Metro Manila Residential Market Update

Recovering Growth: The Residential Sector Amidst Pandemic Headwinds

Q2 2022

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General Overview

The Metro Manila residential market maintained its consistency amidst pandemic headwinds and several challenges impacting both global and local economies in Q2 2022. Resiliency in the market can be seen as average selling prices have slightly gone up even with supply gradually increasing. Demand remained consistent in recent periods due to the effective marketing strategies employed by developers. Optimism in the residential market was also driven by the consistently easing health restrictions, coupled with labor market recovery, and continuous flow of overseas Filipino remittances over the past quarters.

Residential Supply

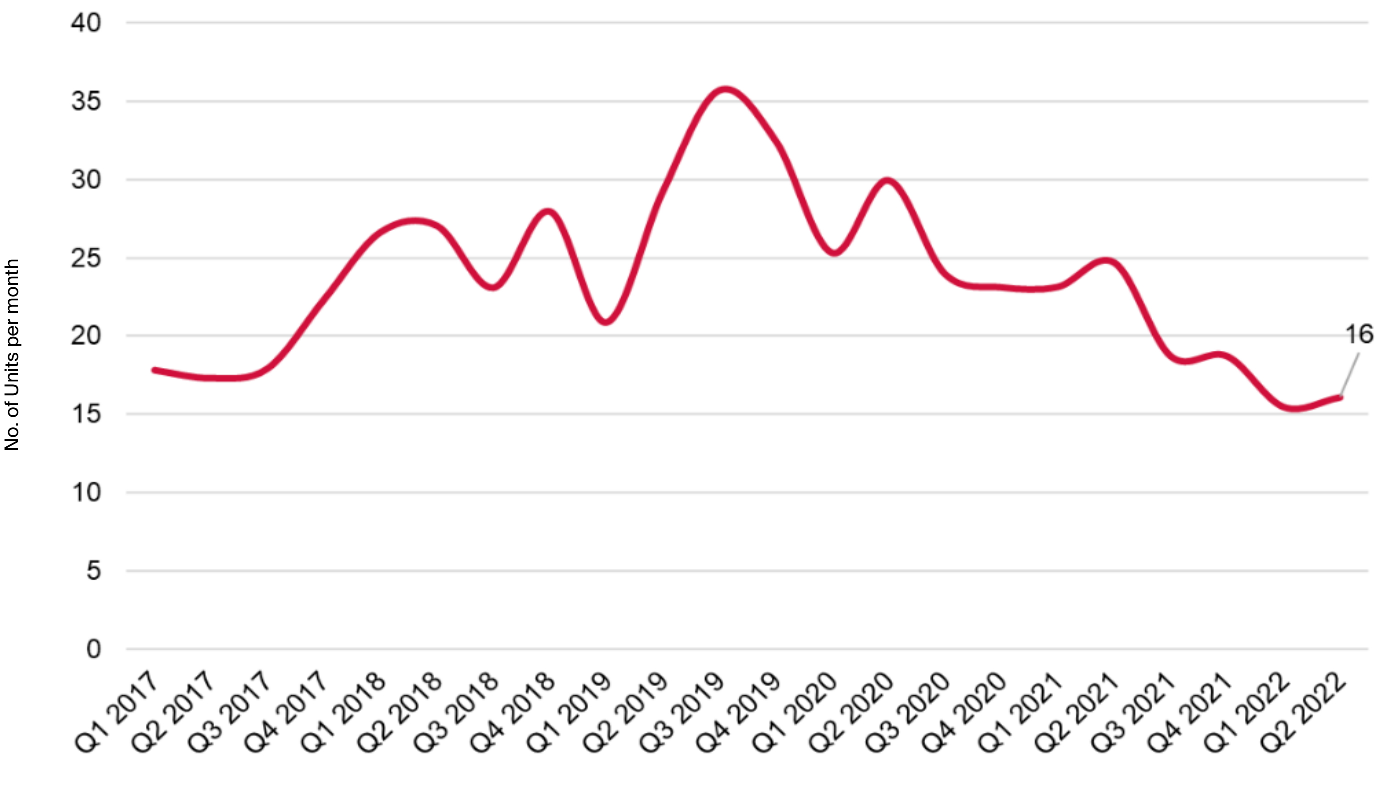
As businesses regain momentum, property developers continued introducing new projects in the market as they push through with their project timelines for the year. The local residential market witnessed a growth of 1,614 new units with completions mainly coming from DMCI Homes in Quezon City. DMCI Homes continued to add to its already extensive residential inventory with the launch of Erin Heights. This has brought the total stock in Metro Manila to 318,352 units in Q2 2022.

The growth of the residential market in Metro Manila can be mainly attributed to developers continuing to roll out more of their stalled projects from the onset of the pandemic. As the transition towards the pre-pandemic situation continues, renewed confidence has emerged from both developers and potential buyers. The increase in economic activity has provided the means for the operations of most businesses to continue and with it a steady income stream for both the business owners and their employees who are the potential buyers for these developments.

Residential Demand

The overall demand for local residential condominiums in Metro Manila marginally improved in Q2 2022, with an average unit take-up of 16 units per month, from 15 units per month in Q1 2O22. The gradual increase in take-up was attributed to the sustained efforts of various developers to market their projects with flexible payment terms and promos during the pandemic. Given the sideways growth, property buyers remain reluctant as market was still adjusting as the government enters a transition period. Consequently, overall stock in Metro Manila was recorded to be 91% sold.

Figure 1. Historical Metro Manila Condominium Take-up



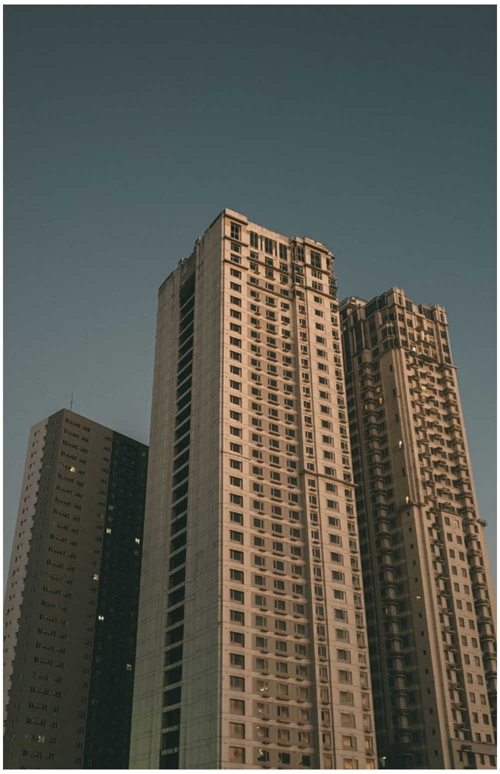
Source: Santos Knight Frank Research

Bay Area

Bay Area residential demand rapidly slowed down in Q2 2022 as it struggles to recover from the effects of the POGO exodus. The average take-up of residential projects in the area gradually declined to 21 units per month from 23 units per month, recorded in the preceding quarter. In line with this, total absorption in the Bay Area also went down to 86% during the quarter.

Makati

The demand in the most prominent district in country went down in Q2 2022. Makati City's average sales velocity was recorded at 21 units per month, from the previously reported 24 units per month in Q1 2022. The decline was mainly due to the diminishing number of units available for sale as no new projects have been launched in the district.



Ortigas Center

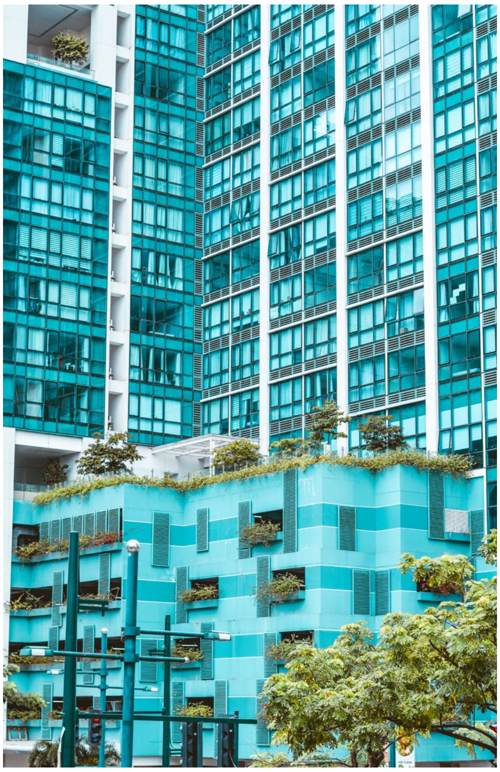
Demand in Ortigas marginally improved to 19 units per month, from the previously reported 16 units per month in Q2 2022. The total unit take-up in the district was propped up by the developments in the fringe area, particularly by Ortigas Land projects. In line with this, total absorption in the Ortigas also increased to 90% from the previous 88%, as there were no recorded new project launches in the district during the quarter.

Alabang

Alabang's average take-up slightly increased in Q2 2022 to 16 units per month compared to the 15 units per month take-up in Q1 2022. The district has experienced cancellations of buyers within Alabang CBD most likely due to buyers opting for the horizontal developments in the fringes. Aside from the projects on the fringes being competitively priced, the improved connectivity to the south has made a stronger case for the acquisition of house & lot units in the residential developments in these areas.

Quezon City

Quezon City recorded the highest demand among other CBDs in Metro Manila during the quarter. The average take-up in the district increased to 21 units per month from the 9 units per month in Q1 2022. Improvement in the condominium demand in the area was driven by the recent project launches, in particular the Erin Heights. The lower selling prices of units in this area compared to the other business districts in Metro Manila has been one of the major factors considered before purchasing. 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.



Taguig

Similar to the Makati CBD, take-up rate in Taguig City declined to 11 units per month from 12 units per month from Q1 2022. The slowdown in demand was due to decrease in the residential supply, as most of the choice units have already been sold. This pushed the absorption rate to 96% as no new projects were launched to replenish the supply during the period.

In terms of demand per market classification, affordable and high-end residential condominiums recorded the highest net absorption in Metro Manila. Both affordable and high-end condominiums had high absorption at 95% and 96% respectively of their floated inventory sold. New projects under these categories have been scant in the recent quarters due to decreasing demand in both markets.

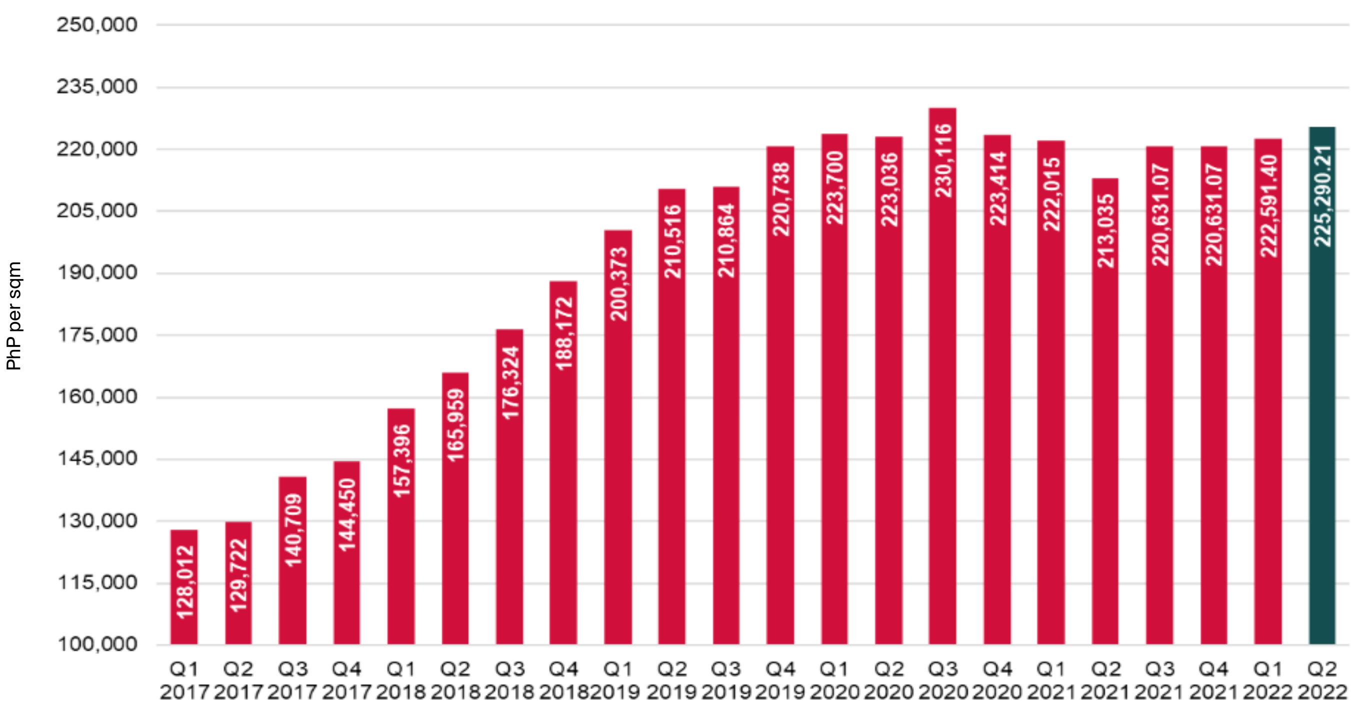
Absorption in the mid-level and luxury residential projects have slightly changed. The absorption in the mid-level projects was posted at 90% for Q2 2022, a slight increase from the 89% from the preceding quarter. Absorption for the luxury projects in Q2 2022 was recorded at 88% compared to the 86% from the preceding quarter.

Residential Selling Prices

The average selling prices of condominiums in Metro Manila's major business districts registered at PHP 225,290.21 per sqm in Q2 2022, increasing by 1.2% q-o-q and 5.8% y-o-y. The optimism in the residential market can be attributed to the renewed confidence as business activity continues to gradually improve in Metro Manila.

Prices in the emerging areas averaged at PHP 188,830.11 per sqm. These residential projects offer a large number of units that are quoted at a lower price to tap the middle and lower income segments.

Figure 2. Historical Average Selling Price in Metro Manila



Source: Santos Knight Frank Research

Bay Area

Average selling price of residential projects in the Bay Area dropped by 3.77% q-o-q to PHP 275,243.05 per sqm. The decline in selling prices was driven by the enactment of Republic Act: 11590 to regulate the gaming industry. This prompted POGO operators to shift their operations to other countries with more lenient tax restrictions, resulting to the loss of demand from POGOs. Consequently, several property players in the district are still expecting an upbeat demand in the following quarters following the demand surge recorded in the preceding quarter. Local buyers were reported to have acquired the units vacated by the POGOs.

Makati

Progressive market activity was observed in Makati during the quarter, resulting in an annual and quarterly price appreciation of 4.27% and 7.03%, respectively. The average selling prices of residential projects in the area was recorded at PHP 279,372.66 per sqm, the highest among other CBDs. The price escalation in the district was due to the new project launches over the past quarter.

Taguig

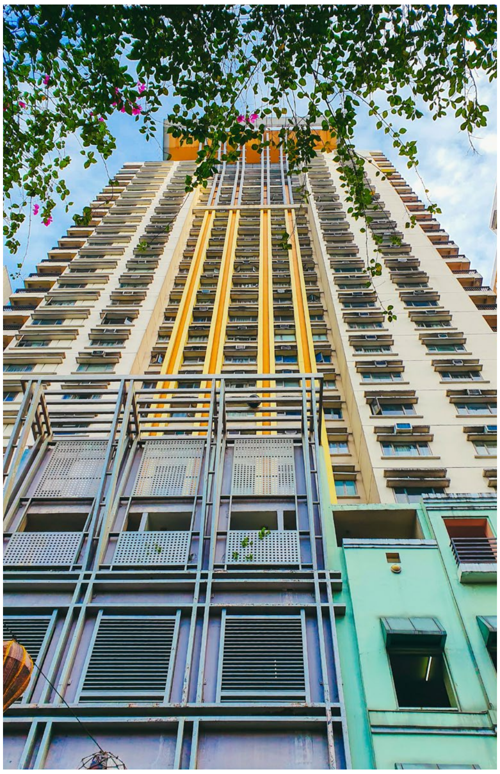
Average selling prices of projects in Taguig City had a minimal decrease of 0.30% q-o-q to PHP 249,943.49. The decline in prices occurred as the most expensively priced units in the luxury projects have been sold. This has narrowed the price gap between the highest and lowest priced units in the district. Variations in the selling price did not occur as no new supply has been introduced in the district.

Ortigas Center

Ortigas registered growth in its average selling prices, accelerating by 2.85% and 8.82% on a quarterly and yearly basis, respectively. This was mainly due to the increased in sales velocity within its projects in the prime area and the significant unit take-up in its project within the fringe area, resulting to price appreciation during the quarter.

Quezon City

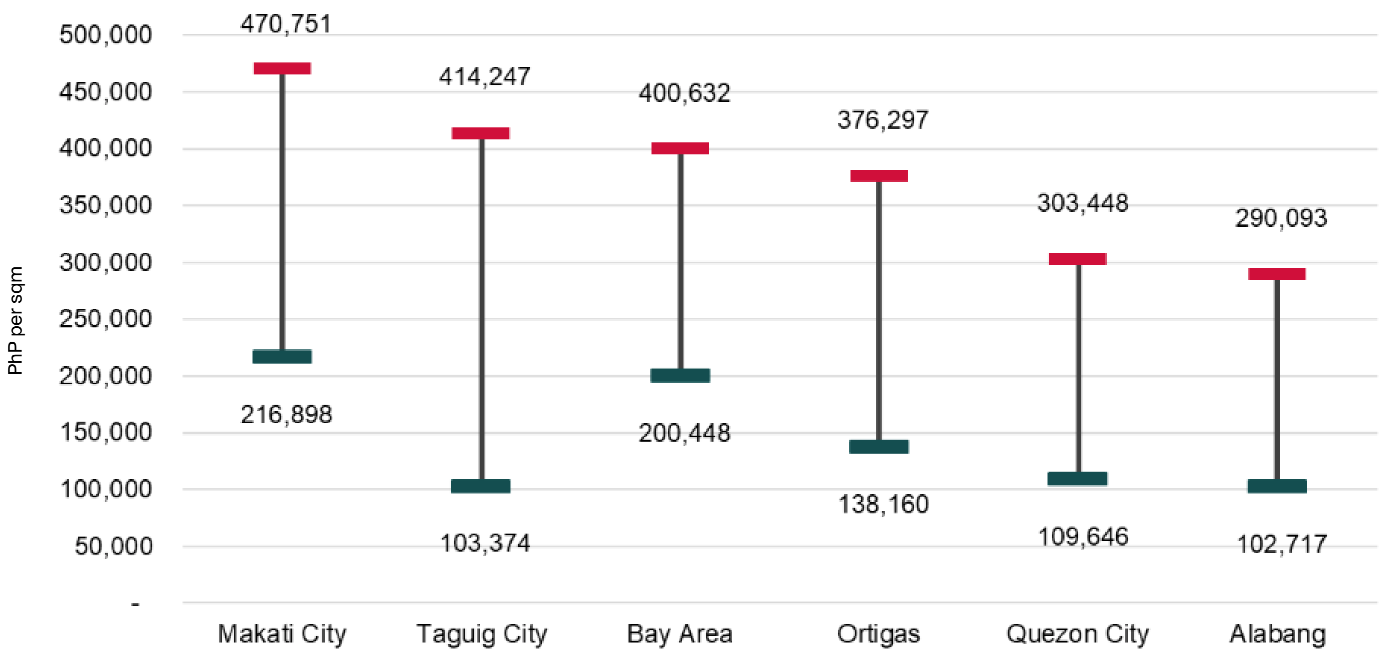
Quezon City displayed a significant movement in its selling prices during the period as the average selling prices was recorded at PHP 139,932.37 per sqm, resulting in an annual and quarterly price escalation of 4.60% and 9.40%. The marginal increase occurred amidst the slower take-up in the area for the past quarter. This was attributed by the new project that enter the market, namely Erin Heights by DMCI.



Alabang

Average selling prices in Alabang appreciated by 2.06% and 5.11% q-o-q. The growing number of mid-market projects in the fringe areas have pushed the average prices of the area. Also, price appreciated was due to the significant increase in unit take-up and project launches over the past year.

Figure 3. Selling Price Range per CBD



Source: Santos Knight Frank Research

Residential Supply

Recovery is still anticipated for the residential market in Metro Manila with the economy continually opening up as the pandemic has become more accepted as the current normal way of living. With this travel restrictions have been eased allowing more foreigners to come and visit either for work or leisure. This has allowed more visibility of the residential projects to these foreign guests to consider as potential investments.

Similarly, most countries have reopened their borders allowing more businesses to operate at a larger scale. This has also revived the deployment of OFWs to fill in the labor requirements of some of these businesses. This has resulted in a consistent improvement of cash remittance from OFWs by 2.5% on a yearly basis.

The OFW market continues to be one of the major drivers of residential sales. The increased deployment over the period could potentially result in increased residential sales.

Emerging trend on digital growth towards residential properties is expected to boost demand for the next quarters. Virtual tours have been conducted by various real estate players in marketing their respective residential projects. These virtual tours would make it more convenient to their prospective clients as they can inspect the units without having to go onsite. These virtual tours would likewise increase their reach and with it the prospects of closing a sale.

The continued easing of restrictions related to the pandemic will allow more project launches in the immediate future. Real estate may revisit some of their shelved planned developments or explore the prospects of doing new developments.

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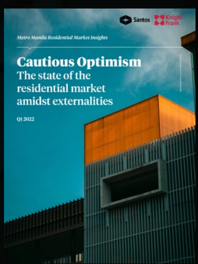

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