

*Metro Cebu Market Update*

# Real Estate Sector Review for the Queen City of the South

1H 2022





Being one of the most sought-after destinations, the Queen City of the South has significantly benefitted from the economic growth over the past several years. This has been primarily driven by the country's services sector coupled with OFW remittances and the massive influx of IT-BPO companies has both contributed to propelling the income and the purchasing power of the local populace.

As more local and foreign investment materializes, property values in emerging areas have further inched up. Bright prospects from real estate players were even evident as successive property and infrastructure projects were introduced in the market. Numerous office skyscrapers were constructed while sales take-up of residential properties remained stable. The rosy landscape persisted prior to the COVID-19 pandemic across all real estate segments.

Looking back, the real estate market of Cebu has been fazed by a series of challenges. A new wave of infections and prolonged quarantine protocols during the onset of the pandemic have weighed down on the faster recovery of the economy. Despite this, the resilient market adjusted and the revival of business activity was witnessed across the different property sectors.

Towards the beginning of the year, the number of COVID-19 cases substantially dwindled and restrictions were eased. Interests in office occupancy again become evident as companies started to return to the workplace. Simultaneously, residential property buyers have grown given the opportunity of flexible payment terms. Similarly, consumption and tourism activities have resumed in time for the holiday season.

## A Peek in the Office Sector of Metro Cebu

### General Overview

The Metropolitan Area of Cebu is a significant economic hub in the Philippines due to its diverse real estate portfolio, complemented by infrastructure developments. This made Metro Cebu an appealing location for developers and investors with planned expansions.

As ongoing office developments are expected to materialize by the end of the year, the Metro Cebu office market showed an improvement in demand with a recorded space take-up of 70,108 sqm in H1 2022. This pushed the vacancy levels down to 24.62%. In contrast, the weighted average lease rates in Cebu have decreased to PHP 603.95 per sqm per month to shed available supply in the market.

Metro Cebu remains to be an IT-BPO destination as they offer PEZA accredited buildings and has been an alternative site for BPO hubs aside from Metro Manila. Furthermore, Filinvest Land Inc. has two upcoming office buildings namely Filinvest Cyberzone Tower 3 and Filinvest Cyberzone Tower 4 in Cebu City to cater primarily to BPO companies. The two PEZA accredited buildings will add approximately 38,000 sqm of office space to the market.

Approximately 117,000 sqm of office space is anticipated to come online in Metro Cebu by the end of 2022. Apart from the major districts of CBP and CITP, there are upcoming commercial, mixed-use, and Grade A office developments in the cities of Mandaue and Lapu-Lapu. Moreover, developers continue to expand their footprint and build sustainable buildings as more than 405,000 sqm of office space will be turned over in the next 3 years.

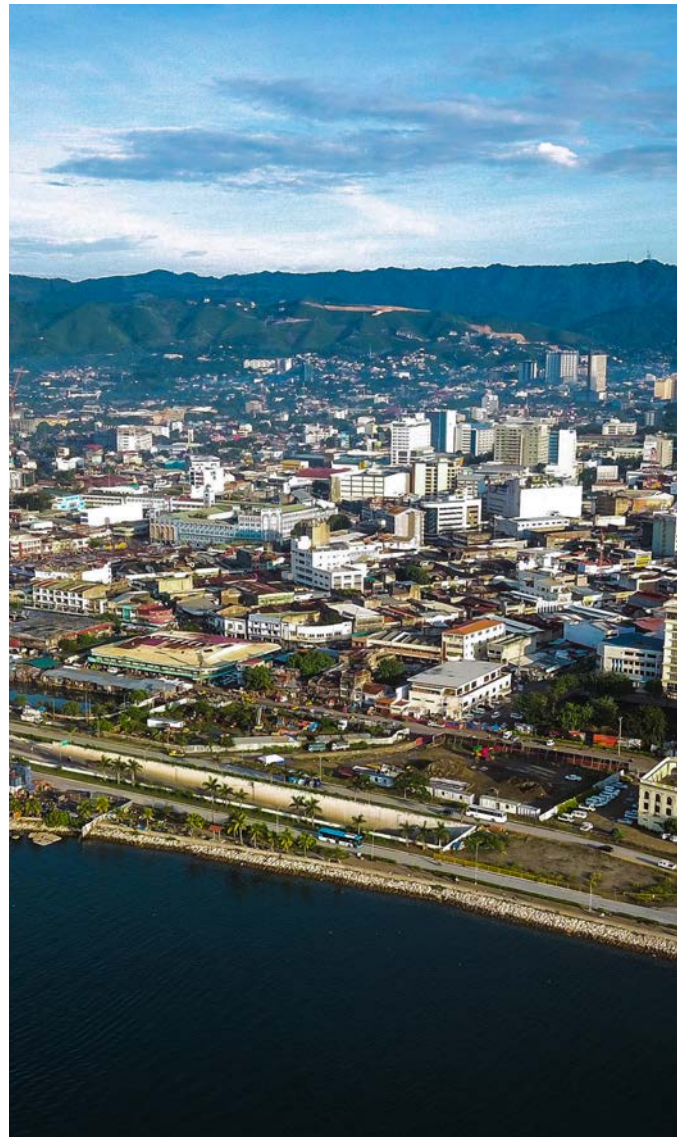
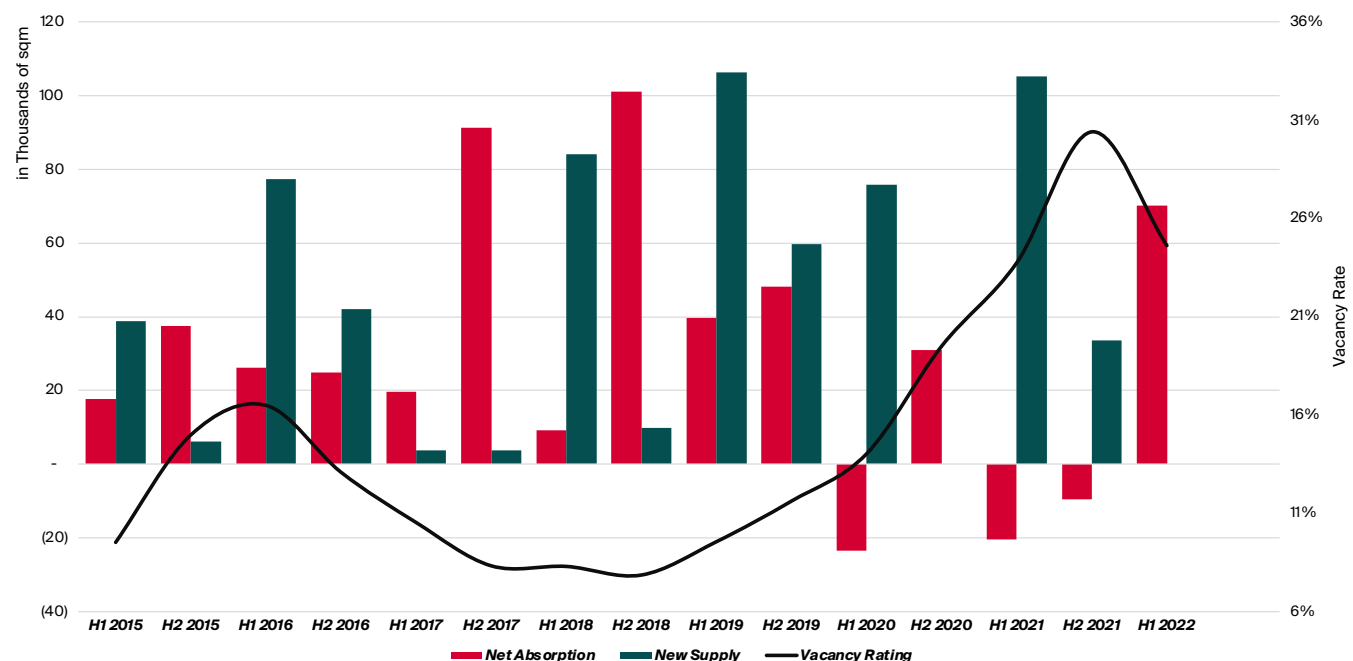


Figure 1.  
Metro Cebu Net Absorption and Vacancy Rate





## Cebu Business Park



Though there were no new office buildings turned over in H1 2022, there was an improvement in the demand with a recorded space take-up of 18,383 sqm. This pushed the vacancy levels down to 15.94% from 21.67% in H2 2021. However, the weighted average lease rates decreased to PHP 623.44 per sqm per month.

Cebu Business Park district is a business and lifestyle hub due to its proximity to major residential, office, and commercial projects. Developers are keen on pushing through with the office developments as more than 56,000 sqm will be turned over through Masters Tower Cebu and Johndorf Tower in the next 3 years.

## Cebu IT Park

Similar to Cebu Business Park, there were no new office buildings that materialized in Cebu IT Park. Despite this, the district showed minimal improvement with a recorded space take-up of 14,450 sqm. This caused the vacancy levels to slightly ease at 21.49%. Also, the weighted average lease rate grew by 0.27% to PHP 667.19 per sqm per month.

The district is home to a diverse mix of local and multinational information technology companies, BPOs, and data centers, which encourages investors to take advantage of its potential. In addition, approximately 18,900 sqm of new office space will be operational by the end of the year.

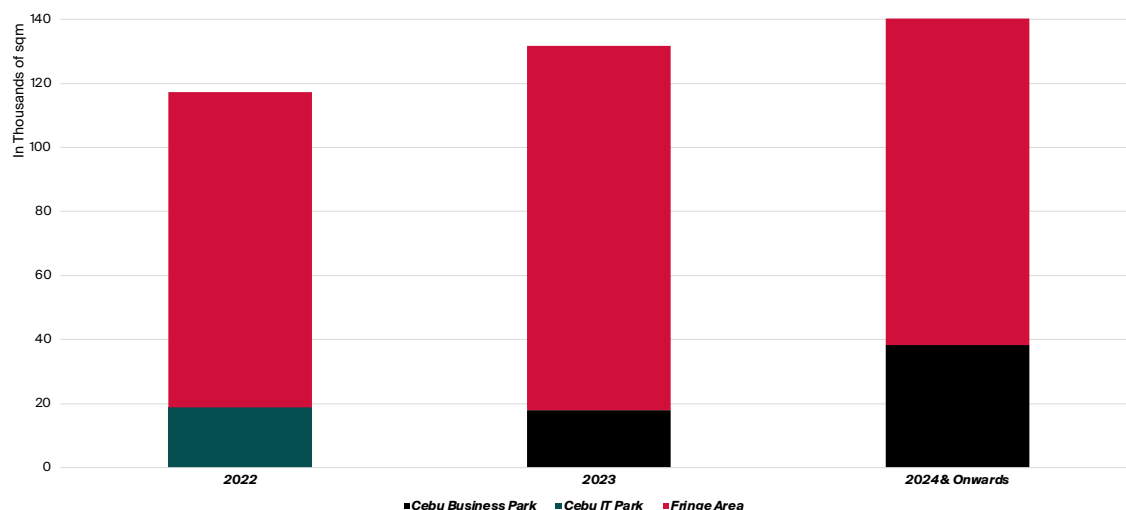


## Cebu Fringes Area

The vacancy level decreased to 31.14% from 37.60% in H2 2021. The weighted average lease rate likewise decreased to PHP 558.57 per sqm per month. The lack of developable land in CIBP and CBP has compelled office developers to expand outside these business district. Most of the ongoing projects are located in the cities of Mandaue and Lapu-Lapu.

Vacancy levels may continue to increase with the expected completion of approximately 330,000 sqm of office space in the next 3 years. These include the Cebu Exchange Tower, One Mandani, and Astra Corporate Center.

Figure 2.  
Metro Cebu Upcoming Office Space



Source: Santos Knight Frank Research

## Office Outlook

The risk of COVID-19 in Metro Cebu has fallen significantly during H1 2022. Though vacancy rates decreased to 24.62%, it is anticipated to increase as an additional 117,000 sqm is expected to be turned over by the end of the year. Demand is expected to be soft as the market continues to contend with the hybrid work setup being practiced by some of the companies, in particular those in the IT-BPO Industry which are the largest office space occupiers.

Despite this, the IT-BPO industry is still expected to be the large space occupiers and main growth driver in the market. The current situation brought about by the pandemic still strongly supports the hybrid work setup but may change once health restrictions further ease and the economy improves.



## Green Blueprint

Developers and investors redefine building designs that promise more energy-saving and environmentally responsible ways to support the region's campaign against global warming. The aftermath of Typhoon Odette caused widespread damage to establishments, power and telecommunication services, and infrastructures. Thus, green buildings are essential as climate change continues to be a threat.

Also, with the COVID-19 pandemic, buildings with better ventilation and sustainable materials are part of the developers' plan for a healthier and more comfortable living for their tenants.

The government's continuous efforts to encourage private establishments, investors, and developers to adopt a green building system.

Furthermore, Arthaland was recognized due to its green efforts, leading to their developments through Cebu Exchange, a multi-certified green office building. While Filinvest City recently received a 3-star BERDE certification for its sustainable developments and was awarded LEED Gold by the U.S. Green Building Council.





# Withstanding the Pandemic: Emergence of New Trends in Residential Market of Metro Cebu

## General Overview

The Metro Cebu real estate market experienced a series of challenges since the pandemic has started. Looking back in year 2020, the positive momentum from the previous years was hampered by the implementation of tightened restrictions. Containment measures involved partial shutdowns of construction activities and prolonged lockdowns have weighed down on the faster recovery of the economy. In 2021, another setback in the market was experienced in the form of Typhoon Odette. The natural calamity dealt significant damage and destroyed properties in the area. Both the public and private sectors have been challenged to fast-track the rebuilding of Metro Cebu to revive market interest.

Moving forward in year 2022, gradual signs of recovery have been witnessed in the residential market of Metro Cebu. The number of COVID-19 cases has substantially dwindled and health restrictions have been eased. These together with heightened awareness and practice of health safety measures by both private and public sectors have stimulated the market. As a result, business confidence and activity has been slowly regaining its momentum across the different property sectors. Simultaneously, residential property buying has grown as flexible payment terms are being offered by several developers.



## Residential Supply

With recovery steadily progressing, national and local players are building up momentum with the launching of projects that were delayed in the preceding years. The local residential market in Metro Cebu grew by 2,157 units in 1H 2022 with new residential developments coming from the Cities of Cebu and Mandaue. These projects brought the total stock in Metro Cebu to 62,047 units during the period.

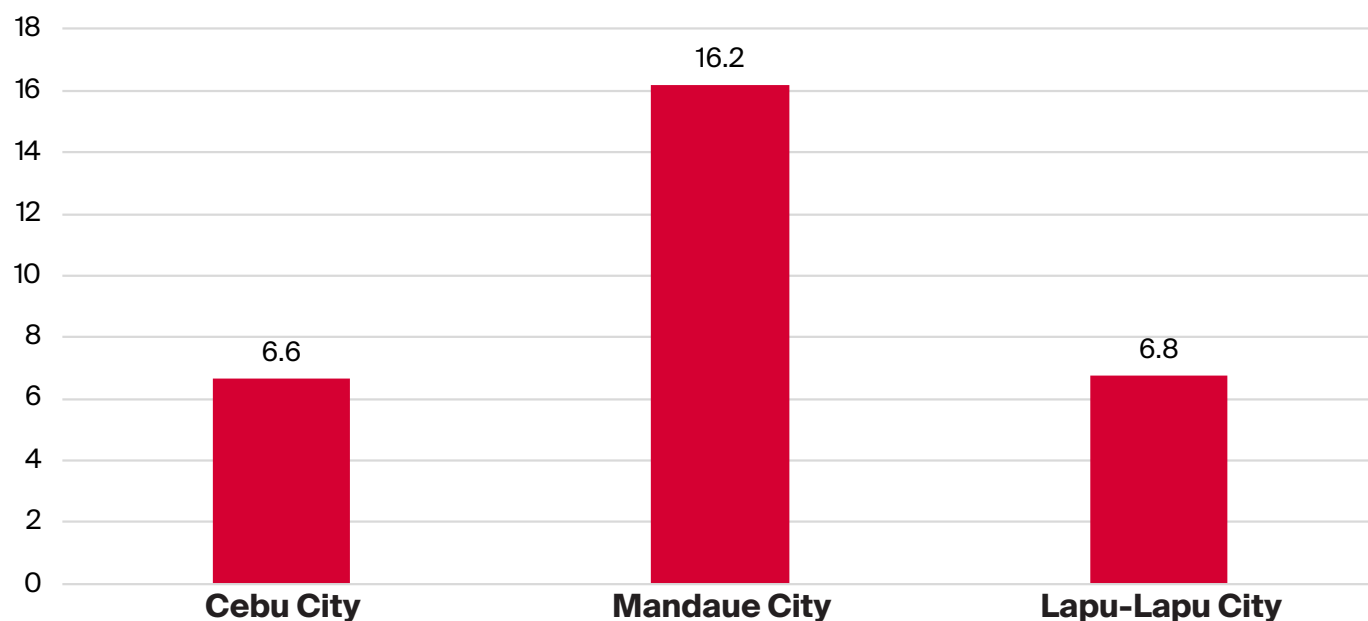
The growth of the residential market in Metro Cebu was driven not only by the improving business climate but also due to the effective marketing strategies employed by developers. At present, the residential scene in Metro Cebu shows that some residential developments are not only used as a primary residence but also being pooled for lease via Airbnb. The improved connectivity with the completion of the Cebu-Cordova Link Expressway (CCLEX) has allowed other support developments such as commercial, retail and institutional facilities to proliferate. These new developments are expected to enhance the take-up of the residential developments available in the market.



## Residential Demand and Selling Prices



Figure 3.  
Average Unit Take Up per Cebu Area



Source: Santos Knight Frank Research

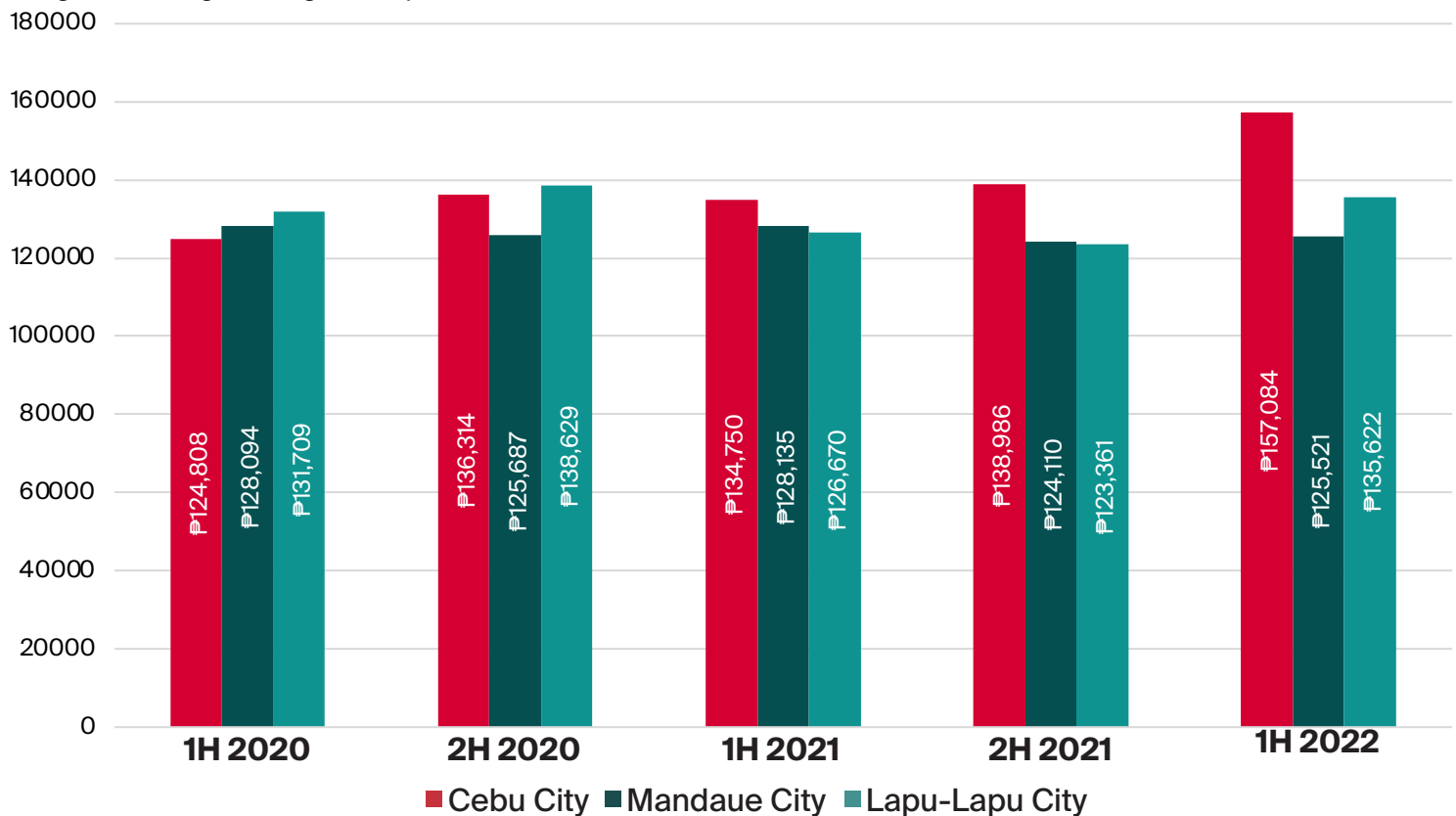
The average sales velocity of projects throughout Metro Cebu was recorded at 8 units per month during the period. Several property developers have also implemented price increases due to the Improved market activity during the first half of 2022. As a result, the average selling price in Metro Cebu was posted at PHP 146,496 per sqm, increasing by 10.4% and 11.2% on h-o-h and y-o-y, respectively.

Cebu City exhibited signs of recovery with an average selling price of PHP 157,084 per sqm, approximately 13% and 15% higher from the prices in 2021 and 2020, respectively. Apart from the resumption of price increases that is typically practiced by developers, new high-end projects such as Lucima by Arthaland Corporation and City Clou-Tower B by Golden Topper have also pulled the prices up. These escalations were well-received by the market as average take-up per project went up to about 7 units per month.

Mandaue City remained as the more affordable alternative in urban living in Metro Cebu. The average selling price in the area was recorded at PHP 125,520 per sqm with the introduction of competitively-priced projects. This has propelled market activity during the first half of the year with a take-up of 16 units per month, highest among the tri-cities. Similar to Cebu City, average prices in Lapu-Lapu City escalated during the period. Affordable to high-end developers have recognized the opportunity to increase their prices amid the revitalized activity in the market. Average selling prices of residential condominiums reached PhP135,621 per sqm. With the limited number of projects being launched in the area, absorption of floated stock went up to 88% with a take-up of 7 units per month.



Figure 4.  
Weighted Average Selling Prices per Cebu Area



Source: Santos Knight Frank Research

In terms of demand per classification, high-end condominiums recorded the highest net absorption in the area at 91.8%. This trend has remained consistent for the past several quarters as new projects under this classification have been scant due to inconsistent demand in this segment. Demand for high-end condominiums is prevalent especially in Lapu-Lapu City given its beautiful views and resort like accommodations. This makes these units popular for Airbnb stays and other investment opportunities. The average prices of high-end condominiums in Metro Cebu stands at around PHP 172,087 per sqm, reflecting the high demand for these units. Meanwhile, the overall absorption of mid-market projects fell to 87.2% during the period due to the constant introduction of new projects in the market over the past year.

## Residential Outlook

Metro Cebu is considered as the second biggest real estate market outside of Metro Manila. As more infrastructure projects are completed, accessibility and connectivity within the area will improve and is seen to boost the sales in the residential market. Although severely impacted by recent events such as the ongoing pandemic and Typhoon Odette, new projects continue to be launched and will be completed in the coming years reflecting the confidence of developers in Cebu's residential market.

Several notable projects include Tower 5 of Marco Polo Residences - Parkplace by Federal Land; Miko Tower by LandTraders World Proeptries Corp; Solinea Tower 5- Cerule by Alveo Land; The Curve by Vibo Land; and the Valencia COHO Building 1 - Almeria by Vista Land. These projects were initially pushed back given the challenges experienced in the area, but developers continue to press on in developing and constructing these projects.

Additionally, the "new normal" has brought an emergence of digitalization in all sectors, including the residential market. The advent of digitalization has allowed real estate players to have a wider reach to potential buyers through virtual tours of the projects and online assistance, this new trend is expected to maintain and even boost demand in the coming years. The residential market is expected to experience marginal recovery as potential buyers try to take advantage of the flexible payment schemes being offered. It is also an attractive market for foreign investors due to its high potential for growth. Recent economic liberalization policies will also bring more foreign businesses and corporations which is seen to boost the market.

Although the market has not yet to reach pre-pandemic levels, the outlook can be seen as stable given the consistent demand from Filipino investors, BPO employees from the provinces, and foreign retirees. Cebu being a highly urbanized metropolis with access to beaches and top tourist destinations as well as lower residential prices, makes the Queen City of the South a prime residential destination.



# Glimpses of Recovery: The Rebuilding of the Hospitality Industry

## General Overview



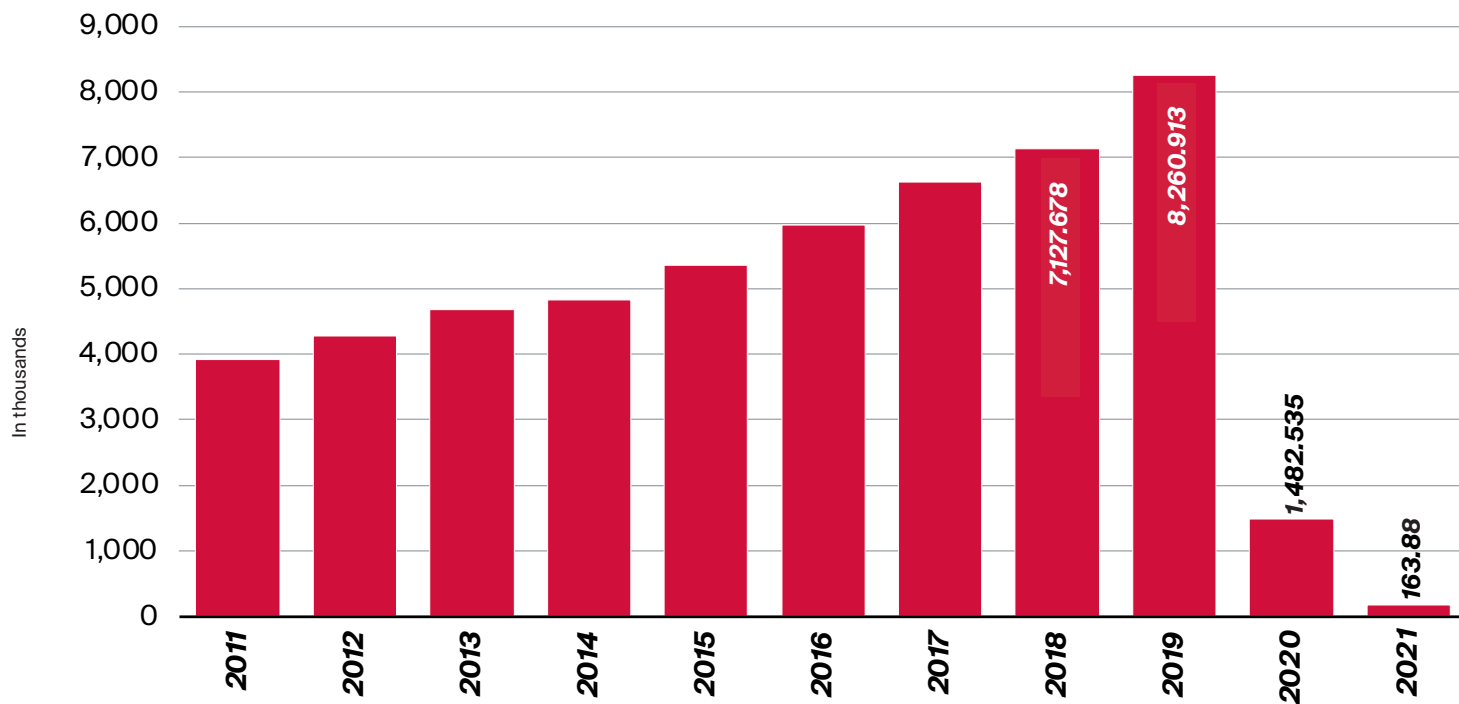
The hospitality industry continues to be a major player in the Philippine economy. As the country once again opened its borders in the beginning of 2022, it should be noted that pre-pandemic, the tourism industry contributed to almost 13% of gross domestic product (GDP). The tourism industry alone, accounts for 60% of Central Visayas' economy. Although, the pandemic and natural disasters have severely affected the industry in Cebu and around the country, there have been signs of recovery.

Looking back, tourist arrivals plummeted in recent years due to imposed mandatory border closures as a result of the pandemic. In 2020, foreign tourist arrivals in the Philippines declined by 82%, with only 1.4 million arrivals during the year. In contrast, 2019 saw over 8.3 million foreign tourist arrivals. The country's tourism continued to slump in 2021 as the Philippines received a total of 163,879 inbound visitors, a dip of 88.9% from 2020. It was to be expected as borders remained closed for the majority of the year amidst several surges of COVID-19 cases.

Philippine tourism however, saw a small recovery through domestic travel. Over 37.3 million trips in 2021 took place, a 38.2% increase from the 26.9 million domestic trips registered in 2020. Additionally, the tourism industry registered a 4.6% growth in employment with approximately 4.9 million people employed in 2021, compared to 4.7 million in 2020. In 2021, Mactan Cebu International Airport (MCIA) alone welcomed 1.33 million passengers. Close to 1.2 million passengers accounted for domestic passengers. The Department of Tourism recently noted that in the first half of 2022 the Central Visayas region, where Cebu is located, welcomed 962, 418 tourists. Of the total, 889,315 were local tourists and 73,103 were foreigners. Due to the pandemic, NCR overtook Cebu as the most frequently visited destination of local tourists in 2020 and 2021. It is however important to note, that Cebu was the most visited destination in 2019 and continues to remain in the top 3 most visited destinations in 2020 and 2021.



Figure 5.  
Philippine Tourist Arrivals (2015-2021)



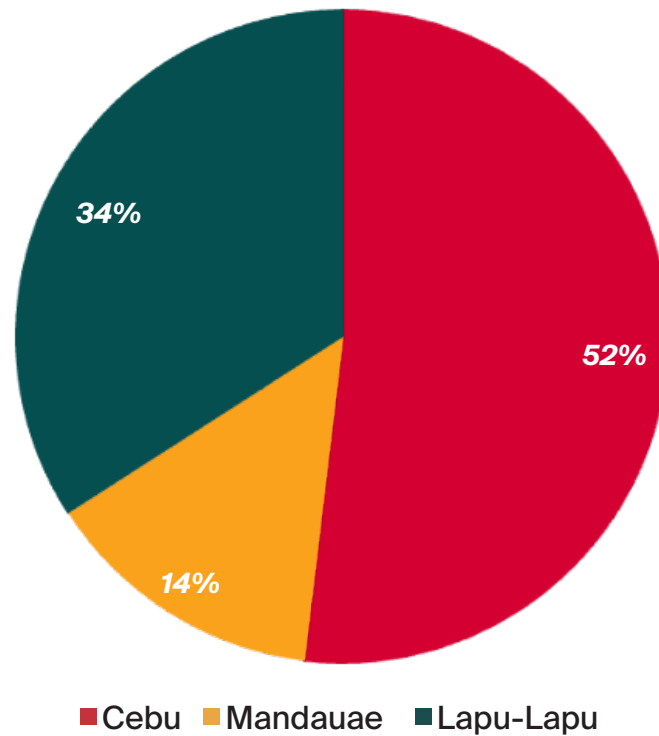
Source: Department of Tourism

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 2022. 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 6.  
Metro Cebu Hotel Distribution as of 1H 2022



Source: Santos Knight Frank Research

## Hotel Distribution

Being one of the top tourist destinations, not only in the Philippines, but in the Asia Pacific region, Cebu hosts a variety of hotel establishments. These establishments cater to the needs of all types of travelers, from the budget traveler to the luxurious. In total, Cebu, Mandaue, and Lapu-Lapu consist of 14,223 rooms, an almost 3% growth from the previous year.

Cebu City, is at the heart of Metro Cebu and thus hosts the greatest number of rooms compared to Lapu-Lapu City and Mandaue. The city holds over 7,000 rooms and makes up the bulk of Metro Cebu's room capacity at 52%. This was followed by Lapu-Lapu city and Mandaue, making up 34% and 15% respectively. One can consider Mandaue's highly industrial nature and background as a primary reason why there are relatively few hotels in the area.

It should also be noted that, while Cebu City holds the greatest number of rooms, Lapu-Lapu City, on the other hand, holds the greatest number of 5-star hotels. Given the damage assessment of super typhoon Odette, these luxury hotels were severely hit during the storm, with more smaller hotels permanently closing. As of July 2022, various 5-star hotels are still reeling in from the effects of the storm. Crimson Resort & Spa Mactan and Movenpick Hotel Mactan Island are clear examples, with rooms still in need of and currently being renovated. Additionally, the main structure of the Crimson Resort hotel is still being repaired, while the Movenpick hotel has yet to accept guests. Other 5-star hotels that are still undergoing repairs include Shangri-la Mactan Resort & Spa and Dusit Thani Mactan Cebu Resort. While both Shangri-la and Dusit Thani are already operational, only selected rooms are being offered given the need to repair and refurbish the other rooms. However, given the proximity to the MCIA, pristine beaches, and majestic ocean views, it should not come as a surprise that hotels, particularly these luxury foreign brands, continue to spend the money to rebuild and refurbish their properties.

Of the three, Cebu City had the most newly opened hotels. First is the Cebu Quincentennial Hotel that sits at the heart of Cebu City's commercial district. It was established in commemoration of the 500th anniversary of Christianity in 2021. It had its soft opening in June 2022 and started full operations the following month. The Holiday Inn and Hop Inn Hotel, both located in Cebu Business Park, began operations in July 2022. They are both owned and managed by the Erawan Group Public Company Limited. In partnership with IHG Hotels & Resorts, Holiday Inn boasts 180 guest rooms and suites and features the brand's signature amenities such as a pillow menu, premium bedding, and spacious work desks. Located in the same building is the 217-room Hop Inn Hotel. Although they're in the same tower, Holiday Inn Cebu is located on the upper floors and have their own separate lobby, entrance, and elevator. Lastly, Fili Hotel located in the NUSTAR Resort and Casino, a 5-star integrated resort, in Cebu City opened its doors in June 2022. The 5-star Fili Hotel boasts 379 rooms and is a new brand of under Robinson's Hotels and Resorts. It is branded as an authentic Filipino hotel which is set to welcome guests with the distinct Filipino hospitality.



## Average Daily Rates

The Average Daily Rate (ADR) in Metro Cebu stands at approximately PHP 3,808.75. Given that Lapu-Lapu city hosts the largest number of 5-star resorts and hotels, it is no surprise that the city also has the highest ADR among the three areas at approximately PHP 6,600, over PHP 500 more than the ADR during latter half of 2021. Comparing it to the previous years, Lapu-Lapu City has maintained its price roughly in the range of PHP 6,000. However, it has not reached its pre-pandemic prices of an average rate of PHP 8,500 in 2019 and over PHP 9,000 in 2018. This was followed by Mandaue and Cebu with an average of PHP 2,900 and PHP 2,600 respectively. Both cities saw a price drop, with Mandaue dropping by close to PHP 500 and Cebu by around PHP 200, compared to the ADR during the latter half of 2021. Pre-pandemic levels pegged Mandaue around PHP 3,600 and Cebu at PHP 3,200.

The price decrease in all areas continue to reflect the lack of foreign tourists due to the pandemic, but it is expected to increase further as borders and travel restrictions open up. It can also be noted that the stark difference in prices between Lapu-Lapu City and both Mandaue and Cebu City, reflects that the hospitality industry in Lapu-Lapu caters more to either foreign or high-end domestic tourists making it more vulnerable to external shocks such as the pandemic and rising inflation.

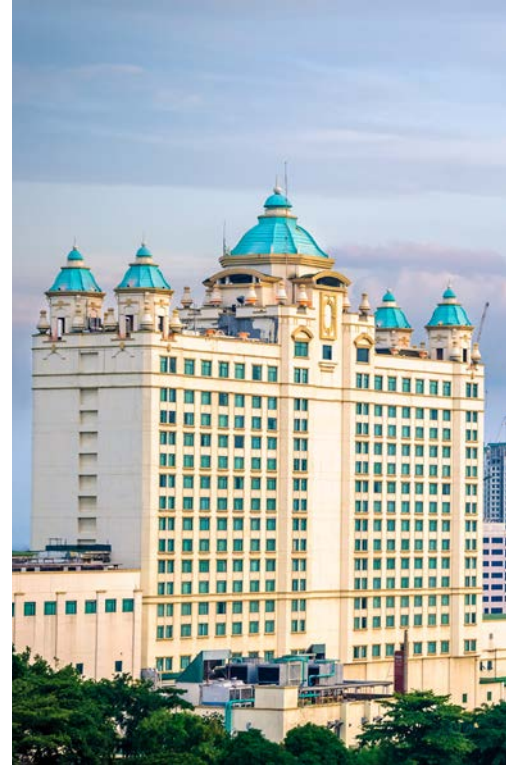
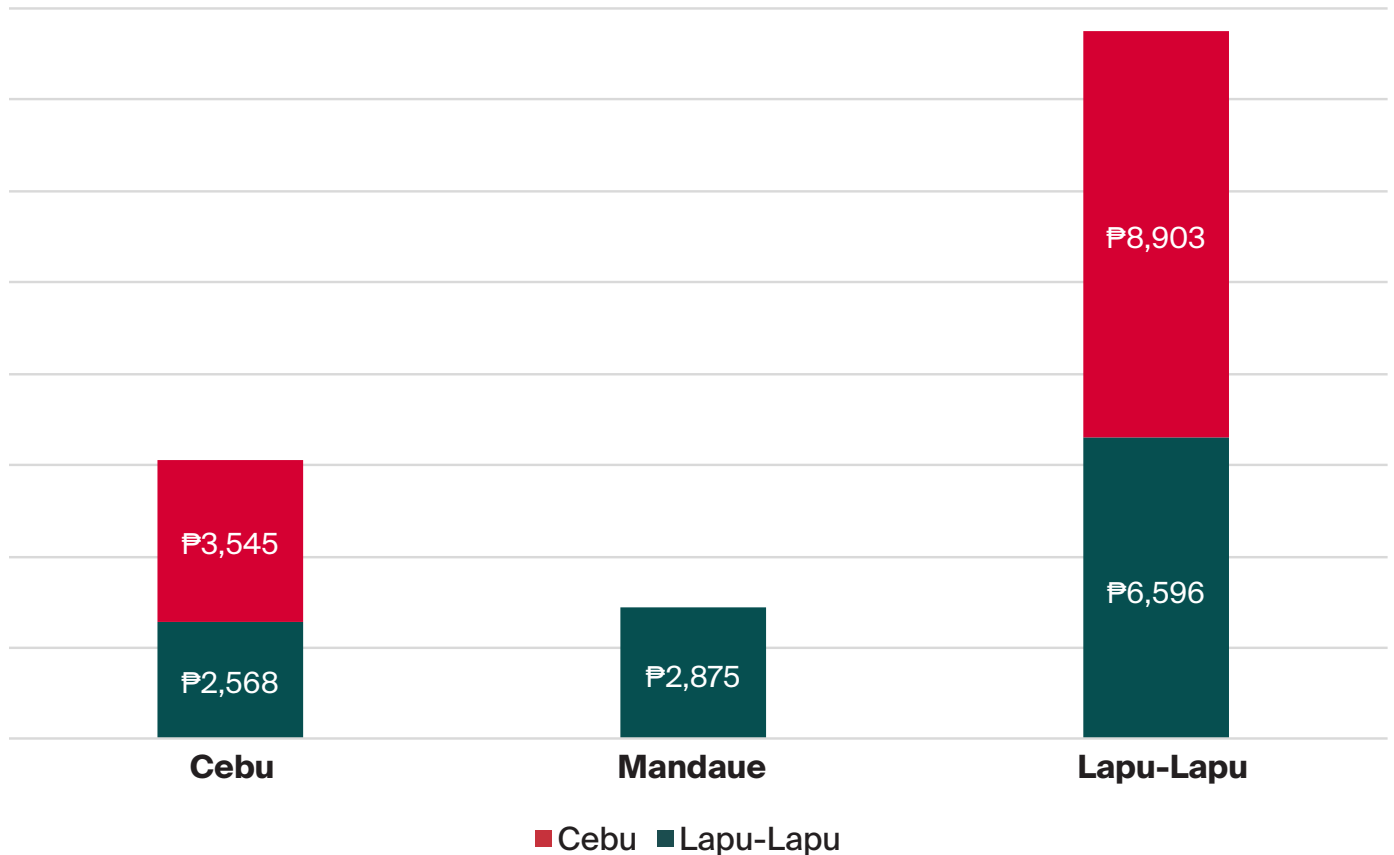


Figure 7.  
Metro Cebu ADR of Hotels (in PHP)



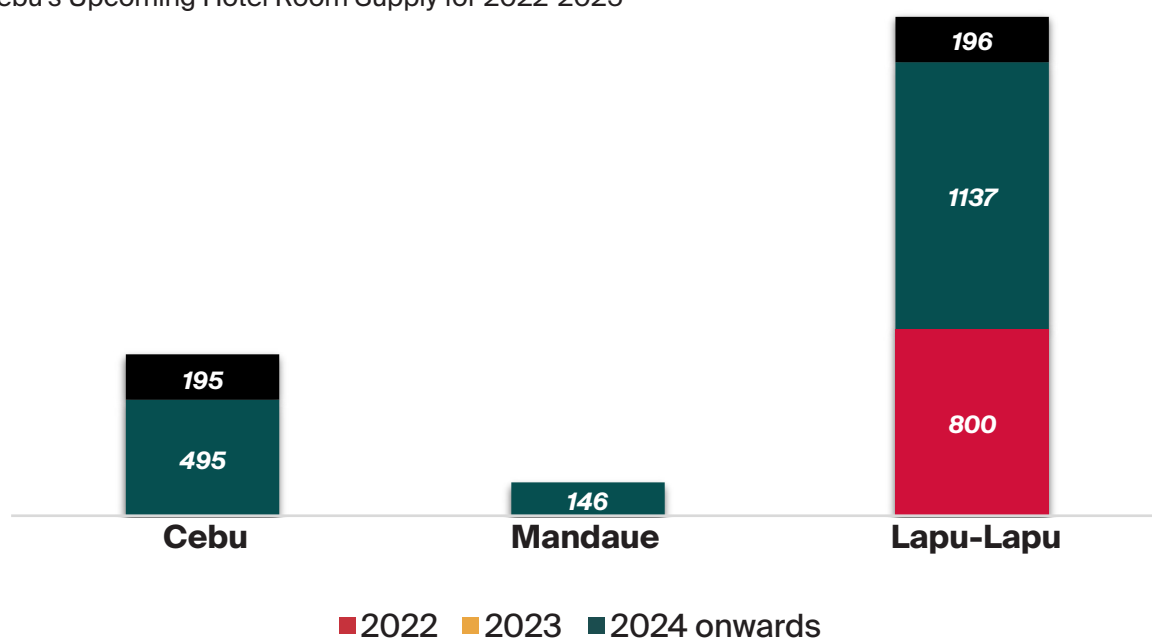
Source: Santos Knight Frank Research

## Upcoming Developments

The hospitality industry in Metro Cebu is expected to open close to 3,000 rooms in the coming years. Of this, 2,133 rooms are expected to open in Lapu-Lapu City alone. Even amidst external threats, construction of these hotels presses on and with daily rates rising in Lapu-Lapu City, which caters mostly to tourists, it shows that Cebu remains a top destination for both domestic and foreign travelers. Notable developments in Lapu-Lapu City include Emerald Resort & Casino, with their hotel component expected to be completed by 2023; Mactan Belmont Luxury Hotel, part of the Mactan Newtown township developed by Megaworld, which is expected to be completed by the latter half of 2022.; and Sheraton Cebu Mactan Resort which is expected to open by September 2022.

On the other hand, Cebu City is expecting an additional 690 rooms in the coming years. Notable hotels include Dusit Princess Cebu and Sun Park Royal Hotel in the North Reclamation Area, and Sofitel Cebu City, which is part of the Masters Tower Development developed by Cebu Landmasters, Inc. within Cebu Business Park. Additionally, two hotel towers, a 15,000-seater arena, and a convention center are expected to be constructed within South Coast City, a 26-hectare development by SM and Ayala. The NUSTAR Resort and Casino is also set to host the only ultra-luxury hotel outside Metro Manila, NUSTAR hotel and the Grand Summit Hotel.

Figure 8.  
Metro Cebu's Upcoming Hotel Room Supply for 2022-2025



Source: Santos Knight Frank Research

## Hospitality Outlook

Tourism can be seen improving in 2022 as countries move on and learn to live with COVID-19. The government is also seeing a recovery of the tourism industry in 2022 as more countries open their borders and ease their travel restrictions. The government has yet to release monthly tourism data, but has announced in August that the country received around 1.3 million inbound arrivals from February to August 2022. It should also be noted that the country began accepting fully vaccinated foreign tourists in February 2022.

As long as there will be no further lockdowns the positive trajectory of the hospitality industry will continue. Although the industry has not yet reached pre-pandemic levels, there is no denying that Cebu's hospitality industry is on the path to recovery. Given Cebu's beaches, numerous tourist spots, and delicious food, the outlook of the hospitality industry remains bright. Cebu is also a popular destination in hosting meetings, incentives, conferences, and exhibitions (MICE) events. However, the industry is expected to face major headwinds such as rising inflation, fallout from the Ukraine-Russia conflict, staff shortages, airport congestion, lack of updated and maintained infrastructure, travel cancellations, and the rising threat of Monkeypox. It is still yet to be seen if these factors will indeed negatively impact the industry, but with borders opening up, many are expected to go on revenge travelling and Cebu, being the Queen City of the South, will be impossible to ignore. Looking at the Philippine hospitality industry as a whole, Cebu shines like a bright pearl, portraying a reinvigorating national hospitality industry.



# The Resurgence of Retail Sector in the Queen City of the South

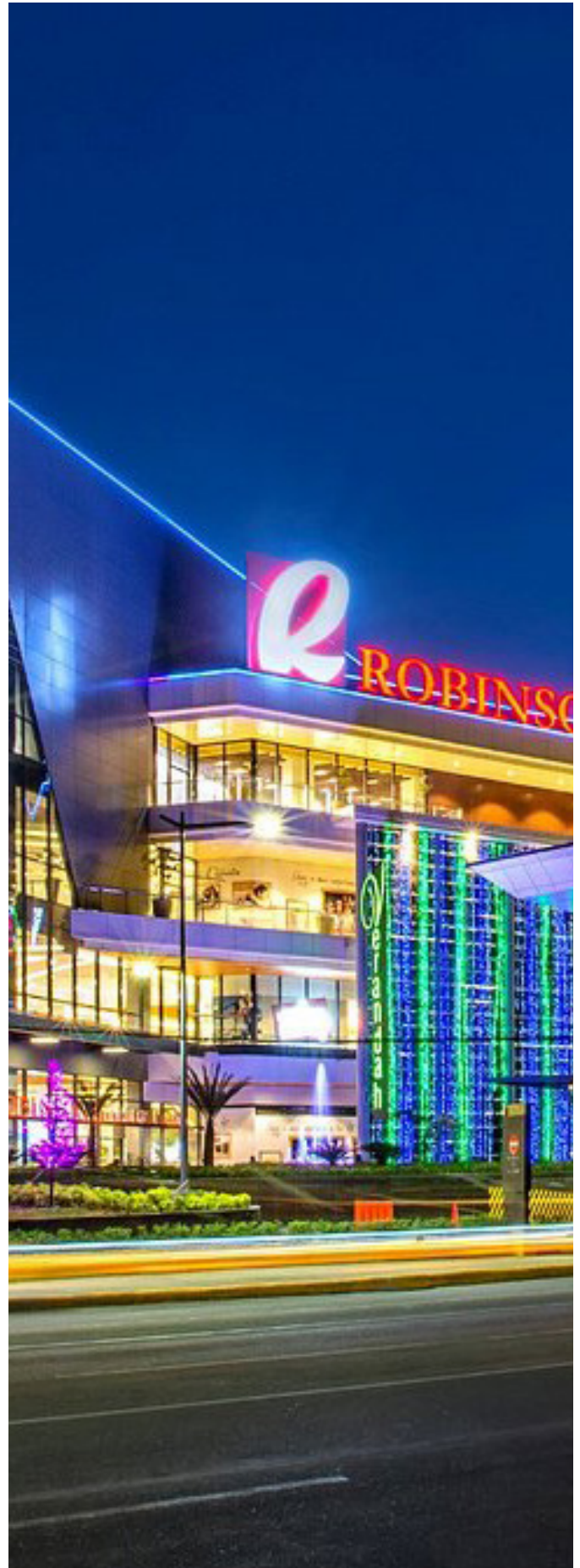
## General Overview

It cannot be denied that malls are an identifiable fixture of Philippine culture. Even with this shift to online retail, malls remain a popular destination for Filipinos given the lack of viable outdoor parks and green spaces. Additionally, these malls serve as a refuge against the heat and humidity outdoors. The number of retail projects has been growing alongside the dynamic consumption activity. This substantial growth, however, has recently experienced a massive headwind in the form of pandemic and emerging economic factors.

Being consumer driven, the Metro Cebu retail market has significantly stagnated during the onset of the pandemic. Majority of retail business had to pivot from their original mode to endure the limited mobility brought by the market ambiguity and strict quarantine protocols. This was coupled by the impact of Typhoon Odette that has brought significant damage and disrupted public and private utilities to the different properties in the area. Due to these factors, most of the retail malls and majority of their tenants have closed shop except for supermarkets, food and beverage stores and pharmacies. To maintain liquidity, most consumers are limiting their spending to essential goods only and some consumers have also shifted to online avenues.

Though the market has slowly adapted to operate under these conditions, a substantial improvement in the retail segment was witnessed in Metro Cebu during 1H 2022. This has been attributed to the acceleration of vaccine and booster rollouts, along with the newly developed infrastructure projects such as the Cebu-Cordova Link Expressway (CCLEX) and private township developments. With a significant share of the population being vaccinated, travel and quarantine restrictions were eased and retail tenants across different segments were allowed to operate, eliciting higher foot traffic in malls.

Signs of recovery were also seen as the overall domestic consumption marginally improved despite external and internal factors affecting the economy. The overall Household Consumption Expenditure (HFCE) expanded by 8.6% during the period. This was an improvement from the 7.3% growth recorded in the same period of the preceding year. Top contributors are Food and non-alcoholic beverages, which grew by 5.8% and sharing almost 40.0% of the total household spending. Additionally, Restaurants and hotels also benefitted from the government's thrust in reinvigorating the tourism sector as it inched up by 32.3%.



## Vacancy and Lease Rates

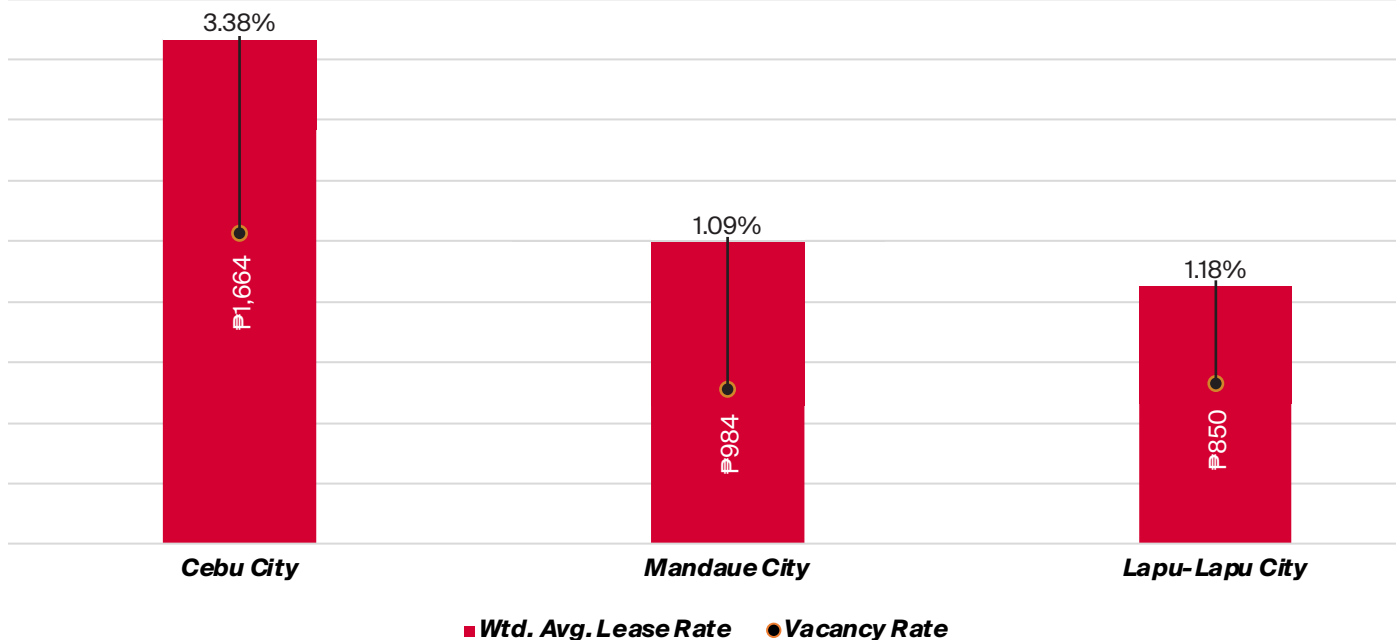
Mall vacancies in Metro Cebu showed a gradual recovery since the pandemic started. The renewed consumer demand from the local populace reflected an optimistic outcome in the retail environment with vacancy levels lower at 3.11%, from 3.41% in the previous year. This trend is anticipated to further improve in the next few quarters as more retail stores are expected to resume operations to accommodate the heightened consumer appetite.

Consequently, demand for retail space in areas also improved during the period. Mandaue City exhibited the lowest vacancy rate among the tri-city area at 1.09% with Lapu-Lapu City following close by 1.18%. This can be attributed to the continuous loosening of restrictions and workers gradually returning to their businesses. However, the introduction of CityMall Bacalso in Cebu City during the latter part of 2022 has pushed the vacancy levels to 3.38% from 3.16% by the end of 2021.

The entrance and expansion of new local and foreign brands and the resumption of face-to-face classes brought better outcomes for several developers in the trade area with higher foot traffic during the period. As a result, the average rental rates gained momentum during the period which stood at PHP 1,581.61 per sqm per month. However, the external factors within the economy, such as the high inflation, which resulted in increasing prices of basic commodities. This has also pressured rental rates to go up as retail malls became more expensive to maintain due to yearly rental rates escalation.

Figure 9.

Metro Cebu Monthly Retail Average Lease and Vacancy Rating per Area



Source: Santos Knight Frank Research



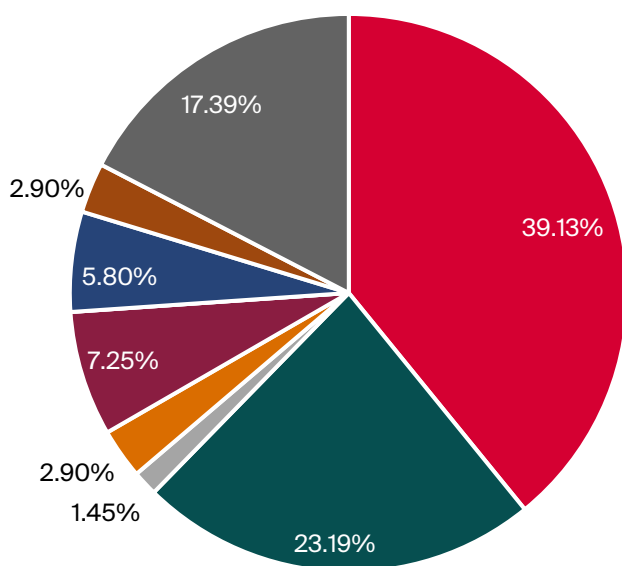


## Upcoming, New Launches, and Expansion

As of H1 2022, about 69 upcoming retail stores are anticipated to become operational in the Metro Cebu retail market. Food & Beverages had the highest share accounting for 39.13% with 27 retail stores in the pipeline. This was followed by Clothing and Apparel which expected a total of 16 various retail stores across the different local and foreign brands with a 23.19% share.

Among the upcoming retail brands, the American sports apparel brand Nike in partnership with Green Tee Inc. will open its largest retail store outside Metro Manila located at Ayala Malls Center Cebu and designed after a running track. This is expected to have 700 sqm of retail space that aims to capitalize on the shift of consumers' preference towards a healthy and fit lifestyle. Aside from this, the revival of Sunburst Fried Chicken under A & C Chicken and Pizza House, which became a hit in Cebu City around the 1980s, will be nostalgic for many Cebuanos with its expected operation by the end of the year at Ayala Malls Central Bloc.

Figure 10.  
Percentage Share of Upcoming Retail Stores in Metro Cebu



Source: Santos Knight Frank Research

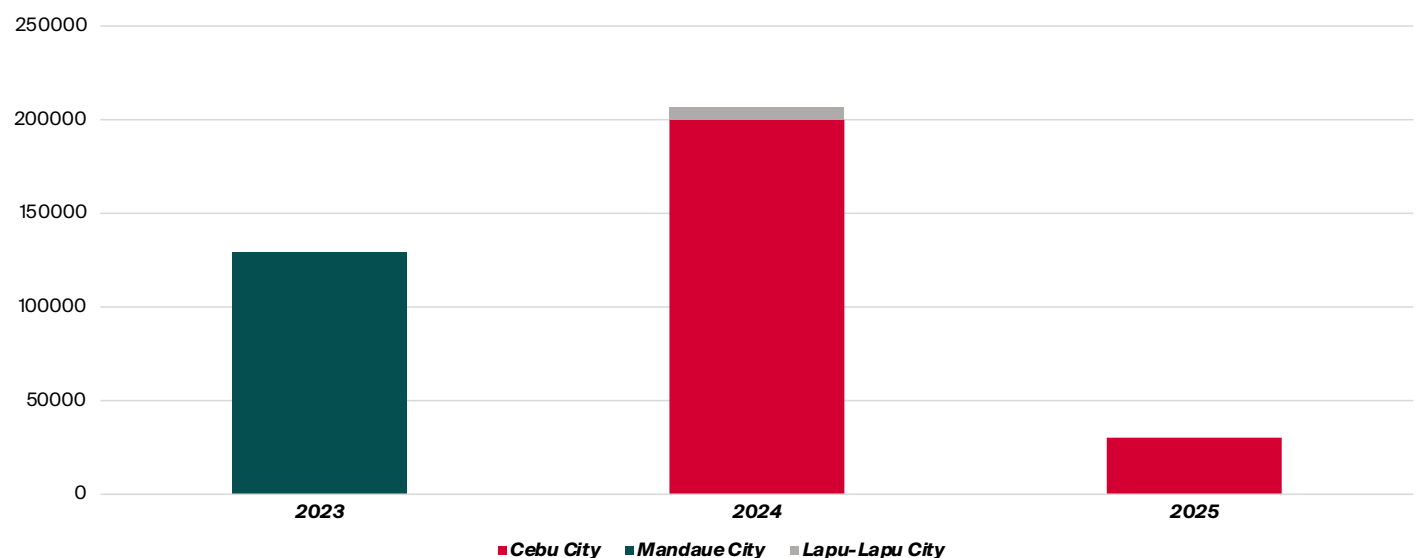
Several upscale shopping malls and mixed-use developments are scheduled to be completed in the next several years. Given the further heightening of urbanization in the strategic area, approximately 490,000 sqm of leasable retail area is anticipated to commence their operations in the said period.

Through the partnership with Aboitiz Land, property giant Ayala Land will soon unveil its third retail mall situated within Gatewalk Central, a 17.5 hectare integrated mixed-use development in Mandaue City.

Cebu homegrown developer, AppleOne Properties will soon open a mixed-use development named Mahi located within the Mactan Export Zone in Lapu-Lapu City. This future development will add a total of 6,950 sqm of leasable space allotted for commercial and retail use.

SM Development Corporation and Ayala Land have also recently unveiled the development of District Square within the South Road Properties in Cebu City. This SM-Ayala consortium is set to develop a 45-hectare property which is primarily designated for retail, commercial, hotels, and premier residential developments. Another Gaisano mall is set to be unveiled within the North Reclamation Area. The Gaisano Mall Cebu or also known as G-Mall will become the first G-Mall brand in the region with around 200,000 sqm of leasable area.

Figure 11.  
Metro Cebu Retail Pipeline



Source: Santos Knight Frank Research



## Retail Sector Outlook

Amidst the headwinds that Cebu's real estate market has faced, signs of recovery have started to emerge during the period. The expedited vaccine and booster rollout and loosening of restrictions has encouraged more families to step out of their homes and head to the malls and other retail destinations.

Further growth in the retail market, through renewed consumer spending, is expected in the upcoming months leading into the holiday season together with an influx of F&B and fashion brands. However, achieving the targeted performance will be hampered by the uncertainties brought about by the high inflation rate and depreciating value of peso.

With e-commerce and online channels continuing to gain traction, mall operators and developers are pressed to find means to ensure continued patronage and relevance. Though some retailers may still downsize their spaces, an opportunity to explore the expansion of other tenants will remain viable since physical stores are still the best means in providing the shopping experience much sought by consumers. Mall operators and developers should keep this in mind when undertaking upgrades and renovations to their facilities.

Even though the adverse effect of the pandemic still looms, the growing retail market activity in Metro Cebu has bright prospects driven by the integration of both online and physical stores. Being the secondary metropolitan area in the country, Metro Cebu plays a pivotal role in the national economic recovery. Despite being ravaged by various challenges in the past year, its economic and demographic fundamentals shall remain vital as it navigates its way towards recovery.





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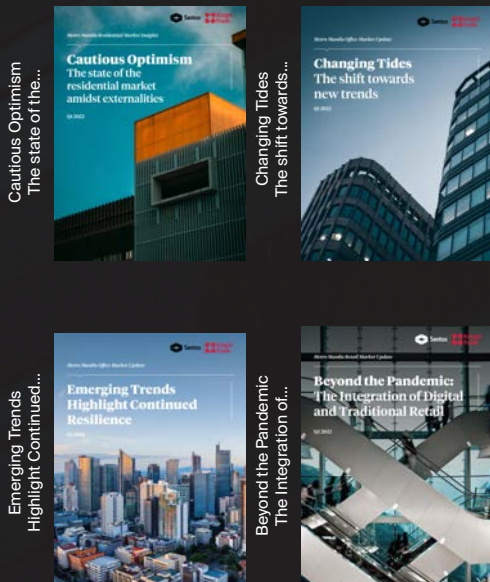
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