Metro Manila Residential Market Insights

Residential Launches in Emerging Markets to Stimulate Market Recovery

Q1 2021

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General Overview

The Metro Manila residential market showed persistent performance at the start of 2021, amidst the continuous implementation of lockdowns in the nation's economic center. The once bullish residential market slowed down for the quarters due to the slump in the country's economy caused by the COVID-19 pandemic. Yet, more market activity has been visible in the recent months owing to the introduction of new projects.

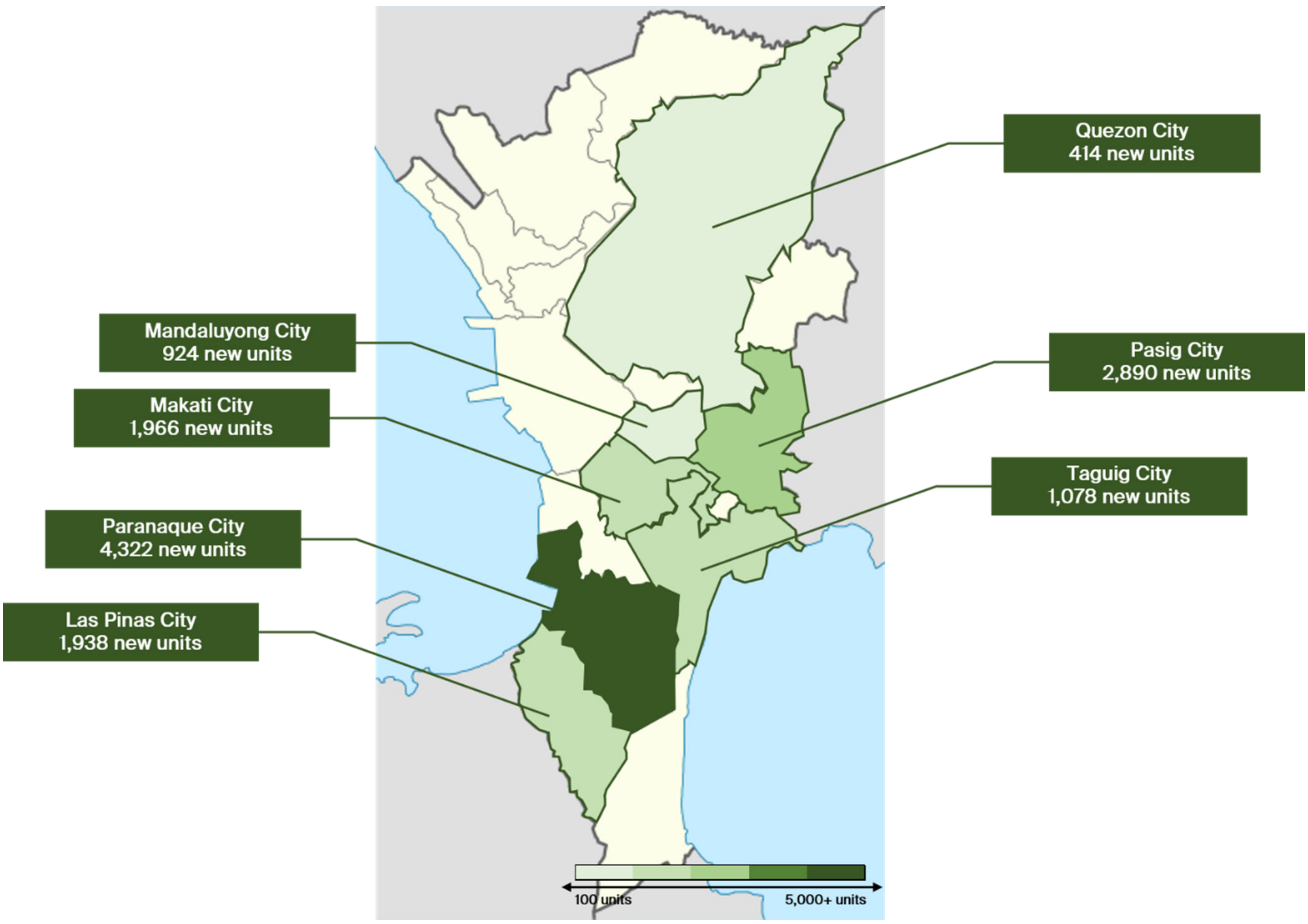
Amidst the uncertainties towards the market, property players capitalized on the relaxed lockdowns to launch new projects. In turn, condominium demand remained consistent from recent periods due to the effective marketing strategies of these developers to maintain and attract demand. Marginal movement in prices were also seen as property players continued applying various discounts and promo terms.

Residential Supply

Regained confidence was observed from property developers after launching new projects amidst the gradual easing of lockdowns in Metro Manila. As a result, the local residential market grew by 2,765 units as of Q1 2021, all catering to the middle-market segment. Supply began to grow in the second half of 2020, in contrast to the stagnant supply during the first half. Projects launched for since then amounted to 13,532 units which are primarily introduced by SMDC and DMCI. In sum, supply in Metro Manila rose to 301,669 units, with the majority of the new projects being located in Pasig, Mandaluyong, Makati, Parañaque, and Las Piñas.

Most of the new condominiums sprawled within the vicinity of Central Business Districts (CBDs). The second phases of South and Gold Residences are located in the respective developing areas near Alabang and Bay Area, respectively. Meanwhile, Mint and Alder Residences are some of the few new projects that are offered in the outskirts of Makati CBD and Fort Bonifacio while still being easily accessible to and from their respective CBDs. This trend creates an opportunity to invest in projects in at the fringe areas that offer more competitive prices.

Figure 1. Concentration of New Residential Supply in Metro Manila[1]



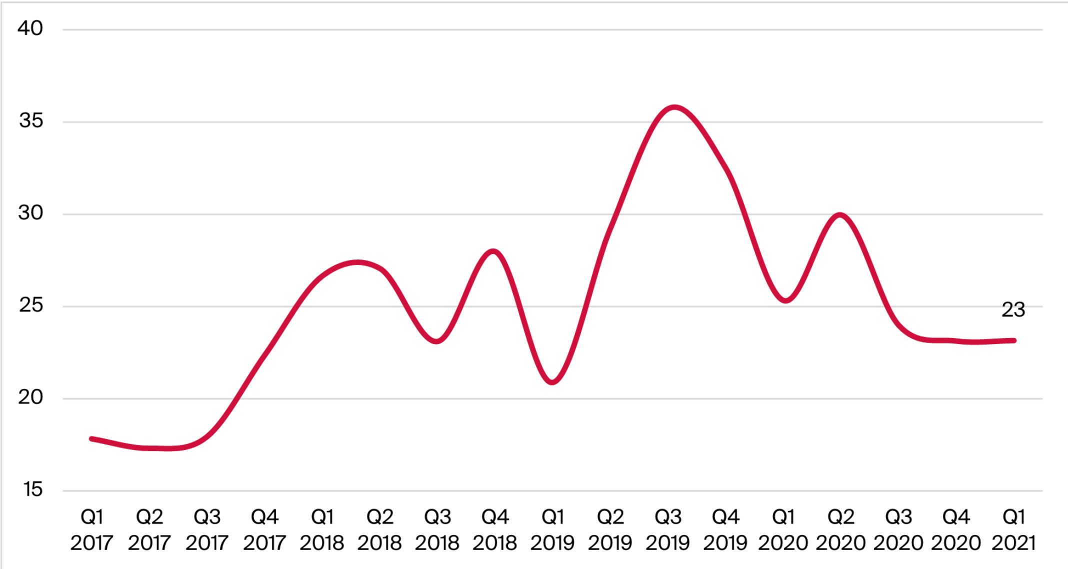
Source: Santos Knight Frank Research

[1]Projects that were launched less than a year ago

Residential Demand

Residential demand for condominium projects remained consistent in Metro Manila. This was attributed to the massive influx of residential supply and effective marketing strategies of developers that have sparked the interest of numerous buyers. The average unit take-up in Q1 2021 was recorded at 23 units per month- lower than the pre-pandemic average of 29 units per month, but has still signified steady market activity. As a result, the overall percentage sold was recorded at 94.64%, translating to more than 285,000 units being taken-up by the market. Aggregate absorption rate in Q1 2021 contracted by 0.67 percentage points from Q4 2020 with 95.31% due to the introduction of several condominium projects.

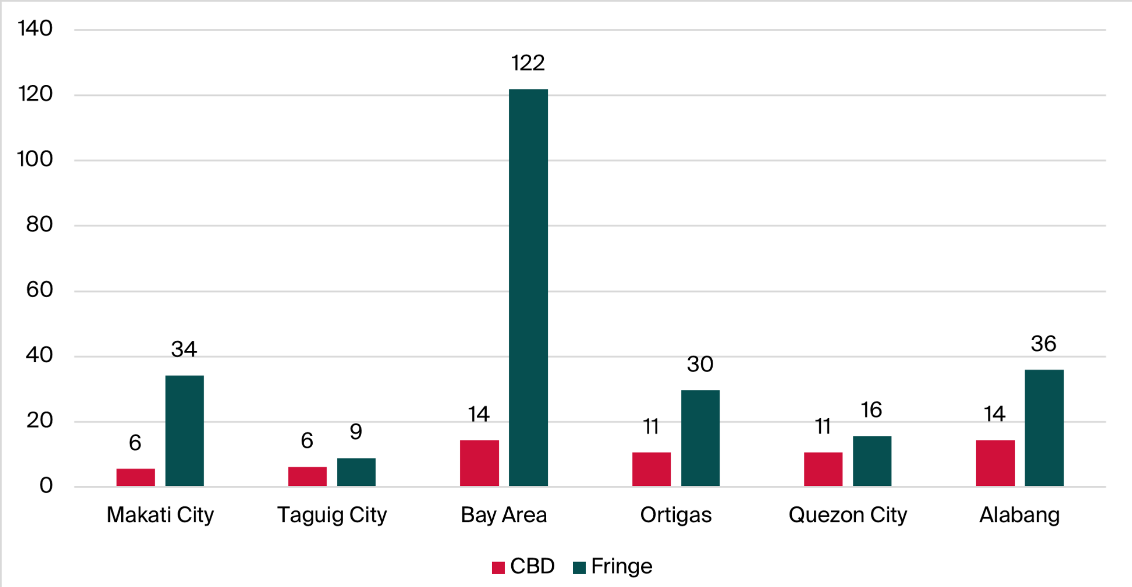
Figure 2. Historical Average Residential Monthly Take-up in Metro Manila



Source: Santos Knight Frank Research

In terms of demand per area, condominiums in the fringes showcased a higher unit take-up rate in comparison to condominiums within CBD areas. Projects in the former are selling at 30 units per month while the latter only recorded an average of 12 units per month of take-up. However, it should be noted that the robust unit take-up in the fringes was due to the higher volume of projects located in these areas while being offered at a lower price margin, as opposed to the projects located in CBD areas. This trend was also attributed to the new developments that were introduced in the fringes. Prospective investors capitalized on the cheaper condominium prices, hoping for higher capital appreciation in the future. On the other hand, lesser unit take-up in CBD areas is also associated with the lack of available options. Projects in the CBD registered about 95.82% absorption rate with less than 5,000 available units left unsold.

Figure 3. Residential Demand (CBD vs Fringes)



Source: Santos Knight Frank Research

Condominium demand in the Bay Area and Makati recorded the highest unit take-up rate in Metro Manila at 34 and 32 units per month, respectively. This can be owed to the new additions in both markets – Gold and Mint Residences by SMDC. However, sales velocity still slowed down in these areas as they were experiencing take-up rates of 36 and 40 units per month, respectively, by the end of 2020.

On the other hand, Alabang and Ortigas showed an improvement in condominium demand as of Q1 2021 due to the pent-up clamor for projects in the city fringes. Monthly take-up in Alabang increased to 27 units per month from 18 units per month in Q4 2020 due to the high take-up of South 2 Residences. Meanwhile, demand in Ortigas went up to 26 units per month followed by the introduction of new projects in the area namely: Allegra Garden Residences (Soraya), Light 2 Residences, Avida Towers: Verge (Tower 2), and Gem Residences.

Figure 4. Residential Sales Statistics per City

Metro Manila CBD	Unit Absorption	Average Take-Up
Bay Area	95.67%	35 units per month
Makati City	96.99%	32 units per month
Alabang	94.16%	27 units per month
Ortigas	90.04%	26 units per month
Quezon City	95.42%	14 units per month
Taguig City	96.27%	8 units per month

Source: Santos Knight Frank Research

Projects in the middle-market segment were the most saleable in Q1 2021. Despite having the largest supply in Metro Manila at 197,788 units, an average unit take-up of 34 units per month was recorded for this classification. Condominiums under this segment are mostly concentrated in Quezon City, Ortigas, and Bay Area. Meanwhile, projects in the affordable segment are the most absorbed projects in the metro as 98% of its overall inventory are already sold, translating to almost 30,000 units sold as of Q1 2021. Fewer developers are keen on venturing towards projects in the affordable segment due to the heightening land values especially in the key areas of Metro Manila. Demand for projects in the lower market segment remained stable due to the cheaper price range and flexible amortization terms. Most of the property buyers in this category were able to purchase units for investment purposes with the hope of being able to rent or sell their investments with higher returns.

Projects in the luxury segment were the most affected by the market downturn caused by the global pandemic. The percentage sold for luxury development drastically declined from 86.37% in Q4 2020 to just 80.82% in Q1 2021. Meanwhile, the take-up rate also slowed down from 6 units per month in Q4 2020 to 4 units per month in Q1 2021. The sluggish demand for projects in the higher market category may be attributed to the less prioritization of the high-income individuals in expanding their residential portfolio.

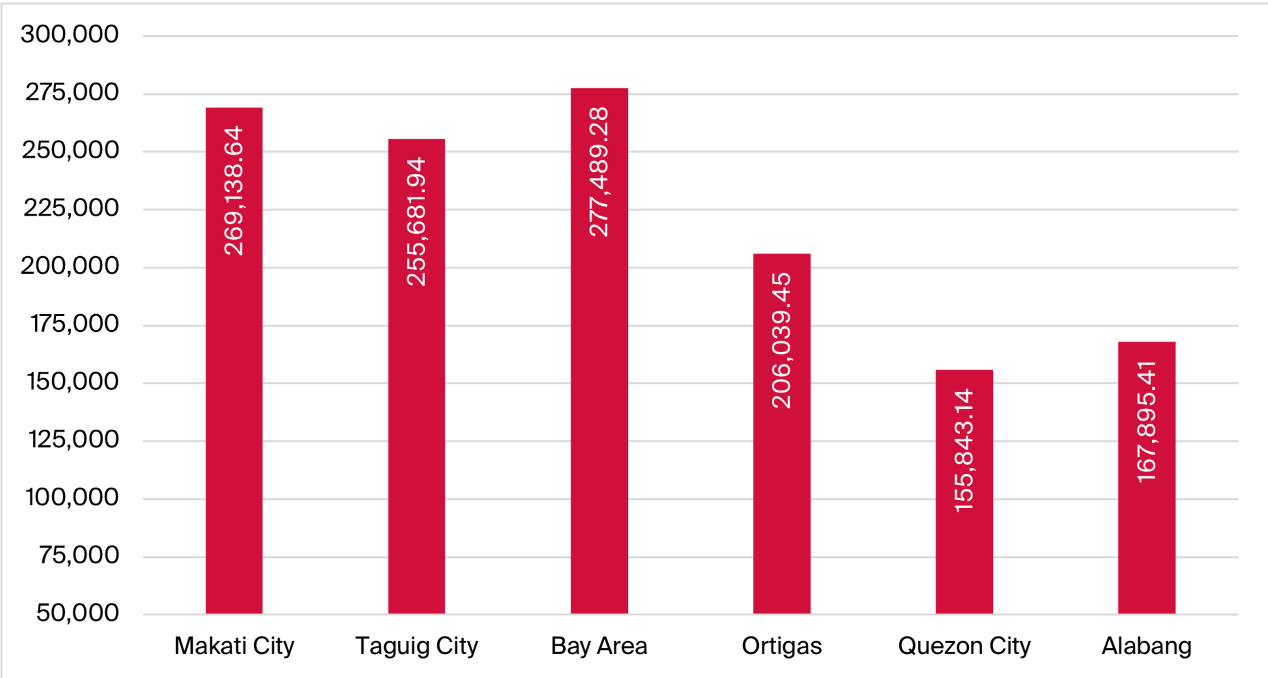
In terms of demand per unit type, smaller units such as Studio and 1BR units remained as the most saleable types in Metro Manila, with average unit take-up of 8 and 13 units per month, respectively. This was still driven by the innate flexibility of these units, enabling property buyers to use them for investment or end-use.

Residential Selling Prices

Despite the slowdown in demand, Bay Area posted the highest average selling price in Metro Manila at PHP 277,489.28 per sqm. However, the growth of average selling prices in the said locality decelerated by 1.02% q-o-q and 4.07% y-o-y. This can be attributed to the loss of one demand driver in the district – POGO companies.

On the other hand, selling prices in Alabang, Quezon City, and Ortigas showed growth rates ranging from 0.50% to 3.07% during the quarter, respectively. The indicated price growth in these areas was caused by the increased condominium demand, especially in Ortigas and Alabang. The former posted the highest growth rate in Metro Manila at 3.07% q-o-q and 10.20% y-o-y, translating to an average selling price of PHP 206,039.45 per sqm. This was caused by the influx of new developments in the area. The observed growth of selling prices in these areas showed potential gains for residential investment in these areas, as property buyers start to look for other destinations outside Makati, Taguig, and Bay Area.

Figure 5. Average Selling Prices per City (per sqm)



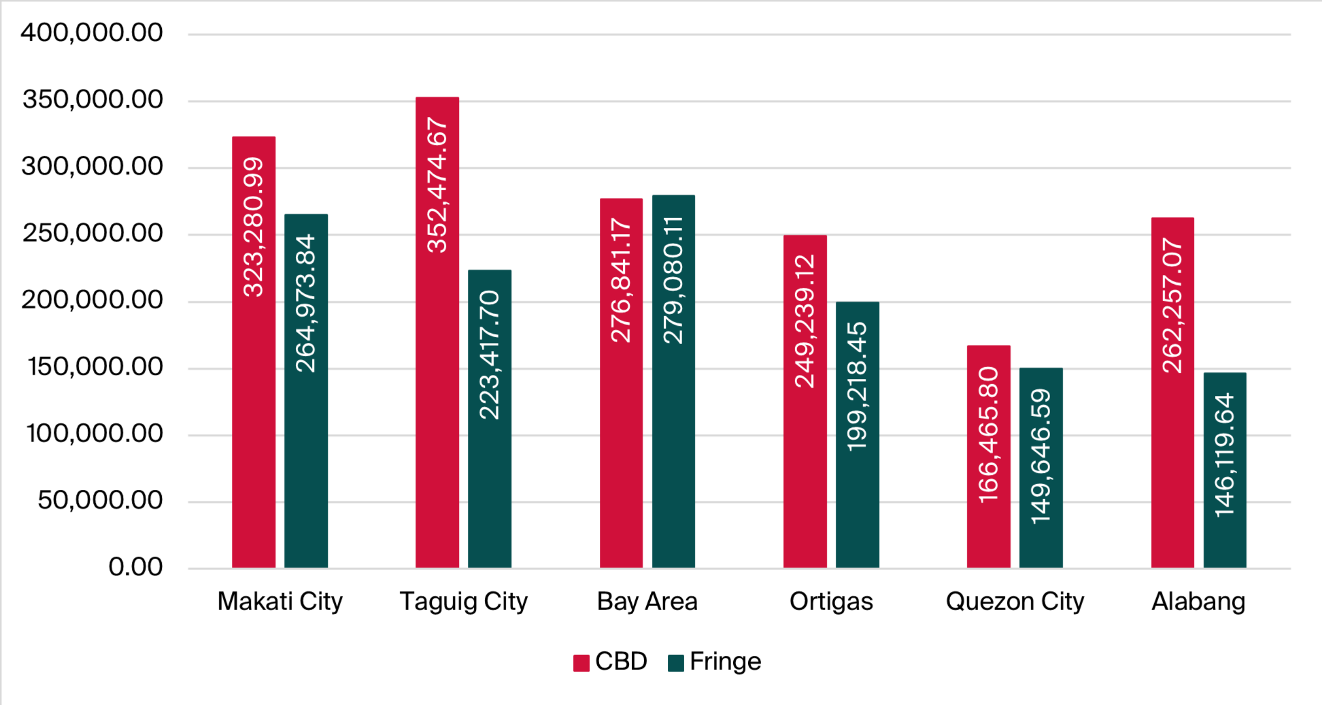
Source: Santos Knight Frank Research

Average prices of condominiums in Metro Manila's major business districts averaged PHP 251,758.06 per sqm in Q1 2021. Projects located in CBDs are priced higher as it puts a premium on property buyers by being in a master-planned community that enables convenient access to commercial, retail, and institutional developments. Meanwhile, prices in emerging areas averaged PHP 200,877.74 per sqm. These condominiums usually command higher volume of units that are priced at a lower price margin to tap the middle-market and lower income segments.

Developments in the CBD areas of Taguig commanded the highest average selling price in Metro Manila at PHP 352, 474.67 per sqm. The projects included in the CBD areas of Taguig are mainly located in Bonifacio Global City (BGC), Uptown Bonifacio, McKinley Hill, and McKinley West that mostly consisted of high-end and luxury developments. In addition, the said CBD commands the highest supply of luxury units in Metro Manila.

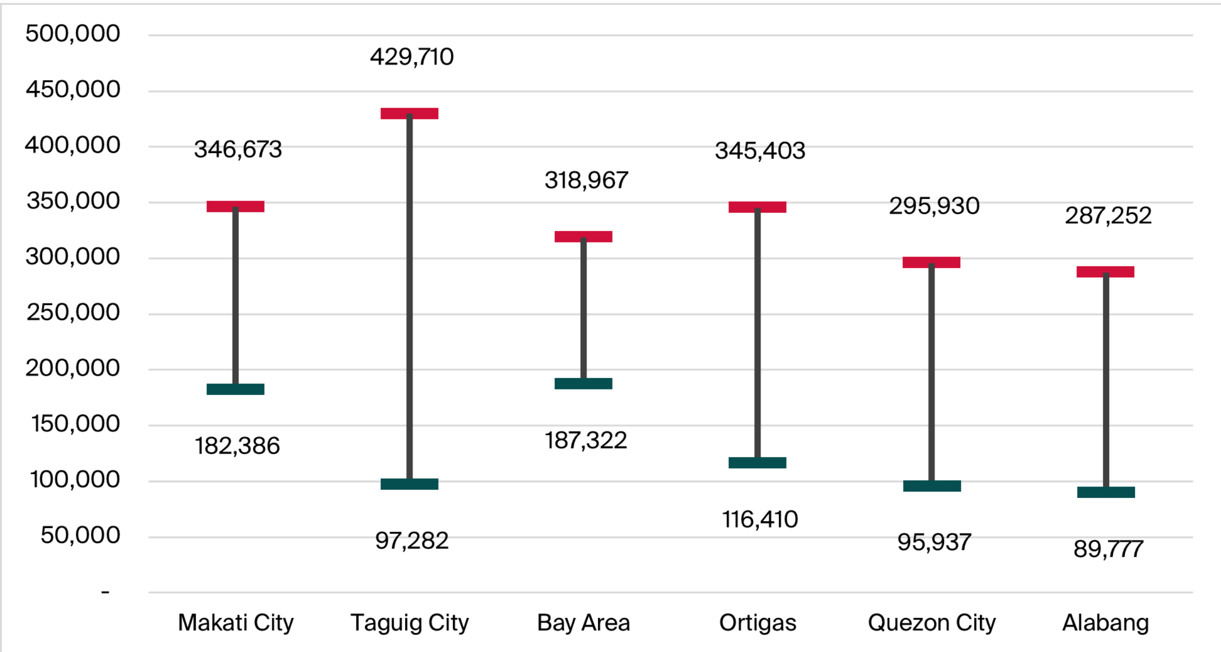
In terms of average selling prices of developments in fringe areas, Bay Area commanded the highest in Metro Manila at PHP 279,080.11 per sqm. The reported average price is seen to be already at par with the projects in the CBD. Average selling price in the area was pulled up by the introduction of Gold Residences in Parañaque City as the project is marketed as one of the first master-planned township located in the vicinity of major airport terminals of the country.

Figure 6. Average Selling Price Comparison (CBD vs Fringe Areas) (per sqm)



Source: Santos Knight Frank Research

Figure 7. Average Selling Price Range per City (per sqm)



Source: Santos Knight Frank Research

Residential Market Outlook

Recovery of the residential market is seen to be reliant on the decline in COVID-19 cases, relaxed quarantine measures, and the vaccine rollout in the country. These factors will contribute to the improvement in the economic standing of the country that will ultimately propel the growth of the general real estate market.

Property developers are seen to capitalize on the continued easing of quarantine measures with more project launches anticipated in the coming years. Various real estate players remain bullish in expanding their residential footprint within the established metropolis. The relaxed quarantine measures will also result in fewer interruptions in construction activities. Approximately 108,987 units are slated to be turned over in the next five years with more than 16,000 units seen to be turned over to property buyers by the end of 2021.

With the recent easing of travel restrictions, reopening of borders towards foreign workers, and the progression of other countries in COVID-19 vaccine roll-outs, cash remittances from OFWs improved by 2.6% y-o-y, translating to a cumulative amount of USD 7.59 billion in Q1 2021. This improvement shall greatly affect the sales of the local condominiums especially as OFW families comprise a bulk of their consumer base.

Property buyers can also take advantage of the flexible terms provided by various developers and the easing of interest rates implemented by the central bank. The global pandemic showcased the importance of investment and multiple streams of income. Investments in real estate, particularly in the residential segment, are forecasted to increase as highly liquid individuals shall look to capture the opportunity provided by the down market for potential capital gains.

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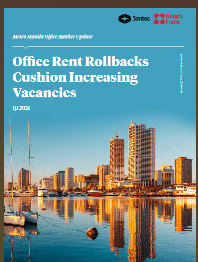

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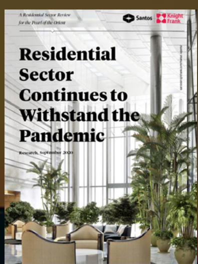

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