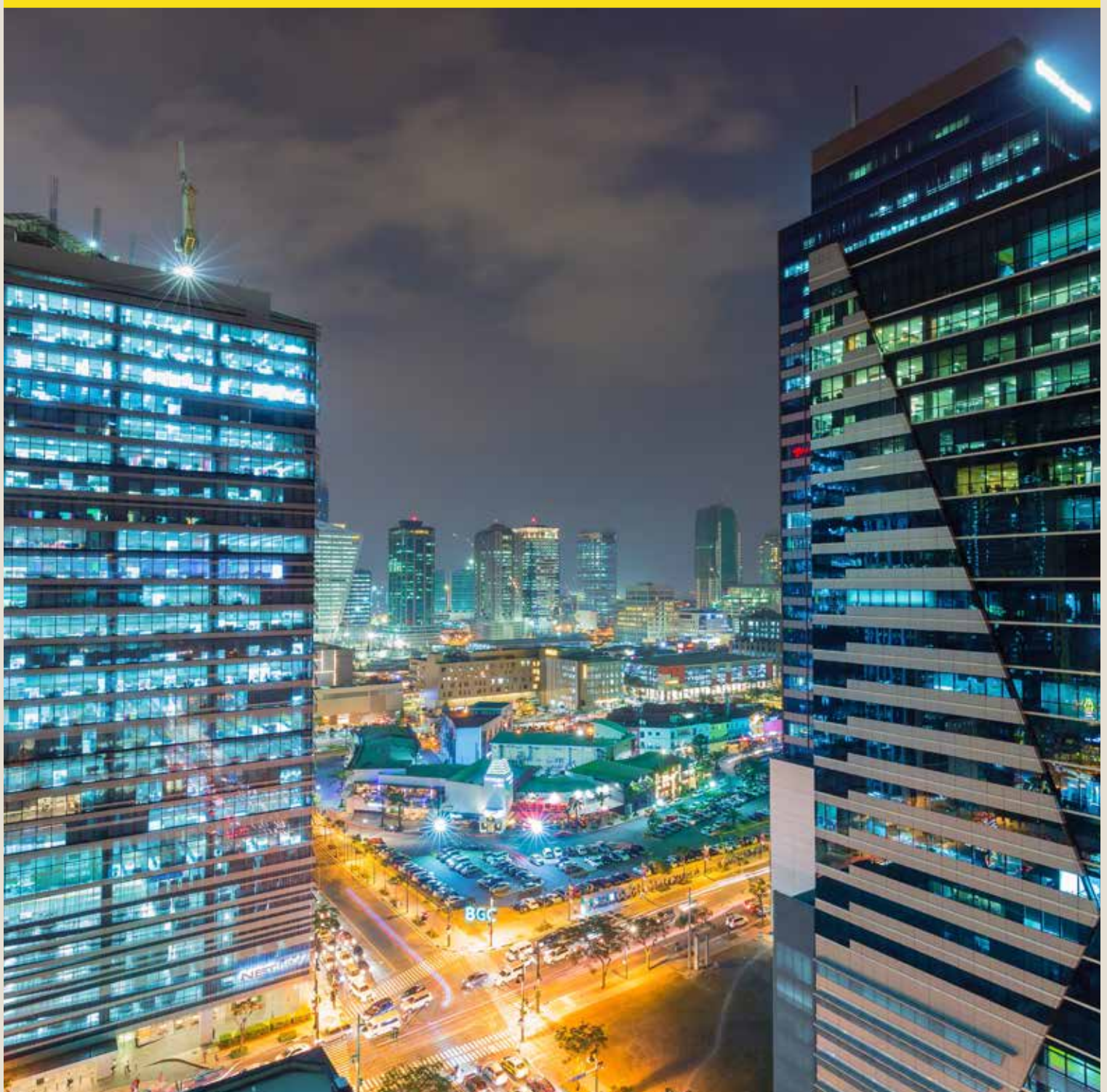


Metro Manila **Office Briefing**

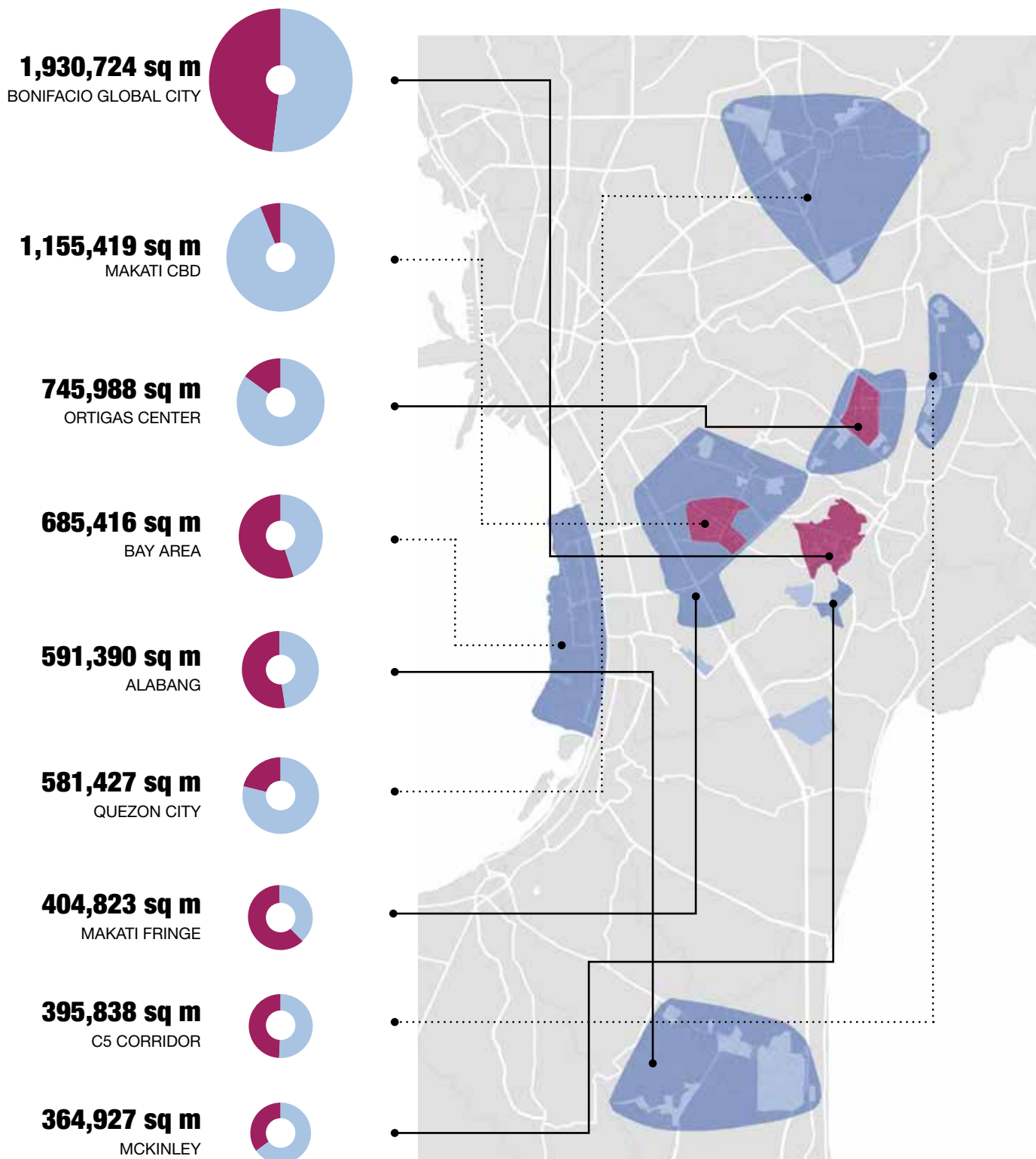
1Q 2016



Metro Manila Office Submarkets

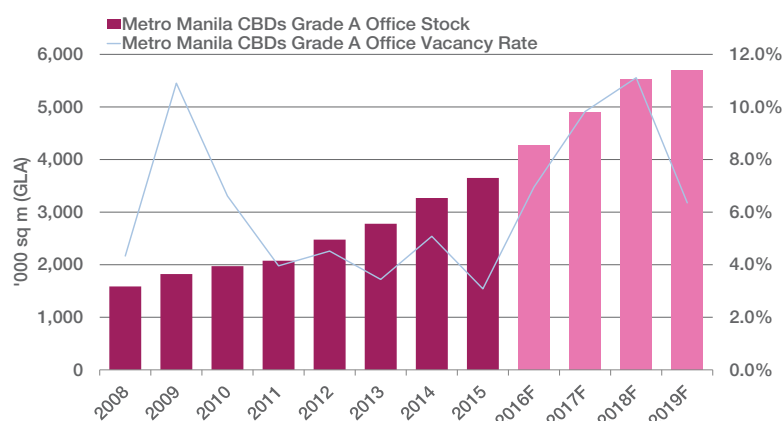
Future Stock (2019)

● DEVELOPMENT PIPELINE (2016-2019) ● CURRENT STOCK



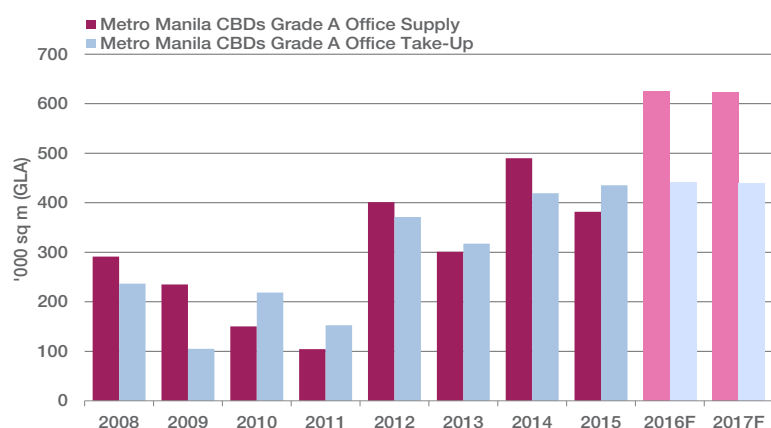
Metro Manila

GRAPH 1
Stock & Vacancy



Source: KMC MAG Group Research & Consultancy

GRAPH 2
Supply & Take-Up



Source: KMC MAG Group Research & Consultancy

- Nearly 120,000 sq m of new office spaces entered the Metro Manila office market in 1Q/2016. Quezon City received more than three-fourths of the new supply in the market with the completion of UP-AyalaLand Technohub Building P and Cyberpark Tower One in Araneta Center.
- Sustained demand arising from the entry and expansion of outsourcing and offshoring companies led to the positive net take-up for Grade A office spaces in Metro Manila with net absorption during the first three months of the year reaching more than 90,000 sq m.
- Overall vacancy levels in major submarkets decreased with the exception of Makati CBD and Quezon City. During the first quarter of 2016, Metro Manila office market vacancy rate stood at 3.7%.
- The positive net take-up in 1Q/2016 underpinned rents across all major submarkets. In 1Q/2016, Ortigas Center outperformed other districts with average rental rates increasing 1.4% QoQ and 5.5% YoY.
- In the next few years, downward pressure on rental rates are likely to persist as record-high levels of upcoming supply are expected to enter the market. With the surge in new office spaces, landlords are seen to become more flexible in lease negotiations, aiming to retain existing tenants and attract new locators.

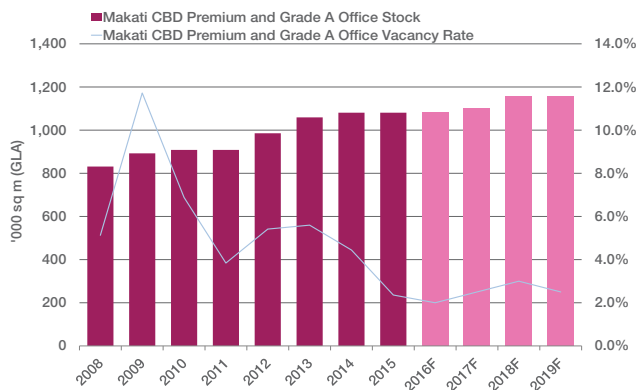
TABLE 1
Key Figures - Grade A Office

1Q 2016	Makati CBD	BGC	Ortigas Center	Alabang	Quezon City	Bay Area
Average net rental rate (Php/sq m/month)	990.4	878.0	632.2	609.6	715.3	676.7
Upper net rental rate (Php/sq m/month)	1,450.0	1,200.0	800.0	650.0	750.0	750.0
Vacancy rate (%)	2.6%	3.8%	1.7%	4.9%	10.8%	0.2%
Current stock (sq m)	1,080,863	1,002,714	635,199	285,959	457,183	307,662
Development pipeline 2016-2019 (sq m)	74,556	928,010	110,789	305,431	124,244	377,754

* Makati CBD includes Premium Offices

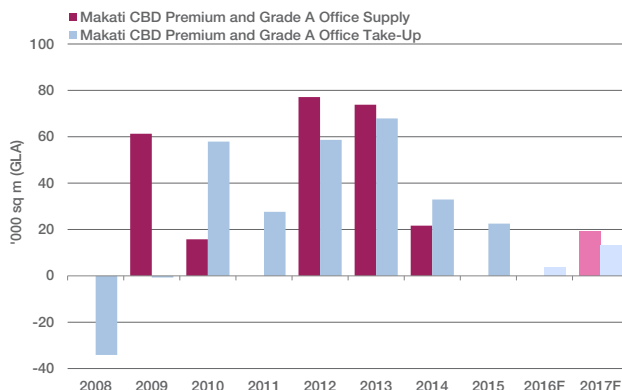
Makati CBD

GRAPH 3 **Stock & Vacancy**



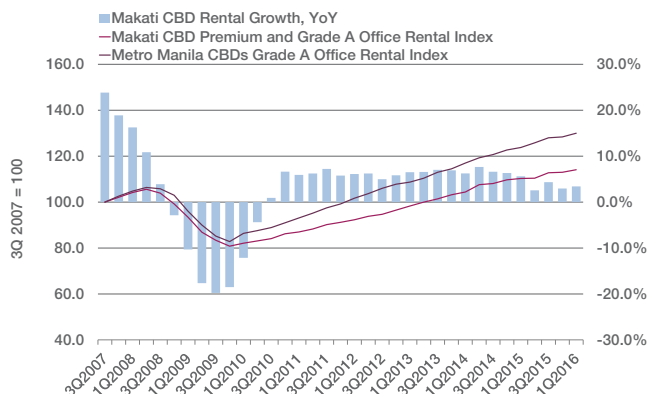
Source: KMC MAG Group Research & Consultancy

GRAPH 4 **Supply & Take-Up**



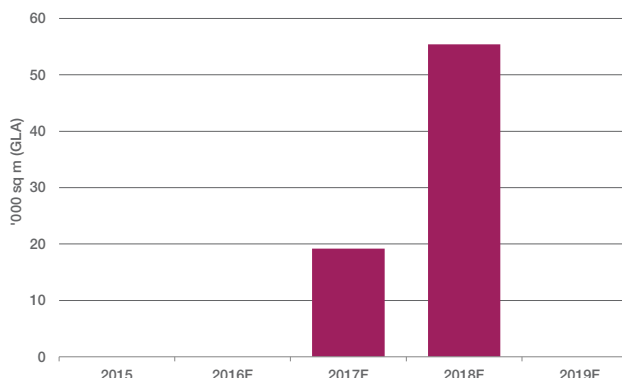
Source: KMC MAG Group Research & Consultancy

GRAPH 5 **Rental Performance**



Source: KMC MAG Group Research & Consultancy

GRAPH 6 **Development Pipeline**



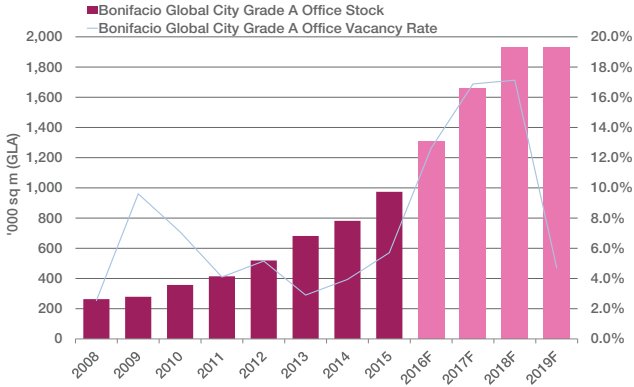
Source: KMC MAG Group Research & Consultancy

MARKET IN MINUTES

- Makati CBD's vacancy rate marginally rose to 2.6% in 1Q/2016 from 2.4% in 4Q/2015 after three successive quarters of decline. Vacancy rate increased as 3,100 sq m of previously occupied spaces became available for lease during the quarter.
- Amidst the uptick in vacancy rate, the average rental rate grew by 1.0% QoQ and 3.4% YoY to Php 990.4 per sq m/month. At the end of the quarter, Makati CBD maintained a strong rental premium relative to other submarkets having an upper rental rate of Php 1,450 per sq m/month.
- The absence of new supply during the year is seen to facilitate rental growth, further strengthening Makati CBD's position as the prime central business district in Metro Manila.

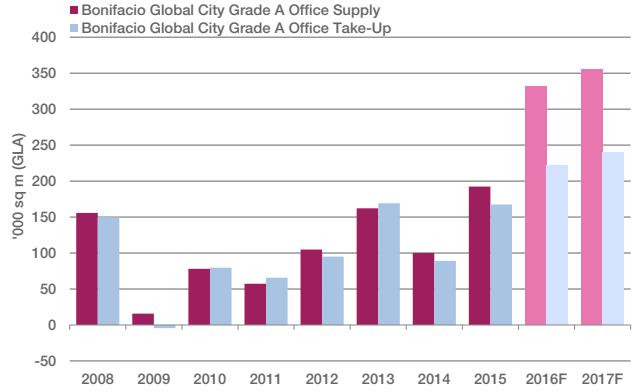
Bonifacio Global City

GRAPH 7
Stock & Vacancy



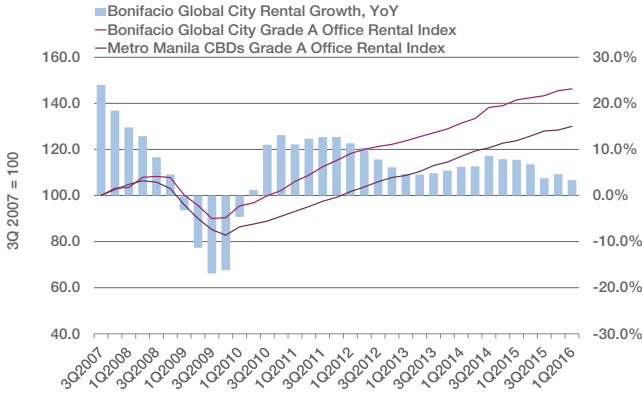
Source: KMC MAG Group Research & Consultancy

GRAPH 8
Supply & Take-Up



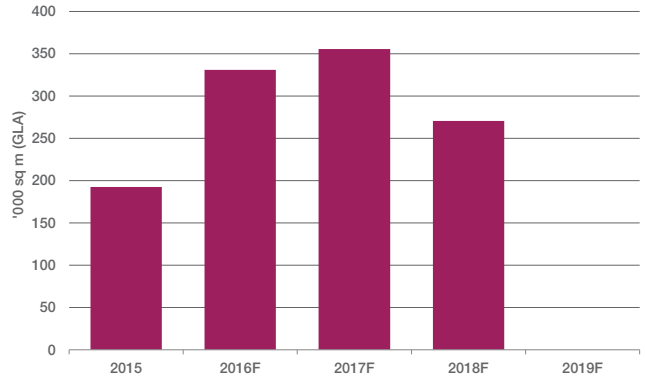
Source: KMC MAG Group Research & Consultancy

GRAPH 9
Rental Performance



Source: KMC MAG Group Research & Consultancy

GRAPH 10
Development Pipeline



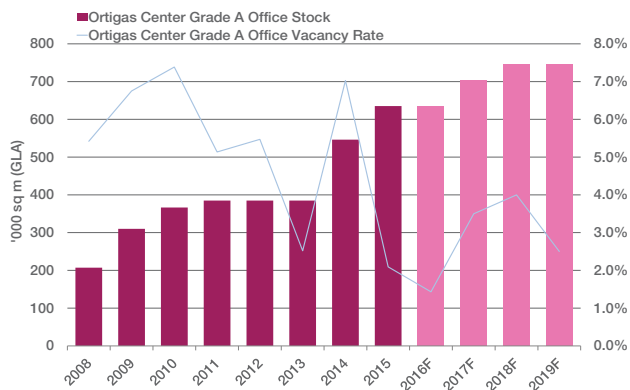
Source: KMC MAG Group Research & Consultancy

MARKET IN MINUTES

- Boosted by nearly 29,000 sq m of new supply, total stock of Grade A offices in BGC breached the one million sq m-mark in 1Q/2016. Even with the new supply, overall vacancy rate in BGC improved to 3.8% during the quarter from 5.7% in 4Q/2015 backed by the strong demand from notable locators such as Baker & McKenzie Global Services Manila and Uber.
- Rental rates continued to grow albeit at a milder pace as the YoY and QoQ growth rates posted during the quarter were the slowest since 2011. The average rental rate in BGC picked up to Php 878.0 per sqm/month in 1Q/2016, a 3.3% increase YoY and a 0.5% increase QoQ.
- With over 300,000 sq m of new office spaces programmed to be delivered in the next three quarters, vacancy is anticipated to reach the double-digit territory at the end of 2016. As a result of supply-side factors, rental rate growth in BGC is likely to ease for the rest of the year.

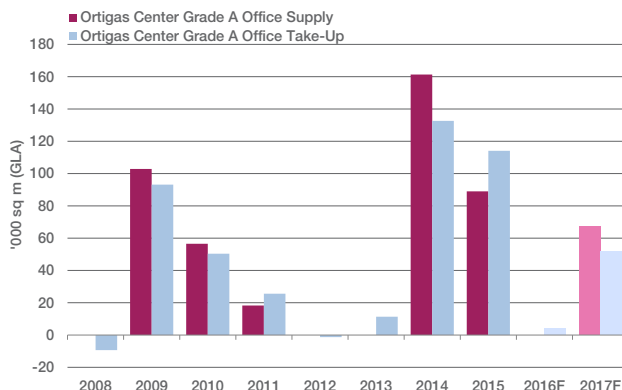
Ortigas Center

GRAPH 11 **Stock & Vacancy**



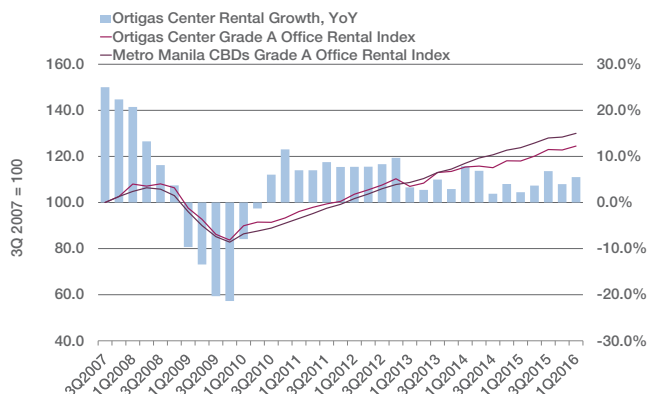
Source: KMC MAG Group Research & Consultancy

GRAPH 12 **Supply & Take-Up**



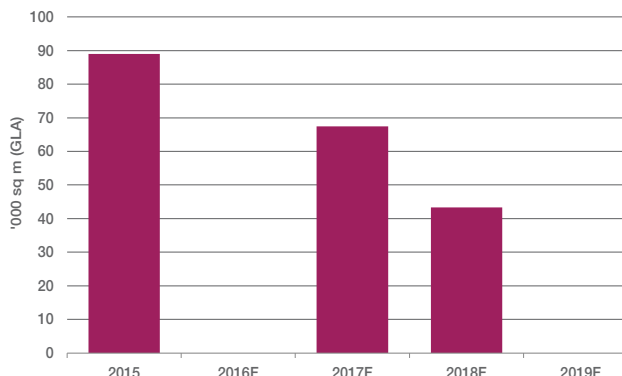
Source: KMC MAG Group Research & Consultancy

GRAPH 13 **Rental Performance**



Source: KMC MAG Group Research & Consultancy

GRAPH 14 **Development Pipeline**



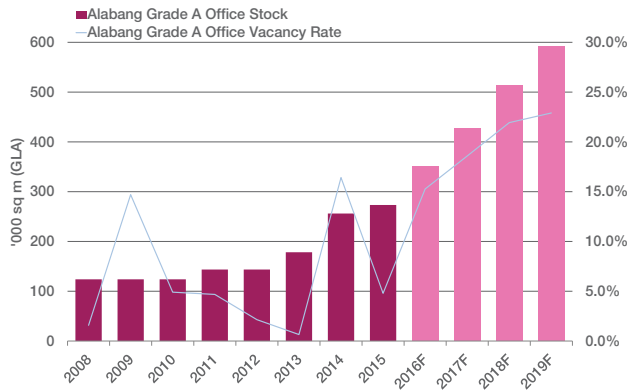
Source: KMC MAG Group Research & Consultancy

MARKET IN MINUTES

- On the back of strong occupier demand for office spaces in Ortigas Center, the average rental rate in the submarket increased by 1.4% QoQ and 5.5% YoY, well above the growth rates observed in other business districts.
- Due to the tightness in available space in the submarket, vacancy rate continued on a downward trend to 1.7% in 1Q/2016 from 2.1% in 4Q/2015. During the quarter, net absorption in Ortigas Center totaled to some 2,300 sq m.
- The sustained demand for office spaces and the lack of upcoming supply in Ortigas Center are likely to support rental rate increases in the business district for the remainder of the year.

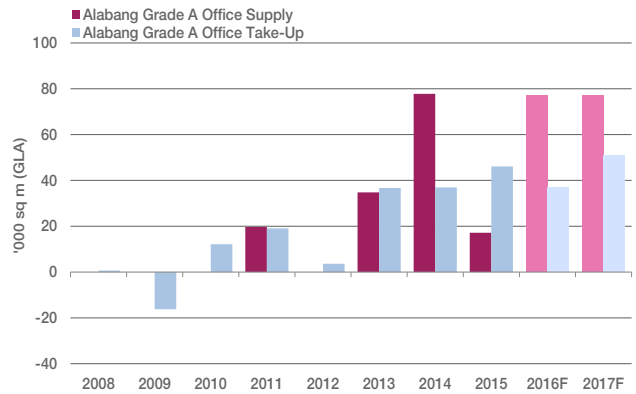
Alabang

GRAPH 15 **Stock & Vacancy**



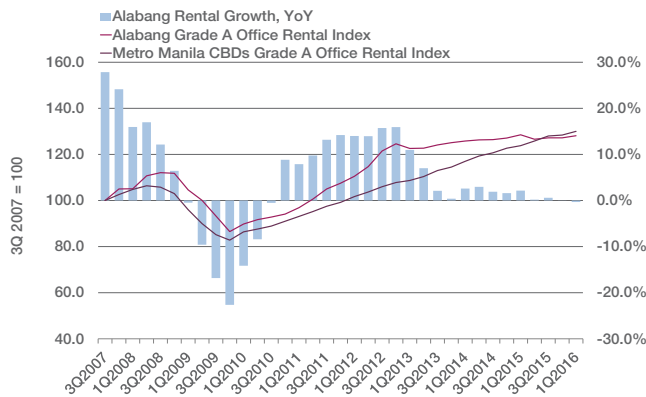
Source: KMC MAG Group Research & Consultancy

GRAPH 16 **Supply & Take-Up**



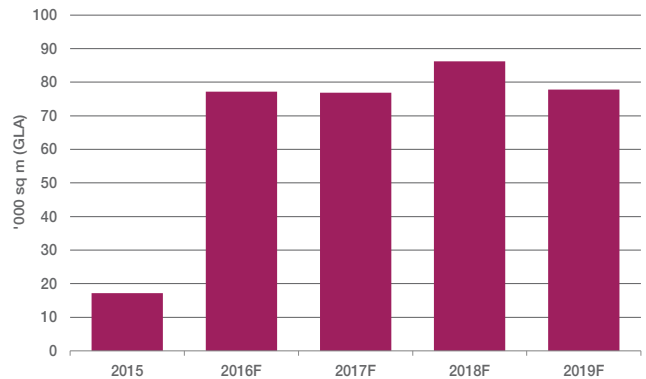
Source: KMC MAG Group Research & Consultancy

GRAPH 17 **Rental Performance**



Source: KMC MAG Group Research & Consultancy

GRAPH 18 **Development Pipeline**



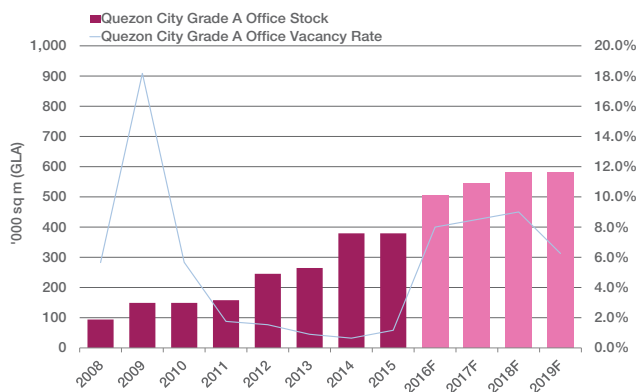
Source: KMC MAG Group Research & Consultancy

MARKET IN MINUTES

- The completion of about 13,000 sq m of new office space in 1Q/2016 moderately increased vacancy rates from 4.8% in 4Q/2015 to 4.9%. The solid net take-up of nearly 12,000 sq m during the quarter kept vacancy rate of the business district within the single-digit territory.
- Despite the positive net take-up, the average rental rate in Alabang remained stable as it only rose by 0.7% QoQ from Php 605.3 per sq m/month in 4Q/2015 to Php 609.6 per sq m/month.
- After two quarters of single-digit vacancies, Alabang is projected to experience double-digit vacancies again with the influx of some 102,000 sq m of new office spaces in the next 12 months thereby restraining rental rate growth in the submarket.

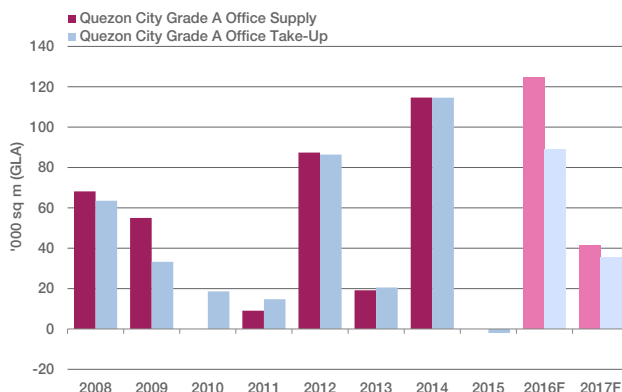
Quezon City

GRAPH 19 **Stock & Vacancy**



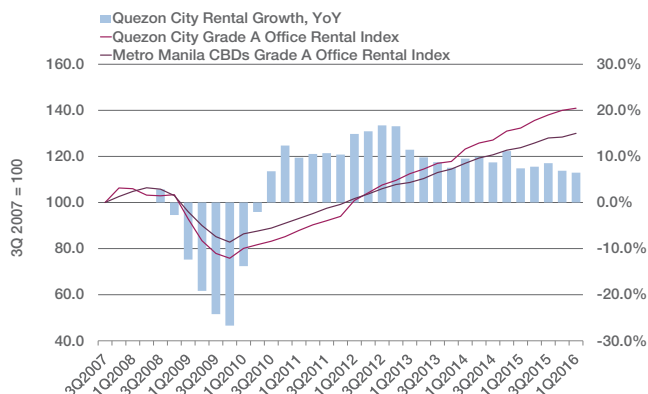
Source: KMC MAG Group Research & Consultancy

GRAPH 20 **Supply & Take-Up**



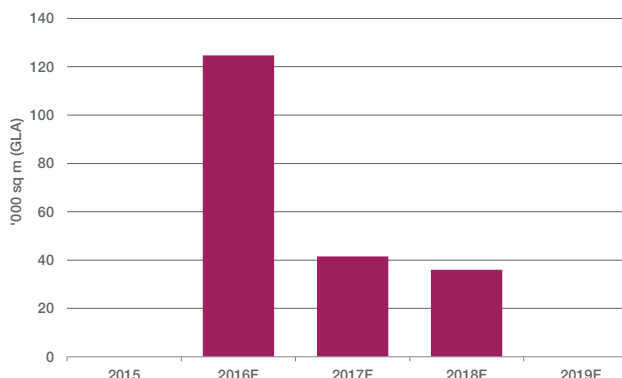
Source: KMC MAG Group Research & Consultancy

GRAPH 21 **Rental Performance**



Source: KMC MAG Group Research & Consultancy

GRAPH 22 **Development Pipeline**



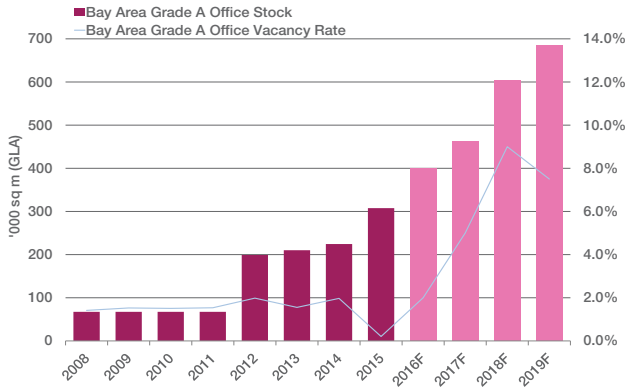
Source: KMC MAG Group Research & Consultancy

MARKET IN MINUTES

- Weaker-than-expected pre-leasing performance of newly completed office towers in Quezon City dampened the submarket's vacancy rate from 1.2% in 4Q/2015 to 10.8%. This figure recorded in 1Q/2016 is the highest vacancy rate experienced by the business district within the last five years.
- Even with the unprecedented level of available spaces during the quarter, rental rates in Quezon City increased by 6.5% YoY to an average of Php 715.3 per sq m/month in 1Q/2016.
- Vacancy rate in Quezon City is forecasted to remain above 5.0% in 2016 as two more office towers adding close to 47,000 sq m of new office spaces are expected to be completed within the year. With the relatively high level of vacancy in the submarket in the foreseeable future, landlords in Quezon City are likely to become more flexible in lease negotiations, aiming to attract locators and retain existing tenants.

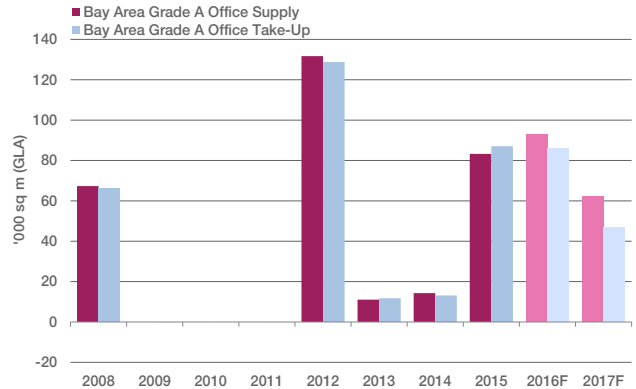
Bay Area

GRAPH 23 **Stock & Vacancy**



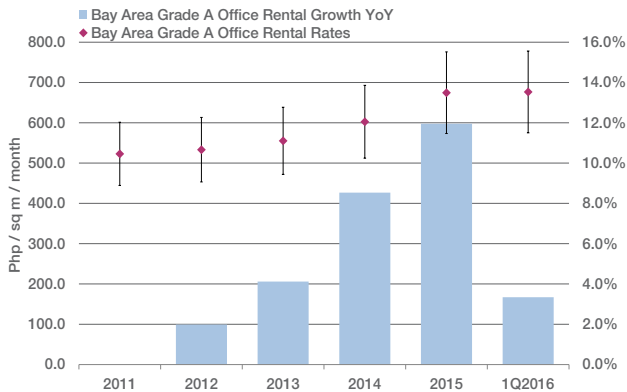
Source: KMC MAG Group Research & Consultancy

GRAPH 24 **Supply & Take-Up**



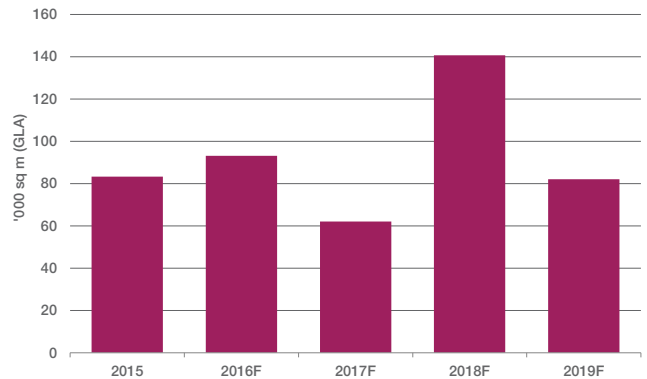
Source: KMC MAG Group Research & Consultancy

GRAPH 25 **Rental Performance**



Source: KMC MAG Group Research & Consultancy

GRAPH 26 **Development Pipeline**



Source: KMC MAG Group Research & Consultancy

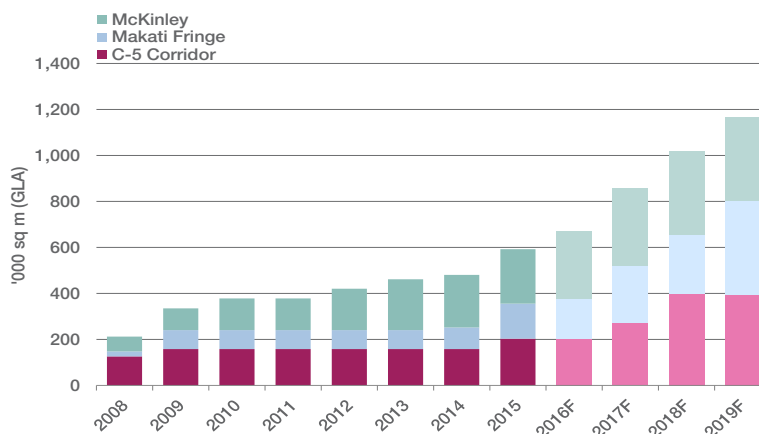
MARKET IN MINUTES

- The small amount of available spaces in the Bay Area during the last quarter of 2015 has limited the overall level of absorption in the submarket at the start of the year, maintaining the business district's low vacancy rate at 0.2%.
- Rental rates in the Bay Area continued to rise in the first three months of 2016 but in a more modest pace. In 1Q/2016, average rental rate in the submarket was at Php 676.6 per sq m/month, an increase of 0.3% QoQ and 3.3% YoY.
- Vacancy rate in the Bay Area is likely to slightly increase in the next quarters as a result of supply additions. With the demand and supply dynamics in the business district, rental rates are likely to keep growing in the near future although at a slower pace compared to previous years.

Other Submarkets

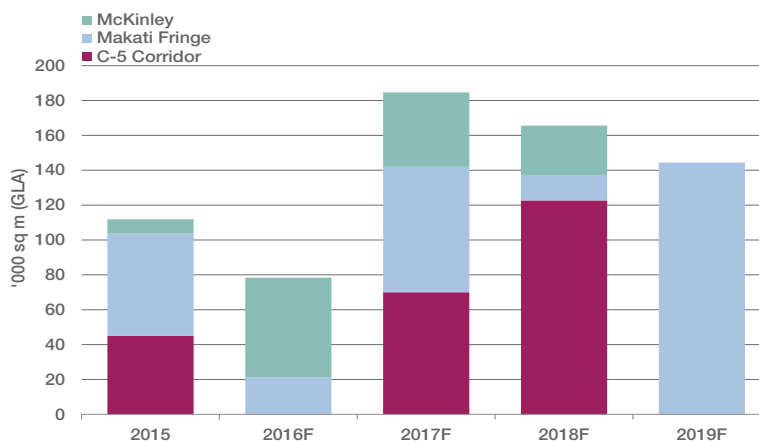
- C-5 Corridor, McKinley and Makati Fringe welcomed no new supply in the first three months of 2016. However, in the succeeding months, more than 78,000 sq m of new office spaces are expected to be completed.
- In the next 12 months, McKinley will corner nearly two-thirds of the upcoming supply with the completion of seven buildings in McKinley West which include Cyber Sigma by Robinsons Land and the six West Campus Buildings by Megaworld. Meanwhile, MJ Corporate Plaza and Circuit Corporate Center 1 are expected to provide additional stock in Makati Fringe by 2Q/2016, and 1Q/2017, respectively.
- Looking ahead, absorption of spaces in the three submarkets will be attributable to the 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 MAG Group Research & Consultancy

GRAPH 28
Development Pipeline by District



Source: KMC MAG Group Research & Consultancy

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.

C-5 CORRIDOR

The C-5 Corridor submarket stretches from Eastwood City in Quezon City down to Arcovia City in Pasig City. The submarket consists of seven microdistricts which include the upcoming Ayala-Eton joint-venture project and Bridgetown Business Park by Robinsons Land.

PROJECT FOCUS

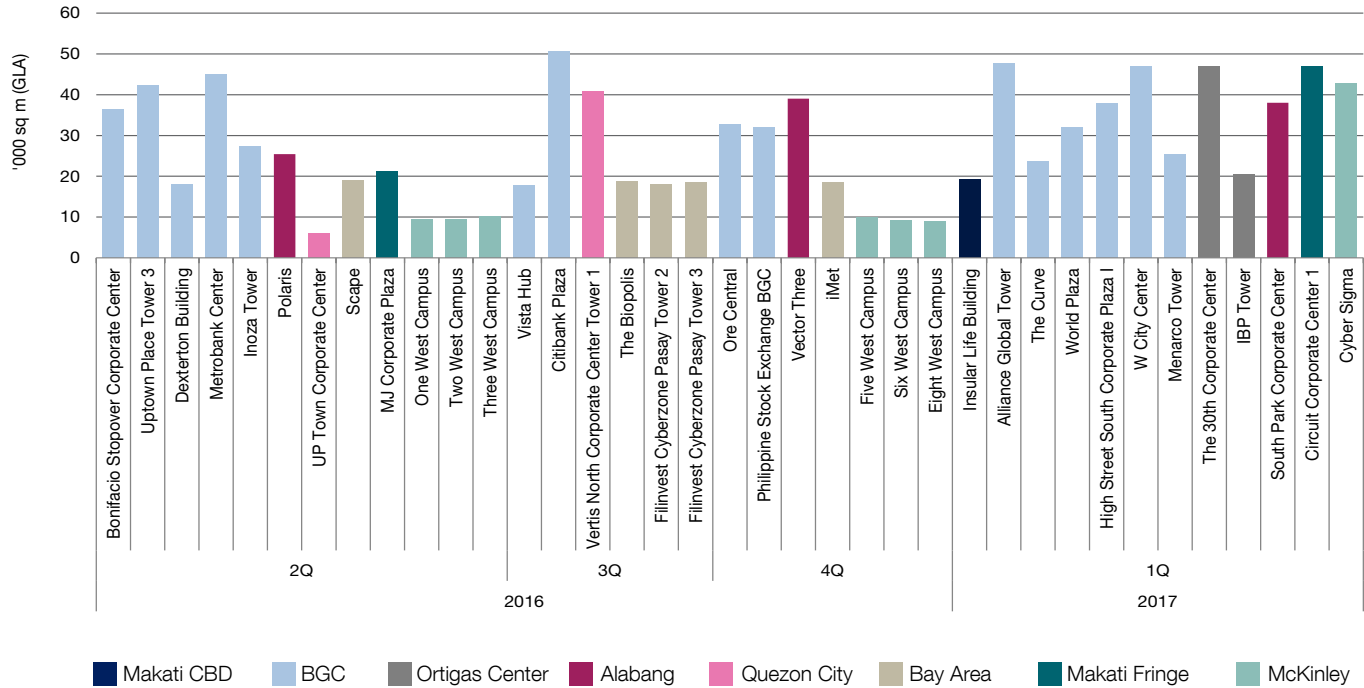
INOZA TOWER



LOCATION	BONIFACIO GLOBAL CITY
GRADE	Grade A
TURNOVER DATE	Q3 2016
GROSS LEASABLE AREA	11,919.55 sq m
NO. OF FLOORS	20
FLOOR PLATE (GLA)	1,100 sq m
HANDOVER CONDITION	Warm Shell
PEZA	Undergoing Accreditation
24 / 7 CAPABILITY	Yes
BACKUP POWER	100%

BGC is set to welcome another high-grade corporate center, Inoza Tower, a 20-storey Grade A office building along BGC's 40th Street. Designed by architectural firm WTA Architecture and Design Studio, the upcoming tower will feature a distinctive, all-glass façade and a green wall system. With a typical floor plate of 1,100 sq m and a ceiling height of 2.8 m, Inoza Tower will offer top-quality office spaces, built according to the standards of traditional office locators such as multinational firms from finance, pharmaceutical, food and beverage, and technology industries as well as voice and non-voice BPO firms.

GRAPH 29 **12-month Supply Forecast by Building**



KMC MAG Group

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