

Manila City Spotlight 2020

Philippines' construction sector is expected to expand at a quicker pace in 2020 than last year, boosted by heightened government spending and big-ticket infrastructure projects that are funded by foreign assistance and private capital.

Economic Development

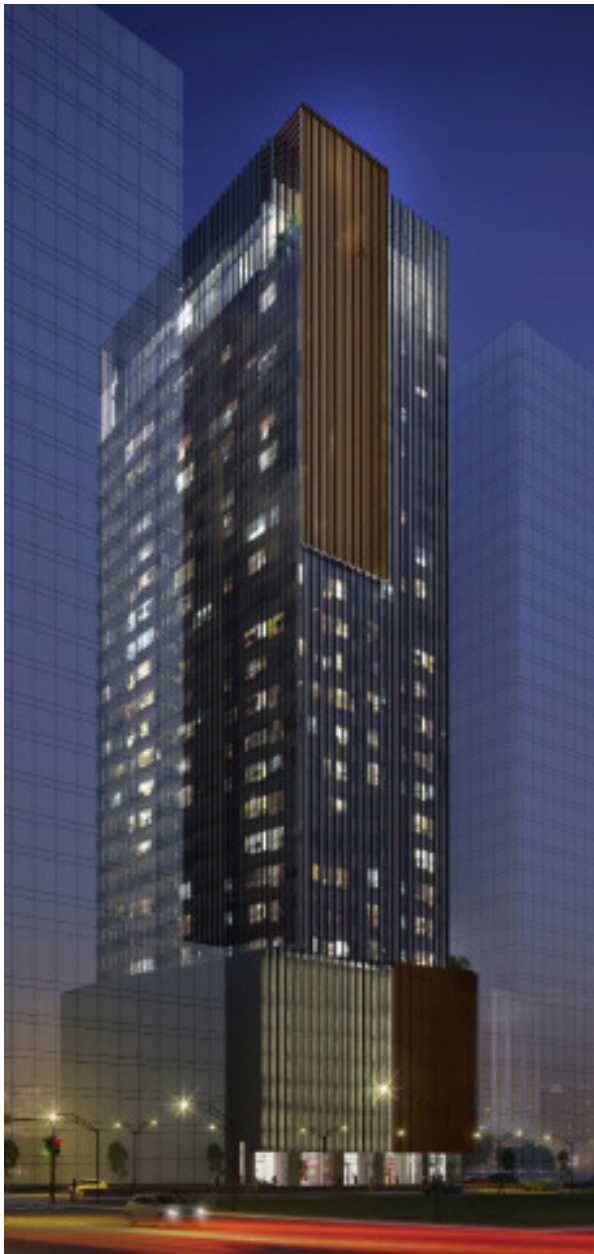
With GDP growth of 5.9% in 2019, the Philippines remained one of the fastest developing economies in Asia. Despite the delays in the country's budget approval and an election spending ban that hampered public infrastructure projects, the construction industry still grew by 7.7% in 2019, mainly due to the strong performance of the private sector, including a number of public / private partnership projects within the current government's "Build, Build, Build" program. Construction costs increased by approximately 5% in 2019 driven by increased demand and rising labor costs.

Growth was mainly driven by services, with the construction sector making a smaller contribution than anticipated in 2019 but the country's development of a Real Estate Investment Trust market and the hopeful passage of the Corporate Income Tax and Incentives Rationalization Act can spur growth in 2020. The Philippine Green Building Code, promulgated in

2015, focuses on improvements to the energy performances of buildings. The code recommends specifications such as double-glazed windows and high-efficiency lighting. These modest performance upgrades highlight the scale of the challenge that many developing markets face in moving towards more sustainable construction practices that are already prevalent in many other markets.

Climate Resilience

Increased investment adapting to climate change and natural disasters will also bring substantial benefits. The Philippines is among the most vulnerable countries in the world to risks from climate change and natural hazards—typhoons, landslides, earthquakes, floods, droughts, and volcanic eruptions. Climate-resilient infrastructure, efficient irrigation systems, and better water management will help lessen the impact of weather-related natural disasters and boost agricultural production, and potentially lift many people out of poverty.



Menarco Tower LEED & WELL Certified

Menarco Tower is a multi-storey boutique building situated at a prime spot in Bonifacio Global City, Taguig. It has more than twenty floors dedicated to office and commercial spaces, with parking at podium and basement levels. Precertified under LEED 2009 for Core and Shell in February 2015, the building received its Gold certification under the same rating system in September 2017 with a total of 70 points earned. Then in March 2019, Menarco Tower was awarded its WELL Gold certification, making it the first in the Philippines and in Southeast Asia to have both LEED and WELL certifications.

Other awards for Menarco Tower include Best Green Development by both the Southeast Asia Property Awards and Philippines Property Awards in 2016. It was also highly commended in the Best Office Architectural Design and Best Office Development categories of the Philippines Property Awards in 2015 and 2016 respectively.

Full LEED and WELL Certification Consulting, as well as Quantity Surveying Services, were provided by Arcadis Philippines, Inc..



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The Arcadis International Construction Costs Comparison 2020

In this year's report, Arcadis is dealing with twin challenges: addressing the short-term crisis of COVID-19 and the longer-term, but equally urgent, impacts of climate change.

Once again, the comparison covers 100 of the world's large cities across six continents. This year's report builds on its strong heritage as the leading reference point for comparing the relative costs of construction in major cities around the world. This is one of the most expansive comparisons of its type.

This year, coverage has been extended to cities in Eastern Europe including Poland, Serbia and Montenegro. The main change to the index is that the cost of construction in cities is now relative to Amsterdam, instead of London. This change has no direct effect on the relative ranking of cities.

Factors influencing city rankings

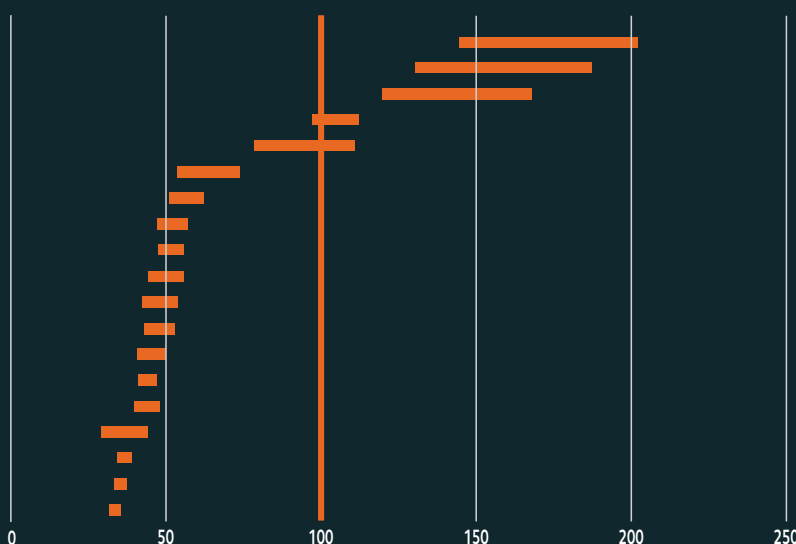
Multiple factors influence a city's position in the index. The main factor is the level of specification and quality, which can vary over time. For example, the costs of high-end hotels and residential buildings have increased significantly in cities such as London, reflecting a global market for luxury developments that only affects a small sub-set of the cities.

Comparing costs across countries such as the United States and the UK highlights that even when specifications are relatively similar, there is still plenty of scope for variation. Explanatory factors include the cost of labor, materials and other construction resources. Some countries with a fragmented construction supply chain will have many more levels of sub-contractors – each adding extra allowances for 'on-costs', including management, risk and profit. These additional layers of on-cost contribute to premiums in some locations.

Productivity is also an important consideration. Continental Europe has a very productive construction sector, which benefits from a focus on high levels of mechanization and the use of simple, effective construction techniques. Lower-cost, US markets also achieve relatively high levels of productivity compared to some higher-cost locations.

Finally, currency fluctuation and annual inflation will always play a role in determining the relative position of cities. Given recent dramatic changes in the value of global currencies, clients are advised to review currency movement before applying the published factors.

ICC 2020 Index - Asia



< Less costly to construct Index Base: Amsterdam = 100 More costly to construct >

	Indicative Tender Price Growth Forecast 2020	Asia Ranking	Global Ranking
Hong Kong	-3%	1	3
Tokyo	0% - 1%	2	7
Macau	-2%	3	11
Singapore	0% - 2%	4	45
Seoul	1%	5	59
Manila	3% - 4%	6	78
Beijing	0%	7	83
Shanghai	0%	8	88
Jakarta	4%	9	89
Hangzhou	0%	10	91
Bangkok	1%	11	92
Chengdu	0%	12	93
Guangzhou	0%	13	94
Wuhan	0%	14	95
Shenzhen	0%	15	96
Kuala Lumpur	4% - 6%	16	97
Mumbai	2% - 3%	17	98
New Delhi	4% - 6%	18	99
Bengaluru	4% - 6%	19	100

Methodology

Arcadis developed its comparative cost comparison index for 100 cities, covering 20 building functions, based on a survey of construction costs, review of market conditions and the professional judgement from its global team of experts. Ranges of indicative prices for each building function are collected for each city. Low and high range costs are converted into US Dollars (USD), normalized and indexed against the price range for each building type for Amsterdam, where Amsterdam = 100. Average low and high index ranges are calculated for each city based on the 20 building types.

The data was collected between December 2019 and February 2020

Costs used to calculate the index are based on buildings delivered to local specification standards, meeting both functional requirements and quality expectations. As a result, while the index compares the relative costs of delivering the same building functions in a city, it also reflects the different levels of quality expectation reflected in a specification.

The index does not take into account purchasing power parity. The construction cost data used in this index is current as of Q1 2020. The exchange rates used to calculate the index were current on 13th February 2020.

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