the Philippines got:

USD 2.8 billion in tourist receipts or **30%** of 1%

3.5 million tourist arrivals or **37%** of 1%

- Top destinations in Asia and the Pacific out of 204 million tourists

Rank	Country	International Tourist Arrivals	Rank	Country	International Tourist Arrivals
1	 China	55.67 million	6	 Singapore	9.16 million
2	 Malaysia	24.58 million	7	 South Korea	8.80 million
3	 Hongkong, China	20.09 million	8	 Japan	8.61 million
4	 Thailand	15.84 million	9	 Indonesia	5.91 million
5	 Macau, China	11.93 million	10	 Australia	5.89 million

Source: WTO, DOT

Philippine Tourism Overview

Asia Pacific and the Philippines

- 2010 Total international tourist arrivals: 940 million
- Of the 940 million arrivals, **204 million were in Asia and the Pacific**

Rank	Country	2010 Tourist Arrivals (in '000)
1	China	55,665
2	Malaysia	24,577
3	Hong Kong	20,085
4	Thailand	15,842
5	Macau	11,926
6	Singapore	9,161
7	Korea	8,798
8	Japan	8,611
9	Indonesia	7,003
10	Australia	5,885
11	India	5,584
12	Taiwan	5,567
13	Vietnam	5,050
14	Philippines	3,520
15	New Zealand	2,525
16	Cambodia	2,399
17	Guam	1,196
18	Pakistan	914
19	Maldives	792
20	Sri Lanka	654
21	Fiji	632
22	Mongolia	456

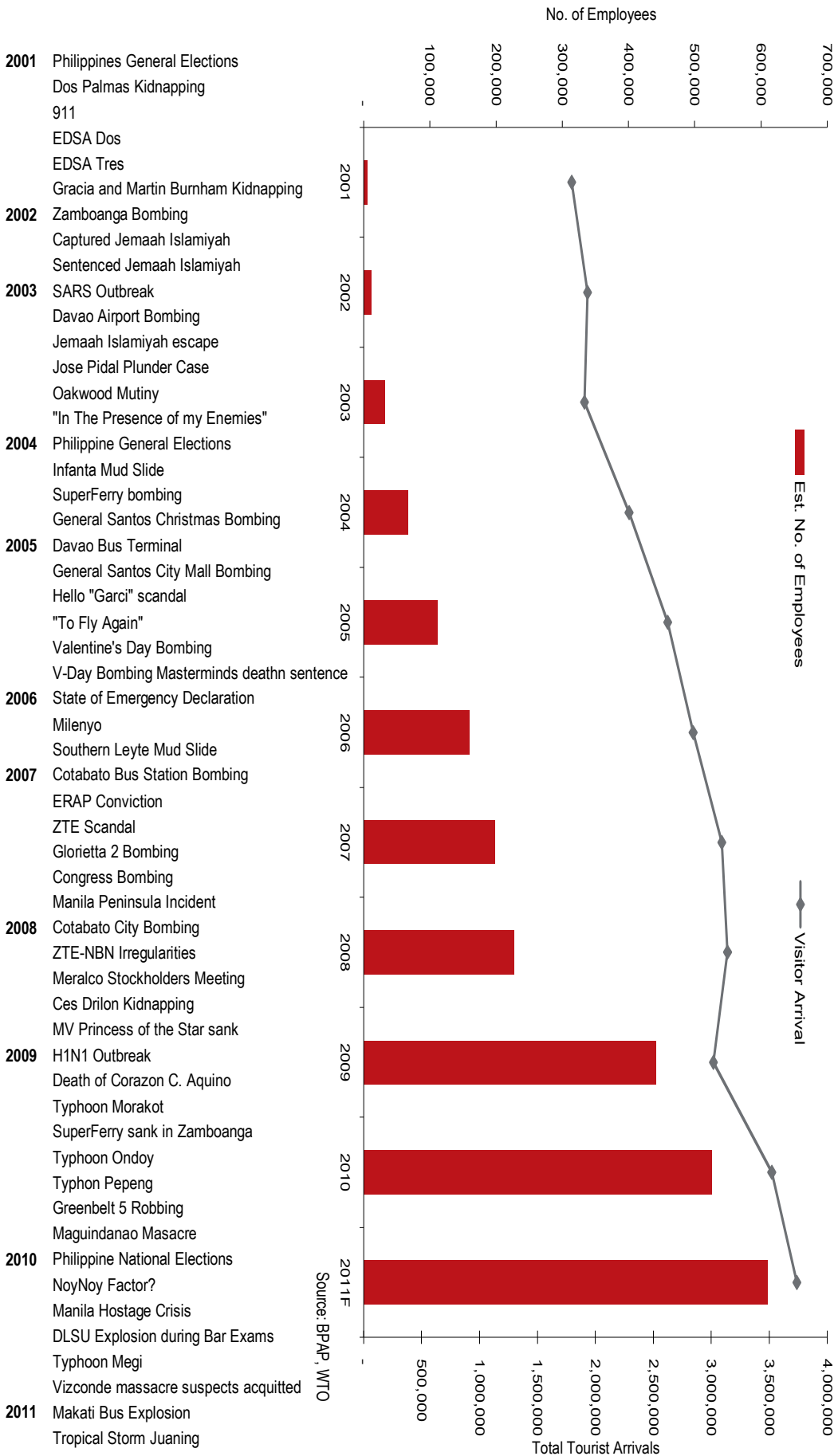
Source: WTO, HKTC

Investment Opportunities

Asset	Type	Location
Office	BPO / Traditional	Bonifacio Global City, Makati and Quezon City
Residential	Upper Mid-End	Bonifacio Global City and Makati
Hotels	2- and 3-star	Nationwide Except Makati, Bonifacio Global City and Bay City

Country Risk: BPO Employees vs. Tourist Arrivals

Growth in Office Demand Despite Country "Issues"





Next...

Asia Pacific Real Estate Market *Outlook*

Alastair Hughes

Chief Executive Officer, Asia Pacific

September 2011

Jones Lang LaSalle Asia Pacific

13 Countries

80 Offices

21,400 Staff

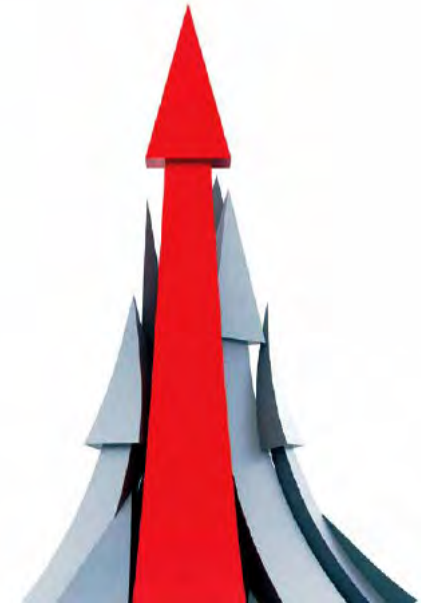


Corporate Solutions clients



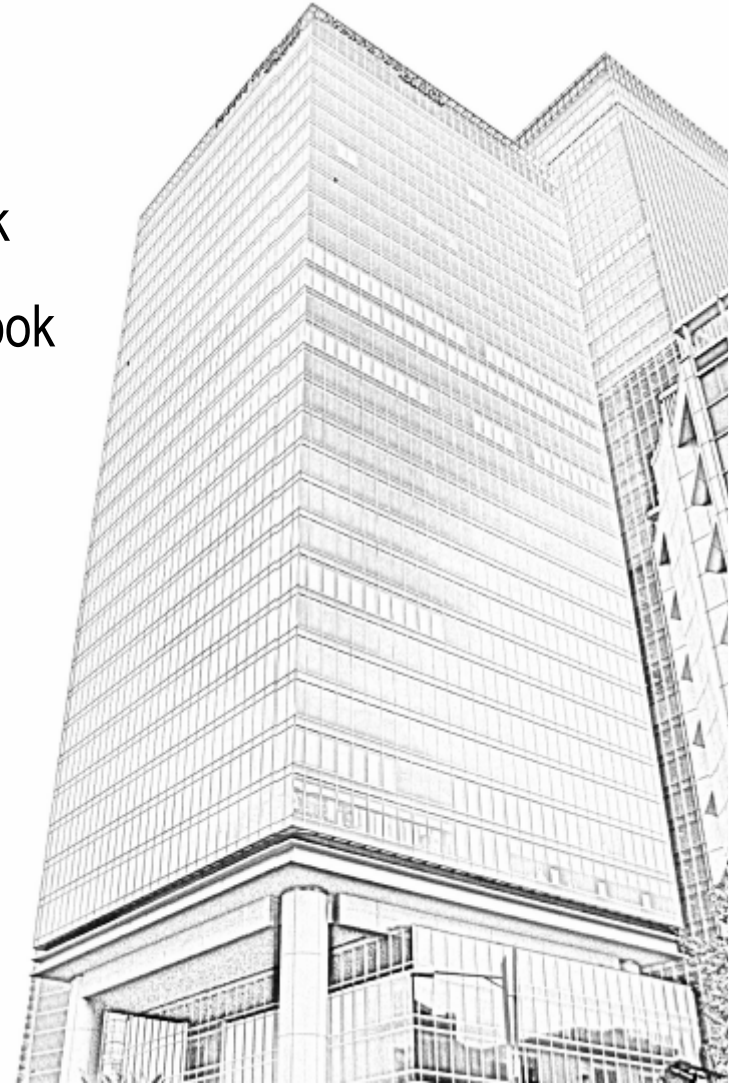
Asia Pacific commercial real estate markets continue to recover from the Global Financial Crisis due to:

- Relatively strong economic growth
- Sustained levels of tenant demand
- Vacancy levels nearing top of cycle
- Asian & International investors buying investment property



Today, we will look at...

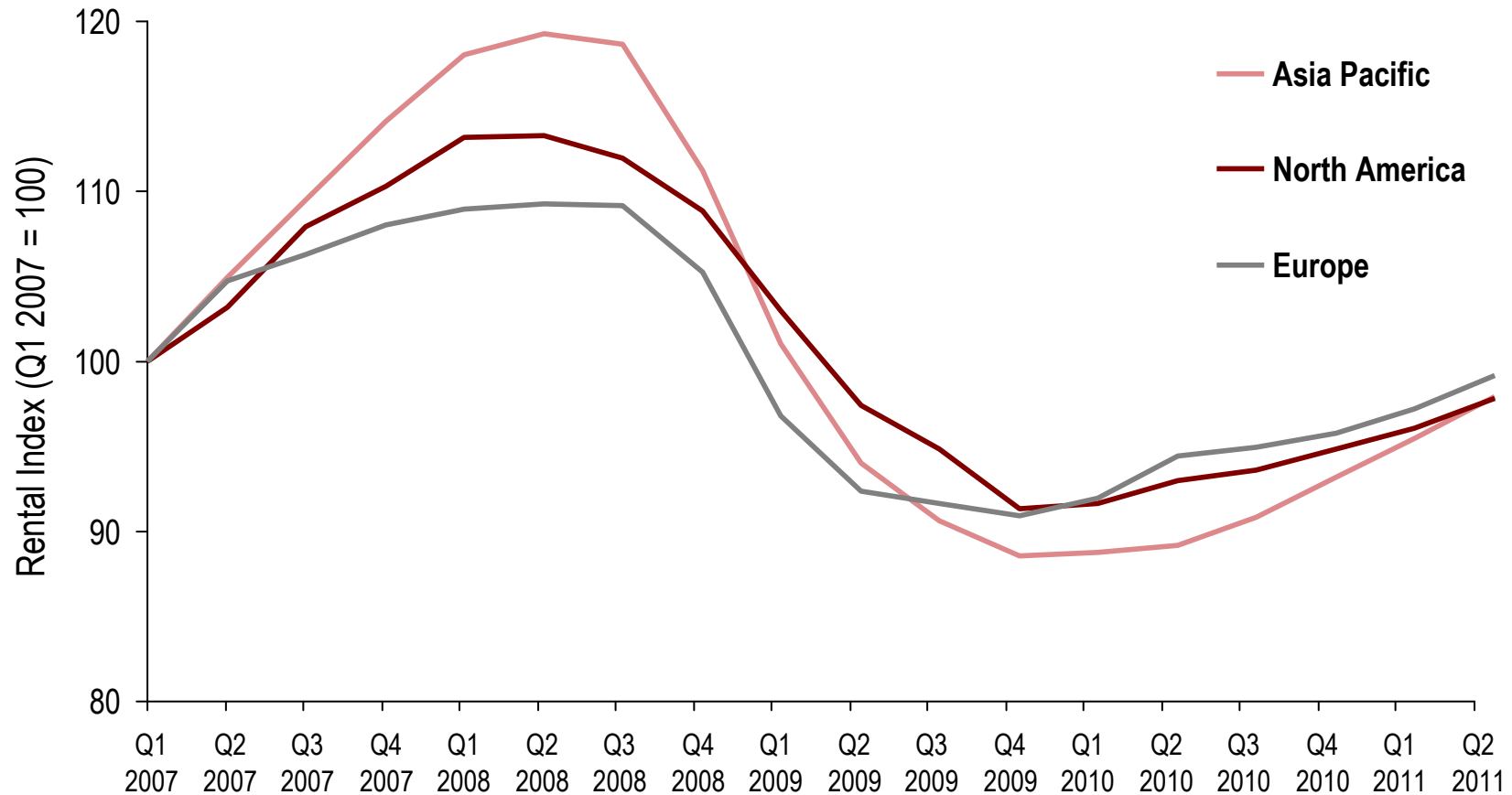
- a) Asia Pacific Office Rents – update and outlook
- b) Asia Pacific Capital Values – update and outlook
- c) Likely Trends over Next 12 Months



a) Rental Trends

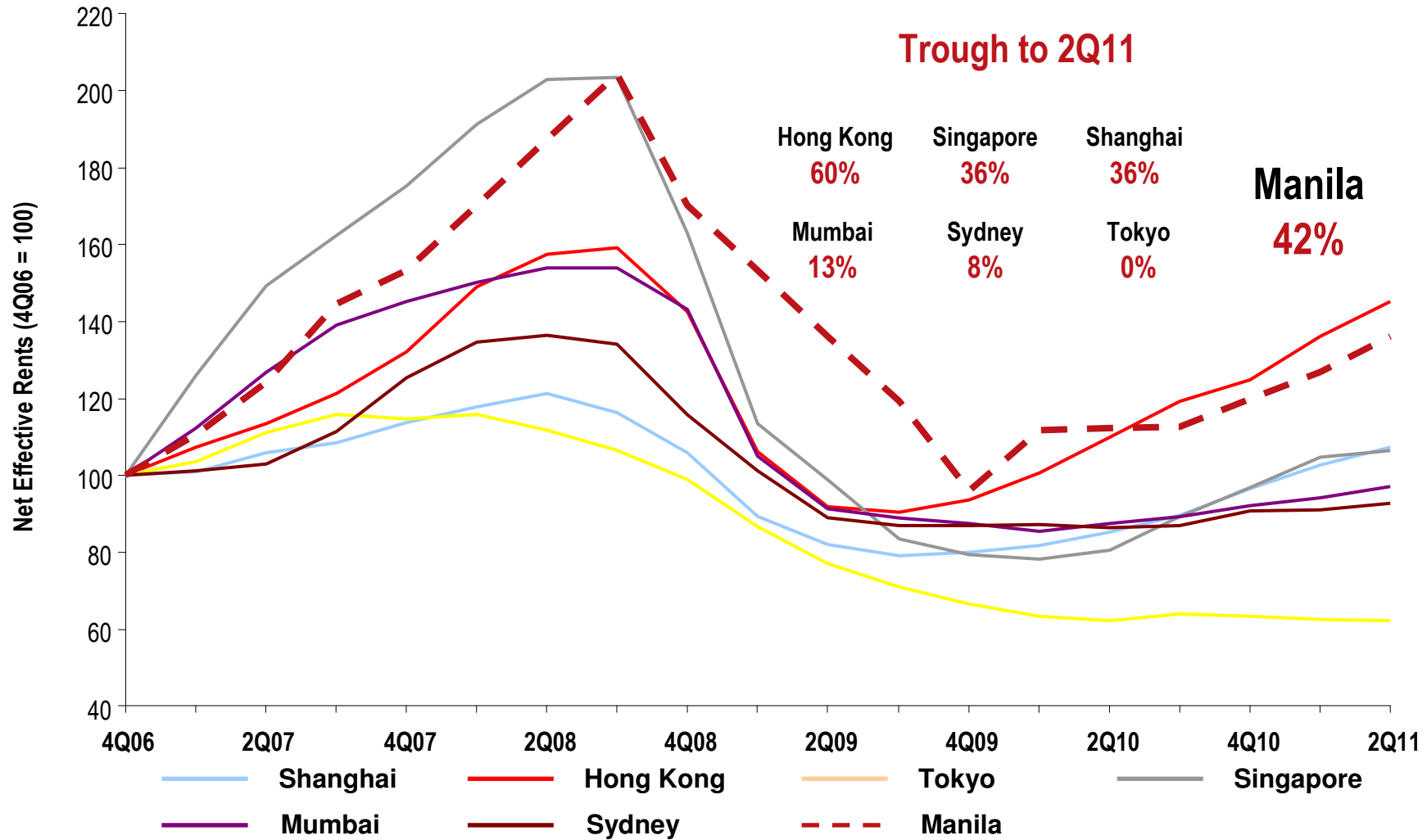
Global rents recovering from troughs after GFC

Prime Offices – Rental Trends, 2007-2011



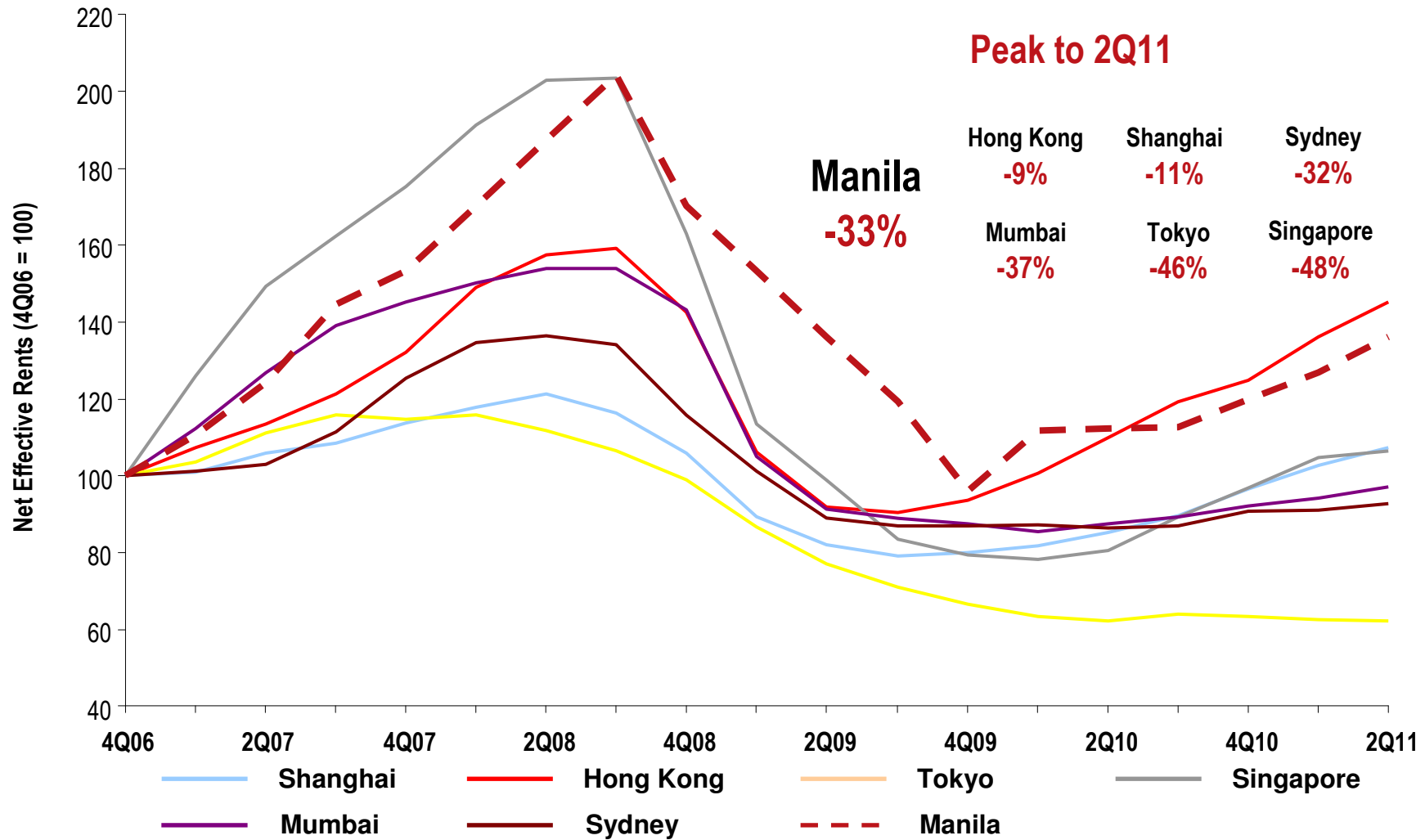
Asia Pacific rents recovering from troughs...

Rental value changes, key Asia Pacific markets



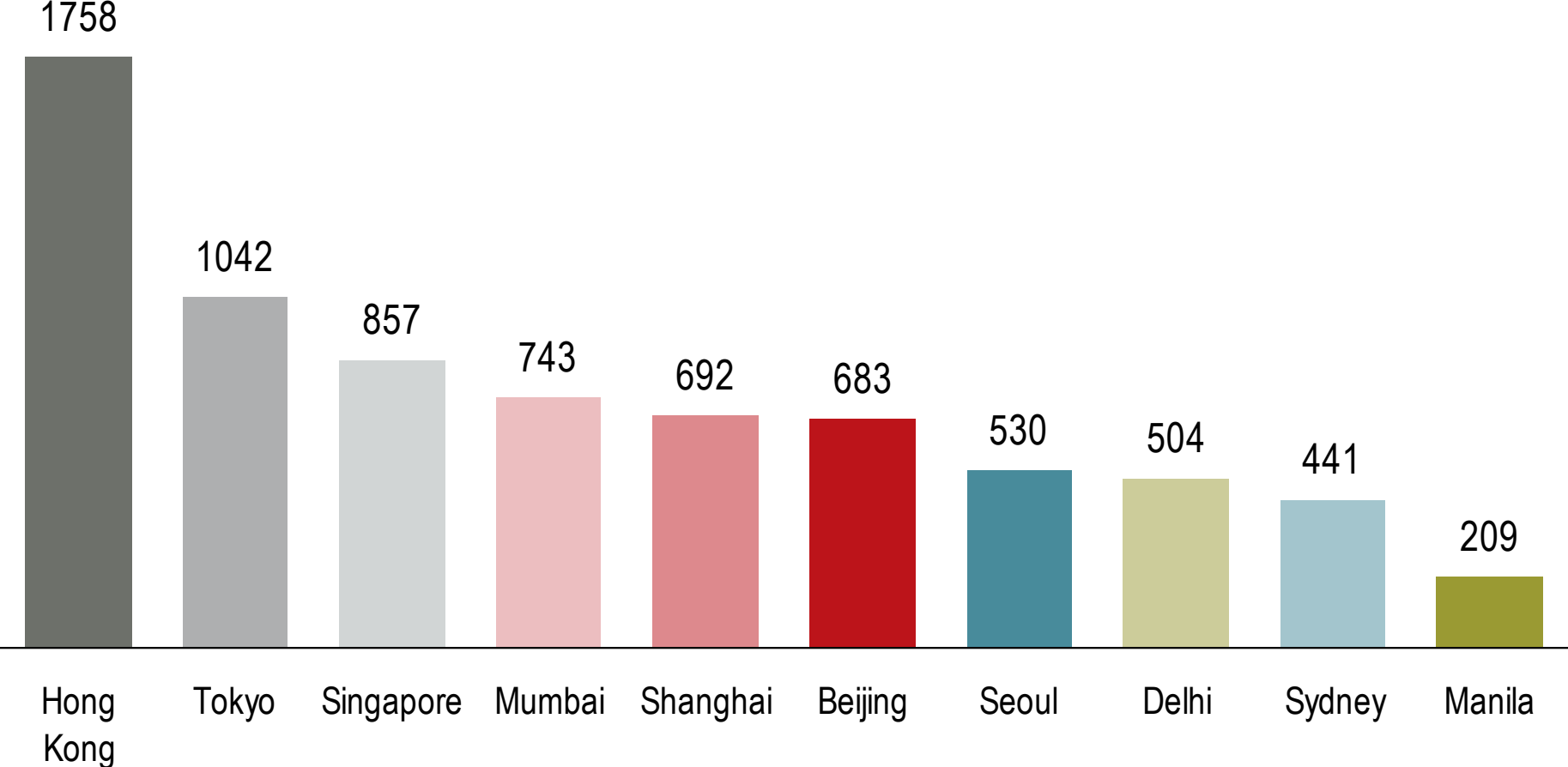
... but not yet back at peaks

Rental value changes, key Asia Pacific markets



Rents Today...

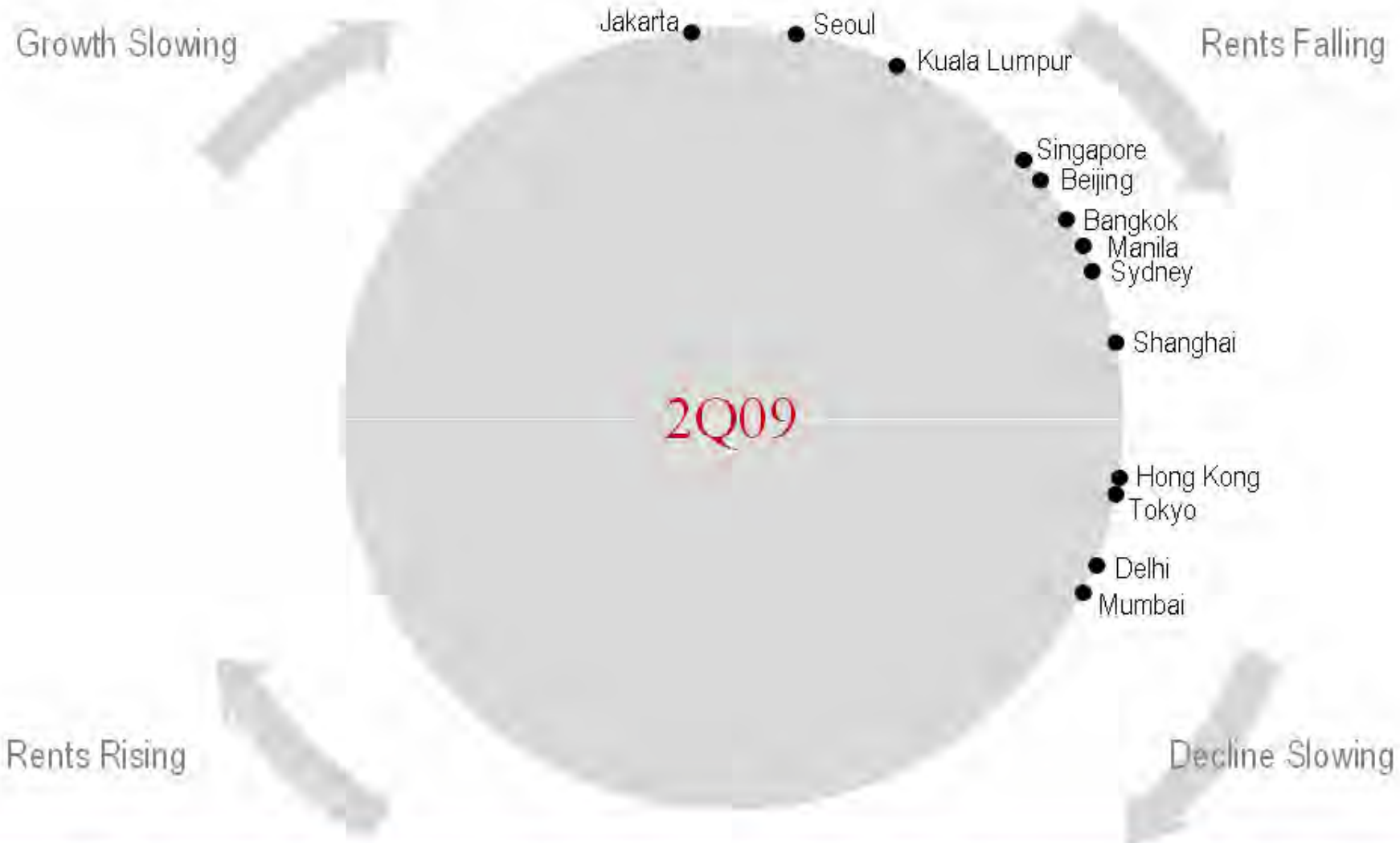
2Q11 Average Grade A Rent (USD psm pa)



Source: Jones Lang LaSalle (Real Estate Intelligence Service), 2Q 2011

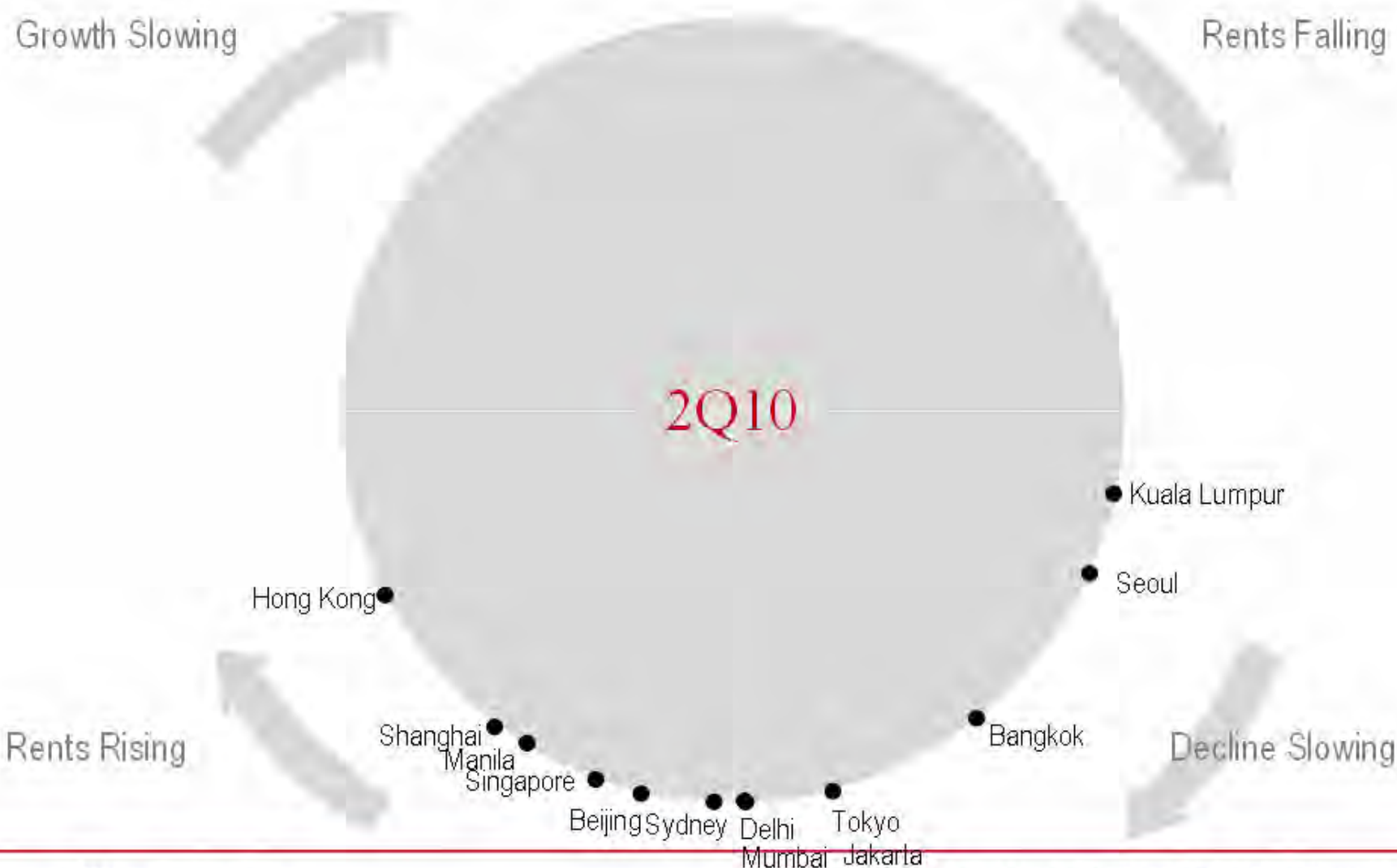
3) Rental Outlook

Office Rental Clock



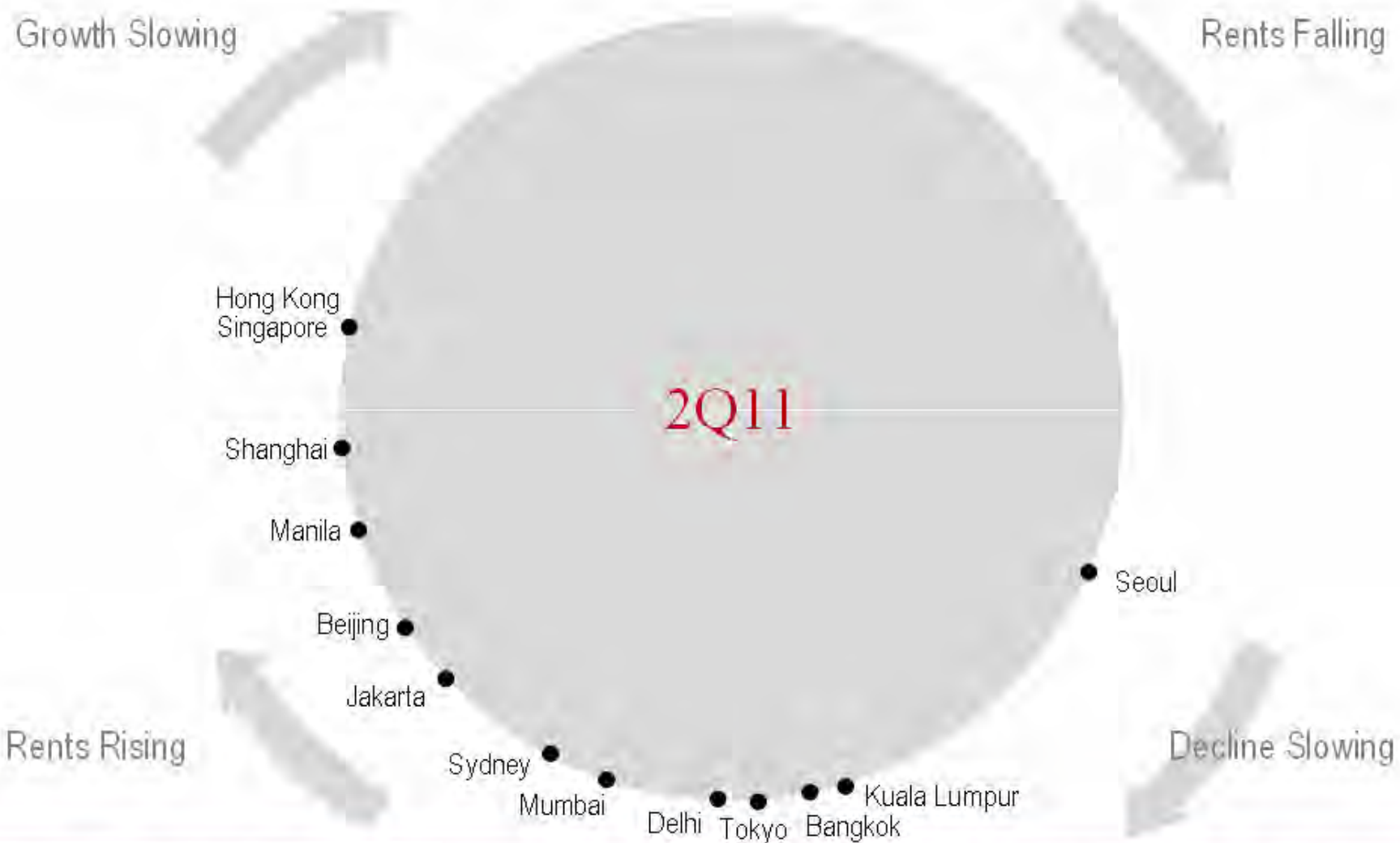
3) Rental Outlook

Office Rental Clock



3) Rental Outlook

Office Rental Clock



GFC Part 2? ...

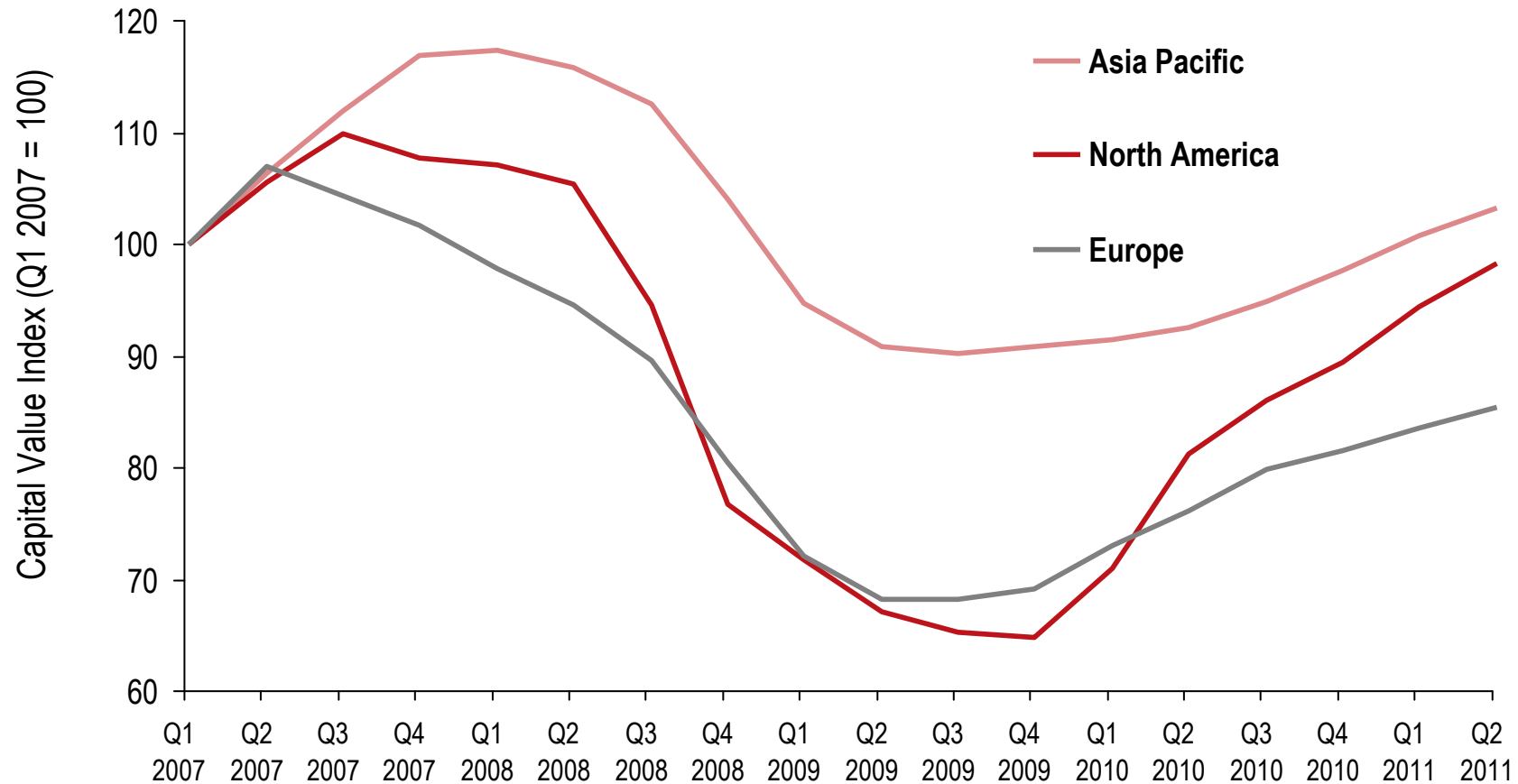
- Would hit demand but....
- Asian companies growing due to domestic demand
- MNCs want to share on Asia Pacific growth
- MNCs also chasing cost efficiencies through off shoring to Asia Pacific



b) Capital Value Trends

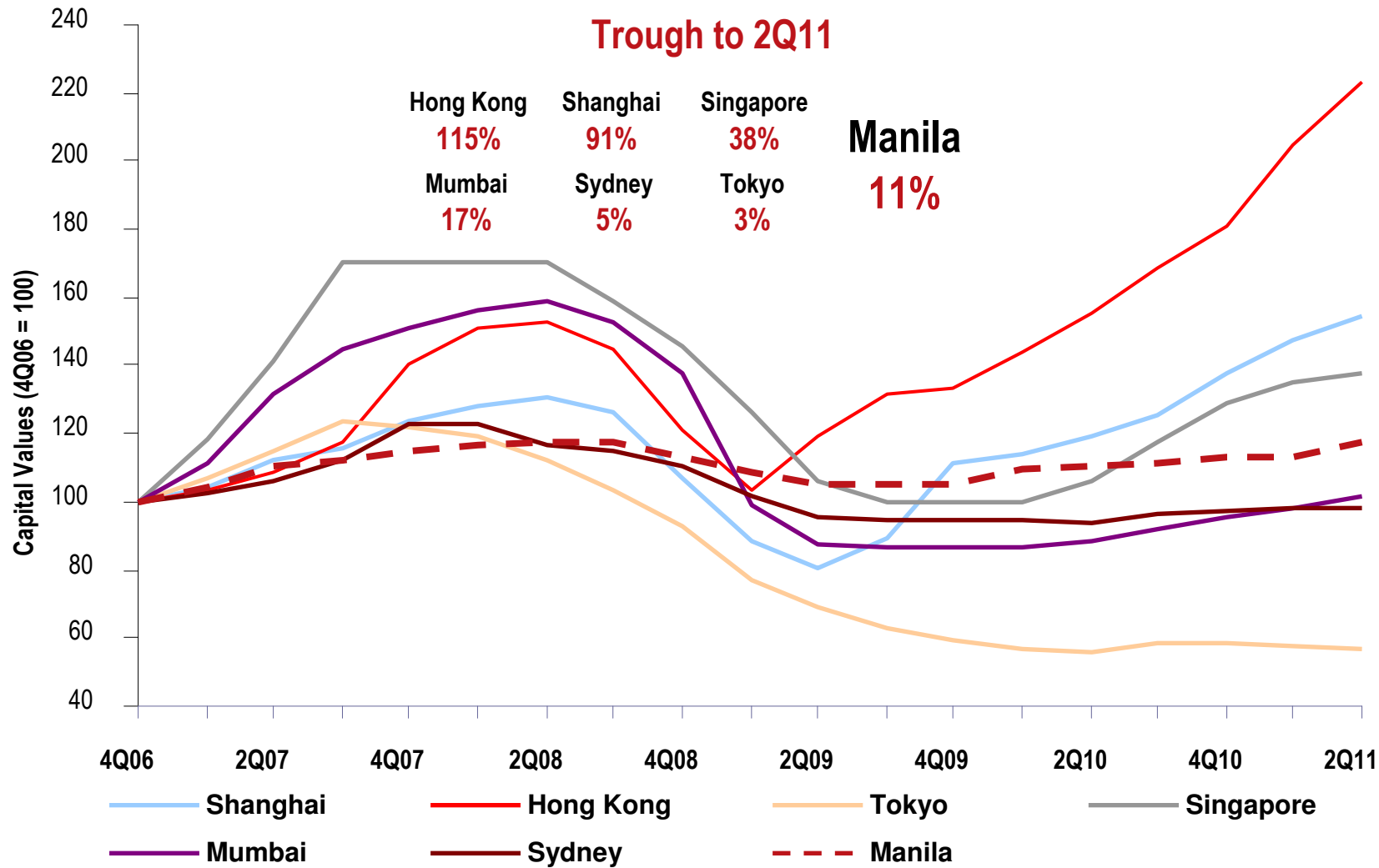
Global capital values rebounded from GFC trough

Prime offices – Capital value trends, 2007 to 2011



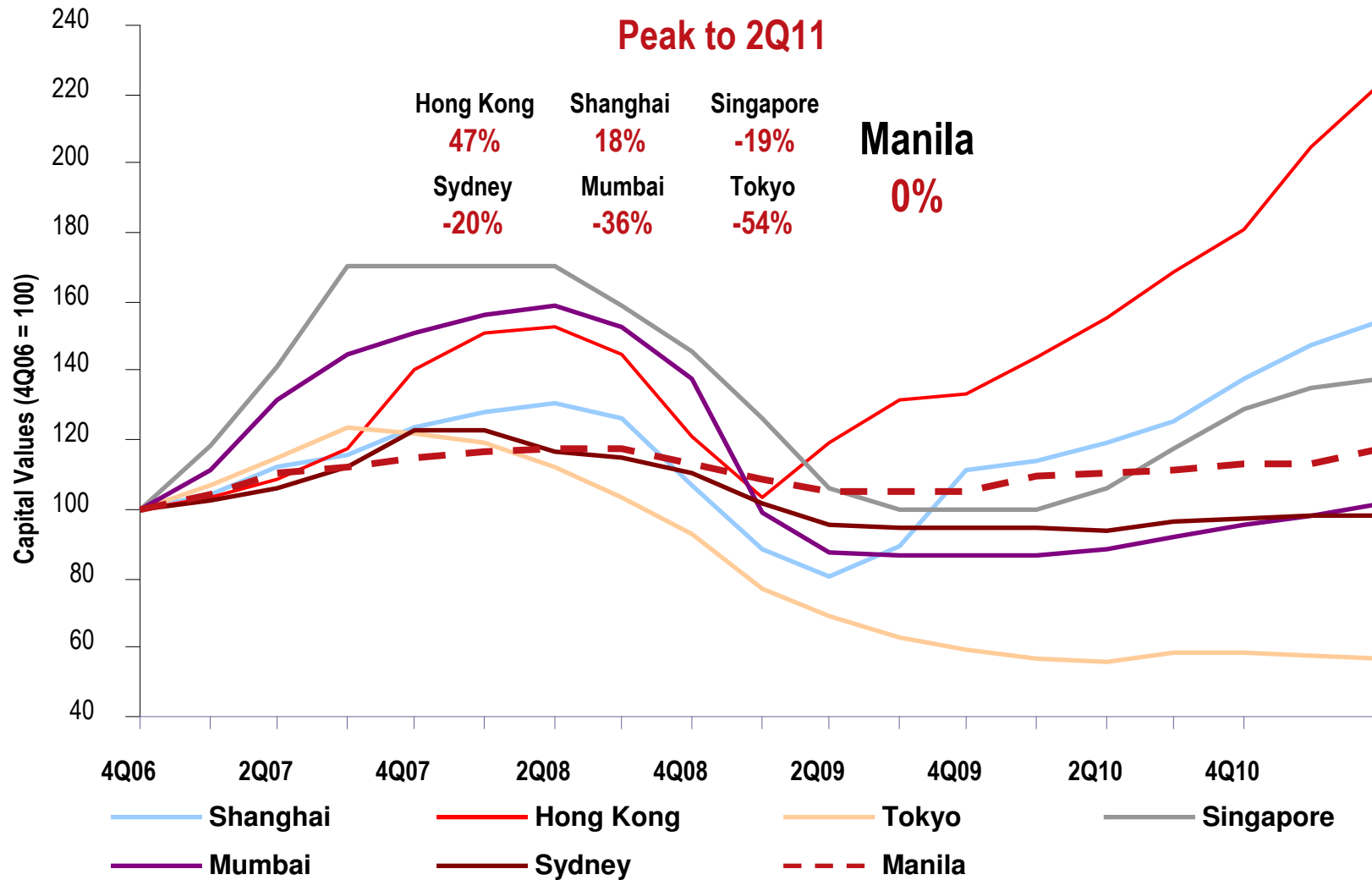
Big variance in speed of recovery from GFC trough...

Capital Value Changes - Key Asia Pacific Markets



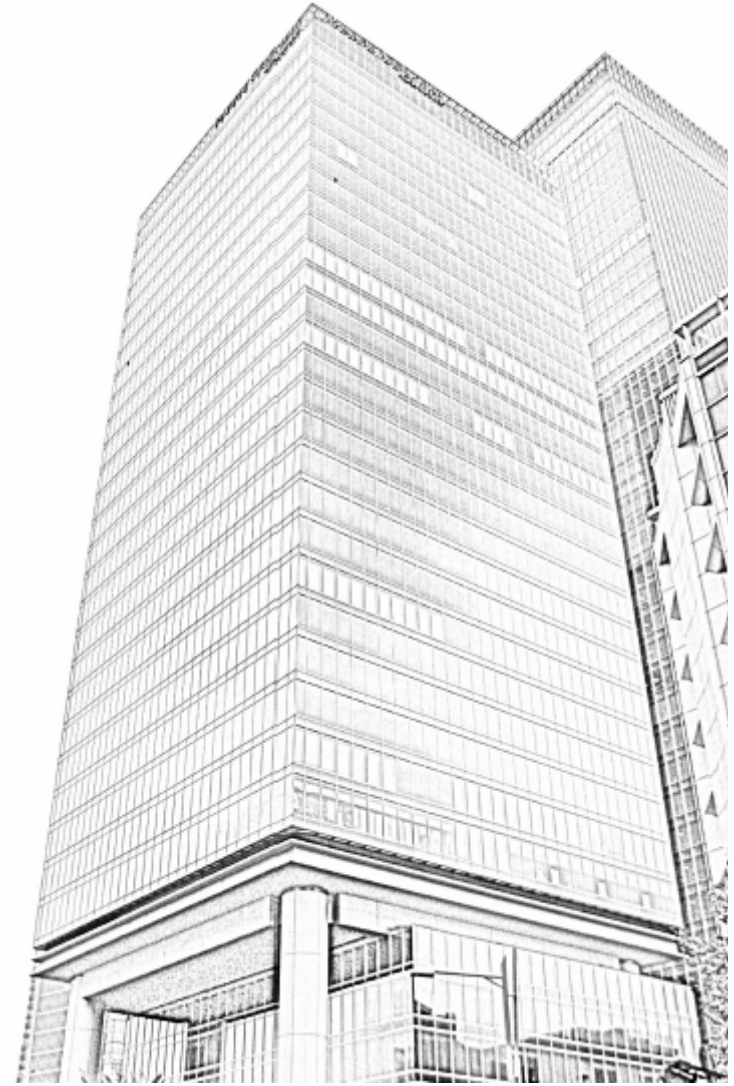
... and some markets now higher than pre GFC

Capital Value Changes - Key Asia Pacific Markets



Who are the buyers?

- a) High net worth individuals
- b) Corporates
- c) Funds



Explosive growth in private wealth

Rise of High Net Worth (HNW) investor

Asia-Pacific: HNW population 3 million, equal to that of Europe

HNW wealth up 31% to \$9.7 trillion

332 billionaires in 2011, versus 79 in 2001



Private Indonesian buyer

Aviva Tower, London

£288 million, June 2011



Kerisvale Pte Ltd

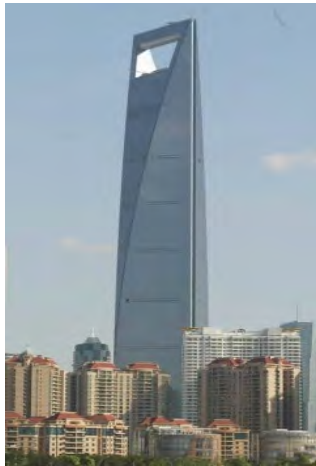
One Finlayson Green, Singapore

S\$ 277 million, March 2011

Corporate Occupiers in Asia Pacific

Asian corporates have savings to spend

- **Corporations in Asia Pacific generate 30% world's output**
 - About 40% manufacturing world output
- **Corporations buy or develop real estate for their own occupation**
 - Part of trend that leads on to sale and leaseback in market maturity cycle



Corporates Buying

Shanghai World Finance Centre
5 floors sold to owner occupiers
\$40 million a floor
January 2011

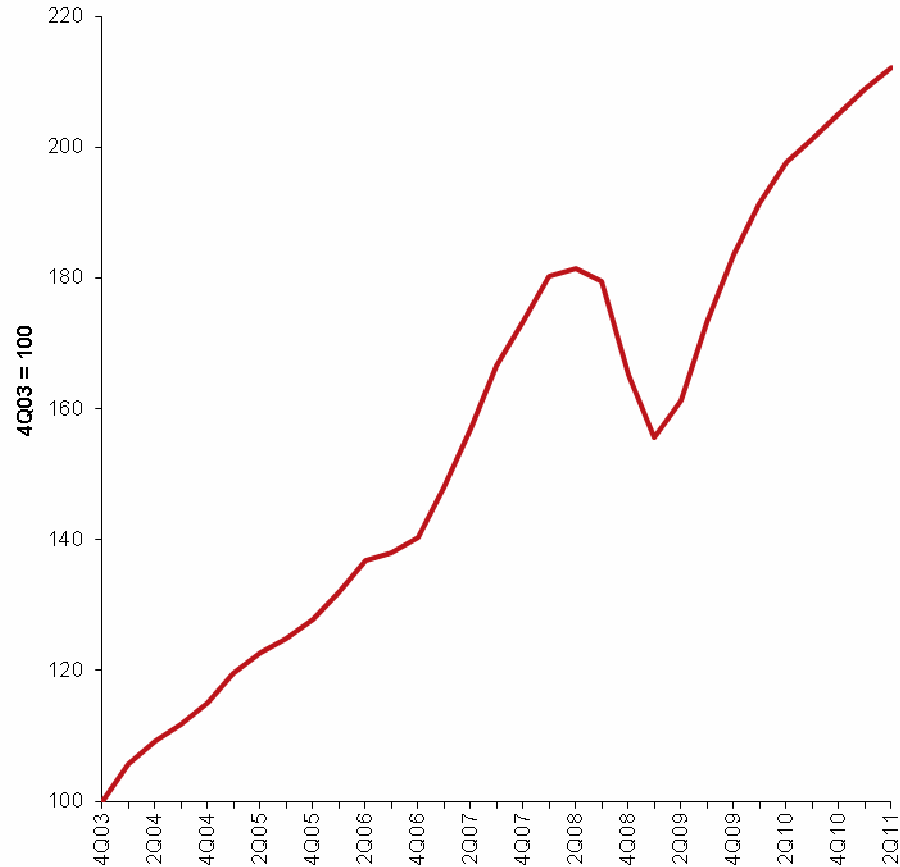


Corporates Selling

Data Centre, Zama City, Japan
Sale and Leaseback by
major US corporation
\$ 70 million, June 2011

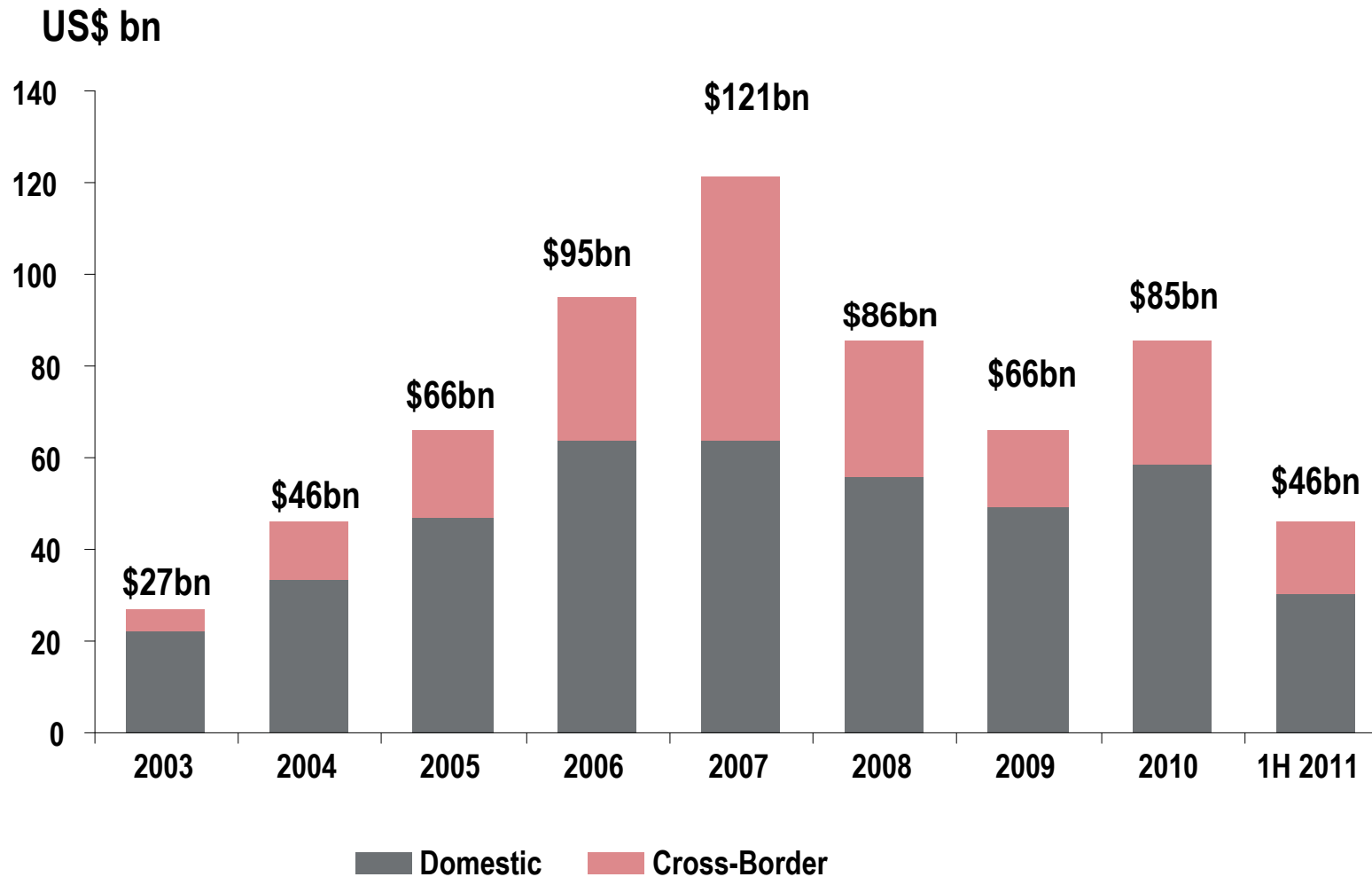
Asia Pacific luxury residential price growth

Asia Pacific Luxury Residential Capital Value Index



City	Quarterly Change 2Q11 vs. 1Q11	Yearly Change 2Q11 vs. 2Q10
	(Local Currency)	(Local Currency)
Hong Kong	7.3%	28.3%
Beijing	-1.9%	3.8%
Shanghai	0.0%	2.2%
Singapore	0.0%	0.0%
Bangkok	1.9%	3.7%
Kuala Lumpur	0.3%	9.3%
Jakarta	5.0%	8.1%
Mumbai	0.0%	3.7%

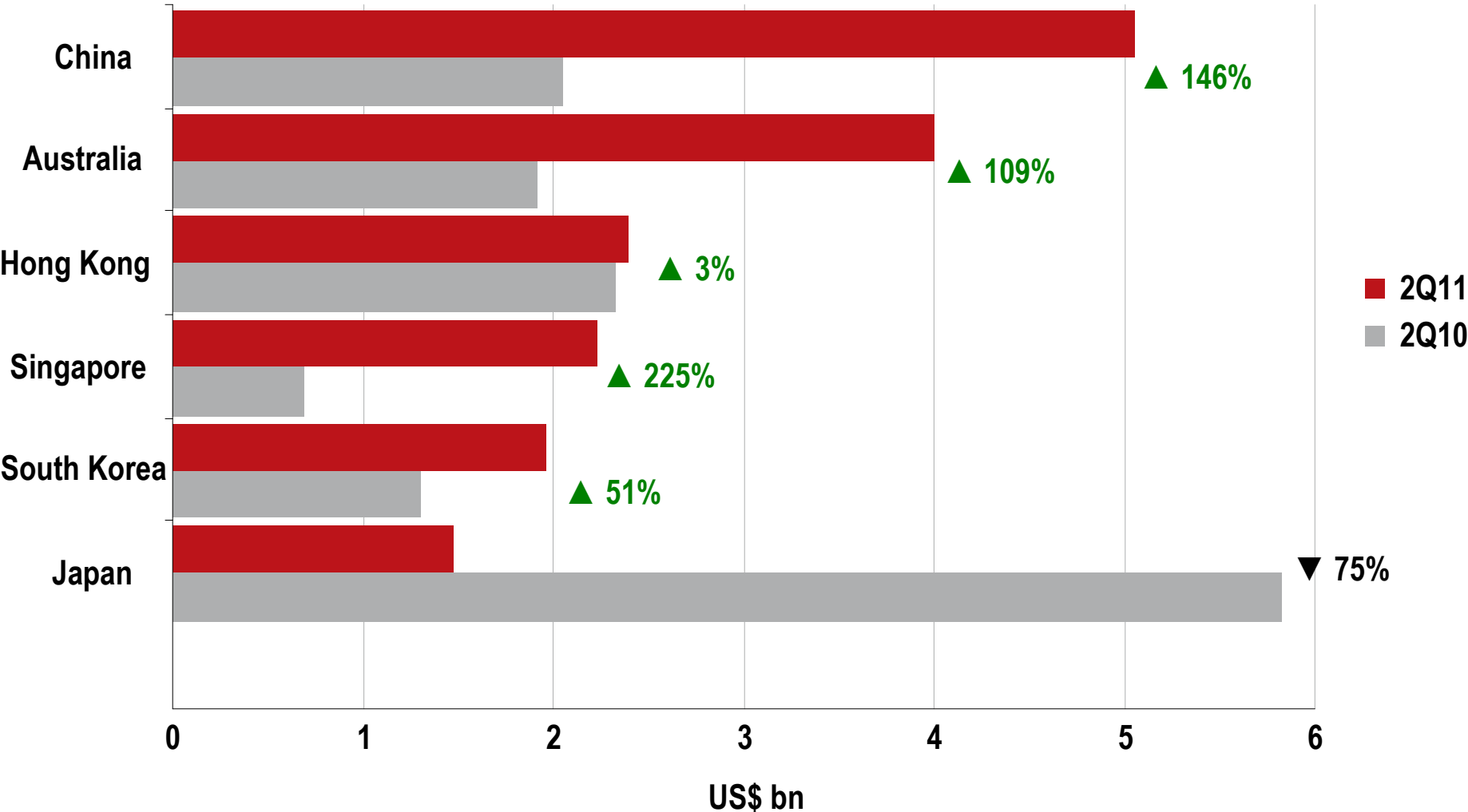
AP - Direct Commercial Real Estate Investment 2003-1H11



Figures exclude transactions below USD5mil, land acquisitions and developments

Source: Jones Lang LaSalle, July 2011

AP Commercial Real Estate Investment Volumes: 2Q11 vs 2Q10



Figures exclude transactions below USD5mil, land acquisitions and developments
 Source: Jones Lang LaSalle, July 2011

Summary Outlook 2011

- AP economies likely to outgrow Western economies
- Demand for buildings will come from MNCs and Asian companies
- Occupiers looking to grow “efficiently”
- Projected rental growth may slow due to current economic uncertainties
- Supply is being eroded... edging towards a landlord’s market
- May be a “pause” in investment volumes Q3 / Q4
- Defensive stock more popular
- Volumes will increase again in 2012 / 2013
- AP real estate a good medium term bet





Real value in a changing world

Thank you

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