

# Viable Post-Covid Option

Cebu to remain a major residential investment hub beyond COVID-19

## Insights & recommendations

Metro Cebu is the largest residential hub outside of Metro Manila. Covid has disrupted the region's economy and property market and we continue to see subdued take-up and completion in the region.

Colliers believes that completion of residential units is likely to pick up in 2021. In the pre-selling market, we project a slight recovery as developers prepare for pent up demand beyond 2021.

We believe that demand for residential units in integrated communities is likely to continue despite Covid. Hence, we recommend developers further explore the feasibility of township developments. Developers should also consider fringe areas for House & Lot projects and maximize new infrastructure as Cebu is a major beneficiary of the government's massive infrastructure push.



Accelerating success.

		Q1 2021	Full Year 2021	2021-25 Annual Average
 <b>Demand</b>	In Q1 2021, 813 condominium units were sold in the pre-selling market, down 28% QOQ from 1,122 units sold in Q4 2020. Colliers expects higher take-up over the next three years, and this is likely to be supported by remittances from Overseas Filipino Workers (OFW) and the Covid vaccine roll out.	813 units	4,000 units	5,000 units
	Colliers projects the annual delivery of about 4,760 units from 2021 to 2025. Colliers expects Cebu City and Mandaue City to cover 81% of new supply during the period.	0 units	6,563 units	4,760 units
 <b>Supply</b>				
 <b>Capital Values</b>	Colliers sees a 4% growth in condominium prices in 2021 as we see demand from investors and end-users gradually recovering starting H2 2021. We expect prices to grow at a faster rate in 2022 as we project higher take-up from Mactan and Cebu City.	+1.4%	+4.0%	+5.0%
		PHP124,400	PHP 127,600	PHP153,600

## Mid-income segment fuels launches and take-up

As of Q1 2021, mid-income<sup>1</sup> condominium projects accounted for 38% of both launches and take-up in Metro Cebu. The growing demand for this price segment relates to the rising purchasing power of Cebuano end-users and investors. Colliers expects mid-income projects to continue capturing residential demand in the area as this price segment is expected to deliver about 37% of the 6,563 units scheduled for completion in 2021. In our view, developers should constantly monitor demand drivers of the mid-income segment including Filipinos working abroad. The government-projected economic recovery beyond 2021 should further stoke demand from the mid-income market.

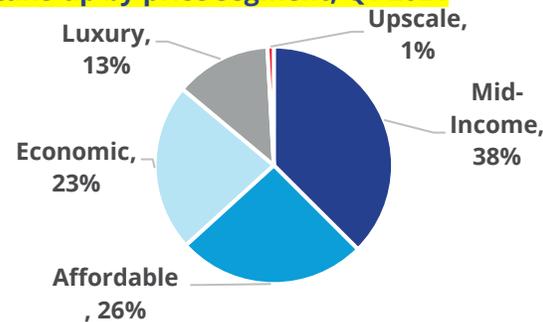
Source: Colliers. Note: Demand, supply, and capital values represent only the vertical (condominium) residential market. Capital values indicated are average price per sq metre. <sup>1</sup>Mid-income projects are priced between PHP3.2 million to PHP6 million or USD66,500 to USD125,000.

## Recommendations

### Venture into projects within integrated communities

Colliers believes that as the country continues to manage the challenges brought by Covid, investors and end-users from Metro Cebu will likely remain interested in investing on properties within integrated communities. In the next four years, we expect the demand for residential projects, both house and lot (H&L) and condominium units, to likely hinge on integrated features such as the residents' accessibility to essential goods and services and the proximity to transport networks. Colliers believes that developers should highlight these features on their residential projects to attract more buyers and investors.

#### Cebu vertical take-up by price segment, Q1 2021



Source: Colliers

### Consider fringe areas for house and lots

While Cebu City remains the primary site for new residential projects, Colliers has observed H&L developments have begun to expand outside of the city. In Q1 2021, outlying areas have accounted for 61% of take-up in Cebu's residential market, namely Talisay, Lapu-Lapu, and Carcar. Colliers encourages developers to continue exploring these areas as well as other parts of Cebu for parcels of land that are viable for future house and lot projects. These include Naga City, Minglanilla, and Balamban.

Note: Socialized- PHP450,000 and below; Economic- PHP450,001 to PHP1.7 million; Affordable- PHP1.7 million to PHP3.2 million; Mid-income- PHP3.2 million to 6 million; Upscale- PHP6 million to PHP8 million; Luxury- PHP8 million and above

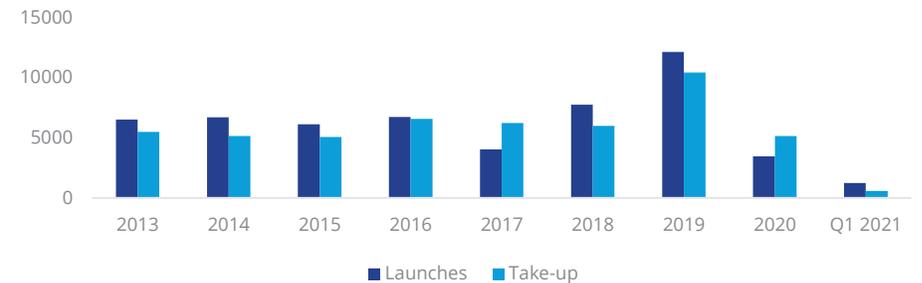
### Monitor infrastructure developments

Colliers sees pivotal infrastructure projects such as the Cebu Cordova Expressway (CCLEX) and the Metro Cebu Expressway stoking residential condominium demand in Cebu. These public infrastructure projects should help attract more developers and investors in acquiring parcels of land around these major projects.

### Take advantage of innovative and flexible payment terms

Given the decline in demand, developers in Metro Cebu have started offering promotions to attract buyers. Certain developers are offering lower down payments, cash discounts, exclusive access to amenities, and free items such as appliances and furniture. In our opinion, investors and buyers should continue monitoring these currently available promos to maximize their purchasing power.

#### Cebu vertical launches and take-up, (2013 - Q1 2021)



Source: Colliers

## Completions to pick up in 2021

In Q1 2021, Colliers recorded no new completions in Metro Cebu. Total condominium stock remains stagnant at 50,100 units. For the remainder of the 2021, Colliers expects the delivery of 6,560 units, 14% higher compared to the 5,760 units delivered in Covid-influenced 2020. Mandaue City, Lapu-Lapu City, and Cebu City are likely to cover 97% of upcoming supply in 2021.

By price segment, affordable to mid-income<sup>2</sup> projects are likely to cover 77% of new supply in 2021. Projects in these segments include Casa Mira Towers Guadalupe Tower 1, Vistana Pearl Residences, UniPlace, One Oasis Building 8, Mandani Quay Tower 1, Northwoods Place, Urban Deca Homes Banilad Tower 3, Paseo Grove Tower 1, Plumera Mactan, Resort City Towers Tower 1, Saekyung Condo Building 1,2,3, and Plumera Mactan Building N. A growing preference for affordable to mid-income condominium units among Cebuano buyers and end-users have been a notable trend in recent years.

From 2021 to 2025, we project completion of about 4,760 units annually, slightly up from our initial forecast of 4,500 units in Q4 2020. By the end of 2025, we see total condominium stock in Metro Cebu reaching 73,900 units, up 48% from the inventory at the end of 2020.

## Anemic demand persists

In Q1 2021, take-up of condominiums and H&Ls reached 810 and 220 units, respectively. This is a decline of about 50% for condos and 64% for H&Ls compared to the 1,616 units and 607 units of take-up, respectively, in Q1 2020. Over 80% of the take-up for vertical projects in Q1 2021 came from Lapu-Lapu and Cebu City. Meanwhile, bulk of the demand for house and lot projects came from Talisay City (43%).

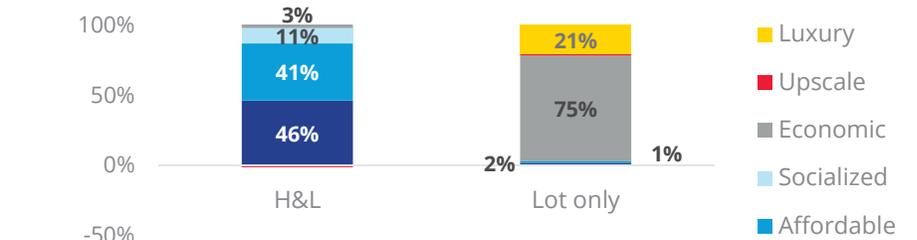
In Q1 2021, we see a slowdown in residential demand given the continuing Covid impact. Demand is expected to increase gradually as we estimate take-up in vertical projects reaching 3,500 units by the end of 2021, down 50% from our initial forecast of about 7,000 units.

Similar to Metro Manila, certain factors provide a glint of optimism in the Cebu residential market. Colliers believes that the competitive mortgage rates (7.4% as of Q1 2021), flexible payment terms offered by residential developers, and sustained OFW remittances of about USD8.5 billion (PHP408 billion)<sup>3</sup> should help drive take-up beyond 2021.

<sup>2</sup>Affordable to mid-income projects are priced between PHP1.7 million to PHP3.2 million. <sup>3</sup>Philippine Daily Inquirer. [Dollar remittances up for 2nd straight month](#). USD1 to PHP48 as of the end of Q1 2021.

Data from the Philippine Statistics Authority (PSA) indicate that 5% of deployed OFWs in 2019 came from the Central Visayas region. Similar to Metro Manila, Colliers believes that remittances from OFWs will continue to bolster demand for affordable to mid-income residential condominium units in Metro Cebu. In our view, Filipinos working abroad are likely to propel both investor and end-user demand in Cebu city and its environs.

### Cebu horizontal take-up by segment, Q1 2021



Source: Colliers

## Prices to grow at a faster pace

In Q1 2021, affordable to mid-income developments (price segments between PHP1.7 million (USD35,400) and PHP6.0 million (USD125,000) recorded strong take-up for both condominium and H&L projects in Metro Cebu. Interestingly, luxury projects accounted for the majority of take-up in lot-only projects. These lot-only projects are priced from PHP2.4 million (USD50,000) and above. The demand for this price segment in areas outside Cebu City is likely driven by local investors and OFWs looking for bigger open spaces for their families while still within a reasonable distance from the province's capital city.

Colliers projects prices of condominium units to increase by 4% in 2021 as demand from investors and end-users begins to recover gradually. From 2022 to 2025, we estimate a 5% annual growth in prices as Cebu City further recuperates from Covid. Stable OFW remittances should also support H&L and lot-only price growth.



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