Metro Manila Residential Market Insights

Eased Restrictions in Metro Manila Indicated Improved Market Activity

Q2 2021

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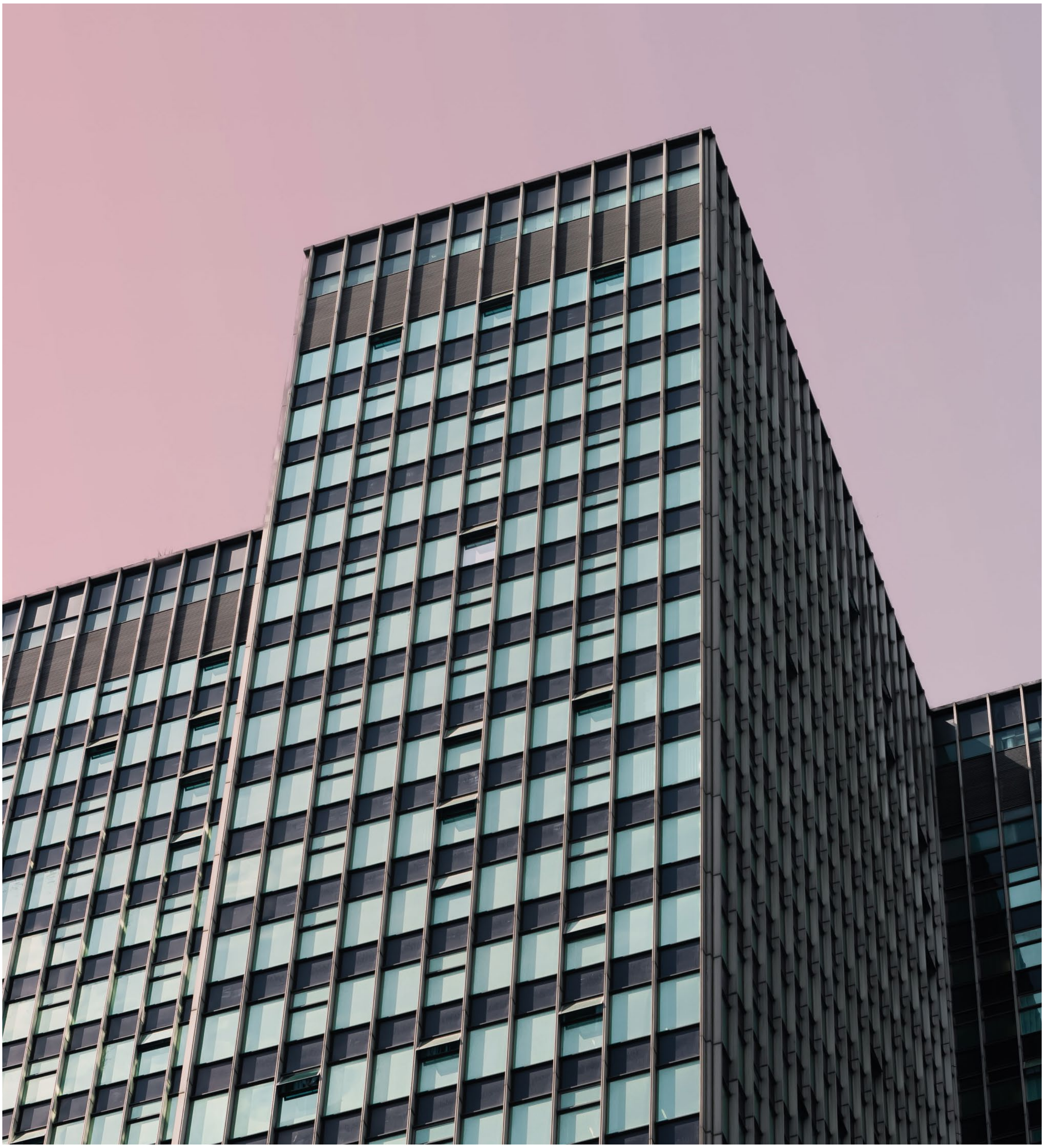
General Overview

The Metro Manila residential market remained steadfast amidst pandemic headwinds as it indicated stable market activity in Q2 2021. The market was stimulated by the easing of quarantine restrictions during the initial weeks of the quarter. Activity in the local residential segment gradually improved with more property developers launching their respective projects.



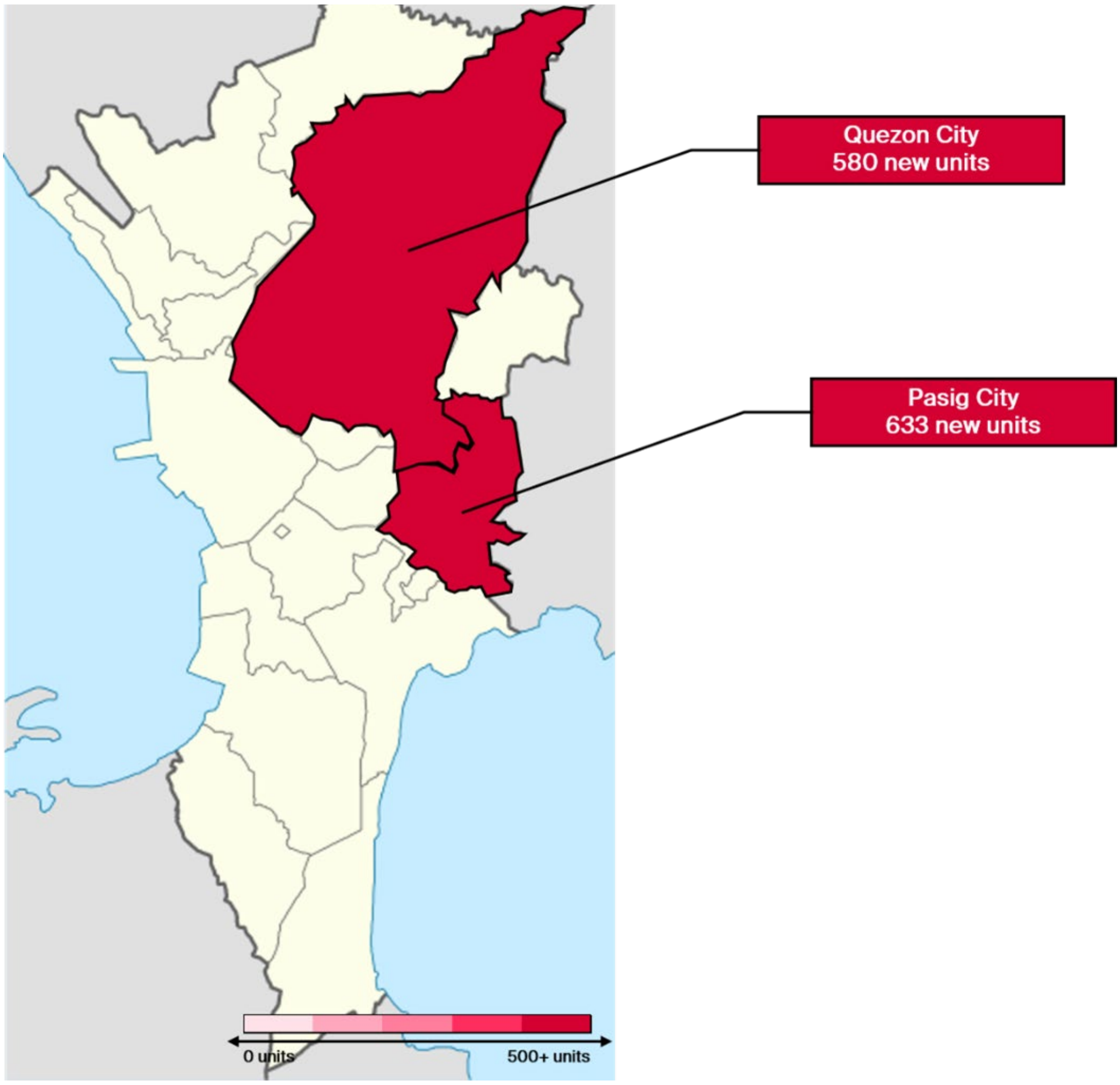
Residential Supply

The residential market witnessed a growth of 1,213 new units in Q2 2021 due to the improving confidence of various property developers. The recent easing of restrictions, recuperating economic conditions, and optimistic sentiments prompted real estate players to introduce new inventory in their pipeline. Robinsons, Avida, and Amaia Land have all contributed to the growing supply, bringing the total stock in Metro Manila to 312,933 in Q2 2021.

New developments emerged along the C5 Corridor in Pasig and Novaliches in Quezon City as of Q2 2021. The trend remained consistent as new projects continued to sprawl in emerging areas outside Metro Manila's business districts.

The development of residential condominiums in the fringes is primarily driven by the rising cost and decreasing supply of developable land in key areas of Metro Manila. In addition. Improvements in connectivity by the construction of new roads and mass transport systems have allowed other support developments such as commercial, retail and institutional facilities to proliferate. The combined effects of this have made these new residential developments more viable. In the long term, these areas will evolve into key growth areas of the metropolis.

Figure 1. Metro Manila New Supply Concentration

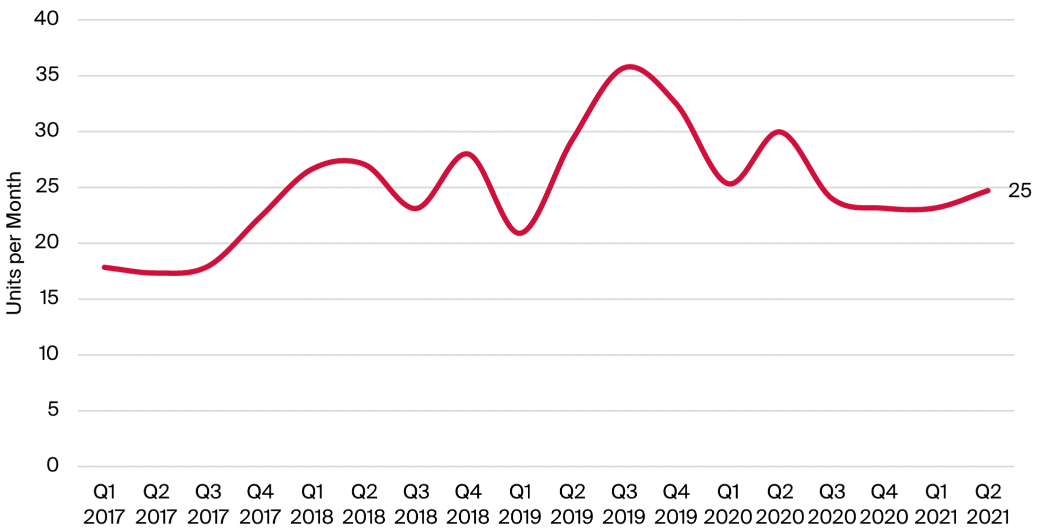


Source: Santos Knight Frank Research

Residential Demand

Overall demand for residential condominiums in Metro Manila marginally improved in Q2 2021, with an average unit take-up of 25 units per month, from 23 units per month in Q1 2021. This slightly enhanced take-up was a result of the sustained efforts of various developers to market their projects with flexible payment terms and promos during the pandemic. Consequently, overall stock in Metro Manila was recorded to be 93% sold.

Figure 2. Historical Metro Manila Residential Monthly Take-up



Source: Santos Knight Frank Research

Despite the improvement in the general market conditions, demand continues to be far from its pre-pandemic levels. Property buyers remain reluctant amid the growing concerns over new virus strains, speculations of tighter restrictions, and lags on vaccine inoculations.

Demand is also affected by the movement of the office market. The prolonged remote work set-up equivalently resulted in a lower interest for condominium properties. Numerous workers returned to their permanent residences in the provinces as being located near their workplaces in city centers did not become much of a necessity due to prevailing working arrangements.

Bay Area had the highest average take-up in Metro Manila at 40 units per month. The rapid absorption of SMDC projects contributed heavily to the overall demand. Unit take-up in the fringe areas outweighed those within the business district due to more competitive price points. Strong interest was also displayed for the newly launched SMDC projects in the fringes, such as Gold and Sands Residences.

Demand in Makati marginally improved to 33 units per month, from the previously reported 32 units per month in Q1 2021. Total unit take-up in the financial district remained stimulated by developments in the fringe areas, particularly by SMDC projects. This has outweighed the demand in the CBD as projects on the fringes offer more competitive pricing that is attractive for property investors.

Significant improvement in sales velocity was observed in Ortigas. Average take-up increased to 30 units per month from the previously recorded 25 units per month. This was driven by newly launched projects in its fringes over the past year, coming from upbeat sales of SYNC – Y Tower (Robinsons), Avida Towers: Verge – Tower 2 (Avida Land), and Gem Residences (SMDC),

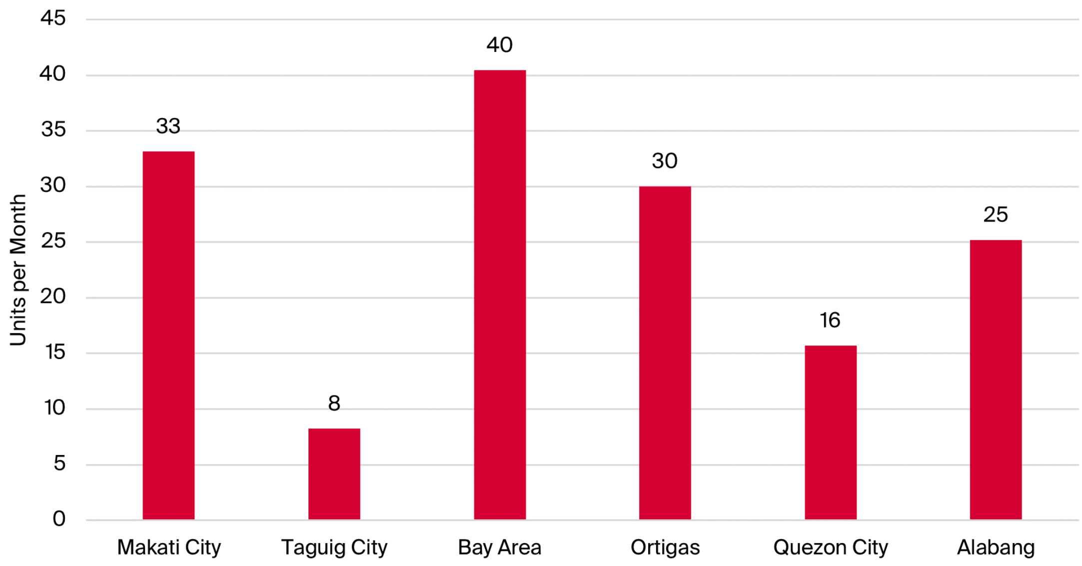
Average unit take-up in Quezon City also improved during the quarter to 16 units per month. Condominium demand in the area was driven by recent project launches and significantly lower selling prices than the other business districts in Metro Manila. Quezon City is starting to gain traction to property buyers as its condominium stock is primarily composed of affordable to mid-market projects.

In addition, positive prospects are seen in the area as bolstered by the proliferation of pocket developments and infrastructure projects that are seen to improve the city's accessibility.

Stagnated demand in Taguig City was observed during the quarter at 8 units per month. No changes in sales velocity were observed due to a decrease in the working population in the area. With remote work in place for the time being, decentralization of the workforce occurred that diminished the need for individuals to reside within the proximity of their workplace.

Residential demand in Alabang declined by 2 units during the quarter to 25 units per month. This decline was primarily driven by the cancellations of buyers within Alabang CBD. Condominium demand is seen to gradually shift towards the fringes, particularly along Alabang-Zapote Road and eastern Muntinlupa.

Figure 3. Average Unit Take-Up per Metro Manila CBD



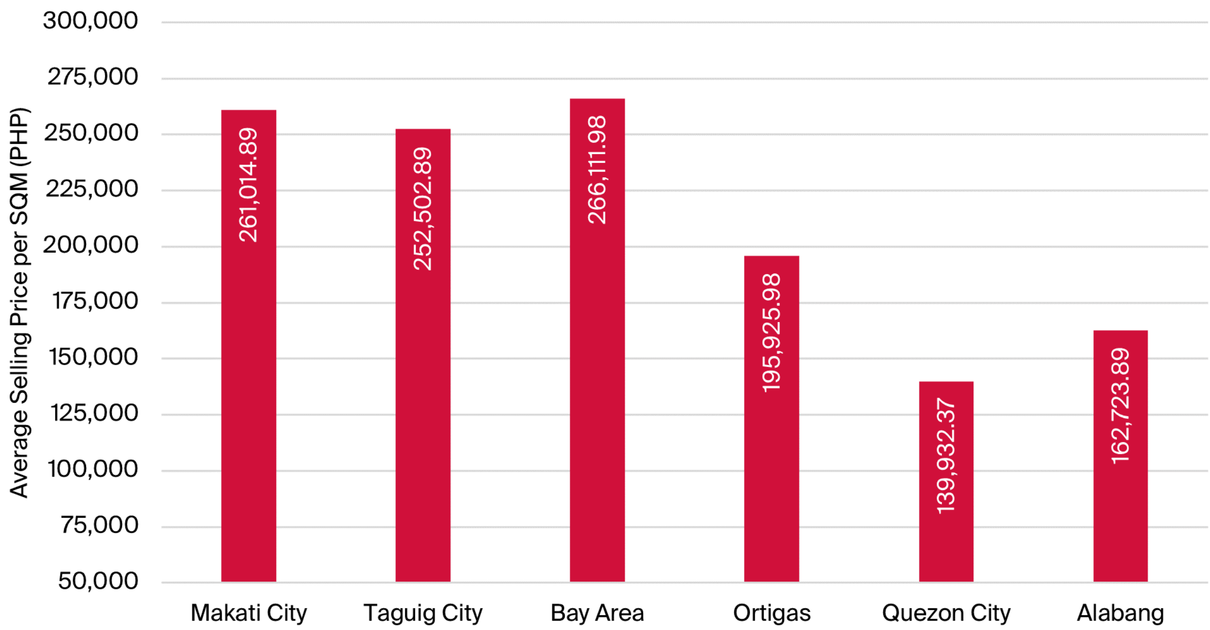
Source: Santos Knight Frank Research

The mid-market projects were seen as the most saleable classification in Metro Manila registering an average take-up of 36 units per month. This figure also witnessed an improvement from an average of 34 units per month in Q1 2021. Flexible payment terms and promos offered by the developers were more evident in this residential classification. Property investors capitalize on the lower price points and attractive terms in the asset class as they purchase units for investment purposes, banking on capital appreciation. On the other hand, affordable projects are the most absorbed asset class in NCR as 95% of its inventory is considered sold. Fewer developers have been inclined in venturing into this segment amid the rising property prices in the metropolis.

Residential Prices

Average selling prices in Metro Manila averaged at PHP 213,035.33 per sqm, decelerating by 4% quarterly and 4.5% yearly as of Q2 2021. The consistent contraction of prices over the recent quarters has translated into a marginal increase in demand. In addition, the augmented share of mid-market projects in the overall residential market has pulled down the average prices of condominiums.

Figure 4. Average Selling Price per Metro Manila CBD (PHP/SQM)



Source: Santos Knight Frank Research

Bay Area remained to have the highest average selling prices in Metro Manila at PHP 266,112 per sqm. Despite the said feat, prices in the area further decelerated by 4% quarterly and 6.7% yearly, attributing to the loss of demand from POGOs. The enactment of Republic Act: 11590 to regulate the gaming industry prompted POGO players to flee to other countries with eased tax restrictions.

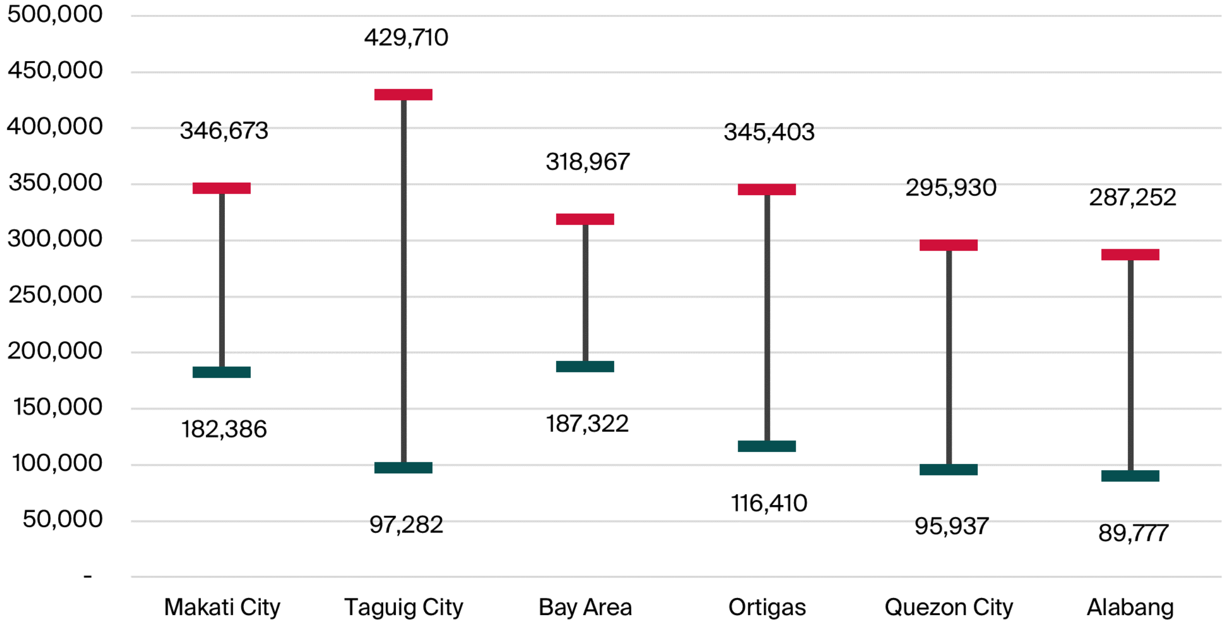
Makati and Ortigas both recorded an annual positive growth rate in Metro Manila in Q2 2021. Average prices in Makati grew by 3% to PHP 261,015 per sqm, while prices in Ortigas grew by 4% to PHP 195,926 per sqm. These price escalations were due to the significant increase in unit take-up and project launches over the past year.

Average condominium prices in Taguig City also declined at 4.3% annually. The decline is driven by the minimal movements of the residential market in BGC and its nearby areas. Developers remained hesitant to any price movements as they await more activity in the market.

Quezon City displayed a significant movement in its selling prices during the period as the average value declined by 7.6% at PHP 139,932.37 per sqm from its value in the preceding year. This contraction was attributed to recent introductions of new inventory in less prime areas that pulled down its average prices. Nevertheless, an improvement in the projects' sales velocities was observed as these attracted buyers due to prospects of capital appreciation, further stimulated by upcoming infrastructures.

Alabang recorded the highest decline in the annual growth rate during the period at 17.2%. Average selling prices in the area further dipped to PHP 162,723.89 per sqm. The growing number of mid-market projects in the fringe areas have weighed down on the average prices of the area.

Figure 5. Average Price Ranges per Metro Manila CBD (PHP/SQM)



Source: Santos Knight Frank Research

Residential Market Outlook

The movement of the residential market will be reliant on the intensity of the quarantine protocols in the coming months. The implementation of General Community Quarantine (GCQ) in May due to the decline of COVID-19 cases showed marginal improvements in the sector. Consistency on this status may elicit a positive trend in the residential market in the coming months. On the other hand, overall recovery will still bank on the prospects of herd immunity resulting from improved vaccine rollouts in the country.

Developers will remain bullish in lining up their projects while restrictions in Metro Manila are still lenient. Condominium stock is anticipated to increase as more developers revert to their pre-pandemic project pipeline. Moreover, new condominiums are still seen to proliferate in the fringes due to more affordable land values.

Property buyers are still expected to take advantage of the flexible terms of the developers for potential capital gains. Real estate investments are ideal for highly liquid individuals to gain additional streams of income. Demand may also be affected by the prospects of economic improvement if the quarantine status in Metro Manila persists in the coming months.

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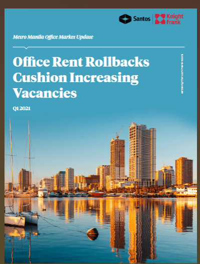

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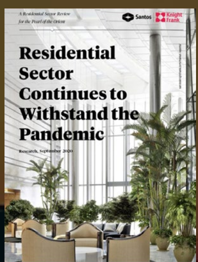

Residential Sector Continues to...

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