

# Philippines

Quarterly construction cost review



# Contents

MARKET OVERVIEW .....	3
APPROXIMATE BUILDING COSTS .....	4
MATERIALS RETAIL PRICES .....	5-6

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If advice concerning individual projects is required, we would be happy to assist.

Unless otherwise stated, costs reflected in this handbook are anticipated Manila costs in 2nd Quarter 2021.



# Philippines Market Overview

The quarantine restrictions since March 2020 have affected the industries of construction, entertainment, recreation, and real estate and their decline contributed to the negative GDP growth rate of the Philippines for the past five quarters (Q1 2020 to Q1 2021), making it the country's longest recession since the years 1983 to 1986. In the second quarter of 2021, the Philippine Gross Domestic Product posted a growth rate of 11.8%, although this double-digit growth is due to a low base last year.

Statistics show that residential developments are still moving forward due to the changes on how people work. The speedup on the vaccination program can boost public spending and potentially increase the requirements on office and retail spaces, also it can rebuild the tourism and entertainment industry. Asian Development Bank's updated projection last April 2021 forecasts the Philippine economy to grow by 4.5% in 2021 and 5.5% in 2022. Meanwhile, the government is aiming for a 6% to 7% overall GDP growth this year.

As the demand for construction materials started to rise worldwide in Q1 and Q2 of 2021 while most companies in the mining sector still shut down, the market experienced a price shock on metal and glass products due to a lack

of supply. As a result, the material price increased in comparison with Q2 of 2020: Rebar (32.23%), Structural Steel (98.05%), Copper (55.43%), Aluminum (57.49%), Glass Products (14.41%).

We are seeing lowest bidders reflecting up to 80% lower than the highest on a well-defined scope. This indicates that some contractors are very conservative on the actual cost of delivery while others are 'desperate' for projects. Those pricing low are something to watch for as it is highly likely they will not afford the full requirements of COVID based restrictions and cashflow may be challenging for them already.

## MARKET MOVEMENT



### ECONOMY

#### Indicator

	GDP Growth per annum	Q2/19 - Q2/20 -17.0%	Q1/20 - Q1/21 -3.9%	Q2/20 - Q2/21 11.8%
	Inflation Rate (CPI) per annum	Jun 19 - 20 2.2%	Mar 20 - 21 4.5%	Jun 20 - 21 4.1%



### BASIC COSTS

#### Indicator

	Inflation Rate (CMWPI)	Jun 19 - 20 1.2%	Mar 20 - 21 2.2%	Jun 20 - 21 2.2%
	Labor Wage Daily Minimum Rates	NCR WO 22 500 - 537	Reg. VII WO 22 356 - 404	



### PRIVATE CONSTRUCTION ACTIVITY TREND

#### Indicator

	Activity Growth Residential	Q1/19 - Q1/20 -46.6%	Q4/19 - Q4/20 4.0%	Q1/20 - Q1/21 -12.1%
	Growth Non-Residential	Q1/19 - Q1/20 -53.3%	Q4/19 - Q4/20 -10.7%	Q1/20 - Q1/21 -37.7%



### CONSTRUCTION COST TREND

#### Indicator

	Tender Price Index (Arcadis)	Q4/20 137.77	Q1/21 145.38	Q2/21 148.76
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# 1 CONSTRUCTION COSTS FOR PHILIPPINES

BUILDING TYPE	Peso/m <sup>2</sup>		
	BUILDING	M&E TOTAL SERVICES	TOTAL
<b>DOMESTIC</b>			
Apartments, high rise, average standard	40,360 - 56,112	9,130 - 13,710	49,490 - 69,822
Apartments, high rise, high end	56,501 - 107,133	12,270 - 19,760	68,771 - 126,893
Terraces houses, average standard	45,201 - 53,865	2,910 - 5,000	48,111 - 58,865
Detached houses, high end	84,348 - 142,074	9,060 - 16,340	93,408 - 158,414
<b>OFFICE/COMMERCIAL</b>			
Medium/high rise offices, average standard	37,390 - 44,626	11,600 - 16,500	48,990 - 61,126
High rise offices, prestige quality	56,000 - 65,523	14,870 - 23,850	70,870 - 89,373
Out-of-town shopping centre, average standard	31,710 - 36,905	9,960 - 15,000	41,670 - 51,905
Retail malls, high end	45,846 - 61,091	11,050 - 18,630	56,896 - 79,721
<b>INDUSTRIAL</b>			
Industrial units, shell only (conventional single story framed units)	23,187 - 27,967	4,580 - 7,790	27,767 - 35,757
Owner operated factories, low rise, light weight industry	32,741 - 36,797	4,580 - 9,960	37,321 - 46,757
<b>HOTELS</b>			
Budget hotels - 3 star, mid market	48,547 - 51,031	13,650 - 18,310	62,197 - 69,341
Business hotels - 4/5 stars	55,225 - 92,220	15,190 - 24,840	70,415 - 117,060
Luxury hotels - 5 star	78,554 - 151,300	18,120 - 34,840	96,674 - 186,140
<b>OTHERS</b>			
Underground/basement car parks (<3 levels)	24,212 - 28,430	4,940 - 10,020	29,152 - 38,450
Multi storey car parks, above ground (<4 levels)	20,035-25,816	4,720-9,860	24,755 - 35,676
Schools (primary & secondary)	27,678 - 31,734	8,820 - 18,610	36,498 - 50,344
Students residences	30,099 - 34,336	8,510 - 15,230	38,609 - 49,566
Sports clubs, multi purpose sports/leisure centres (dry sports) with a/c and including FF & E	53,783-77,095	7,860-12,620	61,643-89,715
General hospitals	57,820-61,380	16,300-24,600	74,120-85,980

The above costs are at 2nd Quarter 2021 levels.



## Basic Construction Materials

Prices of metal products which is highly affected by the pandemic had an exceptional inflation rate for two consecutive quarters. Reinforcing steel bars supplied by Pag Asa Steel increased by 16.1% and 17.98%. Structural steel increased by 17.44% and 64.08%, however price trends on London Metal Exchange show that there are decrease in price from mid of May 2021.

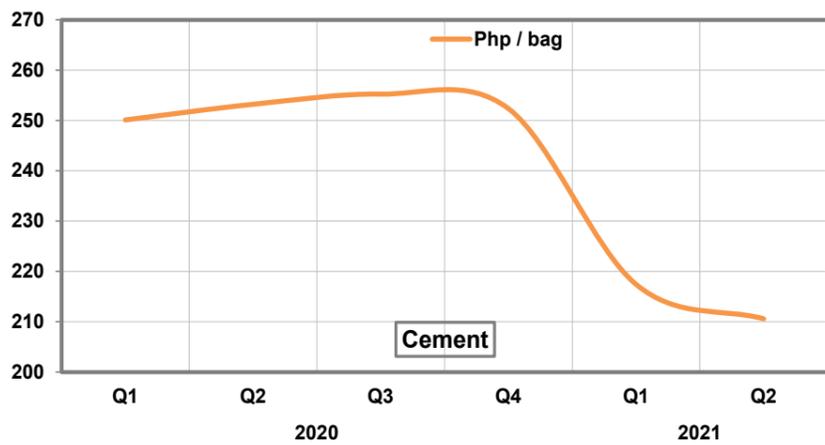
Copper used in wires / refrigerant piping / transformers / airconditioning equipment etc. have increased by 14.33% and 6.04%, also similar with reinforcing steel bars the prices trends show that there are decrease in price from mid of May 2021

Aluminum used in window frames / panels / airconditioning equipment / furniture have increased by 11.86% and 14.03%. It still show an upward trend on London Metal Exchange

Sand and CHB remains stable, however there is a huge increase on aggregates by 27.27% on Q1. Cement prices are still negotiable at certain quantities.

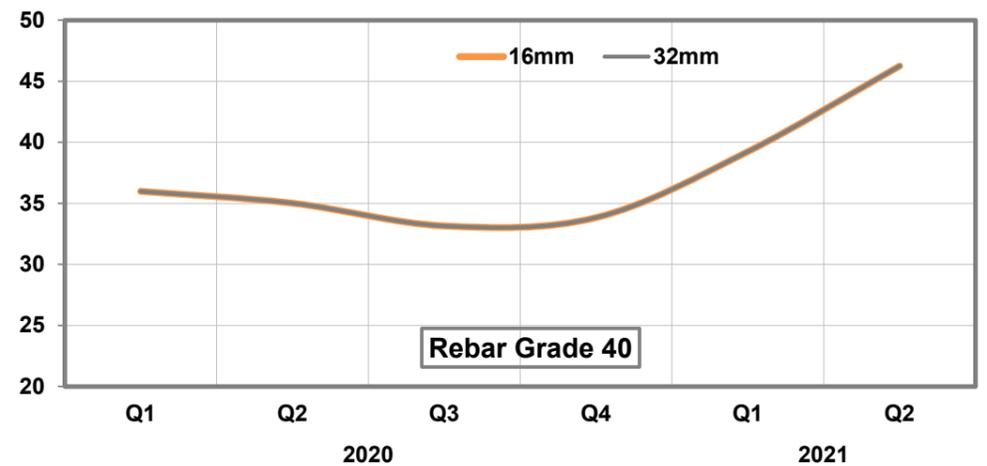
### Cement

Php / bag (40kg)



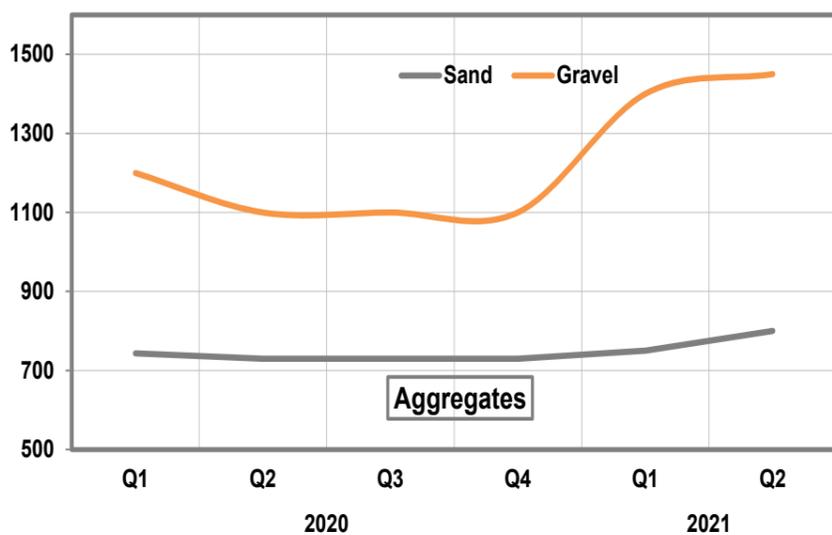
### Reinforcing Bar

(Intermediate Grade - Grade 40; 275 MPa)  
Php / kg



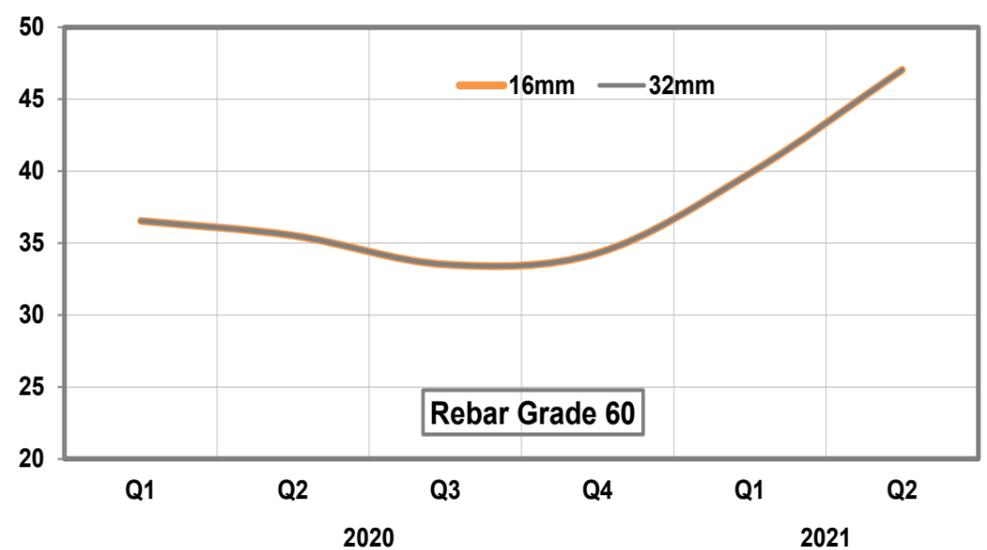
### Aggregates

Php / m<sup>3</sup>



### Reinforcing Bar

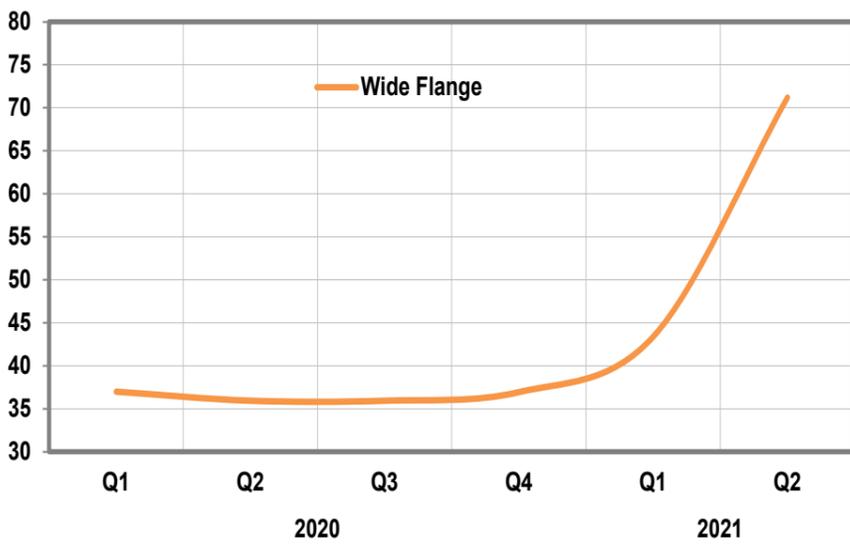
(Intermediate Grade - Grade 60; 400 MPa)  
Php / kg



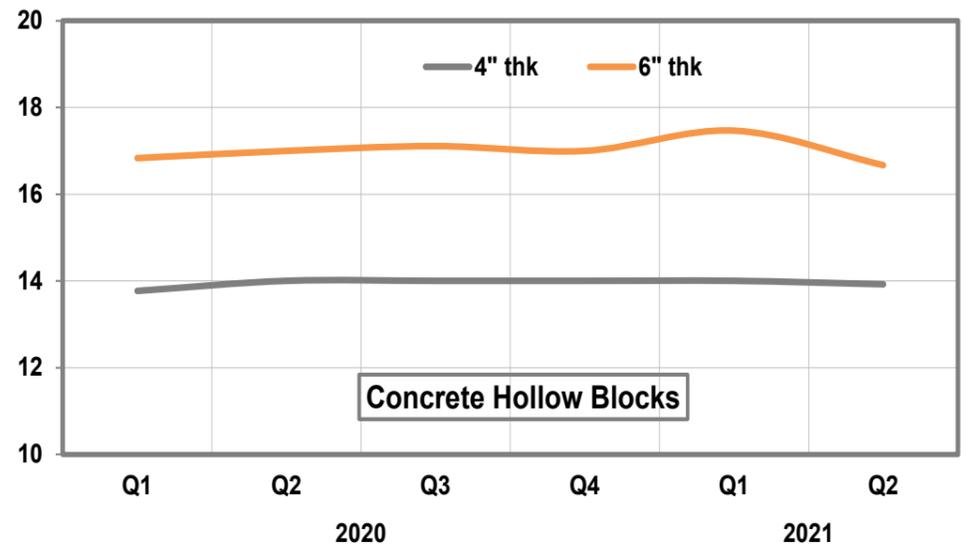


## Basic Construction Materials (continued)

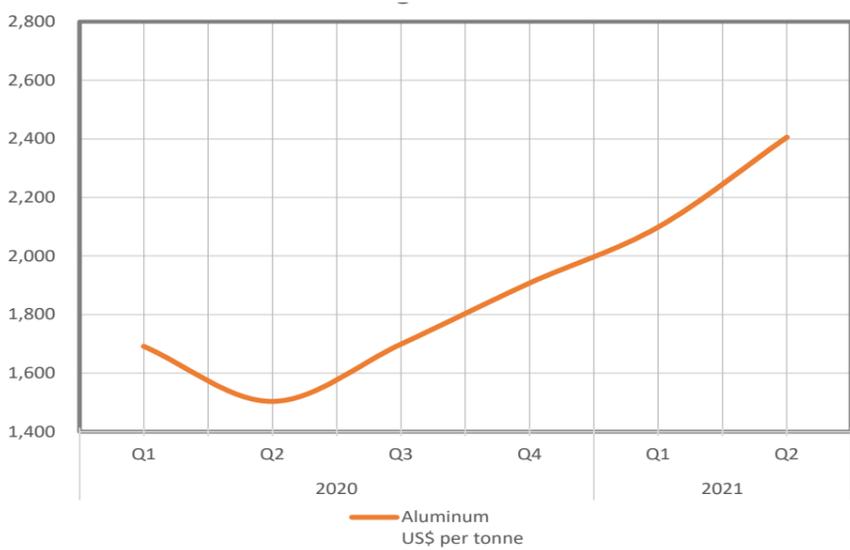
### Structural Steel (Wide Flange) Php / kg



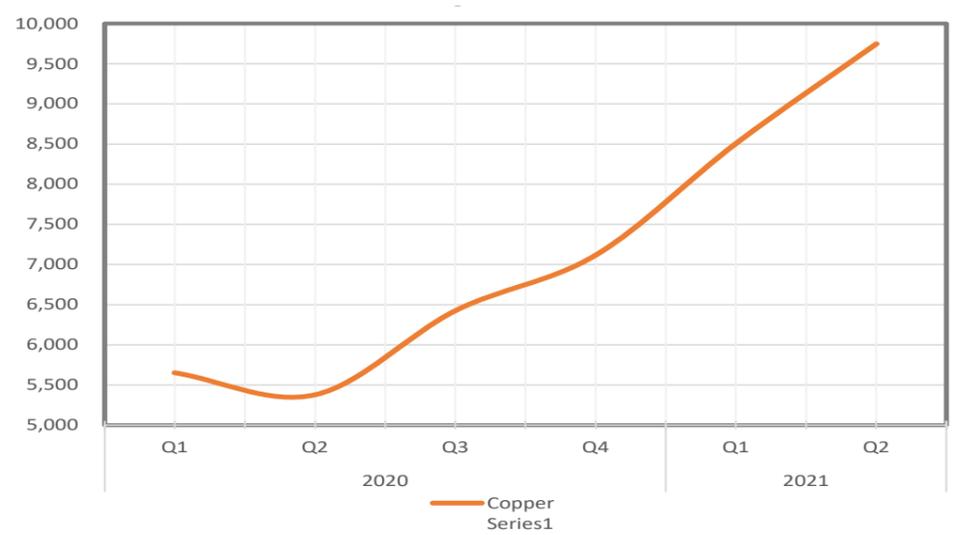
### Ordinary Concrete Hollow Blocks Php / piece



### Aluminum US\$ / tonne



### Copper US\$ / tonne



Source: London Metal Exchange

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## About Arcadis

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