



Dauntless Davao



*Doing business
and investing
in Davao City*

2018



www.pwc.com/ph/davao

Davao

Daring. Multiplicity. Agility.

Davao has the ingredients of what a global city can be like: agile in its integrating technology with existing local culture, multicultural in identity, and daring in warding off undesirable elements from the periphery. Davao's labor force is young, intellectual, and ambitious. Its high school graduates populate the best universities in Metro Manila.

It is the center of Mindanao commerce and trade, and a catalyst in the changing landscape of the Philippine socio-political conversation. What it needs now is an economic stimulus that would increase people mobility in the form of massive rail infrastructure, airport refurbishment, and the construction of more major thoroughfares. The future Pan-Mindanao Railway System will connect every major city on the island of Mindanao. It is a much-anticipated milestone in increasing people mobility.

The city offers many opportunities as the hub of business and industries. People from different parts of the country migrate to this dauntless city. The city of Davao raises such intrepid individuals. Share their spirit.

Table of contents

PwC has taken the liberty of selecting Philippine cities of the Visayas and Mindanao to showcase their culture, progress and real potential as a place for investments. PwC has endeavored to package current local knowledge for prospective local and foreign investors.

This investment guide is part of the PwC Reimagining VisMin Collection — observed, analyzed, written by our own people, and published in the hopes of making a difference and reimagining the possible.

Alex B. Cabrera
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*City
profile*
Page 2

*Today
and now*
Page 4

Industries
Page 6

*What it's
known for*
Page 8

Tourism
Page 10

*Setting up
business*
Page 12

*Davao
reimagined*
Page 14

Welcome to the Gateway of the South!



This is the southernmost urban hub in the Philippines

It is located 588 miles southeast of Manila, and 241 miles southeast of Cebu. The city can be reached by air (one hour and 50 minutes from Manila and one hour from Cebu), land, and sea. Local airlines fly to and from Davao every day via the Francisco Bangoy International Airport. By land, the Pan-Philippine and Philippine-Japan Friendship Highways bridge a three-day bus ride from the capital to this southern city.

While the city may be far from the capital, it is recognized as an international trade center to the southern Pacific and southern gateway to and from its neighboring countries like Indonesia, Malaysia, and Brunei. Local business trade directly with these nearby international markets due to its strategic location. These bordering countries work together to jointly enhance connectivity, establish

direct linkages, and promote tourism.

Mindanao's center of commerce, finance, industry, and education

Davao, with its rich soil and tropical climate, is an ideal place for agribusiness, which remains to be one of the key industries in the city. Almost 80% of its land area are grassland, pasture areas, and developed agricultural lands. Davao substantially contributes to the Philippines' agricultural output. The region is one of the country's top producers of coconut and banana.

The service industry tops the economic sector. More than a hundred banks and financial institutions hold office in Davao. The Philippines' largest rural bank was established in Davao City and keeps its main headquarters there.



The city provides a consistent stream of university graduates and skilled workers to populate the business sector. Davao City is a Hall of Famer of the National Literacy Awards for Highly Urbanized City.

The people of Davao ('Iso-Dabaw') relish their rich cultural heritage

The city population is diverse, with pre-Hispanic natives living side by side with recent migrant communities. Davaoeños are composed of 11 ethnic Mindanao tribes, Muslims and Christians. In recent years, Chinese, Japanese, and Korean *émigrés* have settled comfortably in Davao, adding their East Asian hues to an already colorful landscape. This inclusive atmosphere has contributed to Davao's 'most cultural-friendly city' status in the Philippines, a real melting pot of Asian civilization.

While economic and infrastructure developments are burgeoning, Davao City police force maintains public safety

Locals are assured that everyday activities will go untroubled; tourists are kept safe by the occasional and swift check at major thoroughfares. The city's business community trusts and cooperates with local government during emergencies. The active implementation of a peace-and-order strategy sustains both economic growth and confidence in the city's ability to flourish in any climate.

A myriad of experiences

From the islands to the highlands, from thrill-seeking tours to tranquil scenery, from cultural vistas to gastronomic fiestas – all can be found in Davao City.

Life is here.

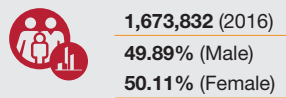
Davao City: Quezon's dream

President Manuel L. Quezon envisioned Davao as a prosperous and progressive model urban center where international trade would transpire. In 1937, President Quezon realized his dream of granting Davao its cityhood status. Davao was equipped for more political, social, and economic development.

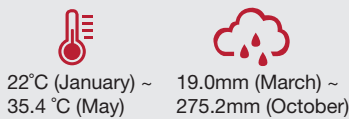
Quezon was not mistaken, as Davao City is now a bustling modern city, a demographic transition from rural to urban. It has emerged as the main trade, commerce, and industry hub of Mindanao. Owing to its steady rise, it was acknowledged for its accomplishments in economic, social, and cultural sectors.

The real estate industry is anticipated to continuously grow and accommodate the booming population and migrants coming in to Davao. Success and continued growth of the ICT sector are creating more opportunities for employment and construction of BPO spaces. But unlike Manila, Davao's architectural landscape has remained flat. The city plans to impose a maximum height requirement for future skyscrapers. The local government has carefully considered the state of roads, fault lines, traffic impact, and area population. Despite its seeming vastness, more than 80% of Davao City remains rural, clean, green, and sparse.

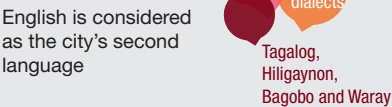
58.73% of Davaeños belong to the working age group



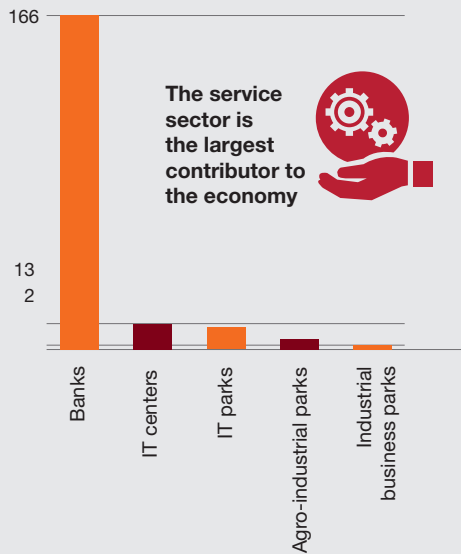
Fair weather all year round



Majority of Davaoeños speak Cebuano



There are 39,238 business establishments in Davao City



Davao City is the largest in the Philippines in terms of land area

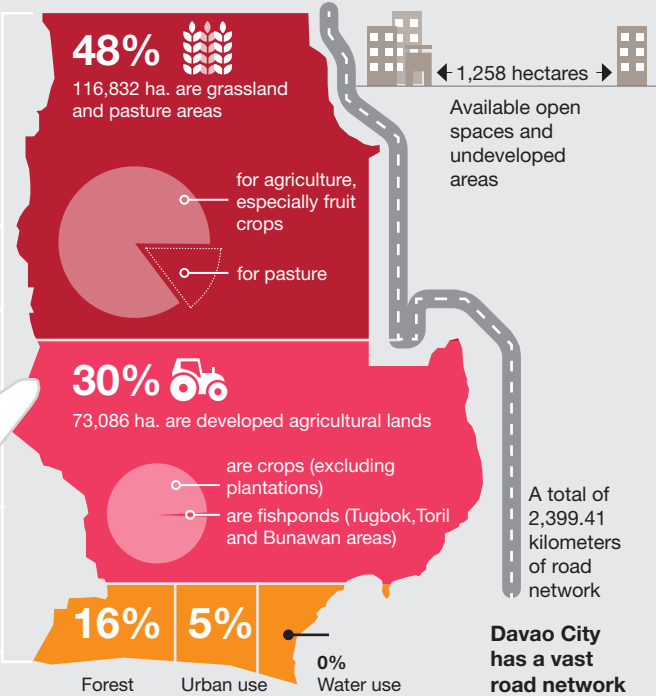
80% Remains rural, clean, green, and sparse

Land area 2,443.6 km²
(244,000 hectares)

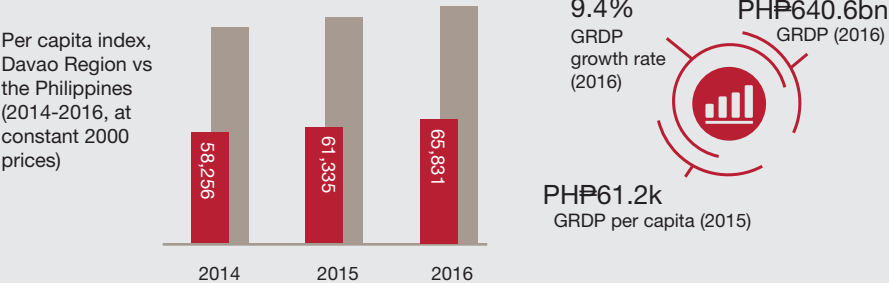
Three times bigger than Singapore.

978 km

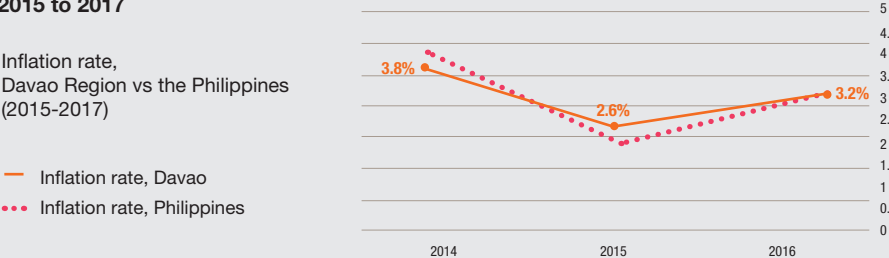
Distance from Manila
(Flight duration: 1h 50min)



Regional GDP per capita index registered stable growth



Davao Region's inflation rate from 2015 to 2017



From islands to highlands

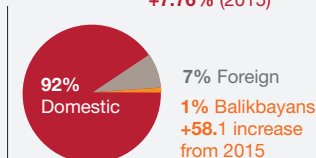
Tourism sector

Davao City's abundant landscape is a perfect destination for nature lovers. Its islands-to-highlands attractions offer tourists the chance to experience the cool breeze of the mountains and the warm sands of the beach within the comforts of a city.

To generate more tourism, the Department of Tourism (DOT) Region XI has partnered with airlines for more direct international flights and for promotional purposes. The DOT has likewise launched the Visit Davao Fun Sale (<http://visitdavaofunsale.com>), the biggest tourism sale for shopping, accommodation, dining, tours, adventures, spas, and wellness packages. Davao City is poised to be a premiere convention destination with its state-of-the-art and sophisticated facilities and exhibition centers.

With the anticipated completion of the Pan-Mindanao Railway System connecting the major cities of Mindanao, Davao's tourism sector is expected to increase and attract more tourists, both local and foreign, to visit the Southern part of the Philippines. Davao will be their gateway.

1,864,343 tourist arrivals (2016)
+7.76% (2015)



1% Balikbayans
+58.1 increase
from 2015

PHP29.56bn earnings (2016)
+12.7% (2015)

The new Philippine Information and Technology (PIT) stop

Information and communication technology sector

In 2010, Davao City was recognized by the Business Processing Association of the Philippines (BPAP) as the No. 1 Next Wave City in the Philippines because of its potential as an IT-business process location. Since then, the City's Information and Communication Technology (ICT) industry has continued to move upward.

As the education hub in Mindanao, Davao City generates an abundance of graduates and skilled workers. This stable source of human resources, complemented by the city's infrastructure and business environment, support the stellar growth performance of the industry, which makes it the ideal "PIT" stop.

With continued growth and maturity in the Information Technology-Business Process Management (IT-BPM) industry, Davao was named a New Center of Excellence in 2016 by the Department of Science and Technology (DOST) and Information Technology Business Process Management Association of the Philippines (ITBPMAP).



24 IT parks and IT centers



99% Literacy rate for children aged 10 years and above (2015)



Special Award for Excellence in Literacy
• Hall of Famer, National Literacy Awards,
Highly Urbanized City

1:43 Teachers to
students (primary)

1:28 Teachers to
students (secondary)



648 Primary, secondary schools
and universities

Building real value

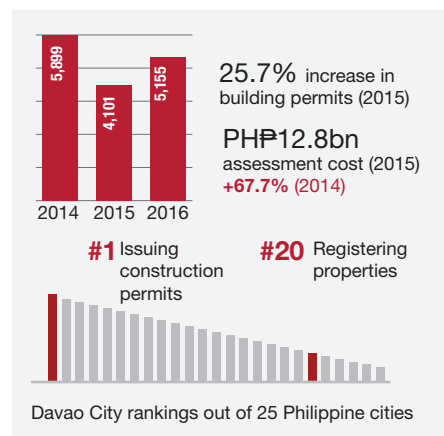
Real estate sector

With more investments and infrastructure prospects in the Davao Region, the real estate sector is expected to keep trending upward for the next half-decade. Majority property firms have existing or ongoing projects in the city for horizontal and vertical residences, commercial spaces and complexes.

The education sector such as Lyceum University of the Philippines and Mapua Institute of Technology, have identified Davao as their first campus outside Luzon for expansion of school operations.

Other expected investments in Davao City include a PHP1bn project for the construction of a steel plant and a PHP1.5bn investment for the development of a residential component and renovation of the Apo View Hotel.

Out of 25 Philippine cities, Davao City placed 1st in dealing with construction permits and 20th in registering properties.



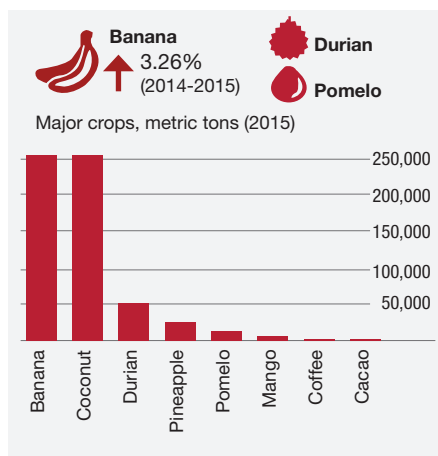
Grown by nature

Agribusiness sector

The Philippines is known as one of the world's top producers of banana, with Davao as its Banana Capital. Export of fresh bananas made by Davao Region amounted to about US\$84.85m in 2016. Majority produced are Cavendish Banana, followed by Saba and Lakatan.

Another major produce from Davao Region is coconut, with total export sales from coconut products reaching US\$2bn in 2016. The demand for these produce is not yet fully supplied and the Region has the capacity to expand and supply—definitely an upward trend in this industry. The strategic location gives an edge against the top players as their products are within reach for exportation.

A large portion of Davao City is agricultural area dedicated to growing cereals, fruits, vegetables, and other industrial and commercial crops. Apart from crop farming, livestock, and poultry are also key agribusinesses in the city as 48% of the city's land area is grass, which is most suitable for grazing cows.



You know you're in Davao City...



2
...if you're being courted by the various tints of the colors pink and white petals of **Waling-Waling** around the city and residences.



1
...when, every third week of August, the city streets get filled with crowds in thanksgiving for the gift of nature, wealth of culture and serenity of living of the **Kadayawan Festival**.



3
...when you're fascinated or awakened by the smell of this famous **Durian** fruit that's strong and persistent in some streets and corners of the city.



4
...if you're lucky enough to get a glorious glimpse of the mighty **Philippine Eagle** in a trek over the amazing Mt. Apo.



5
...when you can secure a business permit in only two days.

Davao City ranks second in ease of starting a business and continuously finds ways to increase efficiency:

- Processing time for business permits shortened from three days to only two days.
- One-stop shops for renewal of business and mayor's permits at NCCC Mall.



...when you feel secure even in times of emergencies, knowing that help is only three taps away on your mobile phone.

Davao City boasts of being one of the only three areas in the world (after Canada and US) to have an Integrated 911 Emergency Response System.

Central 911 has Emergency Medical Services unit, Urban Search and Rescue unit, Fire Auxiliary Service unit, and K-9 unit.

...when you can confidently brandish your expensive mobile device, jewelries, or signature bag in the streets without worrying about theft.

80%
Crime Solution Efficiency Rate*

The improvement in crime solution efficiency and the decrease in crime volume were attributed to intensified law enforcement operations through increased visibility of mobile patrols, establishing checkpoints and implementation of mobile and foot patrols.

...when locals have the discipline to abide by the city's ordinances.



Davao City is one of the first cities to **ban smoking** in the Philippines since 2002. The prohibition covers all tobacco products, including e-cigarettes, shishas, and the like.

This earned the city its **Hall of Fame Red Orchid Award** from the Department of Health (DoH), including the Global Smoke-Free Partnership Award, an international recognition.



The **liquor ban** prohibits drinking and selling of alcoholic beverages in bars, establishments, and public places from 1.00am to 8.00am.



Minors (i.e., age 18 or below) are **prohibited from loitering** around the city between 10.00pm and 5.00am without the company of parents or legal guardians.



Speed limits are strictly implemented at 30kph and 40kph within downtown and uptown areas, and 60kph in the national highway.

It's more fun in Davao



Eden Nature Park

As a travel destination, Davao City amazes tourists and locals alike with its panoramic mountain peaks and breathtaking landscapes.

As Mindanao's biodiversity hotspot, Davao City boasts of a rare ecology and has been a frequent destination for ecotourism. Davao City's rich culture is also evident in some of its famous landmarks. Top tourist destinations in the City include the Philippine Eagle Center, Jack's Ridge and Resort, and Mintal's Japanese Heritage Site.

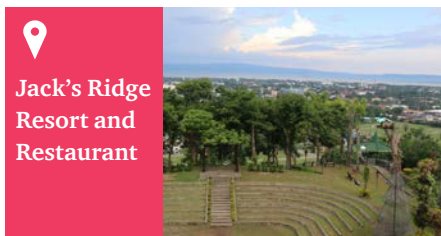


Located in Malagos, the 8.4-hectare site is dedicated to the protection and breeding of the Philippine eagle. The center also houses exhibits and birdwatching activities where guests can amuse themselves with sights of wild birds.

Guided tours are also available to guests, free of charge.

Aside from the Philippine eagle, PEC also exhibits other endemic mammals and reptiles, which tourists of all ages will enjoy.

In support of responsible tourism, guests may have their name engraved in the "wild trail" or support a tree for a minimal fee in PEC.



**Jack's Ridge
Resort and
Restaurant**

One of the most popular recreational and dining destinations in Davao City, Jack's Ridge sits at the top of Shrine Hills. It provides a commanding view of the city and the Davao Gulf.

The place was once the headquarters of the Japanese Imperial Army during World War II and served as their watchtower.

Jack's Ridge continues to preserve mementos of the city's historic past, such as the prehistoric clam shells (*Taklobo*) which serve as a reminder that the area was once underwater millions of years ago.



**Japanese
Heritage
Site**

Situated in Barangay Mintal is another commemoration of Davao's long-standing relationship with Japan.

Considered as the "Little Tokyo" of Mindanao, Mintal was declared a Japanese heritage site in 2009. There you will find the Japanese Peace Memorial Shrine, which is dedicated to soldiers of World War II, and the Ohta Kyozauro Monument. The site is a reminder of the legacy left by the Japanese and their influences to this day.





So, why Davao?

Business-friendly

1st

First local government to enact its own Investment Code and the first to establish a local investment promotion center to support investors.

Registration and permits

#2

In ease of starting a business

34,192

Business permits issued (2015)

2-day

processing time

Fiscal incentives

- Exemption from local business tax for a period of three years
- Exemption from basic real property tax for two years
- Extension of exemption period for up to five years if investment project is within the preferred districts of Calinan, Baguio, Marilog, and Paquibato

Non-fiscal incentives

- One-stop documentation services
- Data banking services
- Investment counselling
- Brokering and business matching services
- Processing of incentives
- Referral of ideal locations for certain projects

Efficient public utilities



Power is distributed by the best power company in the Philippines while water is delivered by one of the best water utility companies in Asia.

Cable and communications networks are likewise available to provide investors flexibility in their business operations.

Communication network



17

Print media



10

Television stations



37

Radio stations



14

Government postal services

Telecommunications



3

Telephone companies



3

Mobile phone companies



4

Internet service providers

105,245

Number of existing telephone lines

Competitiveness

Based on the 2017 National Competitiveness Council (NCC) ranking of Cities and Municipalities Competitiveness Index (CMCI), among 33 highly urbanized cities in the Philippines, Davao City stands as follows:



**NATIONAL
COMPETITIVENESS
COUNCIL PHILIPPINES**

- 3rd Most Competitive City
- 4th in Economic dynamism
- 5th in Government efficiency
- 3rd in Infrastructure
- 1st in Resiliency

★★★★★
Special Award for Excellence in Literacy (2016),
National Literacy Coordinating Council

★★★★★
Most Child-Friendly City - Hall of Fame (2016),
Presidential Award for Child-Friendly Municipalities and
Cities

★★★★★
Seal of Good Local Governance Award (2015),
Department of Interior and Local Government

★★★★★
Most Competitive Metro City in the Philippines (2008),
Asian Institute of Management

★★★★★

Competitive cost of doing business

The cost of doing business in Davao City is comparatively cheaper compared to other major cities.

Estimated land rates per sq m

Residential

Lease: PHP5,000~PHP15,000

Buy: PHP10,000~PHP20,000

Commercial

Lease: PHP780~PHP5,000

Buy: PHP10,000~PHP40,000

Industrial

Lease: PHP750~PHP1,500

Buy: PHP1,500~PHP3,500

Agricultural (in ha)

Lease: PHP10,000~PHP30,000

Buy: PHP500,000~PHP1m

Commercial space rentals (average per sq m)

Office space

PHP300~500

Shopping malls

PHP500~1,000

Daily minimum wages per sector in Region XI, including Davao City (as of 1 May 2017)

PHP340 Non-agriculture/Industrial/Commercial and Retail/Service employing more than ten workers

PHP335 Agriculture

PHP325 Retail/Service
employing not more
than ten workers

Labor force

Davao City has an abundance of easily trainable graduates and job-ready and highly skilled English speaking professionals.



95.5%

high employment rate
(2016, Davao Region)

62.8%

labor force participation rate
(2016, Davao Region)

Reimagining Davao

Davao City has opened its gateways far and wide for investors and tourists alike. With even greater plans ahead, it is bound to become a land of great opportunities and endless potentials. And as the mighty Philippine eagle soars high into the peak of Mt. Apo, Davao City is set and ready to soar higher into the future.

Panguil Bay Bridge PHP4.859bn

Mindanao's longest bridge project connects Lanao del Norte and Misamis Occidental



Proposed Mindanao Railway System PHP78bn



BPO facilities that will be available in 2018

- 1 **Abreeza BPO Building** An eight-storey IT center located beside Abreeza Mall. The projected space available for the first tower is 8,000 sq.m. A second BPO tower will have a floor area of 9,000 to 10,000 sq m.
- 2 **Megaworld** In addition to the PHP1.2bn, 20-storey Davao Finance Center, two more office towers, the "One Republic Plaza" and "Emperador House", are expected to be built that will provide an additional 30,000 sq m of office spaces.
- 3 **SM BPO** A five-storey car park building that will house BPO locators and food tenants.
- 4 **Matina IT Park (Secon building)** The Matina IT Park is expected to be the biggest IT Park to rise in Mindanao.



Food Terminal Complex, Toril PHP70m

Set to be launched in 2017, this modern facility will serve as a consolidation, processing, packaging, store and distribution center for the farm produce within and coming in to Davao.

Davao-GenSan-Indonesia RORO

The Davao-General Santos-Bitung, Indonesia roll on/roll off (RORO) decongests port traffic in Manila and creates economic opportunities for the people in the Mindanao.



Davao City Bypass Road PHP50bn

A 44-km highway with a 2.2km tunnel and 44 big and small bridges from Brgy. Lizada, Tori, Davao City to Panabo City. Construction to start in 2018 and expected to be completed by 2022.



Davao City Expressway PHP24.5bn

A 23.3km expressway project which will improve and decongest traffic within Davao City by connecting its port to the outer part of the city. Connecting the Sta. Ana Port near the outskirts of the city proper in Panacan Road and Carlos P. Garcia National Highway.

PANABO CITY

DAVAO CITY

FRANCISCO
BANGOY
AIRPORT

SAMAL ISLAND



Davao International Container Terminal (DICT) PHP5bn

This will provide various logistical requirements of businesses that are anticipated to expand to Mindanao. Negotiations for additional shipping lines are still ongoing.



Light Rail Transit (LRT) Project PHP40bn

An urban LRT system that will serve the coastal areas of the City.



Davao Airport Operations, Maintenance & Development PHP40.6bn

The city's airport rehabilitation project is already under procurement.

DAVAO GULF

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Our people are active in various professional, public and private sector organizations and participate in public forums involving taxation, accounting, investment incentives and advocacy issues. We make sure we keep up with the latest developments so that we can give clients informed advice on different issues that might affect their businesses.



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