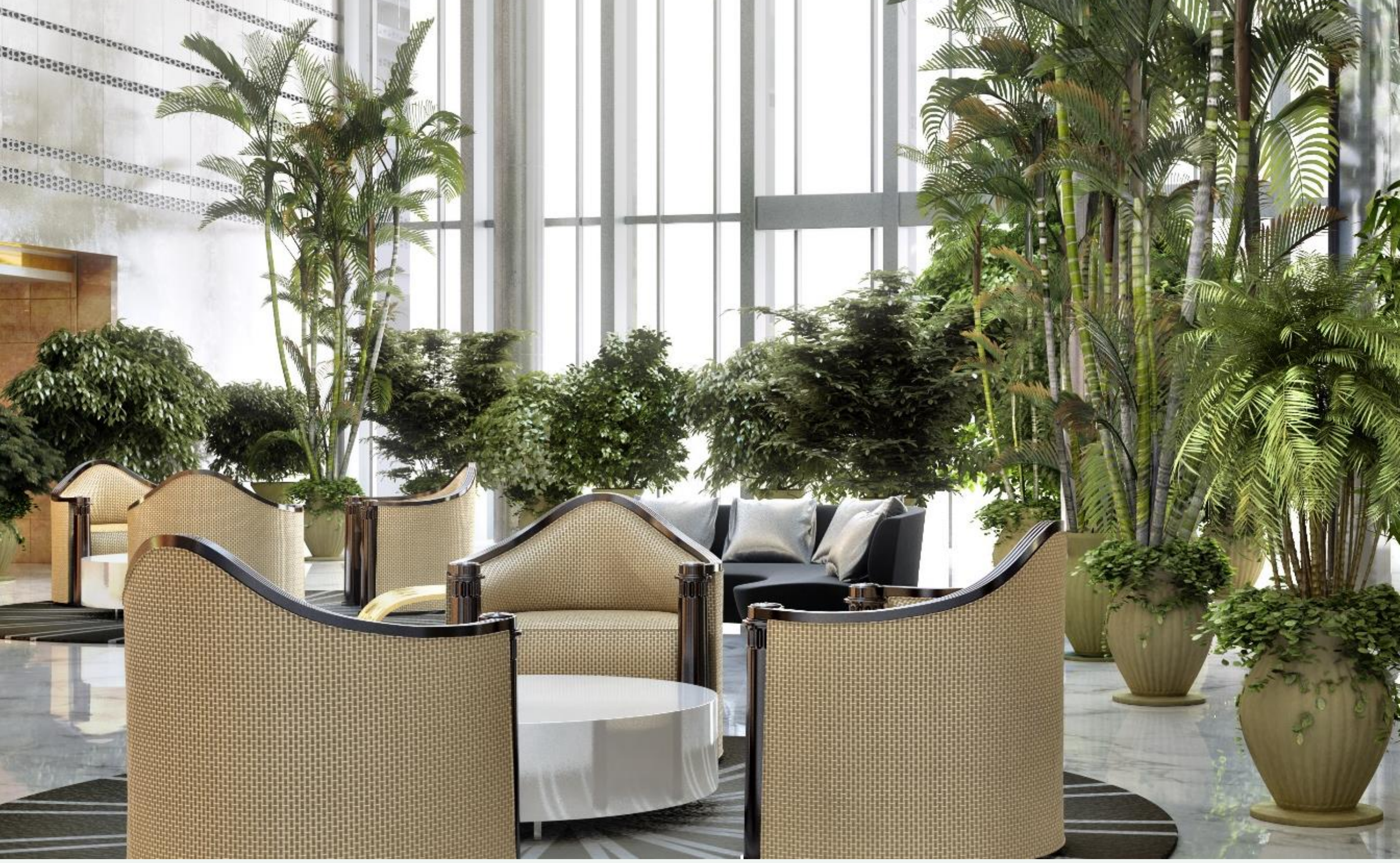
A Residential Sector Review for the Pearl of the Orient

Santos | Knight Frank

Residential Sector Continues to Withstand the Pandemic

Research, September 2020



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Amid strict quarantine protocols, the Metro Manila Residential sector showed little movement in the second quarter of 2020. Selling prices of residential condominiums recorded a growth of less than 1%, indicating stable market value as of this quarter. On the other hand, supply remains unchanged as several real estate and construction activities were prohibited during the period.

Aurelia Residences
© Shang Robinsons Properties

Supply and Demand

There were no new residential project launches for this quarter due to lockdown guidelines and unsteady market conditions. Several developers continue to market previous projects and hold inventories while waiting for market activities to normalize.

Demand for residential projects decreased as clients minimize spending activities and prefer liquidity. Total units sold decreased by 5% Q-o-Q due to pull-outs and cancellations. Luxury developments were mostly affected due to unchanged prices, discouraging investors and buyers who wish to remain liquid. Percentage sold for this classification declined to 86% from 93% last quarter. On the other hand, demand for other residential classifications only decreased by approximately 1% suggesting that the market can still absorb high-end, middle income, and affordable projects during the pandemic.

Among all CBDs, Alabang, Ortigas and Makati recorded high demand for this quarter. Studio units were the most preferred unit type in Alabang and Ortigas while 1-bedroom unit was the most preferred in Makati.

Selling Price

Developers have been using aggressive marketing strategies in order to attract and accommodate clients. The use of social media platforms and websites for virtual inspections created a channel among agents and customers for better communication. The offering of flexible payment schemes such as extended payment plans for downpayments, lower monthly amortizations among others were introduced for several projects. Significant discounts were also given on spot cash payments and for unsold or re-offered inventories from completed projects. The average selling price for Metro Manila settled at PhP224,834 per square meter which increased by 0.5% from Q1 2020.

Despite the low residential demand this quarter, the Bay Area again posted the highest weighted average selling price at PhP285,356 per square meter among all other CBDs. The price decelerated by 1.4% Q-o-Q from an average selling price of PhP289,263 per square meter last quarter. Bay Area residential market mainly caters to BPO and POGO employees who are mostly working from home during the duration of the lockdown.

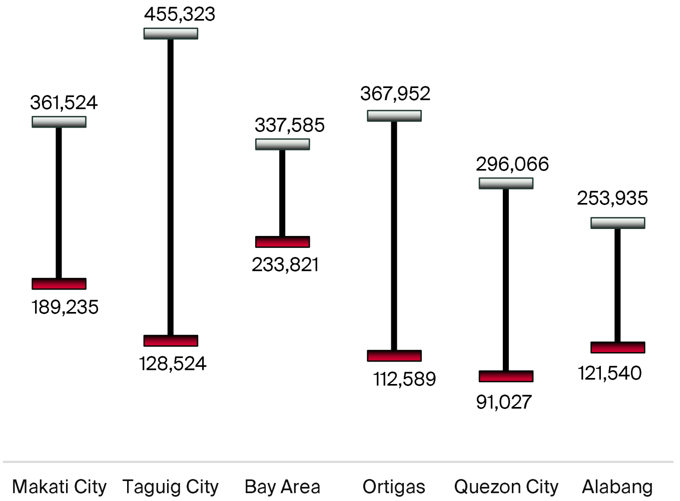
Taguig followed Bay Area with recorded selling prices that range from a low of PhP128,524 per square meter to a high of PhP455,323 per square meter. The average selling price at PhP274,606 per square meter was pulled up by luxury projects like the Aurelia Residences.

TABLE 1
Absorption rate and Preferred Unit Type per Area

Area	Units Sold (%)	Preferred Unit Type
Makati City	98.60%	1BR
Taguig City	97.79%	Studio
Quezon City	96.96%	Studio
Ortigas	91.10%	Studio
Alabang	94.85%	Studio
Bay Area	95.71%	Studio
METRO MANILA	95.92%	1BR

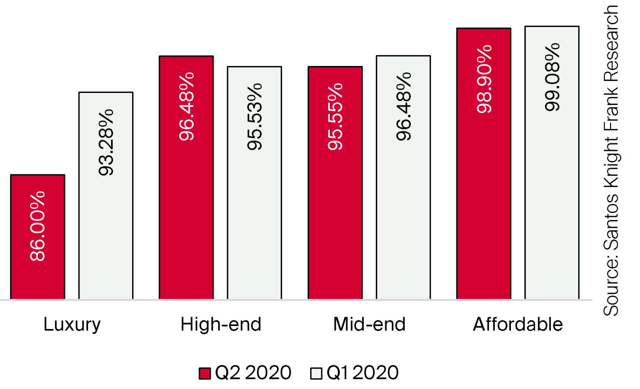
Source: Santos Knight Frank Research

Figure 1
Indicative Selling Price Range per Area (in Php/sqm)



Source: Santos Knight Frank Research

Figure 2
Demand by Classification



The growth in selling prices for Taguig residential projects further decreased the demand for units in the district as it recorded the lowest absorption rate in Metro Manila for this quarter. The selling price per square meter grew by 1.8% Q-o-Q and 14.9% Y-o-Y.

Residential selling prices in Makati ranges from a minimum of PhP189,235 per square meter to a maximum of PhP361,524 per square meter. Average selling price saw an increase by 1.5% with prices for high-end projects growing the highest at 2.1% Q-o-Q. Price growth for high-end residential projects in Makati was mainly due to the projects nearing completion and turn-over.

Outlook

Project completion and turn-overs will be delayed due to the constraints brought about by the pandemic. Developers will withhold new project launches until next year or when market conditions stabilize. Further, they will need to be more aggressive in finding ways to reach their clients under the new normal.

The pandemic will greatly shape the future of residential developments. Short of being a “green” or “well” building, more emphasis will be given for more healthy spaces and improved sanitation. This is in response to being able to address issues like those arising from the pandemic as well as transitioning into the new normal.

Manila Office
10th Floor, Ayala Tower One & Exchange Plaza
Ayala Avenue, Makati City, 1226
t: (632) 752-2580
f: (632) 752-2571
w: www.santosknightfrank.com

Cebu Office
Suite No. 30, Regus Business Center
11th Floor, AppleOne Equicom Tower
Mindanao Avenue corner Biliran Road
Cebu Business Park, Cebu City 6000
t: (6332) 318-0070 / 236-0462

MANAGEMENT

Rick Santos
Chairman and CEO
Rick.Santos@santos.knightfrank.ph

OCCUPIER SERVICES AND COMMERCIAL AGENCY

Morgan McGilvray
Senior Director
+63 917 865 3254
Morgan.McGilvray@santos.knightfrank.ph

INVESTMENTS AND CAPITAL MARKETS

Ninoy Teo
Senior Director
+63 917 574 3035
Ninoy.Teo@santos.knightfrank.ph

VALUATIONS

Mabel Luna
Director
+63 917 865 3712
Mabel.Luna@santos.knightfrank.ph

RESIDENTIAL SERVICES

Kim Sanchez
Associate Director
+63 917 537 9650
Kim.Sanchez@santos.knightfrank.ph

PROPERTY MANAGEMENT

Ed Macalintal
Director
+63 917 533 7750
Edgardo.Macalintal@santos.knightfrank.ph

PROJECT MANAGEMENT

Allan Napoles
Managing Director
+63 917 527 7638
Allan.Napoles@santos.knightfrank.ph

TECHNICAL SERVICES AND ENGINEERING

Juvel Cedo
Business Development Manager
+63 917 635 8102
Juvel.Cedo@santos.knightfrank.ph

FACILITIES MANAGEMENT

Dennis Nolasco
Senior Director
+63 917 553 5646
Dennis.Nolasco@santos.knightfrank.ph

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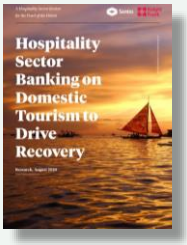

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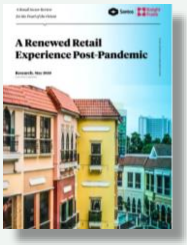

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RESEARCH & CONSULTANCY

Jan Custodio
Senior Director
+63 917 574 3572
Jan.Custodio@santos.knightfrank.ph

Glen Subilit
Research Manager
Glen.Subilit@santos.knighfrank.ph

Rhys Revecho
Research Analyst
Rhys.Revecho@santos.knightfrank.ph

Gelo Manansala
Research Analyst
Angelo.Manansala@santos.knightfrank.ph

Ivy Ohoy
Research Analyst
Ivy.Ohoy@santos.knightfrank.ph

Shai Retuya
Research Analyst
Shaira.Retuya@santos.knightfrank.ph

Andrea Villadoz
Research Analyst
Andrea.Villadoz@santos.knightfrank.ph

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