

Rising residential hub in the Visayas: Sustained Iloilo supply and demand beyond 2022

Insights & recommendations

We believe Iloilo will continue to rise as a viable residential investment location as commercial activities continue to increase in the province. It is among the preferred locations for outsourcing companies that are expanding outside Metro Manila. Colliers believes that office leasing recovery and sustained introduction of new supply are factors that will positively influence demand for condominium units. Sustained regional economic growth supported by massive infrastructure completions should buoy end-user demand for horizontal projects.

- We encourage local and national developers continue with their landbanking initiatives especially outside of business districts. They should also maximize available infrastructure and continue monitoring demand from Filipinos working abroad.
- Colliers recommends that developers carefully assess the products and pricing of residential units to be launched in the market in anticipation of post-Covid demand.

End 2021 Full Year 2022 2022-26 Annual Avg



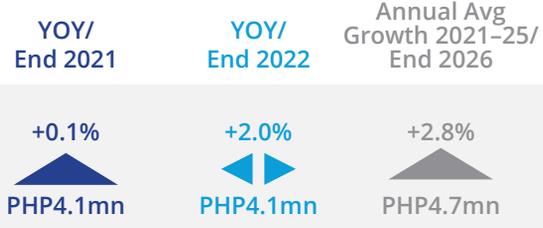
In 2022, Colliers sees sustained demand for condominiums anchored by remittances from Overseas Filipino Workers (OFW) and an improvement of the regional economy.



From 2022 to 2026, we project the delivery of about 860 units annually. We see Mandurriao accounting for 84% of the new condominium supply in 2022.



We project condominium prices to grow by 2.8% per annum in the next five years. In our view, residential demand recovery in Iloilo will likely hinge on regional economic growth and resumption of businesses.



Source: Colliers. Note: USD1 to PHP51 as of the end of 2021 1 sq m = 10.76 sq ft. *Capital values indicated are measured per unit and refers to vertical projects. ¹Overseas Filipino Workers.

“Iloilo is quickly becoming a viable residential investment location with the increasing economic and commercial activity seen in and around the city. It has shown resilience in terms of sales even during Covid, posting numbers better than pre-Covid period. We expect this trend to continue as developers prime up the province with mixed-use communities, supported by the completion of infrastructure projects.”

Karla Domingo
Director, Advisory Services

Recommendations

Assess the product type to be launched

Colliers believes that developers should carefully assess the type of products to be offered in the market. In 2021, studios accounted for 59% of the total unit count in the projects launched, targeting investors rather than end-users. We believe that this trend will continue as more investors buy with the intention of renting out their units to employees working in integrated communities. However, it would also be good to evaluate and address the end-user demand by providing amply sized units.

Consider alternative sites for house-and-lot developments

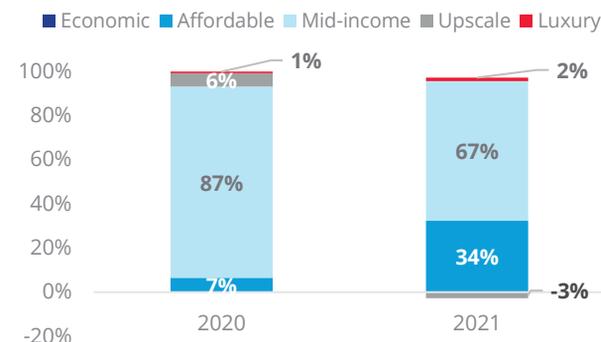
While Iloilo City remains the primary site for both vertical and horizontal residential projects, we saw Oton, about 10 km west of Iloilo City, accounting for 59% of horizontal take-up in 2021. This should encourage developers to explore other areas in Iloilo for their next house-and-lot projects. These include Sta. Barbara (where Iloilo International Airport is located), Oton and Pavia.

New supply from national players

In 2021, Colliers recorded completions soaring to 2,532 units, up 779% from only 288 units in 2020, pushing total supply to 6,592 units. From 2022 to 2024, we see the delivery of about 800 condominium units per annum, higher than the average of 650 units per year from 2017 to 2019.

SMDC's Style Residences will likely account for bulk of the new supply from 2022 to 2025. Other notable projects include Cebu Landmasters' Terranza Residences, Vista Land's The Altaverde, Ayala Land's Avida Atria Towers Iloilo, and Megaworld's Saint Dominique and The Pinnacle in its Iloilo Business Park (IBP) township.

Iloilo vertical take-up per segment, 2020 vs. 2021

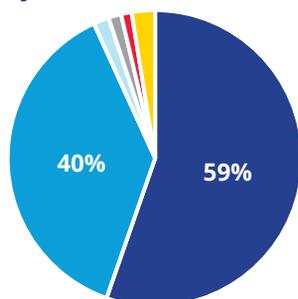


Residential price segment, (PHP)

Segment	Average total contract price (TCP)
Luxury	8 million and above
Upscale	6 million to 8 million
Mid-income	3.2 million to 6 million
Affordable	1.7 million to 3.2 million
Economic	580,000 to 1.7 million
Socialized	580,000 and below

Source: Colliers

Iloilo horizontal (H&L) take-up per municipality, 2021



■ Oton ■ Iloilo City ■ Leganes
■ San Jose ■ Pavia ■ Dueñas

Source: Colliers

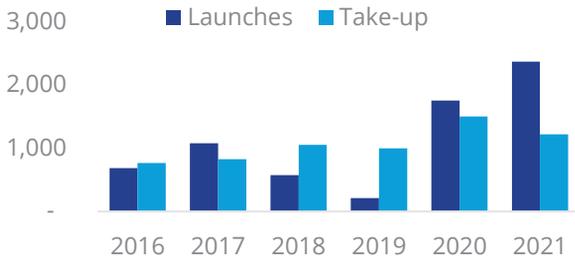
Iloilo residential average prices (in PHP)

Location	House and Lot 2021 (PHP/unit)	Condominium (2021)	
		(PHP/unit)	(PHP/ sq m)
Iloilo	2.4Mn	4.1Mn	123,500

Mid-income dominates

Iloilo’s residential segment remains primarily horizontal (house-and-lot or H&L) with about 26,300 H&L units at the end of 2021, (as compared to 6,592 condominium units). We saw H&L launches increasing to 2,400 units in 2021, a 35% growth. Meanwhile, H&L take-up declined by 19% in 2021 to 1,220 units, but this was still higher than the pre-Covid annual average take-up of 1,000 units in 2018 and 2019. This signifies stable residential demand in Iloilo’s horizontal market despite Covid.

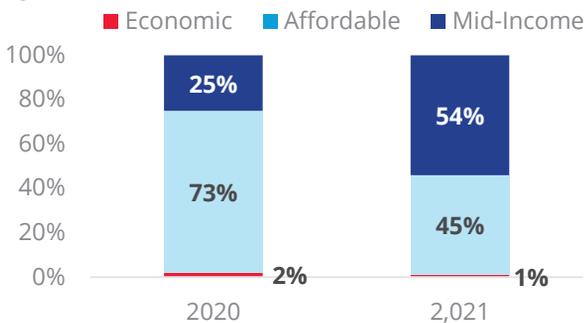
Iloilo horizontal (H&L) launches and take-up



Source: Colliers

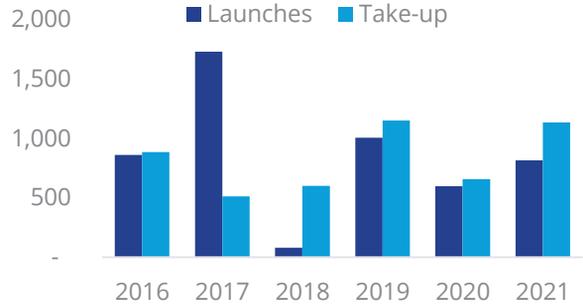
Colliers saw the mid-income (PHP3.2 million to PHP6.0 million) and affordable segments (PHP1.7 million to PHP3.2 million) driving demand in Iloilo’s H&L market as they accounted for 54% and 45% of total take-up in 2021, respectively.

Iloilo horizontal (house & lot) take-up per segment, 2020 vs. 2021



Source: Colliers

Iloilo lot-only launches and take-up



Source: Colliers

For Iloilo’s condominium market, we recorded a total of 1,033 units sold in 2021. The mid-income segment continues to dominate, accounting for 67% of total demand in the pre-selling market. We have also observed a significant increase in demand for affordable projects particularly in H2 2021. This was driven by the launch of the second tower of Southprime Developers’ The Southprime Flats and SMDC’s multi-tower Glade Residences.

In our view, an improvement in office leasing activities should help boost residential demand. In 2021, a total of 17,000 sq metres (183,000 sq feet) of office transactions were recorded in Iloilo. This was after posting 28,000 sq metres (301,000 sq feet) of office deals in 2020. Greater business activities within the city’s integrated communities should positively influence demand for condominiums located in the city’s townships.

Infrastructure and township projects in Iloilo



Source: Colliers

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