












Condominium development strikes back: Sustained Iloilo residential demand beyond 2021

Insights & recommendations

Despite market disruptions due to Covid, developers continue to line up new residential projects in Iloilo City. We see increased demand for condominiums with the rising business interest and commercial activities in Iloilo City. Investors looking to capitalize on the heightened commercial activity have been the main drivers of demand while end users, particularly overseas Filipinos, keep the demand for house and lot units afloat.

- We recommend 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 sees sustained demand beyond 2021 and this should partly buoy price appreciation potential in the city and its fringes.

		H1 2021	Full Year 2021	2021-25 Annual Avg
 Demand	In H1 2021, 477 condominium units were sold, lower than the 973 units sold in H1 2020. We expect take-up to recover in the next 12 months, mainly driven by demand from local investors and OFWs ¹ .	 477 units	 950 units	 1,100 units
 Supply	From 2021 to 2025, we expect the delivery of about 1,100 new units annually. We see the bulk of the new supply coming from the Iloilo Business Park and SMDC's projects.	 467 units	 2,532 units	 1,104 units
 Capital Values*	Beyond 2021, Colliers sees condominium prices rising by about 4% annually, from a 2.1% growth per year from 2018 to 2020.	HOH/ End H1  2.2pp PHP4.1mn	YOY/ End 2021  2.5pp PHP4.1mn	Annual Avg Growth 2020-25/ End 2025  3.7pp PHP4.8mn

Source: Colliers. Note: USD1 to PHP48 as of the Q2 2021 1 sq m = 10.76 sq ft. *Capital values indicated are measured per unit and reference vertical projects. ¹Overseas Filipino Workers.

Iloilo vertical residential supply forecast, (units)

Location	End-2020	2021F	2022F	2023F	Total End-2023
Iloilo	3,570	2,532	1,926	0	8,028

Recommendations

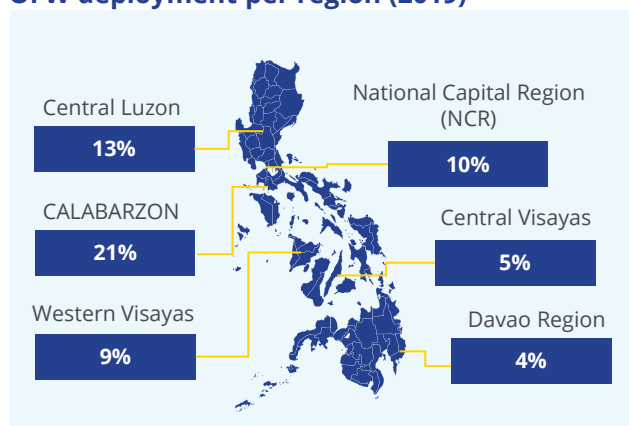
Look for alternative sites for development

Colliers believes that Iloilo City will be increasingly attractive for condominium and H&L projects. However, the more aggressive launch of residential projects in the city compels developers to scout for non-traditional sites. In our opinion, other viable sites for residential development beyond Mandurriao include Leganes, Sta. Barbara, Oton and Pavia.

Offer flexible payment terms

Due to Covid, developers have started offering innovative promotions to attract investors and end-users. Some developers have been offering cash discounts, lower down payments, extended amortization terms, free items such as appliances and gadgets as well as early move-in promos. Colliers believes that buyers and investors should take advantage of these opportunities from developers, which should re-capture residential demand.

OFW deployment per region (2019)



Source: Philippine Statistics Authority
 Note: CALABARZON = Cavite, Laguna, Batangas, Rizal and Quezon provinces. Iloilo is part of the Western Visayas region.

Monitor progress of upcoming infrastructure projects

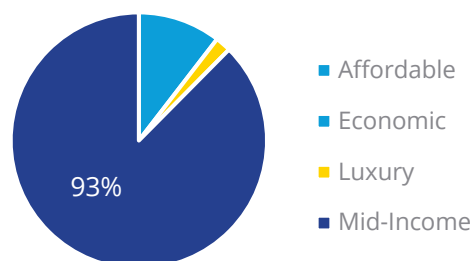
In our view, the upcoming infrastructure projects such as the Panay-Negros-Guimaras Island Bridge and the expansion of Iloilo International Airport should stoke residential demand in the province. Developers should maximize the opportunities brought by these projects and align their plans for future residential developments. These infrastructure projects should enable developers and investors to strategically landbank around these major projects.

Rising demand for condominiums

While Iloilo's residential segment remains primarily horizontal (house and lot) with about 22,300 H&L units as of H1 2021, we expect a more aggressive development of condominiums especially from national players beyond 2021.

As of the end of H1 2021, Iloilo City's condominium stock reached 4,065 units, 8% higher than the 3,777 units in H1 2020. Developers continue to launch and deliver projects on time as they see a sustained demand from investors and Overseas Filipino Workers (OFWs). From 2021 to 2023, Colliers sees the completion of about 1,486 units per year, more than double the annual completion of 649 units from 2017 to 2019.

Iloilo vertical take-up per segment, H1 2021



Source: Colliers. Please see page 3 for more detail on the price segments.

Iloilo residential average prices (in PHP)

Location	House and Lot Q2 2021 (PHP/unit)	Condominium Q2 2021	
		(PHP/unit)	(PHP/ sq m)
Iloilo	2.2Mn	4.1Mn	111,700

Bulk of the new supply from 2021 to 2023 will likely come from the Iloilo Business Park (IBP) as well as SMDC's residential developments. These areas are likely to account for nearly 80% of the new supply during the period. Among the projects due to be completed are Saint Honore, Saint Dominique and Style Residences. Other notable projects include Vista Land's The Altaverde COHO and Ayala Land's Avida Towers Iloilo.

Mid-income segment leads residential take-up

In H1 2021, mid-income projects (PHP3.2 million to PHP6 million) accounted for 85% of total horizontal take-up, significantly higher than the segment's share of only 9% in H1 2020.

Meanwhile, in Iloilo City's condominium market, about 477 units were sold in H1 2021, lower than the 973 units sold in H1 2020. The mid-income segment also dominated take-up in the vertical market, accounting for about 93% of total take-up in H1 2021.

In our view, demand for affordable to mid-income residential projects is partially driven by OFW remittances. Colliers believes that demand from these segments is likely to be sustained

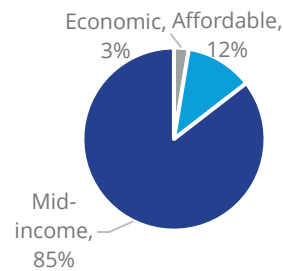
Residential price segment, (PHP)

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
USD1 = PHP48 as of the end of Q2 2021

within the next 12 to 24 months. In 8M 2021, OFW remittances reached USD22.7 billion (PHP1.1 trillion), up 5.9% from the USD21.4 billion (PHP1.0 trillion) in 8M 2020. In 2019, the Western Visayas Region, which includes Iloilo, accounted for 9% of 2.2 million OFWs deployed.

Iloilo horizontal (house & lots) take-up per segment, H1 2021

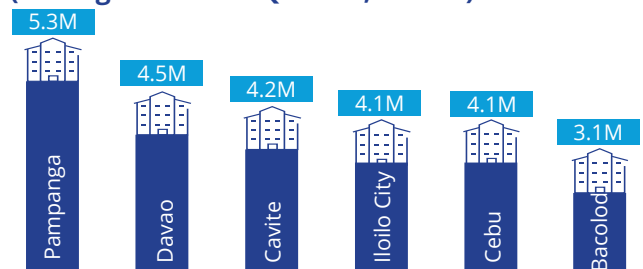


Source: Colliers

In our opinion, the entry of national developers such as Ayala Land, Megaworld and Cebu Landmasters has helped stir interest and prop up condominium prices.

The rising demand for office space (e.g. outsourcing and traditional¹) has also led to a sustained take-up for condominium units especially in Mandurriao. Colliers believes that demand from this segment will likely continue driving residential demand beyond 2021 which should be supported by the rebound in regional economic growth, increase in OFW deployment, and the successful implementation of the government's COVID-19 inoculation program.

Iloilo City vs. other condominium hotspots (Average TCP as of Q2 2021, in PHP)



Source: Colliers

Note: ¹Traditional includes companies in various sectors such as legal, engineering and construction, government agencies and flexible workspace operators.

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