



JONES LANG
LASALLE® LEECHIU

Real value in a changing world

2009 Philippine Property Outlook

January 2009



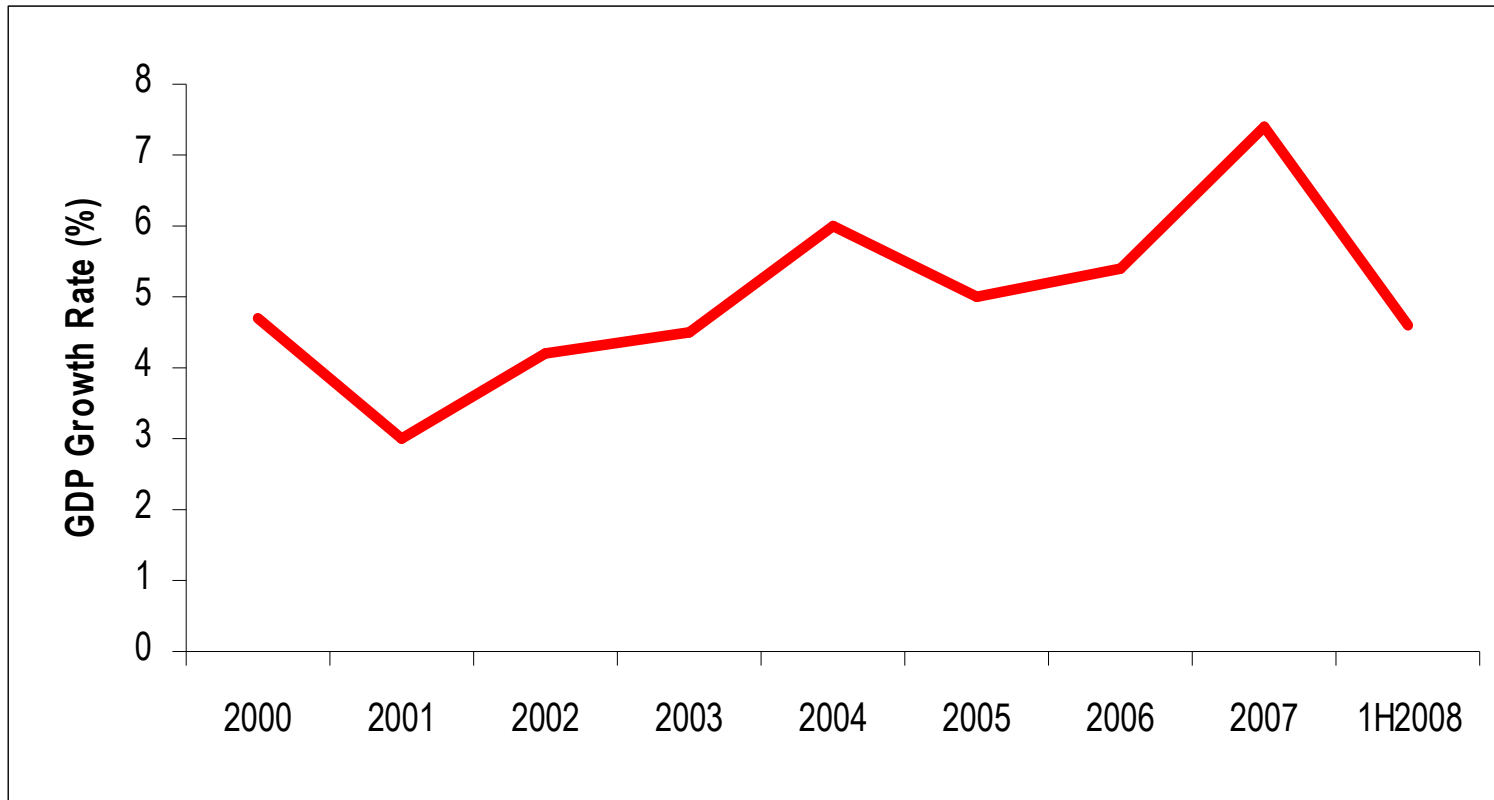
Outline

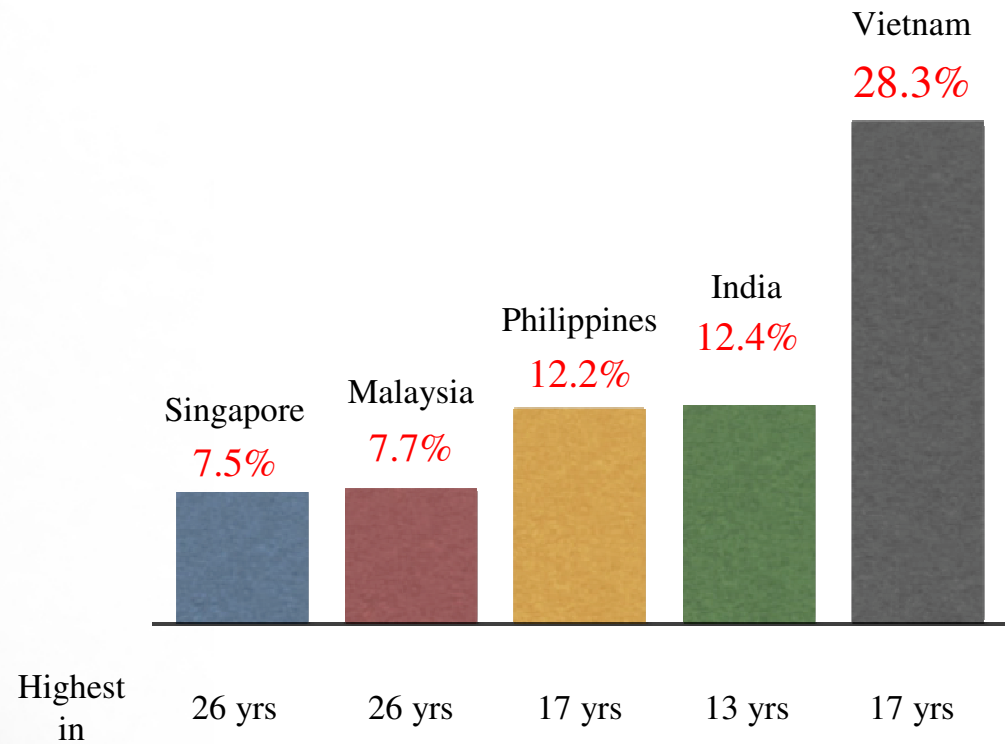
- Regional and Local Economic Highlights
- Philippine Property Sector Overview
- 2009 Trends
- Summary and Outlook

Regional and Local Economy

Gross Domestic Product

- Average of 4.98% annual growth rate in the past 10 years
- In 1H2008 was recorded a 4.6% growth
- Government estimating a modest 5% growth by end-2008

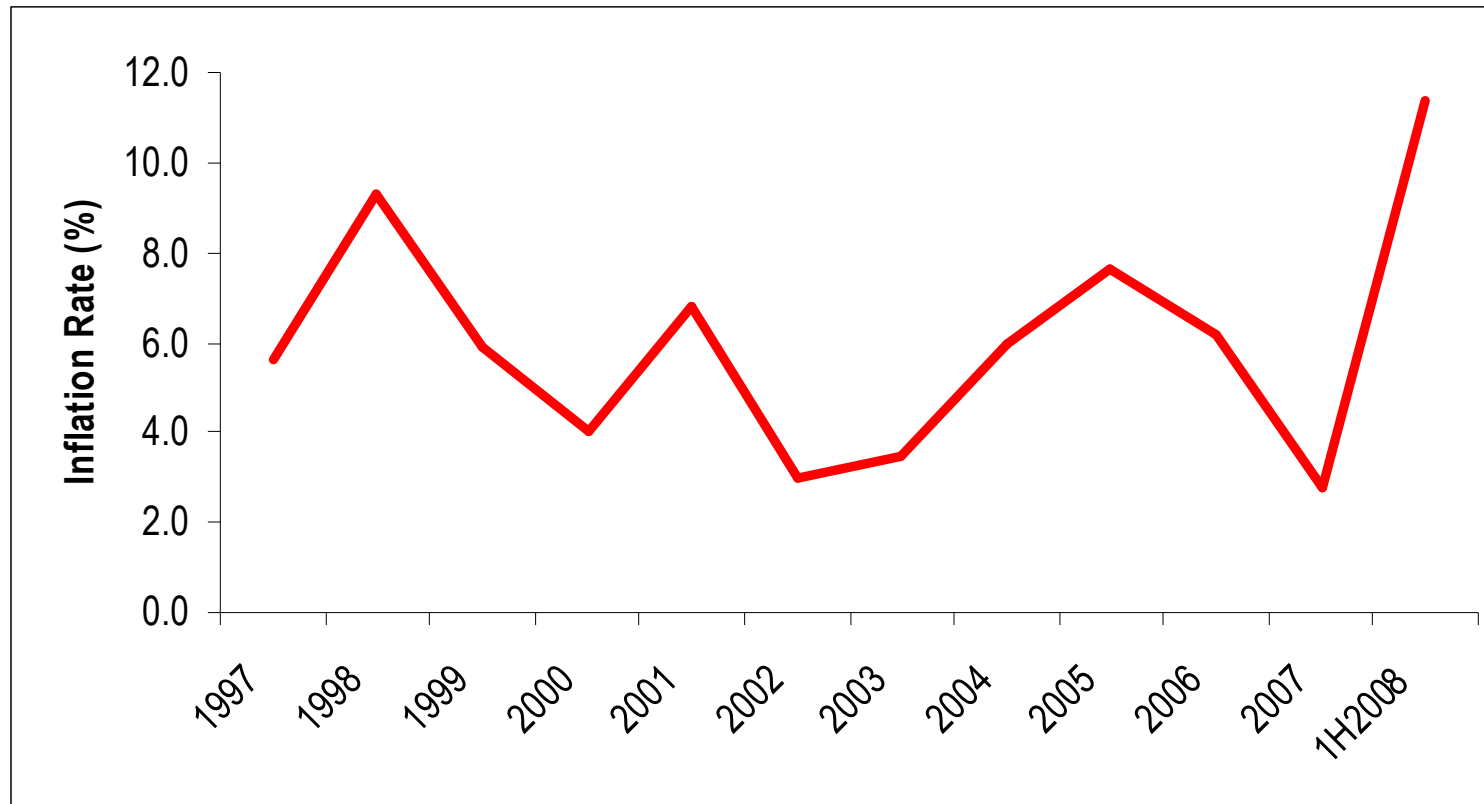




record inflation **in asia**

Inflation Rate

- Average inflation rate in 1H2008 is 7.7%; but went up to 12.2% in Sept '08
- Attributed to the rising fuel prices and basic commodities, but average inflation in 2008 is projected at 8%-9%



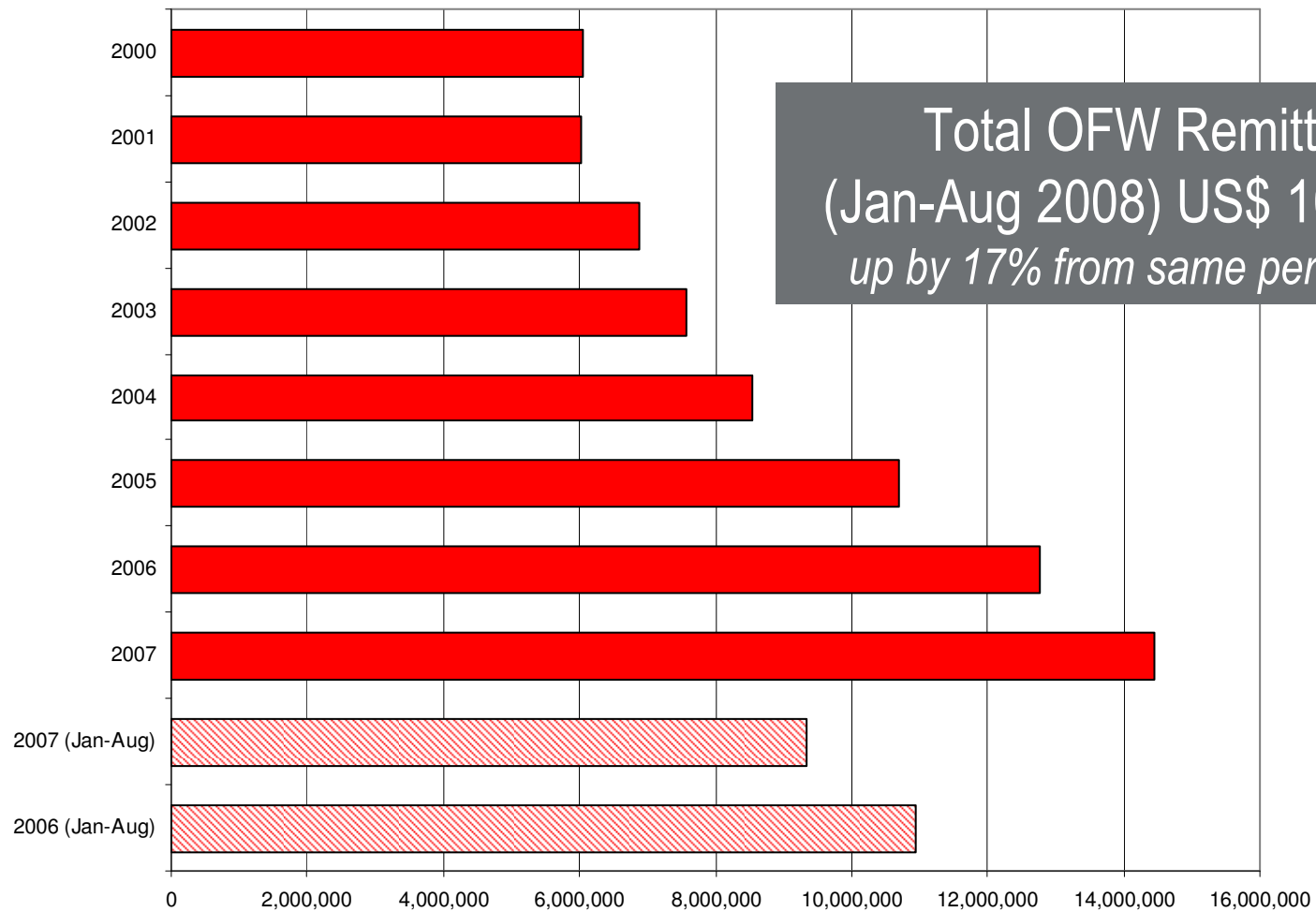
Positive Indicators Sustaining Real Estate Growth

- Lending in RP **grew** by 18.5% in July 2008
 - Housing loans still robust; **affordable** housing loans
- **Loans** outstanding in commercial and universal banks **grew** by 23.9% in July 2008, which implies **liquidity** in the domestic financial system needed to sustain economic growth
- **Non-performing loans declined** to 3.98% (same level before '97 crisis)
- Automotive sales increased by 10.4% in September 2008
- **Inflation slowing** from 12.2% to 11.9% in September 2008
- BSP keeping interest rates stable in view of decline in inflation rate
- **Sound macroeconomic fundamentals**
 - Stable external payment positions (US\$2 billion surplus this year)
 - Banking system remains sound
 - Gross international reserves at US\$36.7 billion (as of September 2008)
 - Foreign currency deposit at US\$21 billion
- **Real estate** sector **grew** by 22% in the first half of 2008, compared to 20% in the same period last year

Opportunities in the Philippine Economy

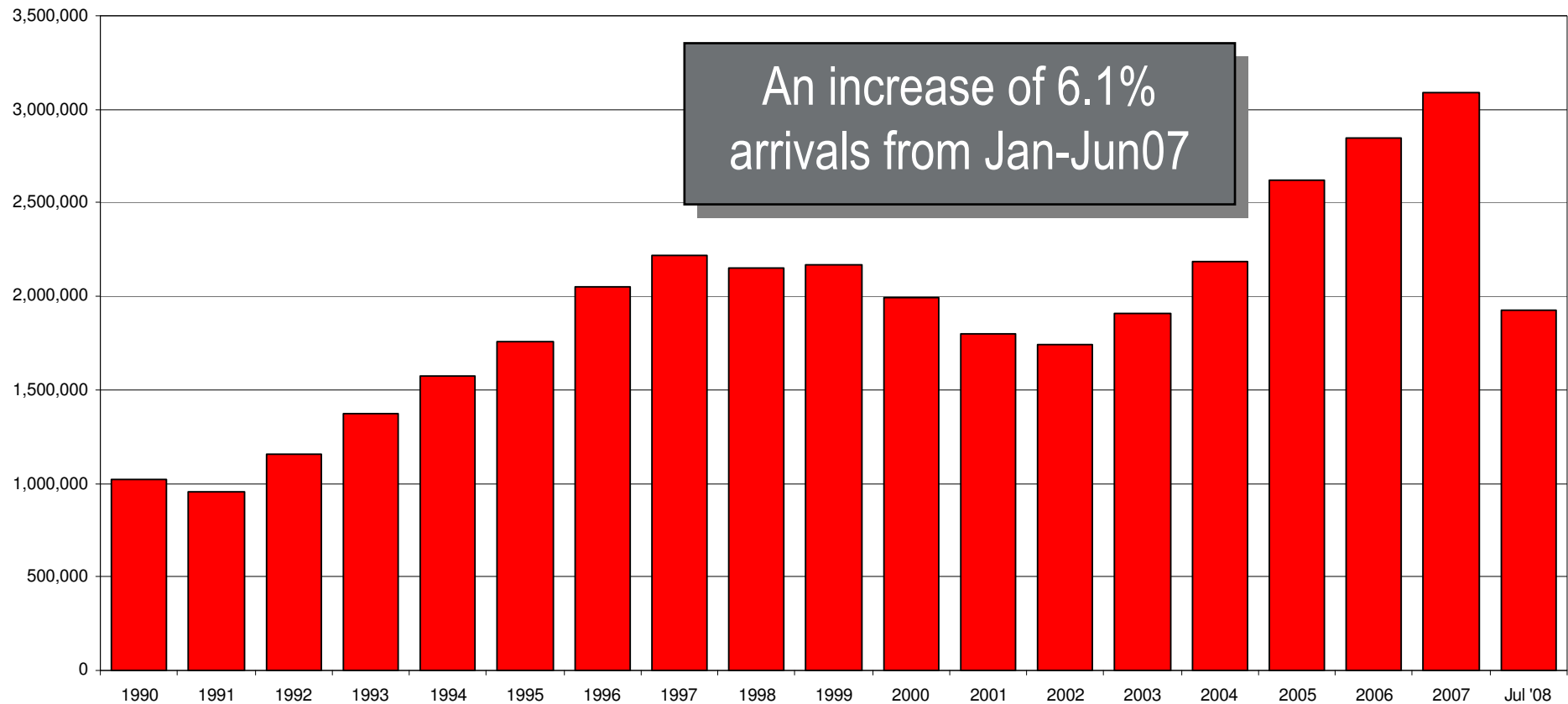
OFW Remittances, Tourism, BPO

OFW Remittances



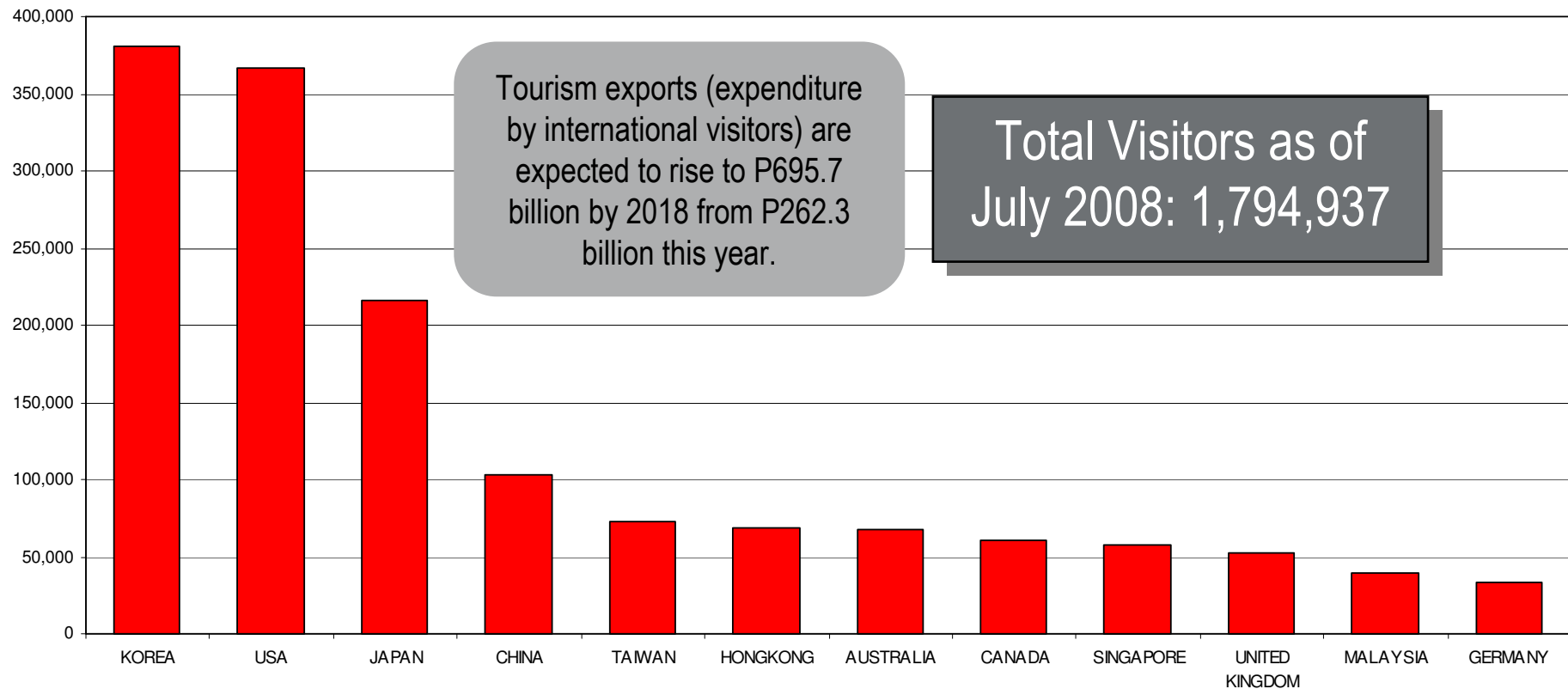
Visitor Arrivals in Philippines

(1990 – July 2008)



Top Foreign Visitors to the Philippines

January to July 2008



Business Processing Outsourcing (BPO)

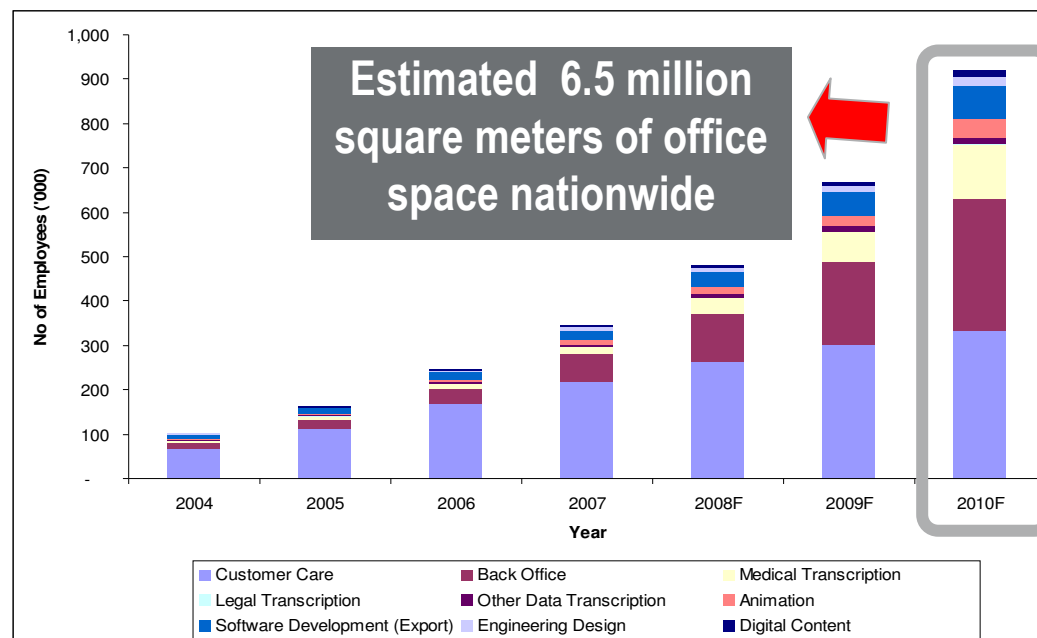
BPO

- Total no. of employees (May. '08): 340,000
- Total no. of seats: 226,667
- Economic Contribution:
 - Revenues:
 - US\$ 5 Billion in Revenues in 2007
 - Estimated US\$ 7 Billion in Revenues in 2008
 - IT- Investments:
 - PHP 7,154.19 Million in 2007
 - PHP 707.52 Million in 1H2008

The industry is aspiring for a 10% global market share by 2010, which will translate to:

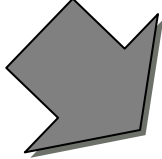
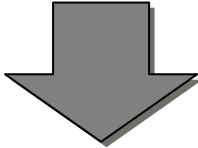
900,000 full-time employment

US\$ 13 Billion annual revenues



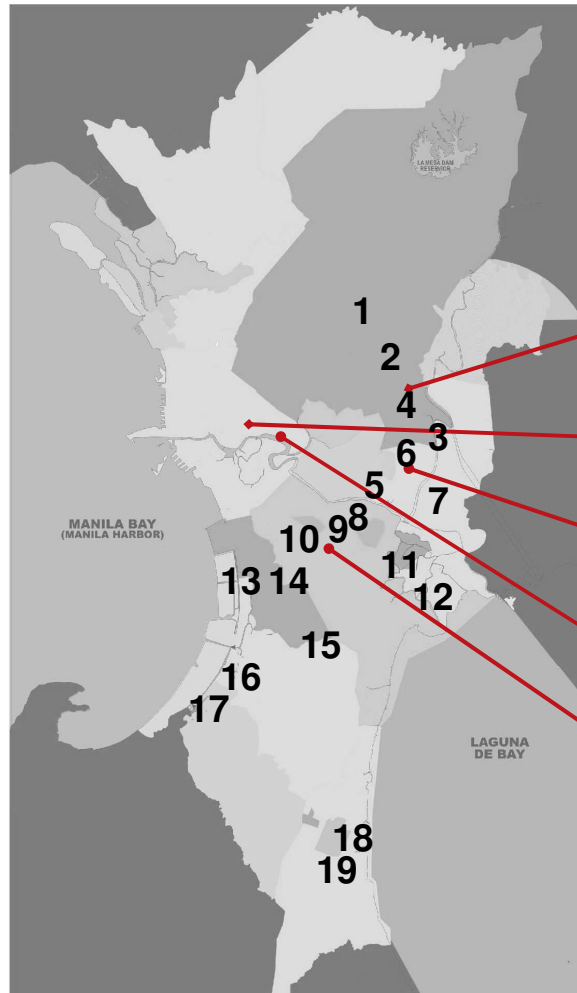
Office Market Overview

Office Property Market Direction

SECTOR	DIRECTION OF VALUES/PRICE	SUPPLY	COMMENTS
Prime & Grade 'A' Office		<p>Total of 1.8 million sqm. of Grade 'A' office supply coming into the market (2008 – 2013)</p> <p>26% of this pipeline supply have already been pre-committed to mostly call centers / BPO occupants</p>	<p>Large, efficient floor plates</p> <p>High quality specs and finish</p> <p>Majority are PEZA-registered</p>
Grade 'B/C' Office		<p>Supply remains a concern, but vacancy have gone way down in the last two (2) years due to lack of office space in Makati and Ortigas CBDs.</p>	<p>Mostly inefficient spaces</p> <p>Limited power supply & A/C facility</p> <p>Poor workmanship</p>

Emerging Business Districts Completed After 1995

- 1 UP-ALI S&T Park
- 2 Eton BPO Complex
- 3 Eastwood City
- 4 Araneta Cyber Center
- 5 Greenhills Redevelopment
- 6 Rockwell Meralco Center
- 7 Greenfields EDSA Central
- 8 Robinsons Gateway Center
- 9 Rockwell Center
- 10 Century City
- 11 Bonifacio Global City
- 12 McKinley Hill
- 13 SM Central Business Park
- 14 Metropolitan Business Park
- 15 Newport City
- 16 Aseana IT Business Park
- 17 Asiaworld City
- 18 Madrigal Business Park
- 19 Filinvest Corporate City
- 20 Nuvali Canlubang



20 emerging districts
with approximately
1,300 hectares
of developed land

Cubao

Escolta

Ortigas CBD

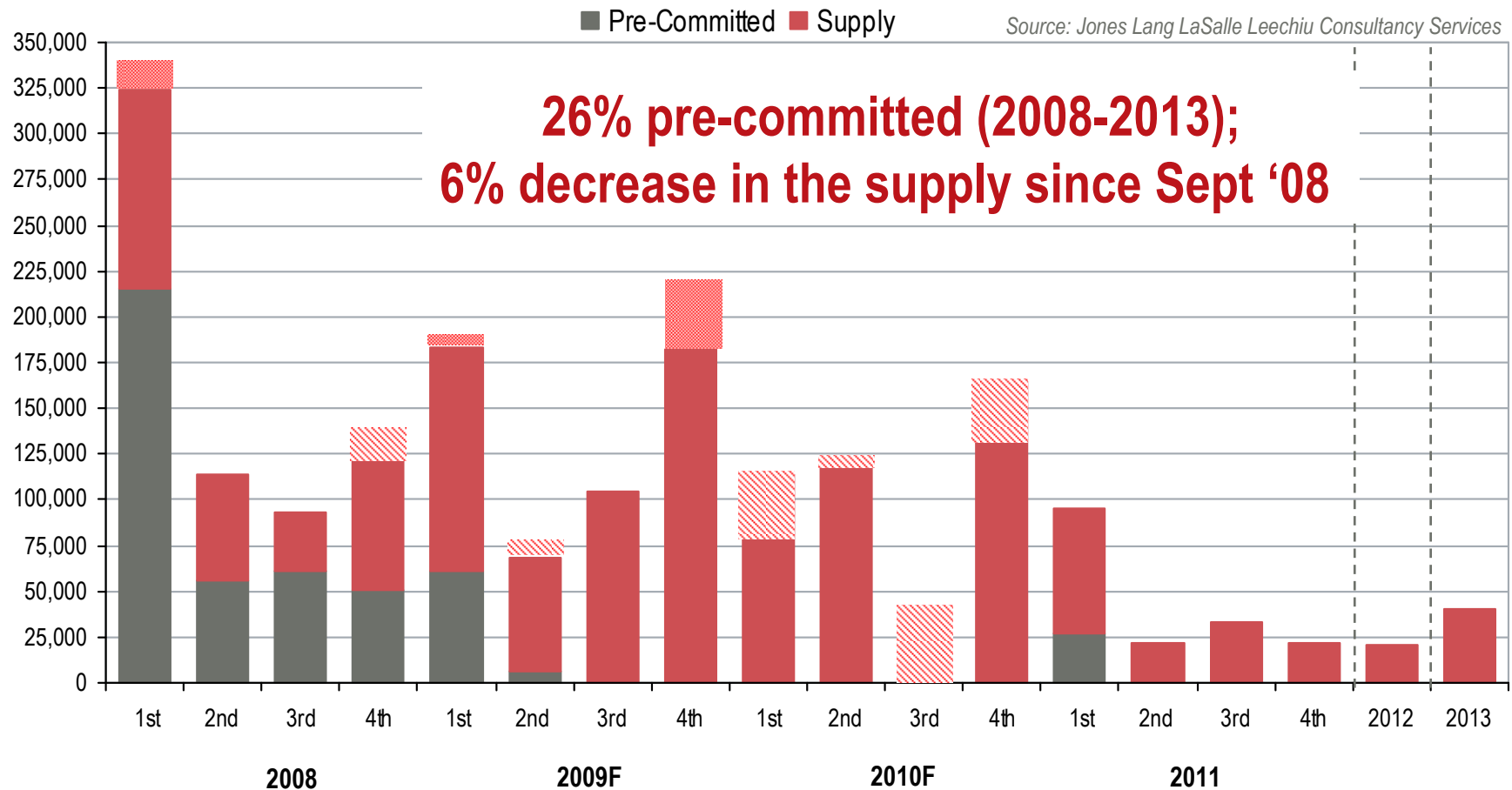
Binondo

Makati CBD

vs. **200 hectares** over
5 traditional CBDs

Quarterly Supply vs Pre-Committed Space

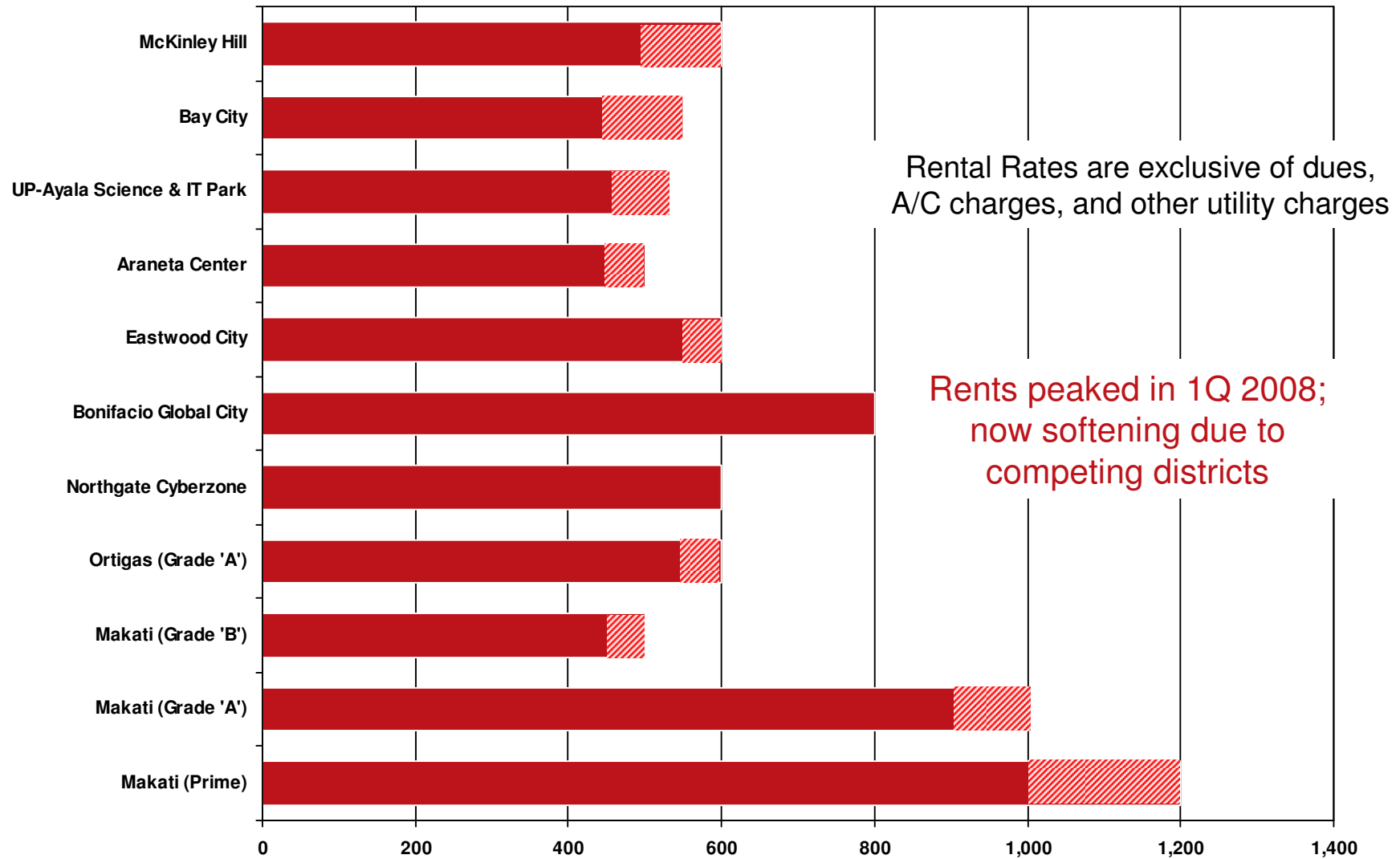
September 2008 vs October 2008



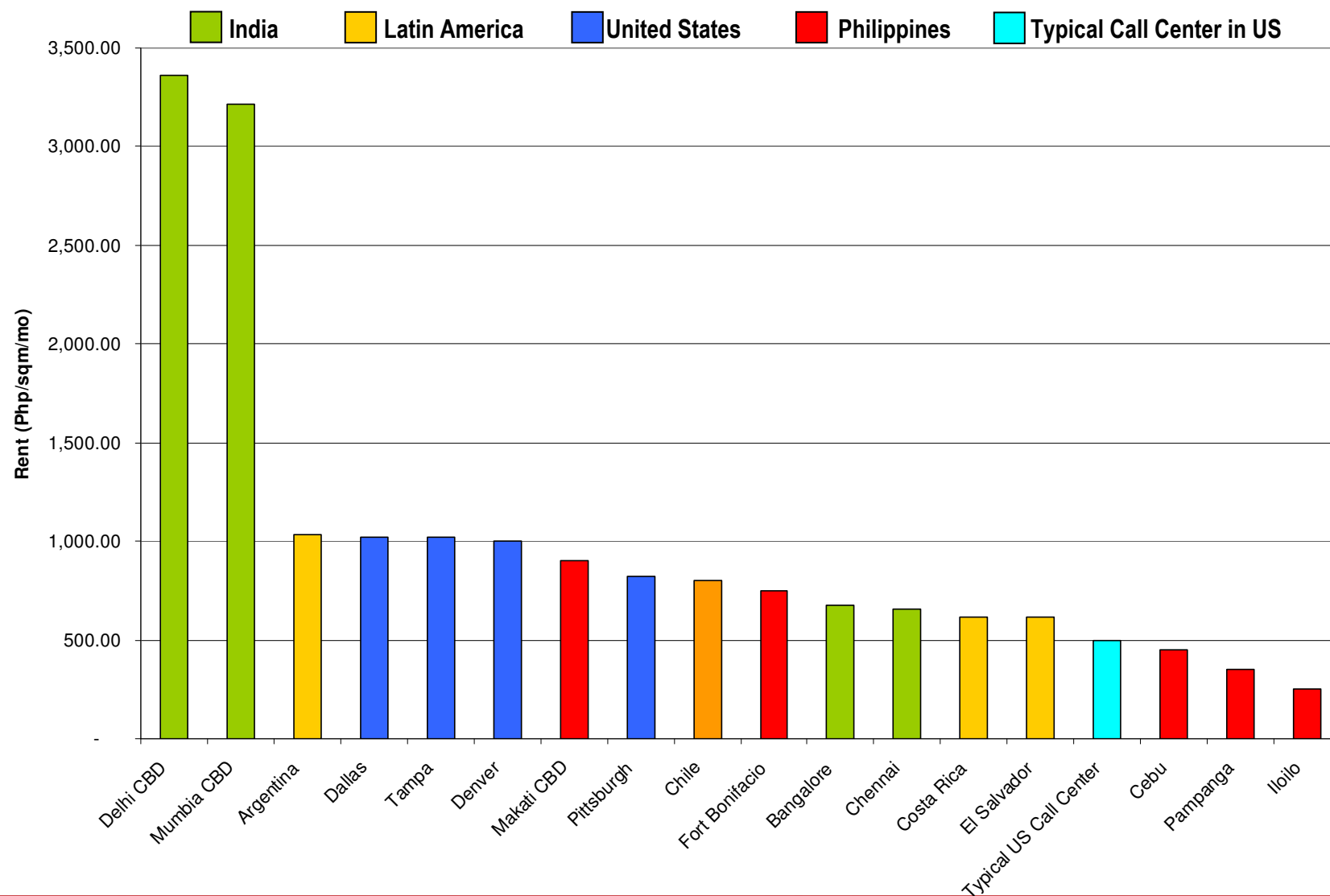
Transacted Rental Rates

July 2008 vs October 2008

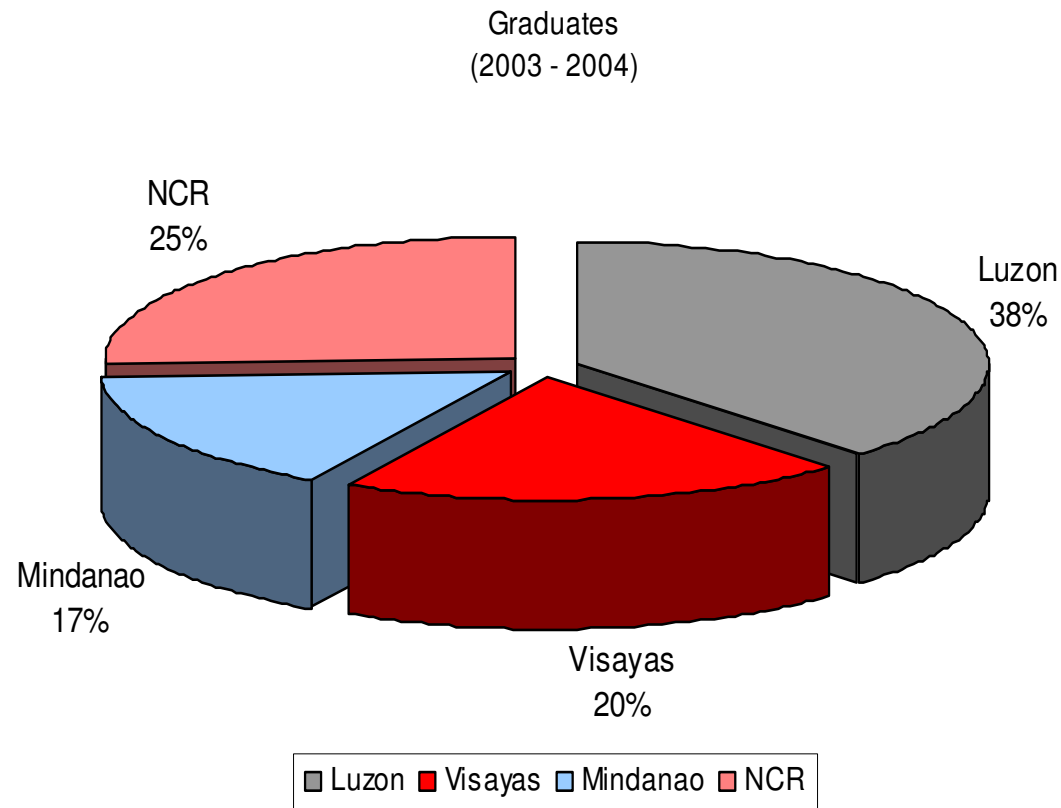
Source: Jones Lang LaSalle Leechiu Consultancy Services



Real Estate Cost of BPOs



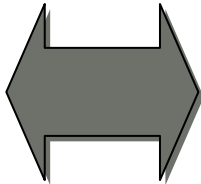
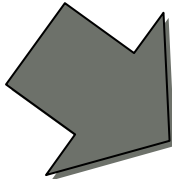
Philippine Graduate Data



- **NCR and Luzon comprise 63% of the entire graduate pool.**

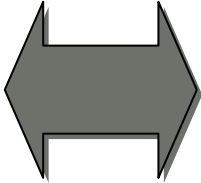
Residential Market Overview

Residential Property Market

SECTOR	DIRECTION OF VALUES/PRICE	SUPPLY	COMMENTS
Prime Housing High-end Condominium		<ul style="list-style-type: none"> •Supply of quality houses are scarce •No prime villages being developed in Makati in the near future •Pace of renovation of old houses does not keep up with demand 	<ul style="list-style-type: none"> •Terms will continue to be in landlords' favor as expat community grows •Supply will only increase when economy turns •Smaller floor areas for new high-end condo projects
Mid to Low end Condominium		<ul style="list-style-type: none"> •Expected additional supply from 2008-2010 is comparable to accumulated supply from 2001-2007 	<ul style="list-style-type: none"> •Middle class will benefit as quality accommodations become more affordable. •Glut to hit mid to low end condo market in 2008/2009. •Increase in prime housing prices.

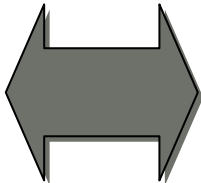
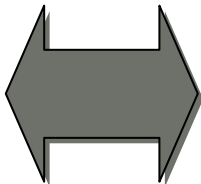
Retail Market Overview

Retail Property Market Direction

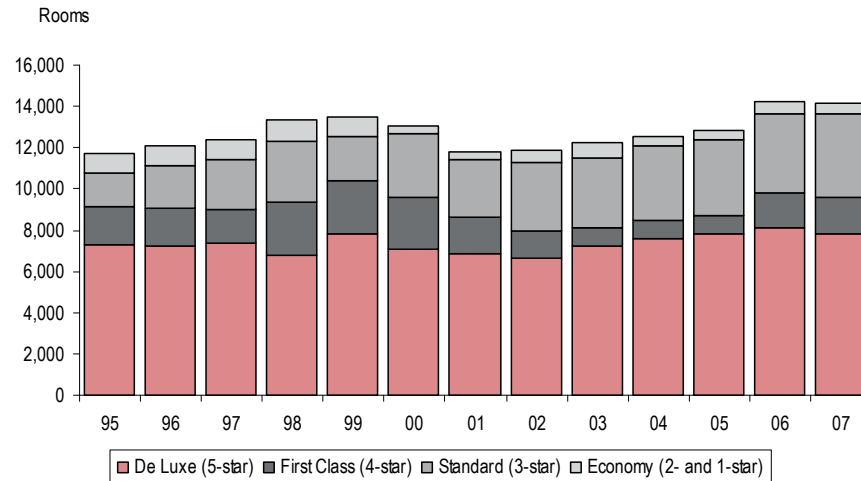
SECTOR	DIRECTION OF VALUES/ PRICE	SUPPLY	COMMENTS
Retail Malls		<ul style="list-style-type: none">•New completions to further increase supply in Metro Manila	<ul style="list-style-type: none">•“Provincial retail play” among mall developers.•Narrowing margins among retailers a concern

Hotel/Serviced Apartments Overview

Hotel Property Market Direction

SECTOR	DIRECTION OF VALUES/PRICE	SUPPLY	COMMENTS
Hotels		<ul style="list-style-type: none"> • New prime developments expected in key areas of Makati, Bonifacio Global City and the Bay area 	<ul style="list-style-type: none"> • Increasing tourist arrivals narrows down hotel vacancy
Residential Resorts/Leisure Homes		<ul style="list-style-type: none"> • Entry of many established property developers will dramatically increase supply in the short-to-medium term 	<ul style="list-style-type: none"> • High performance of pioneering projects triggers developments of similar nature. • Long-term prospects of economic sustainability and growth will determine the course of this market niche.

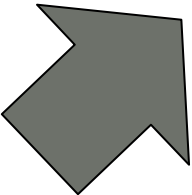
Hotel Supply and Tourism Growth



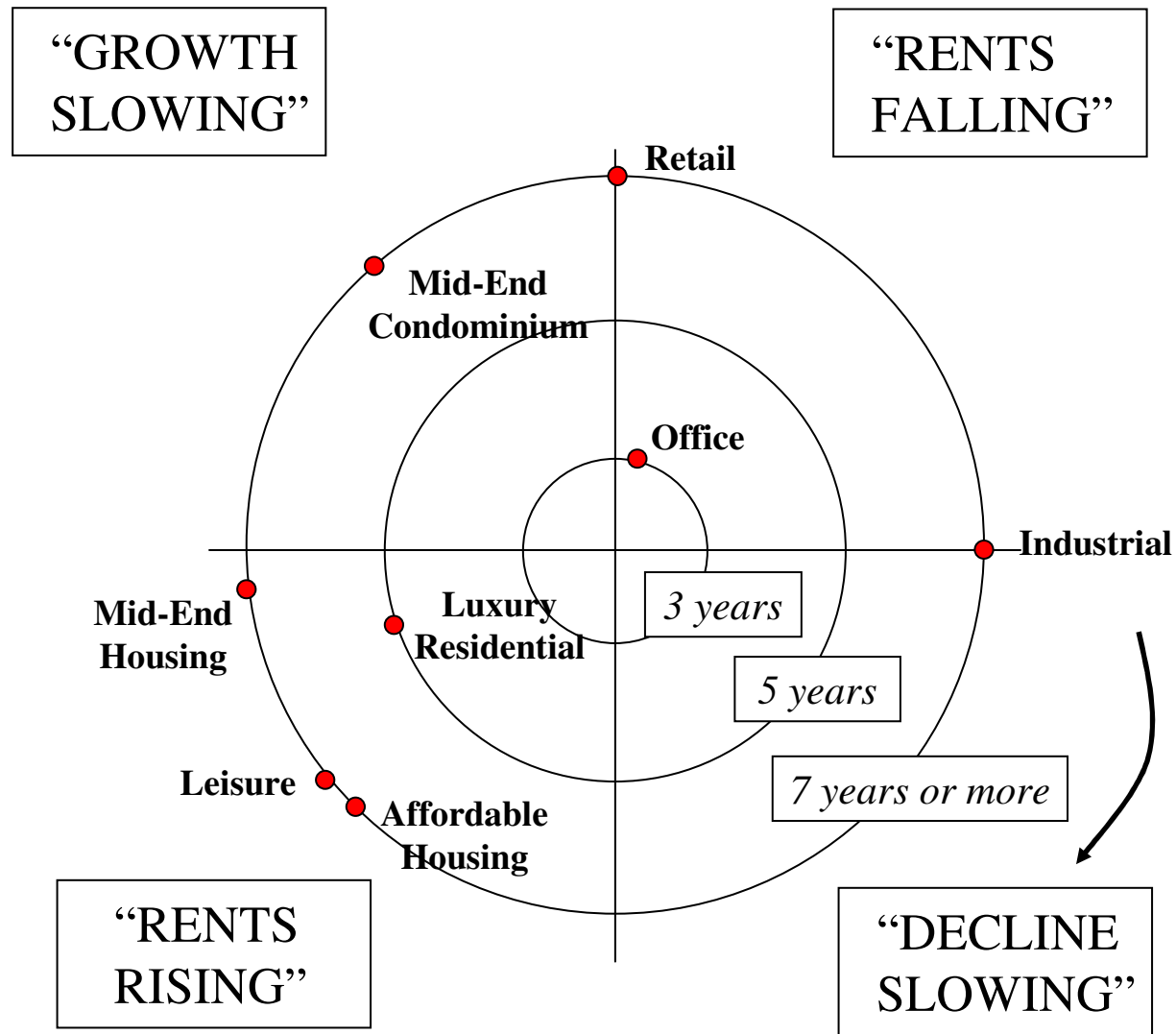
- Undersupply means accommodation becomes more expensive and will have negative impact on budget tourists
- Existing accommodation is getting old
- Majority of new developments are high-end hotels
- However, the government is spending on infrastructure, which will support tourism growth

Philippine Airports	2005	2008	2010
Total Domestic	32	34	37
Total International	10	10	11

Serviced Apartments Property Market

SECTOR	DIRECTION OF VALUES / PRICE	SUPPLY	COMMENTS
Serviced Apartments		<ul style="list-style-type: none">• Condotel model is attractive for developers because returns are faster	<ul style="list-style-type: none">• Increasing number of arrivals of foreign-based executives• Quality and purpose-built developments are in short supply

Philippine Property Clock (3Q/2008)



2009 Trends and Beyond

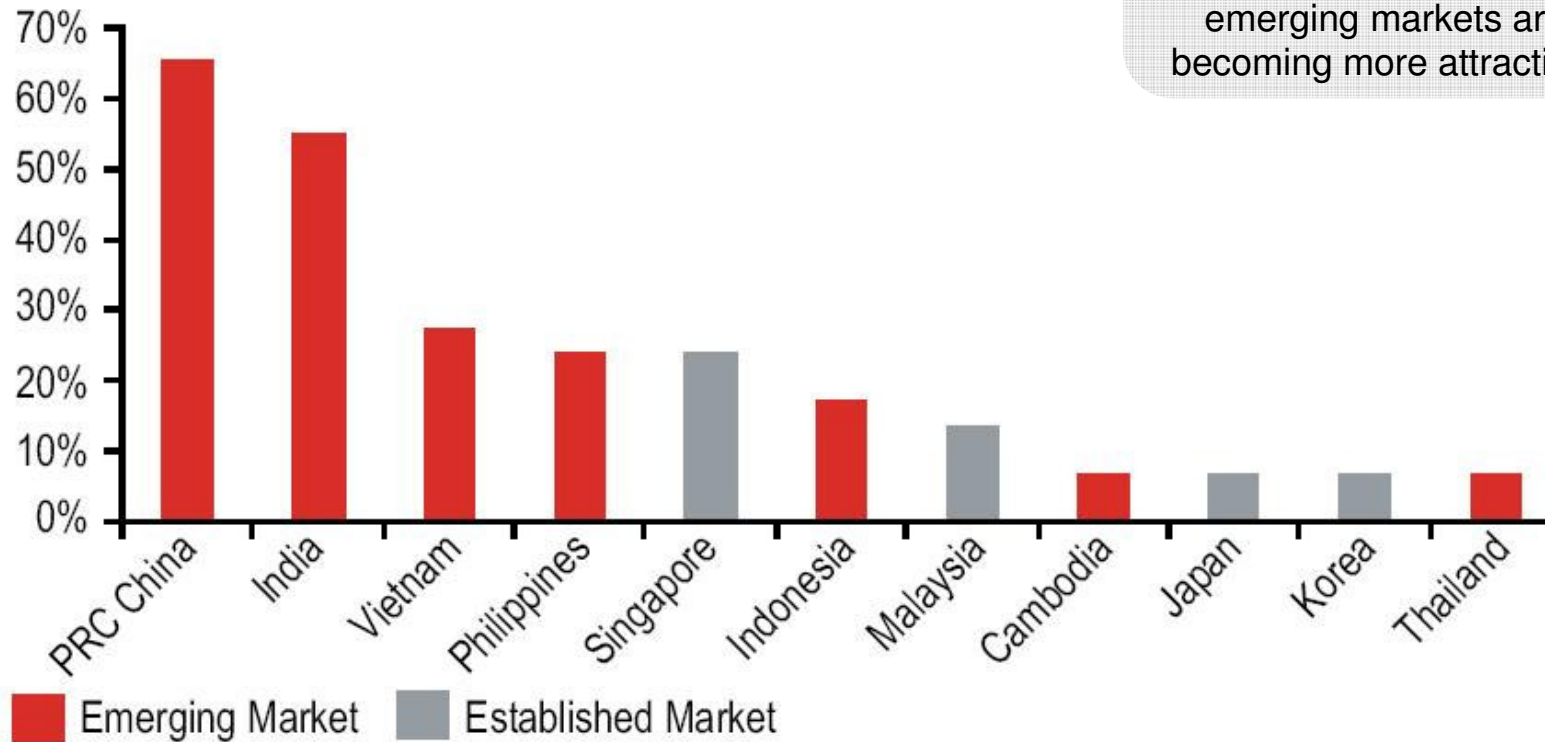
Asia-Pacific Market

Investment trends for Asia in 2008-2010

- **Asset pricing falls across the region**
 - The perfect storm of debt costs & falling rents in many markets
 - Notable exceptions in the near term include Korea, Malaysia and Taiwan
 - Markets de-coupling from each other as reliance on debt markets differ
- **Security of Income is key**
 - Investors targeting yield & “security” of income
- **Liquidity remains in core markets**
 - The China / India exit is an issue
 - Re- weighting of portfolios creates USD 150 billion of equity on the sidelines
- **Institutional / risk averse capital will dominate the core markets**

Where do companies intend to grow?

Survey of 30 leading multinational companies

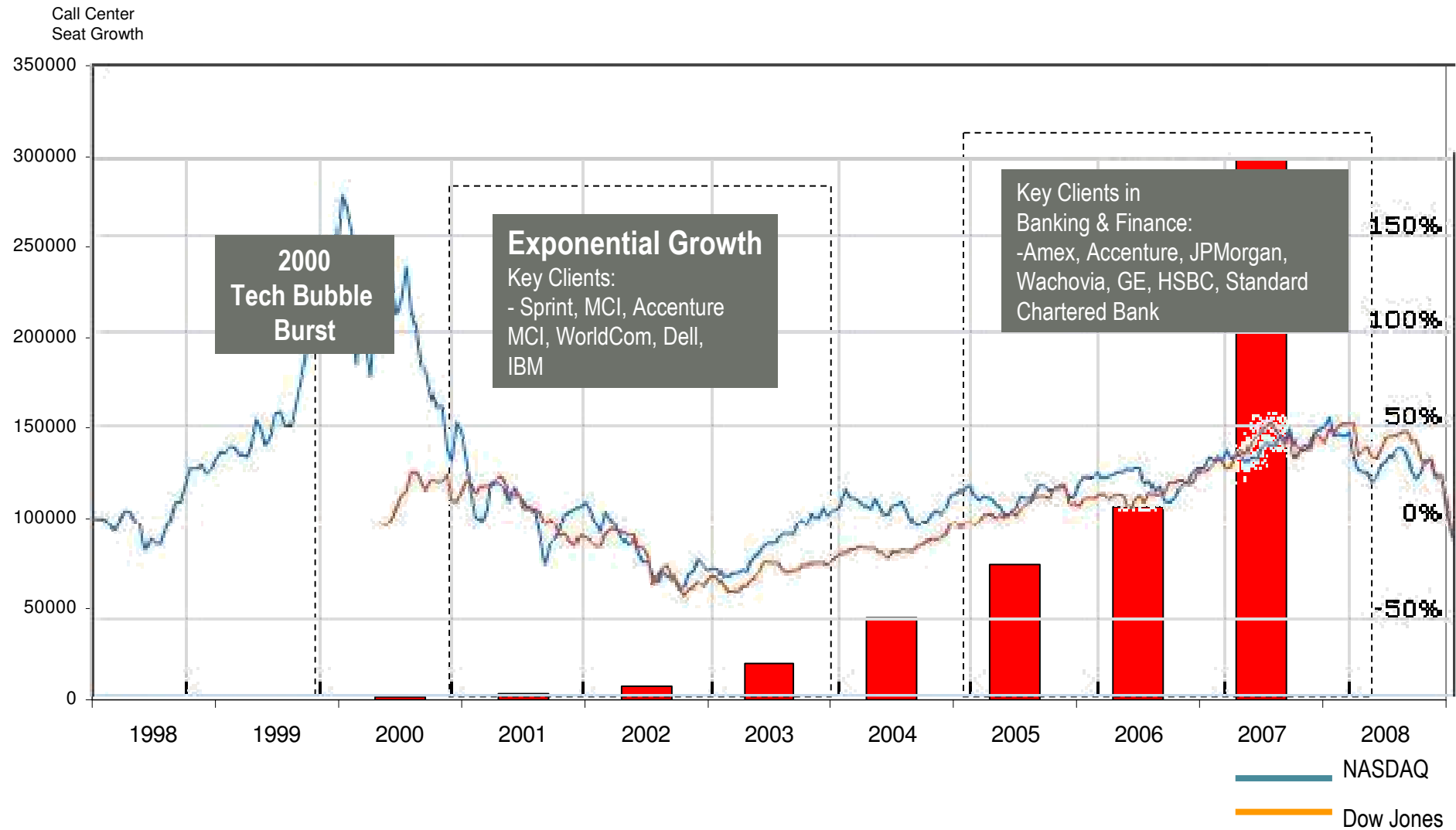


With lower operating costs than the West and a large and growing market for goods and services, Asia's emerging markets are becoming more attractive.

Philippine Case

Light at the end of the tunnel?

NASDAQ, Dow Jones and Call Center Seat Growth























Equities - Philippine Property Counters

Oct 07 – Oct 08

9/15/2008
Lehman



<u>Indicators</u>	<u>1997</u>	<u>2001</u>	<u>2008</u>	<u>12-mth Outlook</u>
Economy				
OFW				
Tourism				
BPO				
Property Sector				

Summary

How can you make the situation work for you?

- **Cyclical Market**...- with long term growth and fundamental trends underlying that cyclicity and along the way will present opportunities. Must take a longer term view.
- **Globalization** – driven by capital sources and investors (Supply Side) and MNCs (Demand Side), cross border capital flows beyond national boundaries, REITS, borderless real estate industry
- **Sustainability** – concerted action between owners and occupiers on the sustainability agenda – asset development and upgrading makes good business returns

Summary

How can you make the situation work for you?

- ***Bright Spots in the Philippine Property Market – Main Source of Strength***
- ***The current slowdown is temporary and will be addressed***
- ***Real estate is a long term growth sector and driven by long term fundamental trends***

***What goes up must come down.....and
what comes downprobably goes up
eventually!***

THANK YOU!