

# Metro Manila Office Briefing

Q3 2015



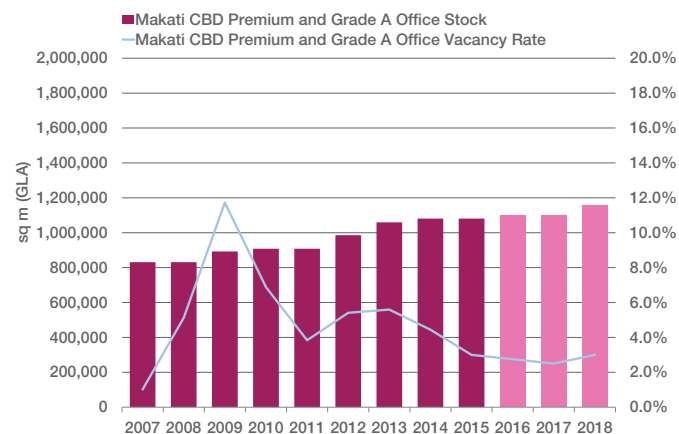
## THE FACTS AT A GLANCE

### Marketplace absorbs significant new supply in Q3/2015

- The Net take-up for Premium and Grade A office space in Metro Manila reached 231,412 sq m in Q3/2015, the largest recorded take-up all time. This was due to the 232,961 sq m of new supply delivered, which was mostly pre-leased before the completion.
- On average, the rental rate of Grade A offices increased 6.0% YoY to Php 822.7 per sq m/month in Q3/2015. Makati CBD still commands the highest rental rate while Alabang continues to lag behind other Metro Manila office markets.
- Around 1.8 million sq m of leasable office space is expected to hit the market by 2018, 51.8% of which is to rise in Bonifacio Global City.
- Despite the significant amount of new office space entering the Metro Manila office market in the medium-term, vacancy and rental rates are expected to remain stable due to strong pre-leasing activity.
- Bay Area and Quezon City are projected to have continuously low vacancy rates and stronger rental rate growth compared to the other business districts due to the sustained demand from the IT-BPO industry and the relatively low level of new supply within the next 12 months.

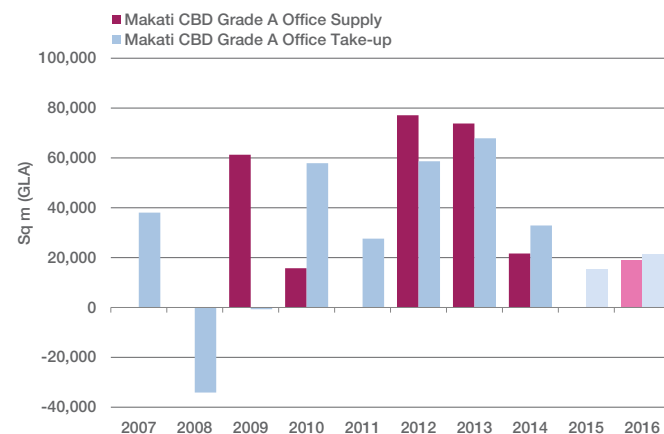
# Office Market Snapshot | Makati CBD

**GRAPH 1**  
**Stock & Vacancy**



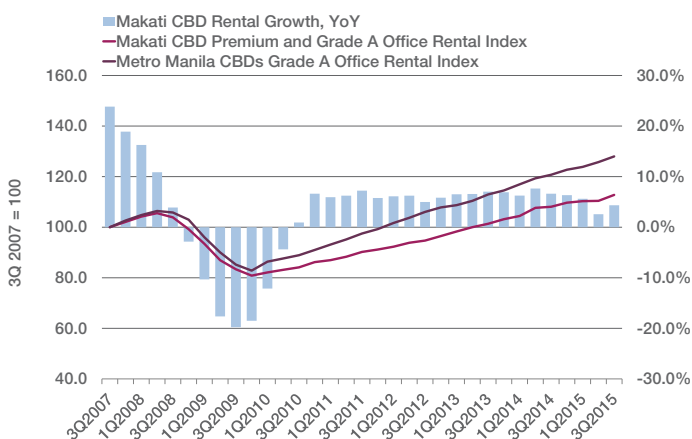
Source: KMC Research & Consultancy

**GRAPH 2**  
**Supply & Take-up**



Source: KMC Research & Consultancy

**GRAPH 3**  
**Rental Performance**



Source: KMC Research & Consultancy

**TABLE 1**  
**Key Figures - Premium and Grade A Office**

	Unit	Q3/2015
Average net rental rate	Php/sq m/month	979.1
Upper net rental rate	Php/sq m/month	1,400.0
Average capital value	Php/sq m	183,966.9
Equivalent yield	%	8.25
Vacancy rate	%	3.0
Current stock	sq m	1,080,863
Development pipeline 2015-2018	sq m	74,556

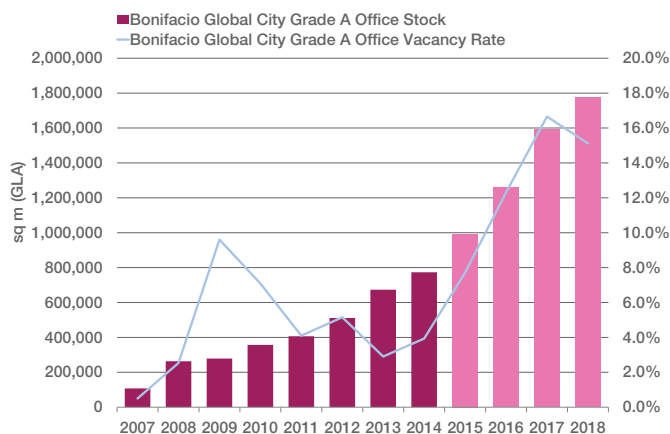
Source: KMC Research & Consultancy

## Makati CBD Market in Minutes

- Makati CBD remains to be Metro Manila’s premium CBD. It still has the highest asking rental rate for Grade A offices among Metro Manila markets. In Q3/2015 rental rates averaged Php 979.1 per sq m/ month, growing 4.3% YoY. The upper net rental rate, on the other hand, is recorded at Php 1,400.0 per sq m/month.
- For the same period, the district recorded a vacancy of 3.0% with most of the available spaces from the sparsely occupied Tower 6789. The unavailability of developable land in the CBD will keep vacancy rates low until 2020.
- One notable development in the CBD is the transformation of the unfinished JAKA Tower along Ayala Avenue into a strata-type office building called Alveo Financial Tower. The project is expected to be fully turned over by the second half of 2020 and will be a part of Ayala Land’s City Gate complex. Another development of note is the renovation of Insular Life Building, which is set to reopen 19,156 sq m of leasable space in Q4 2016.

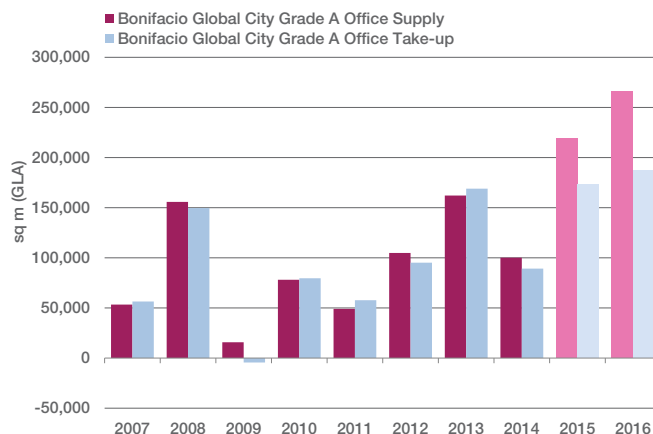
# Office Market Snapshot | Bonifacio Global City

**GRAPH 4**  
**Stock & Vacancy**



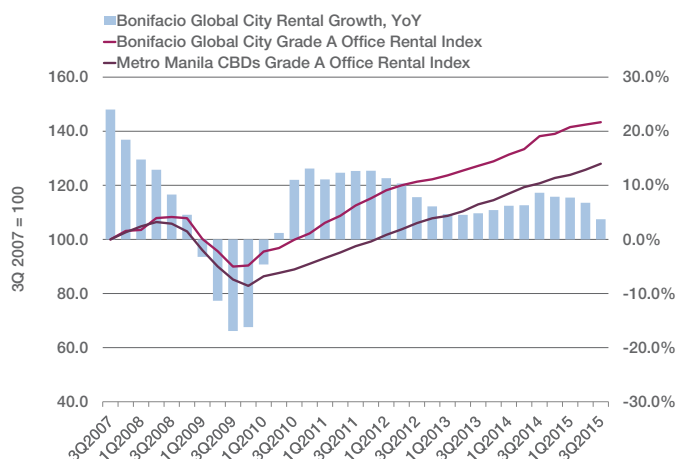
Source: KMC Research & Consultancy

**GRAPH 5**  
**Supply & Take-up**



Source: KMC Research & Consultancy

**GRAPH 6**  
**Rental Performance**



Source: KMC Research & Consultancy

**TABLE 2**  
**Key Figures - Grade A Office**

	Unit	Q3/2015
Average net rental rate	Php/sq m/month	860.4
Upper net rental rate	Php/sq m/month	1,100.0
Average capital value	Php/sq m	150,439.9
Equivalent yield	%	8.75
Vacancy rate	%	2.6
Current stock	sq m	840,357
Development pipeline 2015-2018	sq m	934,886

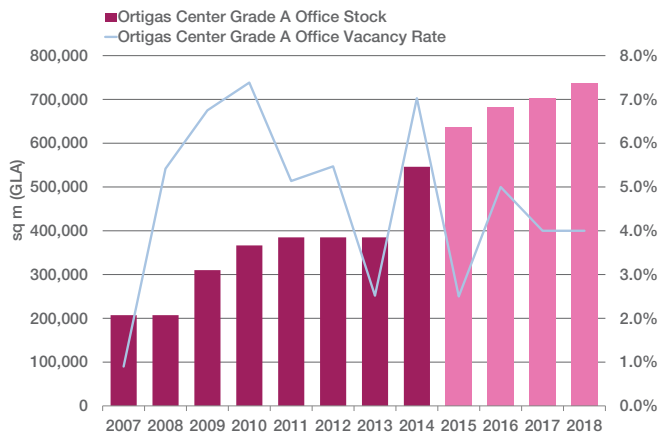
Source: KMC Research & Consultancy

## BGC Market in Minutes

- BGC’s rental rate grew 3.7% YoY bringing the district’s average rental rate at Php 860.4 per sq m/month in Q3/2015; the district’s upper rental rate is at Php 1,100.0 per sq m/month.
- Vacancy rate slightly increased to 2.6% in Q3/2015 from 1.3% in Q2/2015 due to the supply additions. However, it should be noted that the district absorbed majority of the new office supply of 60,690 sq m in Q3/2015. Its net take-up of 49,639 sq m for the same period is the highest recorded quarterly take-up since Q1/2014.
- With its office stock expected to double within the next three years, rental rate growth is projected to ease in the coming quarters and vacancies expected to increase. However, the market is still expected to see sustained demand from the IT-BPO industry and multinational companies moving to the CBD.

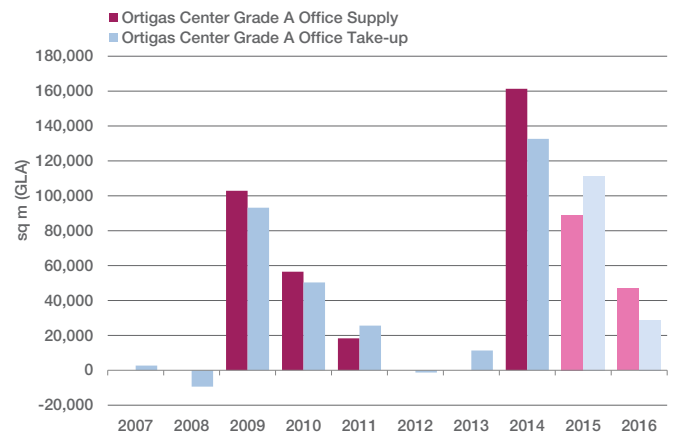
# Office Market Snapshot | Ortigas Center

**GRAPH 7**  
**Stock & Vacancy**



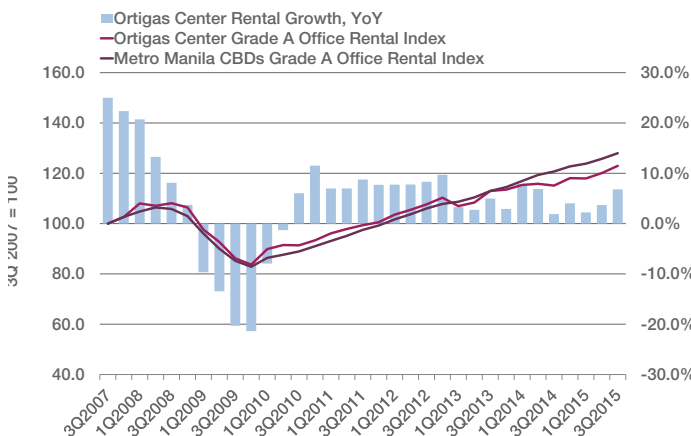
Source: KMC Research & Consultancy

**GRAPH 8**  
**Supply & Take-up**



Source: KMC Research & Consultancy

**GRAPH 9**  
**Rental Performance**



Source: KMC Research & Consultancy

**TABLE 3**  
**Key Figures - Grade A Office**

	Unit	Q3/2015
Average net rental rate	Php/sq m/month	624.6
Upper net rental rate	Php/sq m/month	750.0
Average capital value	Php/sq m	92,069.0
Equivalent yield	%	9.00
Vacancy rate	%	2.5
Current stock	sq m	635,199
Development pipeline 2015-2018	sq m	102,389

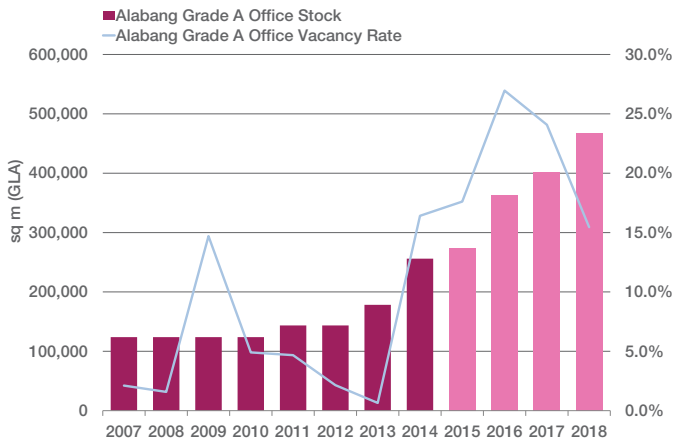
Source: KMC Research & Consultancy

## Ortigas Center Market in Minutes

- Ortigas Center’s average rental rate grew 6.8% YoY in Q3/2015. This brings the district’s average asking rate to Php 624.6 per sq m/ month with upper rental rate at Php 750.0 per sq m/month.
- The 47-storey BDO Corporate Center Ortigas was turned over in Q3/2015. However, the LEED Gold building is for exclusive use of BDO Unibank.
- With no new office developments hitting the market until the end of 2016, the vacancy rate is expected to stay low, which in turn supports rental growth.

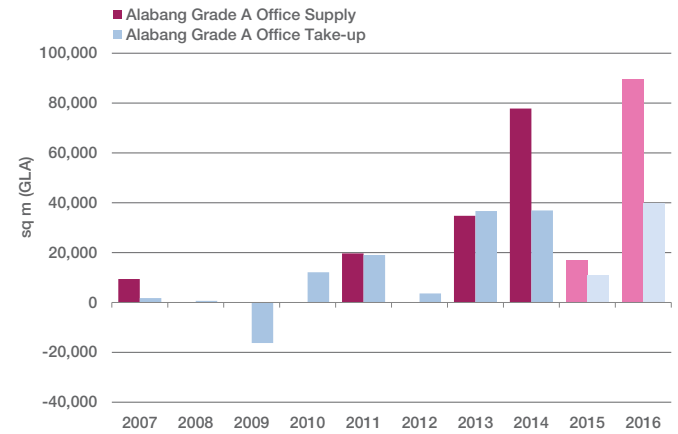
# Office Market Snapshot | Alabang

**GRAPH 10**  
**Stock & Vacancy**



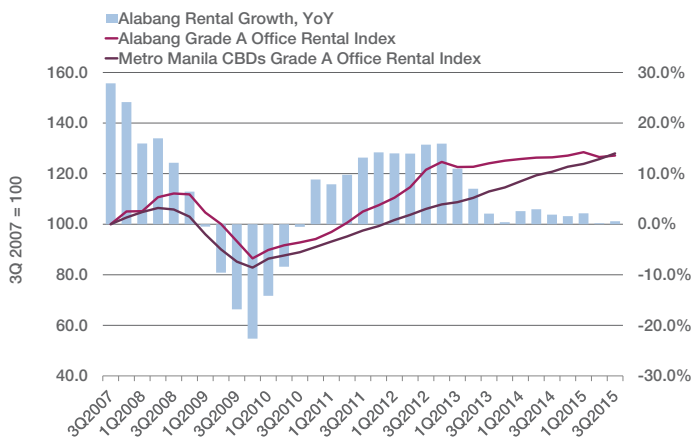
Source: KMC Research & Consultancy

**GRAPH 11**  
**Supply & Take-up**



Source: KMC Research & Consultancy

**GRAPH 12**  
**Rental Performance**



Source: KMC Research & Consultancy

**TABLE 4**  
**Key Figures - Grade A Office**

	Unit	Q3/2015
Average net rental rate	Php/sq m/month	605.3
Upper net rental rate	Php/sq m/month	650.0
Average capital value	Php/sq m	65,178.1
Equivalent yield	%	10.50
Vacancy rate	%	16.0
Current stock	sq m	256,110
Development pipeline 2015-2018	sq m	211,280

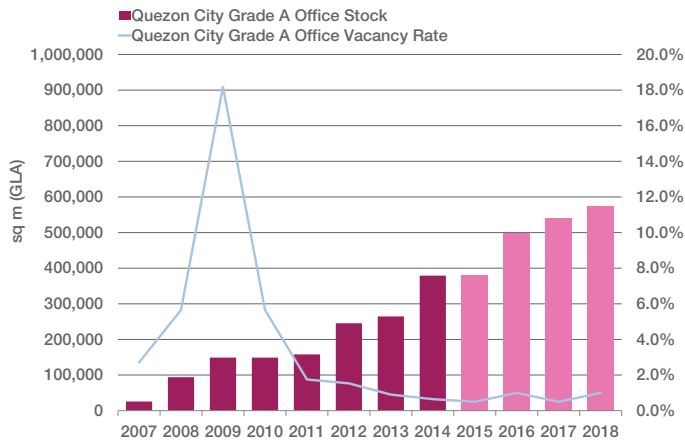
Source: KMC Research & Consultancy

## Alabang Market in Minutes

- The Alabang office market remained sluggish with YoY rental rate growth at only 0.6%. This brought the average asking rental rate of the CBD to Php 605.3 per sqm/ month in Q3/2015 from Php 601.8 per sq m/ month in Q3/2014. This is also the lowest average asking rental rate among the six office markets tracked in this report.
- Alabang is also the only Metro Manila CBD to record a two-digit vacancy rate at 16.0%, another sign of a slow performing market. Alabang has been posting two-digit vacancy rates since the turnover of around 78,000 sq m of office space in Q4/2014 in contrast to the other districts' vacancy rate of less than 3.0%.
- Given Alabang's office market performance in the last few quarters, rental rate growth is expected to decelerate, or even compress, in the next three years. About 210,000 sq m of office spaces is in the district's pipeline until 2018.

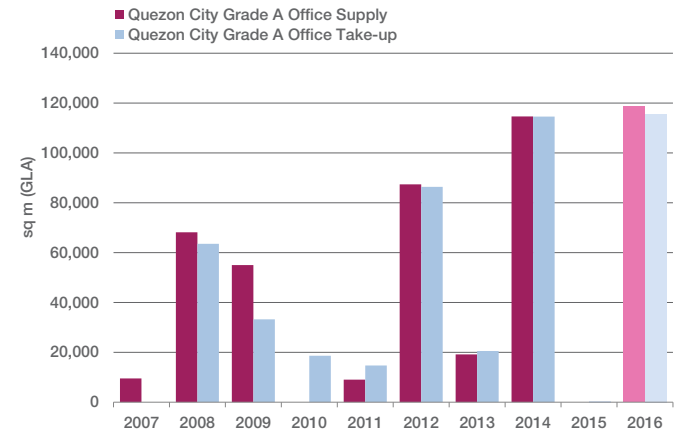
# Office Market Snapshot | Quezon City

**GRAPH 13**  
**Stock & Vacancy**



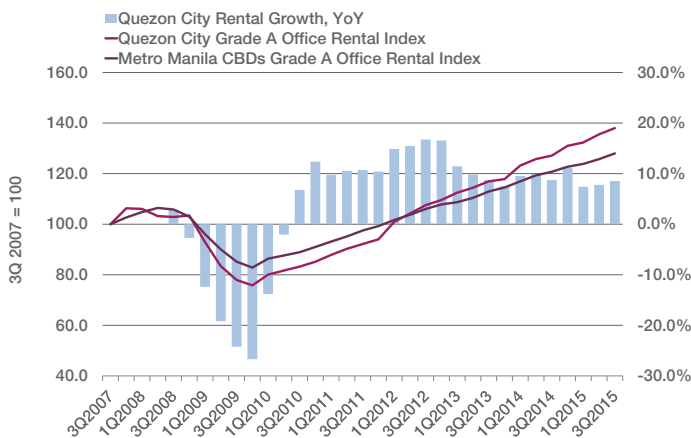
Source: KMC Research & Consultancy

**GRAPH 14**  
**Supply & Take-up**



Source: KMC Research & Consultancy

**GRAPH 15**  
**Rental Performance**



Source: KMC Research & Consultancy

**TABLE 5**  
**Key Figures - Grade A Office**

	Unit	Q3/2015
Average net rental rate	Php/sq m/month	700.4
Upper net rental rate	Php/sq m/month	750.0
Average capital value	Php/sq m	103,392.2
Equivalent yield	%	10.50
Vacancy rate	%	0.2
Current stock	sq m	379,151
Development pipeline 2015-2018	sq m	196,276

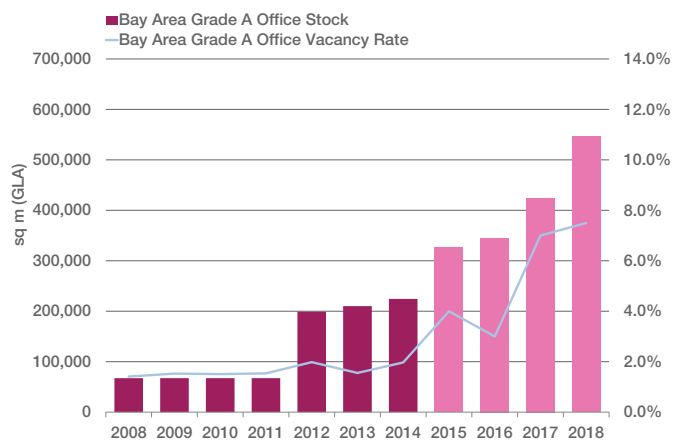
Source: KMC Research & Consultancy

## Quezon City Market in Minutes

- Quezon City rental rate averaged Php 700.4 per sq m/month in Q3/2015, growing 8.5% YoY with upper rental rate at Php 750.0 per sq m/month.
- The Quezon City office market is one of the best performing districts in Metro Manila at the moment with its vacancy rate falling below 1.0% for the fourth consecutive quarter. The district posted the lowest vacancy rate among all districts in Q3/2015 with only 0.2% of its total stock left unoccupied.
- Available Grade A office spaces in the district will remain scarce in the short-term with no new developments coming online until 2H2016.

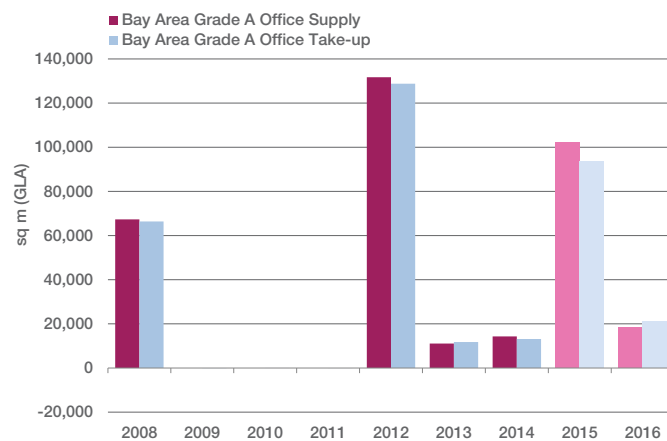
# Office Market Snapshot | Bay Area

**GRAPH 16**  
**Stock & Vacancy**



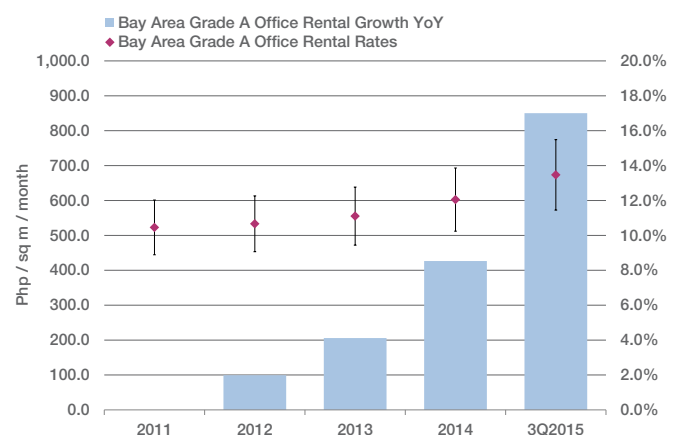
Source: KMC Research & Consultancy

**GRAPH 17**  
**Supply & Take-up**



Source: KMC Research & Consultancy

**GRAPH 18**  
**Rental Performance**



Source: KMC Research & Consultancy

**TABLE 6**  
**Key Figures - Grade A Office**

	Unit	Q3/2015
Average net rental rate	Php/sq m/month	673.4
Upper net rental rate	Php/sq m/month	700.0
Average capital value	Php/sq m	95,803.4
Equivalent yield	%	10.50
Vacancy rate	%	1.3
Current stock	sq m	307,662
Development pipeline 2015-2018	sq m	239,248

Source: KMC Research & Consultancy

## Bay Area Market in Minutes

- Bay Area recorded the highest YoY rental rate growth among all districts at 17.0% in Q3/2015. This brings average Grade A office rent at Php 673.4 per sq m/month with the upper rental rate at Php 700.0 per sq m/ month.
- Vacant spaces in the district continue to dwindle with only 1.3% of spaces available in Q3/2015 in spite of the turnover of Five Ecom due to it being mostly pre-leased.
- Bay Area's pipeline is also rather impressive with close to 240,000 sq m to be delivered before 2018.

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