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'Live like a millionaire

Despite the political uncertainty and corruption, analysts believe the country

Who wants to live in a tropical paradise where it's sunny most of the time, smiles are free and beer is cheaper than water? Plenty, apparently – judging by the number of expatriates who eye the Philippines as their retirement dream.

Indeed, what's not to like? Apart from a warm climate, friendly locals and beautiful beaches, the Philippines is renowned for its low cost of living. Fine rental homes in quality neighbourhoods can be leased or bought cheaply, compared with their equivalent in other parts of Asia. Live-in helpers are the norm, at a fraction of the cost in Hong Kong.

Stories abound of expats "feeling like a king" and "living like a millionaire" on US\$1,000 a month. The Philippine Retirement Authority openly invites foreigners to choose the country as their second home, assuring retirees they can expect "the good life at an affordable cost".

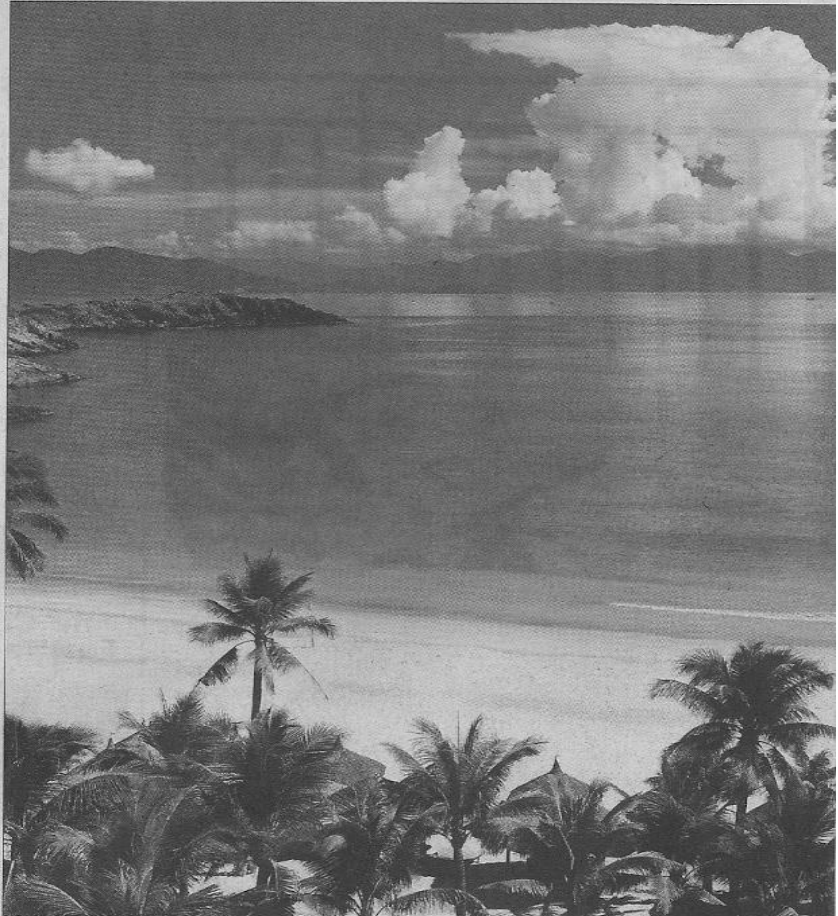
But let's not get carried away. The Philippines is also a region tagged with corruption and political uncertainty.

The 2010 Index of Economic Freedom, published by *The Wall Street Journal* and the Heritage Foundation, acknowledges the government's efforts to improve the entrepreneurial environment and develop a stronger private sector, but still finds the Philippines to be weak in business and investment freedom, property rights and freedom from corruption.

With elections due in May, many are watching with interest.

Claire Brown, a Briton living in Hong Kong, loves the Philippines for all the usual reasons. She is "positively manic" when it comes to researching her property investments, and believes the Philippines stacks up.

"The Philippines is the No 1 location in Asia to be investing in," says Brown, the managing director of Claire Brown Realty. She calls the fundamentals "excellent", citing a growing economy with gross domestic product averaging more than 5 per cent year on year for the



The tropical climate and the low cost of living have made the Philippines a favourite

past 10 years. Brown says that the cash adequacy of Philippines banks – generally between 25 and 30 per cent, compared with the 6 per cent to 8 per cent levels of British and United States-based banks – bolsters its banking system against market volatility.

"During the recent financial crisis, the Philippines was the least affected country in the region. Consumer debt levels are very low, and output is very high."

In 2008, home loans within the country increased 18 per cent, the vehicle industry grew 10 per cent, and unemployment hit a record low. But last year, exports fell 14 per cent and the property market softened.

However, assuming better global demand and a smooth election in May, JP Morgan is forecasting GDP growth in the Philippines of 4.5 per cent for this year.

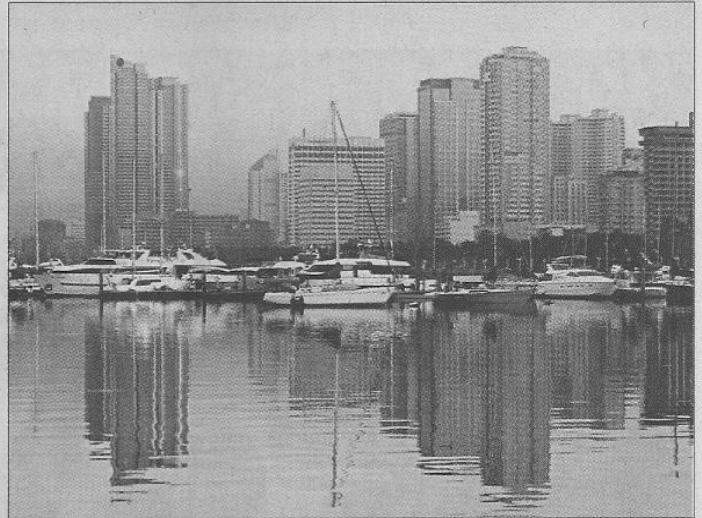
A property overview by Colliers International, Philippines, shows several projects were launched in the fourth quarter of last year "signalling that the major developers see expanding demand as buyer confidence builds".

CB Richard Ellis reports similar market sentiment, noting that after a period of low transaction volume, "investors are slowly coming back to the table".

Tourism is another rebounding economic pillar. Visitor arrivals rose

'ire' in the Philippines

is a top destination for real estate investors seeking bargains, writes **Peta Tomlinson**



rite of expatriates looking to either retire or set up a second home, be it in the high life of Manila or the beaches of Boracay island.

5.3 per cent last year, with arrivals to Cebu up 17 per cent.

For Brown, a key attraction is the low capital gains tax of just 6 per cent. "The real estate market is a genuine market and is locally driven, so not caught up in a bubble of speculation from overseas investors."

For resort property, she says, Cebu and Boracay islands offer the best returns within the most stable environment. "The archipelago of Palawan is also tipped to become a new playground for discerning travellers soon – a lot of work is being done now on Palawan's airports and marinas."

Lisa Starford, a Hong Kong-

based marketing executive and property investor, bought two units in Blue Coral resort on Cebu six months ago. She was drawn by "the numbers".

"My investment portfolio is a mix of commercial, residential and tourism – the Cebu market is purely tourism driven," Starford says.

Unlike some Philippines resort destinations that can involve a day's travel even from within Asia, Cebu offers convenience. Having landed, guests can be at their resort within 30 minutes.

"Tourists from Asia like to get in, start their activities, and go home again," Starford says. She is looking at other investments in Boracay. The

location is not so easily accessible, but Starford hopes to be there once international flights start arriving at Caticlan Airport.

Brown recommends two "well researched and credible investment offers".

Blue Coral is a beachfront resort and spa on Mactan Island – 15 minutes from Cebu International airport, with flights daily from Hong Kong. Boutique hotel suites are priced from US\$85,000 and two-storey beach villas with private pools from US\$200,000.

"Because the resort has already been block booked by a major Korean tour operator, the developer is able to offer guaranteed rental

returns of between 15 and 18 per cent per year," Brown says. The resort is set to open next year.

Eden, Fairways and Bluewater Golf and Beach Resort on Boracay is a deluxe condominium development on a famously pristine golf course which has two private beaches, a clubhouse, gym and beachside spa.

Accessed by private ferry from Caticlan Airport, the resort offers investors one-bedroom suites from US\$125,000. Managed by Quantum Hotels and Resort, Eden has rental projections of 7 per cent to 8 per cent in the first year, and 9 per cent to 10 per cent thereafter. The resort is set to open next year.