Metro Manila Residential Market Insights

Cautious Optimism

The state of the residential market amidst externalities

Q1 2022

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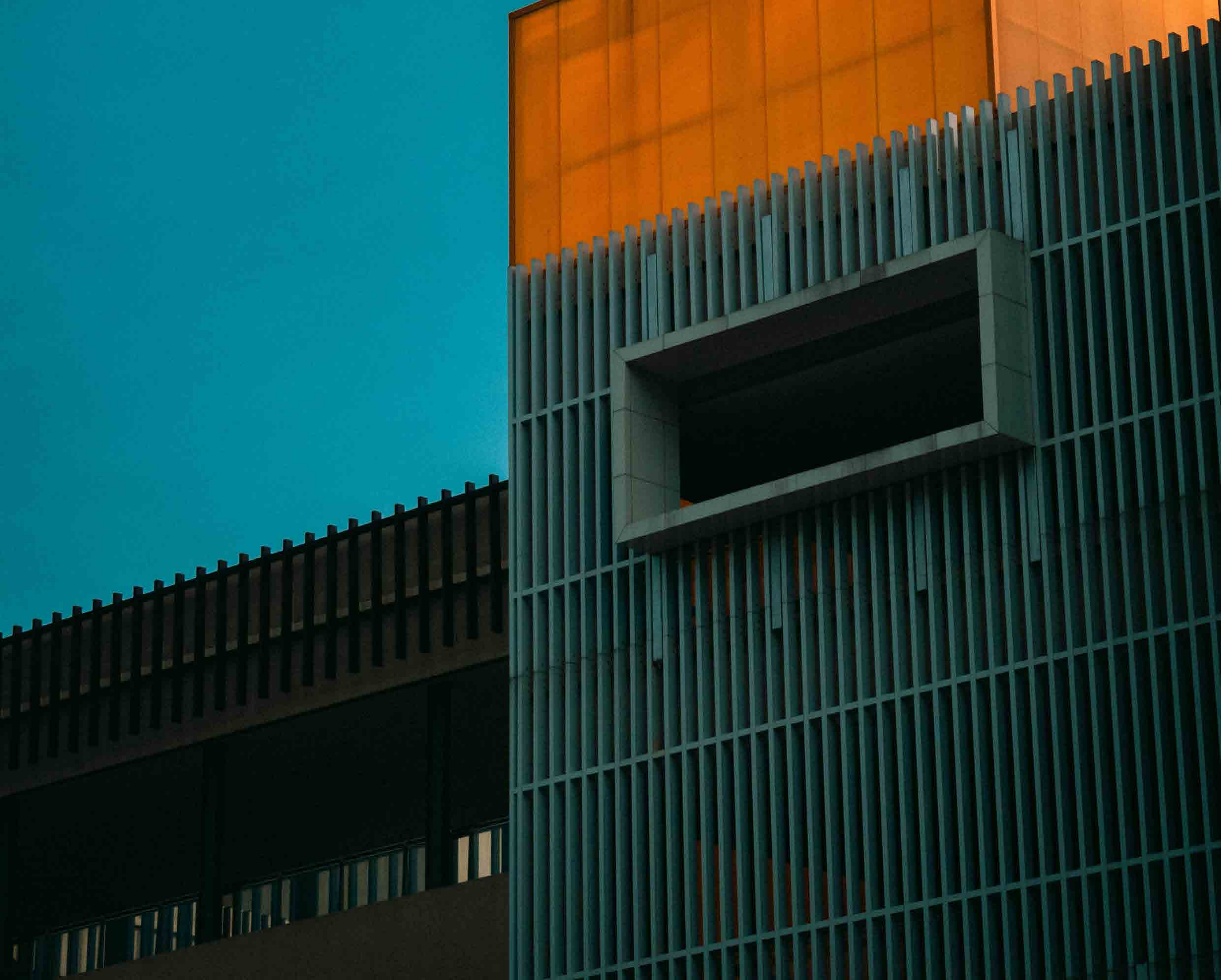


General Overview

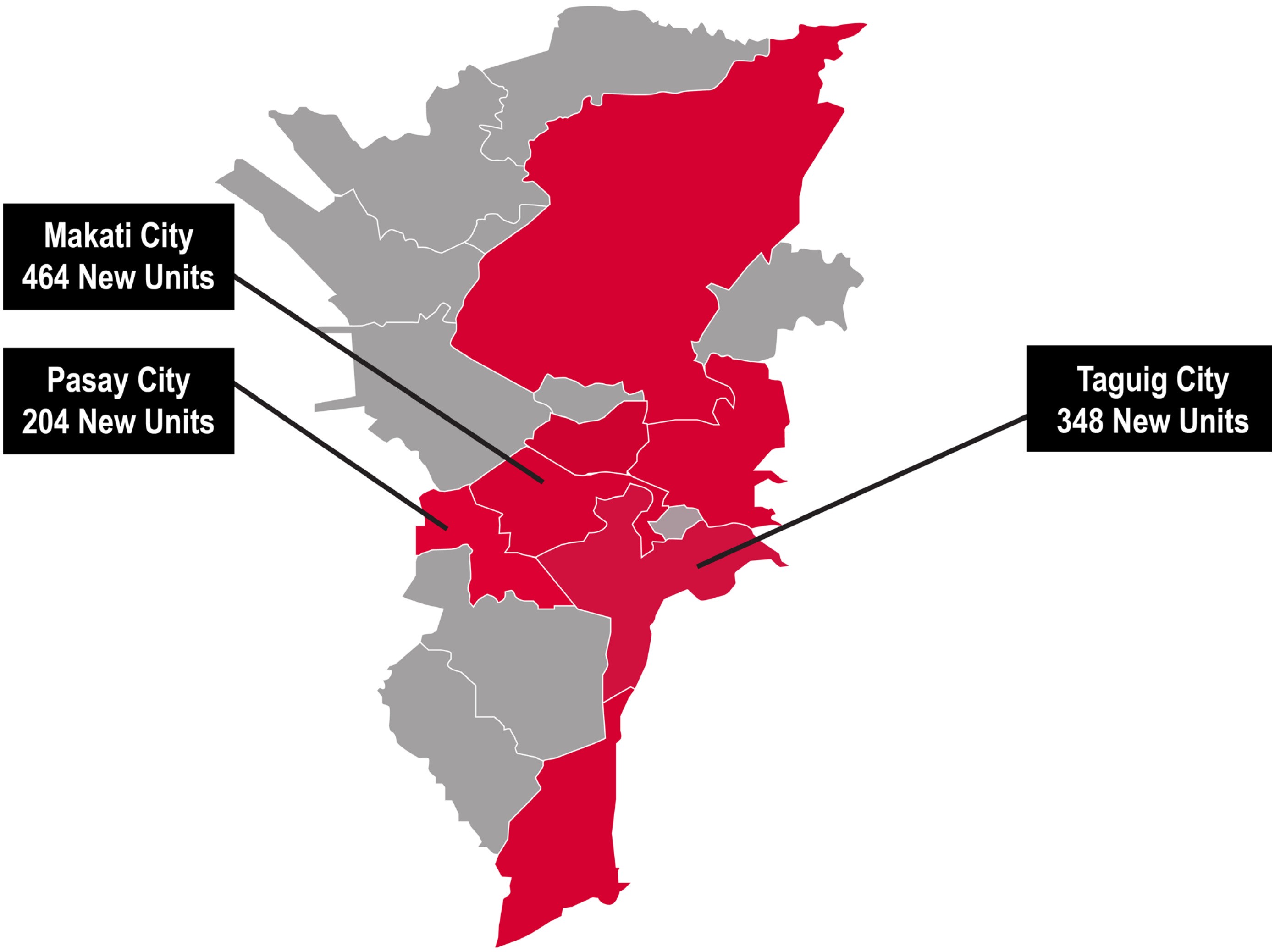
The Metro Manila residential market remains on a steady path as restrictions eased and more get vaccinated in Q1 2022. The market this quarter may have been challenged by the corona virus wave, but there are signs that property buyers and developers are banking on the resiliency of the residential sector as the slowdown of the market is waning, average selling prices are growing, and supply inches slightly upward. Given the sideways growth and the lower take-up rate however, it can also be said that property buyers may continue to be cautious as markets and the overall economy recover and as the government enters a transition period.

Residential Supply

As signs of economic and social recovery become clearer, several new projects were introduced to the market this quarter. The local residential market grew by 1,016 units in Q1 2022 with the new projects coming from the cities and business districts of Makati, Parañaque, and Taguig. This pushes the total condominium stock of Metro Manila to close to 317,839 units.

This growth may be attributed not only to the easing of restrictions, but to the improving business climate as a result. This was mostly led by some of the country's major developers such as DMCI Homes, Alveo Land, and Aseana Residential Holdings. DMCI Homes continues to add to its already extensive residential inventory with the launch of their fourth tower in the Alder Residences development in Taguig, Alder Residences – Sylvan. Similarly, Alveo Land reinforced its supply in Makati with the launch of their newest high-end offering, Astela Tower at Circuit Makati. Lastly, Aseana Residential Holdings continues to strengthen its position in the market with its fourth and last tower in their Bay Area development, Midpark Tower 4 – Malden.

Figure 1. Metro Manila New Supply Concentration

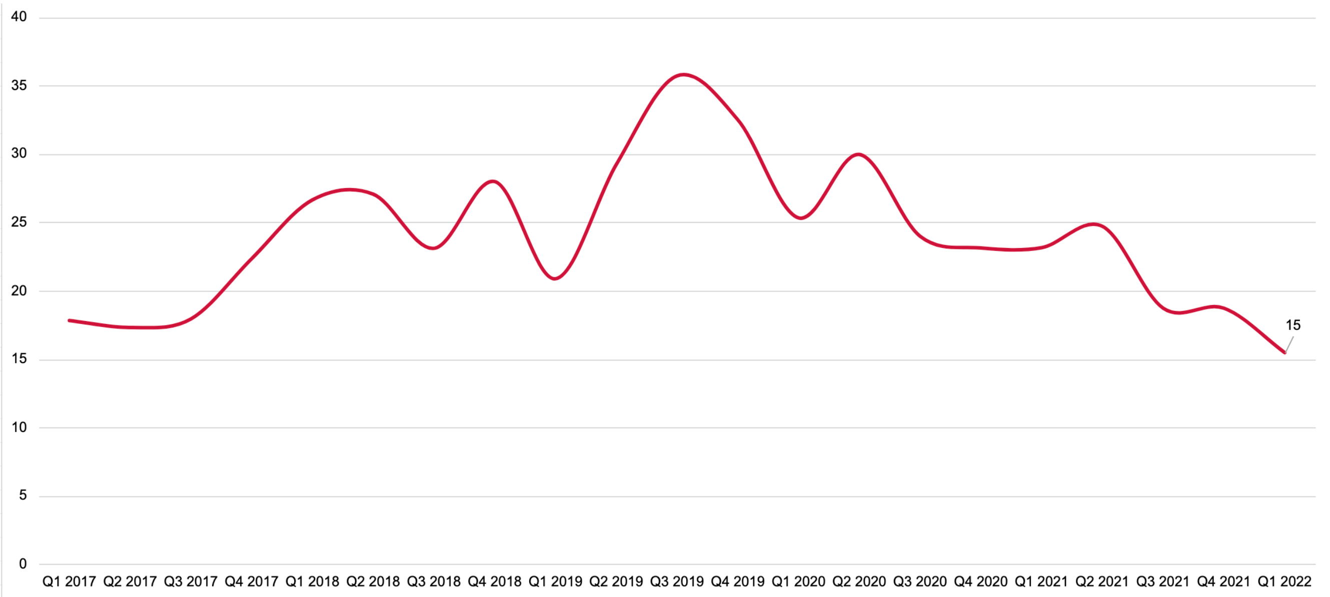


Source: Santos Knight Frank Research

Residential Demand

The recent project launches however, did not convert to faster sales in the local market as it faced a number of backouts and cancellations. The average unit take-up per project in Q1 2022 was noted at 15 units per month slowing down from the previously recorded 19 units per month. The downturn in sales reflects the still cautious approach of prospective buyers and investors. It also reflects the transition period of the economy and the government as we not only have a new administration, but also as we continue to move forward to the "new normal."

Figure 2. Historical Metro Manila Residential Take-up



Source: Santos Knight Frank Research

The Bay Area residential demand further slowed down in Q1 2022, this is likely due to the exodus of the gaming industry during the pandemic. The average take-up in the district this quarter fell to 23 units per month from 29 units per month recorded last quarter. As offshore gaming operators continue to leave, fueled by recent government policies, residential demand in the Bay Area will likely have a longer recovery period. A sign of this can be seen in the total absorption in the Bay Area for the quarter as it went down to 87.5% from the previous 88.8%.

Similar to the Bay Area, the residential demand in Makati City saw a slight downturn in Q1 2022. During the period, the average take-up in the district decreased to 24 units per month from 27 units per month recorded in the preceding quarter. The demand was further burdened by the enduring popularity of hybrid or work-from-home set-up and the departure of offshore gaming operators. Akin to the previous quarters, market activity can be seen along the fringes of the district as projects like Astella Tower are introduced. Currently, Makati has the highest absorption at 96.15%.

The slowdown in the residential market demand also stretched to Ortigas as its take-up rate sharply declined to 16 units per month from 22 units per month in Q4 2021. Similar to the previous two districts, Ortigas is still reeling from the effects of the pandemic as companies implement a work-from-home or hybrid set-up. However, total absorption in the area slightly increased to 88.9% from the previous 87.7%, as no new projects were launched during the period.

Purchase cancellations continue in Alabang as the average monthly take up rate slightly slowed down to 16 units per month from 17 units per month in Q4 2021. Of this, sales in the district fell to a narrow 5 units per month average from 12 units per month the previous quarter. Demand naturally fell as BPOs and other companies downsized their office spaces and retained a hybrid work set-up. However, Alabang remains a potential investment hub as mobility and connectivity to the district continuously improves.

During the quarter, Quezon City saw its average take-up rate fall to 10 units per month from 13 units per month in the previous quarter. There is a sense of caution among buyers with their spending given the uncertainties of the market as the country faces continued external challenges. A diversity of options across the segments still remain available in the district from which potential buyers can choose from when the market conditions improve.

Residential demand in Taguig City saw an improvement as the average monthly take-up rate increased to 12 units per month from 7 units per month during Q4 2021. The increase in demand may be associated with the loosening of restrictions and the steady return to pre-pandemic economic levels. Developments, mostly centered in Fort Bonifacio, tend to target affluent buyers. With both the economy and borders opening up, these buyers are seeing the potential of acquiring units to accommodate the possible influx of foreign and local investments. Market activity outside Fort Bonifacio increased with the launch of an additional tower in DMCI Home's Alder Residences. It can also be noted that even with the general downtrend of the market in Metro Manila, Taguig may prove to be a sign of the forthcoming recovery of the residential market and not merely an outlier. Net absorption slightly fell however, to 95.1% from the previous 96.4% as projects were introduced.

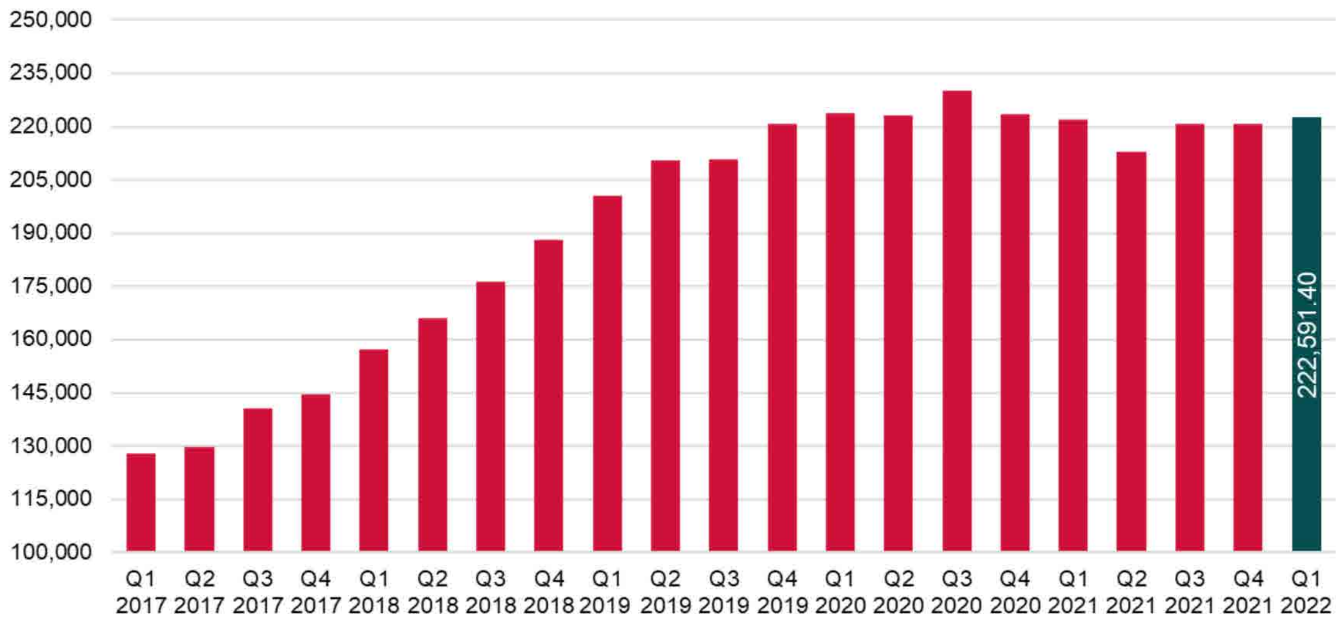
Looking at demand per market classification, high-end and affordable residential projects had a positive growth in net absorption. Both affordable and high-end condominiums continue to have the highest net absorption rate amongst the classifications with a recorded 95.7% of their floated inventory sold. This growth is in spite of the recently introduced high-end projects. Luxury and mid-end projects on the other hand remained relatively stable during the period.. Luxury condominiums were recorded to have 86.2% of floated units sold, from a previous 87.1%. Mid-end projects on the other hand stood at 89.8% from 90.4% the preceding quarter as a new project was introduced within the period.

While mid-end projects saw a decrease in growth, it is still the most popular segment in Metro Manila. The average take-up rate of mid-market projects was recorded at 21 units per month. However, this is lower than the previous quarter's recorded take-up rate at 26 units per month. The decline in take-up rate is seen to be the result of buyers still being cautious with spending, new supply being introduced, and the regular occurrence of cancellations and back-outs.

Residential Prices

Majority of the business districts in Metro Manila exhibited a quarterly increase in Q1 2022. The average selling prices in Metro Manila was recorded at PHP 222,591.40 per sqm, accelerating by 0.9% q-o-q and 0.3% y-o-y. The optimism in the market was supported by the further easing of restrictions and market stabilizing despite new virus mutations. Additionally, the introduction and re-opening of new supplies witnessed as business activities improved resulted in several property players increasing their prices over the quarter.

Figure 3. Historical Average Selling Price in Metro Manila



Source: Santos Knight Frank Research

The Bay Area exhibited the highest average price among other CBDs for current marketing project, which is recorded at PHP 286, 034.48 per sqm. Specifically, selling prices in Bay Area grew by 1.72% q-o-q, as several property players in the area were expecting an upbeat demand in the following quarters due to capital appreciation that occurred following the demand surge recorded in the preceding quarter as local buyers absorbed the units vacated by the POGOs.

Average selling prices of projects in Makati moved sidewards with a minimal increase of 0.5% q-o-q to PHP 267,929.37 per sqm. The marginal increase occurred amidst the slower take-up in the area. This was driven by the new projects that entered the market with above-average prices, namely Astella Tower by Avida Land.

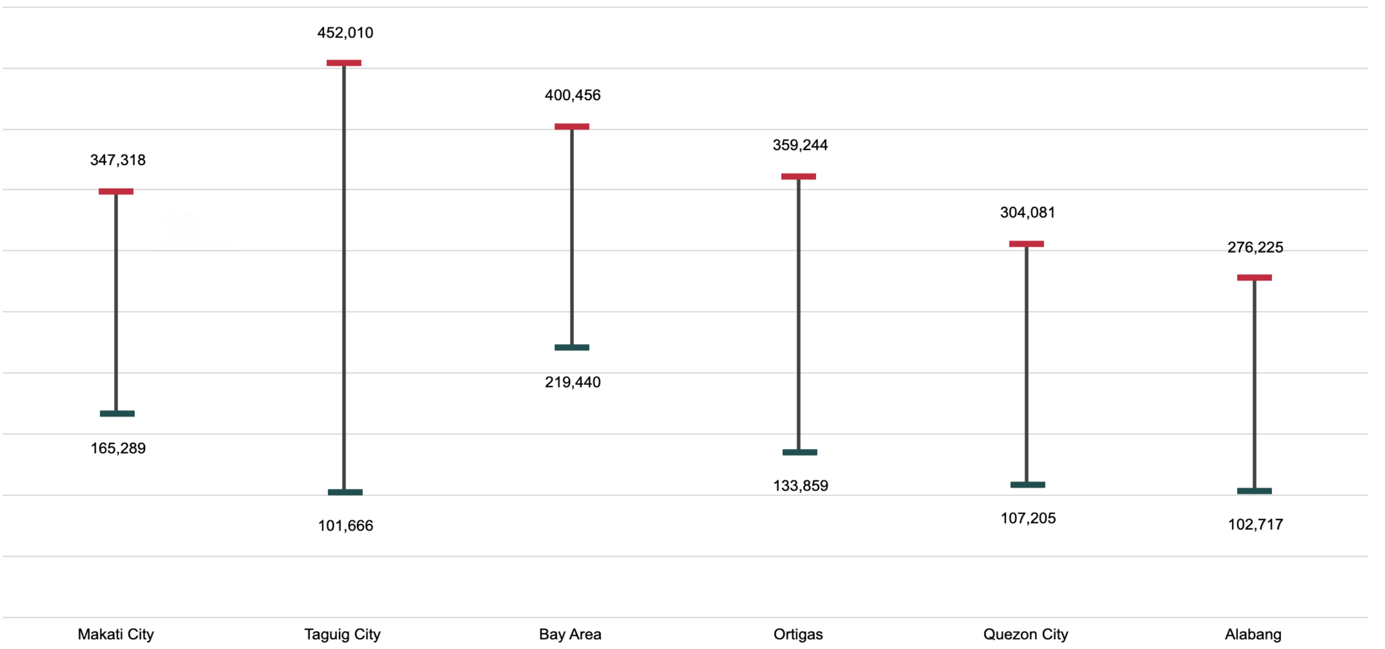
Taguig City exhibited a significant movement in its selling price over the quarter as the average value contracted by 1.8% at PHP 250,694.03 per sqm. This contraction was driven by the recent introduction of new inventory in the fringe areas that pulled down its average price. However, an improvement in the projects' sales velocities and average take up was observed in the area due to prospects of capital appreciation, further stimulated by upcoming infrastructures.

Average selling price of projects in Ortigas appreciated by 1.61% q-o-q to PHP 207,305.70 per sqm. This was attributed by the demand improvements from the previous quarter and increased in sales velocity within its projects in the prime area that pushed the selling price upward.

Despite being the lowest among other CBDs, price appreciation was also observed in Quezon City during the quarter. The average selling price recorded at PHP 146,347.40 per sqm, inching up by 1.1% on quarterly basis. Projects in the different vicinities of Quezon City, gained traction as business activities continue to improve and developers are still on the lookout for the completion of the on-going MRT-7 extension, particularly in Fairview area.

Alabang also witnessed quarterly growth in its average selling prices, increasing by 3.0% and 5.5% on quarterly and yearly basis, respectively. This price escalation in the area was mainly due to the significant unit take-up in its project within the fringe area and project launches over the past years.

Figure 4. Selling Price Range Per CBD



Source: Santos Knight Frank Research

Residential Market Outlook

Despite the decline during the quarter, the movement of the residential market in Metro Manila will be reliant not only on the gradual re-opening of economic activities but also due to government transition and the introduction of new infrastructure projects and low-density projects due to shifting preferences of consumers today. Property buyers are still anticipated to take advantage of the flexible payment terms being offered by the developers in the market.

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 increased efforts of the National Government in addressing the COVID-19 pandemic are also seen to bolster the sector in the coming months. Moreover, developers are also anticipated to remain optimistic in lining up their upcoming projects as 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 the COVID-19 pandemic has affected the preferences of property buyers, self-sustained places and locations begin to be more considerable and attractive with added open areas and green spaces. Residential projects offering these kinds of amenities will be more likely desirable to property buyers as health, wellness, safety, and convenience become the utmost priority of end consumers.

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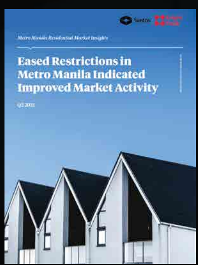

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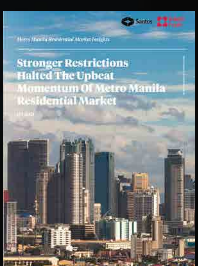

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