

# Metro Manila Office Briefing

Q1 2015



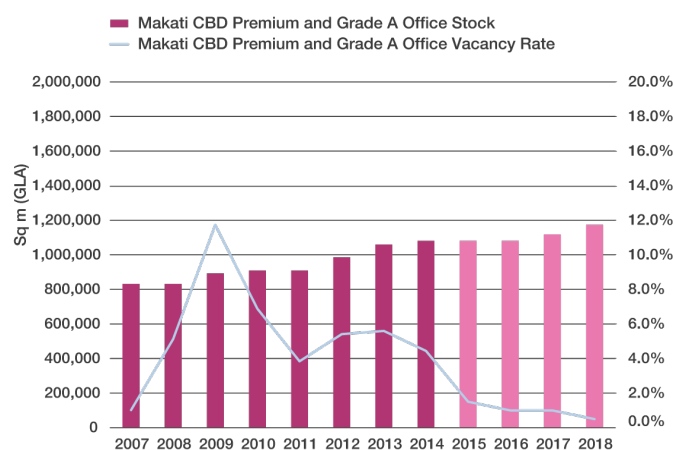
## THE FACTS AT A GLANCE

### Declining vacancies keep rental growth robust

- The net take-up of Grade A office space in Metro Manila totaled to around 42,700 sq m for Q1/2015, being the lowest recorded quarterly take-up for five quarters.
- The low take-up is mainly explained by the supply figures as Q1/2015 was the first quarter since Q3/2011 when no new supply was introduced within the main CBDs, due to several completions being postponed to later this year. In total, the marketplace is waiting for 578,000 sq m of new office space to be completed this 2015.
- The overall vacancy rate of CBD Grade A offices improved slightly from 4.6% in Q4/2014 to 3.4% in Q1/2015.
- On average, Grade A office rents rose by 0.9% quarter-on-quarter to Php 802.0 per sq m/month across the main business districts.
- Capital values growth was also positive. Supported by the well-performing occupier market and positive future expectations, average capital values across submarkets rose by 1.1% QoQ to Php 133,329.5 per sq m.
- We expect the increase of CBD Grade A office rents to continue well into 2015. However, some submarkets, mainly BGC and Alabang, are expected to see more modest growth as new supply will create downward pressure on rents.

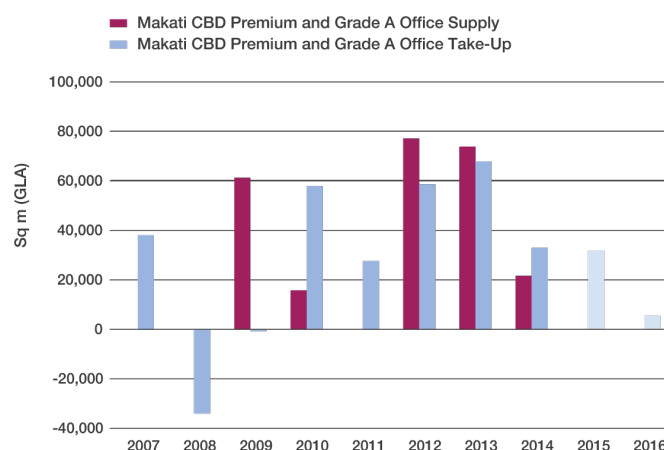
# Office Market Snapshot | Makati CBD

GRAPH 1  
Stock & Vacancy



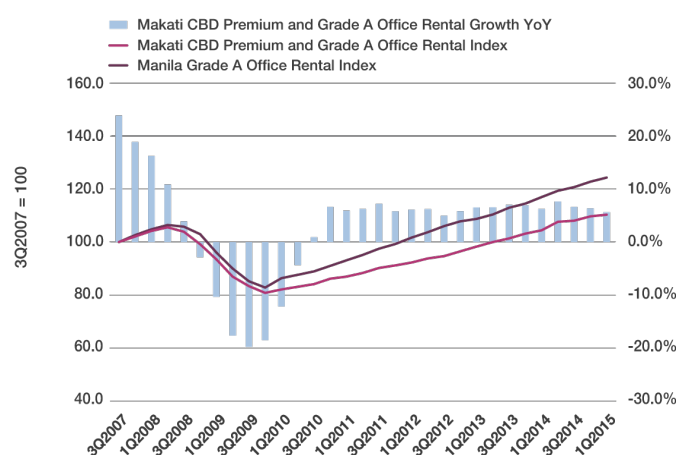
Source: KMC Research & Consultancy

GRAPH 2  
Supply & Takeup



Source: KMC Research & Consultancy

GRAPH 3  
Rental Performance



Source: KMC Research & Consultancy

TABLE 1  
Key Figures - Premium and Grade A Office

	Unit	Q1/2015
Average net rental rate	Php/sq m/month	957.7
Upper net rental rate	Php/sq m/month	1,400.0
Average capital value	Php/sq m	177,183.4
Equivalent yield	%	8.50
Vacancy rate	%	3.5
Current stock	sq m	1,080,863
Development pipeline 2015-2018	sq m	92,100

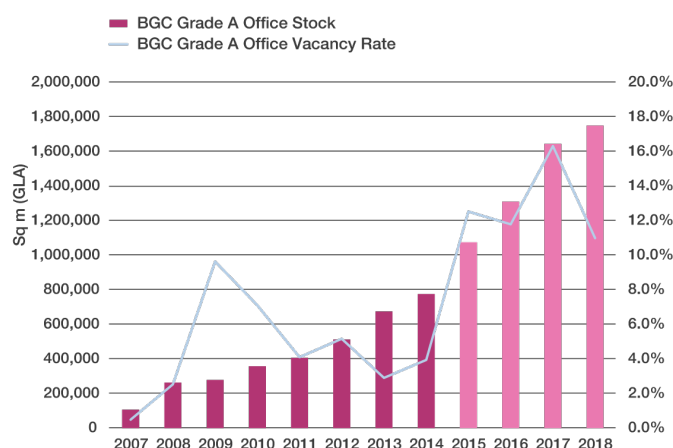
Source: KMC Research & Consultancy

## Makati CBD Market in Minutes

- Prime rents in Makati CBD rose by 5.6% YoY to Php 957.7 per sq m/month while vacancy remains low at 3.5%, decreasing by 95 basis points from Q4/2014.
- Supply in the district remains scarce, which is favorable to the landlords, as it keeps the movement of rents in an upward motion.
- The future leasing activity is expected to be limited to small space lettings from 100-1,000 sq m, unless some of the current occupiers opt to relocate.

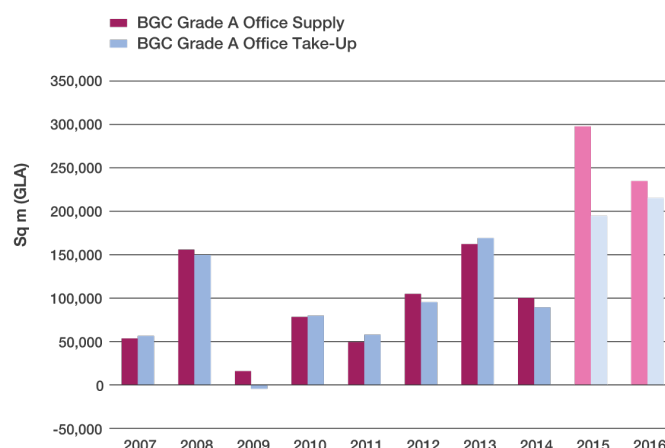
# Office Market Snapshot | Bonifacio Global City

GRAPH 4  
Stock & Vacancy



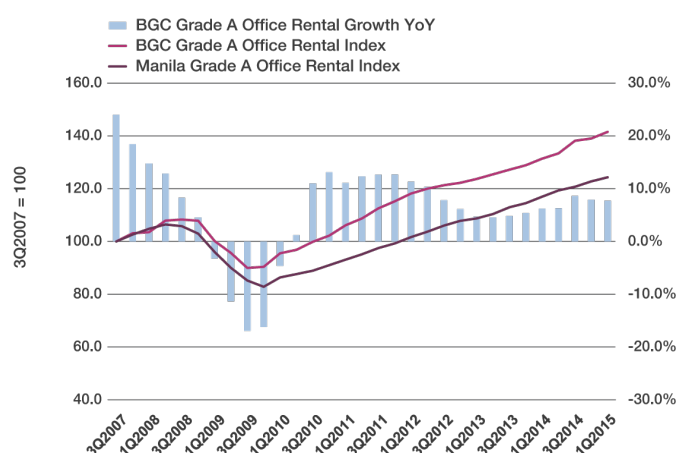
Source: KMC Research & Consultancy

GRAPH 5  
Supply & Takeup



Source: KMC Research & Consultancy

GRAPH 6  
Rental Performance



Source: KMC Research & Consultancy

TABLE 2  
Key Figures - Grade A Office

	Unit	Q1/2015
Average net rental rate	Php/sq m/month	849.7
Upper net rental rate	Php/sq m/month	1,100.0
Average capital value	Php/sq m	147,354.8
Equivalent yield	%	8.75
Vacancy rate	%	2.7
Current stock	sq m	773,362
Development pipeline 2015-2018	sq m	970,008

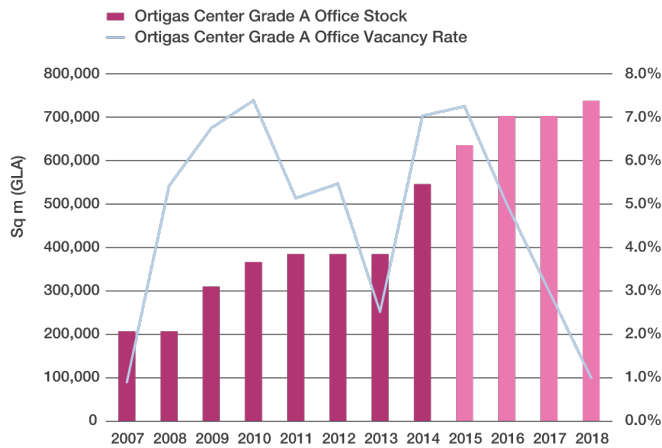
Source: KMC Research & Consultancy

## BGC Market in Minutes

- Prime rents in BGC rose by 7.7% YoY to Php 849.7 per sq m/month while the vacancy rate decreased by 123 basis points from Q4/2014 to 2.7%.
- Despite the lower vacancy rate, vacancies are likely to increase towards the end of the year as a bulk of supply is scheduled for completion during the second half of 2015, giving the market a very short time to absorb all the new space.
- Due to the rather large pipeline, the leasing activity is highly concentrated on pre-lettings. Around 970,000 sq m or 56.5% of the total pipeline in Metro Manila will rise in BGC within the next three years.

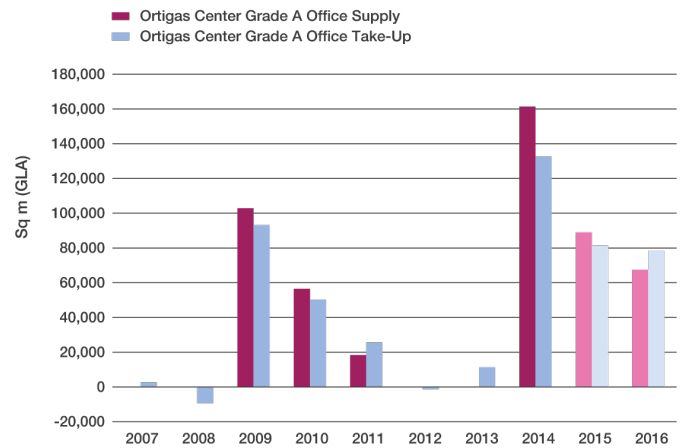
# Office Market Snapshot | Ortigas Center

GRAPH 7  
Stock & Vacancy



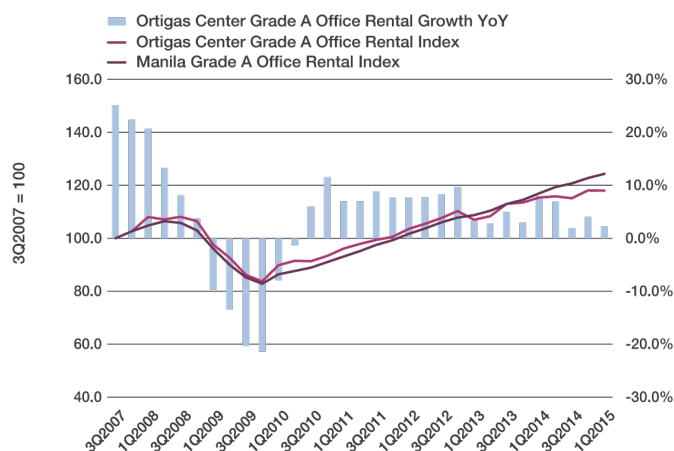
Source: KMC Research & Consultancy

GRAPH 8  
Supply & Takeup



Source: KMC Research & Consultancy

GRAPH 9  
Rental Performance



Source: KMC Research & Consultancy

TABLE 3  
Key Figures - Grade A Office

	Unit	Q1/2015
Average net rental rate	Php/sq m/month	599.2
Upper net rental rate	Php/sq m/month	750.0
Average capital value	Php/sq m	91,560.1
Equivalent yield	%	9.00
Vacancy rate	%	3.8
Current stock	sq m	546,199
Development pipeline 2015-2018	sq m	191,389

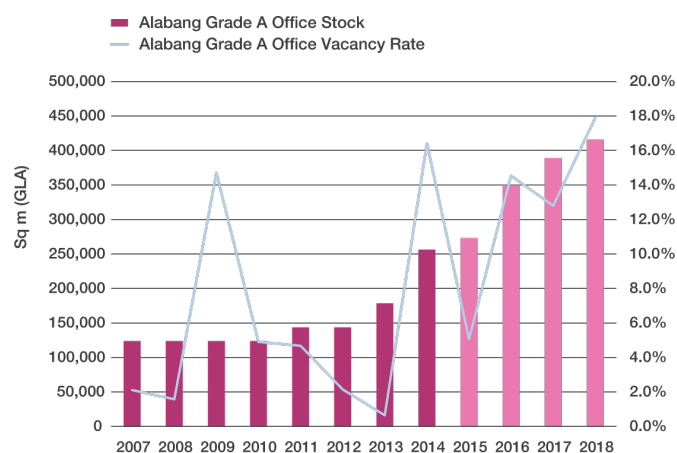
Source: KMC Research & Consultancy

## Ortigas Center Market in Minutes

- Ortigas Center's take-up sustained its momentum from last year, reaching 17,908 sq m in Q1/2015. Despite the solid office demand, prime rents slightly declined on a quarterly basis by 0.1% to Php 599.2 per sq m/month.
- The stagnating rents signal the healthy market dynamics as the landlords did not escalate the asking rates before the new supply was taken up. As a result, vacancy rate dropped from 7.0% in Q4/2014 to 3.8% in Q1/2015.
- Likewise, the new supply in Ortigas Center will be limited until late next year.

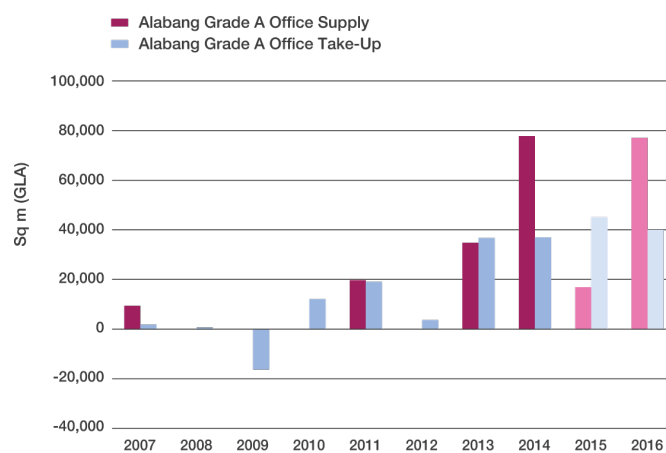
# Office Market Snapshot | Alabang

GRAPH 10  
Stock & Vacancy



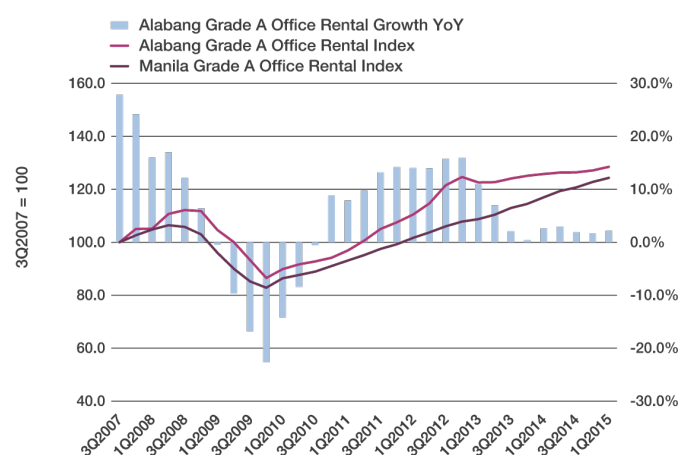
Source: KMC Research & Consultancy

GRAPH 11  
Supply & Takeup



Source: KMC Research & Consultancy

GRAPH 12  
Rental Performance



Source: KMC Research & Consultancy

TABLE 4  
Key Figures - Grade A Office

	Unit	Q1/2015
Average net rental rate	Php/sq m/month	611.6
Upper net rental rate	Php/sq m/month	650.0
Average capital value	Php/sq m	72,443.7
Equivalent yield	%	10.50
Vacancy rate	%	10.5
Current stock	sq m	256,110
Development pipeline 2015-2018	sq m	159,395

Source: KMC Research & Consultancy

## Alabang Market in Minutes

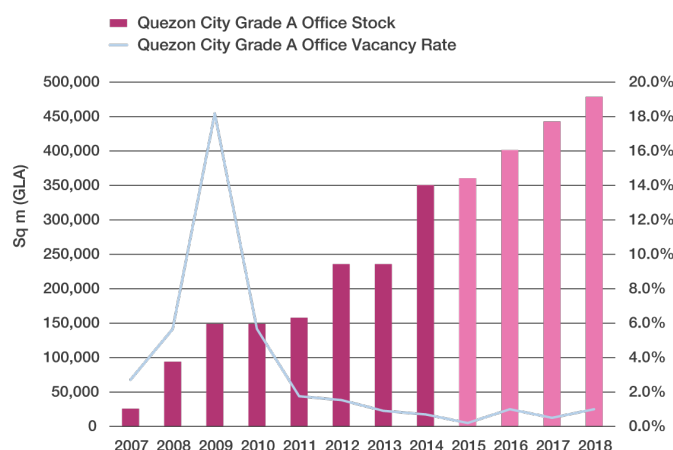
- Alabang recorded a positive quarter in all indicators. The take-up reached 15,085 sq m, reducing the vacancy rate to 10.5% from 16.4% recorded in the previous quarter.
- Supported by demand, prime rents experienced a 1.1% QoQ increase to Php 611.6 per sq m/month.
- As there are still a number of available spaces, rental growth is expected to stay rather modest until the newly built space is fully absorbed.



# Office Market Snapshot | Quezon City

GRAPH 13

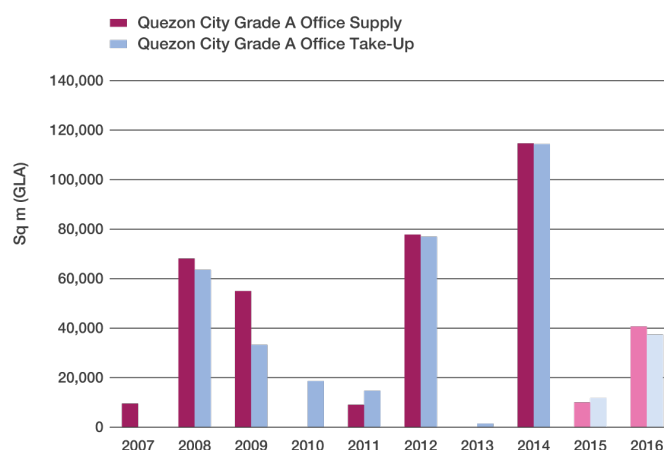
## Stock & Vacancy



Source: KMC Research &amp; Consultancy

GRAPH 14

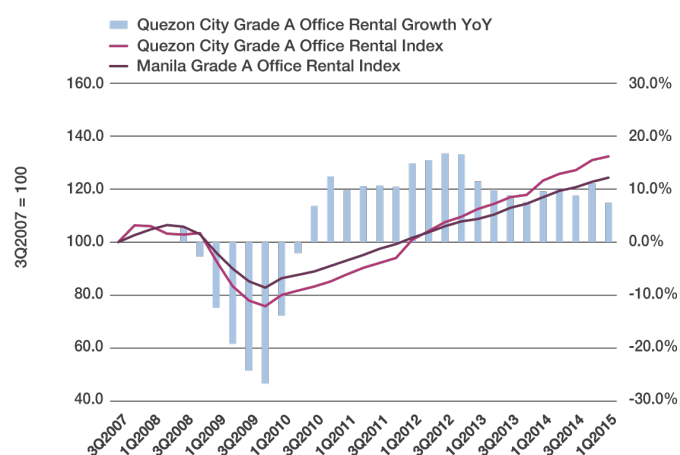
## Supply & Takeup



Source: KMC Research &amp; Consultancy

GRAPH 15

## Rental Performance



Source: KMC Research &amp; Consultancy

TABLE 5

## Key Figures - Grade A Office

	Unit	Q1/2015
Average net rental rate	Php/sq m/month	671.7
Upper net rental rate	Php/sq m/month	700.0
Average capital value	Php/sq m	99,647.0
Equivalent yield	%	10.50
Vacancy rate	%	0.7
Current stock	sq m	350,405
Development pipeline 2015-2018	sq m	128,276

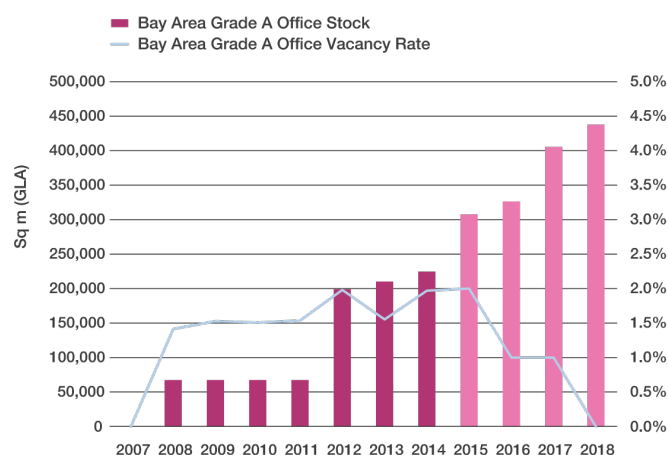
Source: KMC Research &amp; Consultancy

## Quezon City Market in Minutes

- Quezon City remains to be preferred location for occupiers as the district currently has the lowest vacancy rate among the main business districts in Metro Manila at 0.7%.
- The prime rents rose by 7.4% YoY in Q1/2015 to Php 671.7 per sq m/month illustrating the positive market performance that the submarket is currently experiencing.
- Quezon City is likely to continue on this track in the near future as the district has to wait until 2016 before any new supply will be introduced to the market.

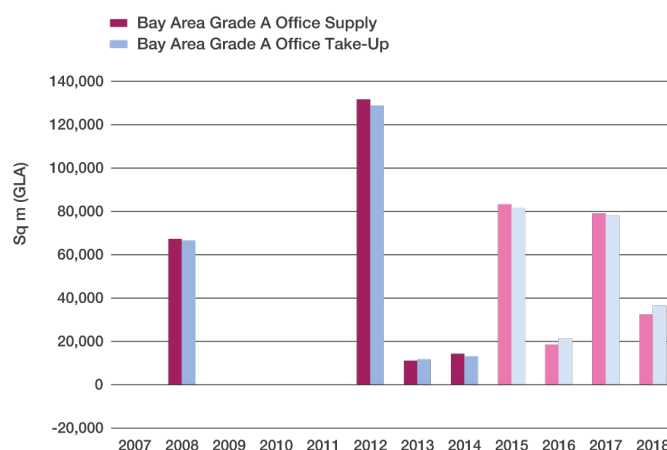
# Office Market Snapshot | Bay Area

GRAPH 16  
Stock & Vacancy



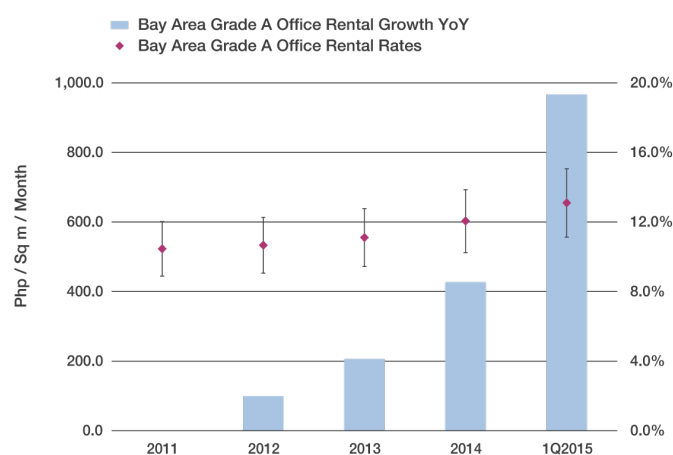
Source: KMC Research & Consultancy

GRAPH 17  
Supply & Takeup



Source: KMC Research & Consultancy

GRAPH 18  
Rental Performance



Source: KMC Research & Consultancy

TABLE 6  
Key Figures - Grade A Office

	Unit	Q1/2015
Average net rental rate	Php/sq m/month	654.8
Upper net rental rate	Php/sq m/month	700.0
Average capital value	Php/sq m	97,515.3
Equivalent yield	%	10.50
Vacancy rate	%	2.2
Current stock	sq m	224,391
Development pipeline 2015-2018	sq m	213,244

Source: KMC Research & Consultancy

## Bay Area Market in Minutes

- Much like Quezon City, the Bay Area office market is also showing remarkable figures. Prime rents experienced a significant increase in Q1/2015 as the YoY growth was 19.3%, reaching Php 654.8 per sq m/month.
- Vacancy rose slightly by 20 basis points but still remains relatively low at 2.2%.
- This year, the market is waiting for the introduction of Five E-Com, already reported to be 55% pre-leased.

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# KMC MAG Group

Please contact us for further information



**Michael McCullough**  
Managing Director  
michael@kmcgroup.com



**Yves Luethi**  
Vice President  
yves.luethi@kmcgroup.com



**Antton Nordberg**  
Head of Research  
antton.nordberg@kmcgroup.com



**Rosario Carbonell**  
Associate Director-  
Office Leasing  
rosario@kmcgroup.com



**Gerold Fernando**  
Associate Director-  
Office Leasing  
gerold@kmcgroup.com



**Lana Osmeña**  
General Manager-  
Cebu  
lana@kmcgroup.com

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