Metro Manila Residential Market Update

The Resurgence of the Residential Market Towards Market Recovery

Q3 2022

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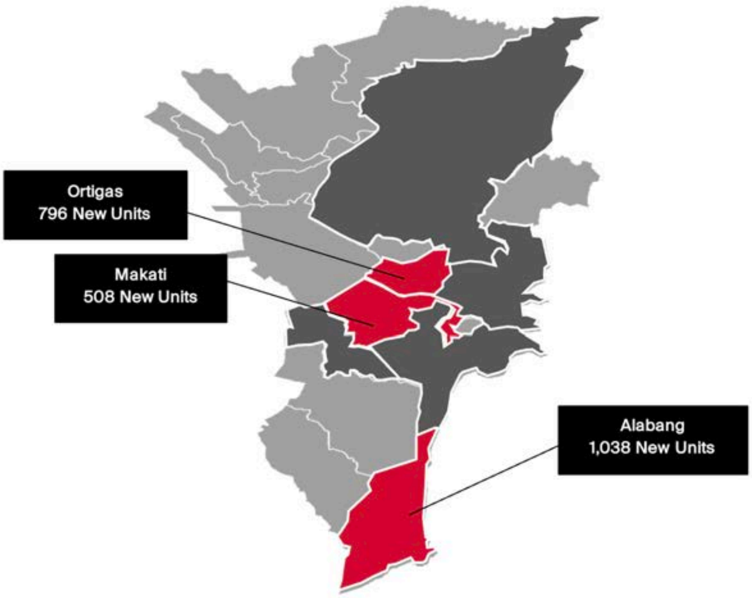
Introduction

The Metro Manila residential market remained relatively stable in Q3 2022. Though there may have been a few challenges, such as increasing key policy rates, inflation, and rising cost of construction materials, property developers remain steadfast as they continue to launch their respective projects during the quarter.

Residential Supply

As the market recovery steadily progresses, the activity in the local residential market in Metro Manila registered growth with the addition of 1,225 new residential units in Q3 2022. These project completions were situated along fringes and mainly coming from DMCI Homes – Sage Residences in Ortigas and Fortis Residences in Makati. Aside from this, City Land also launched its second tower in Alabang - Two Premier. The improving confidence of various property developers contributed to the growing stock that has pushed the total supply of Metro Manila to close to 322,190 units.

New and upcoming residential developments emerged in the fringes is predominantly attributed to the rising land cost and dwindling supply of developable land in the key areas of Metro Manila. In addition, recent completions and upcoming improvements in infrastructure development and mass transportation have made these new residential developments more viable. In the next few years, this trend is seen to evolve as new projects are seen to sprawl in emerging areas outside Metro Manila's business districts.



Residential Demand

The overall demand for residential condominiums in Metro Manila showed a gradual improvement in Q3 2022, with an average unit take-up of 18 units per month, from 16 units per month in Q2 2022. Consequently, overall residential stock in Metro Manila was recorded to be 92.34% sold.

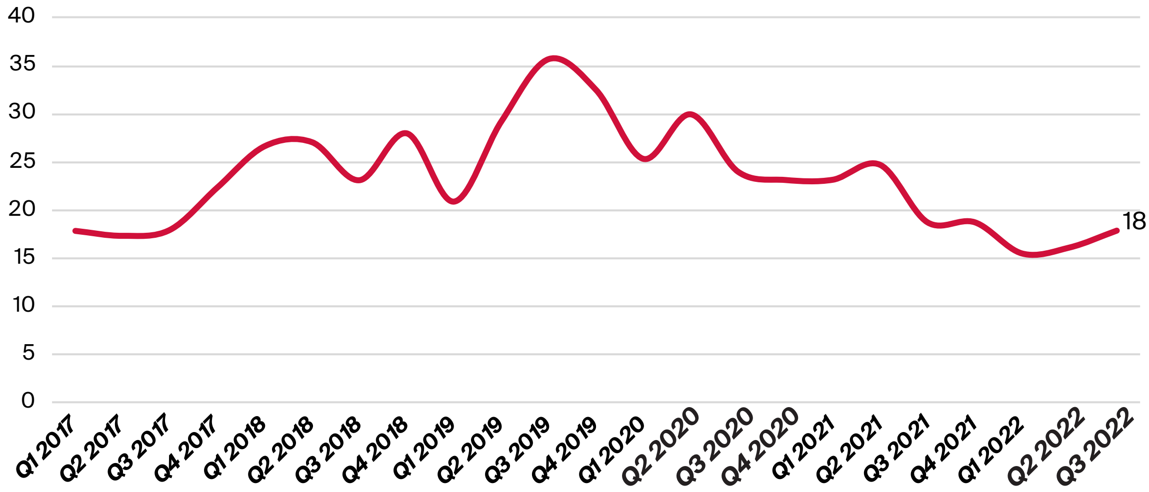
The Bay Area residential demand further declined in Q3 2022 as the offshore gaming operators are not expected to resume operations in the country. This was fueled by the recent government policies and the strict enforcement of tax regulations. This resulted in a drop in the average unit take-up to 15 units per month from 21 units per month from the last quarter. Demand is also affected by the movement of the office market, in which the prolonged remote work set-up resulted in a lower interest for residential properties in the area.

The demand in Makati improved to 20 units per month, from the previously reported 19 units per month last quarter. Makati's total unit take-up was buoyed by the residential developments in the fringe area, particularly coming from DMCI, Alveo and Avida.

A significant improvement in sales velocity was observed in Ortigas during the quarter. The average unit take-up further increased to 29 units per month from the previously recorded 19 units per month. The upbeat movement in the district was driven by the newly launched project in the fringe area, coming from DMCI. Aside from this, condominium projects from SMDC also pulled up the demand, resulting into 93.61% total units sold.

The slowdown in the residential market demand was recorded in Quezon City during the quarter as its average take-up sharply declined to 14 units per month from 21 units per month in the preceding quarter. The decline in take-up is the result of buyers still being cautious with spending. Furthermore, expected sales from the turnover of new supply from the past quarters did not materialize into anything significant as the local residential market in the area faced cancellations and backouts. As a result, total absorption in the area decreased to 90.26% from the previous 91.51%, with no new projects launched during the period.

Figure 1.
Historical Metro Manila Residential Take-up



Source: Santos Knight Frank Research

Steady demand was recorded in Taguig City during the quarter as average take-up held at 11 units per month. This trend has been attributed to the decreasing residential supply in the area, as the local residential market consists of older inventory in the high-end and luxury markets. The demand was also burdened by the enduring hybrid set-up that diminished the need for individuals to reside within the proximity of their workplace. Despite these, high absorption was observed in Taguig City which is accounted for 96.12%, highest among other CBDs in the metropolis.

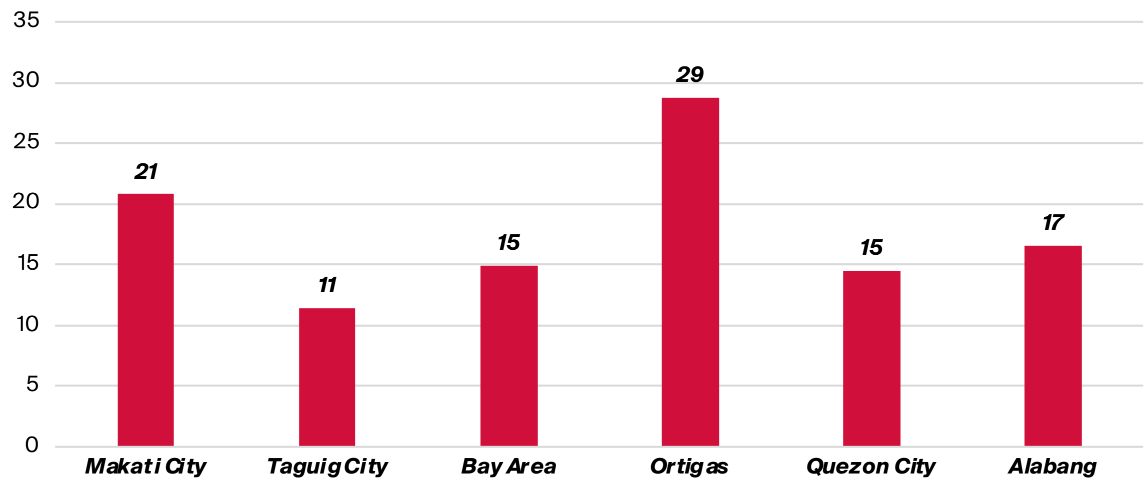
The residential demand in Alabang remained at 16 units per month during the quarter. The district has experienced cancellations of buyers within Alabang CBD most likely due to buyers opting for the horizontal developments in the nearby fringe areas. However, Alabang remains a potential investment hub as mobility and connectivity to the district continuously improves.

Looking at the demand per classification, affordable and high-end residential condominiums remained as the most absorbed asset class in Metro Manila. Both of these projects had high absorption rate of 92% and 93%, respectively. Most of the floated inventory under this segment were already sold since flexible payment terms and promos offered by the developers were more evident in these residential classifications.

The absorption for the luxury projects gradually decreased by 85% compared to the 87% from the preceding quarter. It was observed that only select developers have been inclined in venturing into this segment amid the tight market as well as rising property and construction costs in the metropolis.

The absorption for the mid-market projects showed an improvement during the quarter with a recorded 91% compared to the 89% from the preceding quarter. It should be noted that the mid-market segment is the largest among the different segments of the residential market. Given its absorption in absolute terms, the mid-market segment can be considered the main driver of the market.

Figure 2.
Upcoming Retail Stores in Metro Manila



Source: Santos Knight Frank Research

Residential Selling Prices

Majority of the business districts in Metro Manila posted a quarterly increase in Q3 2022. The average selling price was recorded at PHP 226,481.76 per sqm per month, an increase of 0.53% q-o-q and 2.65% y-o-y. A number of property developers implemented price increases over the quarter especially on projects that have sold well during the period. Additionally, prices in the emerging areas averaged at PHP 198,034.63 per sqm per month, increasing by 4.87% q-o-q and 6.99% y-o-y. The recent introduction of new residential projects along the fringe areas of the business districts has gained traction, as these condominium projects are strategically located and priced reasonably.

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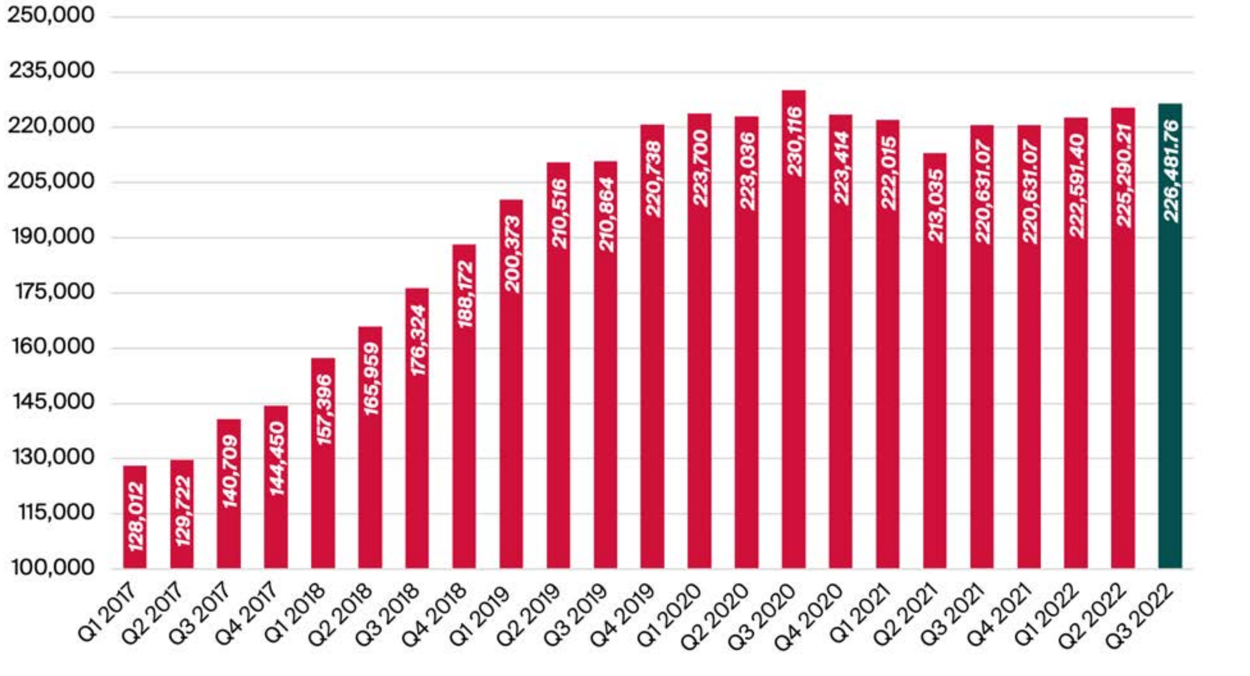

Source: Santos Knight Frank Research

Average selling price of residential projects in the Bay Area dropped by 11.45% q-o-q to PHP 243,735.39 per sqm per month. The decline was partly driven by the enactment of Republic Act: 11590 in which all offshore gaming licensees must pay an additional 5% gaming tax on their gross revenue. Consequently, developers in the area remained hesitant to implement any price increases due to the softening of the market.

Makati still commanded the highest average selling price among other CBDs, which is recorded at 286,218.53 per sqm per month, increasing by 2.45% q-o-q and 7.42% y-o-y. The progressive market activity in the area was driven by new condominium projects and steady take-up over the past quarters.

Progressive market activity was also seen in Ortigas during the quarter, resulting in quarterly and annual price appreciation of 5.14% and 9.86%, respectively. The average selling prices of residential condominiums in the area was recorded at PHP 224,155.62 per sqm per month. The marginal increase in the area was driven by the recent introductions of new projects in fringes and increased in sales velocity within its projects in the prime area, resulting to price appreciation during the quarter.

Despite offering the lowest priced units among other CBDs, price increase was also observed in Quezon City during the quarter. The average selling price recorded at PHP 158,125.93 per sqm per month, inching up by 3.29% q-o-q and 9.24% y-o-y. The marginal increase occurred despite a stagnant demand in the area. This was driven by the improvement in the projects' sales velocity, further stimulated by upcoming infrastructures and the introduction of new projects during the latter part of the year.

Average selling prices of condominium projects in Taguig City gradually decreased by 0.35% q-o-q and 2.45% y-o-y to PHP 249,067.42 per sqm per month. The decline is driven by the decreasing inventory in the luxury segment. Take-up remained stable despite the absence of newly launched projects in the district.

Alabang witnessed a quarterly growth in its average selling, increasing by 9.23% and 14.84% on quarterly and yearly basis, respectively. The average selling price in the area posted at PHP 197,587.63 per sqm per month as it was stimulated by price escalation from the progressive demand exhibited in newer projects in fringes, offering a competitive price.
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Residential Selling Prices

The Residential Market in Metro Manila is seen to continue encountering headwinds as preference for suburban living continues to gain traction. The expected continuation of hybrid working arrangements and the expected improvement in connectivity and accessibility from the upcoming infrastructure developments offsets the concerns regarding distance and travel time. Aside from this, suburban residences are more affordably priced compared most to condominium units in the metropolis.

Condominium stock is anticipated to increase as more developers resume their developments which were stalled because of the pandemic. Moreover, new condominiums are still seen to proliferate in the fringes because of their affordability. In the next few quarters, the residential market sales will face pressure due to the availability of unsold and re-opened units for sale. Units taken up on a lease basis will offer an alternative for those who cannot afford to purchase.

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