



## LOFT ON LOCATION Feb 17th, 2012



The second largest archipelago in the world boasts over 7000 tropical islands, some of the world's best diving, a vibrant culture and a thriving tourist industry. It's boom time in The Philippines. The economy is expanding at 7%, house prices are rising steadily and new developments are springing up across Manila, Cebu, Boracay and beyond.

### **WHY BUY NOW?**

David Young, MD of Colliers in The Philippines.

'Now is a good time to invest in residential property in The Philippines. Demand remains extremely strong. Preliminary estimates are that some 42,000 new build condos were sold in Metro Manila in 2011 compared to 37,000 in 2010. Price appreciation has been steady rather than spectacular and investors can secure net yields of around 6.5% on well-selected properties.'

Claire Brown, MD Claire Brown Realty

'The Philippines is SE Asia's consistent economic performer. Demand for room nights in resort style accommodation is at an all time high as The Philippines has become the tourist destination of choice for Chinese, Koreans and Japanese – the sheer volume of tourist arrivals into The Philippines is staggering. Tourism related projects typically deliver massively high

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yields because the construction industry in The Philippines is priced at domestic levels and the tourism industry is at international levels. So there is a massive disconnect between the cost of purchasing real estate and what you can rent it out for.'

Gabriel Siojo, Megaworld

'In the latest reports that were provided by ULI (Urban Land Institute) Emerging Trends 2012 Asia Pacific, Manila was elevated to rank 18 out of 20 as a good investment hub. Analysts and real estate brokers in the industry see the property sector as one of the leaders of the economy for the year 2012.'

### **THE OUTLOOK?**

DY: 'GDP growth is forecast at 4% – 5% in 2012 and monetary policy should assist to contain interest and inflation rates at around current levels. Debt, a previous scourge of the economy, is at 51% of GDP (now relatively modest by US and European standards) and there are expectations of a further sovereign credit rating upgrade later this year. '

CB: 'Manila's wealth is growing from within – strong consumer demand and very little reliance on exports – this makes The Philippines very immune to financial problems elsewhere (such as Europe and the US). The Philippines was the country least affected by the global financial crisis and was also the quickest to bounce back to exceptional levels of growth.'

### **WHERE TO BUY?**

DY: 'In Manila, tenant demand is strongest for good quality apartments and houses within or accessible to the major business precincts – Makati, Ortigas and Bonifacio Global City. Second home locations are ideally a maximum two to three hour drive from Manila. Popular integrated resort developments include Belle's Tagaytay Highlands / Midlands, Ayala Land's luxury beachside development Anvaya Cove in Bataan and the Hamilo Coast project of SM Land in Batangas.

Cebu is the primary gateway to the central Philippine islands and has seen a marked up-tick in residential development activity over the past two years.'

CB: 'For making money on income Cebu is hard to beat. It has an international airport and is a totally mass tourism destination. For making income and accelerated capital gains Boracay is excellent – there is very little supply so expect prices to double or treble over the coming 3 to 5 years – Boracay is a tiny island of just 7kms long at it's widest point and real estate is a finite commodity. Add to that the airport upgrade from domestic to international status (so you will be able to fly direct to Boracay from HK from 2014) and you have the perfect dynamic growth scenario. For those investors, like myself, who really prefer to be very early into new and up and coming markets then it has to be Negros Oriental. There are no international hotel groups (yet), but huge demand from expats, people living and working in Manila and also

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Europeans (which is more unusual) and diving enthusiasts. Negros is very beautiful and has an amazing energy – a little bit like Thailand 15 years go.'

GS: 'For Metro Manila, there are various options to consider. The priority areas are what the property sector call as the Central Business Districts. In the past years, the most popular CBD is Makati but more recently investors and developers have flocked into Bonifacio Global City in Manila. This area is now considered to be a hot spot thanks to its high-end condo developments, 5-star hotels and world class restaurants and shops. '

### **HOW MUCH?**

DY: 'Off-plan prices for luxury units within or proximal to the Makati CBD are P130,000 – P180,000 per square metre.'

CB: 'In Makati it really can be up to 250,000 to 400 Pesos per square metre for mega luxury, in Ortigas a good price would be approx 150 Pesos per square metre.'

GS: 'According to Global Property Guide, the average per square meter price in The Philippines is 102,500 per square metre. It is also important to note that the gross rental yield for residential properties in The Philippines is 7.63%.'

### **HIDDEN COSTS?**

CB: 'There are few. Capital gains is 6% of the total property price, usually split between buyer and seller, stamp duty is 1.5% of the property. Notary fees are nominal and if you are buying directly from the developer usually these small charges are included in the purchase price. Foreigners can buy freehold in condominium projects and even easier is leasehold which is for a 98 year term and without any transfer tax to pay.'

### **By the way...**

CB: 'There are certain Government approved condo developments that grant automatic residency to foreign investors. This is useful even for those who don't plan to live in The Philippines as if you are a resident of the country you are not taxed on your worldwide income. This is perfect for long term expats or those looking to retire early and be fiscally based in The Philippines for tax efficiency.'

GS: 'The Philippine Retirement Authority (PRA) offers special resident retiree visas to foreigners. The Visa deposit of USD \$50,000 can be converted into investments such as property. This is a very viable and convenient option for foreigners looking to retire in The Philippines.'