

Metro Manila Office Briefing

3Q 2018

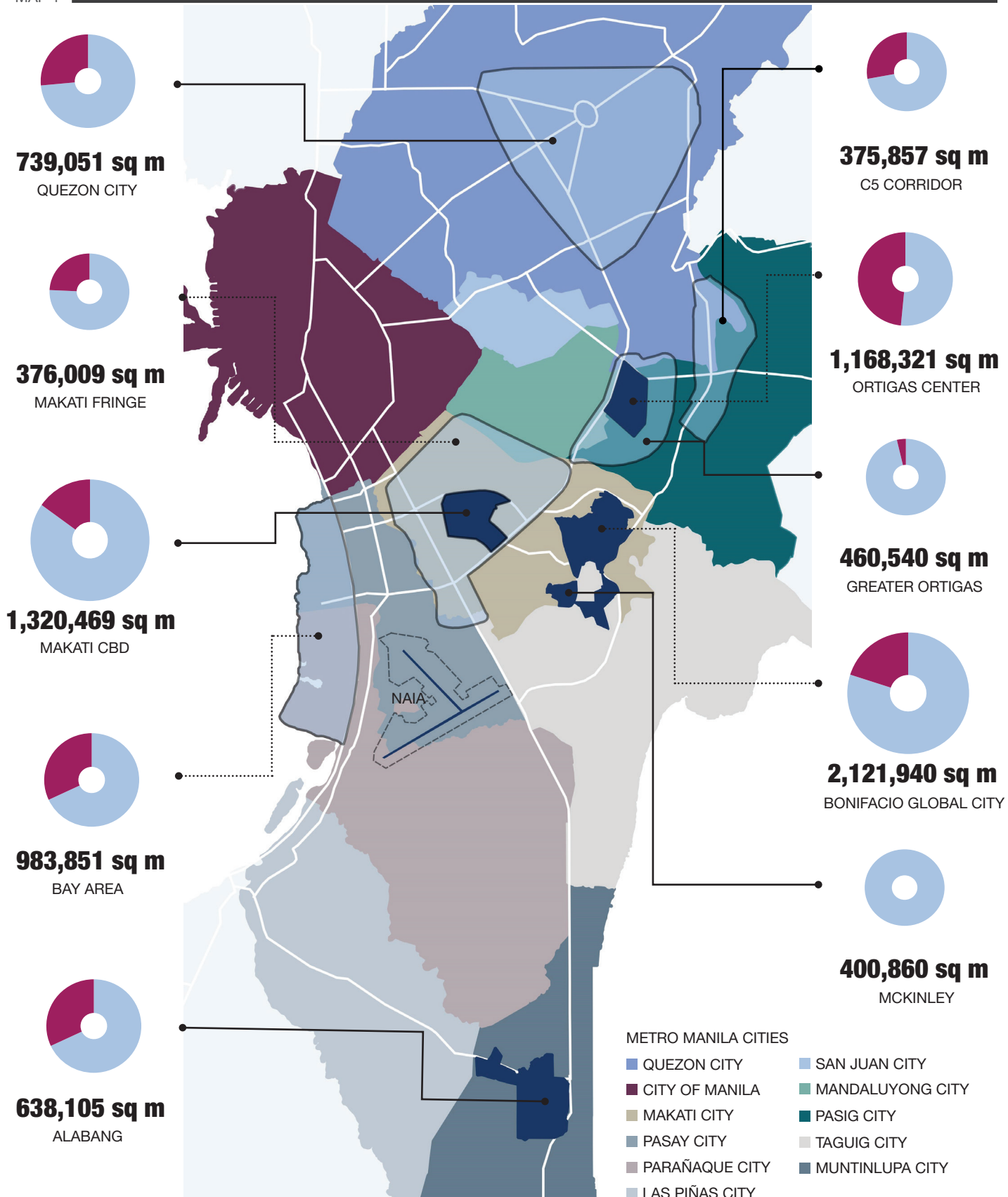


Metro Manila Office Submarkets

Future Stock (2021)

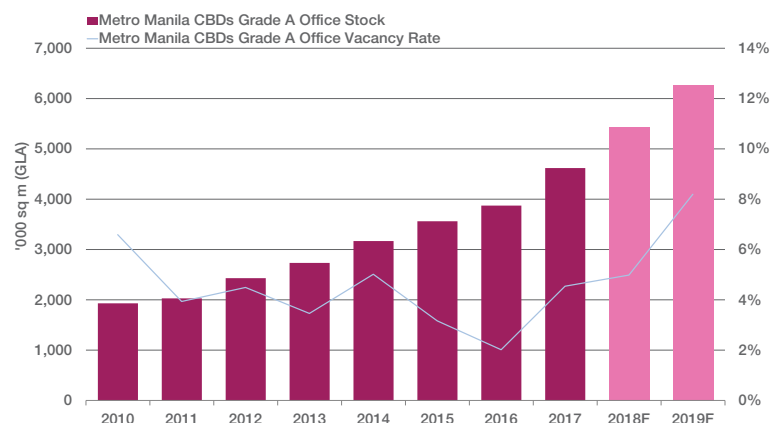
DEVELOPMENT PIPELINE (2018-2021) CURRENT STOCK

MAP 1



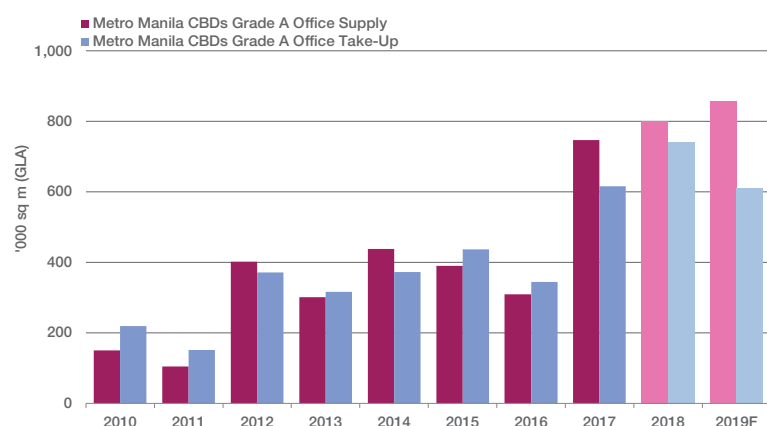
Metro Manila

GRAPH 1
Stock & Vacancy



Source: KMC Savills Research

GRAPH 2
Supply & Take-Up



Source: KMC Savills Research

TABLE 1
Key Figures - Grade A Office

3Q 2018	Makati CBD	BGC	Ortigas Center	Alabang	Quezon City	Bay Area
Average net rental rate (Php/sq m/month)	1,095.2	965.0	688.2	670.6	749.0	822.9
Upper net rental rate (Php/sq m/month)	1,550.0	1,250.0	850.0	725.0	825.0	950.0
Vacancy rate (%)	1.7%	4.5%	3.8%	3.9%	8.7%	0.3%
Current stock (sq m)	1,120,574	1,696,450	601,857	463,099	543,427	669,288
Development pipeline 2018-2021 (sq m)	199,895	425,490	566,464	175,007	195,624	314,563

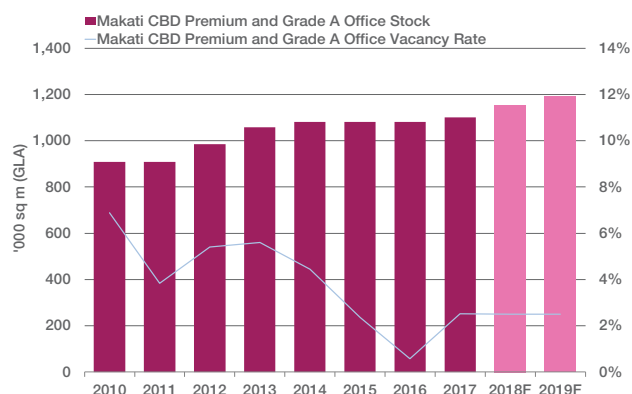
* Makati CBD includes Premium Offices

** Minor changes were made in Alabang's stock and pipeline, please see page 7

- In 3Q/2018, around 182,900 sq m of Grade A office space was completed in Metro Manila. BGC accounted for almost half of the new supply followed by Ortigas Center with 43,300 sq m. Net absorption was relatively weaker from last quarter – resulting in a higher vacancy rate of 3.7% compared to 3.0% in 2Q/2018
- Despite the rising vacancies, average rents in the capital continued to accelerate registering growth of 4.9% YoY from 4.4% YoY the previous quarter. Tightening conditions in Makati CBD have contributed to this acceleration together with higher closing rates in BGC. The Bay Area remains to be the key outlier with rental growth at 13.9% YoY.
- Metro Manila is still expecting as much as 323,200 sq m in 4Q/2018. In total, the market should end the year with 800,500 sq m of new office GLA – a slight increase from last year's 746,900 sq m. As such, we forecast the vacancy rate to rise significantly to 5.0% by the end of 2018.
- In the coming quarters, our outlook on Metro Manila's rental growth is mixed with certain submarkets to experience further acceleration due to tightening vacancies. On the other hand, higher vacancies due to new office supply in BGC and Quezon City may dampen overall rental growth.

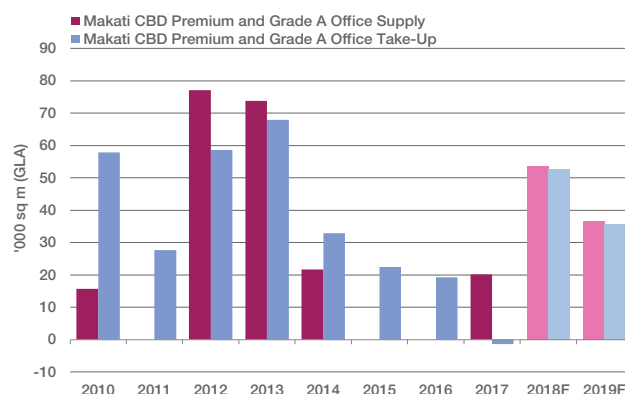
Makati CBD

GRAPH 3
Stock & Vacancy



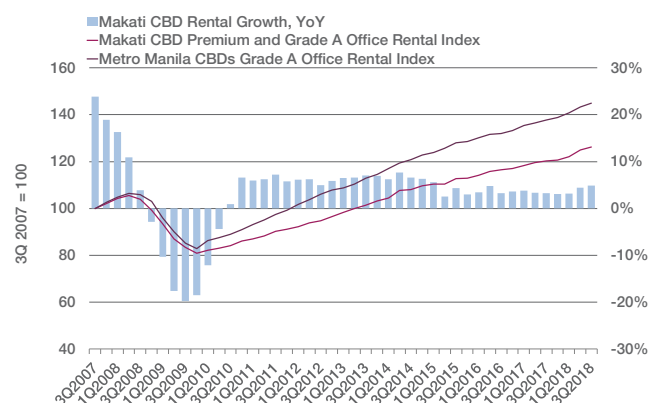
Source: KMC Savills Research

GRAPH 4
Supply & Take-Up



Source: KMC Savills Research

GRAPH 5
Rental Performance



Source: KMC Savills Research

GRAPH 6
Development Pipeline



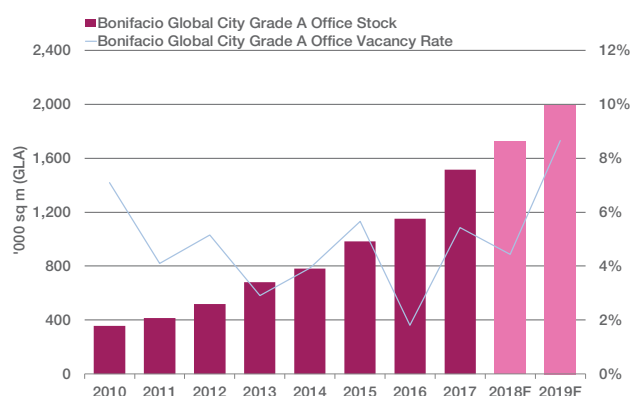
Source: KMC Savills Research

MARKET IN MINUTES

- In Makati CBD, the premier financial district saw a robust occupier performance with vacancies dropping to 1.7% of office stock despite the completion of Ayala North Exchange's first tower.
- Rental growth further improved to 4.9% YoY compared to the growth registered in 2Q/2018 of 4.5% YoY. Tightening supply conditions in the submarket are likely to push rents higher by the end of 2018.
- Having a few buildings in the pipeline, the low-vacancy conditions in Makati CBD are likely to persist in the last quarter of 2018 until 2019. NEX Tower is expected to add another 34,300 sq m in 4Q/2018 which should relatively increase the vacancy rate to 2.5% by yearend.

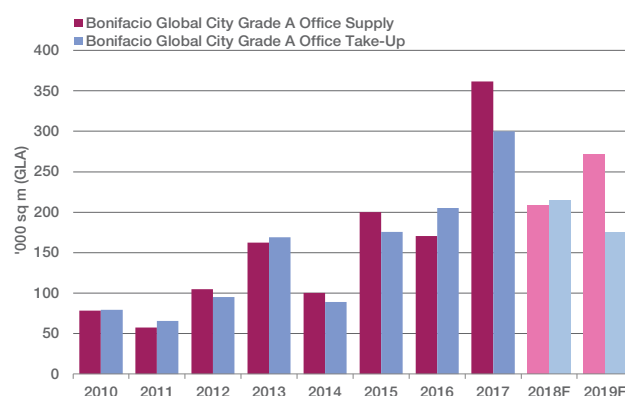
Bonifacio Global City

GRAPH 7
Stock & Vacancy



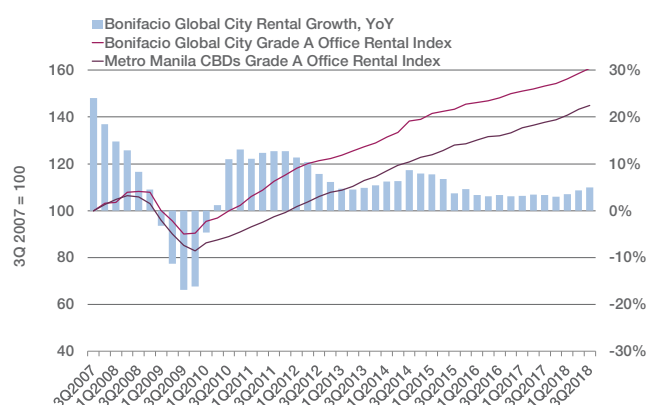
Source: KMC Savills Research

GRAPH 8
Supply & Take-Up



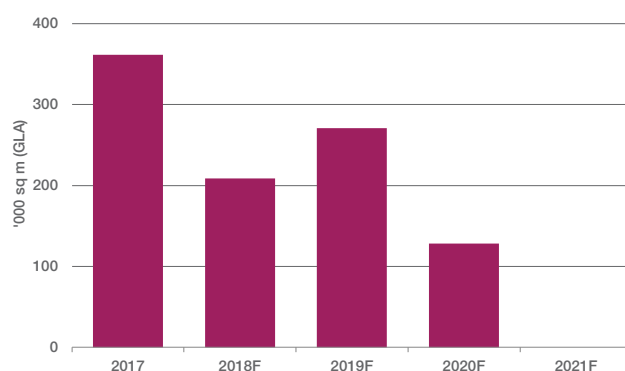
Source: KMC Savills Research

GRAPH 9
Rental Performance



Source: KMC Savills Research

GRAPH 10
Development Pipeline



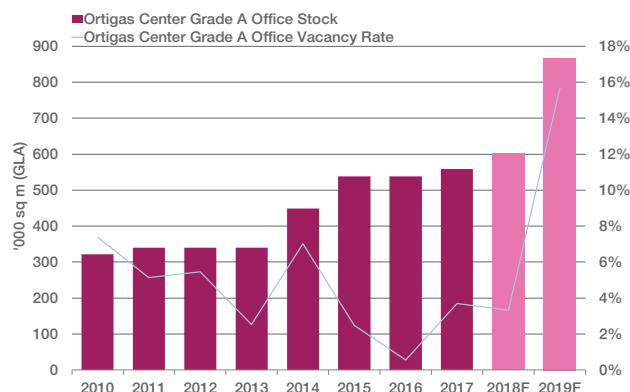
Source: KMC Savills Research

MARKET IN MINUTES

- BGC saw a rise in vacancies in 3Q/2018 due to the additional 81,200 sq m of new office supply. In addition, the slow approvals in PEZA applications for certain buildings in the submarket have hindered market absorption.
- However, rents were unfazed as growth continued to accelerate during the quarter to 5.0% YoY as new office completions in previous quarters close at higher rental rates.
- In the coming years, the submarket is estimated to welcome 425,500 sq m until 2021 which should increase vacancies close to double-digit territory. As such, we do not discount the possibility that rental growth may weaken during this period.

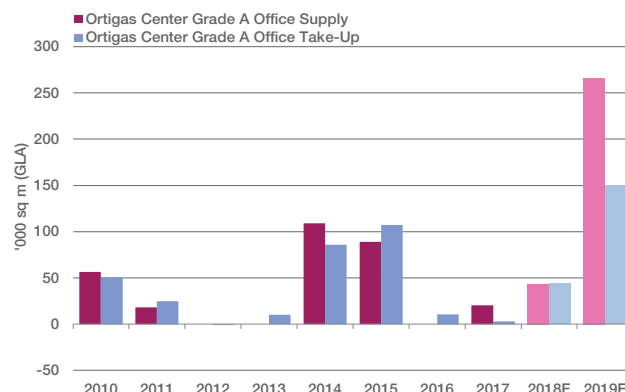
Ortigas Center

GRAPH 11
Stock & Vacancy



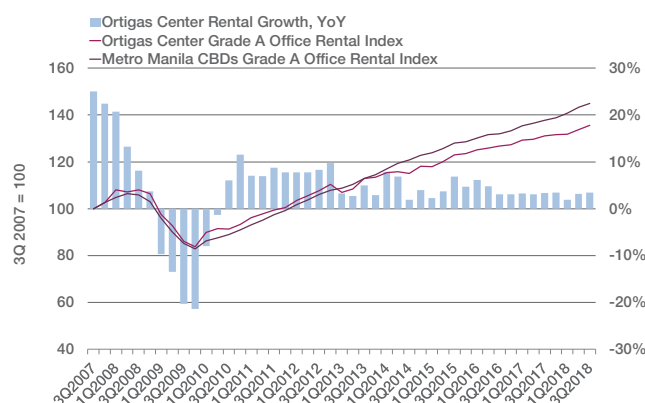
Source: KMC Savills Research

GRAPH 12
Supply & Take-Up



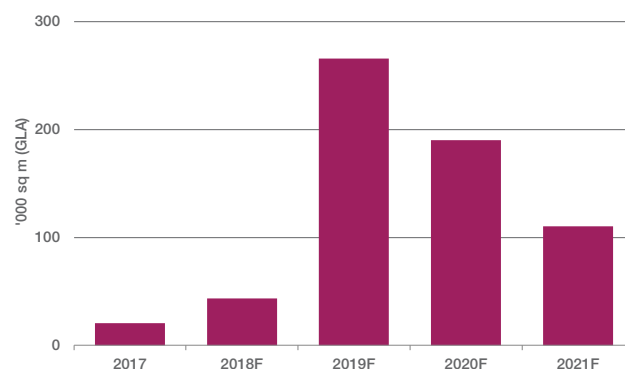
Source: KMC Savills Research

GRAPH 13
Rental Performance



Source: KMC Savills Research

GRAPH 14
Development Pipeline



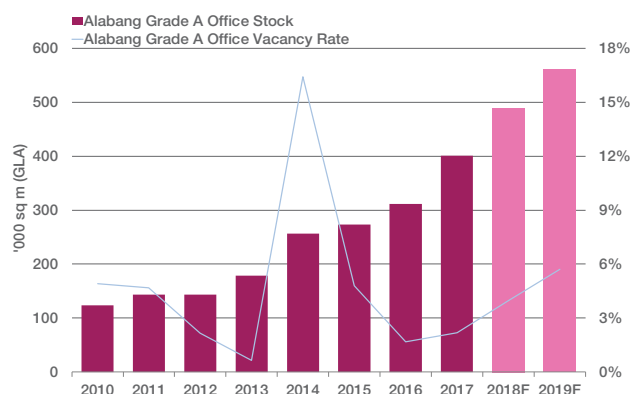
Source: KMC Savills Research

MARKET IN MINUTES

- The submarket's vacancy rate rose to 3.8% during the quarter with the completion of 43,300 sq m from Robinsons Cyberscape Gamma.
- Despite the rise in vacancies, rentals continued to improve with growth at 3.4% YoY in contrast to the 1.9% YoY growth recorded in 1Q/2018.
- Ortigas Center has an office pipeline of around 566,500 sq m which should lead to a spike in vacancies to as much as 18.5% by 2020. However, the new stock is expected to improve quality with the new additions, such as the Podium West Tower, GLAS Tower, Jollibee Tower, and Unioil Tower. Although the vacancies may depress rentals in the coming quarters, the improved stock should boost overall rates in the long run.

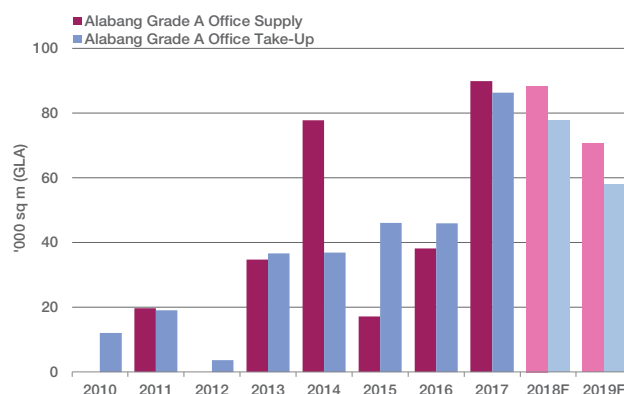
Alabang

GRAPH 15
Stock & Vacancy



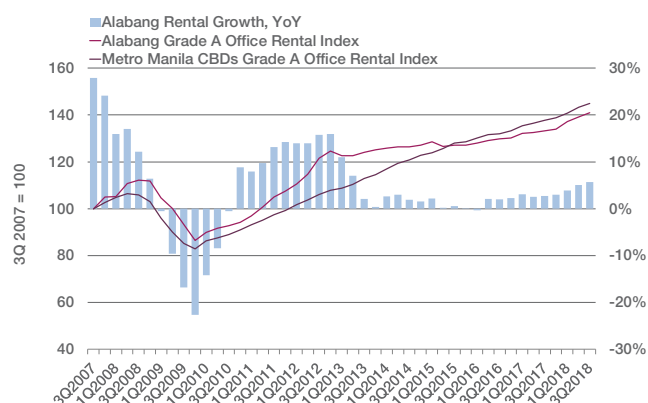
Source: KMC Savills Research

GRAPH 16
Supply & Take-Up



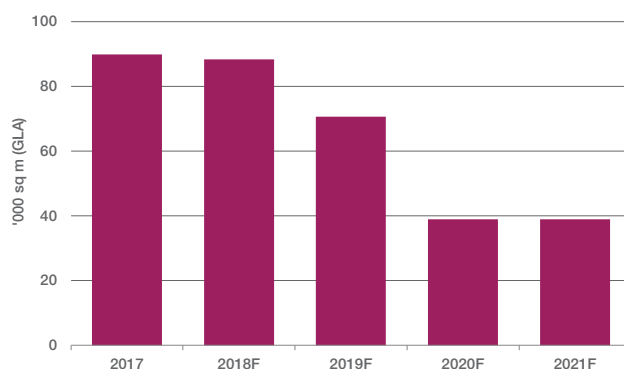
Source: KMC Savills Research

GRAPH 17
Rental Performance



Source: KMC Savills Research

GRAPH 18
Development Pipeline



Source: KMC Savills Research

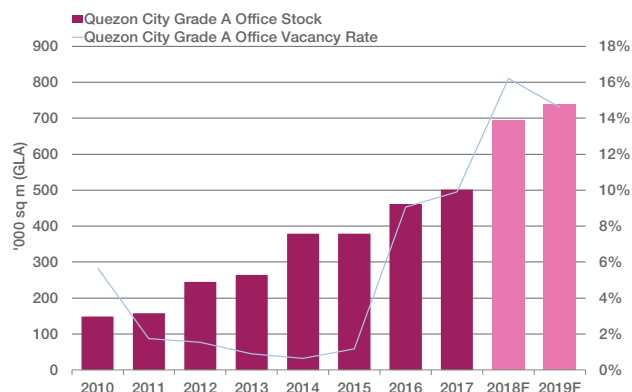
MARKET IN MINUTES

- Vacancies rose to 3.8% of the stock in Alabang with the completion of One Griffinstone – a reversal from the very tight conditions recorded in the previous quarter.
- Rents were still able to improve at a considerable pace to end the quarter at PHP 670.6 per sq m / month. As the POGO sector strengthens its foothold in Alabang, we expect rental growth to further increase in the coming quarters.
- With the surprising uptick in the vacancy rate in 3Q/2018, we expect the submarket to end the year with the vacancy rate under 5.0% due to the expected completion of 22,900 sq m from Parkway Corporate Center.

**** KMC Savills has redefined Alabang to be aligned with the estate boundaries of Madrigal Business Park, Alabang Town Center and Filinvest City.**

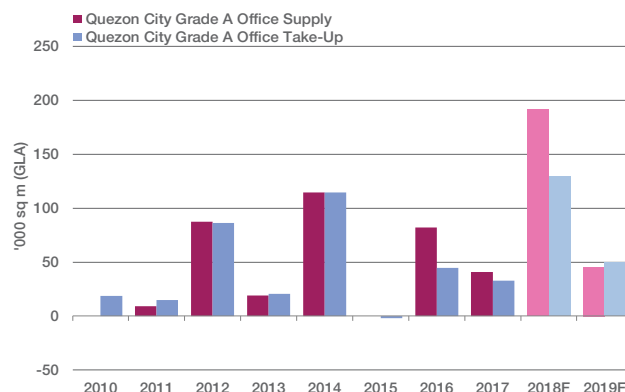
Quezon City

GRAPH 19
Stock & Vacancy



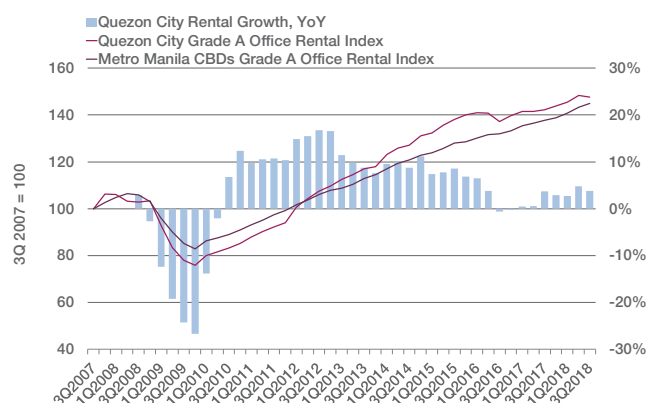
Source: KMC Savills Research

GRAPH 20
Supply & Take-Up



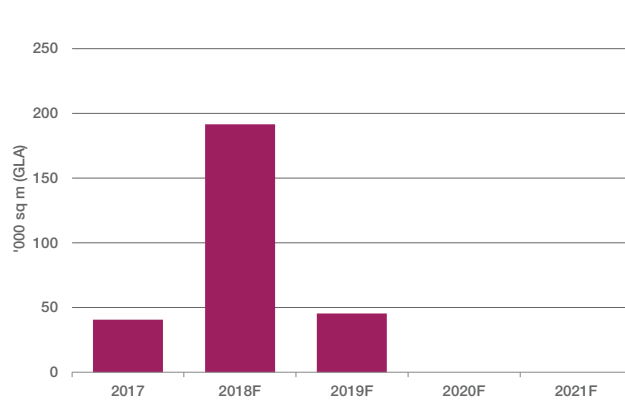
Source: KMC Savills Research

GRAPH 21
Rental Performance



Source: KMC Savills Research

GRAPH 22
Development Pipeline



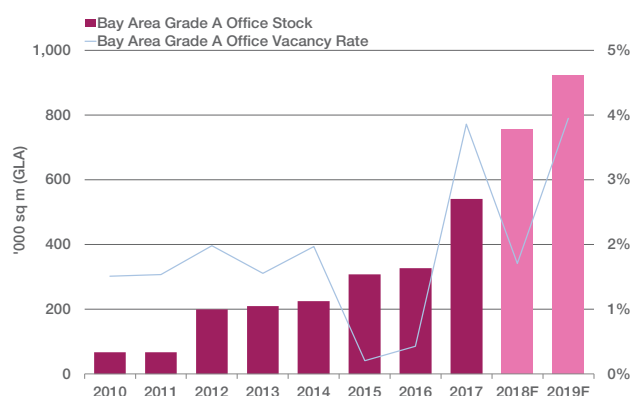
Source: KMC Savills Research

MARKET IN MINUTES

- Without any new office completions, the vacancy rate rose to 8.7% in Quezon City after the expiration of several contracts in the submarket.
- With the relatively high vacancy rate persisting in the previous quarters, rental growth continued to struggle after declining 0.6% QoQ to PHP 749.0 per sq m / month.
- We do not expect conditions in the submarket to improve in the coming quarters. With as much as 150,100 sq m expected to be completed in 4Q2018, we believe the vacancy rate will spike as high as 16.2% by end-2018 and remain in double digits throughout 2019.

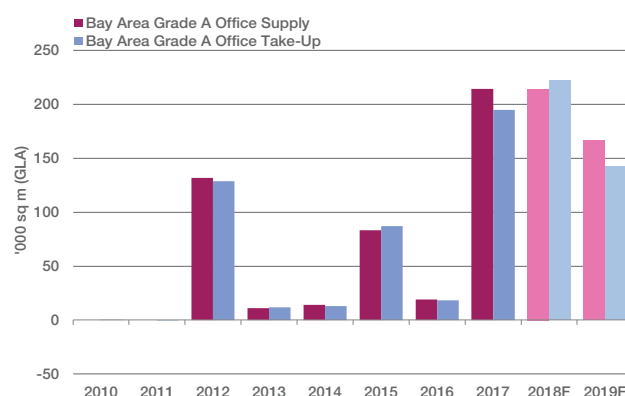
Bay Area

GRAPH 23
Stock & Vacancy



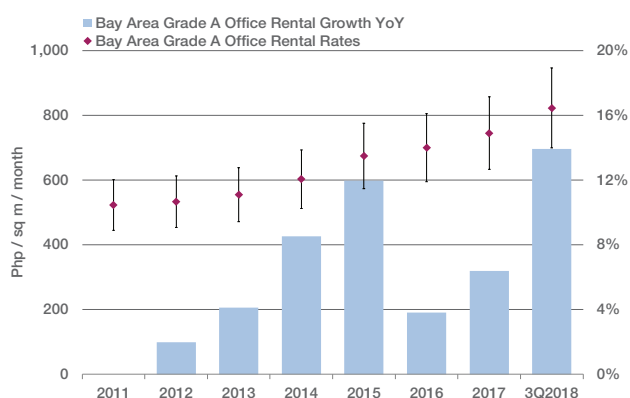
Source: KMC Savills Research

GRAPH 24
Supply & Take-Up



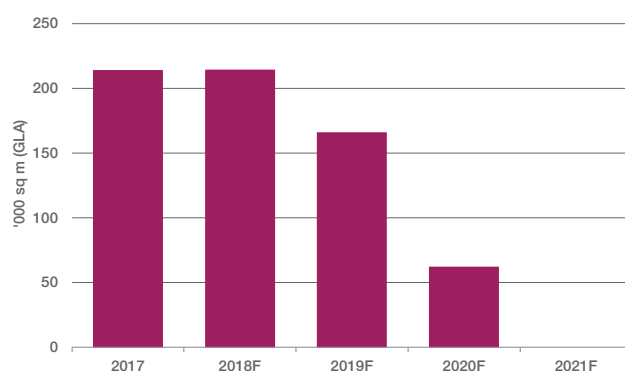
Source: KMC Savills Research

GRAPH 25
Rental Performance



Source: KMC Savills Research

GRAPH 26
Development Pipeline



Source: KMC Savills Research

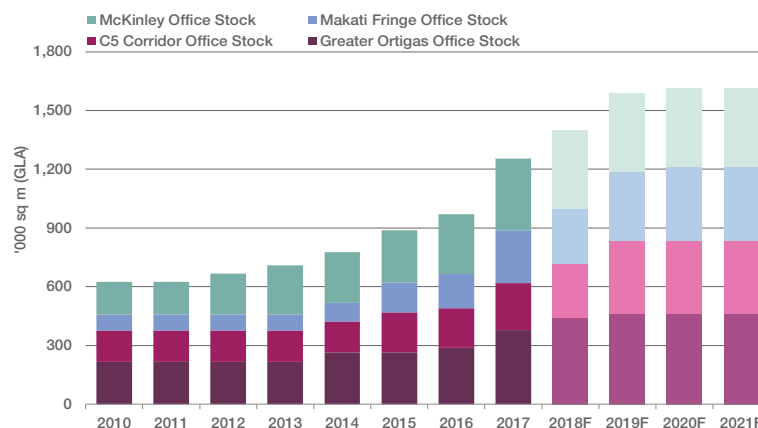
MARKET IN MINUTES

- Market conditions in the Bay Area remain to be very tight as the vacancy rate further declined to 0.3% in 3Q/2018 – despite the addition of 15,600 sq m from Filinvest Cyberzone Pasay Tower D.
- As vacancies remain low and with aggressive occupier demand, rents accelerated by 13.9% YoY, pegged at PHP 822.9 per sq m / month.
- The POGO sector continues to dominate the occupier market in the Bay Area; although certain landlords have begun to be more selective with potential tenants. In the coming quarters, the submarket is expected to maintain its tight vacancy conditions even with the 252,100-sq m pipeline until 2019.

Other Submarkets

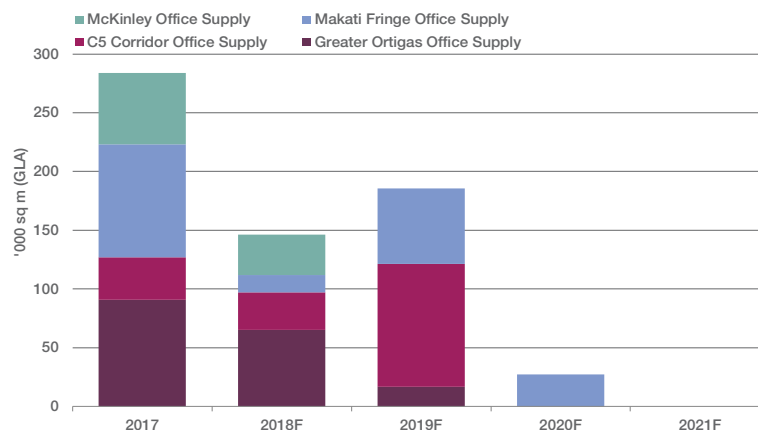
- Conditions in Greater Ortigas and C5 Corridor have improved with vacancies declining significantly with robust occupier demand coupled with no new office completions during the quarter.
- On the other hand, the Makati Fringe saw an increase in vacancies with the completion of Filinvest's 100 West building along Buendia Avenue. The office building added 14,600 sq m of new office supply in the submarket.
- In the coming quarters, conditions in Greater Ortigas and C5 Corridor should continue to improve as we do not foresee occupier demand to weaken despite the influx of new supply in 2019.

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 ArcoVia.

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

ARTHALAND CENTURY PACIFIC TOWER

**LOCATION**

BONIFACIO GLOBAL CITY

GRADE

Premium

TURNOVER DATE

Q4 2017

GROSS LEASABLE AREA

29,935 sq m

NO. OF FLOORS

30

FLOOR PLATE (GLA)

1,550 sq m - Low Zone

1,600 sq m - High Zone

HANDOVER CONDITION

Warm Shell

PEZA

Yes

24 / 7 CAPABILITY

Yes

BACKUP POWER

100%

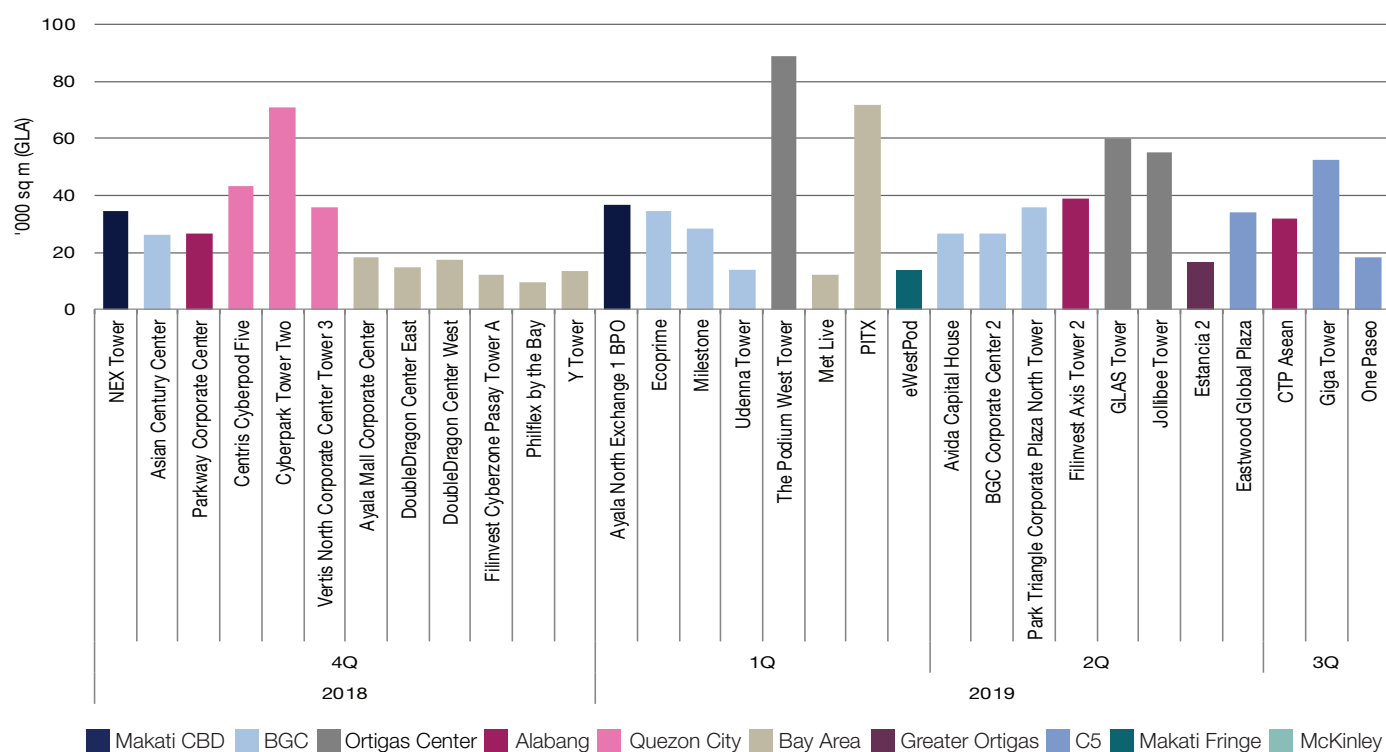
This is the ArthaLand Century Pacific Tower, a premium office building at the corner of 5th Avenue and 30th Street. The project is located at a prime block, just across Shangri-La at the Fort, the Central Square Mall, and near the future Philippine Stock Exchange building.

The premium grade building is designed by SOM New York, the same group that penned the One World Trade Center in New York and Burj Khalifa in Dubai.

In all aspects, this project, that is designed to hold the headquarters of multinational companies, is fully green. It is on target to achieve dual green building certification from both LEED and BERDE. In fact, it is already LEED pre-certified Gold and won the 2016 Philippines' Property Award as the Best Green Development in the country.

GRAPH 29

12-month Supply Forecast by Building



KMC Savills, Inc.

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