Metro Manila Residential Market Insights

Stronger Restrictions Halted The Upbeat Momentum Of Metro Manila Residential Market

Q3 2021

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General Overview

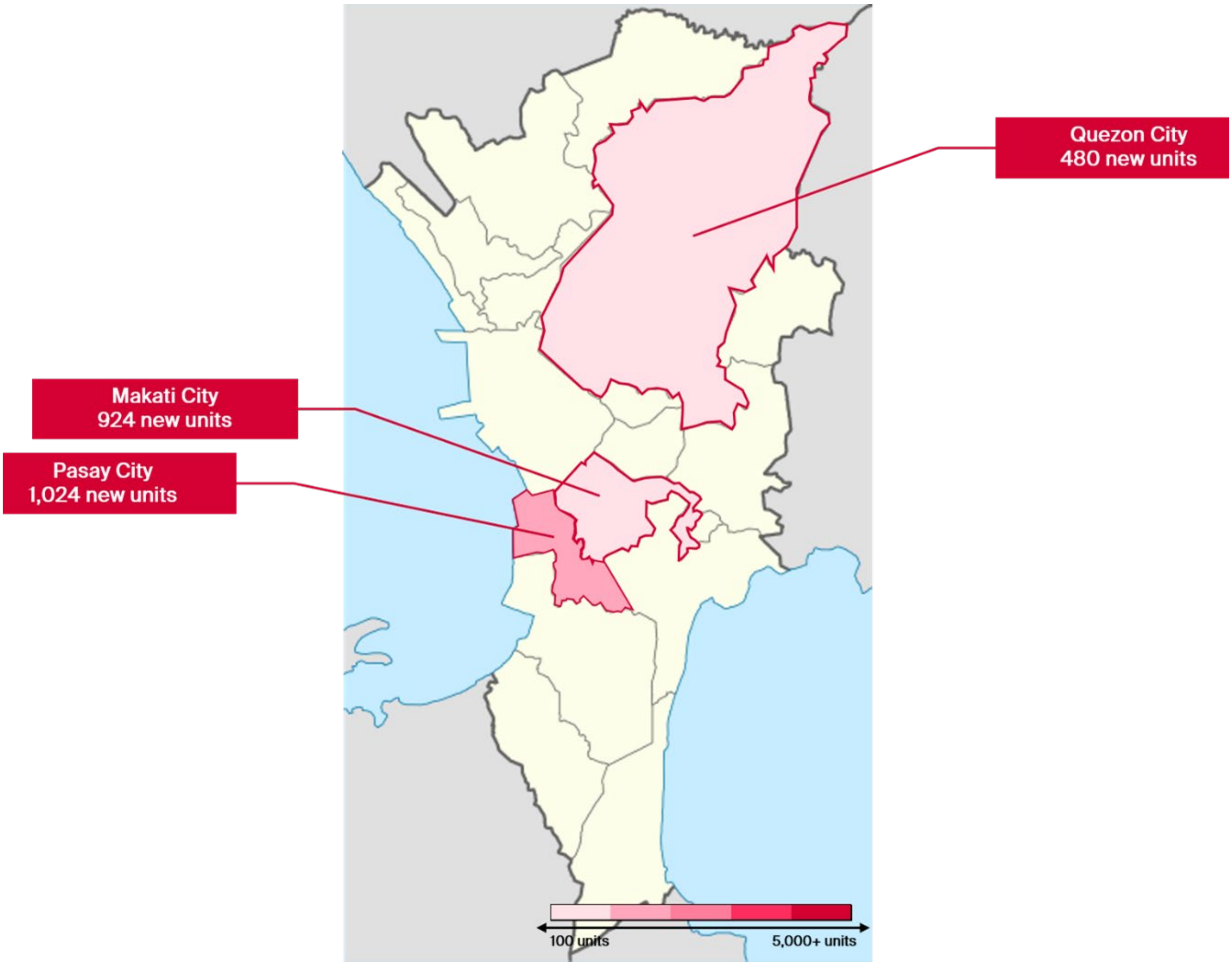
The Metro Manila residential market turned bearish brought about by the volatility of quarantine status in Q3 2021. The positive momentum from the previous quarter was hampered by the implementation of tightened restrictions starting in August. Property buyers reverted to being cautious as market recovery again becomes clouded amidst the surging cases of the COVID-19 Delta variant.

Residential Supply

Property developers remained bullish and continued introducing new projects amidst stricter restrictions as they push through with their project timelines for the year. The local residential market grew by 2,428 units in Q3 2021 with newly completed projects in the cities of Pasay, Mandaluyong, Makati, and Quezon City, pushing the total condominium stock to 315,991 units.

The growth of the residential market was brought about by the improving business climate and improving macroeconomic factors of the country in the past quarters. This was led by the country's major players such as SMDC, Avida Land, and Rockwell Land. Avida Land was observed to be the most aggressive with two new projects – Avida Towers: Makati Southpoint – Tower 2 (Makati City) and Avida Patio Madrigal (Pasay City). Similarly, Rockwell Land bolstered their residential inventory in Quezon City by launching the final tower of their pocket development in Katipunan, The Arton – East Tower. Lastly, SMDC further strengthened its inventory in the Bay Area as it launched the Ice Tower. The said project is reintroducing SOHO unit types in the market, in a bid to tap specialized unit buyers. This would offer an alternative investment while not directly competing with their current marketing projects in the area.

Figure 1. Metro Manila New Supply Concentration

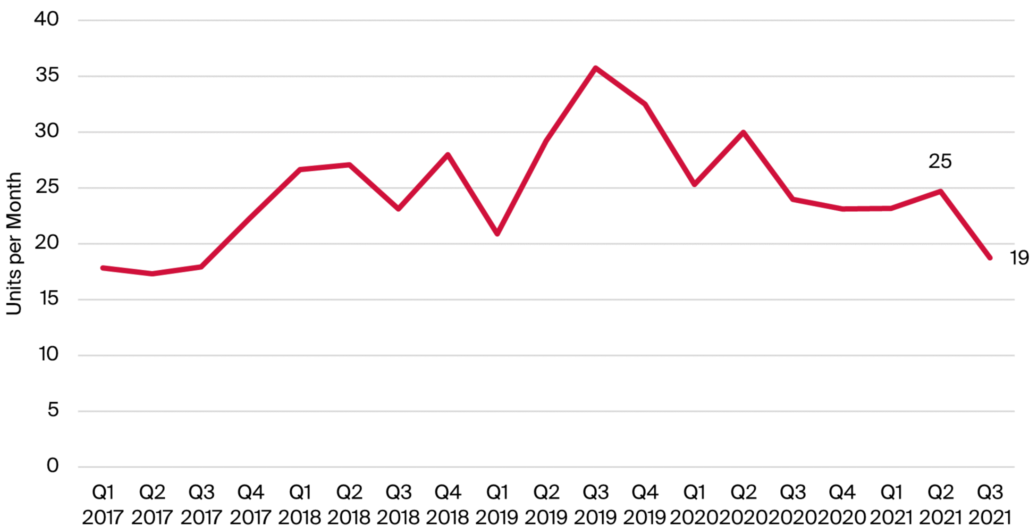


Source: Santos Knight Frank Research

Residential Demand

The recent project launches did not translate to faster sales as the local market faced cancellations and backouts. Average unit take-up per project in Q3 2021 was recorded at 19 units per month- slowing down from the previously recorded 24 units per month. The upbeat sales momentum in the first half of the year was abruptly halted by tightening government restrictions and the surging COVID-19 cases. Considering the new project launches and slower sales, the total net absorption in Metro Manila decreased to 91.7% as of Q3 2021.

Figure 2. Historical Metro Manila Residential Monthly Take-up



Source: Santos Knight Frank Research

The Bay Area residential demand rapidly slowed down in Q3 2021 due to the lingering effects of the fallout in the gaming industry. The average take-up of projects in the area rapidly declined to 29 units per month from 40 units per month recorded in the previous quarter. The ongoing POGO exodus caused by tax legislations translated into reopened units and buyer back-outs. In line with this, total absorption in the Bay Area went down to 88.8% during the period.

Makati City's average sales velocity went down to 27 units per month in Q3 2021, due to a decline in sales volume by numerous projects in the area. Overall demand in the city was still weighed down by the remote work arrangements and recent government policies governing BPOs and POGOs. Notably, market activity is more evident within the fringes, stimulated by new projects such as Mint Residences and Avida Towers: Makati Southpoint 2.

From an upbeat demand recorded in the first half of 2021, market demand in Ortigas abruptly declined to 22 units per month per project. Similar to Makati City, the drop in average monthly take-up was driven by the reimposition of tighter quarantine restrictions and the declining working population, causing backouts in Q3 2021. Total absorption in the area also dropped to 87.8%, resulting from the consistent influx of new projects in the area over the past year.

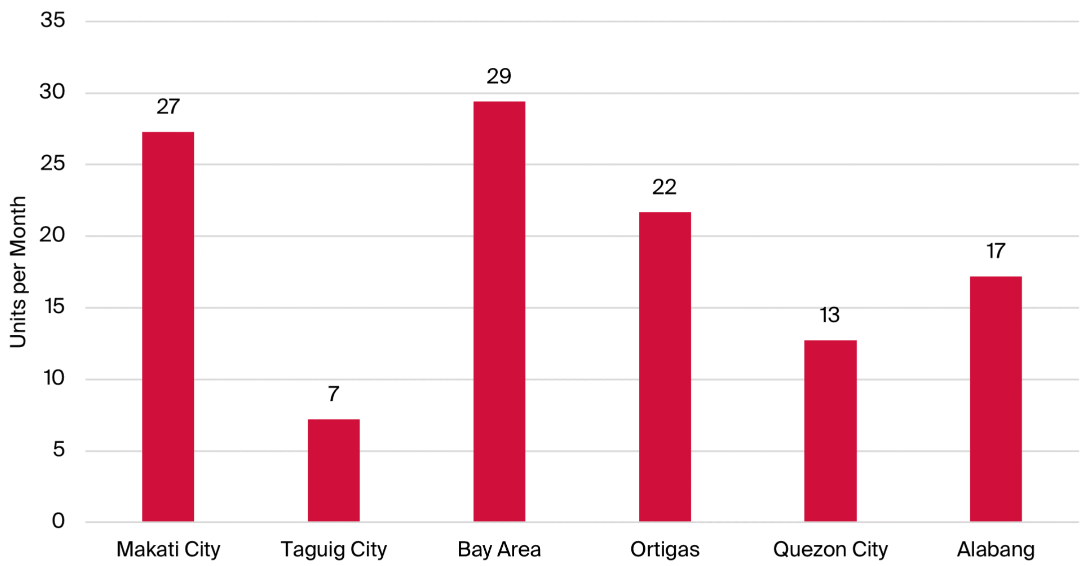
Massive purchase cancellations also occurred in Alabang as sales velocity slowed down to 17 units per month from 25 units per month in Q2 2021. Contrary to other areas, market movement in the area was more evident within the CBD. Smaller unit types became more attractive to property buyers in prospects of capital appreciation in the coming years due to upcoming developments and infrastructures.

The average take-up in Quezon City fell to 13 units per month in Q3 2021, from the previously recorded 16 units per month in the preceding period. The demand decline in the area was more evident among the affordable and mid-market project as its target market in the lower-income segments are more sensitive to the adverse effects of tighter restrictions in Metro Manila. Numerous buyers were prompted to reallocate their funds to safeguard themselves from the uncertainties brought about by the stringent quarantine status.

Residential demand in Taguig City dropped to 7 units per month per project. The dip in the demand was attributed to property buyers reconsidering their options to purchase. With most of the developments concentrated in the upscale market of Fort Bonifacio, potential buyers, who are mainly affluent individuals, are carefully rethinking the practicality of acquiring such a unit at this time. Likewise, the absorption of property investors diminished due to a lower workforce population. Moreover, minimal movements were also seen due to the stagnant residential supply, as the local market consists of older inventory in the high-end and luxury markets. Despite these considerations, the residential market of Taguig City is the most absorbed in Metro Manila as 96.5% of its floated inventory has already been sold.

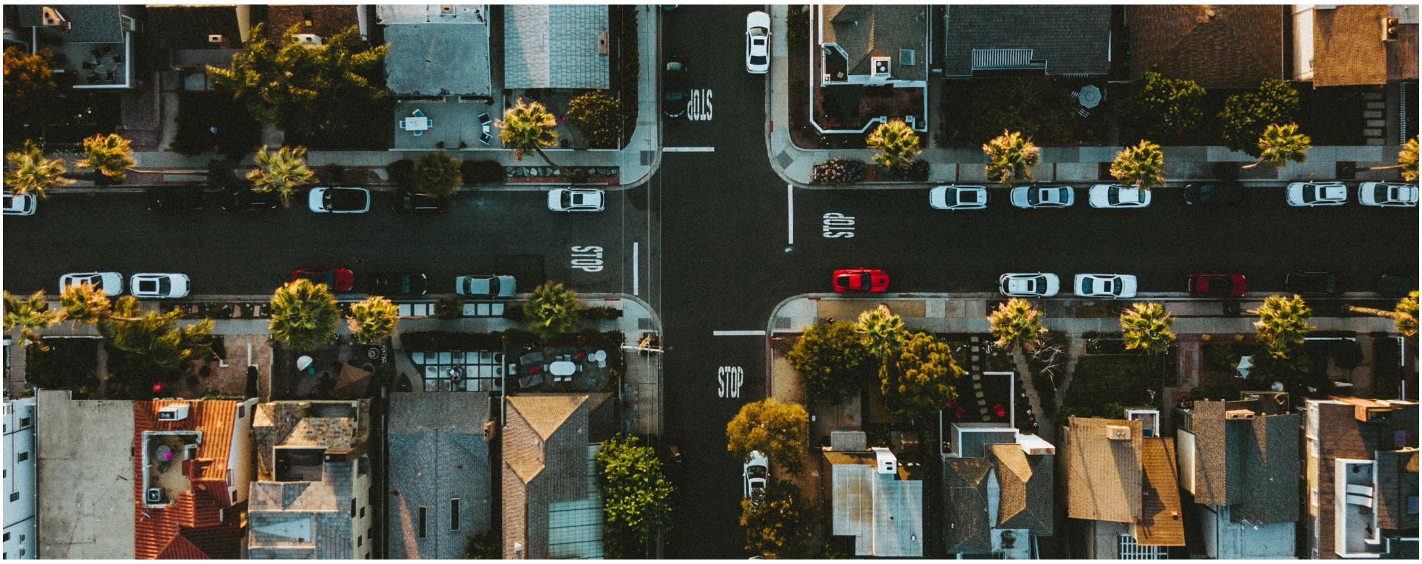
In terms of demand per market classification, affordable and high-end condominiums posted the highest net absorption in Metro Manila at 94%. New projects under these categories have been scant in the recent quarters due to decreasing demand in both markets. Sales velocity for the affordable segment was weighed down by the limited number of options. Meanwhile, the overall absorption of mid-market projects fell to 90.5% during the period due to the constant introduction of new projects in the market over the past year.

Figure 3. Unit Take-up Rates per Metro Manila CBD



Source: Santos Knight Frank Research

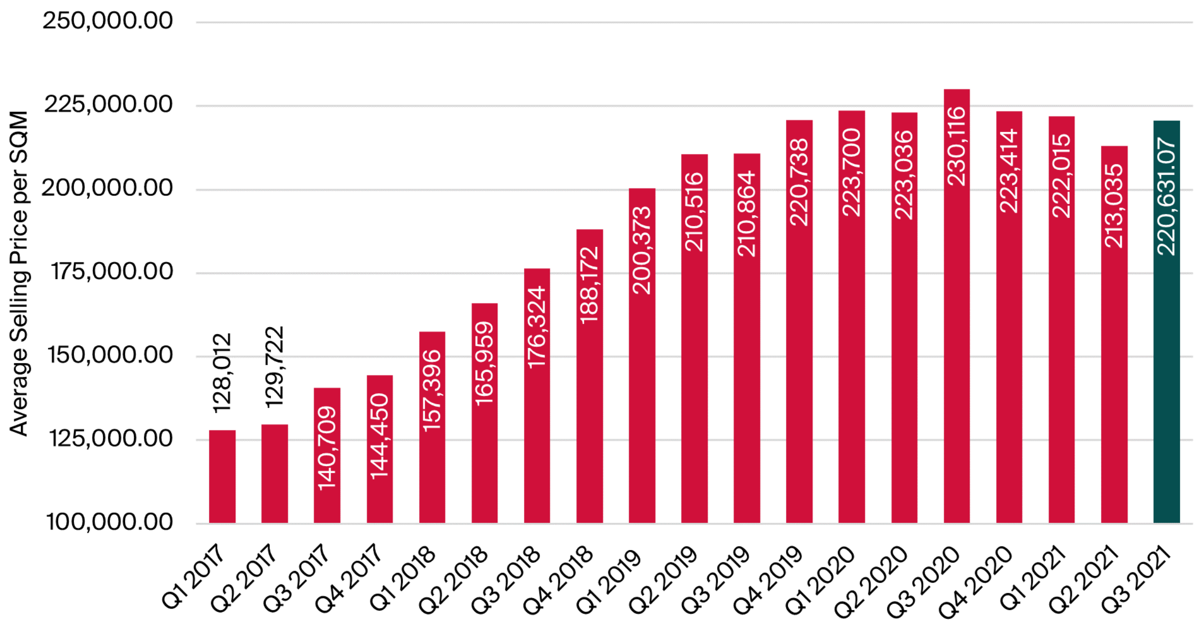
Projects in the mid-market classification remained to be the most marketable in Metro Manila with average unit take-up of 26 units per month. However, sales velocity in this segment drastically declined from 36 units per month due to the introduction of new supply coupled with the increasing buyer back-outs.



Residential Selling Prices

All major business districts in Metro Manila registered a quarterly increase in prices in Q3 2021, but are yet to revert to their pre-pandemic prices. The average selling price in Metro Manila was posted at PHP 220,631.07 per sqm. Numerous property developers implemented price increases over the quarter due to the improved market activity in Q2 2021, thus, condominium prices showed an improvement on a quarterly basis at 3.6%.

Figure 4. Historical Average Selling Prices in Metro Manila



Source: Santos Knight Frank Research

Bay Area still commanded the highest average price for current marketing projects at PHP 281,185.27 per sqm. Capital appreciation occurred following the demand surge recorded in the preceding quarter as local buyers absorbed the units vacated by the POGOs. Specifically, selling prices in Bay Area grew by 5.7% q-o-q, as major players in the area implemented price hikes due to expectations that upbeat demand will carry over in Q3 2021.

Makati City's selling prices grew by 2.1% q-o-q to PHP 266,455.19 per sqm. This was driven by newer projects with above-average prices, and demand improvements from the previous quarter. Projects under SMDC and Avida Land led the price escalations at 11% to 13%, respectively, as Air Residences (SMDC), Mint Residences (SMDC), and Makati Southpoint (Avida).

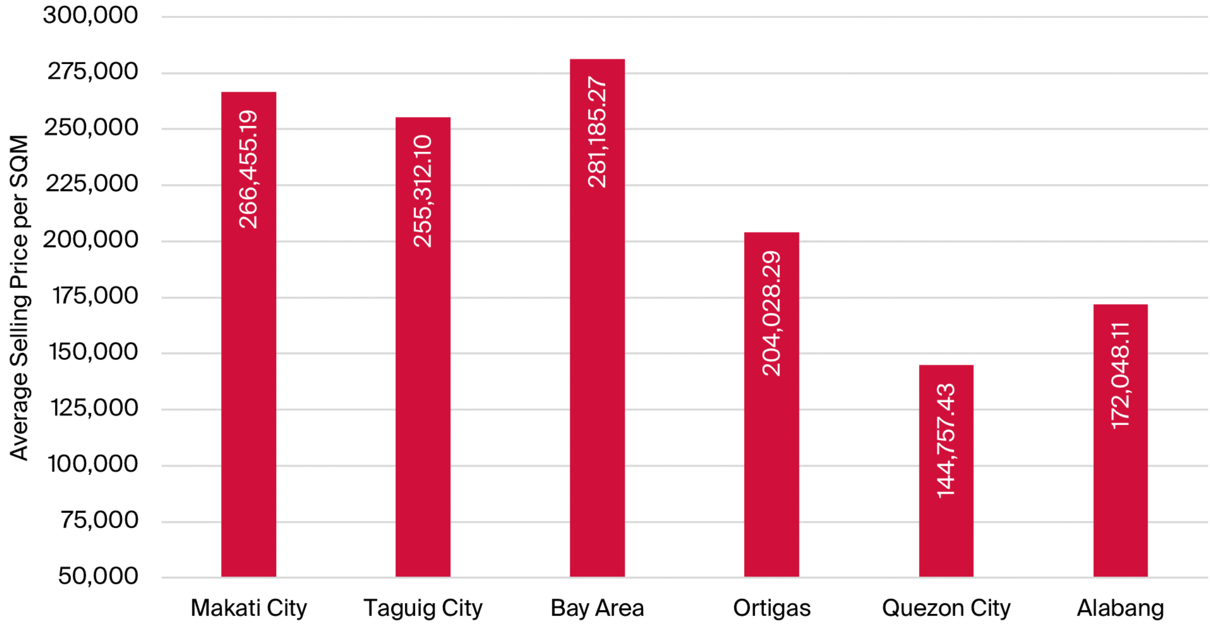
Average prices of projects in Taguig City moved sidewards with a minimal increase of 1.1% q-o-q to PHP 255,312.10 per sqm. The marginal increase occurred amidst the slower take-up in the area. The residential market in Taguig is moving at a slower pace as both property buyers and developers remain speculative for increased market activity in the area.

Progressive market activity was observed in Ortigas over the past year, resulting in an annual and quarterly price increase of 2.8% and 4.1%, respectively. Average selling prices of projects in the area as of Q3 2021 increased to PHP 204,028.29 per sqm as it was stimulated by price hikes from the steady take-up exhibited in newer projects.

Average selling prices in Alabang appreciated by 5.7% q-o-q to PHP 172,048.11 per sqm. Notable projects that conducted price hikes due to rapid sales in the preceding quarter are South Residences 1 and 2 (SMDC), Cerca Alabang (Alveo), and Studio N (Filinvest).

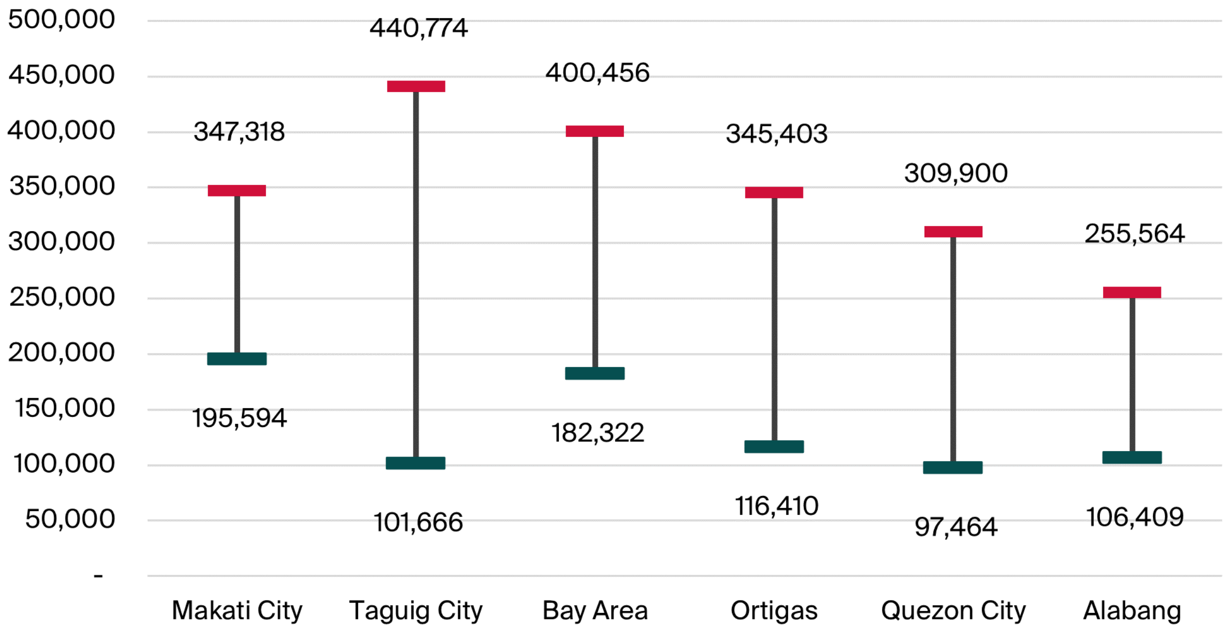
Quezon City also witnessed quarterly growth in its average selling prices, inching up by 3.5% in Q3 2021 to PHP 144,757.43 per sqm, the cheapest in Metro Manila. Projects in different pocket developments of Quezon City, particularly in Fairview and Novaliches area, gained traction in the recent months, resulting in the general appreciation of prices in the area.

Figure 5. Average Selling Prices per CBD



Source: Santos Knight Frank Research

Figure 6. Selling Price Range per CBD



Source: Santos Knight Frank Research

Residential Outlook

Amidst the decline in demand during the period, marginal recovery is anticipated for Metro Manila by Q4 2021 to Q1 2022, as quarantine restrictions are eased and consumption activity heightens from the holiday season. The increased efforts of the National Government in addressing the COVID-19 pandemic are also seen to bolster the sector in the coming months. Property buyers are still expected to take advantage of the flexible payment terms promoted by developers.

Developers and property buyers are also seen to focus on new growth areas of Metro Manila. The increased interest of property buyers for projects in the fringes became more evident during the pandemic due to competitive prices and flexibility of terms. As such, more developers are anticipated to expand in these areas, coupled with its cheaper land values. Moreover, improved connectivity in Metro Manila due to the "Build Build Build" initiative of the national government is seen to be beneficial for the local residential market. Developers are already seen to be aligning their projects along with the infrastructure pipeline as they speculate on its future demand.

The absorption of residential units will also be driven by the gradual return to the workplace, especially within the established CBDs of Metro Manila. The foreseen decline of COVID-19 cases may indicate that businesses will gradually go back to normal operations. The limitation of public transportation and worsening traffic conditions may indicate the increased need of workers for residences near their workplace that may boost demand for condominiums in business districts.

The COVID-19 pandemic has also affected the preferences of property buyers, as they look for developments with more open spaces and less congestion. Developers must align the design of their future projects in the pipeline to be more resilient with the addition of 'greener' open spaces and efficient air filtration that will help in the health and safety of its residents.

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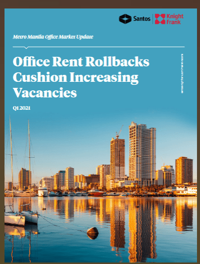

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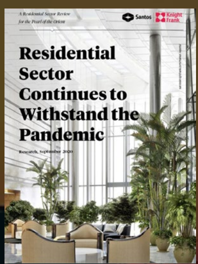

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