

Metro Manila **Office Briefing**

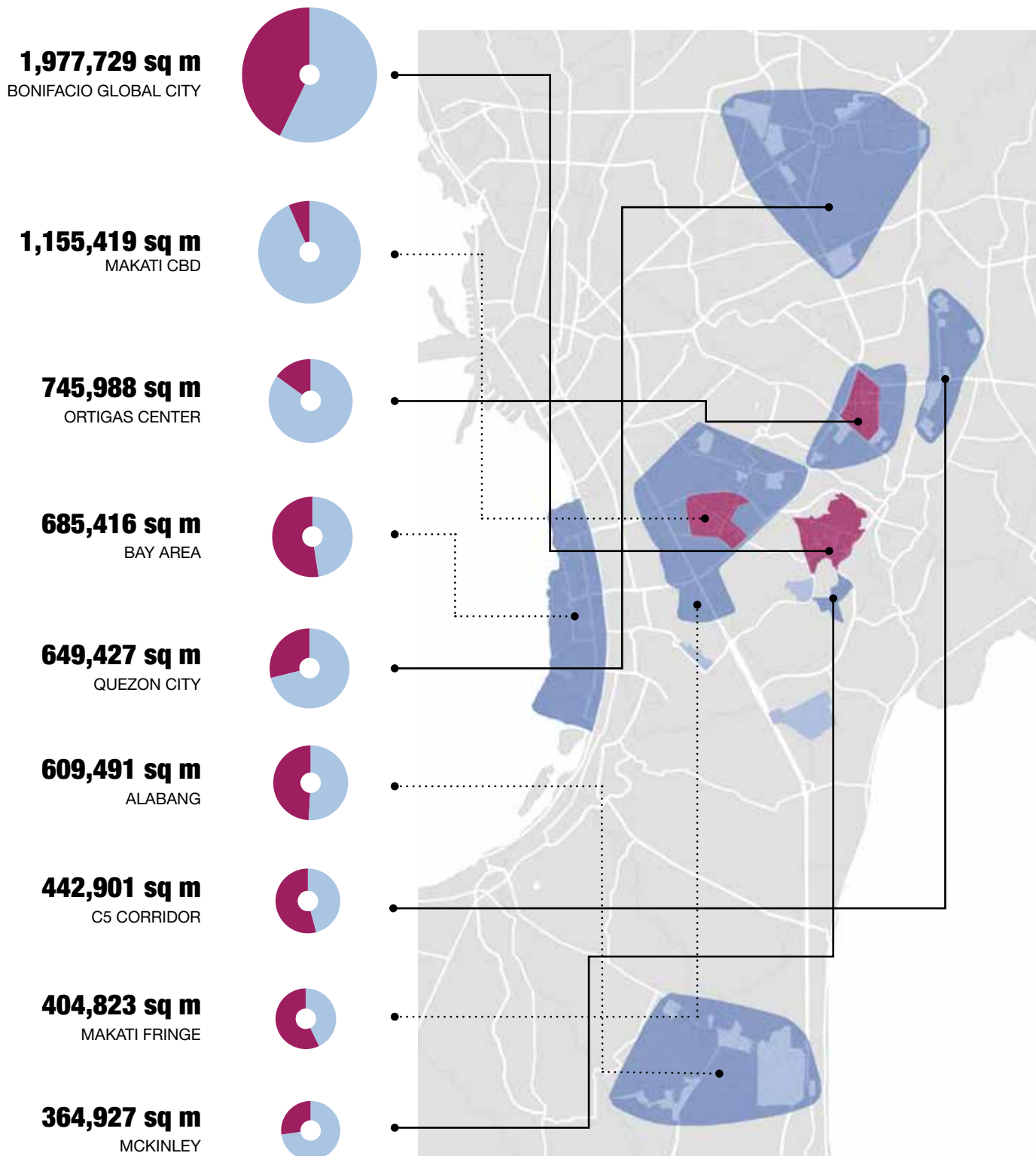
2Q 2016



Metro Manila Office Submarkets

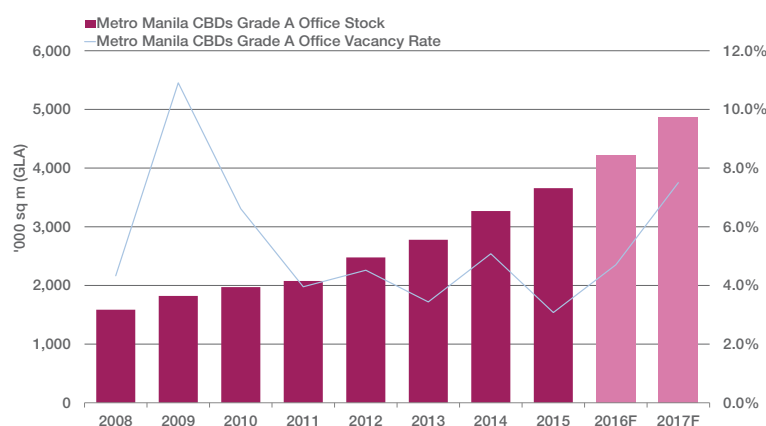
Future Stock (2019)

● DEVELOPMENT PIPELINE (2016-2019) ● CURRENT STOCK



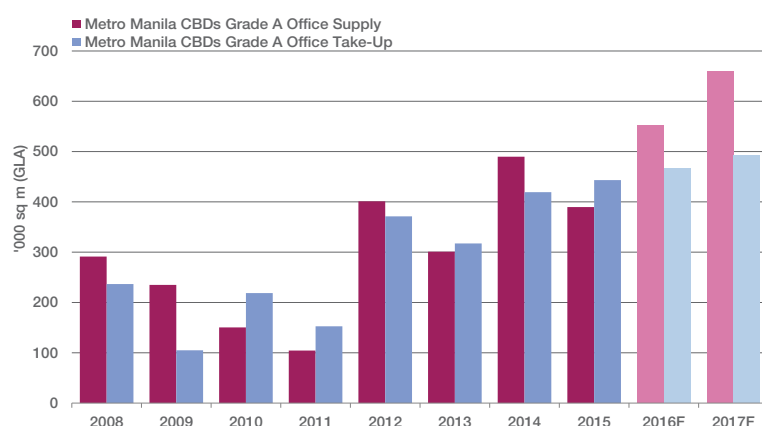
Metro Manila

GRAPH 1
Stock & Vacancy



Source: KMC Savills Research

GRAPH 2
Supply & Take-Up



Source: KMC Savills Research

TABLE 1
Key Figures - Grade A Office

2Q 2016	Makati CBD	BGC	Ortigas Center	Alabang	Quezon City	Bay Area
Average net rental rate (Php/sq m/month)	1,004.7	881.7	639.0	614.8	714.5	695.6
Upper net rental rate (Php/sq m/month)	1,450.0	1,200.0	800.0	650.0	750.0	750.0
Vacancy rate (%)	2.1%	2.7%	1.2%	3.2%	9.1%	0.4%
Current stock (sq m)	1,080,863	1,134,313	635,199	311,407	463,183	326,737
Development pipeline 2016-2019 (sq m)	74,556	843,416	110,789	298,083	186,244	358,679

* Makati CBD includes Premium Offices

■ Metro Manila's performance has been impressive for the first half of 2016, showing positive net absorption as some 291,000 sq m were taken up during the first six months. The quarter also witnessed tightening vacancy rates, reaching 2.9% from 3.7% last quarter. However, these rates could possibly increase in the short-term, due to the completion of an additional 259,000 sq m of leasable space by the end of the year.

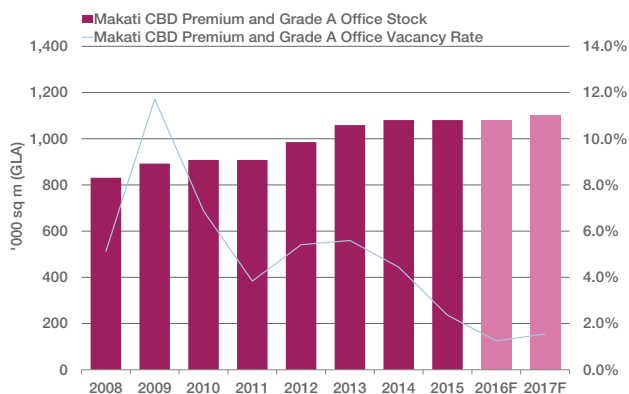
■ Bonifacio Global City has already taken over Makati CBD as the largest Grade A office space market in Metro Manila, its total stock reaching 1,134,313 sq m.

■ Overall rental growth in major submarkets is at 1.2% QoQ and 4.6% YoY supported by the low vacancy rates due to the tightness in available office space. However, the new supply in the coming years might put pressure on prices and result in a more modest rental growth as the competition among landlords escalates. Currently, the average rental rate in Metro Manila is at 863.9 per sq m/month.

■ Meanwhile, Brexit has not caused any significant impact on the Philippines thus far, as the country's direct exposure to the UK remains minimal. However, this would be an opportune time for the Philippines to attract investors in search of alternative markets by addressing macroeconomic bottlenecks such as the stringent foreign ownership rules and weak infrastructure.

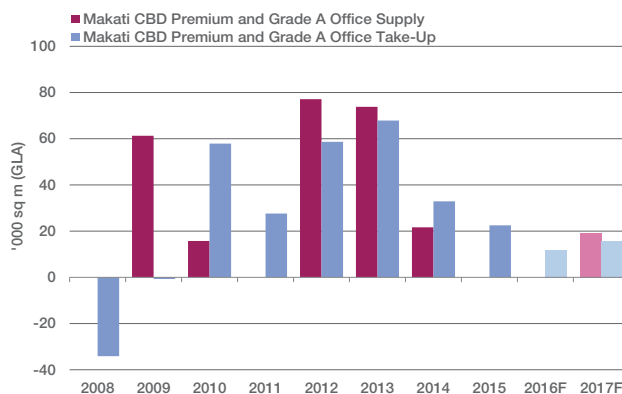
Makati CBD

GRAPH 3
Stock & Vacancy



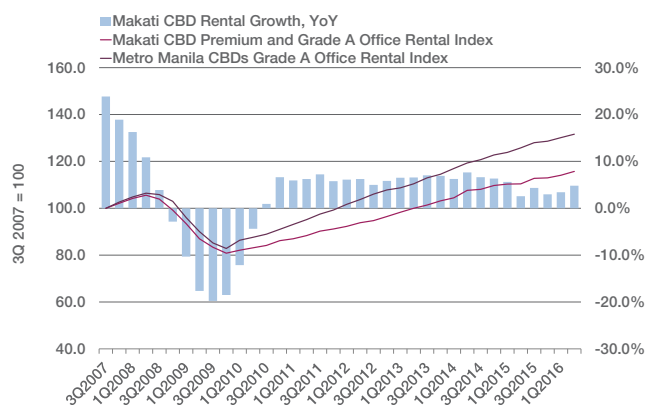
Source: KMC Savills Research

GRAPH 4
Supply & Take-Up



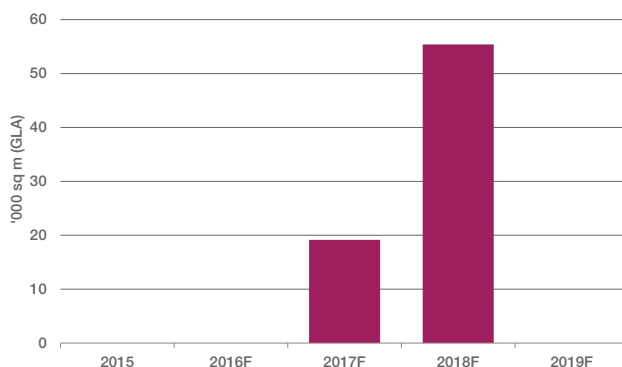
Source: KMC Savills Research

GRAPH 5
Rental Performance



Source: KMC Savills Research

GRAPH 6
Development Pipeline



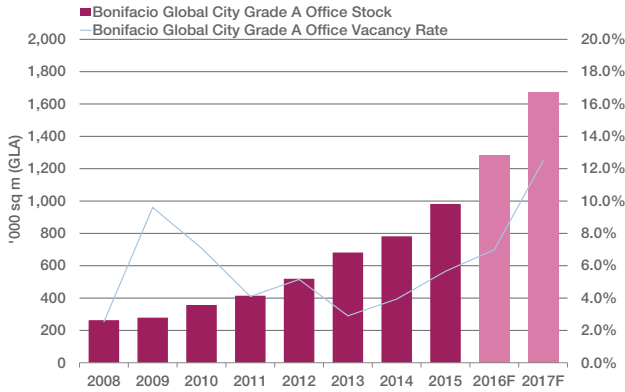
Source: KMC Savills Research

MARKET IN MINUTES

- Despite its low vacancy rate of 2.1% in 2Q/2016, it may be difficult for Makati CBD to attract locators as no new stock has entered the market since 2014 and the pipeline for next 12 months is only limited to Insular Life Makati Building.
- The stagnant development pipeline and tightened vacancies have pushed Makati CBD's average rental rate to the Php 1,000 level. Now at Php 1,004.7 per sq m/month, the average rental rate posted a 1.5% QoQ and 4.8% YoY growth from last quarter's Php 990.4 per sq m/month.
- Looking ahead, rental growth is expected to further increase since additional office space stock will remain limited in the next couple of years. This imbalance of supply and demand will likely prevail until the redevelopment of Insular Life Building in 2017 and completion of City Gate Towers in 2018, which will provide an additional 20,000 sq m and 55,000 sq m, respectively.

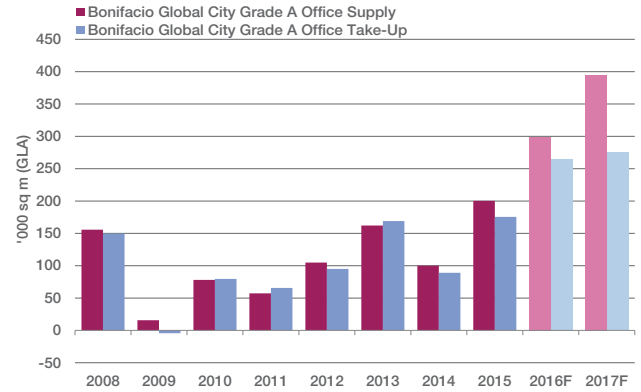
Bonifacio Global City

GRAPH 7
Stock & Vacancy



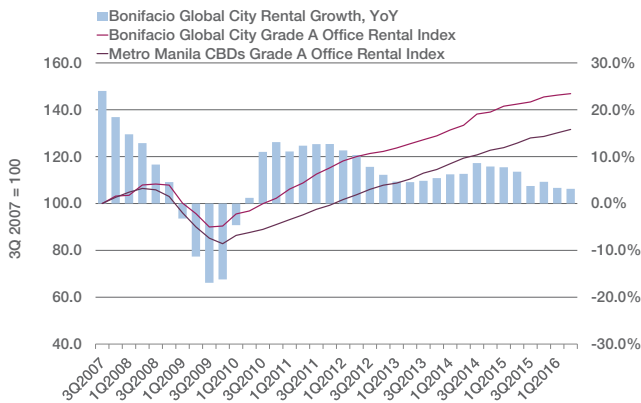
Source: KMC Savills Research

GRAPH 8
Supply & Take-Up



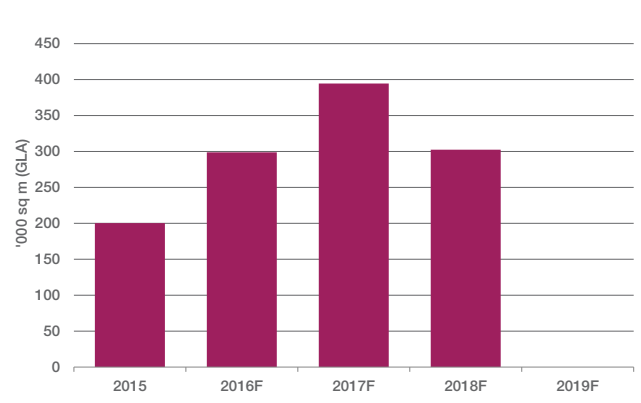
Source: KMC Savills Research

GRAPH 9
Rental Performance



Source: KMC Savills Research

GRAPH 10
Development Pipeline



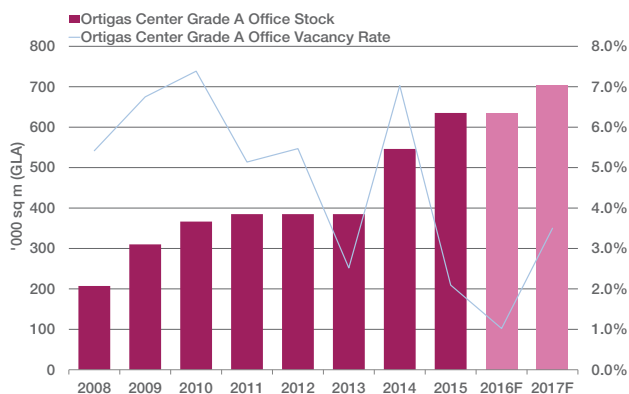
Source: KMC Savills Research

MARKET IN MINUTES

- In 2Q/2016, three new office buildings have been completed in BGC. Metrobank Center, Bonifacio Stopover Corporate Center, and Uptown Place Tower 3 boosted BGC's total stock with an estimated 124,000 sq m of additional space.
- It seems that the rental growth is reacting to the large pipeline as the average rental rate in the district only increased by a marginal 0.1% QoQ to Php 881.7 per sq m/month, from Php 878.0 per sq m/month in 1Q/2016.
- Supported by the delivery of the new supply, BGC continues to show impressive net absorption with 130,000 sq m in 2Q/2016, maintaining a vacancy rate of 2.7%, well within the single-digit territory. Nevertheless, there is an expected uptick in vacancies as about 843,000 sq m of leasable space is scheduled to enter the submarket by the end of 2018.

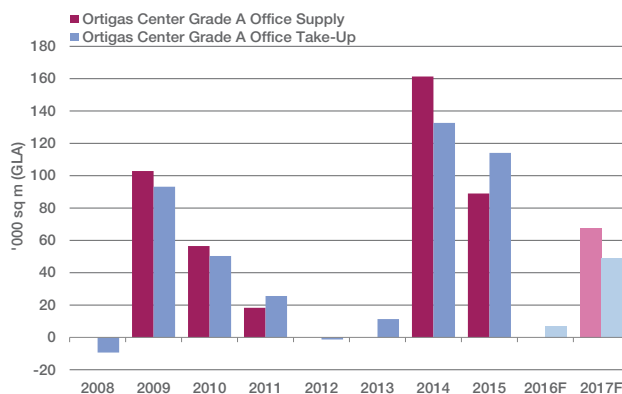
Ortigas Center

GRAPH 11 **Stock & Vacancy**



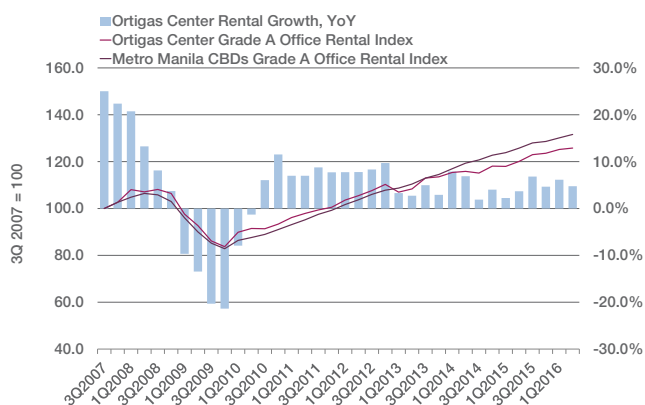
Source: KMC Savills Research

GRAPH 12 **Supply & Take-Up**



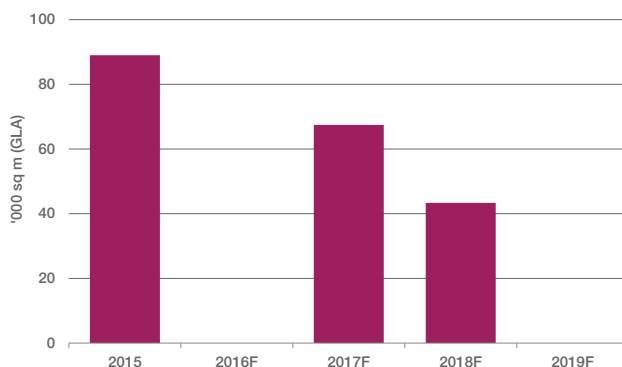
Source: KMC Savills Research

GRAPH 13 **Rental Performance**



Source: KMC Savills Research

GRAPH 14 **Development Pipeline**



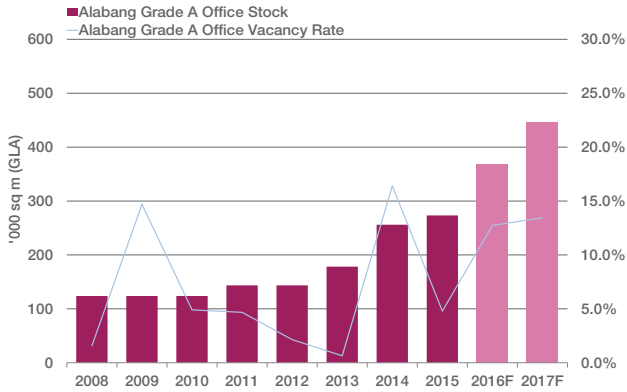
Source: KMC Savills Research

MARKET IN MINUTES

- With the decreased market activity in Ortigas Center, the pace of rental growth has steadied to 0.5% QoQ in 2Q/2016 and is currently at Php 639.0 per sq m/month.
- Vacancy rates continued to compress and is now 1.2%, illustrating a very tight supply situation. Similar to the Makati CBD, Ortigas Center is experiencing a shortage in supply amid sustained demand.
- Ortigas Center will not have any additional leasable space until 2017 once the IBP Tower and the 30th Corporate Center are completed, providing an additional 67,400 sq m of supply.

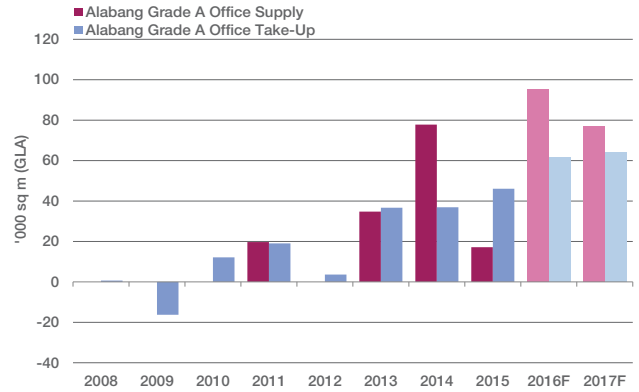
Alabang

GRAPH 15 **Stock & Vacancy**



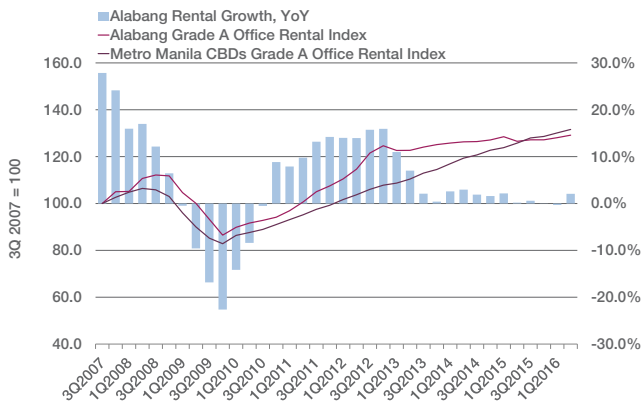
Source: KMC Savills Research

GRAPH 16 **Supply & Take-Up**



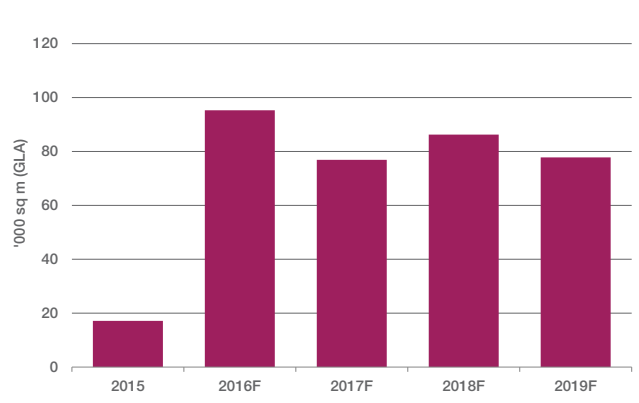
Source: KMC Savills Research

GRAPH 17 **Rental Performance**



Source: KMC Savills Research

GRAPH 18 **Development Pipeline**



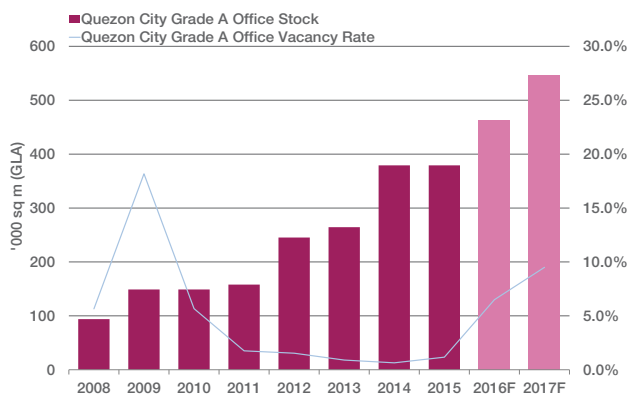
Source: KMC Savills Research

MARKET IN MINUTES

- Driven by stronger net absorption, Alabang's vacancy rates continues to improve, reaching 3.2% from 4.9% in 1Q/2016, despite the addition of around 25,000 sq m of office space in 2Q/2016.
- Backed by a healthier occupancy rate, the average rental rate rose by 2.1% from last year's rate during the same period.
- The sustained demand for office spaces and lack of supply in other major CBDs (Makati and Ortigas Center) has prompted more upcoming developments in Alabang over the next few years; around 220,000 sq m of space is expected to come online by 2018. The submarket is seen to be a viable alternative to the crowded business districts in the northern part of Metro Manila.

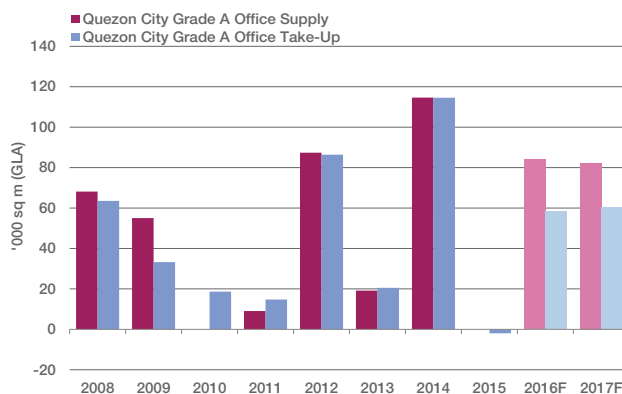
Quezon City

GRAPH 19
Stock & Vacancy



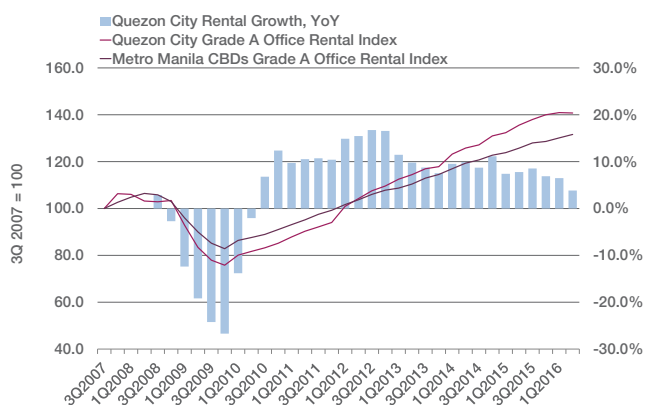
Source: KMC Savills Research

GRAPH 20
Supply & Take-Up



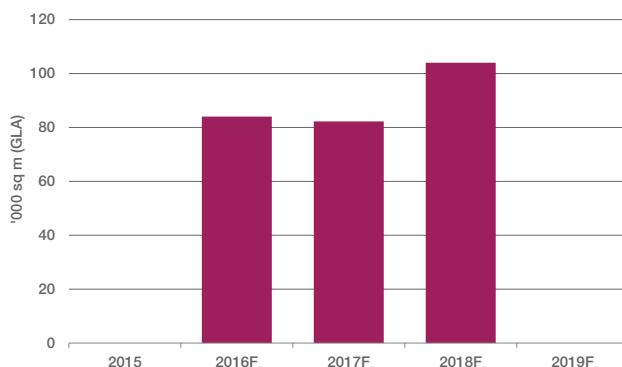
Source: KMC Savills Research

GRAPH 21
Rental Performance



Source: KMC Savills Research

GRAPH 22
Development Pipeline



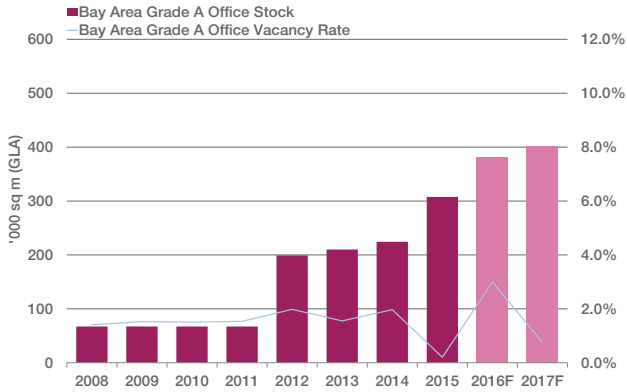
Source: KMC Savills Research

MARKET IN MINUTES

- The average rental rate in Quezon City has flatlined to an estimated Php 714.5 per sq m/month in 2Q/2016 with an upper rental rate of Php 750.0 per sq m/month. Rental growth was recorded at 3.8% YoY, reaching its lowest level after several years of strong rental performance.
- Despite the high levels of vacancies, the overall vacancy rate improved to 9.1% from 10.8% in 1Q/2016, and net take-up is still relatively high compared to other business districts.
- No upcoming supply is expected to enter QC's pipeline for the remaining quarters of 2016. Due to the high availability of leasable spaces, the rental growth is expected remain modest until all the supply has been absorbed.

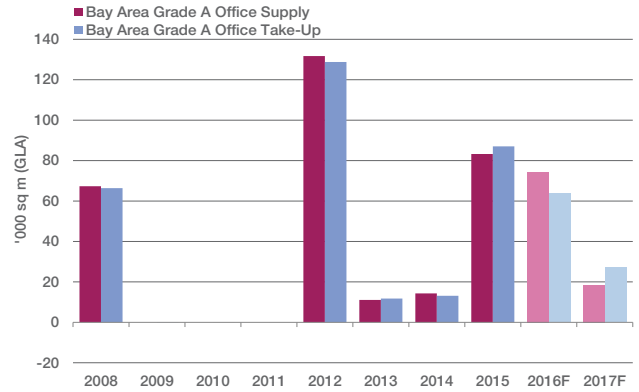
Bay Area

GRAPH 23 **Stock & Vacancy**



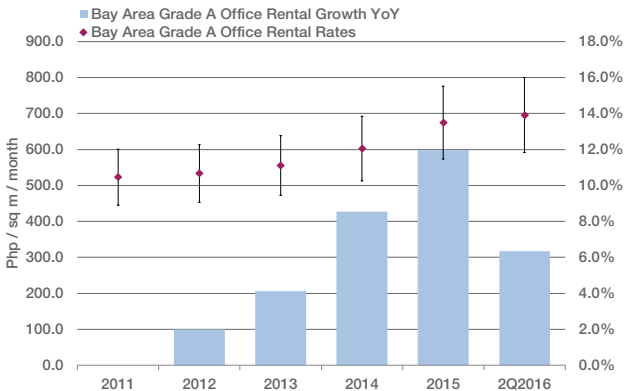
Source: KMC Savills Research

GRAPH 24 **Supply & Take-Up**



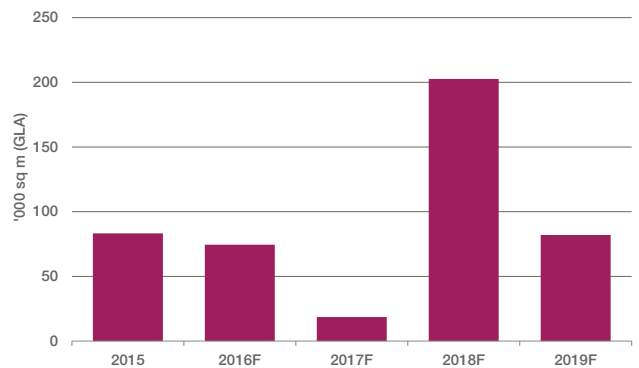
Source: KMC Savills Research

GRAPH 25 **Rental Performance**



Source: KMC Savills Research

GRAPH 26 **Development Pipeline**



Source: KMC Savills Research

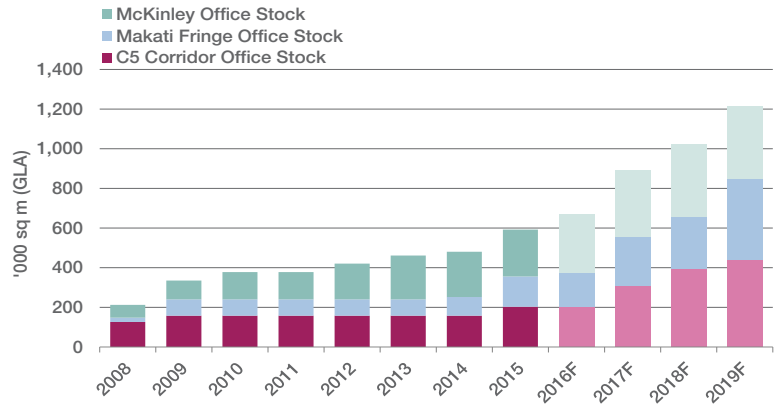
MARKET IN MINUTES

- Amid the high amount of supply completed in Bay Area in 2Q/2016, this CBD continues to have low availability of leasable space, as most of its office spaces are occupied almost immediately. Bay Area still holds the lowest recorded vacancy rate among all submarkets, reflecting a solid figure of 0.4%.
- Driven by the strong occupier demand from the outsourcing and offshoring industries, average rental rate increased to Php 695.6 per sq m/month from Php 676.7 per sq m/month in 1Q/2016.
- With almost 359,000 sq m to be completed within two years, average rental rates in Bay Area are expected to increase at a moderate pace.

Other Submarkets

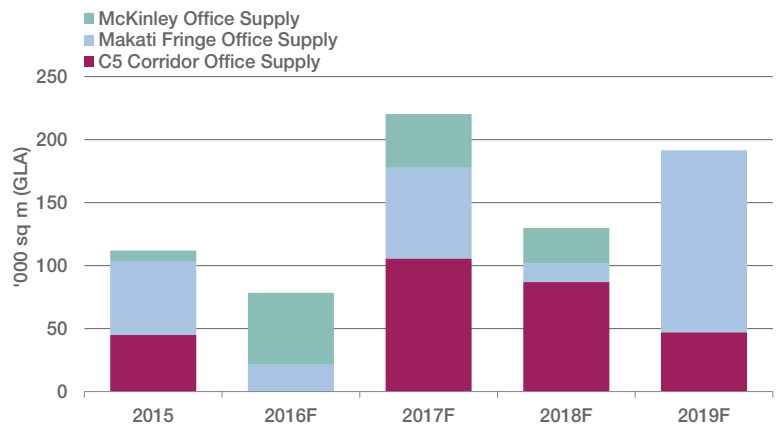
- The compression of vacancy rates is seen to continue in McKinley, currently at 0.7% in 2Q/2016; while C5 Corridor also continues its vacancy rate decline to 2.3% this quarter, supported by the stronger demand. On the other hand, this quarter is a different story for the Makati Fringe area as vacancy rates soared to 17.5% from 11.6% in 1Q/2016.
- With an additional 29,000 sq m of new supply, the debut of the new McKinley West area has been extremely favorable, suggesting a high demand for the campus-styled office space.
- As these three submarkets start to strengthen their position in Metro Manila, an increased occupier focus on these areas is expected within the coming years.

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.

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

INSULAR LIFE MAKATI BUILDING



LOCATION	MAKATI
GRADE	Grade A
TURNOVER DATE	Q1 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.

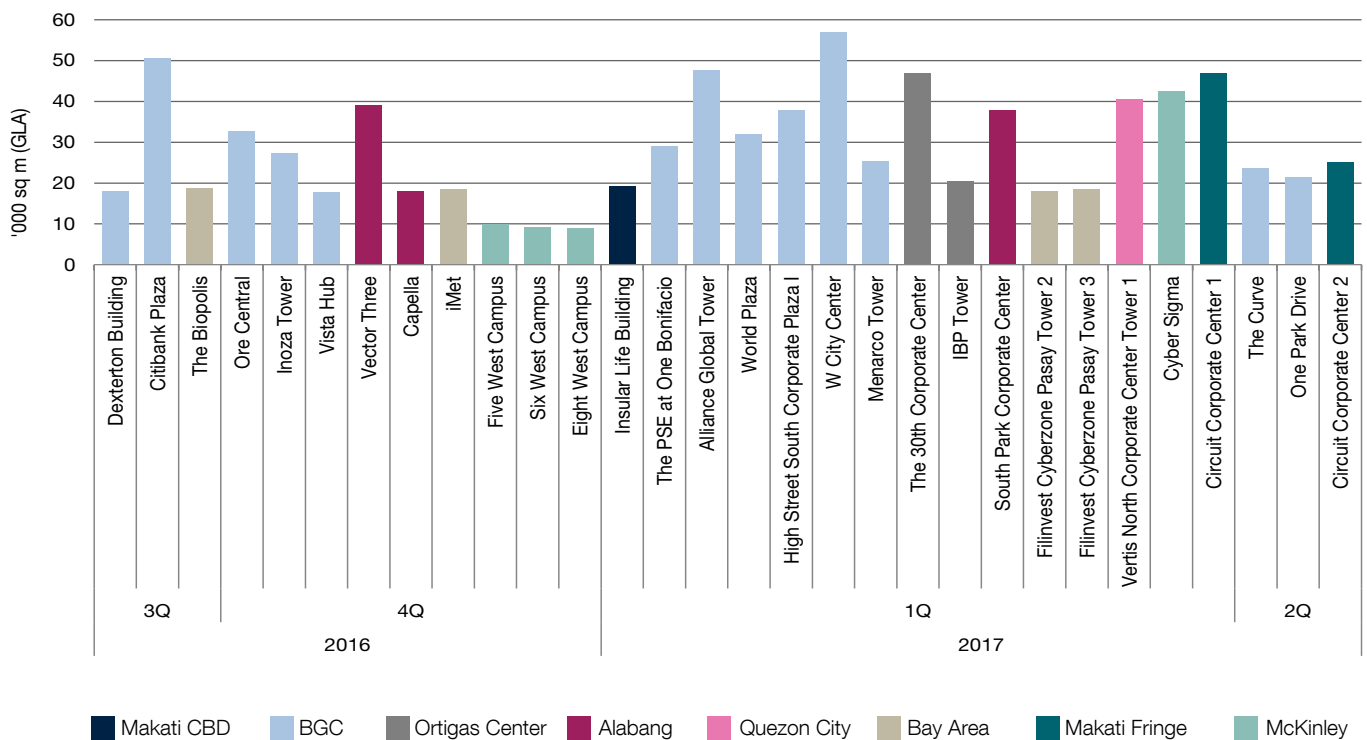
The building is currently undergoing renovation that is set to be completed by 1Q/2017.

New Building Features:

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

GRAPH 29

12-month Supply Forecast by Building



KMC Savills, Inc.

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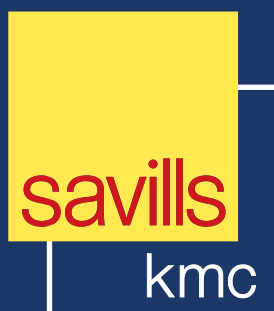
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