PhilRatings PHILIPPINE RATING SERVICES CORPORATION	RATING REPORT
	FILINVEST LAND, INC. (FLI)

Date: December 18, 2024
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ISSUE CREDIT RATING

Proposed Issuance (2nd Tranche of the ₱35.0 Billion 2023 Shelf Registration)		
Amount	**Tenor**	**Assigned Rating and Outlook**
₱9.0 billion, with an Oversubscription Option of up to ₱3.0 billion	5, 7, 10 years	PRS Aaa, Stable

Use of Proceeds:
- To refinance FLI's ₱8.93 billion fixed rate bonds maturing on June 23, 2025.
- To partially fund capital expenditures for land development and construction costs real estate projects.

OUTSTANDING PRS-RATED ISSUANCES OF THE COMPANY

Amount (in millions)	Interest Rate	Issue Date	Maturity Date	Outstanding Rating and Outlook
₱8,925	5.3%	June 23, 2022	June 23, 2025	PRS Aaa, Stable
₱1,000	5.7%	August 20, 2015	August 20, 2025	PRS Aaa, Stable
₱5,000	4.5%	December 21, 2021	December 21, 2025	PRS Aaa, Stable
₱1,765	4.2%	November 18, 2020	May 18, 2026	PRS Aaa, Stable
₱11,431	7.0%	December 01, 2023	June 1, 2027	PRS Aaa, Stable
₱2,975	6.4%	June 23, 2022	June 23, 2027	PRS Aaa, Stable
₱5,000	5.3%	December 21, 2021	December 21, 2027	PRS Aaa, Stable

Rating Definition

Obligations rated **PRS Aaa** are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. **PRS Aaa** is the highest rating assigned by PhilRatings.

Outlook Definition

An Outlook of **Stable** means that the assigned issue credit rating is likely to remain unchanged in the next 12 months.

OUTSTANDING PRS-RATED ISSUANCE OF RELATED COMPANIES

Filinvest Development Corporation (FDC; the Group) – Parent Company of FLI (owns 64.9% of the Company as of September 30, 2024).

Amount (in millions)	Interest Rate	Issue Date	Maturity Date	Outstanding Rating and Outlook
₱10,000	6.32%	February 07, 2024	August 7, 2026	PRS Aaa, Stable

RATIONALE

Established brand name and track record, with geographically diverse real estate developments and substantial land bank for future expansion

Filinvest Land, Inc. (FLI; the Company) is the real estate arm of the Gotianun-owned Filinvest Development Corporation (FDC). The Company has over 50 years of real estate expertise and has a presence in 55 cities and towns in 22 provinces in the Philippines. FLI offers a wide range of real estate products to residential and commercial customers. Its developments include socialized and affordable housing, middle-income and high-end housing, various types of subdivision lots, medium-rise and high-rise residential buildings, farm estates, industrial parks, residential resort projects, condotels, and condominium buildings. FLI also leases out office and commercial space in numerous locations across the country. As of September 30, 2024, FLI had a land bank of approximately 1,866 hectares of raw land, including approximately 201 hectares of land under joint venture agreements which are sufficient to sustain several years of real estate development and sales.

Sound growth strategies and solid foothold in the affordable and middle-income segments

Historically, the bulk of FLI's revenues were generated from the real estate segment. In the first nine months of 2024 (9M2024), this segment accounted for 67.6% of FLI's total revenues. Consistent with the Company's focus, the middle-income segment was the top contributor with 76.2% share to total real estate sales as of end-September 2024. Moreover, low affordable and affordable housing accounted for 11.3% of total real estate sales.

According to Colliers, 68% of the country's residential property purchases come from the middle-income market. Such is projected to grow by 30% by the end of 2030. As such, the demand for housing in Metro Manila and other developing urban areas is likewise expected to increase. FLI is in a good position to take advantage of this anticipated growth given its strong presence in the middle-income market.

As of end-September 2024, the Company launched 11 new projects worth ₱20.4 billion. This represents 81.6% of the ₱25.0 billion target for full-year 2024. One of the recently launched projects is Futura Rise, FLI's first walk-up project, featuring multiple three-storey buildings. The Company also expanded its presence in Dumaguete with the launch of Futura Shores, a new residential community along the Dumaguete coastline. This development features lush open spaces and Phuket-inspired amenities.

FLI intends to optimize the use of its land bank and sustain its market presence in cities where it is already present.

Furthermore, as part of the Company's strategy for long-term growth, FLI ventured into the emerging condotel market through the acquisition of Fora Services Inc. (FOSI). FOSI is engaged in operating and managing real estate projects and providing hospitality-related services. Quest Hotel Tagaytay is its main hospitality project.

Strong profit performance in 2023 and 9M2024

FLI achieved strong financial results in 2023, with its consolidated revenues rising by 13.1% to ₱22.6 billion. Real estate sales grew by 12.9% to ₱14.5 billion, driven by higher construction percentage of completion rates, particularly in middle-income housing (67.9% of total sales). Leasing revenues also delivered solid results, with revenues from rental and other services increasing by 13.4% to ₱7.2 billion due to a 31.8% increase in mall rental income. The office leasing segment posted a modest growth of 1.7%, despite challenges in the market. Additionally, FLI's co-living dormitel business started operations in 2023, contributing ₱180.9 million in revenues. Owing to the solid performance of its residential and leasing business segments, FLI's net income reached ₱4.3 billion in 2023, a 22.0% increase year-on-year (YoY).

In the first nine months of 2024 (9M2024), FLI continued its growth trajectory, with its total revenues increasing by 17.3% to ₱18.4 billion. Residential sales surged by 21% to ₱11.9 billion, led by middle-income projects. Rental and related services revenue, on the other hand, grew by 6.6% to ₱5.7 billion. Revenues from retail leasing grew by 5.7% while revenues from office leasing increased by 2.9%. Gross profit margin improved to 51.2%, up from 47.8% in 9M2023, driven by higher revenues and a more favorable mix of residential sales despite an increase in the cost of sales. Interest expenses surged by 33.2% to ₱2.6 billion. Nonetheless, net income rose by 23.6%, from ₱2.8 billion in 9M2023 to ₱3.5 billion in 9M2024.

Positive operating cash flows and ample liquidity

FLI generated positive operating cash flows in 2023 and in 9M2024.

In 2023, net cash from operating activities increased by 49.9% to ₱9.2 billion. This growth was primarily driven by higher collections from residential sales as construction progress accelerated. Cash used in investing activities declined by 52.7% to ₱4.3 billion, reflecting reduced spending on investment properties and equipment. Net cash used in financing activities, on the other hand, saw a reversal from a ₱2.0 million inflow in 2022 to a ₱5.7 billion outflow, primarily due to loan repayments, interest payments, and dividends.

In 9M2024, net cash from operating activities marginally declined by 4.3% to ₱6.7 billion due to higher project expenditures. Cash used in investing activities decreased by 4.9% to ₱3.5 billion on account of dividends received and lower acquisitions related to Build, Transfer and Operate (BTO) rights. Meanwhile, cash used in financing activities saw a lower outflow of ₱3.5 billion. As of end-September 2024, FLI maintained sufficient liquidity to meet short-term obligations, with a current ratio of 2.42x.

BUSINESS REVIEW

Company Profile

Filinvest Land, Inc. (FLI; the Company) is a real estate developer, offering a range of real estate properties both to residential and commercial customers. FLI is engaged mainly in the development of residential subdivisions, construction of housing units and leasing activities. The Company has over five decades of experience in the real estate industry.

FLI is present in 55 cities and towns, located in 22 provinces in the Philippines. In terms of geographic distribution, most of FLI's projects are located in Metro Manila and in other parts of Luzon. The Company is one of the largest mid-rise buildings (MRB) developers in the country and has a strong market presence in the affordable and middle-income residential segments. As of September 2024, FLI owned a landbank of 1,865.9 hectares of raw land, including about 196.5 hectares of land under joint venture agreements. FLI's management believes this landbank is sufficient to sustain several years of development and sales.

A significant portion of the Company's landbank is situated in the high growth areas of Rizal, Bulacan, Cavite and Laguna.

As of September 30, 2024, FLI had 30 subsidiaries, majority of which were wholly owned. These subsidiaries are primarily engaged in real estate development, marketing and sales, property management, and leasing.

FLI is the real estate arm of the Gotianun-owned Filinvest Development Corporation (FDC). FDC and FLI are both listed on the Philippine Stock Exchange (PSE). As of December 11, 2024, FDC's and FLI's market capitalizations stood at ₱45.8 billion and ₱17.7 billion, respectively.

Business Segments

The Company has two business segments - real estate sales and leasing. For its real estate sales segment, FLI offers a wide range of properties from socialized and affordable housing to middle-income and high-end housing, various types of subdivision lots, medium-rise and high-rise residential buildings, farm estates, industrial parks, residential resort projects, condotels, and condominium buildings.

For its leasing segment, the FLI leases out office and commercial space in various locations across the country.

As shown in the table below, the bulk of the revenues of FLI came from its real estate segment.

Table 1. Breakdown of Total Revenues

In Million Pesos	2023 Revenues	% of Total	9M2023 Revenues	% of Total	9M2024 Revenues	% of Total
Real Estate Sales	14,487	66.8%	9,828	64.7%	11,892	67.6%
Leasing	7,201	33.2%	5,356	35.3%	5,711	32.4%
Total	21,687	100.0%	15,184	100.0%	17,603	100.0%

Real Estate

This segment involves the acquisition of land, planning and development and sale of residential lots, housing units, MRBs, farm estates, industrial parks, residential resort projects, a private membership club and condominium buildings.

Residential Projects

FLI's residential projects include houses, lots, MRBs and high-rise Buildings (HRBs), which are offered to various income segments, including socialized, affordable, middle income and high-end housing segments.

The middle-income segment is consistently the largest contributor to total real estate sales. In 2023, middle-income segment (inclusive of MRB and HRB) accounted for 67.9% of the total real estate sales. Such further increased to 76.2% in 9M2024. PhilRatings notes that this is in line with FLI's long-term focus of addressing the needs of primary end-users in the affordable and middle-income markets which remained stable and underserved.

Table 2. Breakdown of Market Segments

Market segment (in millions Php)	2023 Revenues	% of Total	9M2023 Revenues	% of Total	9M2024 Revenues	% of Total
Middle income	9,836	67.9%	6,499	66.1%	9,057	76.2%
Low affordable and affordable	3,368	23.2%	2,459	25.0%	1,342	11.3%
High-end and others	855	5.9%	604	6.1%	966	8.1%
Socialized	428	3.0%	266	2.7%	528	4.4%
Total Real Estate Sales	14,487	100.0%	9,828	100.0%	11,892	100.0%

Horizontal Residential Development

FLI's main real estate activity has been the development and sale of residential properties, particularly housing units and subdivision lots. FLI has four core residential brands, each targeting a distinct segment of the market: Pabahay for the socialized housing segment; Futura for the affordable segment; Aspire for the middle-income segment; and Prestige and Filigree for the high-end segment. In 9M2024, FLI launched 11 new projects worth ₱20.4 billion (81.4% of the target ₱25.0 billion).

Table 3. Residential Brands

Brand	Price Range (amounts in thousands PhP)		Locations
	Housing Unit	Lot	
Pabahay	≤580	≤160	Metro Manila, Laguna, Cavite, Bulacan, Batangas, Cebu, Negros Occidental
Futura	580 – 1,500	160 - 750	Rizal, Pampanga, Bulacan, Laguna, Batangas, Cavite, Tarlac, Cebu, Iloilo, Cotabato, Davao, Palawan, Negros, Zamboanga
Aspire	1,500 – 4,000	750 – 1,200	Metro Manila, Rizal, Tarlac, Cavite, Pampanga, Laguna, Cebu, Palawan, Butuan, Cagayan de Oro Davao, Zamboanga
Prestige	> 4,000	> 1,200	Metro Manila and its neighboring provinces, Cebu

Vertical Residential Development

FLI also develops and sells vertical residential projects such as MRBs, HRBs, and mixed-use vertical communities. MRB projects are typically five-storey buildings clustered around a central amenity area. Such buildings only occupy 30% to 35% of the total land area, leaving plenty of open space. The Company's policy is to commence construction of an MRB building when at least 50.0% of the units in the building have been sold. As of end-September 2024, the Company had 27 MRB and HRB projects with more than 100 buildings throughout Luzon, Visayas and Mindanao.

In 2024, FLI intends to retain its dominant position as the leader in MRB projects by launching four new projects nationwide and 10 additional buildings in existing projects.[1]

Other Real Estate Projects

FLI has other real estate projects that cater to other market niches namely, townships and leisure projects. Leisure projects include the development of condotels, residential farm lots and residential resorts.

[1] https://www.philstar.com/business/2024/03/31/2344083/fli-bares-growth-plans-2024

Townships

Townships are master-planned communities which include anchor developments such as schools, hospitals, churches, commercial centers, police stations, health centers, and government offices. The Company believes that such facilities and amenities will help attract buyers and will serve as the focus of the township's community.

Table 4. Township Projects

Project Name	Lot Size (in hectares)	Location
City di Mare	50.6	Cebu City, Cebu
Ciudad de Calamba	350	Calamba, Laguna
Filinvest at New Clark City (NCC)	288	Capas, Tarlac
Filinvest Mimosa+ Leisure City	201	Angeles, Pampanga
Fora	5.2	Cavite
Havila	306	Traverses the municipalities of Taytay, Antipolo, and Angono in Rizal
Mana East	60	Teresa, Rizal
Palm Estates	51	Talisay, Negros Occidental
Timberland Heights	677	San Mateo, Rizal
Wood Estates	94	Trece Martires, Cavite
Iloilo Centrale	11.4	Leganes, Iloilo City

Leisure projects

The Company's leisure projects consist of condotels, residential farm estate developments and residential resort development.

- *Condotels*

  In September 2024, FLI ventured into the condotel business through the 100% acquisition of FOSI. FOSI is a domestic corporation incorporated in 2018, and is owned by Filinvest Hospitality Corp. (FHC), a subsidiary of FDC. FOSI is engaged in operating and managing real estate projects and rendering hospitality-related services. Quest Hotel Tagaytay, a condotel in Fora Rotunda Tagaytay, is its main hospitality project.

  According to FLI, the acquisition positions itself for long-term growth, particularly in the emerging condotel market, adding that the Company can also leverage on its expertise on real estate development and management to enhance FOSI's condotel operations which can lead to cost savings and improved profitability. This will be the first condotel business model in FLI's portfolio.

  FLI built the Grand Cenia Hotel and Residences (Grand Cenia) located across the Cebu Business Park. Grand Cenia is a joint venture project with FLI, as the developer, and Gotianun Family-owned GCK Realty Corporation, as the landowner. The building features 11 floors operating as a condotel (Quest Hotel Cebu). The building's top seven floors, situated above the condotel, are home to residential condominium units. Quest Hotel Cebu started its operations in 2012.

- *Residential Farm Estates*

  These projects serve as alternative primary homes near Metro Manila to customers such as retirees and farming enthusiasts. Customers can purchase lots with a minimum lot size of 750 (square meters) sqm on which they are allowed to build a residential unit (using up to 25% of the total lot area). The remaining lot area can be used for small-scale farm development, such as fish farming or vegetable farming. These estates are sold on a lot-only basis and buyers are responsible for the construction of residential units on their lots.

Table 5. Residential Farm Estates

Project Name	Location	Description
Nusa Dua Farm Estate	Cavite	It includes a two-storey clubhouse and a 370 sqm swimming pool.
Mandala Residential Farm Estate	Rizal	Forming part of the Company's Timberland Heights township project, it offers hobby farmers liberal lot cuts and Asian-inspired homes that complement the mountain lifestyle.
Forest Farms Residential Farm Estate	Rizal	Forming part of the Havila township project, it is an exclusive mountain retreat and nature park, nestled between the hills of Antipolo and forested area of Angono, Rizal.

- *Residential Resort Development*

  FLI joined the high-end residential resort market in 2007. This type of resort captures the growing demand for second homes, and leisure and retirement destinations of the upper middle income market segment. Among its projects are the following:

  Kembali Coast on Samal Island, Davao is a 50-hectare Asian-Balinese inspired beachfront residential resort development that comes with a 1.8-km beach line that offers an unobstructed view of the sea.

  Laguna de Taal in Talisay, Batangas is a 60-hectare Asian Tropical-inspired community which offers three residential districts - Artista, Bahia, and Orilla. It also features Lake Club, a lakeside amenity designed for wellness, recreation, and celebration.

Leasing

FLI is also engaged in the construction, management, and leasing of a wide range of investment properties including malls and offices. Over the years, the leasing segment has become a significant source of recurring income for the Company. FLI has also ventured into co-living spaces and industrial parks as new leasing products.

The Company's leasing portfolio comprised of commercial office and retail developments, including 38 offices and BPO buildings, Festival Supermall, and 3 other community malls.

FLI leases out commercial and office spaces in Muntinlupa City, Makati City, Pasay City, Cebu City, Tagaytay City, Cavite, Dumaguete, and Clark Mimosa. New projects in the pipeline include New Clark City, Ortigas and Manila, among others. FLI expects to generate stable recurring revenue from its retail and office investment properties given its more diversified portfolio. These internally generated funds can be used to fund other investment properties. FLI believes its history and track record is a competitive advantage in gaining the continued confidence of BPO locators.

Of the Company's total leasing revenues, office leasing contributed 64.7% while mall operations accounted for 27.6% as of end-2023.

Table 6. Breakdown of Leasing Revenues

Revenue Source (In Million Pesos)	2023 Revenues	% of Total	9M2023 Revenues	% of Total	9M2024 Revenues	% of Total
Office leasing	4,660	64.7%	3,403	63.5%	3,501	61.3%
Mall operations	1,984	27.6%	1,579	29.5%	1,653	28.9%
Theater sales Snack bar sales	229	3.2%	162	3.0%	187	3.3%
Others	328	4.5%	212	4.0%	370	6.5%
Total	7,201	100.0%	5,356	100.0%	5,711	100.0%

Office Leasing

As of September 30, 2024, the Group owned 38 commercial offices and BPO buildings for lease to several BPO and other office locators with a total gross leasable area (GLA) of 677,985 sqm. Most of its offices are located at the Northgate Cyberzone, Filinvest City, Alabang, an 18.7-hectare PEZA zone that enjoys developer incentives. Also included in its portfolio is the PBCom Tower, a Grade A, PEZA-registered IT/ office building located at the Makati central business district (CBD). FLI has also completed developments in the Bay City, Pasay, Mandaluyong, Clark Mimosa, and Cebu IT Park, among others.

The office development projects of the Company are primarily situated in business parks or in mixed-use complexes highly accessible to public transport. With business parks as the preferred site of major BPO tenants, FLI believes that building in such areas gives the Company a strong competitive advantage.

On August 12, 2021, Filinvest REIT Corporation (FILRT) was listed as a REIT (Real Estate Investment Trust). FILRT is the commercial REIT platform for the Filinvest Group. The property portfolio of FILRT consists of 17 Grade A office buildings on prime property and additional land in Boracay totaling 330,448 sqm of GLA. The 16 buildings are in Northgate Cyberzone, while one is in Cebu Cyberzone, the gateway of Cebu IT Park in Lahug, Cebu City.

As of end-September 2024, nearly 22,800 sqm of new leases have been signed by FILRT while 42,000 sqm or 75% of expiring leases for 2024 have been renewed. Occupancy rate in 9M2024 stood at an average of 83%, unchanged from 2023 level.[2] According to management, FILRT has been rebuilding its portfolio occupancy and is diversifying its tenant base by signing new traditional companies to replace the BPO tenants.

Seven out of FILRT's 17 office buildings had average occupancy rates of 100%. FILRT offices had zero POGO tenants since mid-2022. As such, FILRT is not affected by the government ban on POGOs.

FILRT aims to boost the office occupancy to 95% by 2026.

[2] https://www.bworldonline.com/corporate/2024/11/21/636337/filinvest-reit-eyes-95-office-occupancy-by-2026/

Table 7. REIT Office Portfolio

Project	Location	Year Launched	GLA (sqm)
Plaza A		Oct-07	10,860
Plaza B		Mar-01	6,488
Plaza C		Mar-01	6,540
Plaza D		Jun-07	10,860
Plaza E		Feb-14	14,859
Capital One Building		Oct-05	18,000
5132 Building		Nov-07	9,409
iHub 1	Alabang	Jun-08	9,481
iHub 2		Aug-09	14,181
Vector One		May-11	17,764
Vector Two		Sep-14	17,889
Vector Three		Jan-17	36,345
Filinvest One		Jun-13	19,637
Filinvest Two		Sep-15	23,784
Filinvest Three		Jan-15	23,784
Filinvest Cyberzone Cebu Tower One	Cebu	Jun-15	20,612
Filinvest Axis Tower One	Alabang	Mar-18	40,869
Boracay	Aklan	Dec-22	29,086
Total GLA:			**330,448**
AVERAGE OCCUPANCY RATES			

In April 2024, Filinvest Cyberparks, Inc. (FCI), FLI's office business arm, signed a lease agreement with the Department of Trade and Industry (DTI). FCI is leasing its entire Filinvest Buendia building to DTI. As such, average occupancy went up from zero in 2023 to 100% as of end-September 2024. The lease encompasses 14 floors, with a total area of 10,668.4 sqm and is located within Makati's business district.

Cyberzone Bay City in Pasay previously had 100% POGO tenants. Occupancy rates for these properties, therefore, dropped beginning 2021 due to the pre-termination of POGO leases. According to management, the remaining spaces occupied by POGOs will be closed by the end of 2024 in line with the Executive Order No. 74 (E.O. 74) or the "Immediate Ban of Philippine Offshore Gaming, Internet Gaming, and Other Offshore Gaming Operations in the Philippines, and for other purposes." As of September 30, 2024, the remaining POGO tenants accounted for approximately 4% of the total GLA of FLI's office properties.

To address the vacancy brought about by the exit of POGOs, Filinvest has sought prospective replacement tenants in a diverse range of sectors: from traditional corporates to IT-BPO firms, as well as government agencies, and even educational and religious institutions.

In June 2024, FCI announced that it had won the bid for the lease of office space for the main office of the National Bureau of Investigation (NBI). NBI will be leasing FCI's prime office spaces at Filinvest Cyberzone Bay City (FCBC) in Pasay City. The bureau will occupy a total of nine floors with a total GLA of 23,595 sqm, within two buildings (Buildings C and D) of the office complex. According to management, NBI has moved in, and the rent starts in December 2024. The occupancy rate for these buildings, therefore, is expected to improve moving forward.

FLI continues the build-up of its office leasing portfolio to generate recurring revenues. Included in its pipeline are seven office spaces located in Makati, Ortigas, Quezon City, and Cebu.

Table 8. Non-REIT Office Portfolio

Project	Location	Year Launched	GLA (sqm)
Filinvest Asia Corp (FAC)			
PBCom building	Makati City	Oct-00	35,148
Filinvest Cyberparks Inc. (FCI)			
Filinvest Cyberzone Bay City A	Pasay City	Oct-18	12,644
Filinvest Cyberzone Bay City B		Jan-17	18,389
Filinvest Cyberzone Bay City C		Jan-17	19,178
Filinvest Cyberzone Bay City D		Oct-18	16,378
Filinvest Buendia	Makati City	Jul-24	10,668
TOTAL GLA			77,257
Filinvest Land Inc. (FLI)			
100 West Office	Makati City	Aug-19	14,333
Filinvest Wack-Wack	Mandaluyong	Jun-12	7,358
IT School		May-02	2,594
Concentrix CVG Building		Aug-04	6,399
Filinvest Axis Tower Two	Alabang	Jun-19	39,340
Filinvest Axis Tower Three			
Filinvest Axis Tower Four		Aug-21	40,529
Filinvest Cyberzone Cebu Tower Two	Cebu	Sep-18	28,927
Grand Cenia Cebu	Cebu	Jun-12	3,586
1 Workplus Clark	Clark	Oct-17	8,410
2 Workplus Clark	Clark	Sep-18	12,718
7 Workplus Clark	Clark	Jan-22	8,325
Marina Town	Dumaguete	Apr-23	4,225
One Filinvest	Pasig City	Jul-24	39,759
Studio7	Quezon City	Aug-24	36,541
TOTAL GLA			**253,044**

FLI also has seven office projects under construction. Among projects these are One Filinvest in Ortigas CBD, Activa near Cubao LRT and MRT stations, 5Workplus in Pampanga and three office buildings in Cebu.

Retail Leasing

As of September 30, 2024, the Company has a portfolio of 257,644 sqm of retail space. FLI has five major retail malls located in Filinvest City (Festival Supermall Alabang), Bacoor (Main Square), Tagaytay (Fora Mall), Dumaguete (Filinvest Mall Dumaguete), and Cebu (Il Corso). A summary of the GLA and occupancy rates is shown in Table 10. In 9M2024, FLI's retail portfolio recorded its highest average daily foot traffic which was nearly two times the pre-pandemic level.

The overall occupancy rate slightly improved, although it remains low for Fora Mall, Il Corso and Main Square.

FLI has undertaken several improvements, including giving the malls' interior and facade a refreshed and modern look. For Festival Mall Alabang, new food establishments have ushered in new traffic. The Water Garden, an outdoor amenity and convergence zone in the expansion wing, continues to draw mall goers.

As of September 30, 2024, Filinvest Mall Cubao and Filinvest Mall Mimosa were under construction. As a strategic direction, FLI will develop commercial areas to complement its residential and mixed-use developments.

Table 9. Retail Portfolio

Project Name	Location	Year Launched	GLA (sqm)
Festival Mall	Alabang	1998	170,950
Fora Mall	Cavite	2014	26,296
Il Corso	Cebu	2013	18,429
Main Square	Cavite	2017	18,049
100 West (Retail)	Makati	2020	4,162
Studio 7	Quezon City	2023	3,496
Mimosa Retail	Clark		3,389
FM Dumaguete (Marina Town)	Dumaguete	2024	3,759
Brentville	Biñan, Laguna	2014	1,081
Uniqlo	Alabang	2019	1,800
Filinvest Cyberzone Cebu 1	Cebu	2012	767
Filinvest Cyberzone Cebu 2	Cebu	2012	707
Central Plaza 1	Alabang	2018	333
Central Plaza 2	Alabang	2018	847
Axis 1	Alabang	2018	1,196
Axis 2	Alabang	2018	1,196
Axis 4	Alabang	2018	1,188
Total GLA			**257,644**

Other Leasing Format

Co-Working and Co-Living Spaces

FLI ventured into the co-living space market under The Crib brand given the rising need for affordable accommodations for young and mobile citizens in prime growth locations. The Crib Clark, located in the Clark Mimosa Leisure Estate, serves as temporary living accommodations for employees within the Clark Economic Zone. As of September 2024, four buildings have been completed and fully leased out.

In May 2023, a joint venture called Our Space Solutions Inc. (OSSI), between FLI and KMC Community, Inc., a global co-working space provider, was executed to establish and operate a business for the development, management, operation, and maintenance of flexible workspace facilities, offering private serviced office seats and co-working seats in commercial buildings. This joint venture will be located in FLI's office buildings. The first OSSI locations are situated in Axis Tower One, a prime office building within Filinvest City's Northgate Cyberzone.

Industrial Parks

The Company also ventured into the industrial parks market through Filinvest Innovation Parks (FIP) in New Clark City (NCC) and Ciudad de Calamba. These facilities target industrial locators who will lease land or ready-built factory (RBF) buildings.

In August 2023, FLI held the groundbreaking ceremony of its 25-hectare Filinvest Innovation Park-Ciudad de Calamba (FIP-CDC). FIP-CDC, which is an expansion of the Company's Filinvest Technology Park, is also a PEZA-registered ecozone. As such, FIP-CDC would enjoy certain tax perks, simplified trade processes, and special visa privileges for foreign employees. The construction for FIP-CDC is expected in 2025. Once completed, FID-CDC will lease out RBF and built-to-suit units aimed at the various requirements of prospective locators. Currently, FID-CDC targets to cater e-commerce and manufacturing firms.

In October 2023, the Company accelerated its industrial presence with the launch and groundbreaking of FIP-NCC's Phase 1 and RBF zone, respectively. In September 2024, FIP-NCC's pioneer RBF locator, StB Giga Factory, inaugurated its manufacturing facility. StB Giga Factory is the Philippines' first manufacturer of Lithium-Iron-Phosphate (LFP) batteries designed to power electric vehicles and many other use applications. StB Giga is the local entity of Australia-based StB Capital Partners, a firm which invests in innovative and sustainable energy solutions. StB Giga Factory is housed in two units of Grade-A RBF units with a total floor area of 5,000 sqm.

In the long term, FLI sees that their industrial parks will be the center of economic development and activity within the Company's existing townships.

Land Bank

FLI has invested in properties located in high growth prime locations across the country for real estate development. In addition to directly acquiring land, the Company also enters into joint venture agreements with landowners for the development of their raw land. This allows FLI to lower its capital expenditure and financial holding costs resulting from owning land for development.

As of September 2024, it owned a landbank of 1,865.9 hectares of raw land, including about 196.5 hectares of land under joint venture agreements. FLI's management believes this landbank is sufficient to sustain several years of development and sales. A significant portion of the Company's landbank is situated in the high growth areas of Rizal, Bulacan, Cavite and Laguna.

Ownership

As of September 30, 2024, FDC owned 65.9% of the FLI. FDC is the holding company for the various businesses owned by the Gotianun Family. Established by the late spouses, Andrew Gotianun, Sr. and Mercedes T. Gotianun in 1955, FDC evolved from being a small-scale financing company for second-hand cars to one of the country's leading conglomerates, with interests in property, banking services, power, sugar, and infrastructure. The couple has four children, namely Andrew Jr., Jonathan, Josephine, and Michael. All their children, except Andrew Jr. who passed away in May 2021, hold key positions within the Group.

In July 2023, Brian T. Lim was appointed as FDC's Treasurer, Chief Financial Officer (CFO) and Compliance Officer. After over a year in the position, Mr. Lim resigned, effective November 30, 2024, to pursue other career interests as disclosed to the Philippine Stock Exchange (PSE). On December 3, 2024, CEMEX Holdings Philippines, Inc., a cement producer, announced the appointment of Mr. Lim as its Vice President, Treasurer & CFO. FDC named Ven Christian S. Guce as its new CFO effective December 1, 2024.[3]

[3] https://edge.pse.com.ph/openDiscViewer.do?edge_no=67b02f72aaf5a548abca0fa0c5b4e4d0

Table 10. Major Companies under FDC as of end-September 2024

Company	Nature of Business	Percentage of Ownership
Filinvest Land, Inc. (FLI)	Property	66%
Filinvest Alabang, Inc. (FAI)	Property	80%
Filinvest Hospitality Corporation (FHC)	Property	100%
East West Banking Corporation (EWBC)	Banking and Financial Services	40%
FDC Utilities, Inc. (FDCUI)	Power	100%
Pacific Sugar Holdings Corporation (PSHC)	Sugar	100%

In 9M2024, FDC recorded consolidated net income of ₱9.45 billion, 59.4% higher compared with the same period last year. The banking segment was a major contributor to income, accounting for 38%. This was followed by power and utility (29.3%) and real estate (26.7%). The sugar and hospitality businesses accounted for the remaining 5.7% and 0.3% of total, respectively. The growth in the banking segment was driven primarily by the sustained momentum from its lending portfolio that has gone back to pre-pandemic levels.

Total revenues and other income surged 34.4% year-on-year to ₱86.84 billion, coming from the 32.8% growth in core revenues fueled by strong performance across all business segments.

Management

Holding the chairmanship of FLI's Board of Directors is Jonathan Gotianun, the second eldest son of the late Mr. Gotianun. He was first elected as a Director of the Company in June 1994. He concurrently serves as the Chairman of the Board of Directors of FDC, EWBC, Davao Sugar Central Co., Inc., Cotabato Sugar Central Co., Inc., and FDCUI and its subsidiary power companies. Mr. Gotianun obtained his Master's Degree in Business Administration from Northwestern University in 1976.

Tristaneil D. Las Marias is the President and Chief Executive Officer (CEO) of FLI. Before his appointment as President in April 2023, he was the Company's Chief Strategy Officer. He is also the President of Property Specialist Resources, Inc. and has held various senior positions in the Company. Prior to joining the Filinvest Group, he was Assistant Vice President and Head of Marketing and Business Development of Landtrade Properties and Marketing Corporation and a Project Officer of Landco Pacific Corporation. Mr. Las Marias holds a Bachelor of Arts degree in Management Economics from Ateneo de Manila University and completed the Advanced Management Program at Harvard Business School.

Ana Venus Mejia was appointed as FLI's Executive Vice President, Treasurer and CFO in 2022. She has been serving the Filinvest Group for 25 years in various capacities. Ms. Mejia was appointed as Senior Vice President and Deputy CFO in 2012. She is a CPA and a magna cum laude graduate of Pamantasan ng Lungsod ng Maynila (PLM). She obtained her Executive Master's Degree in Business Administration from the Kellogg School of Management at Northwestern University and the School of Business and Management at The Hongkong University of Science and Technology.

Strategy

FLI expects to remain focused on its core residential real estate development business which includes landed housing, MRBs, HRBs, residential farm estates, entrepreneurial communities, and leisure developments in response to the demands of the Philippine market.

FLI's business strategy has placed emphasis on the development and sale of residential lots and housing units primarily to the lower and middle-income market segments. FLI launched 11 new projects in 2024.

One of these projects is Futura Rise, FLI's first walk-up project. Futura Rise is the residential component of the 11.4-hectare residential township (IloIlo Centrale) in Leganes, Iloilo. It will feature 21 modern and Spanish-themed walk-up buildings, with each building being only three stories high.

FLI is also further expanding its presence in Dumaguete with the launch of Futura Shores, a new residential community spanning 2.8 hectares along Dumaguete Bay. It will consist of six MRBs and feature lush open spaces and Phuket-inspired amenities.

The population of overseas Filipino workers (OFWs) contributes a significant portion of the demand for FLI's affordable and middle- income housing. As such, FLI continues to accelerate the growth of its international sales through the expansion of its seller network.

FLI also continues to expand its office and retail leasing portfolio to generate additional recurring revenues. Among its projects are nine office spaces located in Alabang, Makati City, Quezon City, Cebu and Clark Mimosa. A mall is also being constructed in Dumaguete. FLI has also commenced with the leasing operations of its first dormitel called The Crib in Clark Mimosa and its industrial park in New Clark City.

FINANCIAL REVIEW

Table 11. Financial Highlights

Balance Sheet (in million Php, except ratios)	2021	2022	2023	9M2023	9M2024
Total Assets	₱193,224	₱200,115	₱204,476	₱202,623	₱198,553
Total Liabilities	₱103,433	₱108,612	₱110,204	₱109,636	₱111,958
Total Debt	₱68,472	₱73,982	₱74,456	₱74,938	₱77,060
Total Equity	₱89,790	₱91,503	₱94,272	₱92,986	₱86,595
Debt to Equity Ratio (x)	*0.76*	*0.81*	*0.79*	*0.81*	*0.89*
Total Debt to Capitalization (%)	*43.3%*	*44.7%*	*44.1%*	*44.6%*	*47.1%*

Income Statement (in million Php, except ratios)	2021	2022	2023	9M2023	9M2024
Total Revenues*	₱16,866	₱19,186	₱21,687	₱15,184	₱17,603
Total Costs	₱8,874	₱9,938	₱11,224	₱7,931	₱8,592
Gross Profit Margin (%)	47.4%	48.2%	48.2%	47.8%	51.2%
Total Operating Expenses	₱2,891	₱3,464	₱3,955	₱2,530	₱3,018
Operating Profit Margin (%)	30.2%	30.1%	30.0%	31.1%	34.0%
EBITDA	₱6,548	₱7,415	₱8,102	₱5,970	₱7,143
EBITDA Margin (%)	*38.8%*	*38.6%*	*37.4%*	*39.3%*	*40.6%*
Interest and other Finance Charges	₱2,427	₱2,294	₱2,434	₱1,982	₱3,263
EBITDA Interest Coverage (x)	*2.7*	*3.2*	*3.3*	*3.0*	*2.2*
Net Income	₱4,305	₱3,521	₱4,296	₱2,807	₱3,002
Net Profit Margin (%)	*25.5%*	*18.4%*	*19.8%*	*18.5%*	*17.1%*

**Excludes equity earnings of associate and other income*

Cashflow Statement (in million Php, except ratios)	2021	2022	2023	9M2023	9M2024
Net cash provided by operating activities	₱3,560	₱6,134	₱9,193	₱7,042	₱7,610
Net cash used in investing activities	-₱6,418	-₱9,176	-₱4,344	-₱3,707	-₱4,393
Net cash provided by (used in) financing activities	₱5,823	₱2	-₱5,736	-₱3,904	-₱3,469
Cash and Cash Equivalents	₱9,658	₱6,619	₱5,732	₱6,050	₱5,480

Profitability

2023 vs 2022

Table 12. Revenue Breakdown 2022-2023

Revenue breakdown (in million Php)	2022	2023	% change
Residential	₱12,836	₱14,487	12.9%
Leasing	₱6,350	₱7,201	13.4%
Office	₱4,584	₱4,660	1.7%
Retail / Commercial	₱1,679	₱2,213	31.8%
Others	₱88	₱328	271.5%
Total Revenues	₱19,186	₱21,687	13.0%
Equity in Net Earnings of Associates	₱79	₱242	206.5%
Other Income	₱679	₱625	-8.0%
Consolidated Revenues and Other Income	₱19,944	₱22,554	13.1%

Consolidated revenues and other income showed significant growth in 2023, increasing by 13.1% to ₱22.6 billion from ₱19.9 billion in 2022. Such was driven by the strong performance of the Company's residential and leasing business segments.

Real estate sales grew by 12.9%, from ₱12.8 billion in 2022 to ₱14.5 billion, largely due to higher construction percentage of completion rates achieved during the year. Residential sales were primarily composed of middle-income projects (67.9%), followed by affordable and low-affordable housing (23.3%), high-end developments (5.9%), and socialized housing (3.0%).

The leasing business also delivered solid results, with rental and other services revenue rising by 13.4%, from ₱6.4 billion to ₱7.2 billion. Mall rentals revenue surged by 31.8% on account of reduced rental concessions, reinstated escalation rates, and higher occupancy levels. Office leasing revenue managed to increase by 1.7% despite ongoing challenges such as flexible work arrangements, slow return-to-office trends, and POGO tenant lease pre-terminations. Additionally, FLI launched its co-living dormitel business in Filinvest Mimosa+ Leisure City, contributing ₱180.9 million in revenues for the year.

Higher revenues translated to increased expenses across all segments. Real estate costs rose by 10.2%, to ₱8.1 billion, while rental services costs climbed by 20.9% to ₱3.1 billion, reflecting higher direct operating expenses in the leasing segment. General and administrative expenses similarly grew by 11.7% to ₱2.6 billion, on the back of increased manpower costs and repairs and maintenance expenses. Selling and marketing expenses rose by 19.1% to ₱1.4 billion, driven by higher commissions and expanded sales efforts.

Nonetheless, gross profit margin held steady at 48.2%. Operating and EBITDA margins, however, recorded slight declines. Operating margin slid from 30.1% to 30.0% while EBITDA margin narrowed from 38.6% to 37.4%.

Interest and other finance costs were up by 6.1% to ₱2.4 billion, attributable to higher average interest rates. Despite such, the interest service ratio improved from 2.5x to 2.7x, and EBITDA interest coverage rose from 3.2x to 3.3x.

Overall, FLI's net income grew by 22.0% to ₱4.3 billion, from ₱3.5 billion in 2022. Such was supported by the robust performance of the residential and leasing segments. Consequently, net profit margin improved from 18.4% to 19.8%.

9M2024

Table 13. Revenue Breakdown (9M2023 vs. 9M2024)

Revenue breakdown (in million Php)	9M2023	9M2024	% change
Residential	₱9,828	₱11,892	21.0%
Leasing	₱5,356	₱5,711	6.6%
Office	₱3,403	₱3,501	2.9%
Retail / Commercial	₱1,741	₱1,840	5.7%
Others	₱212	₱370	74.7%
Total Revenues	₱15,184	₱17,603	15.9%
Equity in Net Earnings of Associates	₱141	₱250	77.1%
Other Income	₱395	₱584	47.9%
Consolidated Revenues and Other Income	₱15,720	₱18,438	17.3%

For the first nine months of 2024 (9M2024), FLI's total consolidated revenues and other income increased by 17.3% to ₱18.4 billion, from ₱15.7 billion in the same period of 2023. Such was primarily attributable to the growth in the residential segment.

Real estate sales rose by 21.0%, from ₱9.8 billion in 9M2023 to ₱11.9 billion, driven by higher construction progress and accelerated collections. In terms of product type, middle-income comprised bulk or 74% of the total real estate sales. This was followed by affordable and low-affordable at 12%, high-end and others at 8%, and socialized housing at 6%.

Rental and related services revenue, on the other hand, grew by 6.6% to ₱5.7 billion, supported by higher revenues from retail leasing and office leasing. Revenues from retail leasing rose by 5.7% due to improved occupancy, rental escalations, and the removal of concessions. Similarly, revenues from office leasing increased by 2.9%, benefiting from larger GLA and higher effective rental rates.

In line with higher residential revenues, the cost of real estate sales increased by 6.3% to ₱5.8 billion. Rental service costs grew by 12.8% to ₱2.7 billion, driven by higher direct operating expenses in the retail segment and depreciation of new properties. General and administrative expenses rose by 15.8% to ₱1.9 billion due to increased manpower costs, taxes, professional fees, and infrastructure rehabilitation. Selling and marketing expenses also climbed by 25.6% to ₱1.1 billion, reflecting higher commissions and additional manpower costs for sales generation.

Interest and finance charges surged by 33.2% to ₱2.6 billion, mainly due to the non-capitalization of borrowing costs for lots, condominium, and residential units for sale. As a result, the interest service ratio decreased from 2.4x in 9M2023 to 2.3x, and the EBITDA interest coverage ratio fell from 3.0x in the same period in 2023 to 2.8x.

Notwithstanding the higher financing costs, FLI's consolidated net income rose by 23.6%, from ₱2.8 billion in 9M2023 to ₱3.5 billion in 9M2024, primarily driven by the growth in residential segment.

As a result of the foregoing, gross profit margin improved from 47.8% in 9M2023 to 51.2% in 9M2024. Operating margin increased from 31.1% in 9M2023 to 34.0%, while EBITDA margin grew from 39.3% in 9M2023 to 42.1%. The net profit margin, likewise, increased from 18.5% in 9M2023 to 19.7% in 9M2024.

Projected Period

FLI is expected to see sustained growth over the forecast period, supported by the continued momentum of its ongoing projects and the development of new ones. Moving forward, real estate revenues and rental income are projected to increase steadily, reflecting the Company's expanding operations.

Cost of sales is expected to move in line with the growth in annual revenues. Nonetheless, management foresees that growth in revenues will consistently outpace growth in cost of sales going forward. As a result, net income is anticipated to exhibit an upward trajectory throughout the projected period.

Cash Flow, Liquidity, and Financial Flexibility

2023 vs 2022

Net cash provided by operating activities rose by 49.9%, from ₱6.1 billion in 2022 to ₱9.2 billion, driven by higher operating income. Net cash used in investing activities was lower by 52.7%, from ₱9.2 billion in 2022 to ₱4.3 billion in 2023, reflecting reduced expenditures on investment properties and property and equipment. Net cash used in financing activities, on the other hand, saw a reversal from a ₱2.0 million inflow in 2022 to a ₱5.7 billion outflow in 2023, primarily due to payments for loans, interest, and cash dividends.

As a result of the foregoing, cash and cash equivalents stood at ₱5.7 billion by end-2023, 13.4% lower than 2022. Notwithstanding such, cash flow coverage increased from 0.24x in 2022 to 0.45x in 2023. Similarly, the debt service coverage ratio (DSCR) rose from 0.29x in 2022 to 0.39x.

Total current assets as of end-2023 amounted to ₱95.6 billion, a marginal increase from ₱94.8 billion in 2022. Conversely, total current liabilities was 14.0% lower, from ₱37.4 billion in 2022 to ₱32.2 billion. The current ratio, therefore, improved from 2.53x in 2022 to 2.97x in 2023.

9M2024

In 9M2024, net cash from operating activities amounted to ₱6.7 billion, a 4.3% decline from ₱7.0 billion in the same period last year. Such was mainly driven by higher project expenditures. Net cash used in investing activities decreased by 4.9% to ₱3.5 billion, from ₱3.7 billion in 9M2023. This was on account of dividends received and lower acquisitions related to BTO rights during the period. Financing activities posted a net outflow of ₱3.5 billion, 11.2% lower than the ₱3.9 billion in the prior year. The foregoing was primarily attributed to payments for loans, interest, and dividends, partially offset by new loan availments.

As a result, cash and cash equivalents stood at ₱5.5 billion, 9.4% lower than the ₱6.0 billion in the same period last year. Cash flow coverage declined from 0.32x in 9M2023 to 0.28x in 9M2024, while the DSCR increased from 0.27x to 0.31x.

Current assets declined by 1.7% to ₱94.0 billion as of end-September 2024, from ₱95.6 billion at the end of 2023, while current liabilities increased by 20.3% from ₱32.2 billion to ₱38.8 billion. The foregoing translated to a lower current ratio of 2.42x by the end of September 2024.

As of November 2024, FLI had access to combined term loan and revolving promissory note (PN) lines totaling ₱66.2 billion. The Company, being publicly listed, had a market capitalization of ₱18.2 billion as of November 29, 2024. In addition, FLI remained compliant with its loan covenants as of end-September 2024.

Projected Period

Operating activities are expected to generate steady and positive cash flows, ensuring continued support for the Company's liquidity throughout the forecast period. As for investing activities, net cash outflows are expected in the near to medium term. Such will shift to net cash inflows in the later years, reflecting the Company's decision to delay new leasing projects until the industry stabilizes and occupancy levels in existing properties improve. Meanwhile, for financing activities, the Company projects increased net cash outflows going forward, driven by capital expenditures, debt servicing, and regular dividend distributions.

As a result, cash and cash equivalents will show an upward trend over the forecast period. Cash flow coverage ratios will similarly improve as debt levels gradually taper off.

Throughout the projected period, FLI will continue to comply with the minimum 1.0x DSCR required by its loan covenants.

Capital Structure

2023 vs 2022

As of end-2023, FLI's total consolidated assets reached ₱204.5 billion, up by 2.2% from the ₱200.1 billion in 2022. This growth was primarily driven by the 19.4% rise in other receivables and the 3.4% increase in investment properties.

Total liabilities, on the other hand, increased by 1.5%, from ₱108.6 billion in 2022 to ₱110.2 billion in 2023. This was mainly due to a 12.6% higher loans payable, reflecting ₱24.7 billion in new loans, partially offset by ₱20.5 billion in repayments. Bonds payable was lower by 8.9%, due to the settlement of FILRT bonds amounting to ₱6.0 billion and FLI bonds worth ₱9.0 billion, partially offset by FLI's bond issuance of ₱11.4 billion. As a result, total debt increased slightly by 0.6%, to ₱74.5 billion, with 24.4% of it classified as current.

Total equity grew by 3.0%, from ₱91.5 billion in 2022 to ₱94.3 billion in 2023, primarily on account of earnings retention for the period. Consequently, FLI's debt-to-equity (DE) ratio improved from 0.81x as of end-2022 to 0.79x as of end-2023.

End-September 2024

FLI reported total consolidated assets of ₱205.9 billion as of end-September 2024, a 0.7% increase from the ₱204.5 billion at the end of 2023. Total liabilities also saw a slight increase of 3.0%, from ₱110.2 billion as of end-2023 to ₱113.5 billion.

In 9M2024, the Company secured additional bank loans totaling ₱25.9 billion, offset by principal repayments of ₱23.2 billion. As a result, total consolidated interest-bearing debt rose by 3.5%, from ₱74.5 billion as of end-2023 to ₱77.1 billion by the end of September 2024.

Total equity marginally declined by 2.0%, from ₱94.3 billion in 2023 to ₱92.3 billion. This was primarily due to a ₱3.7 billion reduction in unappropriated retained earnings resulting from a change in accounting policy, offset by ₱3.1 billion net income and ₱1.2 billion in dividends declared. Consequently, FLI's DE ratio increased from 0.79x at the end of 2023 to 0.83x as of end-September 2024.

Projected Period

The Company's capital structure will continue to remain sound, with a focus on reducing debt levels and strengthening its equity base. The foregoing reflects a strategic move towards an improved financial stability and a more balanced capital mix, supported by the Company's ongoing earnings retention. Consequently, FLI's overall financial leverage is expected to gradually decrease over the projected period.

ECONOMY

2023

In 2023, the Philippine economy grew by 5.6%. This is slower compared with the 7.6% growth in 2022, and short of the government's growth target of 6.0% to 7.0%.

Agriculture, Forestry, and Fishing (AFF) grew by 1.2%, a significant improvement from the sector's minimal growth of 0.5% in 2022. The Industry and Services sectors, on the other hand, recorded slower growth rates compared with 2022, expanding by 3.6% and 7.2%, respectively.

The top contributors to growth in 2023 were: Wholesale and retail trade, repair of motor vehicles and motorcycles (+5.5%); Financial and insurance activities (+8.9%); and Construction (+8.8%).

Household Final Consumption Expenditure (HFCE) expanded by 5.6% in 2023, slower compared with the 8.3% growth in 2022. HFCE growth slowed down for seven consecutive quarters, from 10.0% in 1Q2022 to 5.1% in 3Q2023. Household consumption then recorded a slight uptick to 5.3% in 4Q2023, backed by robust growth in spending for restaurants and hotels, transport, and recreation. Slow growth in food spending persisted, however, despite the moderation in inflation, due to still elevated food prices.

Government Final Consumption Expenditure (GFCE) was relatively flat, recording a 0.4% growth in 2023. This was much lower than the growth recorded in 2022 of 4.9%. The slower growth was attributed to the fiscal consolidation program, as well as the absence of election-related spending in 2023.

Nonetheless, the country was Southeast Asia's fastest-growing economy in 2023, surpassing Vietnam and Malaysia which held the top spots in 2022.[4]

3Q2024

In the third quarter of 2024 (3Q2024), GDP expanded by 5.2% year-on-year (YoY), lower than the 6.3% growth in the previous quarter. Such puts the average GDP growth at 5.8%, marginally below the government's full-year target of 6.0% to 7.0%. Nonetheless, the Philippines remain one of the fastest-growing Asian economies. The 3Q2024 GDP falls next to Vietnam which was at 7.4%.

The Industry and Services sectors grew by 5.0% and 6.3%, respectively. On the contrary, AFF contracted by 2.8% due to the effect of El Niño, typhoons, and the fishing ban in Bataan and Cavite due to the oil spill.

HFCE expanded by 5.1% in 3Q2024, unchanged from 3Q2023. GFCE, on the other hand, grew by 5%, slower compared with the 6.7% growth recorded in the same period of 2023. Nonetheless, National Economic and Development Authority (NEDA) Secretary Arsenio Balisacan remained optimistic that the growth target for the year will be attained, adding that the economy should grow by 6.5% in 4Q2024. The increase in holiday spending, more stable commodity prices, lower interest rates, and robust labor market are seen to contribute to the growth in 4Q2024.

Outlook

In December 2024, the Development Budget Coordination Committee (DBCC) revised the country's GDP growth target for 2024, lowering it from 6%-7% to 6%-6.5%. The adjustment took into account the challenges posed by the uncertain economic environment both domestically and internationally.

The government remains optimistic that the Philippine economy can hit its 2024 growth target, citing expectations of a recovery in 4Q2024 driven by increased holiday spending, continued disaster recovery efforts, low inflation, and a robust labor market.

Moreover, the GDP growth target for 2025 was also revised, widening to 6%-8% from the previous range of 6.5%-7.5%. The broader range accounted for potential domestic and external risks that could affect the economy.

Overseas Filipino Remittances

For the year 2023, OF remittances reached a high of $37.2 billion (+3% year-on-year), reflecting the ever-increasing demand for Filipino workers overseas. The BSP said the full-year 2023 remittances accounted for about 8.5% percent and 7.7% of the country's gross domestic product and gross national income, respectively. Strong remittances came from both sea-based and land-based workers.

[4] https://www.bloomberg.com/news/articles/2024-01-31/philippine-economy-grows-faster-than-expected-5-6-last-quarter

Remittances from overseas Filipino workers grew by 3.3% year-on-year to $3.34 billion in September 2024, a slight uptick from the $3.2 billion posted in August 2024. This brings year the January to September 2024 total to $24.49 billion, 3% higher than the previous year.

The central bank reported a growth in remittances from the United States, Saudi Arabia, Singapore and the United Arab Emirates. Based on data from the BSP, the US had the highest share of overall remittances during the period, followed by Singapore, Saudi Arabia, Japan and the United Kingdom. Over 40% of total remittances came from the United States.

Analysts expects continued single-digit growth in remittances in the last three months of the year, with the upcoming holiday season expected to be the main driver for remittance growth. OFs constitute a significant portion of the demand for FLI's affordable and middle-income housing.

Interest Rates

The BSP cut interest rates by 25 basis points for a second straight meeting on October 16, 2024, bringing benchmark rate to 6%, the lowest since February 2023. The interest rates on the overnight deposit and lending facilities were accordingly adjusted to 5.50% and 6.50%, respectively. The central bank will meet again on December 19, 2024. According to the BSP Governor Eli Remolona, further interest rate cuts totaling 100 basis points could be expected at the upcoming meetings this year (25 basis points) and into next year (75 basis points).

Inflation in November 2024 is expected to be within the central bank's 2.0%-4.0% target, after it quickened to 2.3% in October from 1.9% the previous month. Slowing inflation, supported by a drop in the cost of rice, has allowed the central bank to ease monetary policy.

Lower interest rates should make monthly amortization payments more affordable for real estate buyers and as such, will continue to bolster housing sales.

INDUSTRY

Residential Sector

The Metro Manila residential market in Q3 2024 was impacted by elevated mortgage rates and a significant backlog of unsold ready-for-occupancy (RFO) units. Developers launched only 8,000 pre-selling units in the first nine months of the year, marking a 61.0% decline year-on-year. This cautious approach was driven by the 27,200 unsold RFO units, particularly in the lower to upper mid-income segments (property prices ranging from ₱3.6 million to ₱12.0 million), which accounted for 57.0% of the remaining inventory. High levels of unsold RFO units were concentrated in Pasig City, QC-South, Parañaque, Manila North, Makati Fringe, and QC-North.

In terms of demand, pre-selling condominium sales reached 9,300 units by the end of Q3 2024, a 53.0% decline compared to the same period in 2023. Despite this slowdown, the upscale and luxury segments showed resilience, supported by steady demand from higher-income buyers. Meanwhile, affordable and mid-income segments struggled to gain traction amid rising borrowing costs. The Philippine central bank's recent interest rate cuts may offer some relief, with analysts anticipating mortgage rates to improve by 2025, which could help revive buyer interest.

On the supply side, the market recorded the completion of 830 units during the quarter. Notable projects included Alveo Land's Cerca Viento Tower 2 in Alabang and four towers of Megaworld's Bayshore Residential Resort in the Bay Area. For 2024, Colliers now forecasts a total of 9,860 completed units, down from the previous estimate of 11,290, due to delays in the turnover of SMDC's Sail Residences. These delays are expected to push new supply into 2025, further adding to inventory pressures.

The rental market showed limited growth, with lease rates increasing marginally by 0.2% during the quarter. Elevated vacancy, driven in part by Chinese employees vacating units in the Bay Area following government restrictions on Philippine Offshore Gaming Operators (POGO), continues to hamper rental recovery. Developers, however, remain aggressive in efforts to attract tenants and buyers, offering attractive payment terms, early move-in promos, and enhanced amenities. These initiatives are aimed at mitigating the impact of high vacancy rates, which stood at 17.4% in Q3 2024.

Colliers anticipates a slow recovery for both rents and capital values, with annual growth of 2.0% to 2.5% projected through 2026. While long-term outlook is expected to improve as infrastructure projects near completion, the near-term market remains constrained by significant inventory and cautious buyer sentiment.

Office Property Market

The Metro Manila office market in Q3 2024 saw a negative net take-up for the first time since 2021, driven by space surrenders from POGOs and non-renewal of pre-pandemic leases. Colliers projects vacancy rates to rise to 20.5% by the end of 2024, with net take-up remaining flat year-on-year due to these factors.

Demand for office space remained relatively stable in Q3 2024. Traditional firms, including government agencies, banking institutions, and flexible workspaces, accounted for 53.0% of office deals in 9M2024. Notable transactions were recorded in Quezon City and Fort Bonifacio, with companies such as Telus, Accenture, and the London Stock Exchange Group occupying space in these areas. Demand continues to be concentrated in prime locations, while areas with higher exposure to the POGO sector, such as the Bay Area, experienced slower demand.

On the supply side, only 9,500 sqm of office space was completed in Q3 2024, a sharp decrease from previous years. Colliers expects new supply for the year to total 295,700 sqm, down 52.0% from 2023, due to construction delays and higher vacancy rates in certain submarkets. Makati, Fort Bonifacio, and Ortigas are expected to account for most of the new supply in the coming years.

Vacancy rates rose to 18.5% in Q3 2024, driven by POGO-related space surrenders and tenant rightsizing. Colliers expects vacancy to increase further by year-end, particularly in secondary markets like the Bay Area, Alabang, and the Makati Fringe, while primary central business districts (CBDs) such as Makati CBD, Ortigas CBD, and Fort Bonifacio are expected to recover faster due to relatively lower vacancy rates.

Rental rates in Metro Manila decreased by 0.6% quarter-on-quarter in Q3 2024. Colliers forecasts that rents will remain stable by the end of 2024. However, submarkets with significant POGO exposure, particularly the Bay Area, are likely to see further rent declines. In contrast, rents in prime CBDs are expected to experience slight increases due to declining vacancy rates and sustained demand from traditional tenants.

Retail Sector

In Q3 2024, the Metro Manila retail market saw sustained demand, particularly from food and beverage (F&B) retailers. These retailers continued to dominate mall space take-up, alongside the expansion of foreign retailers from sectors like home furnishings and personal accessories. This demand from both local and international brands drove growth in physical retail space absorption across Metro Manila.

In terms of supply, 86,900 sqm of new retail space was delivered in Q3 2024, including openings such as Opus Mall in Quezon City, SM City Caloocan, and the expansion of SM Bicutan in Parañaque. Moving forward, from 2024 to 2026, annual retail supply is expected to taper, with an estimated delivery of 159,600 sqm as developers increasingly focus on redeveloping existing malls. Notable malls undergoing redevelopment include SM Megamall, SM East Ortigas, Greenbelt, Glorietta, Trinoma, and Robinsons Forum, reflecting the push to meet changing consumer preferences.

Vacancy rates showed improvement in Q3 2024, declining from 15.5% in Q1 to 15.1%, driven by sustained retailer demand. However, vacancies are expected to rise slightly to 15.3% by the end of 2024 due to the new retail supply and some retailers adopting a wait-and-see approach to absorption. Despite this, the market remains resilient, with demand from both local and foreign brands continuing to support mall operators.

Rent remained stable, with no dramatic increases due to the substantial new supply. However, premium rents were noted in business hubs and malls with lower vacancy rates. These areas with high activity continue to attract strong demand from retailers.

Overall, the Metro Manila retail market is poised for continued growth, with mall operators focused on redeveloping existing spaces to meet the evolving demands of consumers and retailers.

Industrial and Logistics

Investment commitments from foreign firms jumped 434.4% in 3Q2024 vis-à-vis the same period last year. The bulk of these investments are going to manufacturing activities. Based on data from the Philippine Statistics Office, total foreign investments approved by the Investment Promotion Agencies (IPA) saw a rise to ₱146.75 billion from July to September, a strong surge from last year's ₱27.46 billion in the same period last year.

Analysts say the sharp increase in foreign investment pledges in 3Q2024 may have been partly encouraged by the approval of the CREATE MORE (Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy) Bill by the Congress in early September 2024 (eventually signed into law on Nov. 11). The recent enactment of CREATE bill should help to lower costs for businesses through lower corporate income tax, larger deductions of electricity expenses, and simpler local tax and VAT regulations.

Interest rates cuts, which reduces borrowing costs, may also have increased foreign investment commitments.

In terms of location, Calabarzon (Cavite-Laguna-Batangas-Rizal-Quezon) accounted for the largest share of approved foreign investment pledges, amounting to ₱58.86 billion or 40.1% of the total from July to September 2024. These investment pledges are likely to take-up industrial space and warehouses in the next 12 to 24 months.

Hospitality Sector

Hospitality[5]

The hospitality sector in the Philippines showed positive signs of recovery in 2024, with international tourist arrivals reaching 4.4 million as of September, marking a 9.9% year-on-year increase. As a result, hotel occupancy rates in Metro Manila improved, reaching 76.9% in Q3 2024. This growth was further supported by holiday-driven demand and stronger tourism numbers. Additionally, average room rates increased to ₱7,971 per night, reflecting a 2.2% quarter-on-quarter and 3.8% year-on-year growth. Room rates are projected to reach at least ₱8,000 by the end of the year.

Despite these positive developments, the Philippines is expected to fall short of the Department of Tourism's target of 7.7 million foreign arrivals for 2024. Nonetheless, it is still on track to exceed the

[5] Q3 Property Report 2024: Navigating Transition – Leechiu Property Consultants
https://www.jll.com.ph/en/newsroom/metro-manila-real-estate-market-shows-mixed-performance-in-q3-2024-jll

previous year's total of 5.5 million. Notably, Japan has now surpassed China as the third-largest source market for the Philippines in 2024.

In line with the recovery in tourism, private sector developers are committing to significant new hotel projects nationwide. A total of 158 new accommodation projects, adding 40,084 rooms, are in the pipeline, with investments amounting to ₱250 billion. Key development areas include Luzon, particularly Clark (2,098 keys) and Metro Manila (over 8,000 keys). Additionally, resort destinations in the Visayas, including Boracay, Mactan Island, and Panglao Island, are expected to contribute a significant portion to the new room supply.

In July 2024, the SEC issued guidelines to regulate the sale of properties with rental pool agreements. The memorandum circular outlines the rules for Securing and Expanding Capital in Real Estate Investment Transactions (SEC RENT). According to the SEC, investment contracts, certificates of participation or participation in a profit-sharing agreement, fall under the Securities Regulation Code, hence, should be registered with the commission before it can be offered to the public. Additionally, Under SEC RENT, real estate developers must get approvals from several SEC departments before submitting the registration statement to the MSRD.[6, 7]

[6] https://www.bworldonline.com/corporate/2024/07/25/610146/sec-issues-guidelines-for-selling-properties-in-rental-pool/
[7] Rental pool agreement is an investment contract where a property developer sells real estate projects to buyers, provided that the units are contributed to a rental pool managed and operated by the company or a third-party operator.