

May 25 to June 3, 2009 Study on the Philippine Construction Industry

This study analyzes figures released by the National Statistics Office on private building statistics in the Philippines. Since this is meant for Pinoys who are seriously considering to own their house and residential developers, it later focuses on NSO's statistics on residential construction.

An Overview

The latest complete official private building construction statistics in the Philippines (<http://www.census.gov.ph/data/sectordata/bp2007tx.html>) is for the year 2007; it was released by NSO on April 30, 2009. It has yet to come up with its official data for 2008. Thus, total figure for 2008 was arrived at by collating figures for each quarter of that year.

The statistics were based on the number of **building permits approved** by the local building officials in all cities and municipalities in the Philippines. Illegal building constructions could, therefore, not be accounted for.

Since the data were based on the number of approved building permits, NSO was careful in describing these projects as having been "**started**". As to how many of these projects have been completed, are still in-progress or discontinued is a matter of conjecture.

To keep things simple, this study does not include the value in pesos and the area (square meters) involved in these projects. It focuses only on the **number** of building construction.

Table 1: Total number of private building construction "started" per year indicating percentage increase or decrease over the previous year. (Again, figures for 2008 are unofficial)

2008	2007	2006	2005	2004	2003	2002
96,295	94,961	110,563	129,670	105,425	95,890	91,471
+ 1.4%	- 14.1%	- 14.7%	+ 23%	+9.9%	+ 4.8%	

It's significant that after three straight years of growth in 2003, 2004, with 2005 surging by 23%, the market suddenly fizzled out by nearly 27% in just two years. The unofficial increase of 1.4% in 2008 cannot be taken as an indication that recovery is in the offing considering the current economic downturn.

What could have contributed to the sudden surge in construction activity in 2005? This author can only make a guess: A general election (for presidential, legislative and local posts) was held in May 2004. Remember the race for President between GMA and FPJ? Massive expenditures during this period could have been a factor for the surge in construction the following year.

On the other hand, what could have caused the decline in the succeeding two years? It could have been **glut**. Note that the 23% "supply" surge in 2005 was extraordinary considering that it built upon an already considerable increase of 9.9% in the previous year.

The figures above are broken down into - **residential, non-residential** (commercial / industrial / institutional buildings), and **additions, alterations and repairs**.

Table 2 shows that on average, **residential** construction accounts for **70%** of all building construction in the Philippines.

Table 2: Percentage of residential construction over all types of building construction

	2008	2007	2006	2005	2004	2003	2002	Total	Percent
Bldg Const (All Types)	96,295	94,961	110,563	129,670	105,425	95,890	91,471	724,275	100%
Residential	71,466	65,965	75,932	91,207	73,749	66,308	63,516	508,143	70%

Table 3 shows that, on average, single-detached houses constitute 85% of all residential construction; 3% are duplex/quadruplex/townhouses; 9% are apartments and 3% are condominiums.

Table 3: Total number of residential construction per type of dwelling per year, indicating percentage increase or decrease over the previous year

Year	Total	Single House		Townhse Dup/Quad druplex		Apart-ment		Condo	
		House	%	druplex	%	ment	%	Condo	%
2008	71,466	59,334	+4	1,427	+8	10,355	+62	350	-64
2007	65,965	57,298	-10	1,327	-32	6,367	-27	973	-43
2006	75,932	63,554	-17	1,949	-55	8,718	+7	1,711	-30
2005	91,207	76,252	+20	4,360	+158	8,164	+44	2,431	-18
2004	73,749	63,390	+8	1,693	-5	5,686	+62	2,980	+19
2003	66,308	58,515	+7	1,777	+16	3,512	-33	2,504	+31
2002	63,516	54,831		1,528		5,257		1,900	
Total	508,143	433,174		14,061		48,059		12,849	
Average	72,592	61,882		2,009		6,866		1,836	
Percent		<u>85%</u>		<u>3%</u>		<u>9%</u>		<u>3%</u>	

These figures do not indicate the Pinoys' preference towards a certain type of dwelling over another.

The wide disparity between the number of single houses and condominiums does not mean that more people live in single houses. A single house is intended for a single family or household while a single condominium building can accommodate from, say, fifty to around 500 individual occupants or families (for example, Ayala Land, Inc.'s Senta Condominium in Legaspi Village, Makati City will have 438 units). Note also that some condominiums come in "clusters."

Does an increase or decrease in the construction of a certain type of dwelling affect another?

Apparently, yes. But the result as to what type of dwelling suffers when another type makes a gain is inconsistent.

In 2003, when condominium construction increased by 31% and townhouses by 16%, apartment construction dipped by 33%. But just after a year, when condos increased by another 19%, apartment buildings increased by 62%, townhouses decreased by 5%.

What's interesting is the data for 2005, when overall construction figures grew by 23%. All residential construction made enormous gains - single houses by 20%, townhouses by 158% and apartments by 44% - except condos which decreased by 18%. Condos have since continued to decline every year.

These data, however, show an overall national trend and cover all classes of residential construction. There is an ongoing perception that Class A projects are doing well.

Most residential types appear to have a very short two-year boom-bust cycle, i.e., gains cannot be sustained over time. It's relatively stable for single houses and apartments. But condominiums and townhouses appear to be volatile. They enjoy massive boom for a year or two only to radically go down the next year.

What about the relative stability in the number of apartment construction considering its increase of 62%, 44% and 63% in 2004, 2005 and 2008 respectively?

It can only mean that there's a steady, if not a growing, demand for apartments from Pinoys who are not yet in the position to own their house.

Where the action is

The foregoing figures will only take on more meaning if the regions (and the provinces therein) where these building construction took place are taken into consideration.

Why bother with these building statistics?

In any country, the building construction industry is a major economic indicator. Decline or growth of this sector reflects well on the overall health of a country's economy.

By examining these construction data, we are given an insight as to when the local economy performed well and when it did badly. By further breaking down these figures as to how each region performed, it's possible to get a hint as to which regions offer the best living conditions and which offer ample job opportunities – two very important factors that will help Pinoys determine where they want to own their house.

Private Building Construction by Region

- NOTE: VERY IMPORTANT
- 1. There are currently seventeen regions in the Philippines since 2004. In the years prior to that, the government couldn't seem to decide on how many and what to name these regions and which provinces to include in what region.

As a result, it was decided to narrow down subsequent analyses to just five years of NSO's data - from 2004 to 2008. Tabulating its data for 2003 and earlier was a nightmare and would have resulted to significant inaccuracy.

- 2. It was only in 2006 that NCR began to have six Districts. Prior to that, it only had four –
 - District 1 – Manila
 - District 2 – Quezon City, Mandaluyong, Pasig, San Juan, Marikina

- District 3 – CAMANAVA
- District 4 – Makati, Taguig, Pateros, Pasay, Paranaque, Las Pinas, Muntinlupa

In 2006, NCR was divided into 6 districts:

- District 1 - Manila
- District 2 - Quezon City
- District 3 - Mandaluyong, Pasig, San Juan and Marikina
- District 4 - CAMANAVA (Caloocan, Malabon, Navotas, Valenzuela)
- District 5 - Makati, Taguig and Pateros.
- District 6 - Pasay, Paranaque, Las Pinas, Muntinlupa

Please, see this <http://www.census.gov.ph/data/sectordata/2006/bp200604.htm> and this <http://www.census.gov.ph/data/sectordata/2005/bp200504.htm>

3. In 2004, NSO simply released the **total** number of construction figures for each residential type per region without indicating the output in each city, province or district therein.

<http://www.census.gov.ph/data/sectordata/2004/bp200403.htm>

Thus, the author was left with no choice but to use a simple averaging method to arrive at the figures in Table 5. This study should, therefore, not be taken as 100% accurate and the author does not claim pontifical expertise on the matter. The study relied solely on NSO's data, its shortcomings notwithstanding. It's the trend that this study wanted to find out, not the absolute exact figures.

Table 3: Total number of all types of construction per region per year, Grand Total 536,914

		2008	2007	2006	2005	2004
Region	Yearly Grand Total >	96,295	94,961	110,563	129,670	105,425
NCR	Nat'l Capital Region	14,636	15,497	17,850	16,986	12,714
CAR	Cordillera Admin. Reg	906	831	1,137	1,186	1,115
Region I	Ilocos	5,934	6,720	7,756	8,773	8,258
Region II	Cagayan Valley	1,938	1,637	1,676	1,931	2,332
Region III	Central Luzon	12,017	10,408	11,384	12,534	9,876
Region IVA	CALABARZON	26,202	17,742	26,358	30,445	24,522
Region IVB	MIMAROPA	1,339	1,333	1,000	3,632	1,517
Region V	Bicol	1,846	2,177	1,890	3,068	2,331
Region VI	Western Visayas	4,210	3,942	4,635	5,970	5,026
Region VII	Central Visayas	7,408	12,699	14,363	16,534	11,925
Region VIII	Eastern Visayas	2,021	1,869	2,146	2,540	2,160
Region IX	Western Mindanao	1,535	2,213	1,220	1,729	2,448
Region X	Northern Mindanao	4,482	5,492	6,072	6,687	6,722
Region XI	Davao	8,054	8,522	8,841	11,127	8,919
Region XII	SOCCSKSARGEN	1,588	1,688	1,985	2,419	2,324
Region XIII	Caraga	2,124	2,161	2,162	3,706	3,047
Region XIV	ARMM	55	30	88	403	189

These figures do not make much sense unless the regions are **ranked** in terms of number of construction. Table 4 shows that **eight regions** consistently accounted for 85% of all building construction in the Philippines. This study shall focus its analysis on these eight regions.

Table 4: Top eight regions in terms of **all types of private construction** per year

Rank	Yearly Total >	2008	2007	2006	2005	2004	Grand Total	% by
		96,295	94,961	110,563	129,670	105,425	536,914	Region
1	CALABARZON	26,202	17,742	26,358	30,445	24,522	125,269	23%
2	Nat'l Capital Region	14,636	15,497	17,850	16,986	12,714	77,683	14%
3	5 Central Visayas	7,408	12,699	14,363	16,534	11,925	62,929	12%
4	3 Central Luzon	12,017	10,408	11,384	12,534	9,876	56,219	10%
5	4 Davao	8,054	8,522	8,841	11,127	8,919	45,463	8%
6	Ilocos	5,934	6,720	7,756	8,773	8,258	37,441	7%
7	Northern Mindanao	4,482	5,492	6,072	6,687	6,722	29,455	5%
8	Western Visayas	4,210	3,942	4,635	5,970	5,026	23,783	4%
Total for the 8 regions		82,943	81,022	97,259	109,056	87,962	458,242	
Percent		86%	85%	88%	84%	83%		85.35%

The confusing appearance of Table 4 intends to show how the ranking of Central Visayas, Central Luzon and Davao changed slightly in 2008. Note that these eight regions ranked consistently in the same exact order for four years. The slight change in ranking for 2008 may be due to the fact that NSO's figures for that year are still preliminary and unofficial.

Why does construction of certain residential types behave the way they do?

So far, these are the facts that we already know:

1. Residential construction accounts for 70 % of all building construction in the Philippines.
2. Of the total residential construction, single houses account for 85%, duplex/quadruplex/townhouses 3%, apartments 9% and condominiums 3%.
3. **Construction of single houses and apartments appear to behave somewhat moderately while that of duplex/quadruplex /townhouses and condominiums behave drastically.**
4. Among the seventeen regions, **eight account for over 85%** of the country's total building construction from 2004 to 2008.
5. When ranked, these eight regions consistently occupied the same position from 2004 to 2007 and possibly up to 2008.

Table 5: Total residential construction from 2004 to 2008 per residential type in the top 8 regions (with each province, city or district ranked in terms of output)

No	Reg #	Region	Province City District	Single House	Prov City District	Twnhs Duplex Quad	Prov City District	Apartment	Prov City District	Condo	Total by Region	%
1	IVA	CALABARZON	Cavite	23,917	Cavite	2,054	Cavite	14,358	Cavite	1,757	103,272	32%
			Laguna	18,607	Lag	740	Lag	5,458	Btngas	963		
			Rizal	13,201	Rizal	482	Rizal	879	Rizal	253		
			Batangas	11,656	Btngas	181	Btngas	200	Lag	238		
			Quezon	8,002	Quezon	73	Quezon	178	Quezon	75		
				75,383		3,530		21,073		3,286		
2	VII	Central Visayas	Cebu	23,830	Cebu	952	Cebu	3,075	Cebu	113	45,728	14%
			Bohol	10,663	Bohol	12	Bohol	77	Neg Or	5		
			Negros Or	6,609	Neg Or	9	Neg Or	61	Bohol	2		
			Siquijor	313	Siqjor	5	Siqjor	1	Siqjor	1		
				41,415		978		3,214		121		

4. District 4, CAMANAVA is 1st in both apartments and condos, 4th in single houses and 5th in townhouses
5. District 5 (Makati, Taguig, Pateros) is 5th, 4th and 5th in single houses, townhouses, and apartments, respectively and ties District 3 in 2nd place in condos with 23 started.
6. District 1, Manila, is 6th in single houses, townhouses and apartments and 4th in condos

So, why does construction of certain residential types behave the way they do?

Inherent geographic characteristics of the region, scarcity and cost of land, population density and availability of or inadequate commercial establishments, varied job opportunities and conveniences determine the residential type that is ideal in the provinces, cities or districts therein.

This is evident in NCR. For example, scarcity and high cost of lots in Manila no longer make it ideal for single houses. Add its population density and abundance of commercial establishments, offices and conveniences apparently make condos the most ideal housing project in Manila. A look at the current landscape of Binondo makes this very apparent. The same is true in Makati City.

Refusal or failure to acknowledge this fact resulted in very erratic behavior, in terms of output, of certain residential types.

Compare NCR's figures to how the other regions performed, especially CALABARZON and Central Luzon.

- CALABARZON comes first accounting for 32% of total residential output of the top eight regions. In **Cavite** alone, 1,757 condominiums were started (26% of all condos in the eight regions). Compare that with 23 condos in NCR's District 5 that includes Makati City for the same period (**Note: the foregoing figure of 23 condos in District 5 from 2004 to 2008 is very hard to swallow and disturbs the author so much; it should be taken with lots of grains of salt**). Cavite also accounts for 25% of all duplex/quadruplex and townhouses, 38% of all apartments but only 9% of single houses.
- Central Visayas comes in 2nd. 91% of its total output is for single houses. Cebu is way ahead of the other provinces in this region. In fact, Cebu's total output alone is equivalent to 71% of NCR's entire output.
- Central Luzon is 3rd. What's curious is that Bulacan overtook Cavite in condominium projects with 1,978 buildings - that's equivalent to 29% of all condos started in the eight regions.
- Coming in at 5th, 6th and 7th places are Davao Region, Ilocos Region and Western Visayas, respectively. Again, what's peculiar about these regions is the number of their condominium construction.

In Davao del Sur, 174 condos were started; in Pangasinan and La Union, it was 208 and 135, respectively and in Iloilo, 130.

- Ranked 8th is Northern Mindanao where single houses accounted for over 98% of its total residential construction.

- What’s not shown is that in 2004, 125 condominiums were started in the Cordillera Administrative Region, 57 in Mimaropa, 39 in Bicol, 36 in Soccsksargen and 23 in Caraga. <http://www.census.gov.ph/data/sectordata/2004/bp200403.htm>

Here’s the last table that hopefully drives the point. It is derived from Table 5

Table 6: Total percentage share of each residential type per region from 2004 to 2008

Rank	Reg #	Region	Single House	Townhouse Duplex Quadruplex	Apartment	Condo
1	IVA	CALABARZON	28	43	55	48
2	VII	Central Visayas	15	12	8	2
3	III	Central Luzon	12	18	15	37
4		NCR	11	17	20	2
5	XI	Davao Region	11	2	0.30	3
6	I	Ilocos Region	11	4	1	6
7	VI	Western Visayas	6	3	0.41	2
8	XI	Northern Mindanao	6	1	0.31	0.44
			100%	100%	100%	100%
	Total	Per Residential Type	273,506	8,172	38,075	6,843
		% per Residential Type	84%	3%	12%	2%

It’s clear that CALABARZON and Central Luzon are largely responsible for the disproportionate number of duplex/quadruplex/townhouse and, especially, condominium construction, and possibly for their perceived glut.

These two residential types, especially condos, are the best way for a developer to optimize the cost of a lot. They are most appropriate in highly urbanized areas where lots are scarce and price is very high like in NCR and possibly Cebu. To erect them in areas where lots are not so much of a premium, relatively remote with little to offer in terms of conveniences and diverse job opportunities is imprudent.

Also, constructing them in areas where there’s an apparent steady demand for apartments from Pinoys who are not yet ready to own their homes compounds the problem.

This author wonders how many of these townhouses and condos in CALABARZON, particularly in Cavite; and Central Luzon, particularly in Bulacan, have been completed or discontinued. Since condos are sold on a pre-selling basis, how many Pinoys who bought into these projects lost their investment?

Each residential type possesses advantages that are uniquely its own. It is only by applying the dictum “form follows function” not only in the way a residential project is constructed but as important, **where** it is constructed can a developer be certain of his project’s viability and assure that the Pinoy homebuyer gets the home that fits his lifestyle and provides what he values most – time, convenience, space, privacy or peace and quiet.