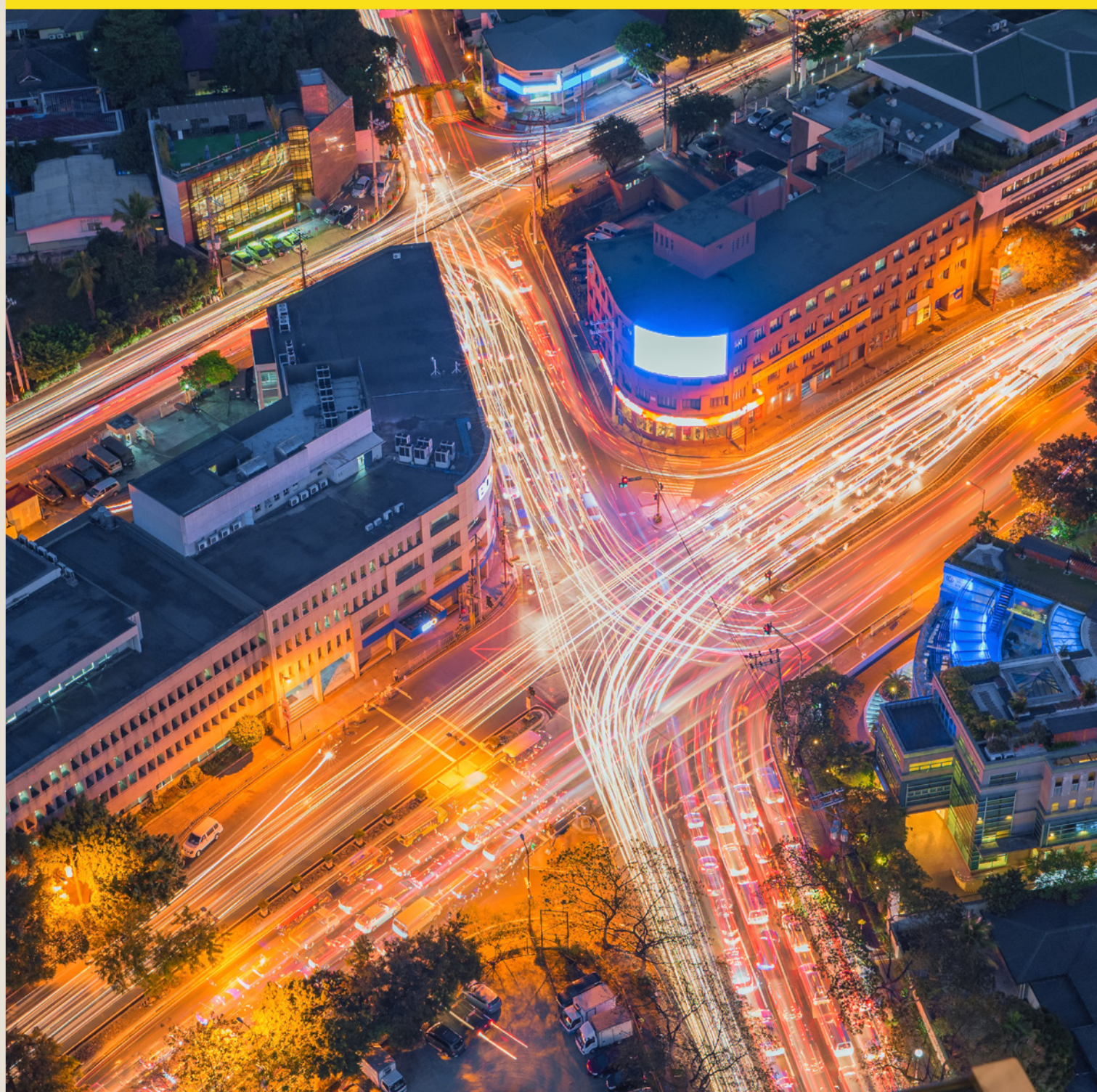


Metro Manila **Office Briefing**

2Q 2017

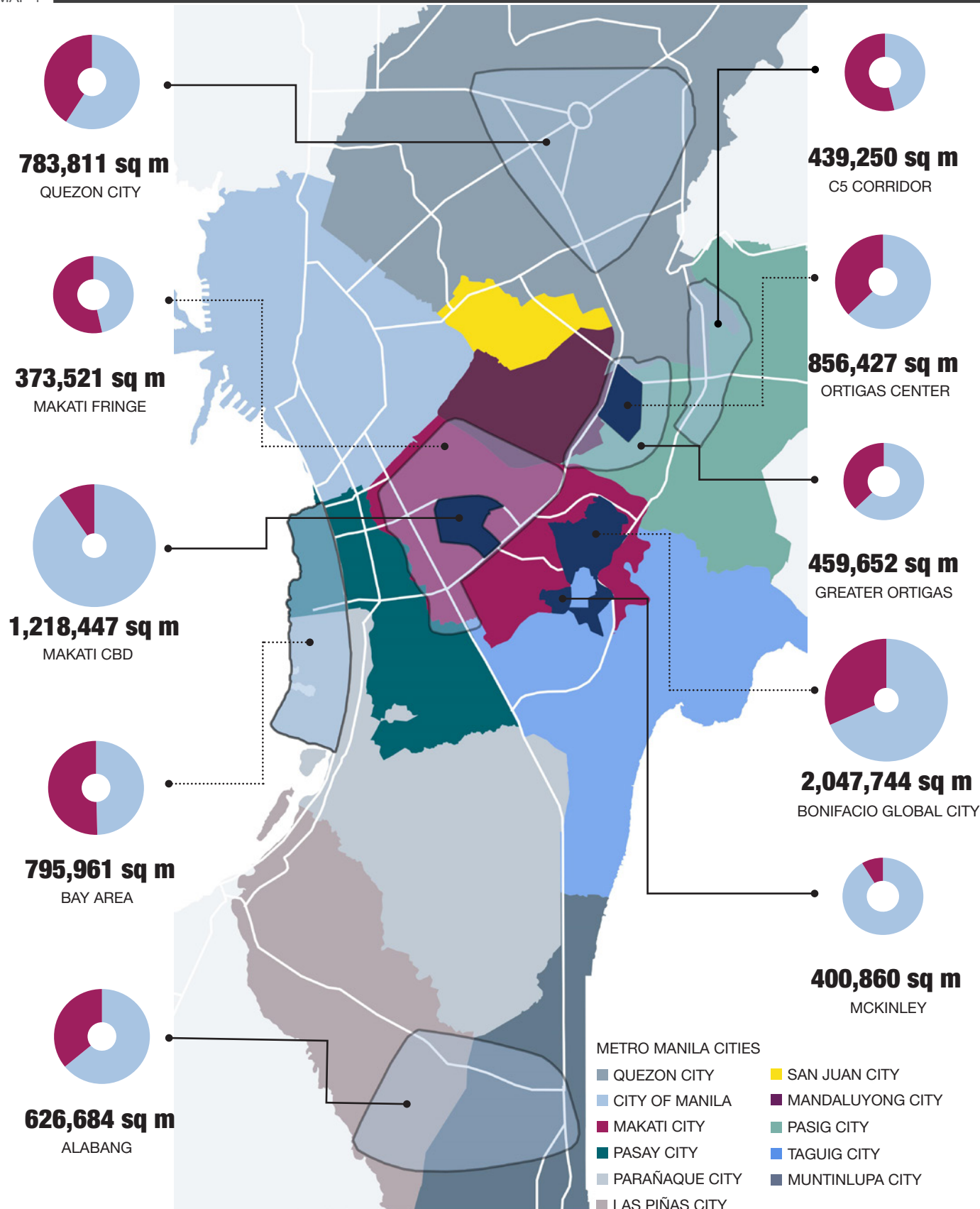


Metro Manila Office Submarkets

Future Stock (2020)

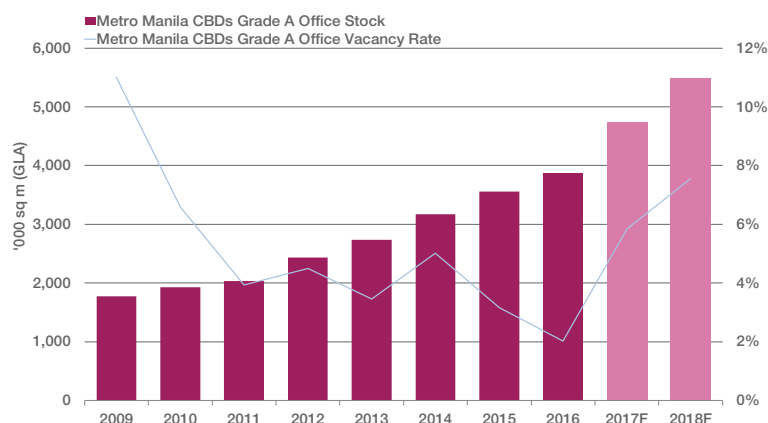
DEVELOPMENT PIPELINE (2017-2020) CURRENT STOCK

MAP 1



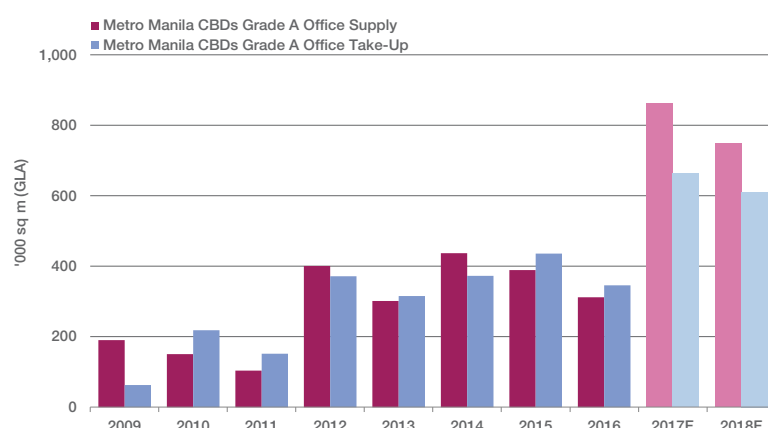
Metro Manila

GRAPH 1
Stock & Vacancy



Source: KMC Savills Research

GRAPH 2
Supply & Take-Up



Source: KMC Savills Research

- A record 264,300 sq m of new office space was completed in 2Q/2017, but the strong occupier demand held vacancies to just 4.2% of total stock. The market's performance has exceeded our initial estimates for 2017 as we saw strong leasing activity in the major submarkets we cover.
- BGC accounted for more than half of the new supply with 140,800 sq m, but the robust demand in the submarket held the vacancy rate low at 3.8%. The Bay Area and Alabang submarkets composed the rest of new supply during the quarter and also retained single-digit vacancy rates.
- However, we have observed declining rental growth in a number of submarkets indicating significant supply pressure. Keeping rents affordable during this massive inflow of completions should sustain the take-up velocity in Metro Manila. We believe a critical factor on the first half's impressive performance is due to landlords' willingness to mitigate rents in order to stay competitive. As such, we should see sustained pressure on rentals until next year as we still expect around 892,100 sq m of new office space in the next 12 months.
- We still see healthy occupier demand from the expanding outsourcing and offshoring market, and we expect it should be able to absorb the building completions in the coming quarters. On the other hand, we should anticipate tempering in rents to facilitate the quick absorption of new stock and keep vacancies at a reasonable level.

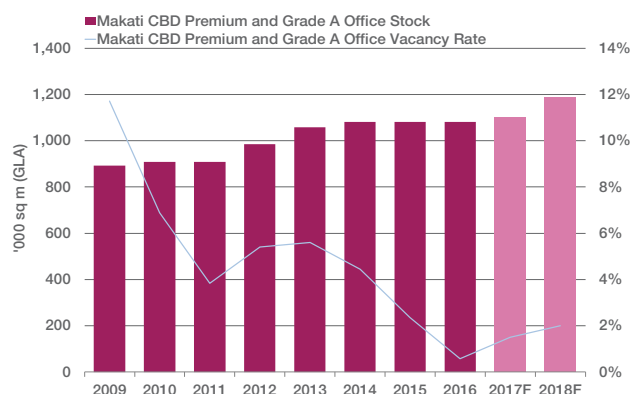
TABLE 1
Key Figures - Grade A Office

2Q 2017	Makati CBD	BGC	Ortigas Center	Alabang	Quezon City	Bay Area
Average net rental rate (Php/sq m/month)	1,038.1	912.3	658.5	630.6	718.5	712.8
Upper net rental rate (Php/sq m/month)	1,500.0	1,200.0	825.0	700.0	800.0	750.0
Vacancy rate (%)	3.1%	3.8%	1.2%	5.3%	10.7%	3.7%
Current stock (sq m)	1,101,074	1,400,745	538,068	401,296	463,183	394,633
Development pipeline 2017-2020 (sq m)	117,373	646,999	318,359	225,388	320,628	401,328

* Makati CBD includes Premium Offices

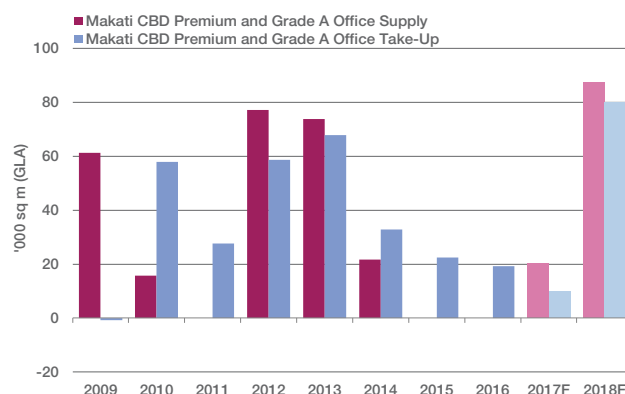
Makati CBD

GRAPH 3
Stock & Vacancy



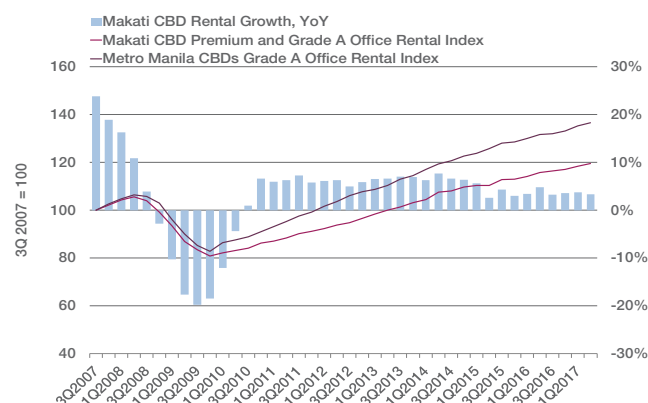
Source: KMC Savills Research

GRAPH 4
Supply & Take-Up



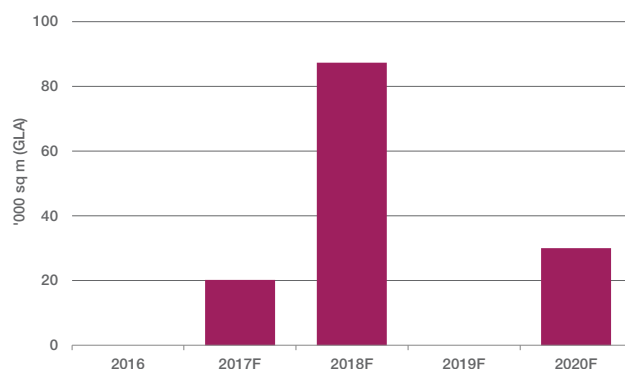
Source: KMC Savills Research

GRAPH 5
Rental Performance



Source: KMC Savills Research

GRAPH 6
Development Pipeline



Source: KMC Savills Research

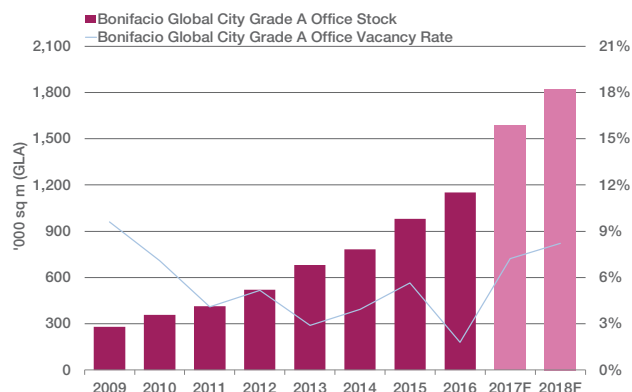
MARKET IN MINUTES

- With the addition of the Insular Life Makati Building, there was further loosening in vacancies as it hit 3.1% of total stock in 2Q/2017. Moreover, tenants have begun consolidating their operations in BGC which has slowly placed extra slack in the Makati CBD.
- Rentals posted a healthy 3.3% YoY growth supported by the historically low vacancies. The CBD still commands the highest average rent of Php 1,038.1 per sq m / month.
- Vacancies are expected to remain low in the following quarters, but the increasing availability should offer opportunities to potential tenants planning to locate in the financial district. Furthermore, we still see rents to maintain its current growth trajectory as the vacancy rate is forecasted to remain in the low single-digits by end-2018.

Bonifacio Global City

GRAPH 7

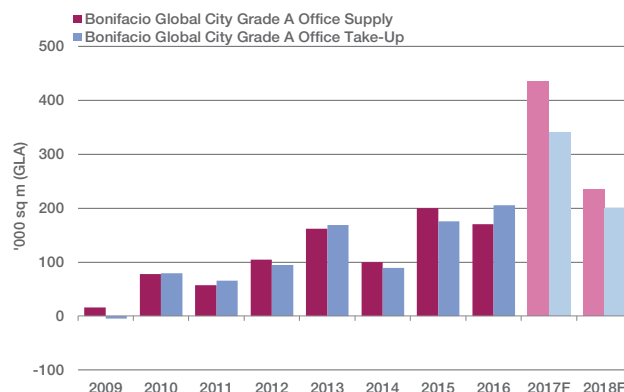
Stock & Vacancy



Source: KMC Savills Research

GRAPH 8

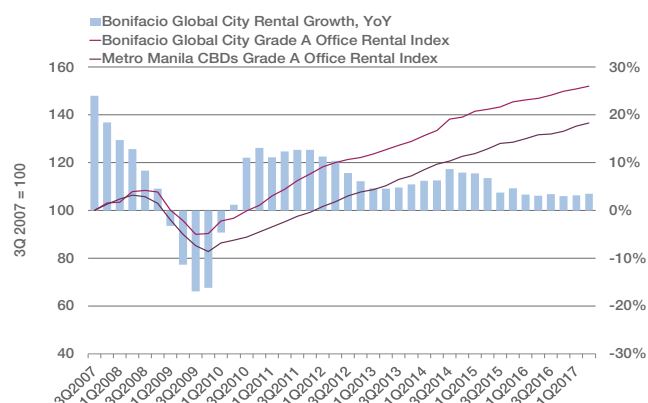
Supply & Take-Up



Source: KMC Savills Research

GRAPH 9

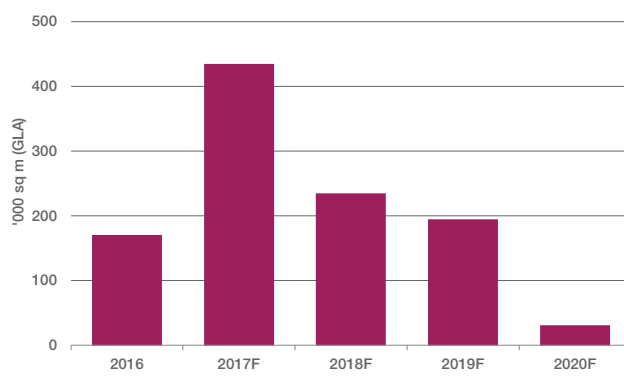
Rental Performance



Source: KMC Savills Research

GRAPH 10

Development Pipeline



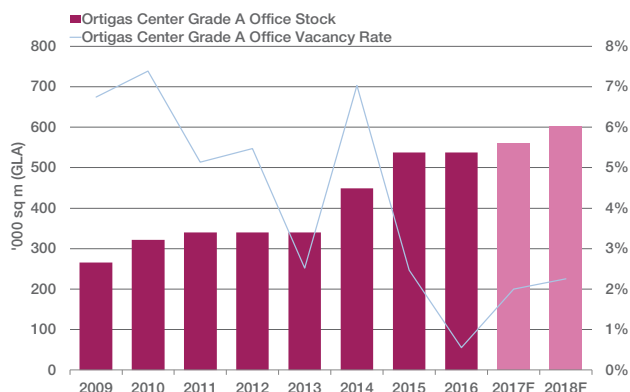
Source: KMC Savills Research

MARKET IN MINUTES

- Despite the record 140,800 sq m of GLA in 2Q/2017, vacancies only rose to 3.8% of Grade A office stock, higher than the previous quarter's very tight 0.9%.
- We also saw strong rental performance despite the extraordinary influx of new supply. Rental growth posted a 3.5% YoY increase as available office supply was still relatively thin.
- Although we estimate 186,500 sq m of new office stock by the end of the year, the better-than-expected net take-up is forecasted to continue and keep the vacancy rate in single digits. However, the new supply should put pressure on rental performance in the coming months.

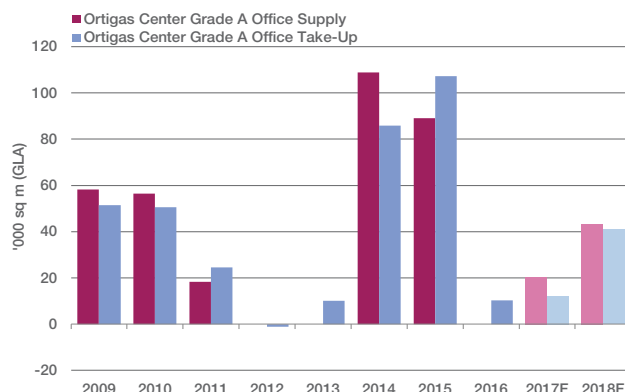
Ortigas Center

GRAPH 11
Stock & Vacancy



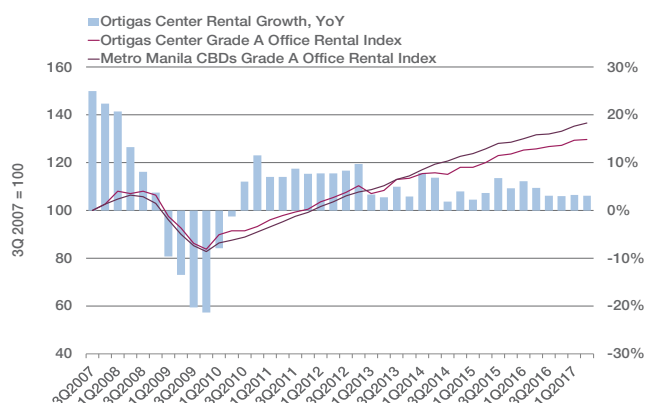
Source: KMC Savills Research

GRAPH 12
Supply & Take-Up



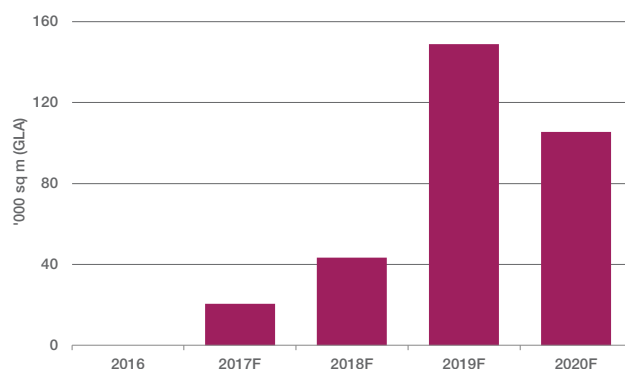
Source: KMC Savills Research

GRAPH 13
Rental Performance



Source: KMC Savills Research

GRAPH 14
Development Pipeline



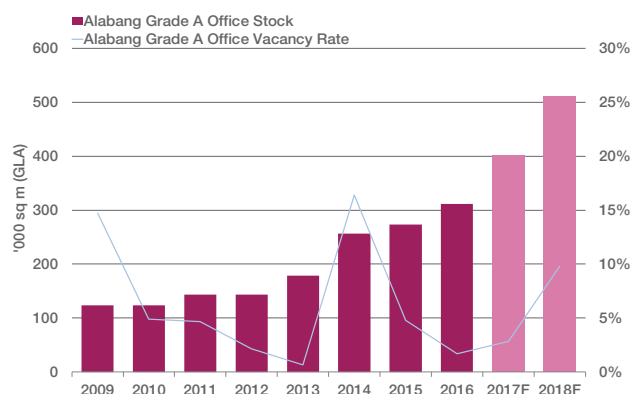
Source: KMC Savills Research

MARKET IN MINUTES

- The occupancy rate was relatively unchanged despite the slight uptick in vacancies during the quarter. Vacancies were still held at 1.2% of total Grade A office stock.
- As such, rents experienced healthy growth of 3.1% YoY with the submarket's average rising to Php 658.5 per sq m / month.
- Ortigas Center's vacancy rate is still expected to remain low with just 63,700 sq m of new office stock in the coming 12 months.

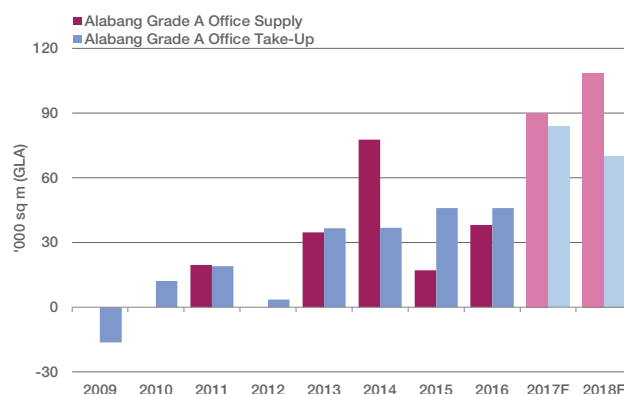
Alabang

GRAPH 15
Stock & Vacancy



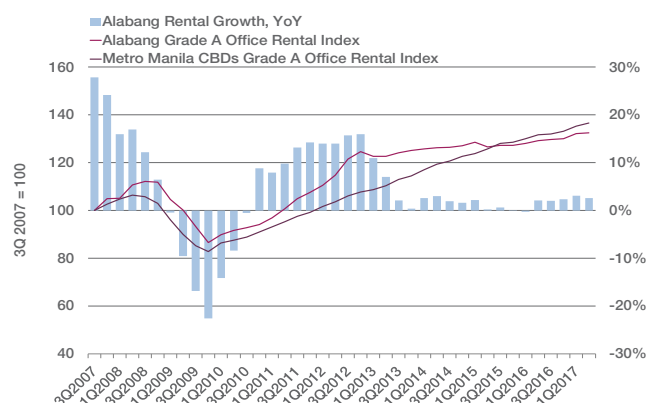
Source: KMC Savills Research

GRAPH 16
Supply & Take-Up



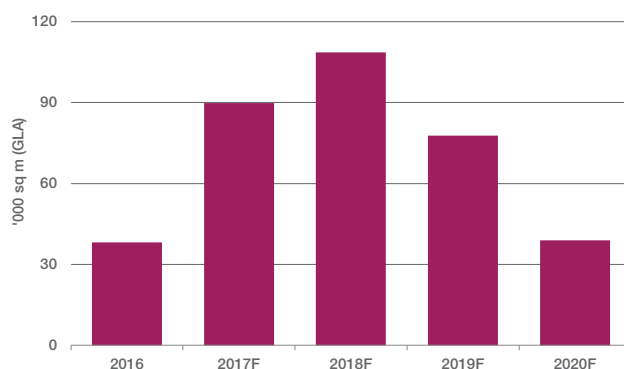
Source: KMC Savills Research

GRAPH 17
Rental Performance



Source: KMC Savills Research

GRAPH 18
Development Pipeline



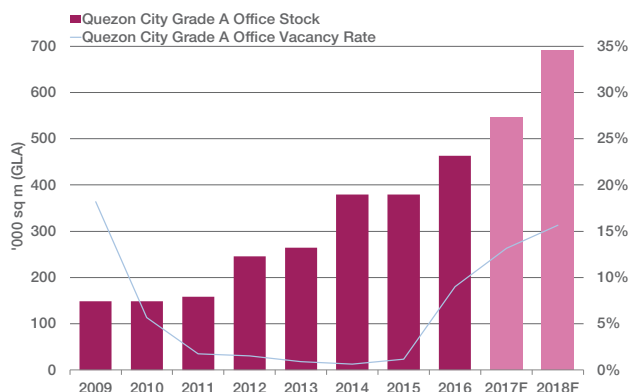
Source: KMC Savills Research

MARKET IN MINUTES

- Alabang introduced a substantial amount of Grade A office space in 2Q/2017 with 71,800 sq m of GLA – which includes Vector Three at the Northgate Business District. Even with vacancies rising to 5.3% of total Grade A office stock, net take-up exceeded expectations and should temper the vacancy rate until the end of the year.
- Rental growth was still healthy at 2.6% YoY albeit slower than the 3.1% YoY advance recorded in 1Q/2017. Among the submarkets we monitor, rents in Alabang are still the lowest with an average of Php 630.6 per sq m / month.
- With the impressive net take-up in the first half, we forecast the vacancy rate to hit below 5.0% by the end of the year as we anticipate no new supply in the coming months. Rental performance may be modest in the latter half of 2017 but can potentially be buoyed by the limited available stock.

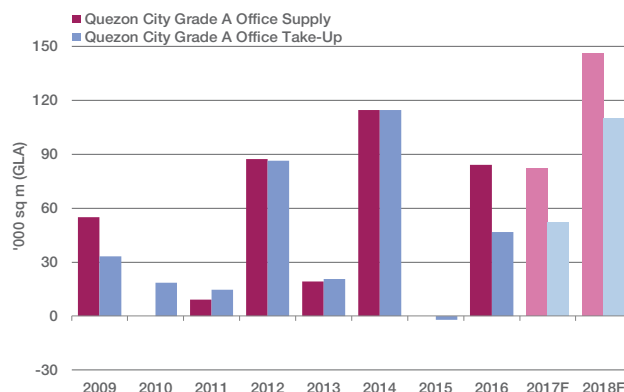
Quezon City

GRAPH 19
Stock & Vacancy



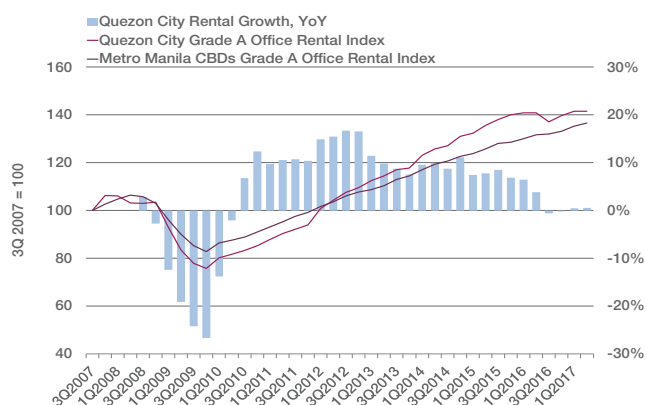
Source: KMC Savills Research

GRAPH 20
Supply & Take-Up



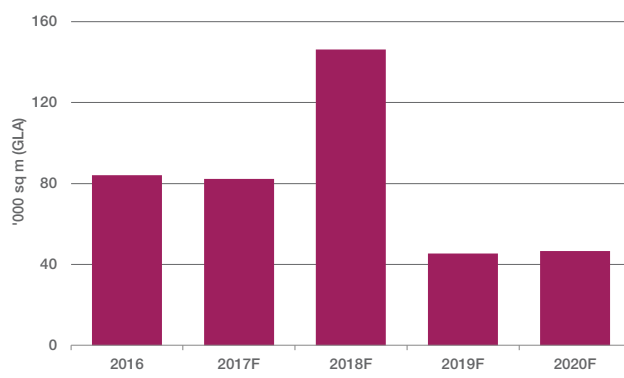
Source: KMC Savills Research

GRAPH 21
Rental Performance



Source: KMC Savills Research

GRAPH 22
Development Pipeline



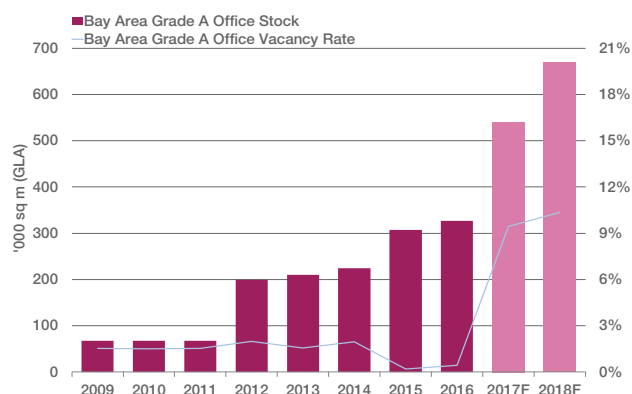
Source: KMC Savills Research

MARKET IN MINUTES

- There was marginal improvement in Quezon City which has sustained its relatively high vacancy rate since the start of 2016. Vacancies were still elevated at 10.7% of total stock despite no additional supply in the submarket during the quarter.
- Rental growth continued to creep upwards with just a 0.6% YoY increase. The lingering vacancies has repeatedly hindered rental expansion in the submarket.
- The elevated vacancy rate is expected to be sustained with the introduction of the Vertis North Corporate Center towers in the second half of the year. Although preleasing for the first building shows promise, the lack of demand in other areas of Quezon City will likely drag overall performance.

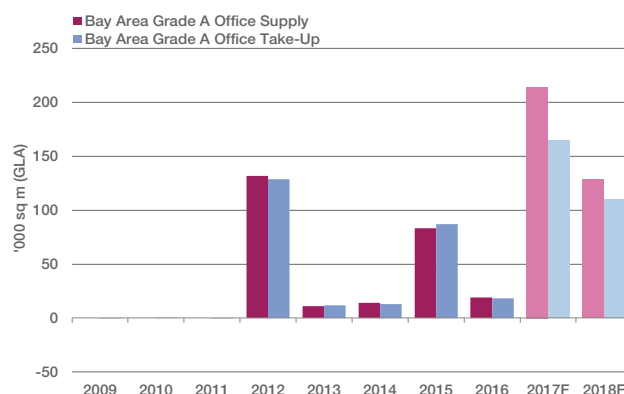
Bay Area

GRAPH 23
Stock & Vacancy



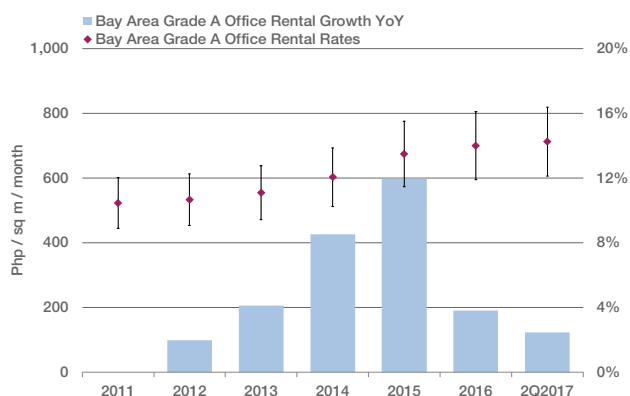
Source: KMC Savills Research

GRAPH 24
Supply & Take-Up



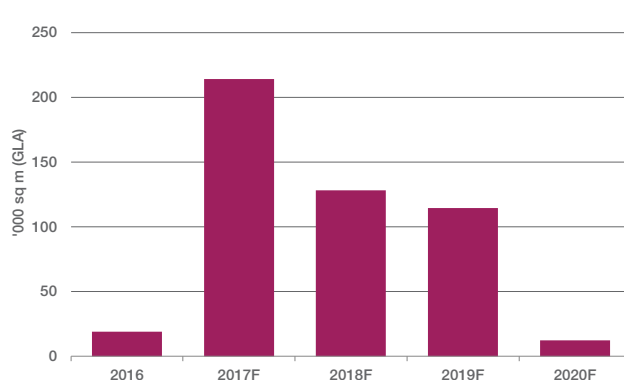
Source: KMC Savills Research

GRAPH 25
Rental Performance



Source: KMC Savills Research

GRAPH 26
Development Pipeline



Source: KMC Savills Research

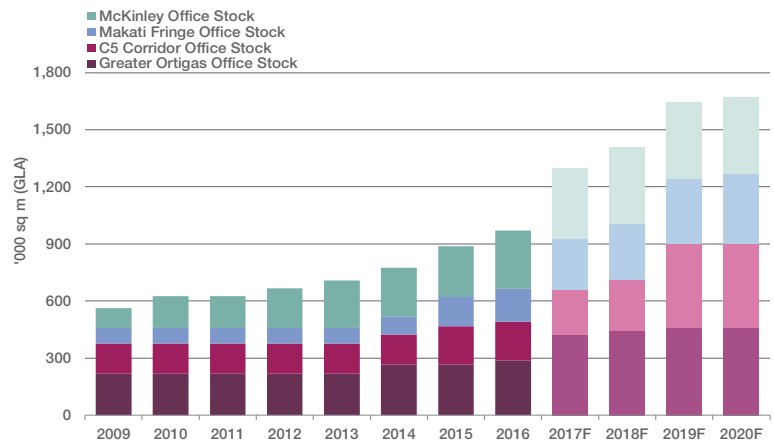
MARKET IN MINUTES

- The vacancy rate rose to 3.7% in 2Q/2017 with the completion of Double Dragon's first building in the Bay Area. Despite the uptick in overall vacancies, occupier demand was still strong after absorbing more than half of the new stock.
- However, rental growth continued its deceleration after posting 2.5% YoY growth and has kept average rents affordable at Php 712.8 per sq m / month.
- The vacancy rate is expected to increase to double digits with the additional 258,700 sq m of GLA in the next 12 months. Included in the pipeline is the rest of Double Dragon Plaza which will add 84,100 sq m in the Bay Area by the end of the year. We still see rents to normalize amidst the influx of supply, but this should facilitate the quick absorption of the upcoming stock and keep vacancies at a reasonable level.

Other Submarkets

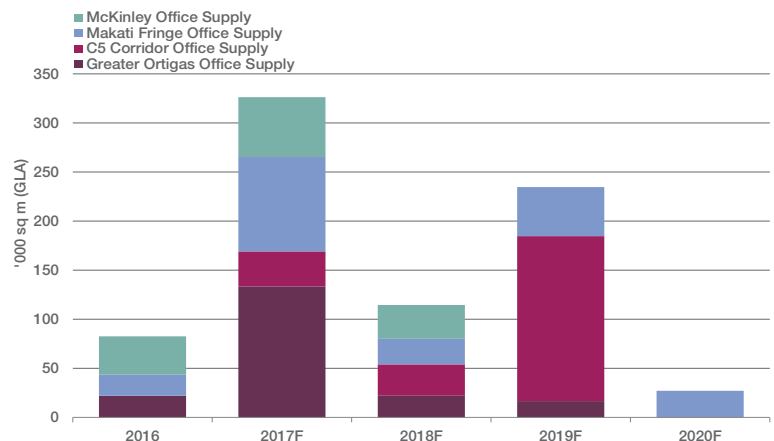
- Greater Ortigas will have five building completions in the next 12 months which will supply around 155,300 sq m of additional stock. The bulk of the upcoming supply will be positioned in the emerging microdistricts of Greenfield District and Capitol Commons.
- McKinley had three new buildings in 2Q/2017 – Eight West Campus and Six West Campus by Megaworld, and Cyber Sigma by Robinsons Land. Furthermore, Robinsons Land is projected to complete Exxa and Zeta towers in Bridgetowne in the C5 Corridor. Lastly, Ayala Land is set to complete its two Circuit Corporate towers adding 73,800 sq m in Makati Fringe.
- Looking ahead, absorption of spaces in the three submarkets will be attributable to relocation and expansion of outsourcing and offshoring companies in search of more affordable rental rates outside the main 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

INSULAR LIFE MAKATI BUILDING

**LOCATION**

MAKATI CBD

GRADE

Grade A

TURNOVER DATE

Q2 2017

GROSS LEASABLE AREA

20,210 sq m

NO. OF FLOORS

14

FLOOR PLATE (GLA)

1,623 sq m

HANDOVER CONDITION

Bare Shell

PEZA

Yes

24 / 7 CAPABILITY

Yes

BACKUP POWER

100%

The Insular Life Makati Building was one of the first high-rise buildings in the Philippines when it was built on Ayala Avenue in the Sixties. Today, more than fifty years later, Insular Life is providing modern office space with all new equipment and facilities in an iconic building at the heart of Makati.

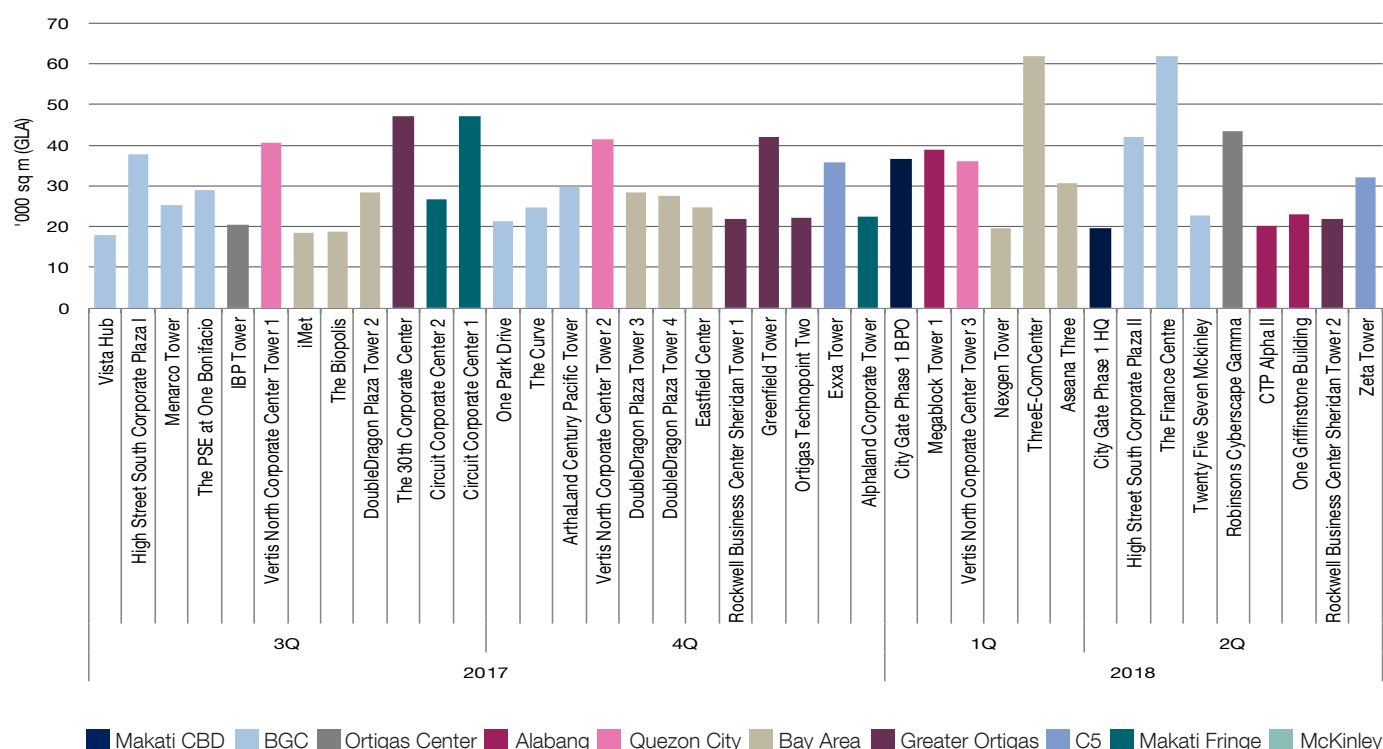
The building has recently finished renovations early 2017.

New Building Features:

- All new building systems and equipment
 - High-speed ThyssenKrupp elevators
 - Daikin VRF A/C Systems
 - Caterpillar N+1 Gensets
- New five-storey parking building
- 300-seater multi-purpose function hall

GRAPH 29

12-month Supply Forecast by Building



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