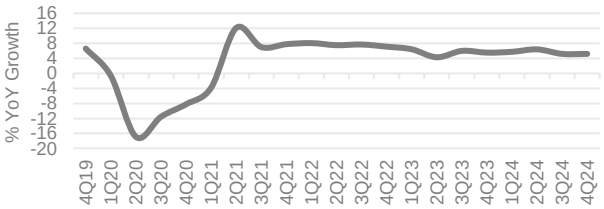
PROPERTY MARKET NEWS

PHILIPPINES

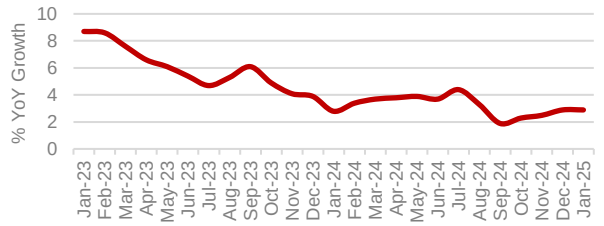
FEBRUARY 2025

CUSHMAN & WAKEFIELD

5.2% YoY 4Q 2024 Real GDP



2.9% YoY Jan 2025 Headline Inflation



Source: Philippine Statistics Authority

GENERAL PROPERTY

- After being on the Financial Action Task Force (FATF) 'gray list' for more than three years, the Philippines has finally been removed from the list, attributable to the successful implementation of measures targeting deficiencies in anti-money laundering and counter-terrorism financing efforts. This achievement is expected to further bolster investor confidence, reduce transaction costs, and enhance financial transparency. The country's exit from the gray list highlights various economic benefits, such as improved cross-border transactions and higher foreign investments, and is also expected to support the government's push toward an A-credit rating, thereby strengthening its credibility as a business destination. Nonetheless, experts stress the importance of maintaining these reforms to stay regionally competitive. Efforts such as strengthening financial oversight and targeting illicit trade must continue. Reforms in infrastructure, policy consistency, and strong safeguards to protect legitimate organizations are also essential. With the FATF set to reassess in 2027, sustaining these measures will be crucial for long-term economic growth and investment appeal.
  Read the original article

  News article cited

- *Being on the gray list is linked to higher compliance costs, making real estate transactions, especially for foreign investors, more expensive. The country's removal from the gray list is expected to enhance financial transparency and facilitate smoother cross-border transactions for foreign investors. This is also expected to bolster the demand of overseas Filipinos toward local real estate investment.*

  C&W Philippines Research view

OFFICE

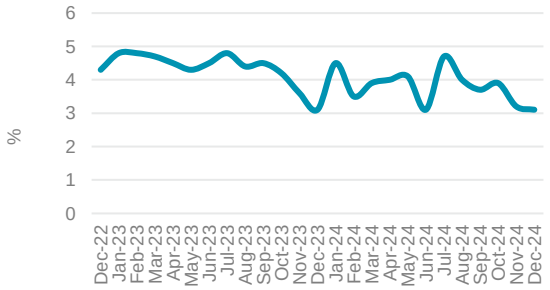
- The International Monetary Fund (IMF) has warned that Filipino workers in the business process outsourcing (BPO) sector face significant risks of displacement due to advancements in artificial intelligence (AI). The IMF noted that roughly one-third of jobs in the country are highly exposed to AI, meaning AI can perform many of the tasks in these occupations. While about 61% of these highly exposed occupations are also considered highly complementary, around 14% of the workforce is at risk of being replaced entirely due to jobs with low AI complementarity. Occupations that complement AI include general managers, supervisors, teachers, lawyers, engineers, and counselors. Meanwhile, jobs highly exposed to AI but with low complementarity include customer service representatives, telemarketers, accountants, auditors, secretaries, and clerks. The BPO industry, a key contributor to the Philippine economy, is particularly vulnerable as AI technologies increasingly handle routine tasks like customer service. Notably, the country was also ranked 56th out of 188 countries on the Government AI Readiness Index.
  Read the original article

  News article cited

- *While automation might reduce the need for large office spaces for occupations with low AI compatibility, the demand for modern and well-equipped workspaces is seen to cautiously increase as competition in the labor market further tightens for jobs that require skills in creativity, critical thinking, and problem-solving.*

  C&W Philippines Research view

3.1% Dec 2024 Unemployment Rate



Source: Philippine Statistics Authority

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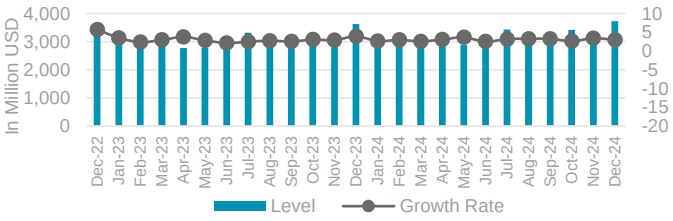
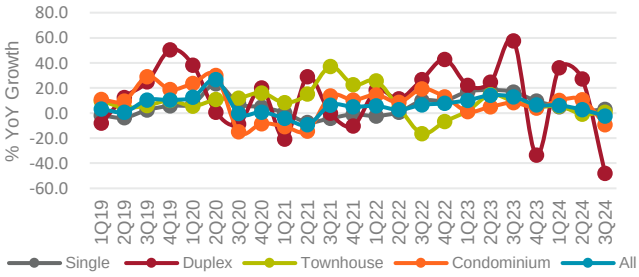
RESIDENTIAL

3.0% YoY Dec 2024 OF Personal Remittances



-2.3% YoY 3Q 2024 Residential Real Estate Price Index (Q1 2014 = 100)



Source: Bangko Sentral ng Pilipinas

While growth was tamer at 5.6% in 2024, the World Bank projects that the Philippines will achieve upper middle-income country status by 2026, assuming an average growth rate of 6% from 2025 to 2026. The country's gross national income (GNI) rose to USD 4,230 in 2023 from USD 3,950 in 2022, although it remained a lower middle-income country. Nonetheless, the Philippines is approaching the upper middle-income GNI threshold of USD 4,516, which ranges from USD 4,516 to USD 14,005. Upon reaching this milestone, the country will no longer be eligible for official development assistance loans, which usually have low interest rates and extended repayment terms. The country must also shift from investment-led to productivity-driven growth to sustain progress and achieve its 2040 vision of building a middle-class society and eradicating poverty. Key strategies include improving competition, reducing business costs, adopting digital and AI technologies, and promoting regional trade integration. Additionally, investments in education, workforce reskilling, and climate resilience through green energy and infrastructure are crucial.

Read the original article

➢ *The anticipated economic growth, higher living standards, and more purchasing power that come with upper middle-income status will change the residential real estate market. This shift will increase demand for eco-friendly and sustainable development. With rising incomes and urbanization, there will be a need for innovative housing that focuses on environmental sustainability, energy efficiency, and smart home technologies.*

❑ *News article cited* ➢ *C&W Philippines Research view*

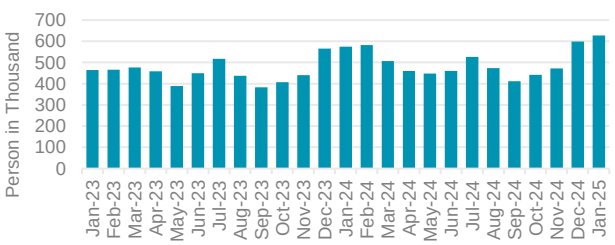
HOSPITALITY

❑ Cruise tourism in the Philippines has posted the highest post-pandemic figure, with passenger arrivals surging by 61.9% in 2024 to 142,574, up from 88,080 in 2023. The Philippine Ports Authority (PPA) anticipates further growth, projecting a 29.8% increase to 185,000 passengers in 2025. To support this rising cruise industry, significant investments are being made in infrastructure, including new cruise terminals in Coron, Aklan, Camiguin, and Puerto Galera, along with the recently completed Jubang Port Cruise Ship Terminal in Surigao del Norte. With these developments, the PPA seeks to enhance the Philippines' reputation as a leading cruise destination, strengthen local economies, and highlight the nation's top tourist attractions on a global stage.

Read the original article

➢ *The surge in cruise tourism is driving an increasing demand for lodging options near ports and key tourist destinations, creating significant opportunities for the hospitality sector and resulting in multiplier effects on the local economy. While the country's share in foreign arrivals has not yet fully recovered, promoting alternative forms of tourism to further attract local travelers will continue to buoy the travel and tourism industry.*

626.9Th Persons Jan 2025 Visitor Arrivals



Source: Department of Tourism

❑ *News article cited* ➢ *C&W Philippines Research view*

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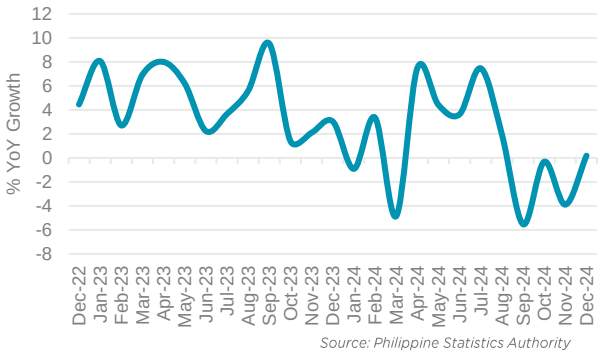
INDUSTRIAL/LOGISTICS

0.2% YoY

Dec 2024 Volume of Production Index (2018 = 100)



Source: Philippine Statistics Authority

- The growth of the Philippines' factory output slowed significantly in 2024, with the manufacturing sector expanding by just 0.9% compared to 4.9% in 2023, according to the Philippine Statistics Authority. Despite the holiday season, which typically boosts production, December saw a mere 0.2% growth, reflecting challenges like weak external demand, high borrowing costs, and supply chain disruptions, although it is a reversal from the 3.9% contraction in November. Moreover, the export-oriented manufacturing subsector may have been impacted by the global economic slowdown, particularly in major export markets such as China and the United States. Looking ahead, the Bangko Sentral ng Pilipinas' lower interest rates could reduce borrowing costs for businesses, paving the way for increased capital investments and production expansion. While the manufacturing sector is likely to experience moderate recovery by 2025, its continued progress will hinge on further interest rate reductions, favorable global trade dynamics, and the growth of domestic demand. *Read the original article*

- ➢ *The manufacturing sector is likely to continue driving industrial growth, although it faces short-term challenges from slower factory output affected by economic uncertainties mainly due to various local and global geo-political issues. However, with improved financial and economic conditions, the sector's recovery could boost demand for industrial spaces in the medium to long term. Developers who strategize and invest in strategic locations stand to benefit from this resurgence.*

❑ *News article cited* ➢ *C&W Philippines Research view*

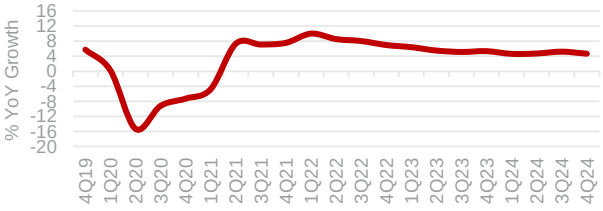
RETAIL

- Inflation remains the primary risk to the Philippines' economic growth in 2025, according to Moody's Analytics. Both domestic and external factors contribute to this challenge. Domestically, food inflation is elevated due to weather disruptions affecting supply, while externally, global inflation risks are linked to U.S. trade policies and supply chain issues. In January, inflation held steady at 2.9%, but food inflation rose to 4%. Persistent inflationary pressures could delay the Bangko Sentral ng Pilipinas' (BSP) easing cycle, potentially keeping borrowing costs high and dampening private consumption, a key growth driver. Despite a pause in rate cuts, the BSP signaled potential reductions later in the year. The upcoming midterm elections may boost spending, but this could also fuel inflation. With slower economic growth in 2024, which is below the government's target, balancing inflation control and economic momentum remains critical for sustained recovery. *Read the original article*

- ➢ *The inflationary environment will continue to impact recovery across various retailers. Essential retailers are likely to experience steadier demand due to the necessity of their products, while discretionary retailers will face greater challenges. As inflation eats into household spending power, non-essential items are often the first to be cut from expenditure.*

4.7 % YoY

4Q 2024 Real Household Spending



Source: Philippine Statistics Authority

❑ *News article cited* ➢ *C&W Philippines Research view*

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