



Mangga Properties Ltd.
41 Exeter Road
Kidlington
OX5 2DY

25/5/2015

Mangga Properties market analysis

Background

Since 2007 the Philippines has enjoyed steady growth year on year from 4.6% in 2007 through to over 6% now. In the last 4 years GDP growth has averaged over 6%. In the same period since 2007 inward investment has doubled to 4.88 billion dollars. Colliers International recently listed the Philippines as second in the world for business process outsourcing (BPO) with Manila the 8th placed city in Asian for business. Customer service and IT industries are leading the way, examples of companies outsourcing to the Philippines include Accenture, Reuters, Logica, HP, United Health Group. The high academic levels of many Filipinos and the quality of English spoken makes the Philippines the preferred world location for English language call centre outsourcing. Bloomberg are predicting growth averaging over 7% for the next 2 years, boosted by lower worldwide fuel prices (the Philippines are a net importer of fuel). The Philippines has a 'positive' outlook amongst credit rating agencies such as Moody's Standard and Poors.

On the tourism side the Philippines continues to be a steadily developing and growing holiday destination. Japanese, Korean and Chinese tourism and migration has been steadily increasing and investment into the Philippines property market is significant (e.g. a Chinese investor recently purchased 20 condominium units off plan in Manila for short let business). Boracay is the most popular holiday destination. It is expected that with the Megaworld Newcastle township development on the east coast of Boracay that this will significantly boost tourism to the island. Outside of locals, Korea provides the largest number of tourists to Boracay. Palawan is widely recognised as a renowned holiday location for it's natural environment (amongst many awards, named best island in the World in Conde Nast Traveler's Readers Choice 2014). Flight access into the Philippines is good from Far East locations and improving from Europe. There are scheduled direct flight from Heathrow to Manila also most carriers prefer to route via hubs such as Kuala Lumpur.

Property outlook in the Philippines is tightly coupled to the economic factors that prevail, and as all the indicators are strongly positive the inward investment into infrastructure projects including urban re-generation and township development has seen companies like Megaworld achieve solid double digit growth figures. Property prices have increase at a steady rate of around 6% annually for the past 5 years. In high value areas of Manila such as Makati these prices have risen at a faster rate, meeting the needs of a high earning and professional business community.

Condotel Investment Opportunity

The expansion in both business and tourism is leading to a high demand for high quality Hotel accommodation. This need is expected to continue to grow at pace as the economy of the Philippines expands and the drive towards developing the tourist industry takes hold. Megaworld are busy addressing this need in projects across the islands. For overseas investors condotels are a worry free secure investment with no overheads and a guaranteed income.

Mangga Properties are commending to you 3 Hotel developments:

Kingsford Hotel



The Kingsford Hotel, Bayshore

Set in the new 'Manila Bayshore' development this unique project is being designed as an entertainment centre tipped to become the next Las Vegas and Macau, capturing over 10% of the global gaming market and become the next Las Vegas and Macau. The Bayshore development is expansive and includes condominiums, star rated restaurants, Opera House, and shops. Bayshore is to be linked to the airport and central Manila through the new Expressway overground road already under construction.

Investment report - Condotel



Bay view from the pool.

Mangga Properties believe that the Kingsford represents a high value medium and long-term investment opportunity. Condotel suites across the Megaworld Hotel projects start from approximately £75,000.

The computation below is based on an Executive Suite, lower cost Junior and Queen suites are available, higher value. It shows years 1 and 2 of a 15 year lease. (I have the spreadsheet if you would like to play with the numbers)

The figures used in this scenario are subject to change.

Kingsford Hotel, Bay	Condotel investment model (showing first 2 years)	
Year	1	2
Room rate (PHP)	8,000.00	8,160.00
Room rate (£)	121.21	123.64
Investor rate (PHP) on occupancy	2,580.48	2,634.24
Investor rate (£)	39.10	39.91
Investor income per year (PHP)	941,875.20	961,497.60
Investor income per year (£)	14,270.84	14,568.15
Cost of Condotel suite (PHP)	11,515,000.00	
Cost of Condotel suite (£)	174,469.70	
Fixed hotel costs	52%	
Hotel occupancy rate	70%	
Day Room rate (PHP)	8,000	
Day Rate to investor (PHP) (minus fixed costs)	3,840.00	

Investment report - Condotels

Day Rate to investor (£)	58.18	
Rental increment annually	2%	
ROI year on year	8.18%	8.35%
Total income of 15yr term	16,378,245.20	£248,155.23
Annual expected Capital appreciation prior to turnover %	7.50	Assumes 4 years to turnover
Capital appreciation	3,454,500.00	£52,340.91
Gross gain over 15 years (PHP)		8,317,745.20
Gross gain over 15 years (£)		126,026.44
% overall gain on investment		72.23%

Belmont Hotel, Boracay



Belmont Hotel, Boracay

Megaworld are building the Newcoast integrated township develop on the east coast of Boracay. When completed it will occupy a unique and natural bay location in an area of Boracay with private beaches, houses, shops and boutique hotels. Direct flights from Manila to Boracay take one hour.

Tourism in Boracay has increased year on year over the past 5 years and passed the 1 million mark during 2013. 40% of tourists are from Asian countries (Korea and China mostly), 40% domestic tourists and 20% from the USA and Europe.



Investment report - Condotels

This computation below is based on a Queen Suite at the Belmont Hotel, Boracay. It shows years 1 and 2 of a 15 year lease. (I have the spreadsheet if you would like to play with the numbers)

The figures used in this scenario are subject to change.

Belmont Hotel, Boracay	Condotel investment model (showing first 2 years)	
Year	1	2
Room rate (PHP)	6,000.00	6,120.00
Room rate (£)	90.91	92.73
Investor rate (PHP) on occupancy	1,362.48	1,391.88
Investor rate (£)	20.64	21.09
Investor income per year (PHP)	497,305.20	508,036.20
Investor income per year (£)	7,534.93	7,697.52
Cost of Condotel suite (PHP)	4,850,000.00	
Cost of Condotel suite (£)	73,484.85	
Fixed costs	35%	
Occupancy rate	70%	
Day Room rate (PHP)	6,000	
Day Rate to investor (PHP)	2,880.00	
Day Rate to investor (£)	43.64	
Rental increment annually (e.g. 102%=2%)	102%	
ROI year on year	10.25%	10.47%
Total income of 15yr term	8,690,110.85	£131,668.35
Annual expected Capital appreciation prior to turnover %	7.50	Assumes 4 years to turnover
Capital appreciation	1,455,000.00	£22,045.45
Gross gain over 15 years (PHP)		5,295,110.85
Gross gain over 15 years (£)		80,228.95
% overall gain on investment		109.18%

Savoy Hotel, Mactan Island, Cebu



Savoy Mactan Hotel

In Cebu, on Mactan, a small island connected to the mainland by 2 bridges Megaworld are constructing 'Mactan Newtown', a near to beach 'live, work, play and shop' development. The Savoy Hotel is at the heart of the project. Mactan is an established resort area and offers some of the best diving, snorkeling, island hopping, jet ski, sailing and cultural activities of any island in the Philippines.

This computation below is based on a Queen Suite at the Savoy Hotel, Mactan. It shows years 1 and 2 of a 15 year lease. (I have the spreadsheet if you would like to play with the numbers)

The figures used in this scenario are subject to change.

Savoy Hotel, Mactan Island, Cebu	Condotel investment model (Showing first 2 years)	
Year	1	2
Room rate (PHP)	4,000.00	4,080.00
Room rate (£)	60.61	61.82
Investor rate (PHP) on occupancy	1,236.48	1,263.36
Investor rate (£)	18.73	19.14
Investor income per year (PHP)	451,315.20	461,126.40
Investor income per year (£)	6,838.11	6,986.76
Cost of Condotel suite (PHP)	5,405,000.00	
Cost of Condotel suite (£)	81,893.94	
Fixed costs	48%	48%
Occupancy rate	70%	70%
Day Room rate (PHP)	4,000	
Day Rate to investor (PHP)	1,920.00	

Investment report - Condotels

Day Rate to investor (£)	29.09	
Rental increment annually (e.g. 102%=2%)	2%	
ROI year on year	8.35%	8.53%
Total income of 15yr term	7,894,786.60	£119,617.98
Annual expected Capital appreciation prior to turnover %	7.50	Assumes 4 years to turnover
Capital appreciation	1,621,500.00	£24,568.18
Gross gain over 15 years (PHP)		4,111,286.60
Gross gain over 15 years (£)		62,292.22
% overall gain on investment		76.06%

Conclusions

Condotels are an excellent investment opportunity for overseas investors. Pain free revenue, no maintenance fees or repairs, predictable income without the worry of tenants. Regular cash flow guaranteed based on average occupancy of the hotel, not that of the individual unit. With the booming business and tourism markets, the next 5 years can be predicted to be strong growth with increasing property prices and hotel rates. With continued low interest rates in the UK and Europe to continue for years to come, these condotel investments provide a much higher return at low risk.

Mangga Properties have access to many condotel projects across the Philippines, we have highlighted three in this report that we believe to be particularly suited to UK and European investors. The models provided a good indication of the returns on investment based on a conservative assumption of only a 2% room rate increase annually and an average 70% occupancy. Availability of these hotel suites change on a daily basis and an early decision to invest is advised.