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The Philippines: Property surge takes shape

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Confidence in the Philippines' property market, fuelled by economic growth, an influx of expatriate workers and rising investment by overseas Filipino workers (OFWs), is intensifying competition between the country's major real estate players.

On April 17, property giant Ayala Land announced investment plans worth P90 billion ($2.09 billion) for 67 new projects, in what the firm described as an "unprecedented" expansion into new market segments and new locations.

Major investment conglomerate SM Group revealed the same week that it will soon finalize plans to purchase a controlling stake in property developer Ortigas Holdings. Though neither side has divulged financial details of the deal, local media has speculated it could be worth $1 billion.

While SM Investments indirectly owns the country's largest shopping mall developer and Metro Manila's largest residential condominium builder, according to local media, Ortigas' properties include "some of the country's best residential, business and commercial developments."

Such maneuvers and mergers are likely motivated by confidence-building factors, including increasing remittances from overseas workers, rapid growth in the business process outsourcing industry and the government's low interest rate regime. In mid-April, the Philippines' central bank decided to keep key policy interest rates at 4%, following two successive rate cuts.

In February, property developer CBRE said that a growing expat population was helping to fuel increased demand for luxury residential condominiums, adding that this factor, along with a growing need for hospitality accommodation, was creating a "mini-boom" in the local market.

"A luxury condominium is one of the top choices. If it is bought for investment purposes, the chance of you being able to lease it out at a very good rate is high," said Jose Luis Matti, the executive director of CBRE Philippines Asset Services, in a company statement.

Another rising source of property investment is the country's legions of OFWs, with salaries earned abroad increasingly being used to buy properties ranging from low-priced condominium units to upscale spaces. Monthly remittances grew 5.8% from a year earlier to $1.59 billion in February, after increasing 5.4% in January, the central bank said in April.

"If you were to look at the wish lists of OFWs, owning their own house, whether it's a house or a condo, is always up

there, alongside being able to give their children a good education," said Nita Claravall, the head of marketing at SM Development, told *Hong Kong News* in late March.

In a further boost for the mid-income market, in April the Social Security System (SSS) cut interest rates and raised the maximum amount of its housing loans to help members gain wider access to homes at affordable terms. The revised guidelines aim to align SSS housing loan programs to current industry practices, said senior SSS officials, adding that the P300,000 ($6,996) limit on house repair and improvement loans had risen to P1 million ($23,320).

The CBRE expects a total of 105,722 units to be completed in 2012, and at least 14,112 residential condominium units will likely enter the market. The firm announced in January that due in part to developers' confidence in the residential market, particularly in the mid-income segment, the condominium sector posted a 29% increase in units completed in 2011, to total 57,979 units.

When announcing its major expansion plans, Ayala Land said it plans to develop 50 residential projects and three new large-scale retail spaces, which will add more than 140,000 sq meters in leasable area. It also noted that a 349-room Holiday Inn hotel will open in Glorietta Center, a large shopping mall in Manila, and that three boutique hotels under the brand "Kukun" will be completed.

"We are moving to a period of record expansion," said Fernando Zobel de Ayala, the chairman of Ayala Land.

As growth accelerates, the government is moving to professionalise the real estate industry's human resources. The Professional Regulation Commission (PRC) added 7000 new individuals to a list of professionals or brokers in March.

The PRC also plans to establish an accredited and integrated professional organization in partnership with the property sector. It is also working with the Commission on Higher Education (CHEd) on a curriculum that will appropriately address the qualifications of a real estate professional.

"The magnitude of housing need, defined as the housing backlog plus new households, is enormous and is estimated to reach about 5.8m housing units in 2016," the government wrote in its 2011-2016 development plan. Of the 138,800 units currently in the pipeline, some 55,917 units are in the P80,000-P100,000 ($1,866-2,332) per square meter (sq. m.) price range, while 43,566 units fall within the P40,000-P80,000 ($933-1,866) per sq. m. range.

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