

DECEMBER 2018

# MARKET VISTA

## Eye on Davao

*Why Mindanao's largest city is the place to be in the years to come.*

**by Pinnacle.PH**

**D**avao City has become the hottest investment hub in southern Philippines today, largely due to the continuous growth of the local economy, its investor-friendly business environment, impressive infrastructure projects and property developments, and a capable local government.

### Location and Land Use

Davao City is located in the south-eastern part of Mindanao and within the geographical boundaries of the province of Davao Del Sur. It is bounded on the north by the municipality of Talaingod in the province of Davao Del Norte, on the east by the municipality of Santo Tomas and city of Panabo both in the province of Davao Del Norte and partly by the Davao Gulf, on the south by the municipality of Santa Cruz in the province of Davao Del Sur, and finally on the west by the municipalities of Magpet and Arakan both in the province of Cotabato.

Touted as the largest city in the Philippines, Davao City spans an area of approximately 244,000 hectares. About 64 percent of its land area is considered forest and pasture land, agricultural land comprises 30 percent of its area, and urbanized areas occupy about 6 percent.

The city is divided into three congressional districts, which are further subdivided into 11 administrative districts and 182 barangays. The First Congressional District consists of Poblacion and Tolomo, which are mainly urbanized areas. The Second Congressional District, meanwhile, encompasses Agdao, Buhangin, and Bunawan, which are mixed urbanized and agricultural area, while Paquibato is mainly forest and pasture land. The Third Congressional District covers Baguio, Calinan, Marilog, Toril, and Tugbok, which are mixed agricultural, forest, and pasture lands.

For the urbanized areas, minor and major trade zones equivalent to 68 percent of the total commercial area of Davao City are found in Poblacion,

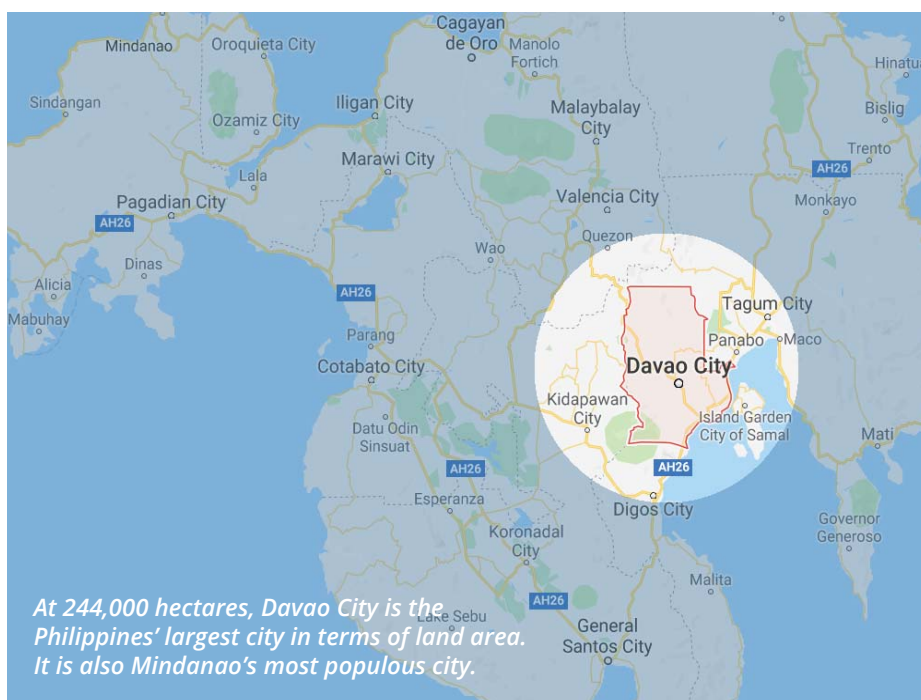
Talomo, and Buhangin. Almost 77 percent of the total residential areas, on the other hand, are in Talomo, Buhangin, Toril, and Tugbok. Industrial areas equivalent to 73 percent of the total industrial zones are in Bunawan alone. Prime agricultural land and agro-industrial lands comprising about 79 percent of the total economic agricultural area in the city are situated in Calinan, Toril, and Tugbok.

### Population

Based on the 2015 Population Census, Davao City has 1,632,991 residents, which is 183,695 more than its 2010 population of 1,449,296, giving an average annual increase of 2.3 percent in the last 5 years. The city's annual growth rate from 2000 to 2010 based on the 2000 Population Census was at 2.36 percent. The annual population growth rate of Davao City is the highest in the Davao Region. In addition, the city has the third largest population among the 33 highly urbanized cities in the Philippines, next only to Quezon City (2.94 million) and Manila (1.78 million).

As expected, Tolomo and Buhangin have the highest populations. These two sub-districts together comprise 44 percent of the total population of Davao City. The city's most populous barangays, meanwhile, are Bucana, Buhangin Proper, Ma-a, Talomo Proper, and Sasa. Together, these barangays have a total population of 321,292, which is roughly 20 percent of Davao City's total population. None of these barangays have fewer than 50,000 individuals within their respective territories.

Davao City's total number of households based on the 2015 Census is 409,951, which is 75,478 higher than the 2010 Census of 334,473 households. The 2000 Census, meanwhile,



## DAVAO FACTS AND FIGURES

**244,000** AREA IN HECTARES  
64% OF WHICH IS FOREST & PASTURE LAND,  
30% IS AGRICULTURAL, AND 6% IS URBAN

**1.639M** RESIDENTS  
BASED ON THE 2015  
POPULATION CENSUS

**2.3%** POPULATION GROWTH  
ANNUALLY FROM  
2010 TO 2015

**11** ADMINISTRATIVE DISTRICTS  
POBLACION, TOLOMO, AGDAO, BUHANGIN,  
BUNAWAN, PAQUIBATO, BAGUIO, CALINAN,  
MARILOG, TORIL, AND TUGBOK

**3** CONGRESSIONAL DISTRICTS

reported that there were 240,057 households during the survey. In addition, Davao City's average household size based on the 2015 Census is 4.0, which is lower than the 4.3 and 4.8 averages recorded during the 2010 and 2000 censuses, respectively.

### Infrastructure

The total road network in Davao City is approximately 2,504 kilometers (2016 data), indicating an above-standard road density. Almost 11 percent of this road network is National Roads maintained by the Department of Public Works and Highways – Davao City and Davao City 2nd District Engineering Office. The remaining 89 percent are City and Barangay Roads maintained by the Davao City Engineer's Office.



*The planned 44.6-kilometer Davao City Bypass Road, which aims to mitigate congestion in the city. Image courtesy of DPWH*

In addition to the existing road network, the city is embarking on several major road infrastructure projects, which aim to mitigate congestion and improve transportation logistics not only for the city itself but also for the whole Davao Region. Foremost is the construction of the 44.6-kilometer Davao City Bypass Road that will commence in 2019. This ambitious project will include a tunnel section and will start from the Davao–Digos of the Pan-Philippine Highway in Toril and will terminate intersecting the Davao–Agusan National Highway in Panabo City.<sup>1</sup>

Another significant road development is the ongoing 19.8-kilometer Davao City Coastal Road Project running along the shoreline from Tolomo to Poblacion district expected to be completed by 2021. Under study is the 23.3-kilometer Davao City Expressway planned to have three phases and targeted to improve traffic within Davao City by connecting its port directly to the outer part of the city.

The Local Government of Davao City will also launch by 2019 the High Priority Bus System project. Similar to road expansion projects, it aims to improve city traffic by reducing vehicular volume with the replacement of public utility jeepneys plying along the major routes.

There are currently no railway system in Davao City, but that will change next year as the government recently announced that

construction of the Tagum–Davao–Digos segment of the Mindanao Railway System. There will be three stations within Davao City: one in Mudiang at the northeast, one in central Davao City, and another at the southwest corner in Toril.<sup>2</sup>

There has been numerous discussions as well to put up an urban light rail transit system in Davao City. The project design is for an 82.7-kilometer light rail transit system with 37 passenger terminals running from Panabo City in Davao Del Norte through Davao City and with the final stopover in Sta. Cruz, Davao Del Sur. Currently, the City of Davao is inviting investors to partake in this project through a Build-Operate-Transfer scheme.

Davao has the Francisco Bangoy International Airport (or Davao International Airport). It is the third busiest airport in the Philippines after the Ninoy Aquino International Airport (NAIA) in Manila and Mactan–Cebu International Airport (MCIA) in Cebu. The airport's newest terminal was inaugurated in 2003, which is designed to handle approximately 2 million passengers annually and 84,600 metric tons of cargo. It is currently serving seven airlines, three of which are foreign carriers, and is handling between 3 and 4 million passengers annually.<sup>3</sup>

The airport's annual capacity was breached in 2010 when it handled 2,229,177 passengers. In 2017, the airport handled 4,234,667 passengers, which is more than double its

design capacity, resulting to terminal congestion during peak hours. Data show that the airport's passenger volume has been increasing an average of 10.9 percent annually since 2010.<sup>4</sup>

To cope with increasing passenger volume, the government is undertaking the Davao Airport Operations, Maintenance and Development Project by the start of 2019. The new design capacity will be significantly increased to 17.9 million passengers annually—more than 500 percent capacity improvement—which is based on the airport's projected demand by 2045.

For sea transports, Davao City has two government international seaports (Sasa Wharf and Sta. Ana Wharf) and 25 private-corporate seaports. In 2017, cargo traffic is about 16.3 million metric tons and about 2.1 million passengers. Sasa Wharf in Davao City is the third busiest port in the country and a major port in Mindanao. It will soon be upgraded as the national government allocated an initial budget of Php2 billion for the modernization of the 8-hectare port.

The service for potable water shall soon be given a boost as Davao City Water District entered into a joint venture agreement with Apo Agua Infraestructura, which is a joint venture partnership as well between Aboitiz Equity Ventures and JV Angeles Construction. They will be undertaking the Bulk Water Supply Project, which shall source water from the Tamugan River. The strategic plan not only makes water source more reliable, but at the same time gives the underground water table of Davao City some breather as it has been the main water source for over 40 years. It is expected that the new facilities installed will be operational by the first half of 2021 and bring about 300 million liters of water daily.

Power in Davao City is distributed by the Davao Light and Power Company, which is another entity under the Aboitiz. Power generation, not only for Davao City but for the whole Davao Region, is still heavily dependent on non-renewables. Coal thermal plants comprise 65 percent of the generating capacity of the power plants in the region. The remaining sources of power come

from diesel plants, hydroelectric power plants, and with some small solar power plants. The Therma South Inc. Coal Fired Energy Projects 1 and 2 in Davao City and neighboring municipality of Sta. Cruz, Davao Del Sur, with an installed capacity of 300 megawatts are the latest power facilities commissioned in most recent years.

### Local Governance

Through the efforts of the city's local government, Davao was conferred the 4th Most Competitive City for 2018 in the Highly Urbanized category during 6th Regional Competitiveness Summit under the Cities and Municipalities Competitiveness Index Awards. The Department of Trade and Industry confers this recognition to local government units that showed exemplary performance in the field of economy, governance, infrastructure, and resiliency. Davao City has been consistently in the Top 5 list for the past 3 years.<sup>5</sup>

Another recent recognition for the local government is the Seal of Good Local Governance. Davao City

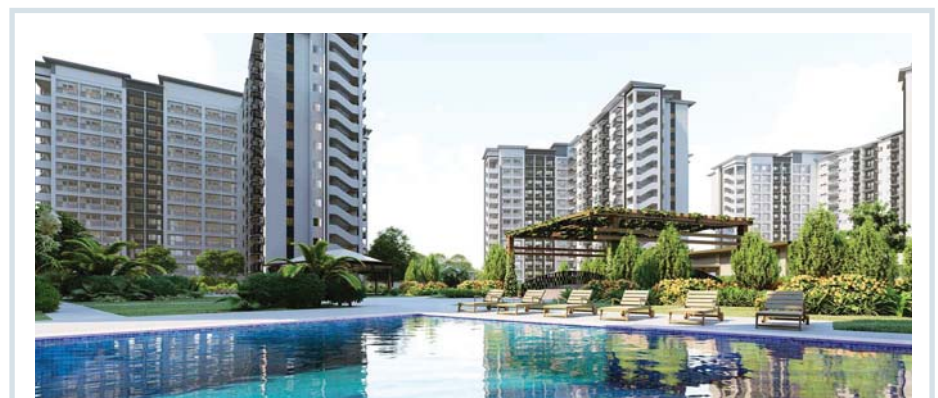


**4,234,667**

Number of passengers handled by the Davao airport in 2017

**10.9%**

Average annual increase of Davao airport's passenger volume since 2010



SMDC is building 8-tower Lane Residences as part the SM Lanang Premier Complex.



202 Peaklane, Anchor Land Holdings

received this award for three consecutive years (2015 to 2017) from the Department of Interior and Local Government. The award is conferred by the national agency to select provinces, cities, and municipalities in recognition of the quality of their public service delivery.

## Business and Industry

Business in Davao City is growing thanks to the sustainable and friendly business environment established by the local government and major infrastructure set to be completed in the next few years. More companies are drawn in putting up business in the city and increasing their stakes.

Registered businesses for 2017 reached a total capitalization of Php272 billion, up by 18 percent from Php230 billion in 2016. 2017's capitalization growth for Davao City was very remarkable as the average total increase in capitalization is only 4 percent in the previous 3 years. They saw a 14 percent increase in the average capitalization of each registered business, while the number of investors slightly increased by 3 percent.

The Davao City Investment and Promotion Center cited that their 10 Investment Priorities are Agri-Business, Tourism and Recreational Facilities, Light Manufacturing and Assembly, Property Development, Health and Wellness, Educational and Sports Facilities, Environment Protection or Green Projects, Information and Communications Technology (ICT), Generation of New Sources of Energy, Transportation and Infrastructure, and Public-Private Partnership (PPP) Projects. Business or investments under these categories will be given local fiscal incentives such as Business and Real Property Tax exemptions on top of the incentives provided by the national government under existing laws and policies.

Through the promotional efforts of the local regional office of the Department of Tourism and the City Tourism Operations Office, the num-

ber of visitors to Davao City steadily increased by an average of 8 percent per year for the past 2 years. This is further buoyed by the fact that the city is the main gateway of tourists and preferred venue for Meetings, Incentives, Conventions and Exhibits (MICE) in Southern Mindanao. They recorded about 2 million foreign, domestic, and overseas Filipino tourists in 2017 that greatly benefited the local hospitality and retail industries.<sup>6</sup> Some of the notable places to go in Davao City and nearby areas are Mount Apo, Pearl Farm Beach Resort, the Island Garden City of Samal, and Taclobo Sanctuary.

## Real Estate Projects

With key infrastructures set to be delivered over the next few years, property developers have been very busy changing the landscape and skyline of Davao City dramatically. A multitude of property giants are bringing their unique and different brands into the real estate market of the city.

One of the most anticipated developments in the years to come is the Azuela Cove. Ayala Land formed a joint venture partnership with the

Alcantara Group of Companies for the 25-hectare mixed-use development. The project will feature residential, office, and retail spaces, plus St. Luke's Medical Center, one of the premier healthcare providers in the country today. Ayala Land envisions the project to be the premiere waterfront address in Davao City.

Not so distant is the 11-hectare Davao Park District project by Megaworld Corporation. Sitting on the former Lanang Golf and Country Club beside SM Lanang Premier, this project is envisioned to become Davao's newest central business district. In keeping with the developer's tradition of self-contained mini cities, Davao Park District will feature floor spaces suitable for IT and business process outsourcing (IT-BPO) occupiers and traditional corporate offices. The township will also have residential towers, lifestyle mall, and retail strips, among others.

Just a few hundred meters away with the SM Lanang Premier complex is SMDC's Lane Residences, the Sy-owned developer's first residential foray in Davao. This residential complex is planned to be developed in two phases with eight towers and more than 3,700 condo units.



*Ayala Land's 25-hectare Azuela Cove is one of Davao's most anticipated real estate projects.*



*Verdon Park, DMCI Homes*



*Davao Park District, Megaworld Corporation*



*Amani Grand, Gaisano Group of Companies*



*Mesa Tiera, Cebu Landmasters*

Other big names in property development that also ventured in the real estate market of Davao City are Cebu Landmasters for their Mesa Tiera Garden Residences and the 22-hectare Davao Matina Business Park; Grand Land under the Gaisano Group of Companies for their Amani Grand; DMCI Homes for their four-tower VerdonParc; and Anchor Land Holdings for the 202 Peaklane project.

In 2018, the Office of City Building Official of Davao City gave approval for the construction of 21 high-rise buildings. The tallest building in Davao City as of date is the 33-story Aeon Tower of the FTC Group of Companies.

For the IT-BPO industry, Davao City is consistently in the Top 100 Super Cities for Global Outsourcing and Investments as ranked by Tholons International.<sup>7</sup> The so-called Super Cities all showed their capabilities in many aspects of digital and outsourcing services based on specific parameters evaluated by the re-

search and advisory firm. Testament to that fact is the continuous growth of the sector over the years. As of 2017, there are almost 100 IT-BPO companies operating in the city employing between 36,000 and 45,000 individuals. Employment in this sector is seen to increase to about 70,000 in the next two or three years.

As of February 2018, the Philippine Economic Zone Authority (PEZA) has 14 operating Special Economic Zones in Davao City. Another two will be operating soon and with eight new zones currently under development.

Most of the operating zones in the city are IT centers with a gross floor area of about 277,000 sqm. These cater to a number of call centers; BPOs; software development, data encoding, transcribing, and related services; engineering, architectural, and other design services; and other IT-enabled services locators. The additional IT centers to be operated and under development will give an extra 125,000 sqm of floor space. At

full capacity, an estimated 80,000 workers can be employed in these IT centers. Some of the other economic zones operated and being developed in Davao City are for agro-industrial, manufacturing, and tourism.

In 2017, PEZA opened up its first ever business and investment center in Davao City located in Damosa IT Park. The current purpose of the center is to assist PEZA-accredited entities in processing their import and/or export permits and networking not only with Davao City members but with other PEZA offices and members as well.

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8. Department of Transportation
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**Cover photo courtesy of Davao Construction**

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