

# Industrial MarketView

## Philippines

SECOND QUARTER OF 2007

### ECONOMIC OVERVIEW

The country's gross domestic product (GDP), which is the total value of goods and services produced locally grew by 6.9% in 1Q 2007, the highest since the first quarter of 1990. The surge mainly came from the services sector with 4.4 percentage points, industry sector with 1.7 percentage points, and AFF with 0.8 percentage points. Such upsurge was linked to overseas investment and remittances coming from Filipino nationals working abroad resulting to an increased consumer spending at 5.9%, further facilitating the first quarter domestic economy growth.

Meanwhile, the Philippine Peso breached the PhP45:US\$1 level for the first time in nearly seven years during the last week of May. This is attributed to the positive outlook persisting in the economy and a subsequent increase in consumer spending brought by the increased remittances and possibly from election spending.

The nationwide inflation rate stood at 2.4% as of May 2007 while the core inflation, which excludes certain food and energy items, was steady at 2.6%, this was mainly due to the decreasing base effect of VAT on inflation referring to the one-time impact of the increase in the value added tax rate last year. The inflation rate for all commodity groups eased except for fuel, light and water, which rose by four percent from 2.2 percent in April.

Total approved foreign direct investment (FDIs) totalled PhP17.9B this 1Q of 2007 which is 71.9% lower than the PhP63.5B approved the same quarter a year ago which allowed a positive 5.3% growth of all industry sectors.

However, manufacturing sector dropped this quarter, yet it was the top recipient to commitments with the lion's share of 70.1 percent or PhP 12.5 billion of the total approved investments from foreign nationals allowing this sector to be the main propellant of the industry growth where it contributed 3.4 percentage points but registering a decelerated 4.6% growth this year compared to the 5% during 2006.

On the contrary, approved FDIs in the private services sector grew by a robust 33.1 percent to PhP 4.9 billion in the first quarter of 2007, increasing from its PhP 3.7 billion levels in the same period in 2006. Investment pledges to the sector mainly came from commitments to operate call centers and business process outsourcing (BPO) services.

Japan was the leading source of approved FDIs in the first quarter of 2007, registering PhP 6.9 billion worth of pledges mainly to the manufacturing sector. Netherlands and U.S.A. followed at second and third places with pledges to inject PhP 4.3 billion and PhP 3.6 billion, respectively.

### QUICK STATS

#### Subic

	2Q07	1Q07
Demand	Up	Neutral
Capital Value	Neutral	Neutral
Rents	Neutral	Neutral

#### Clark

	2Q07	1Q07
Demand	Up	Neutral
Capital Value	Neutral	Neutral
Rents	Neutral	Neutral

#### Calabarzon

	2Q07	1Q07
Demand	Neutral	Up
Capital Value	Neutral	Neutral
Rents	Neutral	Neutral

#### Cebu

	2Q07	1Q07
Demand	Up	Neutral
Capital Value	Neutral	Neutral
Rents	Neutral	Neutral

## KEY ECONOMIC ZONE & INDUSTRIAL AREA FACTSHEETS

### SUBIC BAY FREEPORT

<b>Metro-Manila</b>	: 130 Kms (68 Miles) / 2.5 Hours
<b>Size</b>	: 67,000 Hectares / 165,560 Acres
<b>Population</b>	: 194,260 (Olongapo)
<b>Port Capacity</b>	: 15 Operational Piers / 100k TEU Capacity (600k TEU Capacity by 2007) / 15 Meter Depth (49 ft)
<b>Airport</b>	: 2.7 Kms (1.7 Miles) / 700 Passengers at Any Given Time
<b>Power</b>	: 130 mws
<b>Water</b>	: 33k Cubic Meters per Day
<b>Telecom Providers</b>	: Subicel (PLDT)

#### Some Industrial & Business Park

Subic Bay Industrial Park & the Subic Techno Park

### CLARK SPECIAL ECONOMIC ZONE (CSEZ)

<b>Metro-Manila</b>	: 80 Kms (50 Miles) / 1+ Hour
<b>Size</b>	: 33,653 Hectare / 83,158 Acres
<b>Population</b>	: 263,971 (Angeles City)
<b>Port</b>	: Subic Bay (60 Kms)
<b>Airport</b>	: 3.2 Km (2 Mile) Runway / 1.5 M Passenger Capacity (3.5 M in 2007)
<b>Power</b>	: 50 mws + External
<b>Water</b>	: Up to 40k Cubic Meters per Day (2010)
<b>Telecom Providers</b>	: PLDT & Digitel

#### Some Industrial & Business Parks

BerthaPhil Business Park, Clark Premiere Industrial Park, and the PhilExcel Business Park

### CALABARZON

<b>Metro-Manila</b>	: 110 Kms (68 Miles) / 2+ Hour Drive to Batangas
<b>Population (Region IV-A)</b>	: 9.3 M +
<b>Port (Batangas)</b>	: 3 Piers /4-7 Meter Depth (13 - 23 ft)
<b>Airport</b>	: NAIA (Metro Manila)
<b>Power</b>	: Varies by Location
<b>Water</b>	: Varies by Location
<b>Telecom Providers</b>	: Varies by Location (PLDT etc.)

#### Some Industrial & Business Parks

Calamba Premiere Int'l Park, Carmelray Industrial Park (I & II), Cavite Export Processing Zone, First Cavite Industrial Estate, First Philippine Industrial Park, Gateway Industrial Park, Greenfield Automotive Park, Laguna International Industrial Park, Laguna Technopark, Light Industry & Science Park (I, II, & III), Lima Technology Center, and Philtown Industrial Park

### CEBU CITY

<b>Metro-Manila</b>	: 569 Kms (354 Miles) / 1 Hour Flight
<b>Population</b>	: 1.7 M (Metro Cebu) 3.7M (Island)
<b>Port Capacity</b>	: 1 M TEU Capacity / 9.5 Meter Depth (31 ft)
<b>Airport</b>	: 3.7 Km (2.3 Mile) Runway / 2.5+ M Passengers
<b>Power (Province)</b>	: 302 mwh Capacity
<b>Water (Metro-Cebu)</b>	: 140k Cubic Meters per Day
<b>Telecom Providers</b>	: Innove, DTS, Innove, TMSI Sotelco, & Countrywide Telecom

#### Some Industrial & Business Parks

Cebu Light Industrial Park, Mactan Export Processing Zone II, Mira Nila Ecozone, Polambato-Bogo Economic Zone, South Road Properties (SRP), Taft IT Zone, and West Cebu Industrial Park Special Economic Zone.

## ECOZONE, ICT, & MANUFACTURING INVESTMENT OVERVIEW

**Key Government Promotion Agencies.** The Department of Trade & Industry (DTI) is the government agency responsible for growing and expanding Philippine trade and industry. Under the DTI umbrella are the Philippine Board of Investments (BOI), the lead government agency responsible for the promotion of investments in the Philippines; and the Philippine Economic Zone Authority (PEZA), which grants fiscal and non-fiscal incentives to the developers of economic zones, export producers, and IT service exporters. PEZA also administers and manages the incentives of 114 approved special economic zones in various parts of the country. Other key agencies include the Clark Development Corporation (CDC), which oversees the development of the Clark Special Economic Zone; and the Subic Bay Metropolitan Association (SBMA), which is responsible for the Subic Bay Freeport (SBF).

**Economic Zone Investments.** The combined investment pledges of foreign and Filipino nationals contracted to PhP 41.7 billion in the first quarter of 2007, a 42.9 percent decrease over the PhP 73.1 billion worth of commitments a year ago. Investment

pledges from local investors reached PhP 23.8 billion during the quarter, a robust 149.7 percent increase over the PhP 9.5 billion worth of approvals in the first quarter of 2006. Investment pledges from Filipino nationals was improved by the BOI-approved pledges to the electricity industry, particularly in the generation of hydro-electric energy, valued at PhP 10.6 billion which represented 44.4 percent of total investment pledges from Filipino nationals in the quarter. Total investments approved by BOI and PEZA valued at PhP 16.4 billion and PhP 24.3 billion, respectively, constituted 97.5 percent of the total approved investments in the first quarter of 2007. The rest of the investment pledges comprising 2.5 percent or PhP 1.1 billion were made through SBMA and CDC.

**Manufacturing Investment.** FDI pledges to the manufacturing sector, while dropping 79.0 percent, was recipient to the lion's share of 70.1 percent or PhP 12.5 billion of total approved FDIs during the quarter. Japan was the leading source of approved FDIs in the first quarter of 2007, registering PhP 6.9 billion worth of pledges mainly to this sector. Netherlands and U.S.A. followed at second and third places with pledges to inject PhP 4.3 billion and PhP 3.6 billion, respectively.

### APPROVED INVESTMENTS IN THE ICT INDUSTRY

Industry	1Q2007 Foreign	1Q2007 Filipino	Total	1Q2006 Foreign	1Q2006 Filipino	Total
ICT Manufacturing	-	-	-	733.3	48.8	782.0
IT Services	4,768.1	466.7	5,234.8	2,526.3	246.7	2,773.0
Total	4,768.1	466.7	5,234.8	3,259.5	295.5	3,555.0
Share to Total	91.1	8.9	100.0	91.7	8.3	100.0

Source: National Statistical Coordination Board (NSCB)

### APPROVED FDI BY MAJOR PROMOTION AGENCY

Indicator	1Q2007	1Q2006	% Change
BOI	1,116.7	2,413.5	-53.7%
PEZA	16,458.8	8,829.7	86.4%
Subic	278.2	51,385.8	-99.5%
Clark	22.2	901.2	-97.5%
Total	17,875.9	63,530.1	-71.9%

Source: National Statistical Coordination Board (NSCB)

## MAJOR INFRASTRUCTURE INITIATIVES

According to the Medium-Term Philippine Development Plan (2004-2010), infrastructure projects that are strategic and critical for trade and investment will be prioritized. Types of priority projects include: 1) Ports and the highways connecting them; 2) Roads and rail systems that will decongest Metro-Manila, the Clark-Subic Highway, and highways that will create development in Luzon, the Visayas, and Mindanao; and 3) Roads and airports to tourism hubs. In addition, the government continues to have ambitious plans to link and develop Subic and Clark into the best logistics hub in the Asia-Pacific region by building road and rail links between the two former bases and by improving the water, power, and telecom infrastructure in both locations.

The following is an overview of major infrastructure initiatives that are expected to directly benefit the industrial and logistics sectors:

**Subic-Clark-Tarlac Road Project:** The Japanese consortium, which is constructing the expressway, has asked for a 457-day extension to finish the 93.7 km (58 mile) 4-lane toll road network linking the industrial and logistics hubs of Subic, Clark, and Tarlac is being funded by the Japan Bank for International Cooperation (JBIC) and is slated to be completed by November of 2007 at a cost of US\$376.7 million. Thus, travel time between Subic and Clark will be reduced into 30 minutes.

**Subic Bay Port Development Project:** This US\$215 million port upgrade project being funded by the Japan International Cooperation Agency (JICA) that will provide Subic with a world-class logistic hub. Also, this will increase Subic's cumulative total handling capacity to 600,000 TEU's per year from the current 100,000 through a major purchase of four goose neck-type Quay gantry cranes with a load of 40.6 tons each. The project is now nearing its completion which is currently at 91.793 percent completed as of March 2007, as announced by Subic Bay Metropolitan Authority (SBMA).

**Clark Diosdado Macapagal International Airport (DMIA):** A US\$35.6 million expansion plan will allow for an increase in the number of flights to over 50 a week. Plans are also being developed to increase the airport's current capacity from 1.5 million to 3.5 million passengers annually and to build a 4 km (2.5 mile) long runway. Also, DMIA manage to purchase a modern Terminal Radar Approach Control (Tracon) through loan amounting to US\$9.9million or granted by Deutsche Bank.

**Metro North Rail Project:** The National Economic and Development Authority (NEDA) has approved for implementation the second component of the P35-billion Northrail project which is to be implemented by the Bases Conversion Development Authority-Philippine National Railway, will complete Phase I with approximately 48 kilometers of double narrow-gauged rail track in the towns of Malolos and Calumpit in Bulacan and Apalit, Minalin, Sto. Tomas, San Fernando, Angeles and Clarkfield in Pampanga. Phase I also involves a 40-km Caloocan-Malolos segment that is already under construction. This project includes civil and track works, signaling, communications and ticketing systems, procurement of rolling stock and right-of-way acquisition. The bulk of the project cost of about 83 percent will be financed through Official Development Assistance loans from China while the rest will be obtained from local and foreign commercial loans.

**South Luzon Expressway (SLEX) Rehabilitation/Expansion:** The government has started the rehabilitation and expansion of the South Luzon Expressway (SLEX) through a Php11 billion Supplemental Toll Operations Agreement (STOA), this major artery links export manufacturers based in the Cavite-Laguna-Batangas-Rizal-Quezon (CALABARZON) growth corridor to Manila's international airport and to a key seaport in the province of Batangas. The project has three components which includes the rehabilitation and widening of the 1.2-kilometer Alabang viaduct with an upgrade of complete slabs and girders replacement to strengthen existing columns and foundations because of its weak infrastructure. Also, the widening of the existing 27.3-kilometer Filinvest, Alabang-Calamba expressway particularly up to the Santa Rosa, Laguna, section, or some 15.6 kilometers of the expressway. The Santa Rosa-Calamba stretch covering 11.7 kilometers will also be widened together with complete rehabilitation all of the 14 bridges, which substructures fail to comply with the current earthquake code. Lastly, the extension of SLEX from Calamba to Southern Tagalog Arterial Road (STAR) covering 7.6-kilometers this will extend the highway to the Batangas City international seaport.

**Batangas Port Development Project (BPDP) Phase II:** Plans are underway to equip the port with cargo handling equipment to increase its capacity to cater to locators in the Calabarzon region and to meet international standards by 2010. The Philippine Ports Authority (PPA) already released their call last May 2007 for port bids wherein they expects to award a 25-year management concession for Batangas Phase II by October this year, the said contract is renewable for another 25 years.

## INDUSTRIAL NEWS

### Selected headlines compiled from CBRE's daily Compass email over the past half year:

#### PTT sets 20 more gas stations in RP retail network expansion

(Manila Bulletin, 4/1/07) Thai oil firm's local subsidiary PTT Philippines Corporation (PTTPC) is lining up completion of 10 to 20 stations annually as addition to its retail portfolio. This will command an investment ranging from P7 million to P8 million or about P160 million if the targetted investment plan is achieved. PTTPC are inclined to broaden their niche in the Philippines as they look on various investment options in the downstream oil sector, natural gas and petrochemical industries.

#### Subic to rebid facilities to be left by FedEx

(Business World, 4/3/07) The lease contract for air transport facilities to be left by logistics giant Federal Express —will undergo a rebidding this year. In a statement, Armand C. Arreza, administrator of the Subic Bay Metropolitan Authority (SBMA), said he has received a number of business proposals from foreign airfreight firms interested in taking over the facilities to be left by FedEx. FedEx will transfer to an eight-hectare complex in Guangzhou, China, the firm's biggest facility outside mainland United States. The company is reportedly spending about \$150 million to set up the new facility.

#### Alaska eyeing P250 million in capital expenditures

(Business World, 4/3/07) Uytensu-led Alaska Milk Corp. has set aside P250 million this year mainly for the construction of a warehouse and other capital expenditures. Alaska said it would continue to focus on growing its milk business by expanding to other categories in the domestic milk market, either through new products or strategic alliances such as licensing agreements, joint ventures, or business acquisitions. A new instant filled milk powder processing plant consisting of a recombined milk processing plant, spray-drying equipment, and filling and packaging lines is set to be opened in San Pedro, Laguna, this month.

#### USD9.3M radar starts operating in Clark

(Business World, 4/4/07) With President Gloria Macapagal Arroyo as guest, the Diosdado Macapagal International Airport (DMIA) in Clark, Pampanga is set to activate today the \$9.3-million modern terminal radar system. The all-weather terminal radar approach control (TRACON) equipment at DMIA can detect incoming and outgoing aircraft within a radius of 60 to 220 nautical miles and will operate for 24 hours.

#### Clark luring semiconductor firms

(Business World, 4/5/07) This special economic zone hopes to attract the country's leading semi-conductors and electronics firms, as it plans to transform 300 hectares of prime real estate area into a Silicon Valley-type IT park. The advantages Clark offers these firms, particularly the air cargo facilities of United Parcel Services, as well as access to seaports in Subic Bay Freeport and Special Economic Zone in Zambales, which is expected to be just 30 minutes away via the P250-million Subic-Clark-Tarlac Expressway, supposed to be completed by November next year. Mr. Gorospe said there are about 36 semiconductor and electronics firms in Clark that have committed about P5.07 billion in investments for the next five years and projected to employ at least 11,714 within that period.

#### TA Oil set to expand Carmelray facility on surge of investors

(Manila Times, 4/12/07) Publicly listed Trans-Asia Energy and Development Corp. (TA Oil) plans to expand its power generation and distribution facility in Carmelray Industrial Park in Laguna owing to the influx of new locators. "We are looking at expanding the CIP II plant in Calamba because the demand of locators have already reached capacity," Francisco L. Viray, TA Oil president and chief executive officer, said. TA Oil acquired the CIP II power company in December last year from Ascendas Utilities Pte. Ltd. of Singapore. The CIP II owns a 21-MW power plant and distribution system that supplies electricity to the Carmelray Industrial Park.

#### SM City Davao to open IT park at Ecoland

(Sunstar, 4/18/07) With several investors on information and communication technology (ICT) scouting for space to locate, SM City Davao's plan to develop an IT park is very timely. Davao City council committee chair on trade, commerce and industry Peter Lavina in an interview said several interested locators are willing to come to Davao but could not find the right place to put up their business. Lavina said he introduced a resolution, endorsing for support and approval of the proposed IT Park project of SM City Davao at Ecoland. SM will develop its three-hectare property as an IT Park to house call centers, business processing operations and IT companies to provide IT-related facilities.

#### Clark receives high ratings as ICT hub

(Philippine Star, 4/18/07) Fourteen years after this freeport was established, two government agencies gave it high ratings on their "readiness scorecard" as an information and communication technology (ICT) hub in Central Luzon. The readiness scorecard was certified by the Department of Trade and Industry (DTI) and the Commission on Information and Communications Technology (CICT) during a strategic planning workshop for Clark Freeport during which its ICT roadmap was formulated. The certification of both the DTI and CICT gave Clark a 9.23 mark, only a few points away from the perfect score of 10. Sonny Lopez, Clark Development Corp. (CDC) information department manager, said the high rating "is an indication that Clark has met most of the crucial requisites of being an ideal destination for ICT locators."

#### Solar cell maker allots USD1.3 billion for plant expansion

(Business World, 4/20/07) Sun Power Philippines Manufacturing Ltd. plans to spend \$1.3 billion to expand its solar cell-making facility over the next three years. The company, a subsidiary of California-based Cypress Semiconductor, plans to make the Philippines its manufacturing hub for the solar cells that it exports to Europe, Japan and the US. Other emerging markets for its solar cells are South Korea and southern Europe. The company has already pulled out its solar cell production facility in China because the cost of solar cell production is cheaper in the Philippines than in other Asian countries. He noted that wages for "high-quality" workers in the country were lower compared with other countries. Of the planned spending, around \$450 million will be used this year for a new manufacturing plant to be installed at the First Philippine Industrial Park in Batangas.

#### Total to spend P250 million for 30 new gas stations this year

(Business Mirror, 4/20/07) Total Philippines Corp. (TPC), a unit of the world's fourth-largest oil and gas company, has allocated P250 million for the expansion of its retail network this year, marking its decade-long of operations in the country. TPC will open at least 16 gasoline stations and 15 Auto LPG (liquefied petroleum gas) facilities within the year. "We have earmarked P250M for the development of new stations, Anna Whitehouse said. "Currently, Total has a network of 98 gasoline stations and 8 Auto LPG stations, the majority of which are located in Luzon."

**ICTSI may join Batangas port bid**

(Manila Times, 4/20/07) International Container Terminal Services Inc. may bid for the 25-year international cargo-handling contract at the Port of Batangas, the company announced following its stockholders' meeting Thursday. Enrique K. Razon, ICTSI told reporters that the company has the documents and is "studying [to join the bidding]." The Philippine Ports Authority is currently in the process of getting investors' intent to bid for the P5.5-billion Batangas Port Phase 2. It occupies an area of 128 hectares compared with the first phase designed for domestic traffic and operated by Asian Terminals Inc. Phase 2 is a mix operation of bulk, break bulk and international containerized cargo, but without a passenger terminal. It is designed to accommodate 7,000 TEU's, or 20-foot equivalent units. A TEU is a measure of containerized cargo equal to a standard size of 20-foot length of 8 ft. width and 8.5 ft. in height. Batangas port is the transport hub of goods in the Cavite, Laguna, Batangas, Rizal and Quezon provinces. It also functions as a terminal for passengers travelling to and from the nearby provinces of Mindoro, Marinduque, Romblon and Palawan. Apart from the Batangas port, ICTSI also plans to acquire more ports outside the country, particularly in India, the Middle East, Latin America, Eastern Europe and Africa.

**Total Philippines eyes additional outlets**

(Manila Times, 4/21/07) Petroleum player Total Philippines Corp. will spend at least a quarter of a billion pesos this year to expand its retail business in the country. Anna Whitehouse, Total president and managing director, told reporters that the company has earmarked P250 million for the development of new stations in 2007. The amount will be spent on the opening of at least 16 gasoline stations and 15 auto LPG facilities. Most of the new stations will be opened mainly in Luzon, where most of the company's pumps are located, but Whitehouse added that Total plans to open five stations in Iloilo as well. A portion of the investment will also be used to finance the maintenance and upgrade of the company's older stations and convenience stores.

**Hanjin firm starts ship production in Subic yard**

(Inquirer, 4/21/07) Shipbuilding giant Hanjin Heavy Industries, Corp.-Philippines Inc. (HHIC-PI) started production on Thursday at its Redondo Peninsula facility located within the Subic Bay Freeport. The start of production came less than 14 months after Hanjin signed a deal to establish a \$1-billion, 480-ha shipyard complex at the freeport. Once fully operational, HHIC-PI's facility will be the fourth largest shipyard in the world. Already lined up for production are six container ships each with a capacity of 4,300 TEUs (twenty-foot equivalent units, or the space occupied by a standard 20-foot container) to be delivered to Diorxy Maritime Corp. in Greece in 2009. The second production schedule is for six units of 4,300 TEU ships intended for NSC Schiffartsgesellschaft of Germany. "Hanjin currently has initial bookings of \$2.7 billion and that is expected to grow when the facility is complete," Arreza said

**One Asia to invest P100M for Biñan business complex**

(Tribune, 4/24/07) Property developer One Asia Development Corp. is investing P100 million for the development of a 10-hectare property in Biñan, Laguna, into a business and commercial complex. "The project called One Asia Business Center will be the first state-of-the-art business and commercial hub in the south of the metropolis, particularly in the fast-developing town of Binan," One Asia president and chief executive officer Victor Manarang said. "It will offer office and commercial lots in a park-like setting at prices lower than prevailing along the national highway," Manarang said. The business park is conveniently located within Jubilation New Binan making it highly accessible to Metro Manila through two major roads — South Luzon Expressway thru Mamplasan Exit and National Highway.

**PNOC eyes Bulacan site to replace Pandacan oil depot**

(Manila Times, 4/24/07) A group of European investors is keen on establishing a receiving terminal in Pulilan, Bulacan, as an alternative to the oil depot in Pandacan. PNOC has received offers for a \$200-million 45-kilometer petroleum pipeline project that would link Petron Corp.'s refinery in Limay, Bataan, to the Bulacan property. The proposed facility will be directly beneficial for Petron as it can directly pump its products from Limay to Pulilan. The project would be funded entirely by the European group, which already set up a buffer zone in the 64-hectare property just off the North Luzon Expressway.

**Petron allots P5 billion for expansion**

(Manila Bulletin, 4/24/07) Leading oil industry player Petron Corporation, headed by Khalid D. Al-Faddagh, President-CEO, will fork out P5 billion for capital expenditures (capex) this year, it said on its disclosure to the Philippine Stock Exchange. Of the amount, P4.4 billion will be earmarked for major capital projects, including refinery expansion. The balance of P583 million will be for miscellaneous projects. On the back of the success of the mixed xylene project, the company said it plans to expand further into the petrochemical business; noting that such will command an additional investment of P3.2 billion. The oil giant likewise bared its allotment of P319 million to expand its network on this front. The other key item in the company's capex allocation is P260 million for the relocation of the Joint Oil Companies Aviation Fuel Storage Plant or JOCASP. The company is targeting to introduce ethanol blended gasoline at its stations starting this year. While other industry players started offering E10 blend (gasoline with 10percent ethanol blend) by importing products, Petron opted to wait for the commercial operation of the first ethanol plant in Visayas by this year.

**Cebu's Asiatown IT Park is now home to Convergys**

(Manila Times, 4/28/07) "The growth of Convergys in Cebu has been amazing," says Arlene "Pinky" Mante, senior HR manager of Cebu. "In just three years we have grown the site to over a thousand people and now a second site is born that would make Convergys operations in Cebu grow even bigger by year-end. Imagine a workforce of more than 11,000 highly diversified and highly talented people!" This is exactly the exciting sentiment that is the drive behind the opening of Convergys' second contact center site in Cebu's Asiatown IT Park. Convergys' first Cebu site opened in November 2004 at Paseo San Ramon, Arcenas Estate. This 3,492-square-meter site in Banawa is joined by a second larger Cebu site at the i2 Building on Jose Maria del Mar Avenue, in Lahug's Asiatown IT Park, which will be officially launched on May 10, 2007.

**CCCI to consult stakeholders about Cebu wide ecozone bid**

(Freeman, 4/28/07) The Cebu Chamber of Commerce and Industry's (CCCI) province-wide economic zone project will conduct a sectoral presentation with stakeholders to strengthen the probability of the project. The CCCI Board passed a Resolution No. 031-2006 on April this year to create a study group to evaluate the viability of proclaiming the entire Mega Cebu province as an Economic Zone. The proclamation of Cebu as an EcoZone is envisioned to encourage the influx of more investments into the province by building up necessary capabilities to create an enabling environment and reducing the cost of doing business in the area.

**Clark central business district planned**

(Business World, 5/1/07) A sprawling central business district is being planned by Clark Development Corp. (CDC) in this former US military base. To be developed is a 300-hectare area at the southern side of the Diosdado Macapagal International Airport and near the proposed Clark Interchange where the North Luzon Expressway and the soon-to-be constructed Subic-Clark Expressway will meet. "The place is very strategic and it makes a lot of sense for us to go on with the project," CDC president and chief executive Levy P. Laus told BusinessWorld. CDC is eyeing to launch the project by the first quarter of next

year, timed with the completion of the Subic-Clark Expressway which is expected to cut the travel time between the two freeports to 35 minutes. "This could be the first business district in Central Luzon. This one would be very, very strategic because it would connect the whole of Central Luzon," he said.

#### **500 suppliers to follow TI in new plant**

(Manila Bulletin, 5/5/07) At least 500 foreign-based major suppliers of the Dallas-based Texas Instruments Inc. are expected to follow the lead of world's biggest maker of mobile phone chips which is investing \$1.7 billion in Clark. Trade and Industry Secretary Peter B. Favila said that Clark Development Corp. has already reserved 30 hectares for these suppliers on top of the initial eight hectares for the TI facility. "In fact, TI said there are three major suppliers negotiating with them who want to be located next to their facilities," Favila said. The Philippine Economic Zone Authority (PEZA) will be the one to administer the ecozone and this is also the first time that an ecozone is located within a Freeport.

#### **DTI in talks with Korean and Japanese firms for USD1B investment in Baguio ecozone**

(Philippine Star, 5/11/07) The Department of Trade and Industry (DTI) is in talks with Korean and Japanese firms for a possible \$1-billion investment in the Baguio City Economic Zone (BCEZ). In an interview, Trade Secretary Peter B. Favila said businessmen from both Korea and Japan have expressed interest in investing in the country. However, Favila said there is no more space in BCEZ. Instead of passing up this investment opportunity, the government is considering closing down the only airport in Baguio and make it an extension of the ecozone. Favila said there is no more available land in Baguio. The Lookan Airport sits near the BCEZ. The other government property in the area is the Philippine Military Academy (PMA). Favila said getting land from PMA is not an option. According to Favila, it is logical to convert the airport into an economic zone given that it is underutilized and is very near the existing ecozone. He said the closure of the airport will not affect the tourism in the country's summer capital given that most visitors travel by land.

#### **Domestic shipyard eyes expansion in Subic**

(Philippine Star, 5/20/07) A group of domestic shipyard operators belonging to the Metro Manila Shipyard Association, Inc. (MMSAI) is eyeing this premier Freeport zone as the site for its future expansion program that will accommodate the growing fleet requirements of the local shipping industry. The shipbuilding center for domestic shipping industry would also be a component of the envisioned Subic Bay Maritime Industrial Park that promises to become one of the legacy projects of the present SBMA administration. The SBMA will participate in the domestic shipping development plan by developing a 50-hectare property or even more (if necessary) for the shipbuilding facility, offering an affordable rental scheme to lower the actual cost of local shipbuilders.

#### **Investments approved by BOI and Peza up 194 percent to P73.33B in first 4 months**

(Business Mirror, 5/24/07) Combined fresh investments approved by the Board of Investments (BOI) and the Philippine Economic Zone Authority (PEZA) grew by 194% to P73.33 billion in the first four months of the year compared with the same period in 2006. The number of projects registered with the BOI and Peza also increased year-to-date to 234 from 220, with the projected employment to be generated also rising to 42,742 from 40,528. The manufacturing sector attracted the most investments for the period with P39.04 billion (from P11.52 billion in the same period last year), followed by mass housing, P12.65 billion (from P6.34 billion); power generation, P10.85 billion (no power projects registered last year); and IT services, P6.06 billion (P3.11 billion). The mining sector posted

P1.55 billion in fresh investments, mainly from the P1.22-billion nickel project of Berong Nickel Corp. in Palawan. Foreign investors accounted for 58 percent of total investments or P42.45 billion, with Filipino firms committing the remaining P30.88 billion. The top three foreign investors are the Americans, with P24.04 billion, followed by the Japanese, with P8.98 billion; and Dutch, with P3.67 billion. For April 2007 alone, P32.69 billion worth of investments were approved involving 57 projects as against P4.80 billion and 50 projects in the same month last year, or an increase of 581 percent.

#### **DOE lures 20 investing upstream firms**

(Business Mirror, 6/1/07) The Department of Energy (DOE) said Thursday the 2006 Philippine Energy Contracting Round (PECR) has garnered firm expressions of interest from 20 local and international upstream companies. Upon closing of the 2006 PECR application period on Wednesday, more than 20 local and international upstream companies have evaluated the investment opportunities for coal, geothermal and petroleum exploration and development during the period of investment promotions. Fourteen areas were offered for exploration, development and production of the country's coal resources. These areas located in Quezon, Negros Occidental, Cebu, Surigao del Norte, Surigao del Sur, Agusan del Sur, Davao Oriental and Zamboanga Sibugay have a total resource potential of 421 million metric tons (MMT) of coal. For geothermal, three areas for exploration, development and/or direct utilization for power generation use and other geothermal applications were offered that are located in Batangas, Biliran and Compostela Valley have a combined potential generation of about 100 megawatts. Lastly, nine contract areas covering a total of 71,357.30 sq. km located within the prospective basins of East Palawan and Mindoro-Coyo, and in the promising basins of Cagayan, Central Luzon, Visayas and Agusan-Davao were offered for petroleum exploration.

#### **MMPC builds P1.5-billion methane gas-fired power plant**

(Business World, 6/8/07) The Montalban Methane Power Corp. (MMPC) has invested P1.5 billion for the construction of a 15-MW power plant that can convert waste to energy. Dubbed as the Rodriguez Landfill Methane Recovery and Electricity Generation Project, the plant seeks to capture the landfill gas (LFG) or methane from the 14-hectare Rodriguez landfill to produce electricity enough to provide 15,000 households with electricity. The project, which is under a build-own-operate program, is expected to generate electricity over 10 years beginning January 2008.

#### **Ford to build P1B plant for hybrid fuel engines**

(Tribune, 6/8/07) American automaker Ford Motor Co. (FMC) will launch next week its P1-billion flex-fuel facility in Laguna that will produce and manufacture engines that run on gasoline and ethanol. The company has proposed to construct a new plant in Sta. Rosa for the project which will have an estimated cost of P1 billion. Ground-breaking for the project is scheduled on June 14 as Ford's response to the government's call in 2005 for all car companies to use alternative fuel. These engines will be used for FMC's production of popular model, the Ford's Focus, the first flex fuel vehicle (FFV) in Southeast Asia. The Ford Focus is being exported by FMC to other Asean countries such as Thailand, Indonesia and Vietnam. The new flex fuel vehicles will have a capacity to run on a maximum of 20-percent ethanol blend, a significant savings to motorists.

#### **Foreign direct investments in RP up 18.5 percent in 2007**

(Tribune, 6/8/07) Foreign direct investments in the Philippines in the first three months of 2007 rose to US\$710 million, an 18.5 percent increase over the same period last year, the central bank said Friday. FDI in the month of March alone amounted to only US\$48 million, a sharp 61.6 percent reduction from the same month in 2006, the central bank said

in a statement. It attributed the decline in March to investors deciding to stay on the sidelines until after the May 14 midterm elections. The surge in investments in the first quarter was attributed to a rise in net equity capital, the bulk of it coming from the United States, Japan, Singapore and South Korea, the statement said. The main recipients of these investments were electronics and health products manufacturing, international courier, information technology services, mining, real estate, financial intermediation, agriculture and construction. "FDI inflows are expected to remain strong for the rest of 2007, given the string of positive first quarter developments, such as favorable corporate earnings, buoyant GDP (gross domestic product) growth of 6.9 percent and stable prices," the statement said. "This should help promote an economic environment of continued non-inflationary growth," it added.

#### Shell eyes P15B upgrade for Batangas refinery

(Business World, 6/18/07) Pilipinas Shell Petroleum Corp., a unit of Royal Dutch Shell Plc., is studying a P15 billion upgrade of its refinery, dropping an earlier plan to expand the facility. Its a multibillion-peso investment, or around P15 billion, because it need to meet the sulphur and aromatic content requirements as prescribed in the Clean Air Act. Pilipinas Shell, the second-largest oil firm in the Philippines, had begun looking into a major expansion and modernization of its 110,000-barrel per day refinery in Tabangao, Batangas province south of Manila. The study for the expansion was stopped in January due to the expected huge project cost, which was estimated between \$1 billion to \$1.5 billion. Petron Corp., the Philippines' largest refinery with a capacity of 180,000 barrels of oil per day, has spent \$100 million on upgrading its facilities to produce cleaner fuels. Shell put its refinery business in the Philippines under review after rival Caltex (Philippines) Inc. closed its 72,000 bpd refinery in the country in late 2003 and converted the facility into a storage depot for petroleum products. The Philippines imports most of its oil requirements of about 330,000 barrels of oil per day.

#### Chinese shipping firm to set up facility in RP

(Sunstar, 6/18/07) Shipping giant China Ocean Shipping (Group) Company (Cosco) announced Monday that would pour in at least US\$3 billion into a shipping complex development project in Sangley Point, Cavite which they hope to build as their main hub in the Southeast Asian region. Sangley Point at present is being developed as an international transshipment point through the creation of a special economic zone. Initial plans include the development of a 250-hectare land in Sangley Point where they would put up a marine school to train maritime sailors. There will be ship building and repair facilities. Philippines will be used as a hub for shipment to Europe and America, so all cargo from Asia will come to the Philippines, using the Philippines as a staging point to go to US, North America, Europe and vice versa.

#### CBK plant up for expansion

(Manila Times, 6/25/07) CBK Power Co. Ltd. is looking at pouring over half a billion dollars in investments to expand the Caliraya-Botocan-Kalayaan (CBK) hydropower complex in Laguna. Masahiro Ikezawa, CBK Power chief executive officer, said that the company, a joint venture between Japanese firms Electric Power Development Co. (J-Power) and Sumitomo Corp., is keen on investing about \$500 million for the hydro facility's 360 megawatts expansion project scheduled for completion by 2011. The company is in talks with several parties for possible off-take agreements that will assure a ready market.

#### USD350m expansion of Pagbilao coal plant readied

(Manila Standard, 6/26/07) Team Energy Corp., a joint venture of Tokyo Electric Power Co. and Marubeni Corp. in the Philippines, plans to spend \$350 million to expand the capacity of Pagbilao coal-fired power plant in Quezon. Team Energy took over 100 percent of Pagbilao and Sual coal plants and 20

percent of the Ilijan facility after it bought Mirant's Philippine assets for \$3.424 billion. The company infused \$724 million as shareholder's equity and loans while Japan Bank of International Cooperation contributed the remaining \$2.7 billion. Other commercial lenders of the consortium include Sumitomo Mitsui Banking Corp., Mizuho Corporate Bank, Calyon, ING Bank and Australia and New Zealand Banking Group Ltd. Puno said the company was committed to complete the Pagbilao expansion by another 350 mw by 2010 to 2011, in time to the impending supply shortage of electricity in Luzon.

#### Nissan may expand business in Philippines

(Inquirer, 6/26/07) Japanese automaker Nissan may expand its operations in the Philippines through its Filipino partner. On top of this, Nissan is also interested in the assembly of light vans with high local content level in the Philippines. The company would expand and strengthen its assembly operations for completely knocked-down (CKD) auto units in response to strong auto sales, brought about by the resurgent economy.

#### ICTSI unit bags contract to operate Subic terminal

(Manila Times, 6/28/07) Subic Bay International Terminal Corp., a unit of International Container Terminal Services, Inc., won the bid to operate a container terminal at the Freeport Zone. In a statement, ICTSI, which holds 83.33-percent stake in SBITC, said, "The SBMA [Subic Bay Metropolitan Authority] will award the contract to operate NCT-1 (New Container Terminal-1) to SBITC subject to the approval of the SBMA Board of Directors and the concurrence of the Japan Bank for International Cooperation." The bid of SBITC, which operates the existing NSD Terminal in Subic Bay Freeport Zone, to run and manage as well NCT-1 breezed through the Swiss challenge as the SBMA did not receive any counter proposal within the deadline of June 18, 2007, set for its submission. In the first quarter of the year, ICTSI posted a net profit of P510 million, or 36 percent higher than the P375 million it registered in the same period last year.

#### GMA says ICT industry to generate USD12 B

(Philippine Star, 6/30/07) The country's information and communications technology (ICT) industry is expected to generate \$12 billion in revenues and create a million jobs by 2010, President Arroyo said. Mrs. Arroyo made the forecast in her speech read by Presidential Management Staff chief Cerge Remonde at the 2nd International Conference and Exhibit on ICT and business process outsourcing (BPO) at the Shangri-La Mactan organized by the Cebu Chamber of Commerce on Tuesday. Mrs. Arroyo said competition for ICT and BPO investments has gone global with the Philippines as "one of the four most desirable outsourcing destinations in the world. Southeast Asia is in the thick of the fight." She noted that just as government and the private sector "are partners in the growth of our economy and the development of our nation, so are we partners in the growth and development of our ICT industry." "By the end of my term in 2010, the ICT industry is expected to generate one million jobs and \$12 billion in revenue, which are attainable if we will continue to work together for the next three years," Mrs. Arroyo said. The President said the government has created the Cyber Corridor, cutting across all super regions from Baguio to Cebu to Davao, which will boost the country's telecommunications, technology and education, as well as its competitiveness.

## INDUSTRIAL MARKET OVERVIEW

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During the 1H2007, activity within the country's industrial property sector remained mixed with very limited number of lease transactions worth noting. Lease transactions that are made within industrial parks actually came from locators who started their operations at a small scale ranging from 200 sqm / 2152.8 sf to 400 sqm / 4,305.6 sf which mainly consisted of various business development centers since the country manages to provide high-end logistic infrastructures allowing for a smooth transit of raw material and/or intermediate goods that came from their remote factory locations, which would then be processed by factories within the country producing final goods fit for export. This trend can be related to the decelerating growth rate of the manufacturing sector which registered 4.6% in 1Q2007 from 5.0% in 1Q2006 and 5.2% from 1Q2005.

The IT-enabled services together with small or medium sized IT/electronics manufacturing is aggressive in their expansion, since they have picked locations within economic zones in order to acquire incentives not being offered in ordinary CBDs or locale. This gave rise to the proliferation of IT and business parks in the country master-planned by the government in their bid in becoming an IT power-hub in Asia Pacific.

On the other hand, light and medium type facilities still manage to be resilient mainly due to the help of new entries coming from its sub-sectors. These new investment came from a new food processing plant and a new assembly-line facility at Laguna, followed by two manufacturing plants for solar cells and mobile phone chips located at Batangas and Clark, respectively. These have encouraged investors and locators specially, automakers and semiconductor firms to expand their business in the country which is expected to cover more than

30 hectares of prime economic zone facility. Further augmenting the export capabilities of the country and strengthening other supply points.

The demand for industrial properties has been increasing and the current supply of these properties is nearing their respective maximum capacity allowing avenues for developers to provide further supply. Two of the noted developments are, a 10-hectare One Asia Business Center located at Biñan, Laguna and a 3-hectare IT Park project of SM City Davao at Ecoland. This would then be complimented by Clark's planned central business district and the various infrastructures that will connect land-based supply chains with its air and sea-based counterparts.

The Logistic and Utility sector are also dragged into expansion wherein seaports and airports have been upgraded to match up the emerging demands. Also, utility firms have expanded their generation and supply capacities since they already reached their capacities. These upgrades and new provisions can be seen through Batangas Port, Sangley Point, Subic Freeport and the Diosdado Macapagal International Airport. Moreover, utility firms have expanded their capacities along with opening new networks facilitating additional supply requirements.

This apparent supply expansion has already been foreseen considering a 194% growth of combined fresh investment approved by Board of Investments (BOI) and the Philippine Economic Zone Authority (PEZA) with a considerable increase in the number of projects registered with the BOI and PEZA also increased year-to-date 234 from 220 which allowed a push for developers to provide more industrial properties ranging from IT-enabled services facilities to Light and Medium type industrial facilities evident with the construction of various economic zones.

## ACTIVITY IN MAJOR INDUSTRIAL MARKETS

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The following is an overview of 2Q2007 activity in important industrial areas of the country:

**Subic Bay Freeport (SBF):** As Federal Express moved to China, Subic Bay Metropolitan Authority (SBMA) rebids the former air transport facilities and already, they received a number of positive business proposals from other foreign airfreight firms interested to take over the said facilities and do business in the country.

On the other hand, Hanjin Heavy Industries, a shipping giant from South Korea, started its production at their Redondo Peninsula facility which is a US\$ 1-billion, 480-hectares shipyard complex which is the fourth largest shipyard in the world. And together with a major purchase of four goose neck-type Quay gantry cranes with a load of 40.6 tons each, Subic Port can now expand their operations six times its normal load.

With the entry of foreign shipping firms, a group of domestic shipyard operators belonging to the Metro Manila Shipyard

Association, Inc. (MMSAI) eyes a 50-hectare property or even more in the premier Freeport zone as the site for its future expansion program that will accommodate the growing fleet requirements of the local shipping industry which will part of the envisioned Subic Bay Maritime Industrial Park which will serve as a shipbuilding center for domestic and foreign shipping industry.

With the introduction of the New Container Terminal-1(NCT-1), SBMA awarded Subic Bay International Terminal Corp., (SBITC) a unit of International Container Terminal Services, Inc., (ICTSI) with the contract to operate the said container terminal wherein ICTSI holds 83.33% stake in SBITC further expanding the ports operation and services.

Subic Bay Freeport still manages to provide a good avenue for growth and profit maximization for investors and locators.

**Clark Special Economic Zone (CSEZ):** A 300-hectare central business district is being planned at the southern side of the Diosdado Macapagal International Airport which is in turn near to the proposed Clark Interchange and the soon-to-be-constructed Subic-Clark-Tarlac Expressway. It will be converted into a Silicon Valley-type IT park providing Central Luzon with its first logistically super business district and is expected to attract the country's leading semi-conductors and electronics firms where about 36 firms already committed about PhP5.07 billion in investments for the next five years and projected to employ at least 11,714 within that period.

Department of Trade and Industry (DTI) and the Commission on Information and Communications Technology (CICT) gave CSEZ's high ratings on its "readiness scorecard" as an information and communication technology (ICT) hub in Central Luzon resulting into a 9.23 mark, only a few points away from the perfect score of 10 indicating that Clark has met the crucial requisites of being an ideal destination for ICT locators.

Lastly, Dallas-based Texas Instruments Inc. (TI) has invested US\$1.7 billion its initial 8-hectare facility where CDC has already reserved 30 hectares for at least 500 TI's foreign-based major suppliers want to be located next to its facilities.

**Calabarzon:** Laguna has experienced a sprawl of investors and locators, specially, manufacturers since there has been a lot of investment and developments that happened during the 2Q of

2007. Another new business park has been added by One Asia Development Corp. which invested PhP100 million for the development of a 10-hectare property in Biñan, Laguna that will house a state-of-the-art business and commercial hub highly accessible through South Luzon Expressway thru Mamplasan Exit and National Highway. Aside from that, Uytengsu-led Alaska Milk Corp. will construct a warehouse and a new processing plant in San Pedro, Laguna amounting to PhP250 million. Carmelray Industrial Park in Laguna has reached its power and distribution capacity, mainly due to the increased demands from its locators and an influx of new locators pushing Trans-Asia Energy and Development Corp. (TA Oil) plans to expand its power generation and distribution facility. Ford Motor Co. (FMC) has launched a new PhP1-billion flex-fuel facility in Sta. Rosa in order to produce and manufacture engines that run on gasoline and ethanol. This will provide hybrid fuel engines in the market. Lastly, Caliraya-Botocan-Kalayaan (CBK) expands their hydropower complex in Laguna using over about US\$500 million for the hydro facility's 360 megawatts expansion project scheduled for completion by 2011 in order to service the increased energy requirements.

Cavite has been eyed by the shipping giant China Ocean Shipping (Group) Company (Cosco) wherein they will invest at least US\$3 billion for a shipping complex development project in Sangley Point, Cavite which they hope to build as their main hub in the Southeast Asian region. Sangley Point is being developed as an international transshipment point through the creation of a special economic zone utilizing a 250-hectare land which they will also erect a marine school to train maritime sailors.

Batangas has been hand-picked by Sun Power Philippines Manufacturing Ltd. for their US\$1.3 billion expansion plan and US\$450 million of that will be used for a new manufacturing plant to be installed at the First Philippine Industrial Park. The company, a subsidiary of California-based Cypress Semiconductor, plans to make the Philippines its manufacturing hub for the solar cells that it exports to Europe, Japan and the US. They also noted that wages for "high-quality" workers in the country were lower compared with other countries.

**Cebu City:** It has been apparent that this locale has been growing into an IT power-hub since Convergys' second contact center site has already been opened for operations. Locating in Cebu's Asiatown IT Park has been made possible due to its amazing growth performance and other potential, currently, its operations involves a workforce of more than 11,000 further driving its expansion.

Lately, Cebu Chamber of Commerce and Industry's (CCCI) Board passed a Resolution No. 031-2006 on April this year to create a study group to evaluate the viability of the proclamation of the entire Mega Cebu province as an Economic Zone.

## LEASE TRANSACTIONS

Lease activity experienced a slowdown during the 2Q2007, these transaction focused on the Clark and Subic Economic Zones.

There were two minor transactions involving Aeromart Worldwide Inc and GDesigns & Manufacturing Inc, which are involved in distribution of aircraft parts and accessories overhaul and repair, for international export while the other one, is involved with design, manufacturing, fabrication, installation & servicing of natural wood and stone products. These allowed entry of US\$460,000 and US\$75,000 worth of investments to the country, respectively.

Moreover, there were two major transactions involving large tracts of ecozones property. First, was a 77,000 sqm facility of Texas Instrument, world's biggest producer of chips for mobile telephones, this new assembly and test site will double the output of the company's 28-year-old production unit in Baguio. Second, was a 2,820,000 sqm shipyard of Hanjin Heavy Industries and Construction, one of the world's top shipping companies, this is intended to provide a stage for the country's bid as a shipbuilding hub since this will be the 4<sup>th</sup> largest in the world. These are expected to boost the countries macroeconomic accounts specially, its export and import capabilities, further strengthening the overall investment capabilities.

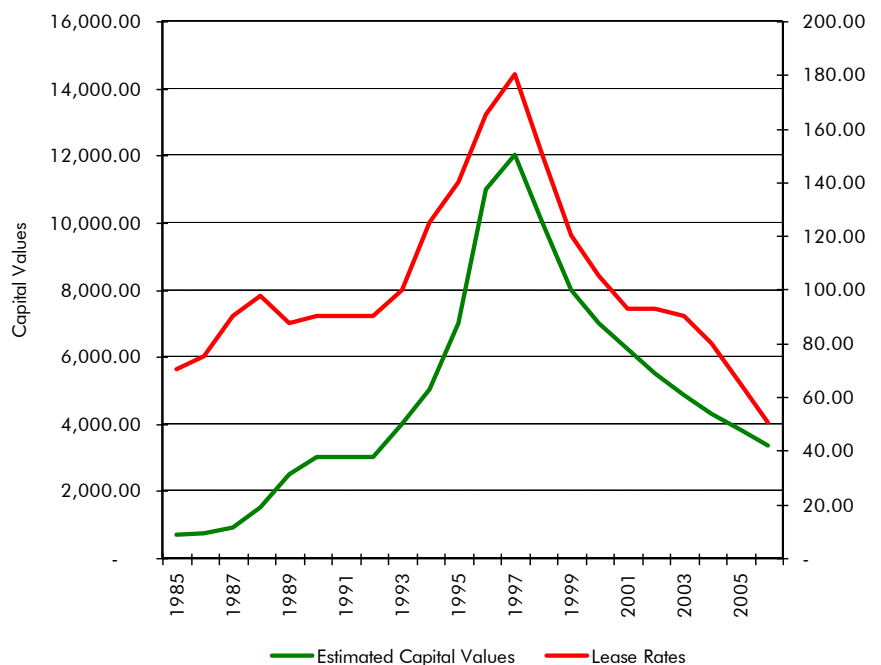
## SELECTED LEASING TRANSACTIONS (2Q2007)

Industrial Park	Type	Size	Tenant
Clark Economic Zone	Factory	77,000 sqm / 828,820.3 sf	Texas Instrument
Subic Bay Freeport	Shipbuilding	2,820,000 sqm / 30,354,198 sf	Hanjin Heavy Industries and Construction
First Philippine Industrial Park	Factory	76,000 sqm / 818,064 sf	Sun Power Philippines Manufacturing Ltd

*\*Based on published articles*

## CAPITAL VALUES & LEASE RATES

After peaking in 1997, both lease and capital values have steadily fallen throughout the country. Average land prices reached the PhP3,000/sqm levels in 2005 and have continued to decline since then. As of the end of 2006, average capital values is at PhP3,350/sqm.



**AVERAGE LEASE RATES & CAPITAL VALUES AT SELECTED INDUSTRIAL PARKS – END OF 2Q2007**

Industrial Park	Indicative Land Price	Standard Factory Lease Rates
<b>Calabarzon</b>		
Carmelray Industrial Park II	Php3,300 per sqm / Php307 per sf (Sale Price)	US\$3.5-4 per sqm / US\$0.33-0.37 per sf
First Cavite Industrial Estate	Php2,800-3,500 per sqm / Php260-325 per sf	Php120-140 per sqm / Php11.15-13.00 per sf
First Philippine Industrial Park	US\$65 sqm / US\$6.04 per sf (Lots)	US\$5-6 per sqm / US\$0.46 -0.56 per sf (Prime Corp. Locs.)
Laguna Technopark	Php3,500 per sqm / Php325 per sf	US\$3.5 per sqm / US\$0.33 per sf
Lima Technology Center	US\$45-50 per sqm / Php4.18-4.64 per sf	US\$4-5 per sqm / US\$0.37-0.46 per sf
Science Park of the Philippines	Php2,300 per sqm / Php214 per sf	US\$2.5-5.5 per sqm / US\$.23-.51 per sf
<b>Cebu City</b>		
Cebu Light Industrial Park	Php2,500 per sqm / Php232 per sf	US\$3 per sqm / US\$.28 per sf
Mactan Ecozone II	Php5,000 per sqm / Php464 per sf (Appraised); Php2,500 per sqm / Php232 per sf (Assessed)	25 year leases at Php25 per sqm / Php2.32 per sf
<b>Clark Special Economic Zone</b>		
Berthaphil	US\$.50 per sqm / US\$.05 per sf per mo. for a 50 year leasehold	Bare Shell: US\$2 per sqm / US\$.19 per sf; Office: US\$6 per sqm / US\$.56 per sf
PhilExcel Business Park	US\$.50 per sqm / US\$.05 per sf per mo. for a 50 year leasehold	Bare Shell: US\$4 per sqm / US\$.37 per sf; Fitted: US\$5 per sqm / US\$.46 per sf; Office: US\$6 per sqm / US\$.56 per sf
<b>Subic Bay Freeport</b>		
Subic Bay Industrial Park	US\$30 per sqm / US\$2.80 per sf for a 50 year leasehold	Office: US\$5 per sqm / US\$.46 per sf Warehouse: US\$3-3.5 per sqm / US\$.28-.32 per sf
Subic Technopark	US\$50 per sqm / US\$4.64 per sf for a 50 year leasehold (Infrastructure in place)	Office: US\$5 per sqm / US\$.46 per sf Warehouse: US\$3.75 per sqm / US\$.35 per sf

\*Based at US\$1 - PhP47.00 levels

**INDUSTRIAL MARKET OUTLOOK**

The logistic sector manages to create positive movements in part with the industrial property sector's movement as the country plans to be a logistic and ICT power-hub in Asia Pacific, capitalizing on strategically located business centres together with substantial investments and infrastructures outlays by various investors partnered by the government complimenting logistic-intensive and ICT-related sectors. These massive infrastructure outlays can be seen in the logistic and ICT related projects wherein ICT prerequisite-infrastructure, interlinking highways, international airports, strategically-located ports are being created and upgraded to direct international traffic towards the country.

In line with this, various economic corridors are being established in order to prepare and create vast economic zones packaged with applicable perks and privileges available for its investors and locators with an intention to boost all sectors of the economy. Particularly, targeted are the manufacturing sector and ICT / IT-enabled services (ITes) which will likely set the pace in the upcoming property trends.

Also, utility firms who service the energy requirements of the logistics and manufacturing sectors are keen on expansion since they too would experience the influx of demand.

These sub-sectors would need to open up various strategic supply points near their target markets concentrating their expansion within various economic zones in the country for efficient distribution.

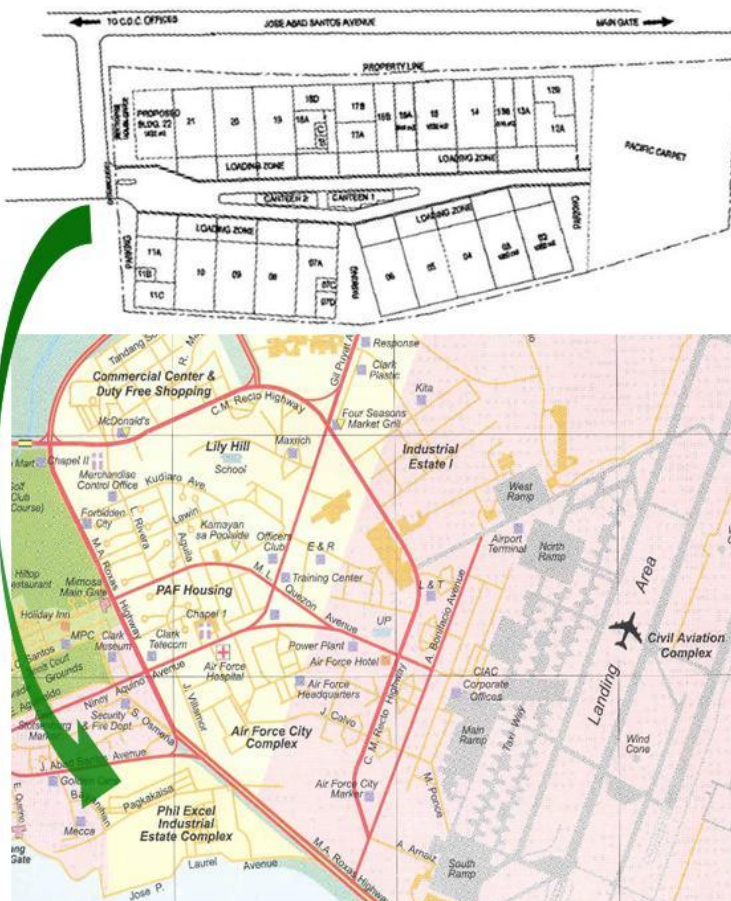
It has been noted that the manufacturing sector's growth are still expanding but at a slower rate yet the extent of its expansion is enormous resulting to the demand for warehouse-type buildings suitable for light and small-scale manufacturing is expected to increase at a steady pace. Meanwhile, the ICT / ITes sector has been aggressively increasing and expanding tending to peak up the demand for state-of-the-art facilities within industrial and business parks within economic zones driving investors and locators to capture such perks and privileges through relocation

within these economic zones. With the push that the two main demand movers creates, the demand for logistic-related and properties are also expected to rise, this is reflective to the expected demand of the local and international input and output markets.

Thus, our near term outlook for the industrial property sector is cautiously optimistic and actual growth will largely depend primarily on the ICT / ITes and manufacturing sectors where the logistic and utility sectors will tend to complement through the completion of key infrastructure projects, increased recognition of the country's unparalleled geographic advantage as a logistic and ICT power-hub mainly based on the fundamentals of regional economics and emerging business trends happening within the region.

## INDUSTRIAL MARKET OPPORTUNITIES

### The Bertaphil I: Industrial Park



The newly-built Berthaphil I Industrial Park is a flexible mixed-use industry-type facility, with modular construction providing operations-ready facilities for any business may it be, offices, production lines and warehousing with a built-in loading docks and transport bays allowing full vehicular access. It sits on a prime 5.2 hectare location inside the Clark Special Economic Zone (CSEZ), formerly one of the largest US overseas military installations, providing an upgraded and unparalleled combination of infrastructure, accessibility, and incentives. The park is an ideal location for transport-dependent businesses like electronics manufacturing and other businesses requiring fast, efficient movement of raw materials and finished product since the travel time are approximately 2 hours from Manila, 30 minutes from Subic Sea Port, and 10 minutes from Clarkfield International Airport which are expected to be reduced with the introduction of two new infrastructure, namely, the Subic-Clark-Tarlac Highway and Manila-Clark Railways. Its proximity to high quality housing, leisure/tourism estates, recreation areas, sports and entertainment centers creates a highly liveable environment for both employees and expatriate staff.

\* For further inquires, please contact the CBRE Investment team at (632) 752-2580.

## MAJOR CONCENTRATIONS OF INDUSTRIAL ACTIVITY, PARKS, AND ZONES

**National Capital Region (NCR):** Containing the capital and the largest population concentration in the Philippines, the National Capital Region (NCR) accounts for 30% of the country's total domestic output. Industrial areas within the NCR are located in pocket developments with good access to the North and South Luzon Expressways, the Circumferential Road-5, and the Pasig River. Generally, these industrial sites accommodate light to medium industries such as food processing and electronics assembly. In recent years, however, rising land values, new zoning ordinances, and government incentives to locate to special economic zones and industrial parks has led to the gradual shift of industry to locations outside of Metro-Manila and the redevelopment of industrial property for commercial, warehousing & logistics, retail, and residential uses.

**Clark Special Economic Zone (CSEZ):** Located 80 kms (49.7 miles) and approximately 1 hour north of Manila in Pampagna (Central Luzon), the CSEZ is being developed into a regional logistics hub built around the Diosdado Macapagal International Airport (DMIA). The airport, with its two 3.2 km (1.99 mile) long runways and an interim passenger terminal capable of handling 1.5 million passengers annually, is served by several discount airlines and is increasingly becoming the Philippine's gateway to the world. The CSEZ is home to 529 locators and important ones include AOL, Cyber City Teleservices, and UPS's intra-Asian hub. Industrial parks include the Berthaphil Business Park, Clark Premiere Industrial Park, and the Philexcel Business Park.



**Subic Bay Freeport (SBF):** Located 110 kms (68.3 miles) and approximately 3 hours north of Manila, the SBF contains a natural harbour up to 18 meters (59 sf) deep, 15 operational piers, and an international airport with a 2,700 meter (8,858 feet) runway. The SBF is home to 629 locators and important locators include Wistron (a subsidiary of Acer) and Hanjin. Industrial parks include the Subic Bay Industrial Park and the Subic Techno Park.

**Calabarzon Region:** Located South and West of the NCR, the fast growing Calabarzon is the second most densely populated region in the country with most industrial parks concentrated along (or a short distance from) the South Luzon Expressway (SLEX). The region is a hub for computer chip assembly, garment manufacturing, and car assembly. Important locators to the area include numerous multinationals such as Accenture, Alcoa, Epson, Honda, Nissan, and Panasonic. Industrial parks include the Batangas Union Industrial Park, Calamba Premiere Int'l Park, Carmelray Industrial Park (I & II), Cavite Export Processing Zone, First Cavite Industrial Estate, First Philippine Industrial Park, Gateway Industrial Park, Greenfield Automotive Park, Laguna International Industrial Park, Laguna Technopark, Light

Industry & Science Park (I, II, & III), Lima Technology Center, and Philtown Industrial Park

**Cebu City:** Centrally located in the Visayas region and the natural logistics hub for the Philippine archipelago, Cebu City is the country's second most important metropolitan area. As an export, logistics, information technology, call center, and tourism hub, Cebu City has one of the fastest growing economies in the country while its Mactan-Cebu International Airport, capable of handling 3.4 million passengers annually, is the only international airport serving the Visayas region. Major locators in the Cebu City area include Lear, NEC, Timex, Lexmark, and Fedex. Industrial parks include the Cebu Light Industrial Park, Mactan Export Processing Zone II, Mira Nila Ecozone, Polambato-Bogo Economic Zone, and West Cebu Industrial Park Special Economic Zone.

## ABOUT CB RICHARD ELLIS

CB Richard Ellis is the largest, vertically integrated commercial real estate services firm in the world. With headquarters in Los Angeles, it has more than 356 principal offices in 58 countries worldwide and employs over 19,500 real estate professionals. In the Philippines, CB Richard Ellis is the leading real estate service provider offering the most comprehensive and highest level of professional services in the country.

At CB Richard Ellis, we are committed to using our extensive industry knowledge, consultative approach and vast pool of resources to help clients maximize the value of their real estate assets. We assist owners belonging to a range of sizes and classifications in developing solutions for office, residential, industrial, and commercial / retail assets. We provide a custom mix of products and services to deliver measurable returns.

The firm has established its position as the market leader in the commercial brokerage services and undertakes a large portion of Tenant Representation assignments for multi-national corporations who are entering or expanding operations in the Philippines. CBRE has also facilitated the take-up of over 250,000 sqms (2.7 million sf) of space for call center/BPOs. In addition, CBRE offers industrial and residential brokerage as an integral part of the full brokerage services offered to its clients.

The company is also aggressively expanding its involvement in Asset Services as it provides property management services for over 230,000 sqms (2.5 million sf) of prime commercial, residential, and mixed-use properties. This portfolio is spread over major areas in Metro Manila, including Makati City, Ortigas Center, the Bonifacio Global City, and the City of Manila. The company also renders Facilities Management services for over 20,000 sqms (215,000 sf) of real estate for corporate clients and other large occupiers.

The Research and Consultancy Department has an excellent track record providing professional advisory services to: financial institutions, large domestic corporations, multinational corporations and government institutions, fund managers, international real estate funds, and investment banks.

CBRE offers a full range of services consistent with other Asian CB Richard Ellis offices and includes:

- **Brokerage Services** — Office, Residential, Industrial, Retail, Hotel and Leisure, Project Marketing, Cross Border Investment.
- **Asset Services** — Asset Management, Facilities Management, Project Management, Lease Management and Administration, Project and Technical Consultancy.
- **Property Management Services** — Transaction Management, Project Management, Portfolio Management/Lease Administration, Corporate Real Estate Finance, Strategic Planning and Consulting, International Services.
- **Financial Services** — Research and Consulting, Project Valuation/ Appraisal, Feasibility Studies, Occupational Audit and Management, Portfolio strategies, Investment Advisory, Development Consultancy, Financial Due Diligence, Investment Banking Support.

## TERMINOLOGY:

### LAND OWNERSHIP

Generally (with some exceptions) only for Filipino citizens and corporations that have at least 60% of the capital owned by Filipinos.

### LAND LEASES

Foreign companies investing in the Philippines can lease land for 50 years and renew the lease once for another 25 years.

### DTI

The Department of Trade and Industry (DTI)

### BOI

The Philippine Board of Investments (BOI)

### PEZA

Philippine Economic Zone Authority

### BCDA

Bases Conversion Development Authority

### CDC

Clark Development Corporation

### SBMA

Subic Bay Metropolitan Association



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