

Monday, May 23, 2011 As of 4:28 PM

THE WALL STREET JOURNAL | MANAGING IN ASIA

Philippine Property Market Heats Up

[Robbie Antonio]
Century Properties

Real estate is booming in the Philippines, as a spate of new construction signals. With the economy expanding at 7%, its highest rate in three decades, and with remittances from more than 10 million overseas Filipinos expected to increase 7% this year, demand for new homes is

MANAGING IN ASIA strong. Prices of luxury homes in prime locations are up a modest 3% this year, but with 2011 not yet half over, rents in those buildings are already up more than 8%, according to data from real-estate firm CBRE.

Manila-based real-estate developer Century Properties Group Inc. is cashing in on the growth. One of the largest privately held development firms in the country, Century has built up almost \$1.45 billion of properties, mostly in the Philippines, some of which it continues to manage. It has three more projects in the works, including the Milano Residences in Makati—designed and branded by Versace Home, the interior-design arm of the Italian fashion house. In April, only two months after it was launched, Century Properties said it sold 54% of the units. But with rising inflation and the potential of a real-estate bubble, can the growth last?

Managing Director Robbie Antonio, the 34-year-old son of company founder Joey Antonio, thinks so. He spoke with Jason Chow about Century's prospects for growth, managing inflation risks, and the differences between doing business in Asia and in North America. The following interview has been edited.

WSJ: Where is the most potential to grow your business?

Mr. Antonio: We have a lot of remittances—people abroad bringing back money [to the Philippines]—and that's fueling a lot of demand for real estate. We have a growing middle class, and the first thing they buy is real estate. We're very bullish on the sector. Our revenue in 2010 grew over 35%.

More than 50% of our sales come from overseas. We get various types of buyers. We get local buyers who are both investors and end users. We also have expatriates in the Philippines who are living here. And we have people from overseas, most of whom are Filipinos, but also others who are investors who believe in the Philippines economy in general.



In Asia, Singapore has been very good to us. I'll be looking to present projects in Hong Kong soon. We've been getting a lot of inquiries from Korea and China, as well as the Middle East and Europe, especially Italy and the U.K., where there are big Filipino communities.

WSJ: Do you think there is a bubble forming in real estate right now in the Philippines? Mr. Antonio: If we thought that, we wouldn't be bullish. Demand outstrips supply, and there's still continuing demand.

WSJ: Are you worried about hot-money flows—foreign money flooding into the country that could quickly be pulled out? Mr. Antonio: I think about those things. But

who knows? Who could have predicted the catastrophe like Japan? A lot of the inflow of money could suddenly be an outflow. Will it cool down [the economy]?

But I don't think we're in a bubble here, and if it did come to that, I think the central bank could cool it down [by raising interest rates]. I'm not worried right now that that is an issue.

WSJ: Are you seeing a lot of speculation in the property market right now? Mr. Antonio: I don't think you can avoid [speculators]. But in general, Asia is getting wealthier. And Asians see and understand the value of real estate. It's ingrained in us. It's something that is tangible and an asset that is good to have. But yes, we get a few

Resume

■ **Education:** B.A. in economics from Northwestern University (1998); M.B.A. from Stanford University (2005)

■ **Extracurricular:** "I play tennis five to six times a week. If I'm in Manila, I'll play every day. It keeps my mind in shape."

■ **On growing up in the family business:** "It was difficult to avoid conversations about real estate with our father."

looking to sell quickly—like in any market that's doing well.

WSJ: How do you manage your business in a period of increasing inflation? Mr. Antonio: It affects everyone's business. We see how inflation affects oil prices and that affects steel and concrete. We try to hedge. If we feel [prices will] shoot up, we try to buy more earlier on. Inflation has more of an effect on our cost of purchasing because that's a large component in our construction business. The exception is labor: What are you going to do? You need these people, so we just take it as a fact of life. You can't hedge labor.

WSJ: You've managed projects in North America as well as in the Philippines. How is the work different?

Mr. Antonio: People are less emotional in the U.S. When you manage people in Asia you need to be more sensitive. I try to find a healthy balance between empowering people and having control. People take words more literally here, where people can snub off words more in a more cosmopolitan city like New York.

WSJ: What are the obstacles to growth? Mr. Antonio: If we're overly optimistic, you end up spending too much on planning and building inventory. But we've been through four cycles—four recessions, including the Asian currency crisis. And in each recession, we become more prudent in our development. So our biggest risk is overspending and being overly ambitious when the market is not as hot as you think.

We've all heard the statement "When China sneezes, we all catch a flu." We look at big economies and see how it translates to us. And so many of our buyers are Filipinos who are living on various continents, and we have to look at how the economies affect them.