

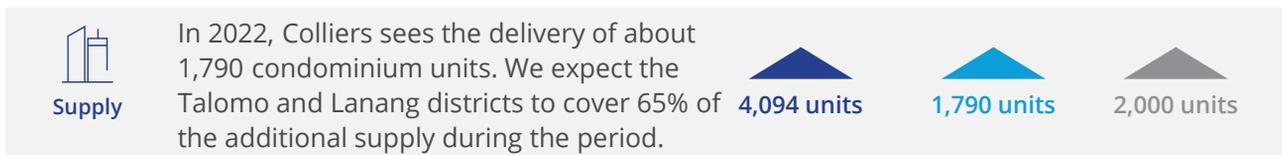
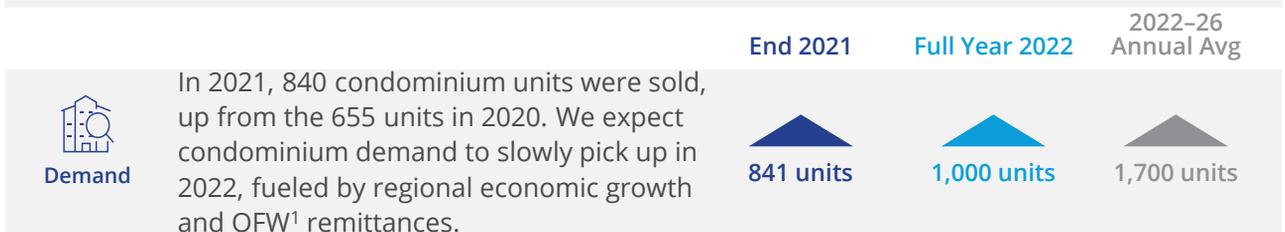
# Gearing up for recovery: Davao developers brace for rebound post-Covid

## Insights & recommendations

Colliers sees Davao retaining its stature as one of the more attractive residential investment hubs in Mindanao. In our view, Davao’s residential market will continue to benefit from the region’s economic recovery beyond 2022. Despite market disruptions due to Covid, demand, primarily seen to be coming from OFWs and investors, is still expected to take-up inventory as the country starts to ease mobility restrictions and economies open.

Colliers sees an improvement in demand beyond 2022 and this should play a crucial role in raising property prices and improving the feasibility of alternative sites for residential projects.

We recommend that developers continue lining up new residential projects in Davao City to capture pent-up demand. Furthermore, we recommend that developers maximize available infrastructure and continue landbanking efforts outside of business districts.



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. <sup>1</sup>Overseas Filipino Workers.

“Davao will still remain to be the preferred residential investment hub of Mindanao, given key indicators and upcoming infrastructure projects. Current market conditions have led to a shift in demand for affordable products. There was also increased interest for horizontal developments, though opportunity remains for condominium developments with the right product, pricing and innovative payment terms.”

**Theresa Teodoro**  
Senior Director, Advisory Services

## Recommendations

### Alternative sites

In our view, horizontal projects, which includes lot only and house & lot (H&L) projects, will remain an attractive investment option among Overseas Filipino Workers (OFWs). Hence, we encourage developers to look for viable sites in the fringes suitable for horizontal projects including Buhangin and Talomo. The improvement of roads and other public projects should raise the viability of these alternative sites for residential developments.

### Innovative promos and flexible terms

In 2021, only 841 condominium units were sold in Davao. This is significantly lower than the 5,000 to 6,000 units sold in 2018 and 2019, respectively. To recapture demand, Colliers encourages that developers offer more innovative discounts, promos and flexible payment terms to attract more end-users and investors. Some of the innovative promos being implemented in Davao include extended payment terms, discounts on spot down payments and free appliances.

### Evaluate price segments to launch

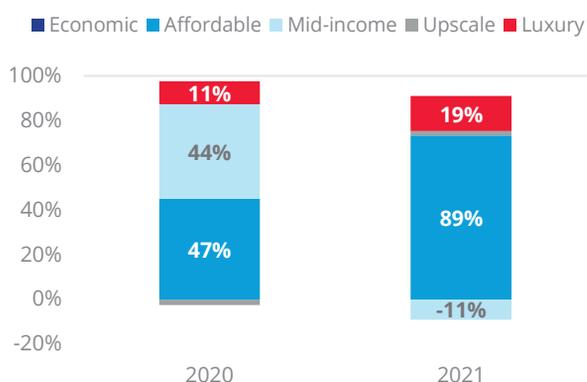
Colliers has observed that H&L units were well received by the market and have generated significant sales, especially newly launched projects in Talomo, Buhangin and Toril. Hence, Colliers recommends that developers assess demand and look for attractive price segments beyond 2022. Among the attractive price segment for the condominium and horizontal market amid the pandemic is the affordable segment which recorded stable take-up from 2020 to 2021, as indicated in the *Davao vertical take-up, 2020 vs. 2021* graph at right.

## New supply up 25%

As of the end of 2021, Davao’s condominium stock reached 20,535 units, up 25% from the 16,441 units recorded in 2020. About 4,094 new condominium units were completed in 2021, higher than the 3,475 units delivered in 2020. Among the projects completed in 2021 are Amani Grand Citygate Davao, Camella Condo Homes, Centro Spatial, Maldives Oasis, Patio Suites, The Enclaves Residences, The Residences–Azuela Cove, Two Lakeshore Drive and Verdon Parc.

From 2022 to 2025, Colliers sees the annual delivery of about 2,500 units, slightly lower than the 2,600 yearly completion from the pre-Covid period in 2016 to 2019.

### Davao vertical take-up, 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

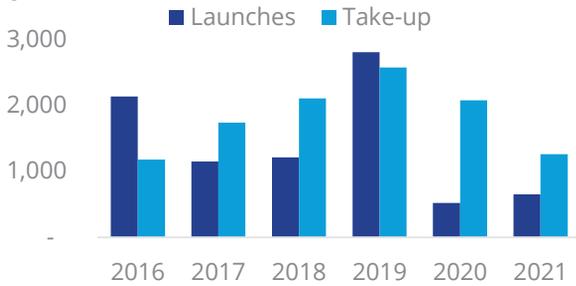
# Davao residential average prices (in PHP)

Location	House and Lot 2021 (PHP/unit)	Condominium (2021)	
		(PHP/unit)	(PHP/ sq m)
Davao	3.3Mn	4.5Mn	108,500

## Demand shifts to affordable

In 2021, about 841 condominium units were sold in Davao, slightly higher than the 655 units in 2020. The affordable segment (PHP1.7 million to PHP3.2 million) covered 89% of the take-up during the year, significantly higher than the segment's share of only 48% in 2020. Meanwhile, demand in the H&L market was also driven by affordable projects (previously dominated by mid-income in 2020) with the segment accounting for 73% of total take-up in 2021 from 42% in 2020.

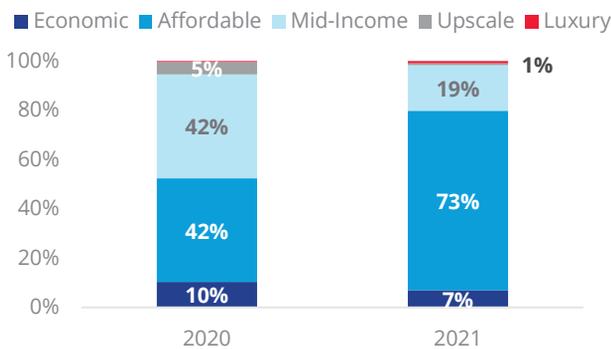
### Davao house and lot (H&L) launches and take-up



Source: Colliers

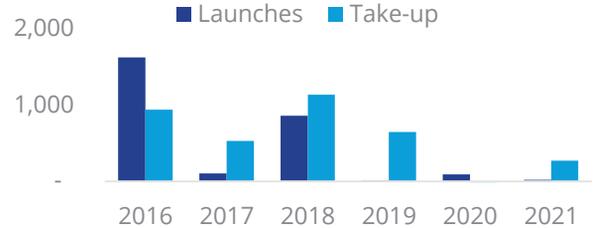
In our opinion, Davao City will likely retain its stature as a viable residential hub post-Covid. Data from the 2021 Cities and Municipalities Competitiveness Index showed that Davao City was ranked as the fourth most competitive

### Davao horizontal (H&L) take-up per segment, 2020 vs. 2021



Source: Colliers

## Davao Lot-only launches and take-up



Source: Colliers

city<sup>2</sup> with key indicators on economic dynamism, government efficiency, infrastructure and resiliency. Colliers believes that these criteria will be among investors' considerations in buying a residential property in Davao.

On the end-user side, we believe that demand for affordable projects will continue to be driven by OFW remittances, which will be sustained over the next 12 to 24 months. Data from the Bangko Sentral ng Pilipinas (BSP) or the central bank showed that remittances grew by 5.1% in 2021 to USD34.8 billion (PHP1.6 trillion) from USD33.2 billion (PHP1.5 trillion) in 2020.

In our view, the declining number of Covid cases, easing of travel restrictions, imminent return to office and the government-projected economic recovery of between 7% and 9% should support both investor and end-users' appetite for condominium and house and lot units.

## Infrastructure and township projects in Davao



Source: Colliers; <sup>2</sup>Rankings Data - Cities and Municipalities Competitive Index (dti.gov.ph)

## For further information, please contact:

### Joey Bondoc

Associate Director | Research |  
Philippines  
+63 2 8858 9057  
[Joey.Bondoc@colliers.com](mailto:Joey.Bondoc@colliers.com)

### Richard Raymundo

Managing Director | Philippines  
+63 2 8858 9028  
[Richard.Raymundo@colliers.com](mailto:Richard.Raymundo@colliers.com)

### Martin Aguila

Senior Analyst | Research |  
Philippines  
+63 2 8863 4116  
[Martin.Aguila@colliers.com](mailto:Martin.Aguila@colliers.com)

### Brent Respicio

Research Analyst | Research |  
Philippines  
+63 2 8863 4197  
[Brent.Respicio@colliers.com](mailto:Brent.Respicio@colliers.com)

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