

Metro Manila Office Briefing

1Q 2018

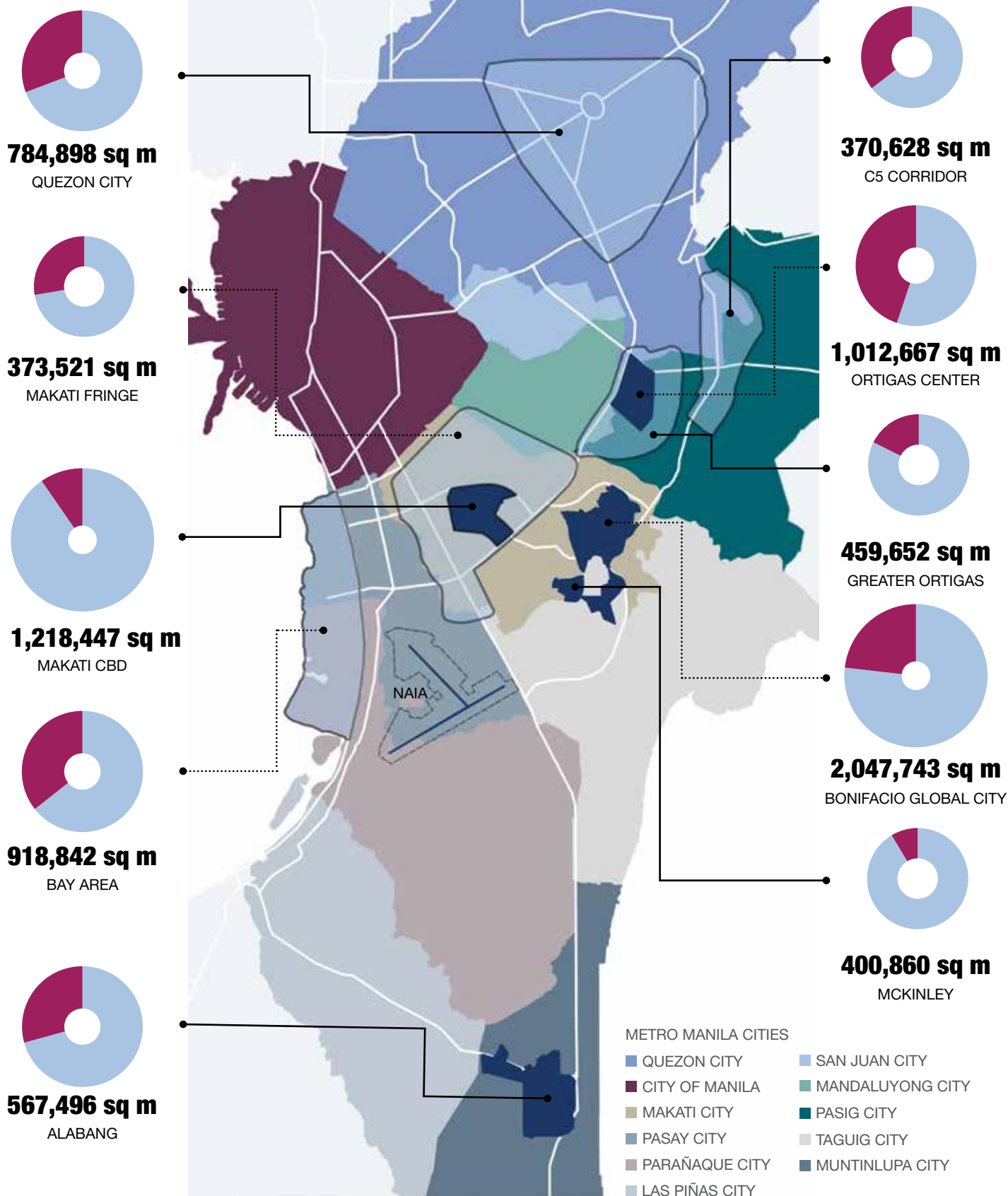


Metro Manila Office Submarkets

Future Stock (2021)

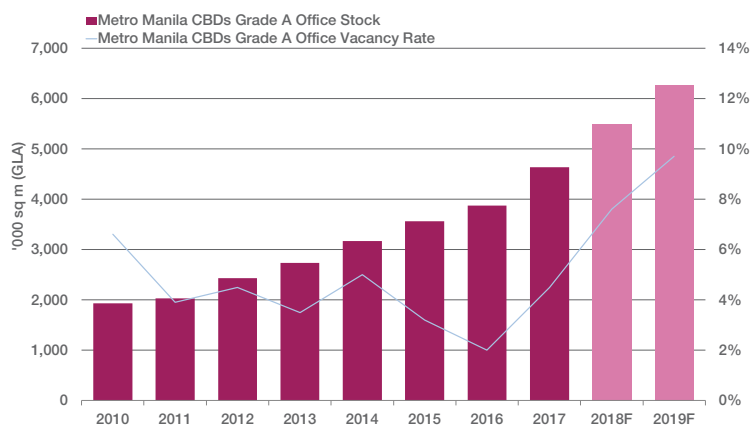
● DEVELOPMENT PIPELINE (2018-2021) ● CURRENT STOCK

MAP 1



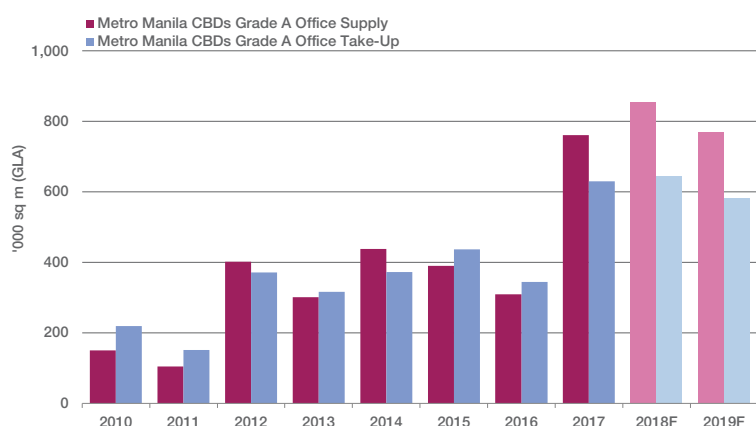
Metro Manila

GRAPH 1
Stock & Vacancy



Source: KMC Savills Research

GRAPH 2
Supply & Take-Up



Source: KMC Savills Research

TABLE 1
Key Figures - Grade A Office

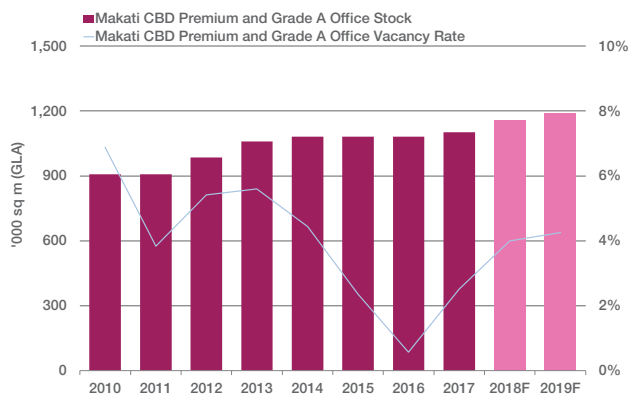
1Q 2018	Makati CBD	BGC	Ortigas Center	Alabang	Quezon City	Bay Area
Average net rental rate (Php/sq m/month)	1,060.2	937.8	669.1	653.0	738.2	746.8
Upper net rental rate (Php/sq m/month)	1,500.0	1,250.0	850.0	725.0	825.0	850.0
Vacancy rate (%)	2.1%	4.3%	3.4%	1.2%	10.4%	1.4%
Current stock (sq m)	1,101,074	1,566,170	558,513	401,296	543,427	591,310
Development pipeline 2018-2021 (sq m)	117,373	472,723	454,154	166,200	241,471	327,532

* Makati CBD includes Premium Offices

- In 1Q/2018, around 130,100 sq m of Grade A office space was added in Metro Manila, predominantly in BGC, the Bay Area and Quezon City. Net absorption was able to exceed new supply and it resulted in a lower vacancy rate of 3.8%. All submarkets experienced declining vacancies except for Quezon City, which increased to 10.4% of its office stock.
- Average rents in Metro Manila continued to expand and registered growth of 3.4% YoY – buoyed by the tightening conditions in most submarkets. However, the Bay Area remains to be a key outlier as average rents grew by 6.5% YoY. The tight conditions in Alabang also have accelerated rental growth to 3.8% YoY from 3.0% YoY in 4Q/2017.
- The estimated 723,200 sq m of GLA in the coming quarters of 2018 should increase the vacancy rate beyond the 5.0% mark by the end of the year. However, we believe this amount is still manageable given the market's current performance. In addition, rental growth may not be as affected due to a changing occupier mix in select submarkets such as Bay Area and Alabang.
- The offshoring and outsourcing sector is still a significant occupier of office space. However, the Philippine Offshore Gaming Operator (POGO) sector has been a rising player, as of late. We believe the emergence of the POGO sector has eased risks of a potential glut in the office market. As such, we expect occupier demand to remain healthy even with another record year of new office supply.

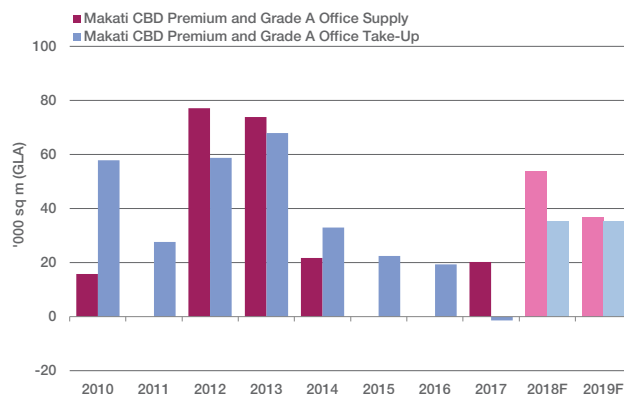
Makati CBD

GRAPH 3
Stock & Vacancy



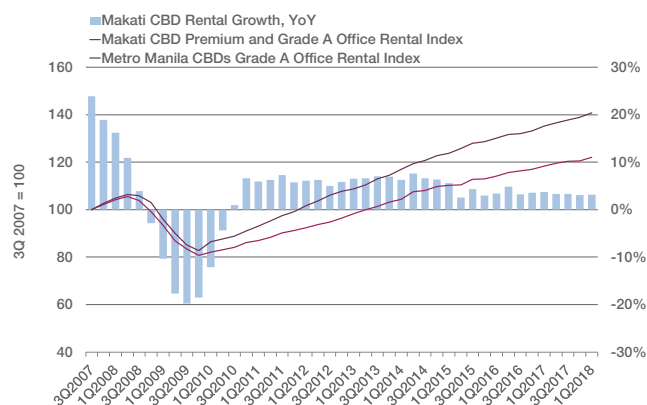
Source: KMC Savills Research

GRAPH 4
Supply & Take-Up



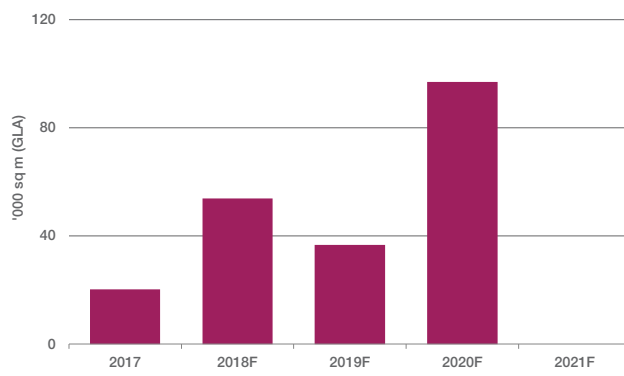
Source: KMC Savills Research

GRAPH 5
Rental Performance



Source: KMC Savills Research

GRAPH 6
Development Pipeline



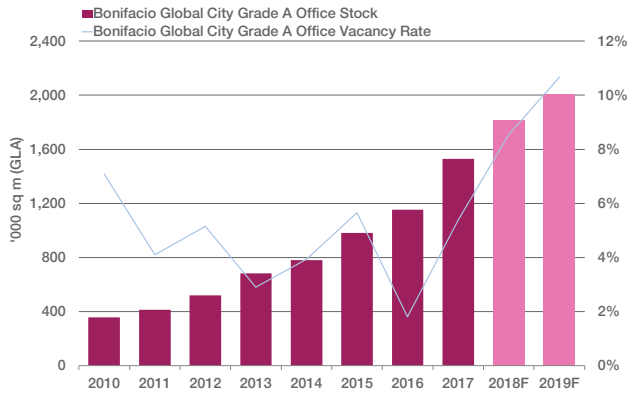
Source: KMC Savills Research

MARKET IN MINUTES

- Net absorption in Makati CBD recovered as vacancy rates improved to 2.1%. This was lower than 2.5% in 4Q/2017 despite having no new supply during the quarter.
- Average rents increased to Php 1,060.2 per sq m / month in 1Q/2018 after growth accelerated to 3.2% YoY.
- Vacancies remained tight during the quarter but the incoming supply of 53,800 sq m in the coming quarters of 2018 should ease conditions in the submarket. However, the vacancy rate is still expected to be one of the lowest among submarkets.

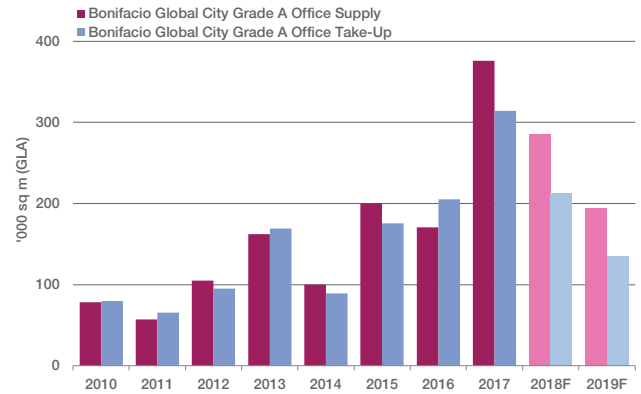
Bonifacio Global City

GRAPH 7 **Stock & Vacancy**



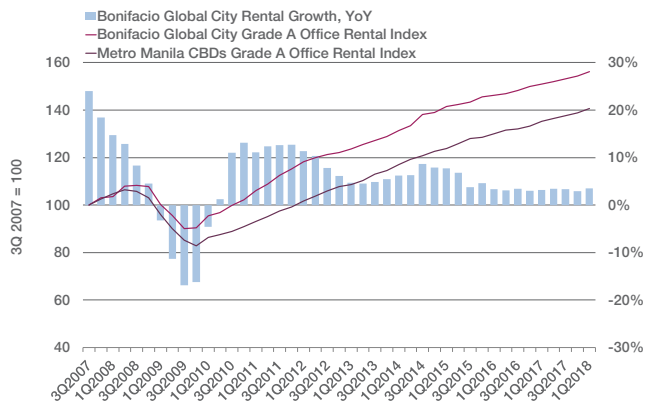
Source: KMC Savills Research

GRAPH 8 **Supply & Take-Up**



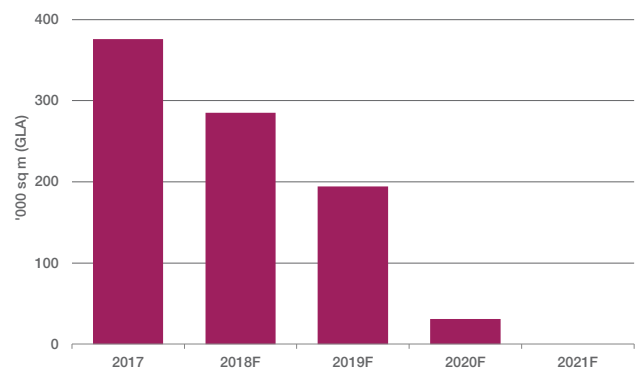
Source: KMC Savills Research

GRAPH 9 **Rental Performance**



Source: KMC Savills Research

GRAPH 10 **Development Pipeline**



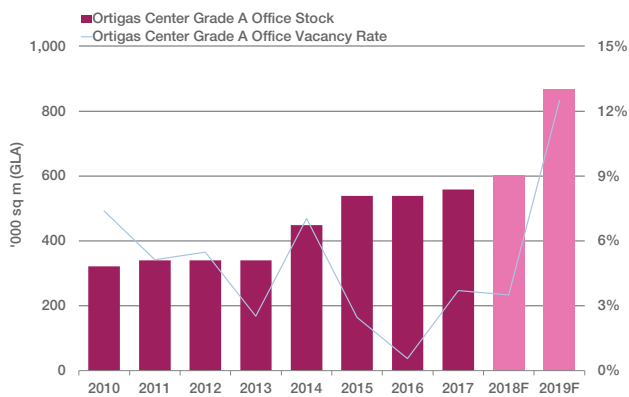
Source: KMC Savills Research

MARKET IN MINUTES

- BGC welcomed just 38,200 sq m of new office space in 1Q/2018, but net absorption exceeded the new supply which drove down the vacancy rate to 4.3%.
- Rentals in BGC averaged Php 937.8 per sq m / month and grew by 3.5% YoY during the quarter.
- In the remaining months of 2018, BGC has the largest development pipeline among submarkets, pegged at around 247,100 sq m. Despite the strong take-up in past quarters, we expect incoming supply to push vacancies upward, close to double digits.

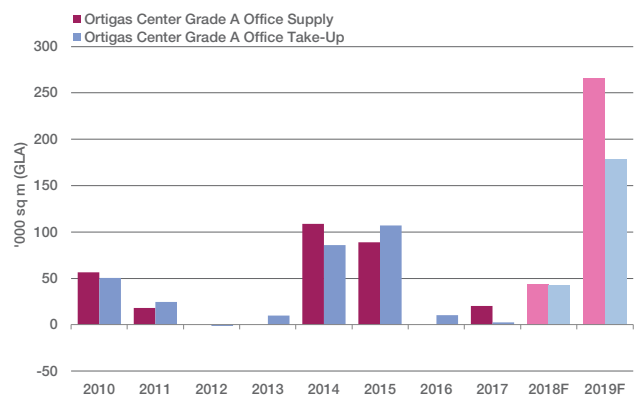
Ortigas Center

GRAPH 11 **Stock & Vacancy**



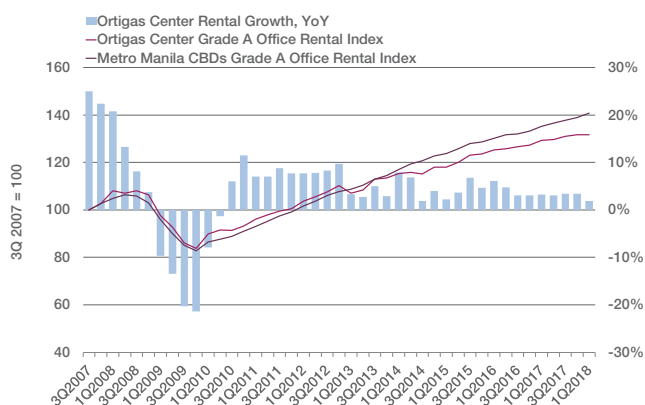
Source: KMC Savills Research

GRAPH 12 **Supply & Take-Up**



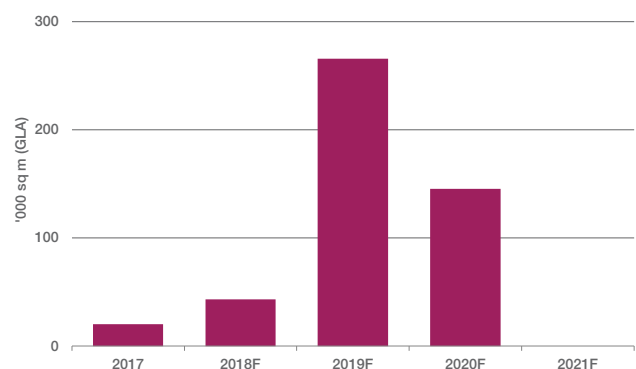
Source: KMC Savills Research

GRAPH 13 **Rental Performance**



Source: KMC Savills Research

GRAPH 14 **Development Pipeline**



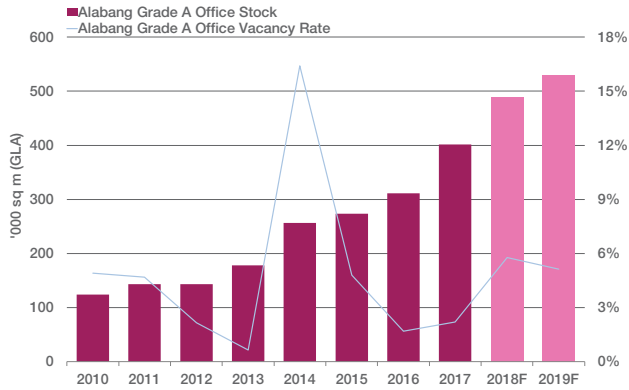
Source: KMC Savills Research

MARKET IN MINUTES

- No new supply in Ortigas CBD was introduced during the quarter. Net absorption was relatively weaker but still pushed the vacancy rate down to 3.4%.
- Average rental rates for Ortigas CBD increased by 1.9% YoY in 1Q/2018 – the slowest among the submarkets.
- Vacancies in the submarket is expected to remain comparatively low in the rest of the quarters of 2018 as only around 43,300 sq m of office space is anticipated to be completed.

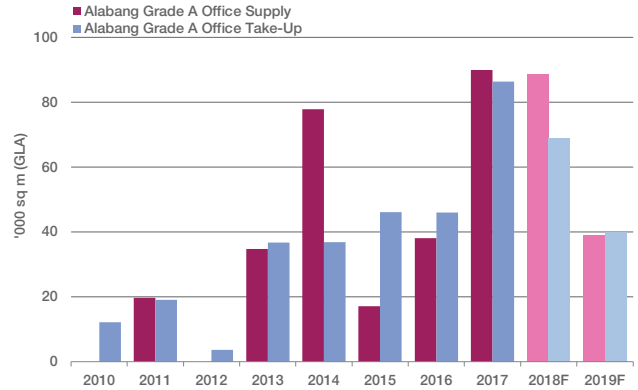
Alabang

GRAPH 15 **Stock & Vacancy**



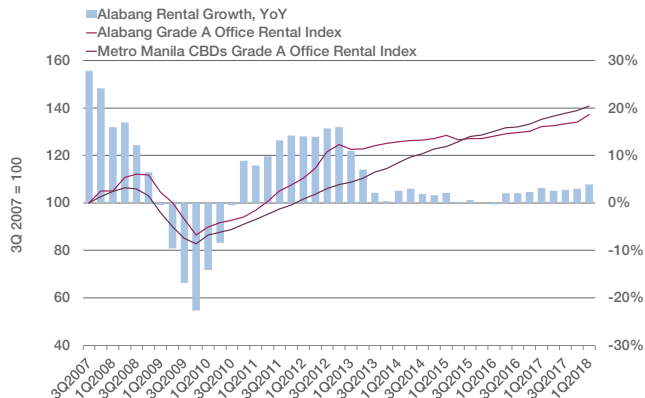
Source: KMC Savills Research

GRAPH 16 **Supply & Take-Up**



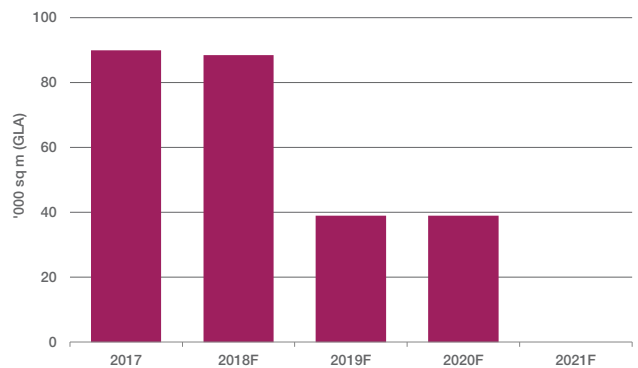
Source: KMC Savills Research

GRAPH 17 **Rental Performance**



Source: KMC Savills Research

GRAPH 18 **Development Pipeline**



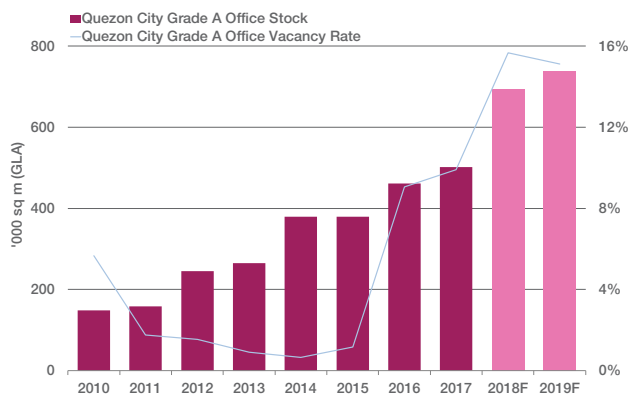
Source: KMC Savills Research

MARKET IN MINUTES

- Alabang CBD had the lowest vacancy rate at 1.2% in 1Q/2018. This can be attributed to the lack of new Grade A office supply coupled with its sustained robust demand.
- Among the submarkets we cover, Alabang still has the lowest rental rate of Php 653.0 per sq m / month. However, it achieved one of the fastest rental growth rates at 3.9% YoY given the tight market conditions.
- Although there were no new completions during the quarter, approximately 88,400 sq m of office space is forecasted to be completed in the succeeding quarters of 2018. We still expect leasing activity to be sustained in Alabang, but vacancies may rise above 5.0% of total stock by the end of the year.

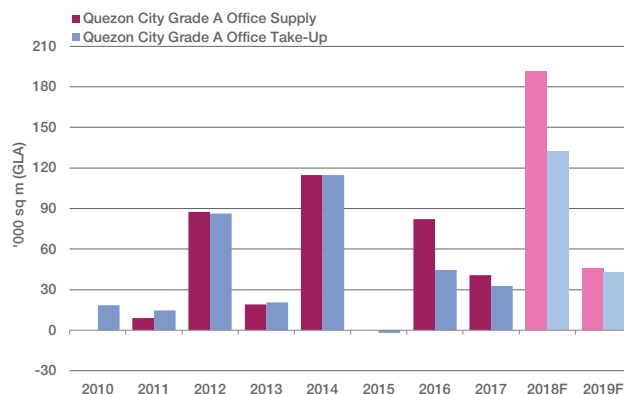
Quezon City

GRAPH 19 **Stock & Vacancy**



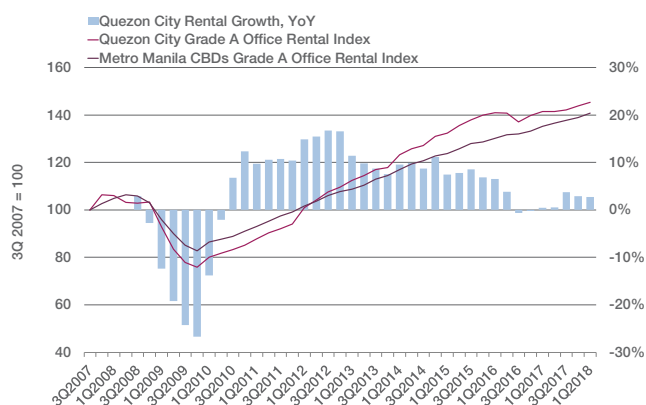
Source: KMC Savills Research

GRAPH 20 **Supply & Take-Up**



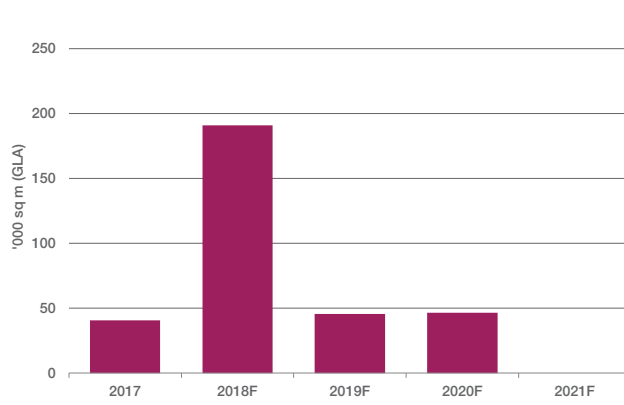
Source: KMC Savills Research

GRAPH 21 **Rental Performance**



Source: KMC Savills Research

GRAPH 22 **Development Pipeline**



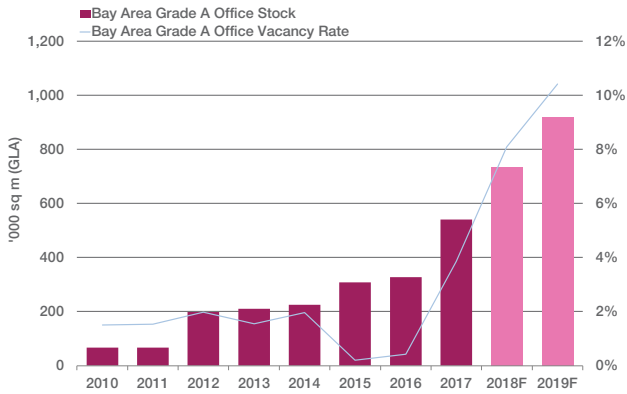
Source: KMC Savills Research

MARKET IN MINUTES

- The vacancy rate in Quezon City is still the highest among submarkets at 10.4% in 1Q/2018. However, net absorption of 34,500 sq m kept vacancies at a manageable level despite the completion of the second office tower in Vertis North.
- Rental growth decelerated to 2.7% YoY as the sustained level of vacancies in Quezon City dragged the overall performance.
- The elevated vacancies in the submarket may continue in the coming quarters given the upcoming completions in Eton Centris and Vertis North. However, pre-leasing activity in these townships have been promising and may indicate better market absorption rates in the coming quarters

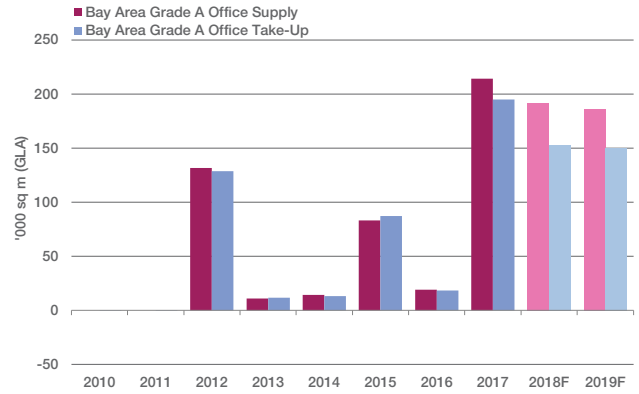
Bay Area

GRAPH 23 **Stock & Vacancy**



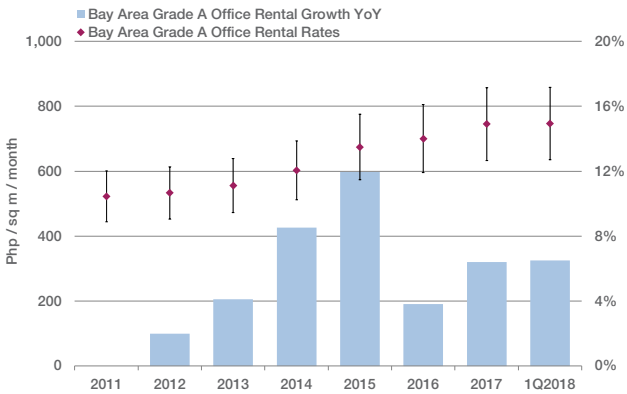
Source: KMC Savills Research

GRAPH 24 **Supply & Take-Up**



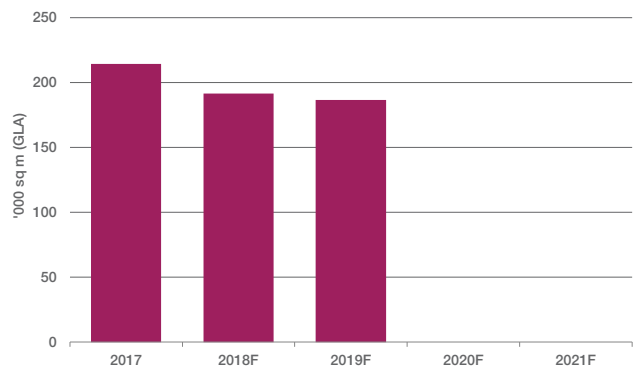
Source: KMC Savills Research

GRAPH 25 **Rental Performance**



Source: KMC Savills Research

GRAPH 26 **Development Pipeline**



Source: KMC Savills Research

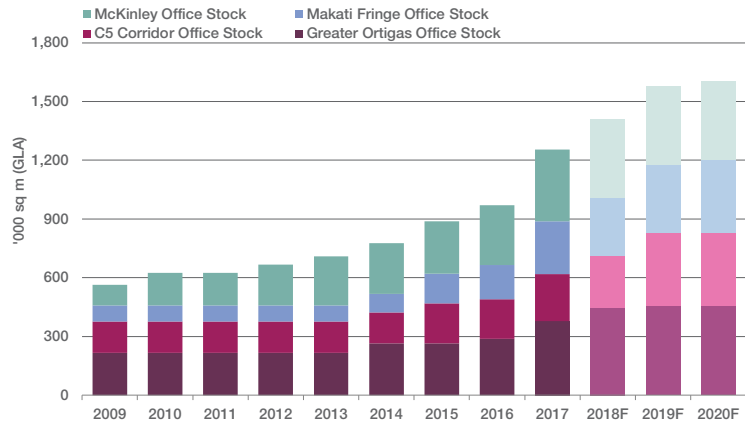
MARKET IN MINUTES

- Robust demand in the Bay Area drove vacancies to decline to 1.4% of the total office stock in 1Q/2018 from the 3.9% last quarter.
- Rental growth in the submarket was maintained at 6.5% YoY with average rents around Php 746.8 per sq m / month.
- Around 141,100 sq m of new office space is expected to become online in the remaining quarters of 2018. We expect some supply pressure to ease rental growth, but this may be counteracted by the increased interest in the submarket from online gaming operators.

Other Submarkets

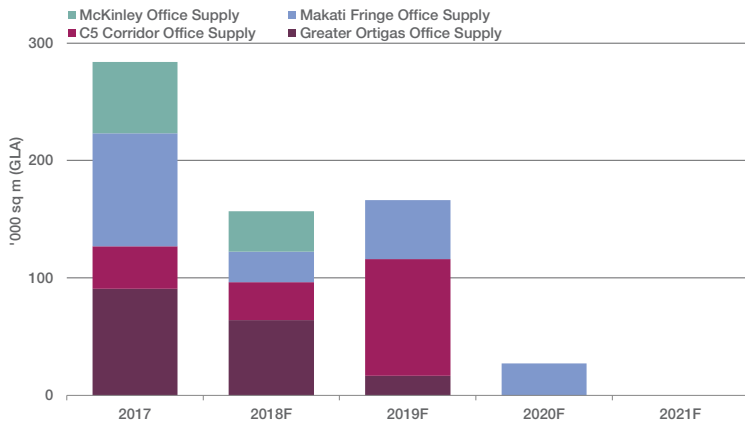
- Of the other submarkets we cover, only Greater Ortigas received new supply in 1Q/2018. The additional 42,000 sq m of GLA increased the vacancy rate to 13.7% in the submarket. On the other hand, Makati Fringe, McKinley and C5 Corridor all experienced declining vacancies.
- Approximately 88,800 sq m of incoming office stock in these submarkets is estimated to be online by 2Q/2018. Zeta Tower in Bridgetowne is scheduled to add 32,000 sq m in the C5 Corridor, together with the 34,500 sq m of 10 West Campus in McKinley West. The modest influx of supply is expected to push vacancies upwards in their respective submarkets.
- Leasing activity in these submarkets continues to be strong which is reflected by the healthy absorption rates across all submarkets. We still expect market conditions to be sustained with the growing presence of offshoring and outsourcing firms in these areas.

GRAPH 27
Stock by District



Source: KMC Savills Research

GRAPH 28
Development Pipeline by District



Source: KMC Savills Research

Definition of other submarkets

These submarkets are not included in the aggregate Metro Manila figures

MCKINLEY

The McKinley submarket is located south of Bonifacio Global City, covering McKinley West and McKinley Hill.

MAKATI FRINGE

Rockwell Center, Century City and Circuit Makati, as well as areas outside the Makati Central Business District, comprise the Makati Fringe submarket.

C5 CORRIDOR

C5 Corridor covers a stretch of the C5 Road from Quezon City to Pasig City. Located north are Eastwood City, Nuvo City, Circulo Verde, Bridgetowne Business Park, and the upcoming Ayala-Eton joint-venture project; farther south are Frontera Verde and ArcoVia.

GREATER ORTIGAS

The Greater Ortigas submarket predominantly covers the cities of Pasig and Mandaluyong—which include Capitol Commons, Portico, Robinsons Cybergate Center and Greenfield District—and the areas of Quezon City that surround the Ortigas Center.

PROJECT FOCUS

JEG TOWER @ ONE ACACIA



LOCATION	CEBU CITY
GRADE	PREMIUM / GRADE A
TURNOVER DATE	Q1 2020
GROSS LEASABLE AREA	14,409 SQ M
NO. OF FLOORS	22
FLOOR PLATE (GLA)	1,038 SQ M
HANDOVER CONDITION	BARE SHELL WITH AC
24 / 7 CAPABILITY	YES
BACKUP POWER	100%

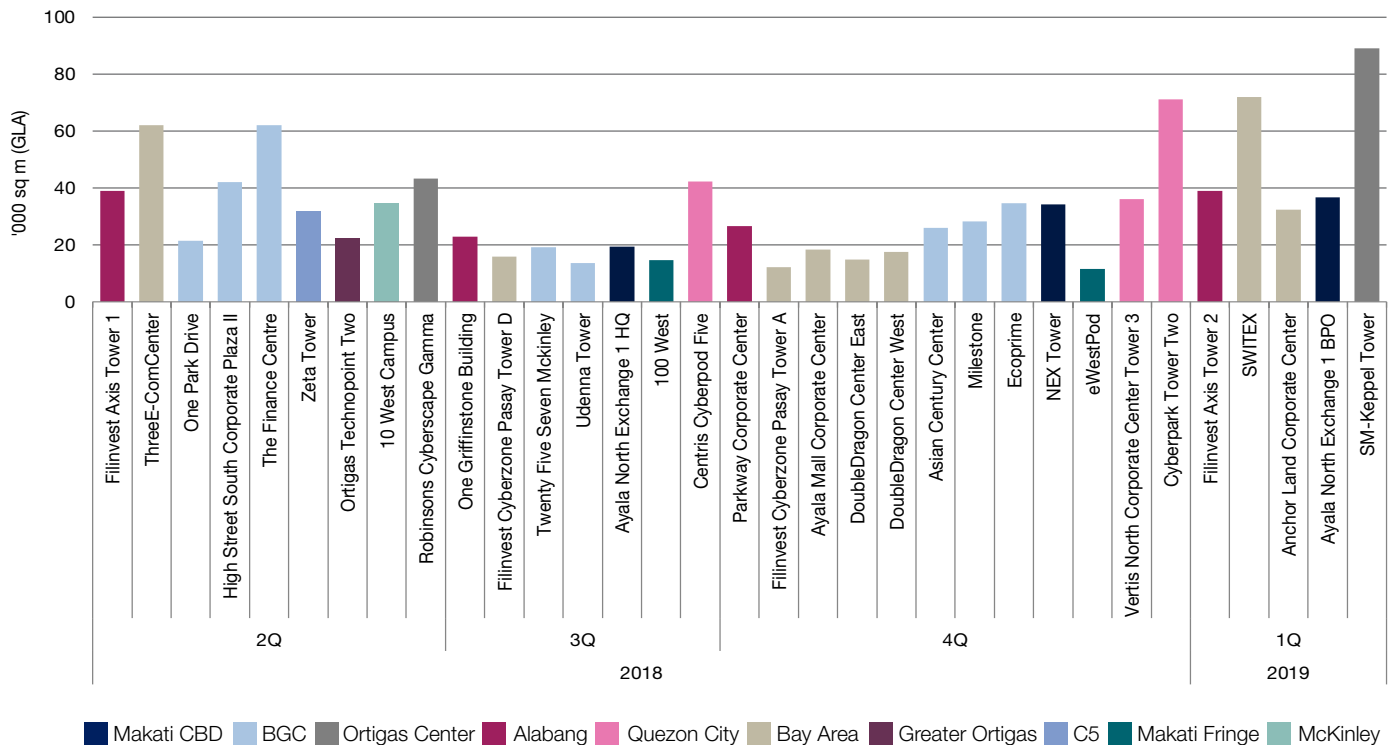
JEG Tower boasts of its resource efficient quality in design and construction.

LEED buildings use less water, energy and emits less greenhouse gases. As a friend to the environment, JDC is able to accomplish this by having state-of-the-art facilities such as 100% back-up power with 24/7 capability and VRF air conditioning.

JEG Tower's architectural design is done by Casas architects befitting of a pioneering structure. The cutting-edge Grade A 22 stories development is a sight to behold and a face to all future estates.

True to its commitment to Cebu's green building initiative, JEG Tower is a LEED pre-certified silver building.

GRAPH 29
12-month Supply Forecast by Building



KMC Savills, Inc.

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