

ECCP ADVOCACY BRIEF 2021

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# REAL ESTATE ADVOCACY BRIEF 2021





# ECCP Real Estate Committee Advocacy Brief

## INTRODUCTION

The Philippine real estate sector is one of the few industries that have demonstrated relatively resilient performance against the backdrop of the ongoing COVID-19 pandemic. As with most sectors, the industry experienced a contraction in the early months of 2020 but has shown a quick rebound with residential projects, office space demand, and capital market activity on track to achieve pre-pandemic growth levels.

Undoubtedly, the global health crisis has accelerated and brought about emerging trends and paradigm shifts in the sector. Heightened vigilance towards health security compelled the need to put more emphasis on health and wellness upgrades in their offerings.

Increased e-commerce activity also stressed the need to enhance digitization features and technological advancements. Likewise, it also opened investment opportunities to house local data centers as well as expand services in the industrial and logistics sector. Virtual tours and online roadshows have also become an alternative way to increase visibility and promote services safely and conveniently to a growing middle class as well as entrepreneurs looking for promising investment destinations.

The shift towards work from home, telecommuting, and hybrid work setup has also increased continued decentralization outside urban areas thus priming up the residential property market in these growth regions, among other key trends.

Industry players are cautiously optimistic that the sector will continue to regain its growth pace albeit slowly and gradually in the years ahead. They are also banking their rebound on the policy and regulatory landscape such as the government’s flagship Build, Build, Build program as well as the revised corporate income tax regime (i.e. CREATE Law) to stimulate activity.

## WHERE ARE WE NOW?

Below are some of the recent policy updates and industry developments relevant to the real estate sector:

- The third package of the government’s comprehensive tax reform program deals with updating the **real property valuation and assessment system** to shore up revenue for the national and local governments. The salient features of the proposed legislation include adopting internationally accepted real property valuation standards and rationalizing the valuation process, establishing a single tax valuation base, and empowering local government units to set, adjust, and regulate tax rates and assessment levels, among others. The lower house passed it last November 2019 while the counterpart bills in the upper house are pending at the Committee level.<sup>1</sup>
- Lawmakers also filed legislation seeking to codify the **tax regime for the Philippine offshore gaming operations (POGOs) industry** which makes up a significant bulk of office space along with the information technology and business process management industry (IT-BPM).<sup>2</sup> Industry observers are looking at improved investor sentiment for the POGO industry once the bill is signed into law.

1 Senate Bills No. 246, 519, and 894, and; House Bill No. 4664  
 2 Senate Bill No. 2332 and House Bill No. 5777  
 2

- A number of developments were observed on **real estate investment trust** last year. In January 2020, the Securities and Exchange Commission and the Bureau of Internal Revenue relaxed the ownership requirements and tax treatment of REITs, among others.<sup>3</sup> As of writing, there are a total of nine current and upcoming REIT players in the market (see Table 1). In addition, solons at the upper house filed a bill seeking to promote capital market development and **amend the REIT Act** by ensuring that the proceeds from the sale of REIT shares are reinvested in the Philippines. It has already been approved and transmitted to the upper house, but the Senate has yet to file any counterpart version.<sup>4</sup>

Current and upcoming REITs in the Philippines as of 23 July 2021	
Current	Ayala REIT
	Double Dragon REIT
	Filinvest Land Inc.
Upcoming	Megaworld Corporation
	Robinsons Land Corporation
	Vista Land
	Jollibee – Double Dragon Industrial REIT
To be announced	Citicore Power
	Undisclosed

- Last December 2020, the Department of Energy issued a circular adopting the guidelines on **energy conserving design of buildings** to promote energy efficiency and conservation, raise cost effectiveness, improve building function, and ensure the comfort, health, safety, and productivity of the occupants.<sup>5</sup>
- To promote countryside development and provide more jobs in the IT-BPM sector, the Department of Information and Communications Technology together with private sector partners unveiled the 25 cities ripe for digital transformation in five years as part of its **Digital Cities 2025 program** which was previously known as the Next Wave Cities.<sup>6</sup>
- In February 2021, the president signed Republic Act No. 11523 or the **Financial Institutions Strategic Transfer (FIST) Act** to aid banks during economic pressures such as the COVID-19 pandemic by offloading their bad loans to special entities called FIST corporations (FISTCs). Furthermore, eligible FISTCs are entitled to a 50 percent discount on applicable mortgage registration and transfer fees of real estate mortgage and chattel mortgage registrations to and from the FISTC, as well as on filing fees for foreclosure initiated by the FISTC concerning any non-performing assets acquired from a financial institution, and on land registration fees.

3 Memorandum Circular No. 01 s.2020 Revised Implementing Rules and Regulations of Republic Act No. 9856, Otherwise known as the Real Estate Investment Trust (REIT) Act of 2009  
 4 House Bill No. 6430  
 5 Department of Energy Department Circular No. DC2020-12-0026 on Adoption of the Guidelines on Energy Conserving Design of Buildings  
 6 The 25 cities are Balanga City, Batangas City, Cabanatuan City, Dagupan City, General Santos City, Iligan City, Iriga City, Laguna Cluster (San Pablo, Calamba, and Los Baños), Laoag City, Legazpi City, Malolos City, Metro Cavite (Bacoor City, Imus, and General Trias), Metro Rizal (Taytay, Cainta, Antipolo City), Olongapo City, Puerto Princesa City, Roxas City, San Fernando, La Union, San Fernando City, Pampanga, San Jose Del Monte City, Tacloban City, Tagbilaran City, Tarlac City, Tuguegarao City, Urdaneta City, and Zamboanga City

- More recently, the president also signed Republic Act No. 11569 **extending the period of estate tax amnesty for two years**, from the original 14 June 2021 deadline to 14 June 2023. The measure comes as lockdown restrictions prevent people from filing tax returns and settling obligations. The government initially sought to generate around PHP6 billion from the program but has failed to raise the target amount due to low turnout.

## ECCP REAL ESTATE COMMITTEE ADVOCACY PRIORITIES AND DIRECTIONS

The ECCP Real Estate Committee has endeavored to become a leading ground for thought leadership among the foreign business community in the Philippines through its regular webinars and online discussions with government stakeholders and industry experts. Since its establishment in 2020, the Committee has organized the following webinars:

- “Post-COVID Forecast: Real Estate Market in the Philippines” last 23 April 2020
- “The New Normal is Digital Cities Outside the Metropolis” last 27 November 2020
- Technology at the Cutting Edge of Real Estate last 1 October 2020
- “Re-strategizing Real Estate Emerging Trends on How Branding, Communications Strategies, and Technology will Re-shape the Real Estate Industry” last 3 June 2020
- “Reshaping Workplace Re-entry: Best Practices in Real Estate as We Return to Our New Normal” last 9 July 2020
- “Currently in Real Estate: Philippine Legal Updates” last 9 December 2020
- “Shifting the Status Quo: Flexible Workspaces in the New Normal” last 16 December 2020

In 2021, the Committee rebranded its virtual event lineup as **The Monthly Roundup** series to emphasize the increased frequency of bringing current and emerging trends, policy and industry developments, best practices, as well other relevant sectoral information closer to ECCP members and the wider business community. As of writing, the Committee successfully hosted the following *Monthly Roundups*:


- “Philippine Real Estate: 1Q 2021 Market Update” last 16 April 2021
- “Developing Energy Efficient Real Estate Projects” last 27 April 2021
- “Landlords’ Briefing on Energy Efficiency and Conservation Law” last 4 June 2021
- “Part 2: Landlords’ Briefing on Energy Efficiency and Conservation Law: A Virtual Roundtable Discussion with Industry Experts” last 23 July 2021


On the policy front, the Committee also lent support to the ECCP’s co-signing on the statement of support on Package 3 of the Comprehensive Tax Reform Program or the Real Property Valuation and Assessment Reform Act last May 2021. The statement, led by the Foundation for Economic Freedom, is also backed by partners of the Joint Foreign Chambers of the Philippines.





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