KMC Savills Research
Metro Manila

Metro Manila
Office Briefing

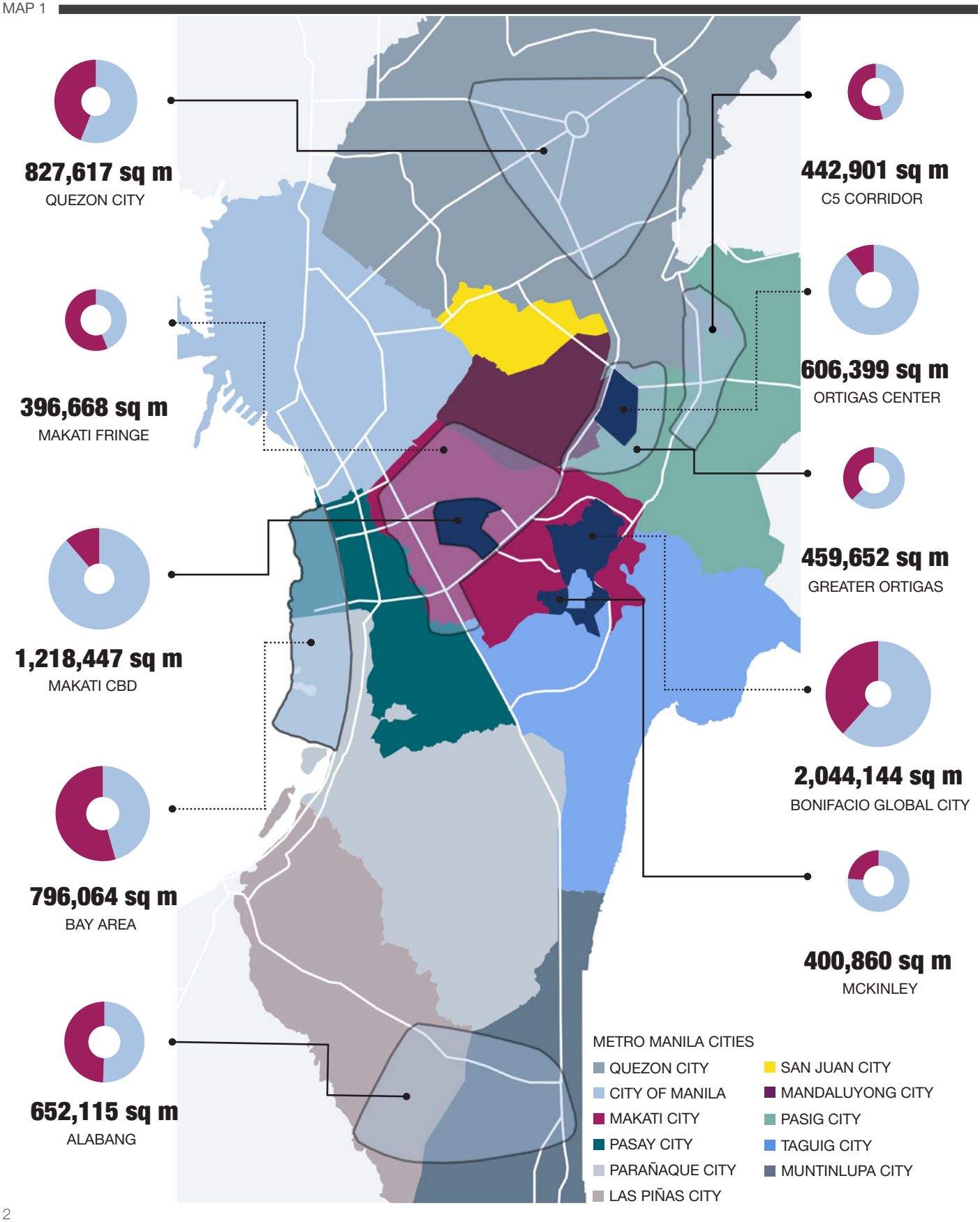
1Q 2017

Metro Manila Office Submarkets

Future Stock (2020)

DEVELOPMENT PIPELINE (2017-2020) CURRENT STOCK

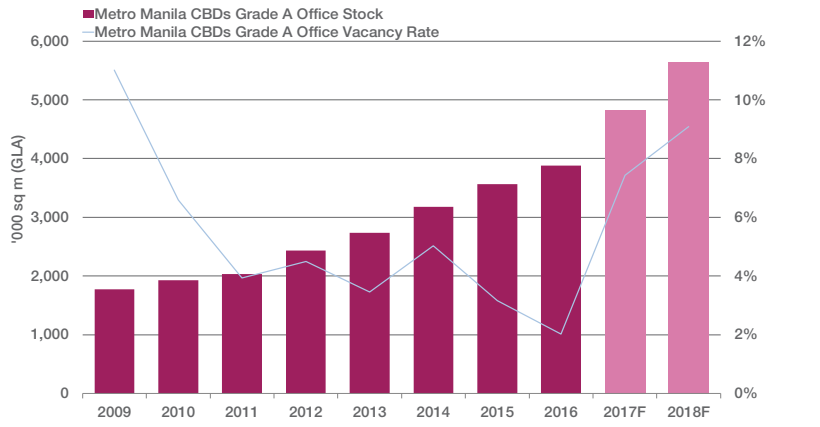
MAP 1



Metro Manila

GRAPH 1

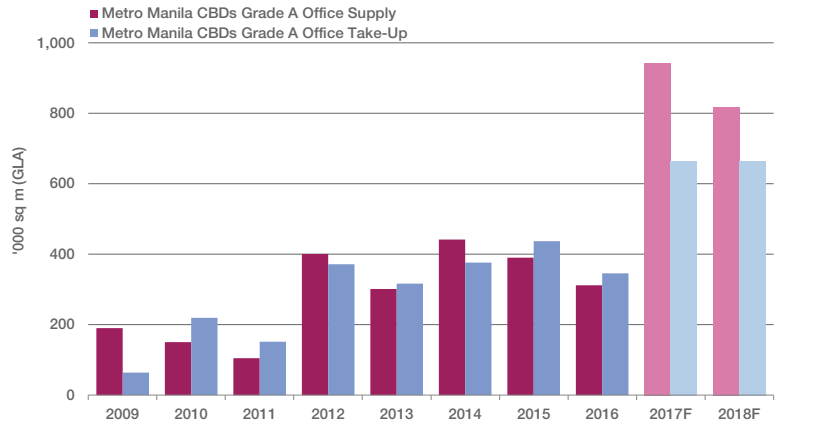
Stock & Vacancy



Source: KMC Savills Research

GRAPH 2

Supply & Take-Up



Source: KMC Savills Research

- During 1Q/2017, Metro Manila added 162,200 sq m of office space. BGC accounted for two thirds of the new supply with the completion of W City Center and Citibank Plaza.
- Performance across submarkets was mixed. BGC, Alabang and Bay Area experienced a decline in vacancies despite an influx of new supply. There was impressive net take-up in these submarkets, but the overall vacancy rate in Metro Manila increased to 2.4%, due to decreased occupancy in Makati CBD and Quezon City.
- Although the vacancy rate was held in single digits, rental growth continued to normalize at 3.7% YoY. The Makati CBD maintained its premium in the capital after rentals grew by 3.8% YoY – outperforming other submarkets.
- We are still expecting about 781,800 sq m of additional office supply within the year. Downward pressure on rents should persist in the coming quarters, however market appetite remains largely intact as evidenced by the brisk absorption of new completions during the quarter.
- The better-than-expected performance in the first three months should ease concerns of double digit vacancy rates in Metro Manila this year. As occupier demand tries to keep up with the upcoming supply, vacancies may stay relatively elevated in the coming years.

TABLE 1

Key Figures - Grade A Office

1Q 2017	Makati CBD	BGC	Ortigas Center	Alabang	Quezon City	Bay Area
Average net rental rate (Php/sq m/month)	1,027.7	906.1	656.5	628.6	718.5	701.3
Upper net rental rate (Php/sq m/month)	1,450.0	1,200.0	825.0	675.0	800.0	750.0
Vacancy rate (%)	1.9%	0.9%	1.0%	0.9%	11.9%	0.2%
Current stock (sq m)	1,080,863	1,259,930	542,610	329,508	463,183	363,175
Development pipeline 2017-2020 (sq m)	137,584	784,214	63,789	322,607	364,434	432,889

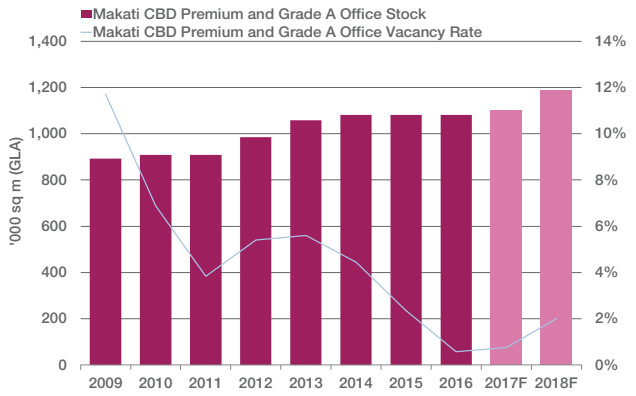
** Makati CBD includes Premium Offices*

*** Minor changes were made in Ortigas Center's stock and pipeline, please see page 6*

Makati CBD

GRAPH 3

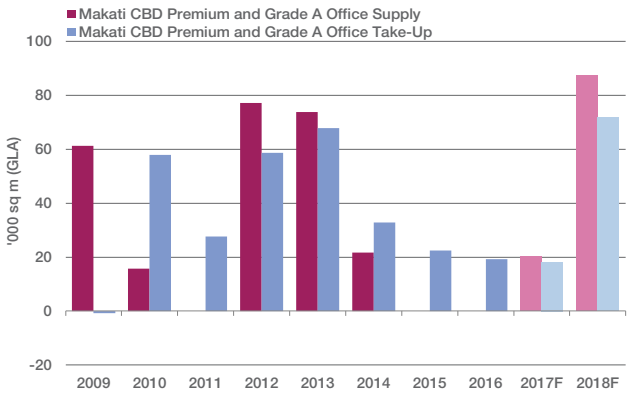
Stock & Vacancy



Source: KMC Savills Research

GRAPH 4

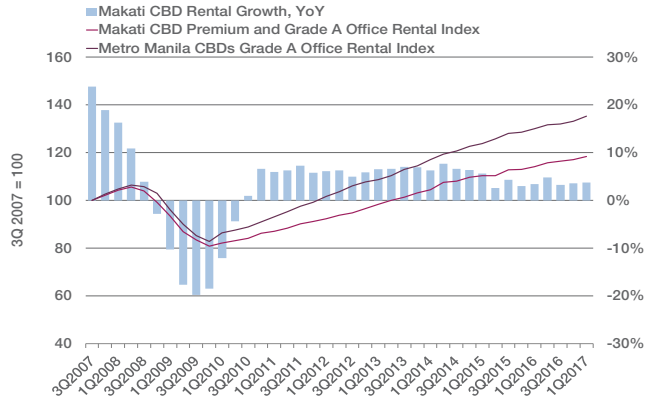
Supply & Take-Up



Source: KMC Savills Research

GRAPH 5

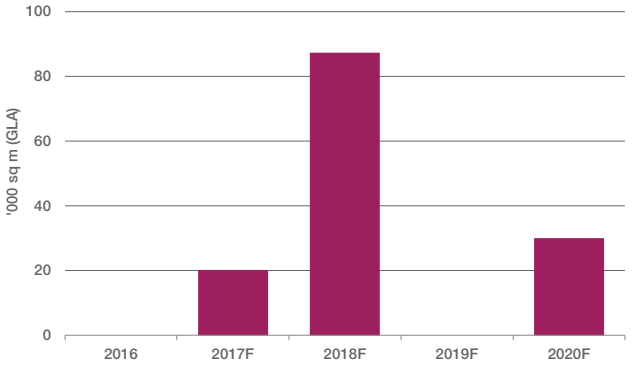
Rental Performance



Source: KMC Savills Research

GRAPH 6

Development Pipeline



Source: KMC Savills Research

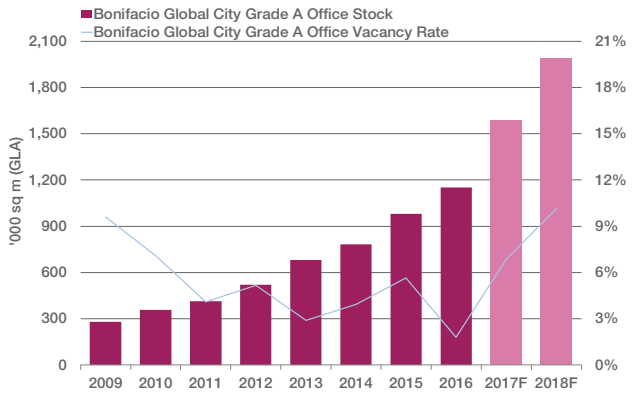
MARKET IN MINUTES

- A large amount of contract expirations at the beginning of the year resulted in negative net-take up during 1Q/2017. With no new completions, the increase in vacancy was modest, from the extremely low 0.6% in 4Q/2016 to just 1.9% in 1Q/2017.
- In spite of this, rental rates continued to grow at a healthy rate of 3.8% YoY – beating other CBDs.
- Given the thin pipeline and the strong demand for office space in the Makati CBD, vacancies are expected to remain low in the coming quarters.

Bonifacio Global City

GRAPH 7

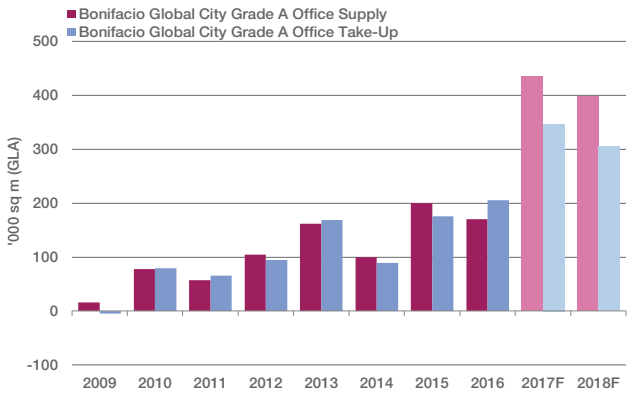
Stock & Vacancy



Source: KMC Savills Research

GRAPH 8

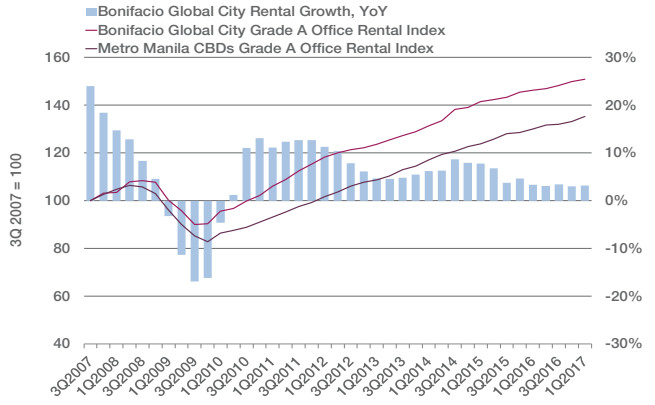
Supply & Take-Up



Source: KMC Savills Research

GRAPH 9

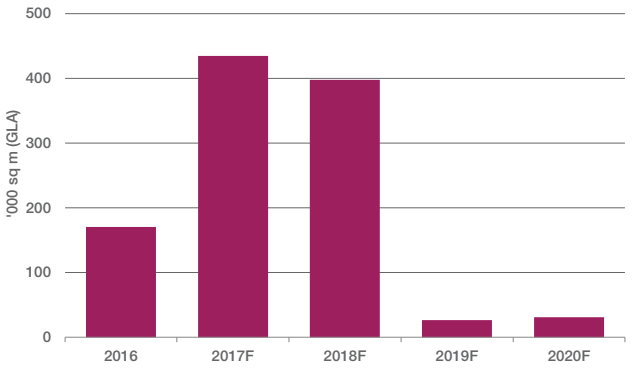
Rental Performance



Source: KMC Savills Research

GRAPH 10

Development Pipeline



Source: KMC Savills Research

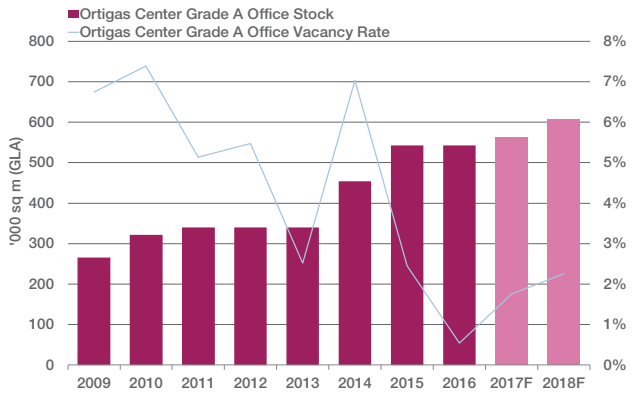
MARKET IN MINUTES

- Amongst submarkets, BGC had the highest additional supply for the period, with a GLA of 107,600 sq m. Despite that, the vacancy rate remained extremely low as the additional supply was fully leased out.
- The sustained demand, as evidenced by the tight vacancy, supported rental growth of 3.2% YoY and averaged Php 906.1 per sq m / month.
- Given the aggressive development pipeline, a substantial increase in stock is expected in the horizon. Hence, a considerable rise in vacancy is anticipated in the coming quarters.

Ortigas Center

GRAPH 11

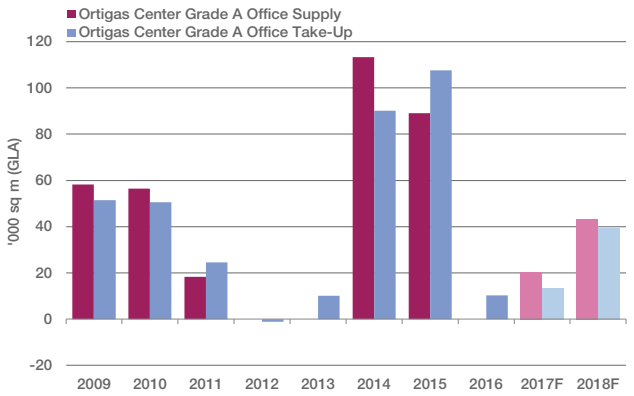
Stock & Vacancy



Source: KMC Savills Research

GRAPH 12

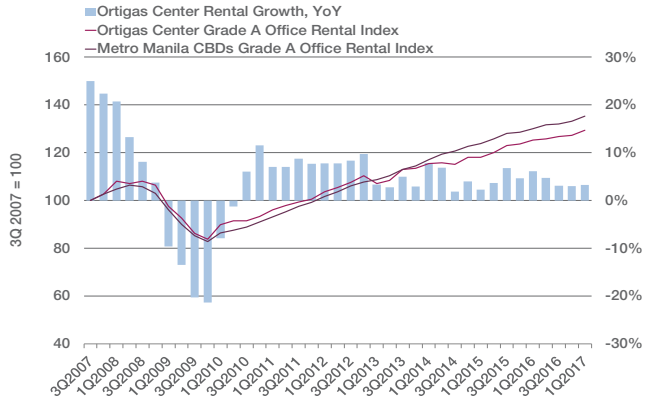
Supply & Take-Up



Source: KMC Savills Research

GRAPH 13

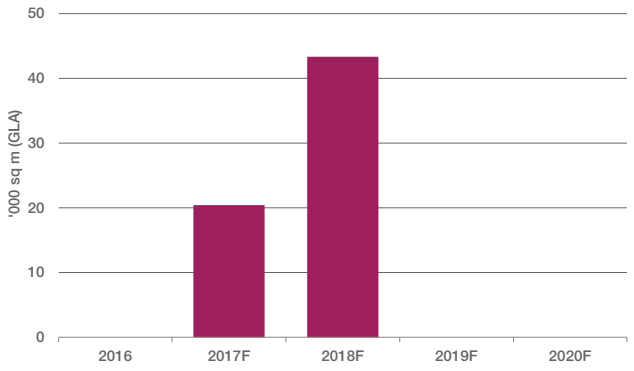
Rental Performance



Source: KMC Savills Research

GRAPH 14

Development Pipeline



Source: KMC Savills Research

MARKET IN MINUTES

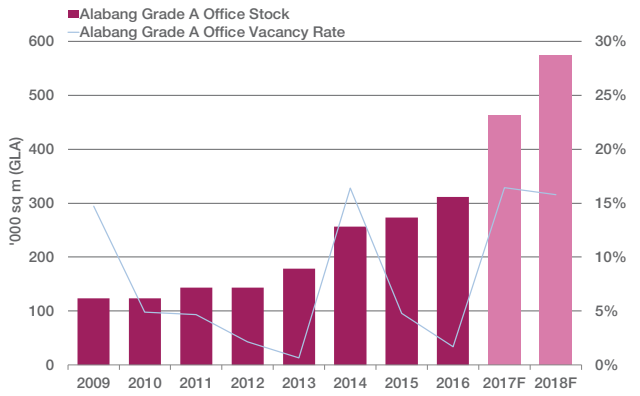
- Net take-up reversed in 1Q/2017 and marginally increased vacancies to 1.0% of stock from 0.5% in the previous quarter.
- The submarket's performance had minimal impact as vacancies were kept historically low which supported the rental growth of 3.2% YoY.
- New supply entering the Ortigas Center will be modest with just the completion of IBP Tower and Robinsons Cyberscape Gamma. Leasing activity in the CBD suggests that occupier demand should be able to absorb the new supply with ease.

*** KMC Savills has redefined the Ortigas Center to be aligned with the estate boundaries with the introduction of Greater Ortigas which resulted in the minor changes in stock and supply.*

Alabang

GRAPH 15

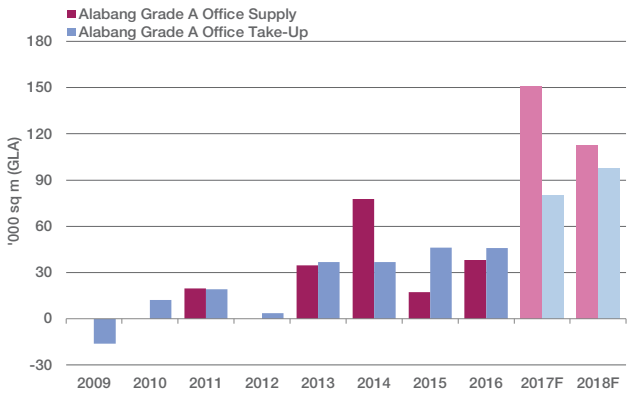
Stock & Vacancy



Source: KMC Savills Research

GRAPH 16

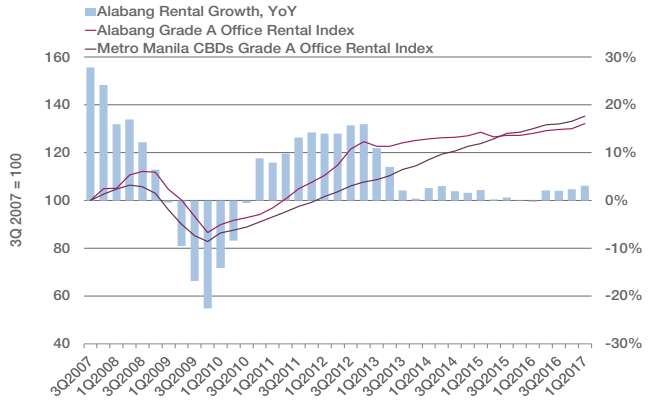
Supply & Take-Up



Source: KMC Savills Research

GRAPH 17

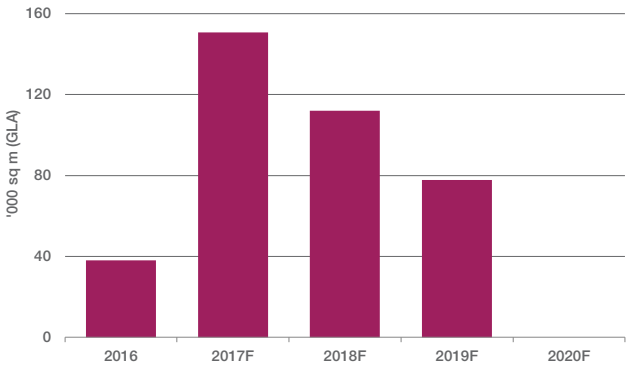
Rental Performance



Source: KMC Savills Research

GRAPH 18

Development Pipeline



Source: KMC Savills Research

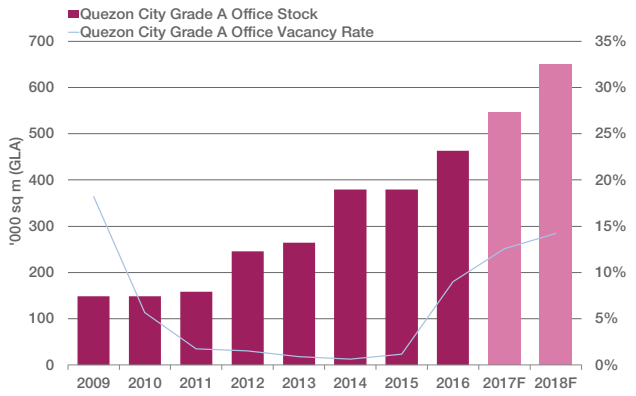
MARKET IN MINUTES

- Alabang performed well after experiencing another quarterly decline in vacancy in spite of the additional supply from Capella's 18,100 sq m of GLA.
- The low vacancy has led to a healthy growth rate of 3.1% YoY with rentals averaging Php 628.6 per sq m / month during the quarter.
- Alabang is expected to have a significant supply addition of 132,700 sq m within the next 12 months. This sizable increase in stock is estimated to push vacancies up to double digits, and should put significant downward pressure on rentals. However, the CBD's performance in 1Q/2017 indicates that occupier demand is promising and should be able to comfortably absorb the upcoming stock.

Quezon City

GRAPH 19

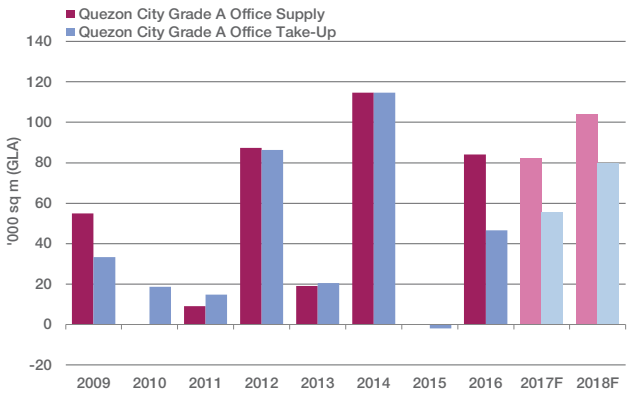
Stock & Vacancy



Source: KMC Savills Research

GRAPH 20

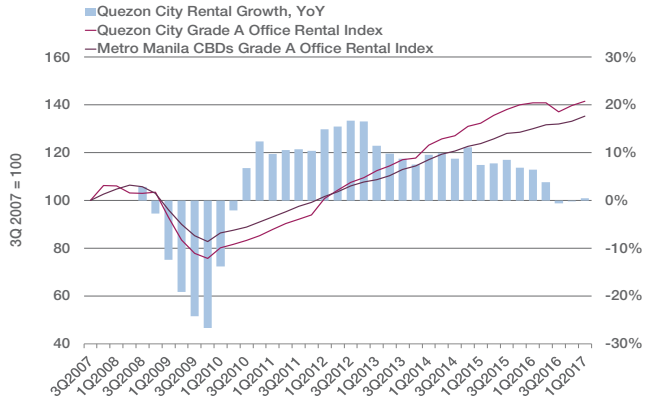
Supply & Take-Up



Source: KMC Savills Research

GRAPH 21

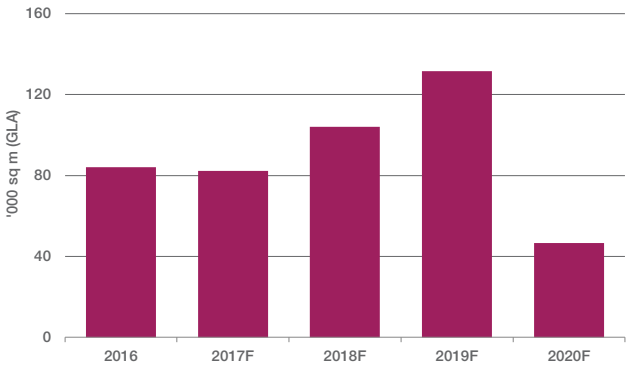
Rental Performance



Source: KMC Savills Research

GRAPH 22

Development Pipeline



Source: KMC Savills Research

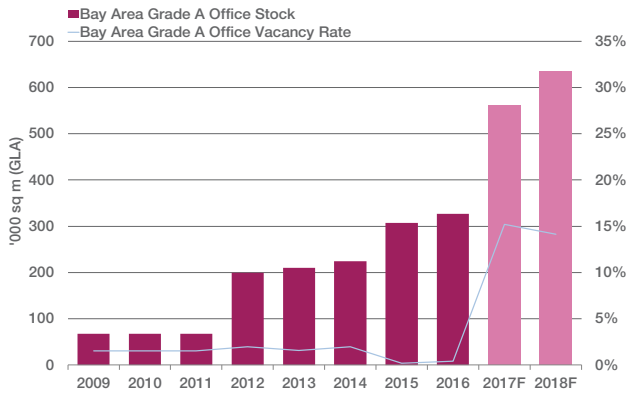
MARKET IN MINUTES

- Among submarkets, Quezon City had the highest vacancy rate after another quarter of subpar performance.
- We saw a similar performance on rents after growth crawled by 0.5% YoY in 1Q/2017. Despite rentals being pulled down by vacancies, this was still an improvement from the negative growth posted in the previous two quarters.
- The considerable volume of new supply is expected to maintain the double-digit vacancy rates in the coming quarters. However, the current pre-leasing activity in Quezon City should alleviate any abrupt rise in vacancies.

Bay Area

GRAPH 23

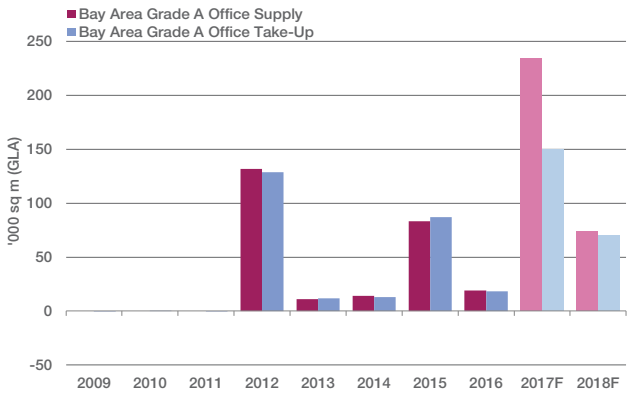
Stock & Vacancy



Source: KMC Savills Research

GRAPH 24

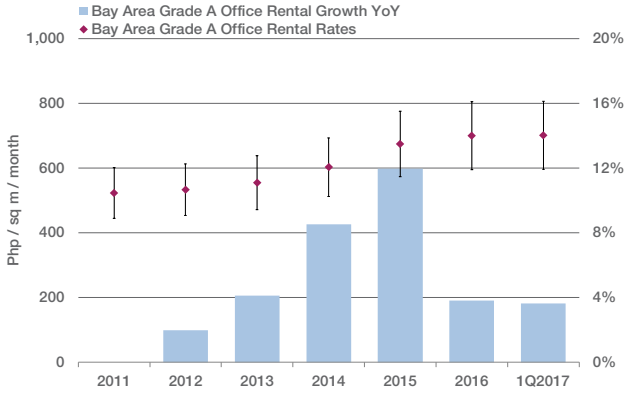
Supply & Take-Up



Source: KMC Savills Research

GRAPH 25

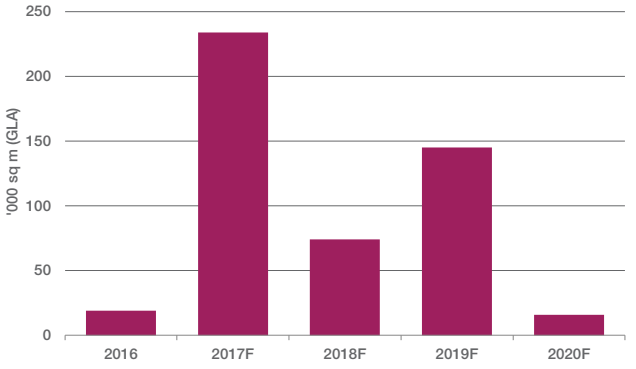
Rental Performance



Source: KMC Savills Research

GRAPH 26

Development Pipeline



Source: KMC Savills Research

MARKET IN MINUTES

- The Bay Area had the lowest vacancy rate among business districts. The completion of Filinvest Cyberzone Towers 2 and 3 added substantial amount of office space, but vacancies remained tight as the buildings were immediately leased out.
- Occupancy remained high in this submarket, and rental rates continued to normalize after growing by 3.6% YoY.
- We still expect double digit vacancy rates in the Bay Area this year notwithstanding the commendable market performance in 1Q/2017. Market absorption should sustain its performance in the coming quarters, but the 259,600 sq m of additional GLA in the next 12 months is still expected to weigh heavily on rentals.

Other Submarkets

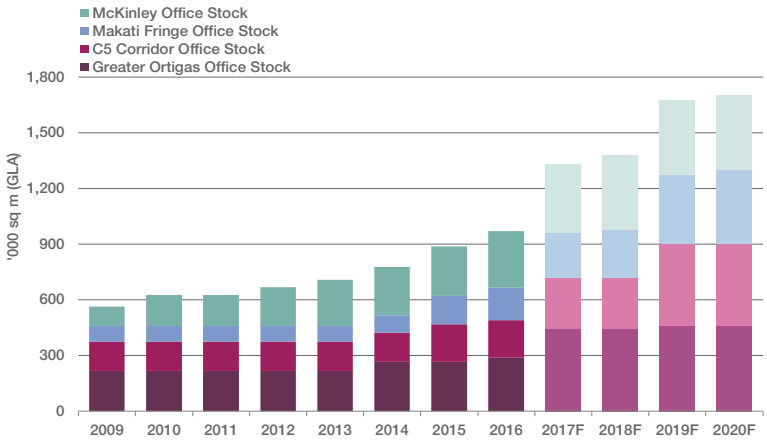
- Greater Ortigas currently hosts 287,700 sq m of office stock and is expected to supply around 155,000 sq m of additional office space in the next 12 months. The bulk of the current stock is concentrated in the Robinsons Cybergate Center while upcoming supply will be positioned in the emerging microdistricts of Greenfield District and Capitol Commons.

- For the other submarkets, the first three months were quiet with no new supply, but 2017 is anticipated to be a busy year with key additions to stock in the latter quarters. Robinsons Land is projected to complete three office buildings – Cyber Sigma in McKinley, with Exxa and Zeta towers in its Bridgetowne township in the C5 Corridor. In addition, Megaworld will complete its other two West Campus buildings in McKinley while Ayala Land's two Circuit Corporate towers will add 72,000 sq m in Makati Fringe.

- These submarkets are expected to grow substantially in supply in the coming years to accommodate the expanding outsourcing sector that prefer better affordability outside the established business districts.

GRAPH 27

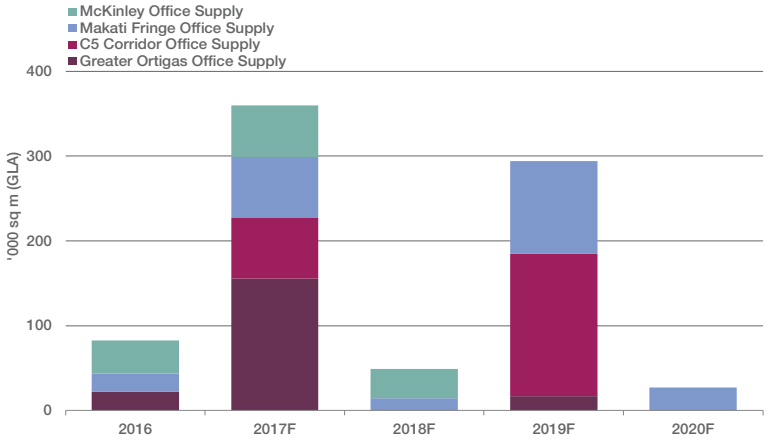
Stock by District



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 Arco Via.

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

ARTHALAND CENTURY PACIFIC TOWER

LOCATION
BONIFACIO GLOBAL CITY

GRADE
Premium

TURNOVER DATE
Q4 2017

GROSS LEASABLE AREA
29,935 sq m

NO. OF FLOORS
30

FLOOR PLATE (GLA)
1,550 sq m - Low Zone
1,600 sq m - High Zone

HANDOVER CONDITION
Warm Shell

PEZA
Yes

24 / 7 CAPABILITY
Yes

BACKUP POWER
100%

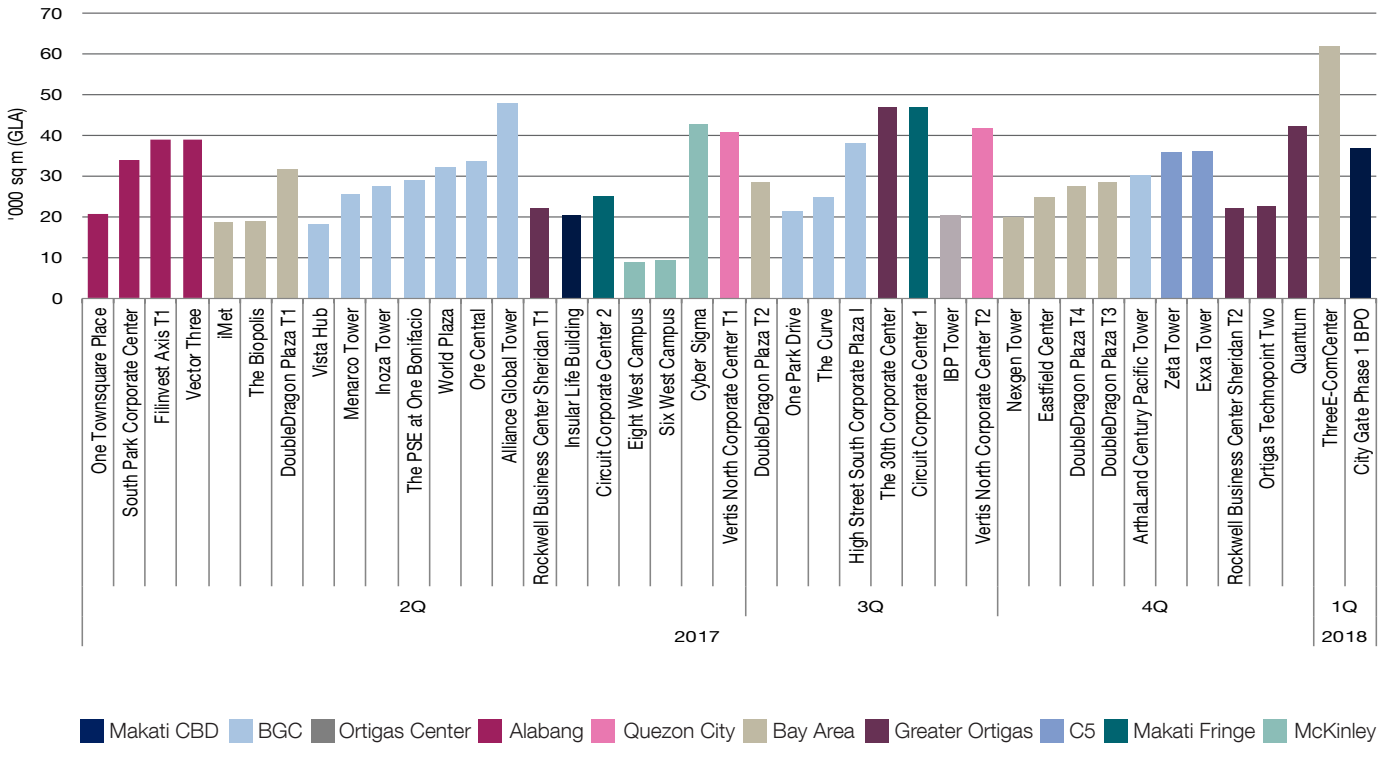
This is the ArthaLand Century Pacific Tower, a premium office building at the corner of 5th Avenue and 30th Street. The project is located at a prime block, just across Shangri-La at the Fort, the Central Square Mall, and near the future Philippine Stock Exchange building.

The premium grade building is designed by SOM New York, the same group that penned the One World Trade Center in New York and Burj Khalifa in Dubai.

In all aspects, this project, that is designed to hold the headquarters of multinational companies, is fully green. It is on target to achieve dual green building certification from both LEED and BERDE. In fact, it is already LEED pre-certified Gold and won the 2016 Philippines' Property Award as the Best Green Development in the country.

GRAPH 29

12-month Supply Forecast by Building



KMC Savills, Inc.

Please contact us for further information

Michael McCullough
Managing Director
michael@kmcmaggroup.com

Antton Nordberg
Director
Research & Consultancy
antton.nordberg@kmcmaggroup.com

Yves Luethi
Executive Director
Marketing and Landlord Representation
yves.luethi@kmcmaggroup.com

Melo Porciuncula
Executive Director
Investment Services
melo@kmcmaggroup.com

Rosario Carbonell
Executive Director
Tenant Representation
rosario@kmcmaggroup.com

Gerold Fernando
Executive Director
Tenant Representation
gerold@kmcmaggroup.com

Francis Fuellas
Director
Property & Facilities Management
francis@kmcmaggroup.com

Lana Osmeña
General Manager - Cebu
lana@kmcmaggroup.com

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