On the road to recovery (Part 2):

Condominium market shows signs of rebound

By Joey Roi Bondoc

COLLIERS INSIGHTS

Editor's note: This is the second of a two-part column on Metro Manila's condominium market. First part can be viewed here: https://t.ly/JR9DO

CAPITAL APPRECIATION POTENTIAL

Colliers Philippines believes that the investor market in Metro Manila continues to rely on condominium units' capital appreciation potential. In our view, developers should be aggressive in highlighting the residential segment's viability as a potential hedge against inflation.

Vertical units that are located in integrated communities and near public infrastructure projects also have great capital appreciation potential and these features should be among investors' key considerations when acquiring a condominium unit.

PROJECTS OUTSIDE M. MANILA

Colliers has observed steady demand for house-and-lot and lot-only projects in key areas outside of Metro Manila, including Pampanga, Cavite, Laguna, and Batangas.

For Pampanga and Bulacan, we recorded about 7,200 house-and-lot and lot-only units sold in 2022, up 3% year on year. Meanwhile, we saw the average take-up for horizontal projects in the Cavite-Laguna-Batangas corridor reaching 18,700 units by end-2022, up 2% year on year.

Colliers believes that developers will continue to venture into horizontal residential projects outside of Metro Manila where demand primarily comes from end-user buyers and take-up is partly fueled by households receiving remittances from Filipinos working abroad.

Among the developers that are set to launch massive horizontal projects outside the capital region include Rockwell with its 85-hectare beach property in Lian, Batangas and a 100-hectare horizontal residential project in San Jose del Monte, Bulacan. Century Properties also disclosed that it is planning to launch two new projects under the Phirst Park Homes brand in Lipa, Batangas and Laguna in the third quarter of 2023. Meanwhile, Cebu Landmasters has also announced its plan of launching horizontal projects in Southern Luzon particularly in Naga, Batangas and Cavite. The firm is also reportedly looking at Central Luzon for future expansion.

COMPLETION TO RECOVER

Only one condominium project was completed in the second quarter of 2023: Alveo Land's Park Triangle Residences in Fort Bonifacio added 616 units to Metro Manila's condominium stock.

We expect completion to slightly pick up in the second half with the delivery of 3,100 units, bringing total completion to 4,920 units for 2023. By end-2023, we see Metro Manila's condominium stock reaching more than 156,000 units, with the Bay Area, Makati central business district, and Fort Bonifacio accounting for about two-thirds of total completed units in the capital region.

Investors are also looking closely at Fort Bonifacio as it will dominate other business districts in terms of supply in 2024.

PRE-SELLING DEMAND IMPROVES

Colliers recorded the take-up of 15,200 condominium units in the Metro Manila pre-selling market in the first half, up 52% year on year. The lower and upper mid-income segments (P3.2 million to P12 million) accounted for 70% of condominiums sold during the period. Pasig City, Bay Area, and the Alabang-Las Piñas and Camanava (Caloocan-Malabon-Navotas-Valenzuela) covered 50% of units taken up from the lower and upper mid-income price segments.

Among the notable vertical projects launched in the second quarter include Ayala Land's Park East Place in Fort Bonifacio, as well as Laya by Shang Properties and Olin at Jade Drive by Ortigas Land, both of which are located in Pasig City.

In our view, pre-selling residential demand will likely be supported by improving business and consumer sentiments, as well as stabilizing interest rates. The Bangko Sentral ng Pilipinas' (BSP) latest Consumer Expectations Survey showed that the share of households planning to purchase real estate marginally rose to 4.7% in Q2 2023 from 4.6% a quarter ago. Meanwhile, its second quarter 2023 Business Expectations poll results show that the business outlook improved to 41.9% from 36.0% in the first quarter of 2023.

RENTS AND PRICES UP

In the second quarter, Colliers recorded a marginal decline in residential vacancy rate to 17.2% from 17.4% in the prior quarter. Vacancy rates improved across all sublocations including the Bay Area, where vacancy reached as high as 26.0% in 2021.

We forecast vacancy rates to decline by end-2023 due to slower condominium completion and continued improvement in residential leasing particularly from returning expatriates in the country.

Colliers has observed expat residential leasing picking up in Makati central business district, Ortigas Center, and Fort Bonifacio with demand led by those working for BPOs, shared service centers, multilateral aid agencies, as well as logistics and manufacturing industries. This is reflective of the marginal rental recovery in the second quarter of 2023 where we recorded a 1.0% growth in rents, slightly faster than the 0.5% increase in prices.

Colliers believes that vacancy in the secondary market will likely remain elevated in 2024 given the substantial completion of new units. We see this putting a downward pressure on rents especially in the Bay Area, which will likely account for 27% of completed units by end-2024.

NOWHERE TO GO BUT UP

Colliers Philippines is more upbeat this year. We are seeing recovery in key property sectors such as office, retail, industrial, and hotel. We believe that the residential segment will not be left behind.

The country's macroeconomic fundamentals remain sound and this should pave the way for a more dynamic property sector over the near to medium term. Investors are on the lookout for more properties to acquire and developers will definitely cash in on this demand. We've heard of revenge dining and spending.

Now is the time for revenge investing.

Joey Roi Bondoc is the research director at Colliers Philippines.

DMCI Homes donates universal testing equipment to UP ICE

DMCI HOMES recently donated a 2000 kilonewton (kN) universal testing machine to the Construction Materials and Structures Laboratory (CoMSLab) of the University of the Philippines Institute of Civil Engineering (UP ICE).

The company also turned over laptop computers and laboratory furniture, as part of its long-standing partnership with UP ICE.

DMCI Homes President Alfredo Austria emphasized the importance of research in the construction industry.

"Research is very important for innovations, and in companies like DMCI Homes, we always do a lot of innovations for us to be of service to the community around us and to be able to create value for our customers," he said in a statement.

Londoners struggle to afford homes elsewhere in the UK

LONDON's expensive housing market is notorious for pricing out would-be buyers. Now its residents are struggling to afford a home outside the capital as well.

Londoners bought 32,600 homes elsewhere in the UK during the first six months of the year, according to a report from broker Hamptons International. That's about a fifth lower than the 40,000-plus homes purchased in the first half of 2022, as the priciest mortgages in almost 15 years block many would-be movers and first-time buyers from affording deals.

"This year London outmigration has increasingly been driven by need over want," said Aneisha Beveridge, head of research at Hamptons. "Higher mortgage rates reduce buyers' budgets, pushing them in search of smaller homes in more affordable areas."

UK households are facing an avalanche of cost pressures triggered by rising interest rates and the worst cost-of-living crisis in a generation. Millions of homeowners have already seen the value of their properties decline this year, with some analysts forecasting a double-digit drop in prices as the nation adapts to costlier borrowing.

Meanwhile, London's first-time buyers are struggling to get on the housing ladder — in or outside the city — as the priciest rents and living costs in the country squeeze their budgets to the brink.

The amount of homes bought outside the capital by London-based first-time buyers dropped 19% year-on-year to just over 25,000 in the first half of 2023, according to Hamptons, prompting a forecast from the broker that this year will see lowest amount of leavers in almost a decade.

What's more, affordability pressures this year have forced the average London leaver to buy for about £60,000 ($76,233) less than those who left in 2022, with the average spend falling under £430,000. That's because London leavers are hunting for cheaper deals further away from the capital, the report said, with the average distance moved in the first half of the year rising to the furthest since at least 2009. — ***Bloomberg***

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link
<https://t.ly/ihS4f>

Sales from domestic coal pull Semirara Q2 income to P10.19B

SEMIRARA Mining and Power Corp. (SMPC) on Monday reported a second-quarter attributable net income of P10.19 billion, which is 5.5% lower than the P10.78 billion net income reported a year ago.

The decrease was attributed to reduced domestic coal sales, SMPC said in its second-quarter financial performance report.

Meanwhile, the company's consolidated revenues for the April-to-June period expanded by 4%, reaching P23.87 billion from P22.95 billion the previous year.

During the second quarter, SMPC recorded a combined coal shipment of 4.5 million metric tons (MMT), marking a 21.6% increase compared to the 3.7 MMT of the previous year.

This growth was driven by higher volume deliveries to China and South Korea, the company said.

Shipments to China surged by 75% to 1.4 MMT from 0.8 MMT, while shipments to South Korea rose by 25% to 1 MMT from 0.8 MMT.

Despite a 14% rise in sales, domestic sales remained stagnant at 1.9 MMT due to reduced demand from cement factories and other industrial plants, according to the company.

In the second quarter, Semirara's average coal selling price dropped by 23.1% to P4,151 per metric ton from its previous all-time high of P5,399 per metric ton.

Total production declined by 11.8% to 3 MMT from 3.4 MMT, which the company attributed to the onset of rains and ongoing stripping activities in Molave South Block 6 and Narra Block 1.

SMPC's combined inventory increased by 12% to 2.8 MMT from 2.5 MMT due to steady production and weaker domestic sales. Year-to-date, inventory climbed by 40% to 2.8 MMT from 2 MMT.

In terms of power revenues, the second quarter saw a 43.4% increase to P6.91 billion from P4.82 billion the previous year.

The company's overall plant availability improved to 80% from 64%, driven by enhanced availability of SEM-Calaca Power Corp.'s (SCPC) Unit 2. SCPC's unit's commercial operation last year boosted the total average capacity by 34.6% to 685 megawatts (MW) from 509 MW.

Total power gross generation rose by 26.7% to 1,212 gigawatt-hours (GWh) from 956 GWh, leading to a 21.8% increase in power sales to 1,097 GWh from 900 GWh.

FREEPIK

Out of the total gross power generation, 66% was sold to the spot market.

For the second quarter, SMPC also reported a 42% rise in spot market sales to 720 GWh from 507 GWh, while the company's bilateral contract sales contracted by 4.1% to 377 GWh from 393 GWh.

Maria Cristina C. Gotianun, SMPC's president and chief operating officer, acknowledged that the second half of the year might present challenges due to the rainy season and planned shutdowns, but she expressed confidence in the company's ability to navigate these obstacles given its high starting inventory and strategic focus on the spot market.

For the January-to-June period, the company's attributable net income fell by 25.5% to P19.21 billion from P25.80 billion a year ago, as coal indices began to normalize.

Throughout the first half of the year, the average Newcastle coal price declined from $320.3 to $148, according to the company.

For the first six months, SMPC's consolidated revenues decreased by 14.3% to P44.57 billion from P52.01 billion.

Ms. Gotianun said that despite lower coal prices, the company achieved strong first-half results due to increased coal demand in China and improved performance from its SCPC Unit 2.

On Monday, shares in the company rose by 55 centavos or 1.88% to close at P29.75 apiece. — **Ashley Erika O. Jose**

Celebrating 60 years of service to the nation: LANDBANK to beef-up physical, digital services to drive financial inclusion

State-run Land Bank of the Philippines (LANDBANK) is marking 60 years of public service with plans to further expand its physical presence in unbanked and underserved communities, while enhancing its digital services to consistently deliver a seamless and exceptional customer experience.

LANDBANK President and CEO Lynette V. Ortiz said that the Bank will continue to support the National Government's development agenda by improving access to reliable, relevant, and convenient financial services.

"We are adopting a phygital strategy to cater to our customer's evolving preferences and demands, with increased investments in expanding our physical touchpoints and beefing-up our digital offerings. LANDBANK is ready to reach and serve a wider customer base, as we continue to bring more Filipinos into the financial mainstream," said LANDBANK President Ortiz.

The only bank operating in all 82 provinces of the country, LANDBANK eyes to establish physical touchpoints in all 1,634 cities and municipalities nationwide to bring banking services closer to Filipinos.

As of 30 June 2023, LANDBANK has 606 branches and branch-lite units, 58 lending centers, 2,951 automated teller machines (ATMs), 226 cash deposit machines (CDMs), and 1,785 Agent Banking Partner POS cash-out terminals.

LANDBANK is currently present in 85.4% or 1,396 cities and municipalities in the country, including the previously unbanked towns of Sallapadan in Abra, Barlig in Mountain Province, Tamparan in Lanao del Sur, Anahawan in Southern Leyte, and Kinoguitan in Misamis Oriental.

In support of the Government's digitalization push, LANDBANK is also looking to onboard all government offices in its digital platforms to increase operational efficiency, improve the ease of doing business, and enhance meaningful public service delivery.

From January to June 2023, the Bank has onboarded a total of 180 government entities to its Link.BizPortal payment platform, and facilitated across all its digital channels a total of 96.5 million transactions valued at P3.9 trillion.

LANDBANK is also working closely with the Philippine Statistics Authority (PSA) in providing unbanked Philippine Identification System (PhilSys) registrants with their own transaction accounts with no initial deposit.

As of June 2023, the Bank has already onboarded 8.35 million unbanked Filipinos to the formal banking system, allowing for convenient fund management and access to financial transactions such as cash withdrawals, fund transfers, and online bills payments.

LANDBANK has likewise taken significant steps to make digital banking more affordable, which includes recently reducing the transaction fees for online fund transfers to other banks through InstaPay, from P25 to P15.

The Bank has also doubled the total daily amount limit of fund transfers via InstaPay from P50,000.00 to P100,000.00, subject to a maximum amount of P50,000.00 per transaction.

LANDBANK, which was established on 8 August 1963 through Republic Act No. 3844 or the Agricultural Land Reform Code, will celebrate its 60th anniversary on 08 August 2023, representing six decades of uplifting lives, empowering communities, and serving the nation — towards building an inclusive and sustainable economy.