

CUERVO PROPERTY MARKET SENTIMENT INDEX (CPMSI)

A Comprehensive Guide to Understanding the Philippine
Real Estate Market Health Indicator

CURRENT CPMSI SCORE

38

WEAK

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1. What is the CPMSI?

The **Cuervo Property Market Sentiment Index (CPMSI)** is a proprietary composite indicator developed by Cuervo Appraisers, Inc. that measures the overall health and direction of the Philippine real estate market. It distills multiple economic and market factors into a single, easy-to-understand numerical score ranging from 0 to 100.

The index serves as a barometer for real estate market conditions, providing stakeholders—from individual homebuyers to institutional investors—with a clear, data-driven snapshot of whether the property market is expanding, stable, or contracting.

Unlike traditional market reports that present isolated data points, the CPMSI synthesizes five critical market drivers into one unified score, enabling faster and more informed decision-making across the Philippine real estate ecosystem.

2. Why Was the CPMSI Created?

The Philippine real estate market generates vast amounts of data—interest rates, inflation figures, construction statistics, price movements, and consumer surveys. For most market participants, interpreting these disparate data streams and understanding their combined impact on property values is both time-consuming and complex.

The CPMSI was created to address this gap by providing **a single, easy-to-understand number that captures the overall health of the Philippine real estate market**. Drawing on 46 years of professional asset valuation experience, Cuervo Appraisers developed this index to:

- Simplify complex market dynamics into an accessible metric
- Provide early warning signals of market shifts
- Enable consistent, objective market assessment over time
- Support evidence-based decision-making for all stakeholders
- Promote transparency in the Philippine property market

3. CPMSI Components

The CPMSI is composed of five equally weighted components, each scored from 0 to 100. Together, these components capture the key macroeconomic and sector-specific forces that drive Philippine real estate market performance.

3.1 Inflation

What it measures: The impact of the general price level (Consumer Price Index) on real estate purchasing power and investment attractiveness.

Why it is included: Inflation directly affects the cost of construction materials, labor, and the real returns on property investments. High inflation erodes purchasing power, making properties less affordable for buyers and increasing development costs. Moderate, stable inflation tends to support property values as real estate serves as an inflation hedge.

3.2 Mortgage Rates

What it measures: The accessibility and cost of housing finance, based on prevailing mortgage interest rates offered by Philippine banks and lending institutions.

Why it is included: Mortgage rates are the single most influential factor in determining housing affordability for the majority of Filipino homebuyers. Lower rates expand the pool of qualified buyers, stimulate demand, and support property price appreciation. Higher rates constrict demand and can trigger price corrections.

3.3 Consumer Confidence

What it measures: The willingness and optimism of Filipino consumers to make major purchases, particularly real estate, based on the Bangko Sentral ng Pilipinas (BSP) Consumer Expectations Survey and related indicators.

Why it is included: Real estate purchases are among the largest financial commitments individuals make. Consumer confidence reflects household sentiment about economic prospects, job security, and income growth—all of which directly influence the decision to buy, sell, or hold property. Strong confidence drives market activity; weak confidence leads to deferred purchases and slower transactions.

3.4 Building Permits

What it measures: The volume and value of building permits issued by local government units across the Philippines, as reported by the Philippine Statistics Authority (PSA).

Why it is included: Building permits are a leading indicator of future supply in the real estate market. Rising permit issuances signal developer confidence and upcoming inventory growth, while declining permits may indicate market caution or regulatory constraints. This component provides forward-looking insight into market momentum and the supply-demand balance that will shape property values in the coming 12 to 24 months.

3.5 Property Prices

What it measures: The direction and rate of change in residential and commercial property prices across key Philippine metropolitan areas and growth corridors.

Why it is included: Property prices are the most direct measure of market health. Rising prices indicate strong demand relative to supply, while declining prices may signal oversupply, weakening demand, or broader economic stress. This component tracks actual transaction data and assessed capital values to provide a real-time pulse on market performance, measured in Philippine Pesos (₱) per square meter across various property types.

Component Summary

Component	Weight	Data Source	Type
Inflation	20%	PSA / BSP	Macro
Mortgage Rates	20%	BSP / Banks	Finance
Consumer Confidence	20%	BSP Survey	Sentiment
Building Permits	20%	PSA / LGUs	Supply
Property Prices	20%	Market Data	Demand

4. Scoring Methodology

Each of the five components is independently scored on a scale of 0 to 100, where higher scores indicate more favorable conditions for the real estate market. The overall CPMSI is calculated as the simple average of all five component scores:

$$\text{CPMSI} = (\text{Inflation} + \text{Mortgage Rates} + \text{Consumer Confidence} + \text{Building Permits} + \text{Property Prices}) \div 5$$

CPMSI Scoring Scale

Score Range	Classification	Market Interpretation
80 – 100	Strong Expansion	Robust growth across all indicators; highly favorable for development and investment
60 – 79	Growth	Positive momentum; good environment for market participation
40 – 59	Neutral	Mixed signals; market in transition or consolidation
20 – 39	Weak	Majority of indicators unfavorable; caution advised
0 – 19	Contraction	Severe market stress; declining values likely; significant risk

The scoring for each component is derived from a combination of current absolute levels, historical trends, and rate of change. For example, the Inflation component considers not only the current CPI level but also its trajectory relative to the BSP target range and its historical impact on property market performance.

5. Why Monitor the CPMSI?

The CPMSI provides actionable intelligence for diverse stakeholders in the Philippine real estate ecosystem. Understanding the index and its components enables better timing of decisions and more effective risk management.

Stakeholder	How the CPMSI Helps
Real Estate Developers	Time project launches, adjust pricing strategies, and calibrate land banking decisions based on market direction. A declining CPMSI signals caution on new project launches.
Property Investors	Identify optimal entry and exit points for property acquisitions. Monitor whether market conditions favor buying, holding, or divesting assets in their portfolio.
Banks & Lenders	Assess real estate portfolio risk, calibrate lending standards, and forecast non-performing loan exposure. The CPMSI provides early warning of sector-wide stress.
Homebuyers	Understand whether current conditions favor purchasing. A low CPMSI may indicate buyer-friendly pricing, while a high CPMSI suggests competitive market conditions.
Policymakers	Monitor the effectiveness of monetary and fiscal policies on the housing sector. The CPMSI provides a composite view of how policy decisions transmit to market outcomes.

By consolidating multiple data streams into one metric, the CPMSI eliminates the need for stakeholders to independently track and interpret numerous economic indicators. It provides a common language for discussing market conditions and facilitates more productive dialogue between market participants.

6. Interpreting the Current Score

The current CPMSI stands at **38 out of 100**, placing the Philippine real estate market in the **"Weak"** category. This score indicates that the majority of market indicators are signaling unfavorable conditions, and caution is advised for market participants.

Component Scores Breakdown

Component	Score	Classification	Assessment
Inflation	20	Weak	Elevated inflation eroding purchasing power and raising construction costs
Mortgage Rates	35	Weak	High borrowing costs constraining buyer qualification and demand
Consumer Confidence	40	Neutral	Cautious optimism; consumers hesitant on major purchases
Building Permits	50	Neutral	Moderate development activity; developers adopting wait-and-see approach
Property Prices	45	Neutral	Price growth decelerating; market finding equilibrium

Key Observations:

- **Inflation (20)** is the weakest component, indicating that current price pressures are significantly unfavorable for the property market. High inflation raises the cost of construction materials and reduces the real value of property investments.
- **Mortgage Rates (35)** remain elevated, reflecting the BSP's tight monetary policy stance. This constrains housing affordability and limits the pool of qualified borrowers.
- **Consumer Confidence (40)** sits at the lower boundary of Neutral, suggesting households are cautious but not pessimistic about making property-related decisions.
- **Building Permits (50)** show moderate activity, indicating that developers are proceeding with projects but at a measured pace.
- **Property Prices (45)** indicate decelerating growth—prices are not falling but appreciation rates have slowed significantly from recent peaks.

7. Implications of the Current Score

A CPMSI score of 38 (Weak) carries specific implications for different market participants:

For Developers:

Exercise caution on new project launches. Focus on completing existing inventory and consider value-oriented pricing strategies. Projects targeting the mid-market and affordable segments may perform better than luxury developments in the current environment.

For Investors:

The current score suggests a buyer's market may be emerging. While immediate capital appreciation is unlikely, long-term investors may find attractive entry points, particularly in growth corridors with strong infrastructure development pipelines.

For Banks:

Heightened vigilance on real estate loan portfolios is warranted. Stress testing against further CPMSI deterioration is recommended. However, the score remains above the Contraction threshold, suggesting systemic risk remains contained.

For Homebuyers:

Current conditions may offer negotiating leverage on property prices. However, elevated mortgage rates mean higher monthly amortization costs. Buyers with strong cash positions or access to below-market financing may find favorable opportunities.

For Policymakers:

The Weak reading suggests that current monetary tightening is transmitting to the real estate sector. Monitoring for signs of further deterioration toward Contraction territory is important, as the housing sector has significant multiplier effects on employment and economic growth.

Cuervo Appraisers independently publishes historical capital value trend studies based on infrastructure and urban development patterns across Philippine growth corridors.

For More Information

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