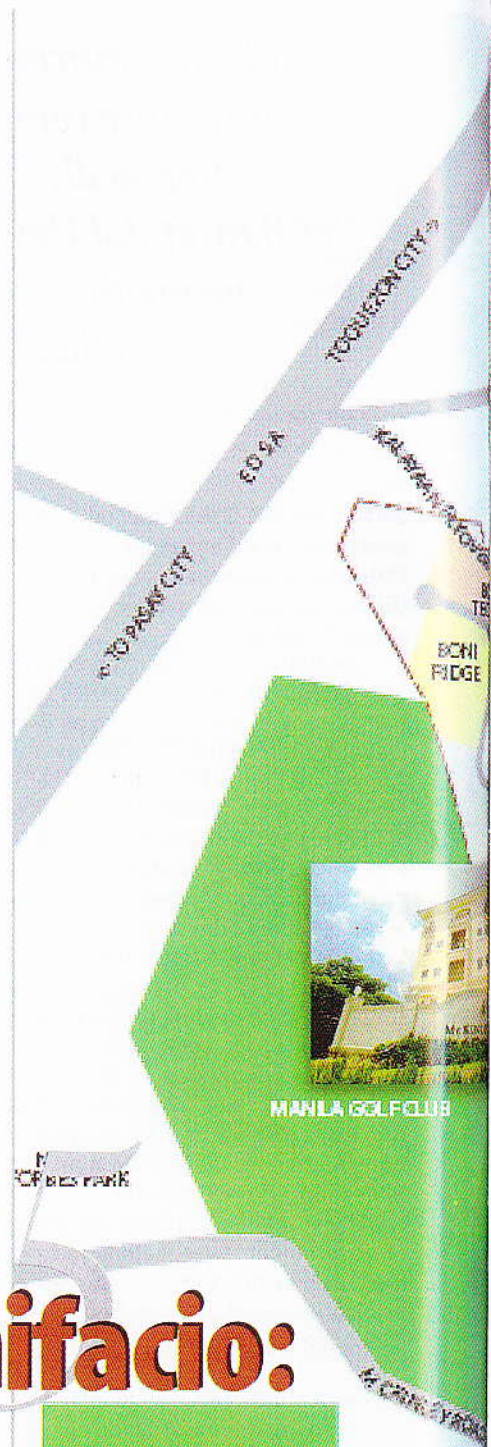









The sun may be shining brightly in the east but when Edward Tortorici opens the windows of his Pacific Plaza Towers condominium unit every morning, he can't help but let out a sigh.

BY ANNA BARBARA L. LORENZO, *Reporter*

# Metropac on Fort Bonifacio: Biting off more than it could chew

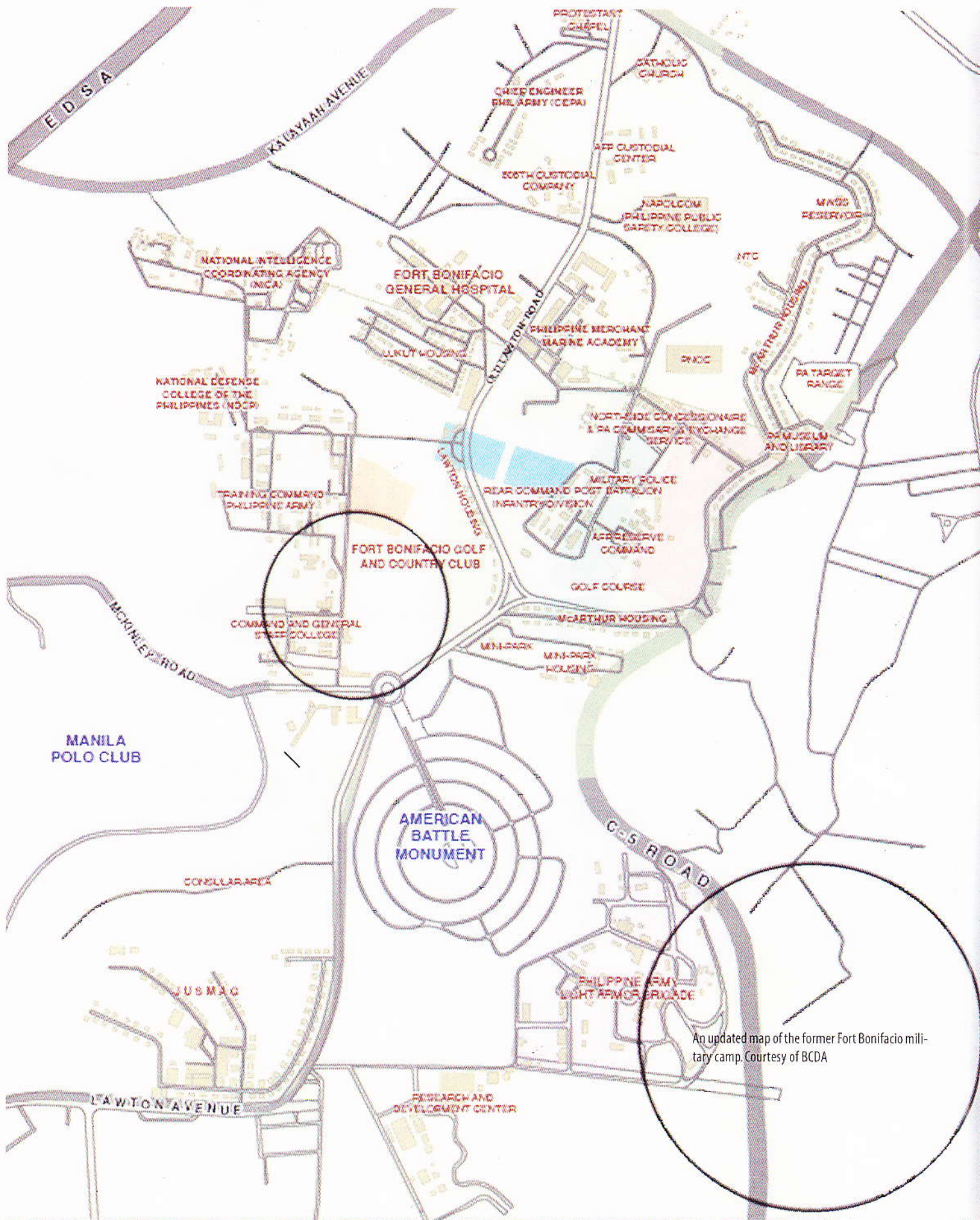




-  OFFICE / COMMERCIAL
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-  PARKS
-  INSTITUTIONAL
-  GLOBAL CITY BORDER
-  ROADS







An updated map of the former Fort Bonifacio military camp. Courtesy of BCDA



His gaze, after all, would fall on the rapidly developing Bonifacio Global City which is now led by the Ayalas — the group which lost when the Fort Bonifacio land was put up for bid in 1995 — and its partners, the Camposes.

Years after the land was sold to the Ayala-Campos group, Mr. Tortorici still shakes his head. Did he regret that Metro Pacific had to sell 50.4% of its stake in the promising track of land?

"Of course. It was a good project but selling was also a good decision at that time," Mr. Tortorici said in an interview on June 14, right after the Metro Pacific stockholders' meeting at the Dusit Nikko Hotel. He now sits as an adviser to the board of Metro Pacific Investment Corp. (MPIC).

Mr. Tortorici was a member of the Metro Pacific Corp. board, MPIC's predecessor, when the company decided to bid P33,283.88 per square meter for the 214-hectare Fort Bonifacio property.

The P39-billion deal would earn Metro Pacific a 55% stake in developing the Bonifacio lot in a partnership with the Bases Conversion Development Authority (BCDA).

The amount baffled industry players and market analysts alike given the huge amount that Metro Pacific would have to shell out for the development.

"I just couldn't imagine how Metro Pacific could earn from that investment. Honestly, it was financial suicide

on their part. It was really mind-boggling because P33,000 was too high in 1995 for land that had no infrastructure, no underground electrical wiring, no water system and road network," said **Cynthia Yap, president of Real Estate Movers, Inc.**, in a phone interview last month.

In 1995, Ms. Yap was working with First Pacific Davis, in which First Pacific Ltd. of Hong Kong had a minority share. First Pacific is the parent firm of Metro Pacific.

Under BCDA rules, Metro Pacific had to pay 50% of the total land cost along with a bank guarantee or a surety bond

to secure the balance by Feb. 13, 1995.

Before the end of January that year, however, Metro Pacific already came up with a new payment scheme that could result in the Bonifacio land being returned to the government should the company fail to pay.

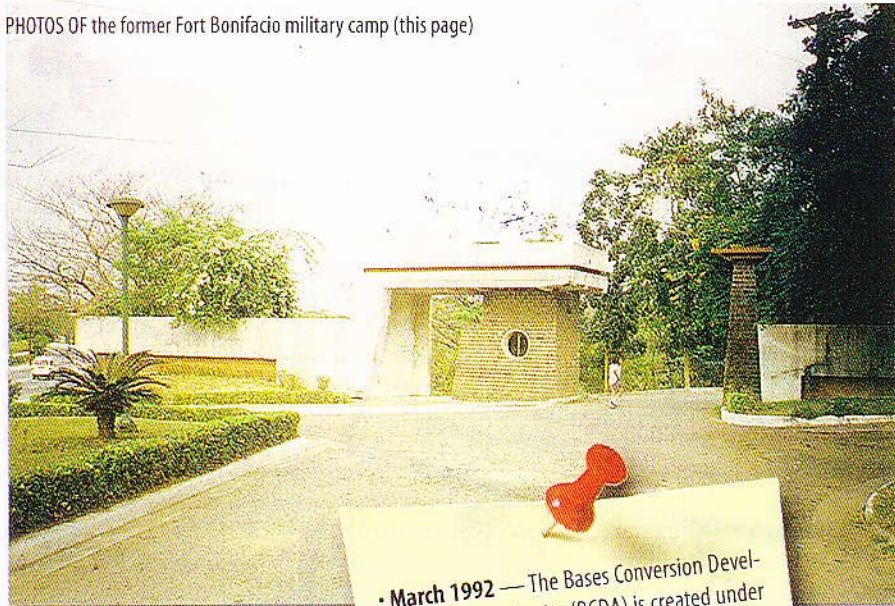
Metro Pacific also started losing partners within its group. The company paid P5.4 billion for the stake of Filinvest Land Inc. in August 1997, and P918 million to Urban Bank in January 1998.

By 1997, the Asian crisis crippled many industries, hitting the property sector hard.

Cash-strapped and debt-laden as it was, Metro Pacific held on to the Bonifacio property until it was left with no choice but to announce its sale in 2002.

"There are always ups and downs when it comes to big investments. Unfortunately for us, the down came too soon with the regional crisis. We had to do it," Mr. Tortorici said.

While it had to let go too soon, Metro



• **March 1992** — The Bases Conversion Development Authority (BCDA) is created under Republic Act 7227 to administer the conversion and sale of military bases.

• **July 1994** — Forty-five representatives from different companies including Metro Pacific Corp., Ayala Land, Inc., JG Summit, Megaworld Corp., Fil-Estate and SM Investments Corp. express interest in bidding for the 460-hectare Fort Bonifacio property in Makati/Taguig.





• **January 1995** — Metro Pacific Corp. bags the deal to develop the 214-hectare Fort Bonifacio land with a bid price of P33,283.88 per square meter.

• **February 1995** — Metro Pacific bares its development plan for what it calls the Bonifacio Global City.

• **August 1996** — Metro Pacific announces the launch of Pacific Plaza Towers, the first condominium to rise in Bonifacio Global City.

• **November 2002** — Ayala Land and Greenfield Development buy 50.4% of Metro Pacific's stake in Bonifacio Land Corp. for \$90 million.

• **March 2004** — Ayala Land launches the Serendra project, a mixed-use commercial and residential development.

• **September 2005** — Ayala Land says it hopes to raise P8 billion from Serendra sales.

• **March 2007** — Ayala Land launches Bonifacio High Street, a office and commercial development.

• **July-August 1997** — The Asian crisis hits, affecting the Philippine property sector badly.

• **February 1998** — The Metro Pacific-led Bonifacio Land Corp. defers its P8.8-billion payment to the BCDA, citing the slump in the property market.

• **November 2001** — Metro Pacific decides to sell 70% of its Bonifacio stake with a minimum bid price of \$200 million



PHOTOS OF the former Fort Bonifacio military camp

## Winner of Ft. Boni bidding may have quoted very high

The consortium led by the Metro Pacific Corp. (MPC) was euphoric when it won the much-awaited bidding for the development of the Fort Bonifacio property last Friday, but the giddy feeling is not expected to last for long. Analysts generally felt the bid price was "too high for comfort."

The MPC group, however, countered that the price was a reflection of the "true economic value of the land." They said the bid price should be viewed in the long term, or over the 20-year development period.

A senior analyst from Baring Securities (Philippines) said the consortium's bid price was "outrageous."

"You can't really compare prices with Ayala Center because Ayala is highly developed. In Fort Bonifacio, what you have is just raw land and probably a creek. Moreover, you have to discount the land that will be

used for open space."

Other analysts from local securities firms agreed with the observation. A few of them commented the high bid price could be supported only if the group has substantial foreign backing.

Foreign firms which form part of the winning consortium are Holland Pacific B.V. of Netherlands, and the Thai firm The Land and Houses Public Co. Ltd. An informed source said the MPC group will be heavily

backed by the Hong Kong-based First Pacific Group and the Salim group of Indonesia, two heavyweight business conglomerates.

Analysts were not the only ones rocked by the MPC-led consortium's bid. Some of the other bidders were just as surprised.

"Their bid was way beyond everyone's expectations," Robert John Sobrepeña of the Fil-Estate-led consortium said. "Their price will require a lot of study.



Pacific had managed to develop some properties in Bonifacio Global City such as The Fort and some high-end condominiums.

The condominiums, however, were also priced too high given the investment the company had put in when it bid for the raw Bonifacio lot.

Ms. Yap said with over P33,000 investment on the land alone, a condominium development would already cost too much. True enough, she said units at the Pacific Plaza Towers were on the market for as much as P30 million when the condo first opened. When the market crashed after the 1997 crisis, the units dropped to P22 million. Today, the going rate is between P27 million and P28 million.

Ayala Land, Inc. forged a partnership with the Camposes' Greenfield Development Corp. to catch the golden egg which Metro Pacific was about to throw away. The joint venture, named Bonifacio West Development Corp., signed a binding agreement to buy out Metro Pacific's 50.4% stake for \$90 million in November 2002.

Based on a BCDA map, the high-end residential and commercial complex Serendra now stands on the former site of the Philippine Army's commissary. Market! Market! has eaten up the area of the Philippine Army Museum, while part of the golf course where high ranking military officials used to tee off is now occupied by Bonifacio High Street where posh boutiques are opening.

BCDA President Narciso Abaya, who was the chief of the Southern Command in 1995, said he is satisfied with the current development in the former army camp. He said the sale of the property was timely because there was already a "pressure for urbanization."

"The area was too big for an army headquarters. It was more than 1,000 hectares. It was a wise move for the government, but on hindsight, it was really overbidded because it was just raw land at the time," Mr. Abaya said in a phone interview last month.

While Metro Pacific managed to pare its debts by \$90 million with the sale of its stake in Fort Bonifacio, it also lost out on an obvious cash generator. Had it kept

and developed the Bonifacio property, it could be making as much as five times its offer price in 1995, according to Mr. Abaya.

"The cost of the land varies now. At the center, where the High Street is located, the land can sell for about P150,000 per square meter. In the North Bonifacio Triangle where the old Bonifacio Chapel used to stand, it is now about P50,000 per square meter," Mr. Abaya said.

Ms. Yap, who also offers consultancy services for residential, commercial and office spaces in Bonifacio Global City, said corner units at The Bonifacio High Street can go as much as P185,000 per square meter based on September 2006 rates.

Losing the opportunity to cash in on an investment is just something that Metro Pacific has had to swallow like a bitter pill. But one is left to wonder whether it has learned its lesson as the company recently announced new plans to bid on what are again uncharted territories for the conglomerate — power utility and port operations.

Definitely, it's not in our current study, nor do I think it is in the other groups' studies as well."

Differing calculations based on the winning consortium's bid place the price of saleable land at a range of P50,000 to P80,000 per square meter (sq.m.) since at least 40% of the 214-hectare property will be left as open space. The MPC-led group said it expects to break even at P65,000 per sq.m. using current prices. But it anticipates the appreciation of land prices, and the increase in demand for lots in the "new city" to jack up profits.

The consortium claims it is not disturbed by the negative comments and criticisms, confident that the bid price will prove "cheap" in the 20-year development period. Teodoro Borlongan, chief executive of co-lead firm Urban Bank, guarantees the group will sell "at a cheaper rate than Makati." The group will start preselling land at a rate of three to five hectares annually beginning the second year of development "just to spark up locators." "We expect to make profits every year because we have no debt and all equity," Mr.

Borlongan said.

There also seem to be no regrets about the wide disparity between the winning bid and the bids of the other consortia. The second highest bidder, the consortium led by Ayala Land, Inc., offered only P24,388 per sq. m., which amounts to an P8,895.88 difference.

"We have no regrets about it. We wanted to win," said MPC President Ricardo Pascua who literally jumped for joy when their group won the bidding. "We bid what we bid with a strategy, a marketing plan, and the right product to allow profits," he added. Mr. Borlongan said the group had worked on a "conservative assumption" by imputing a cost of capital of no less than 15% per annum.

Urban planners LandCo and Planning Resources and Operations Systems (PROS) said the bid price was arrived at using the following criteria: a competitive analysis where inventory prices of the Makati and Ortigas centers were reviewed and projections of the financial implications of the bid price

on returns to investors.

Mr. Pascua said Ayala is selling at P100,000 to P200,000 per sq. m., while property in the Ortigas center is pegged at P75,000 and up per sq. m. "So, in time, our bid price will be very reasonable, even cheap."

Manuel Pangilinan of the First Pacific Group, and chairman of MPC, said the difference comes to about P15,000 in terms of actual saleable land. "That's not a very big gap viewed in terms of the real estate industry," he noted.

He expects the Fort Bonifacio deal to lead to a "re-rating," or increase, in property prices. RTKL Associates, Inc., the US-based design firm hired by the consortium, plans to turn the former military camp into "a unique creation that will become the central district in the 21<sup>st</sup> century" which is envisioned to become "the showcase city comparable to the best in the world.

*BusinessWorld,*  
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