



KMC Research

Metro Manila Office Briefing

1Q 2019

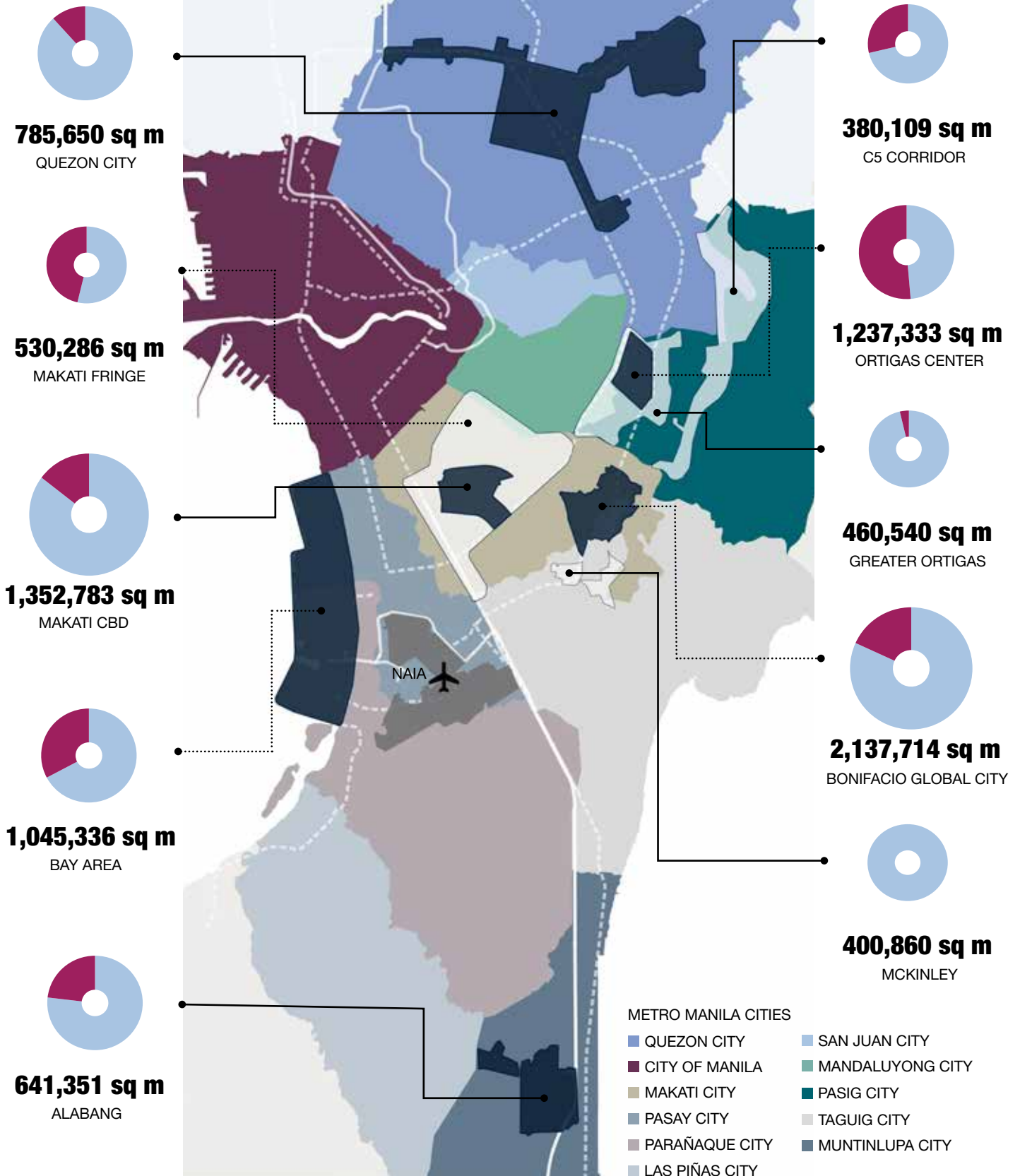


Metro Manila Office Submarkets

Future Stock (2022)

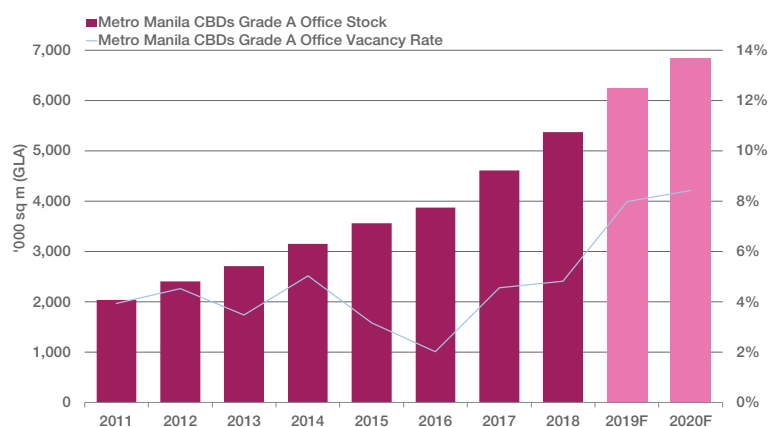
● DEVELOPMENT PIPELINE (2019-2022) ● CURRENT STOCK

MAP 1



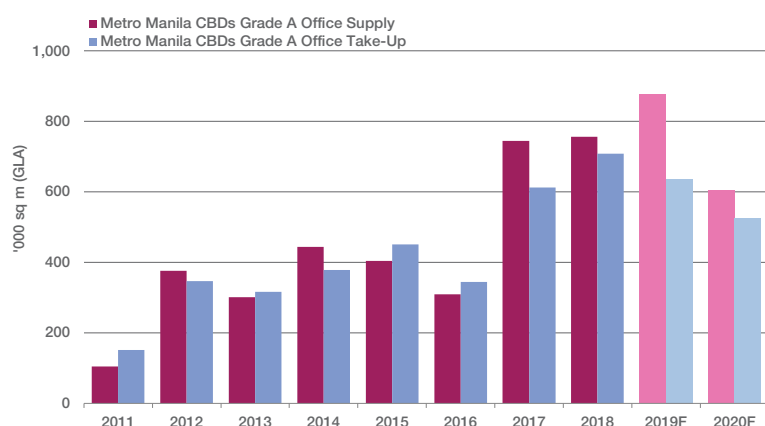
Metro Manila

GRAPH 1
Stock & Vacancy



Source: KMC Savills Research

GRAPH 2
Supply & Take-Up



Source: KMC Savills Research

TABLE 1
Key Figures - Grade A Office

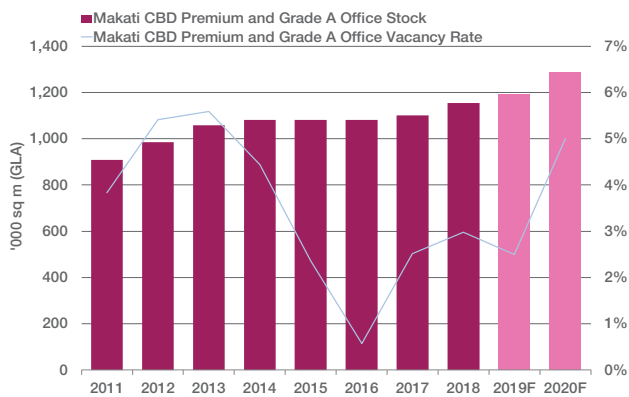
1Q 2019	Makati CBD	BGC	Ortigas Center	Alabang	Quezon City	Bay Area
Average net rental rate (Php/sq m/month)	1,107.9	981.6	697.0	674.9	744.7	833.7
Upper net rental rate (Php/sq m/month)	1,600.0	1,250.0	875.0	750.0	800.0	950.0
Vacancy rate (%)	3.0%	5.2%	1.1%	1.3%	19.4%	0.7%
Current stock (sq m)	1,191,611	1,749,047	601,857	492,942	693,601	702,648
Development pipeline 2019-2022 (sq m)	197,872	388,667	635,476	148,410	92,048	342,687

* Makati CBD includes Premium Offices

- With only 63,300 sq m of additional Grade A office supply in the first quarter, the overall vacancy rate in Metro Manila sustained its steady pace at 5.1%. Meanwhile, net absorption sunk to its two-year low at 42,600 sq m, dragged by the poor performance in Quezon City
- The office sector should continue to exhibit strength despite around 876,000 sq m of GLA slated to come online this year – a historical high for Metro Manila. More than half of the new supply in 2019 is forecasted to come from BGC, Ortigas Center and the Bay Area.
- The Philippine Online Gaming Operator (POGO) sector continues to grow after taking up another 76,000 sq m of office space in the Bay Area alone in 2018 or almost half of the new supply in the submarket last year. However, this is slower compared to what was observed in 2017 of around 166,000 sq m. The sector is expected to sustain its momentum as it starts to expand its foothold into different submarkets which should boost demand for office space in the short to medium term. Additionally, the O&O sector is still expected to occupy a huge portion of the Grade A office stock in Metro Manila as current locators continue to operate and expand in the capital and other emerging cities around the country.
- With these factors in play, overall rental rates increased by 5.1% YoY in 1Q/2019 on the back of newer buildings commanding higher rents in BGC and Ortigas Center. However, the large volume of new supply in the coming quarters should prove challenging. Landlords of older buildings may have difficulty leasing out their vacancies amidst the entry of better-quality stock.

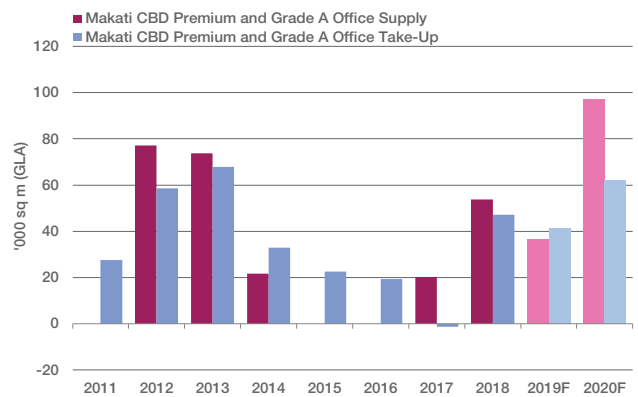
Makati CBD

GRAPH 3
Stock & Vacancy



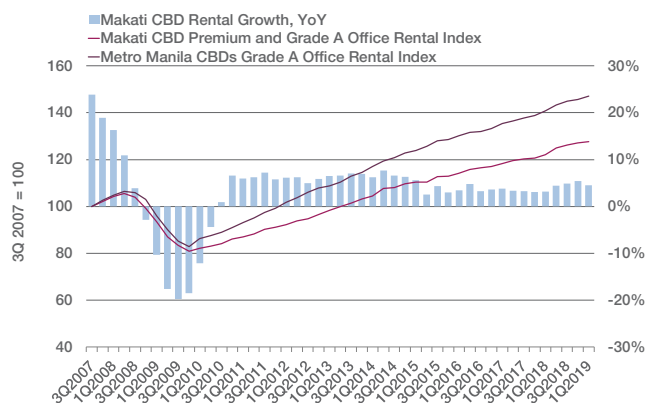
Source: KMC Savills Research

GRAPH 4
Supply & Take-Up



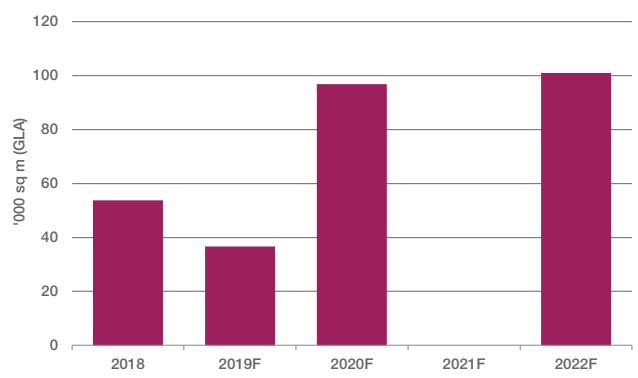
Source: KMC Savills Research

GRAPH 5
Rental Performance



Source: KMC Savills Research

GRAPH 6
Development Pipeline



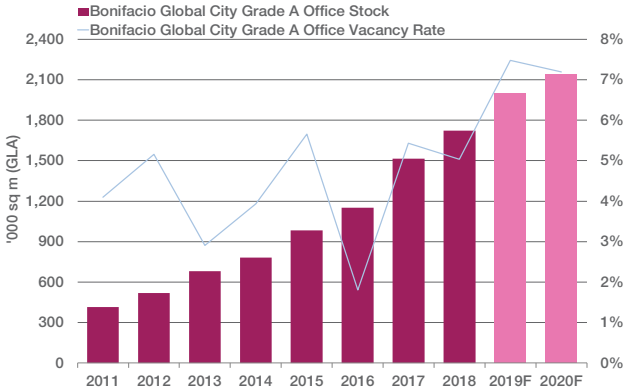
Source: KMC Savills Research

MARKET IN MINUTES

- The Makati CBD maintained its low vacancy rate at 3.0% in 1Q/2019 even with the addition of 36,700 sq m from Ayala North Exchange Tower Two.
- The premier business district continues to dominate in terms of average rental rate as it closed the quarter with PHP1,107.9 per sq m / month, growing at a stable pace of 4.5% YoY.
- Although there are no expected completions in Makati CBD for the remainder of the year, tight conditions in the submarket could persist while subsequently driving rents higher in the coming quarters.

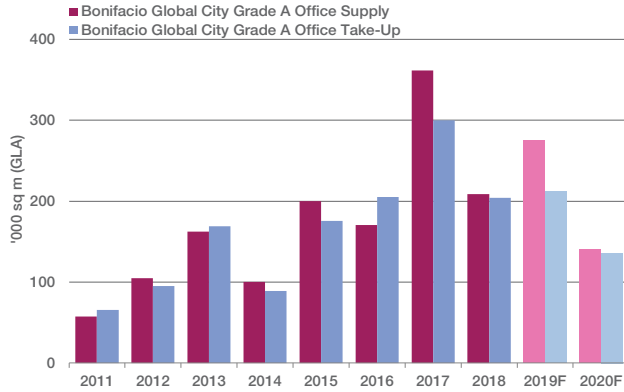
Bonifacio Global City

GRAPH 7
Stock & Vacancy



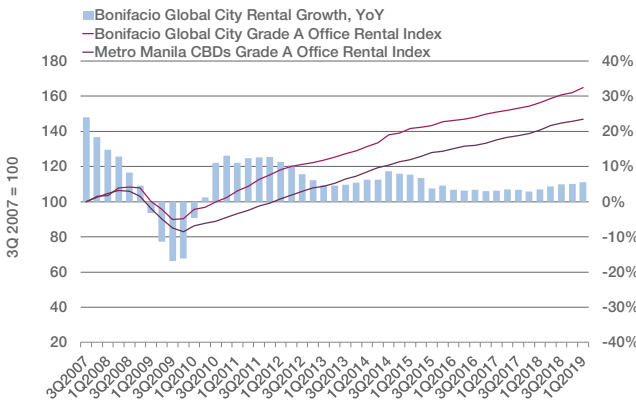
Source: KMC Savills Research

GRAPH 8
Supply & Take-Up



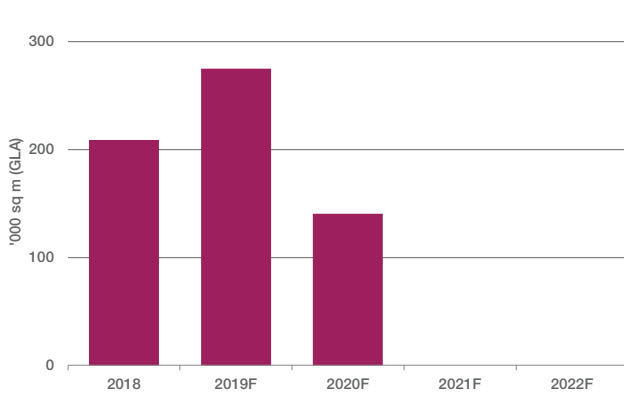
Source: KMC Savills Research

GRAPH 9
Rental Performance



Source: KMC Savills Research

GRAPH 10
Development Pipeline



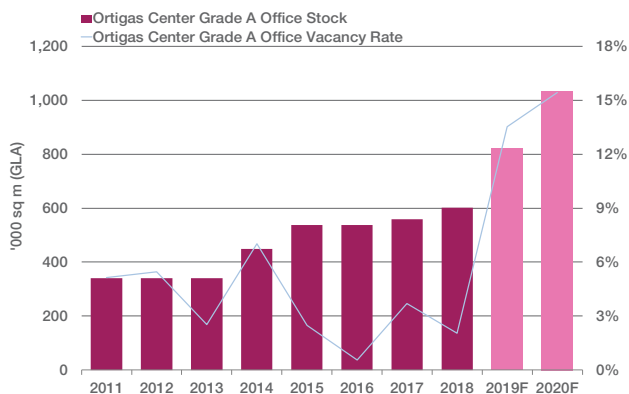
Source: KMC Savills Research

MARKET IN MINUTES

- The completion of Avida Capital House contributed 26,600 sq m to total stock, which prompted vacancies to inch up marginally to 5.2% in 1Q/2019.
- Rents in BGC expanded by 5.5% YoY to PHP989.3 per sq m / month – due to the demand shifting to newer buildings with above-average rental rates.
- BGC is expected to welcome 248,300 sq m of new Grade A office space in the coming quarters which may put pressure on vacancies. Nevertheless, rental rates could rise regardless of the incoming supply due to the robust occupier demand.

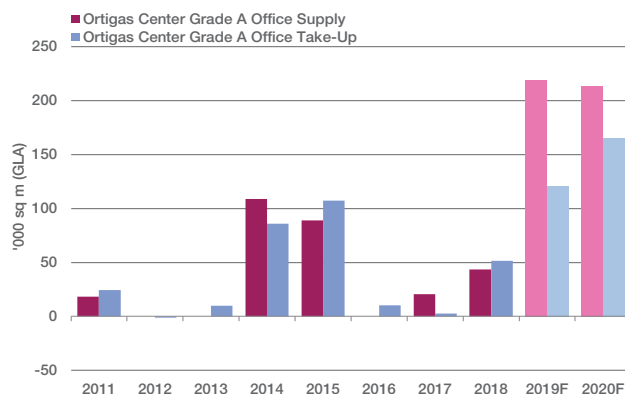
Ortigas Center

GRAPH 11 **Stock & Vacancy**



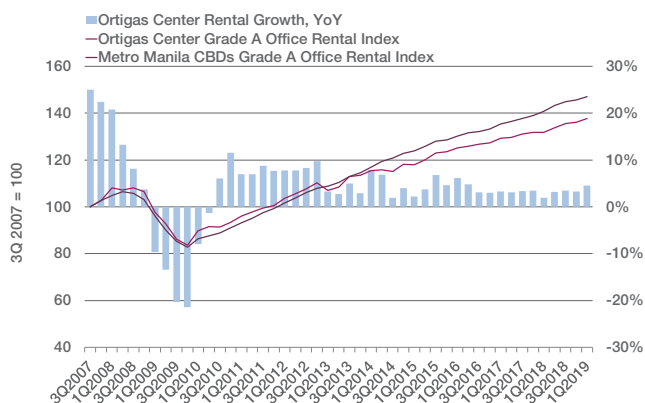
Source: KMC Savills Research

GRAPH 12 **Supply & Take-Up**



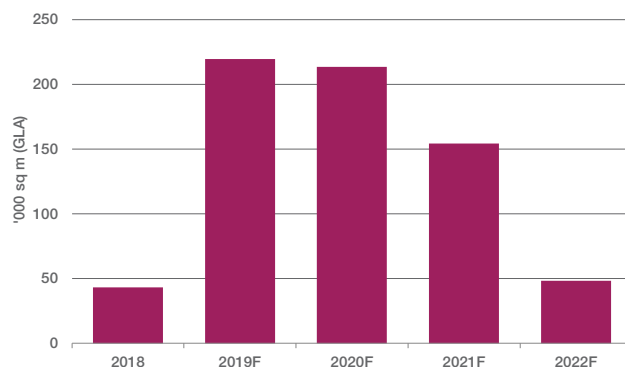
Source: KMC Savills Research

GRAPH 13 **Rental Performance**



Source: KMC Savills Research

GRAPH 14 **Development Pipeline**



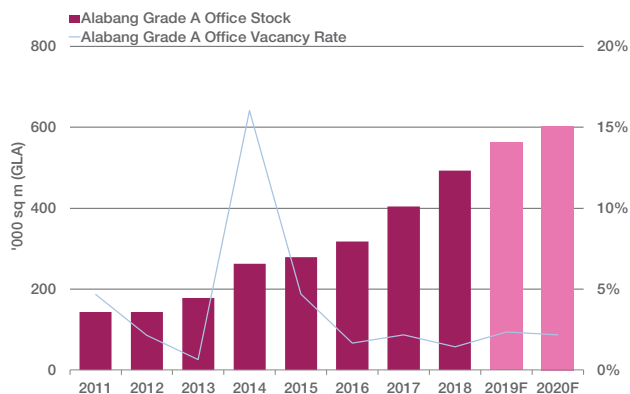
Source: KMC Savills Research

MARKET IN MINUTES

- Sustained occupier demand from the O&O sector was observed in Ortigas Center as vacancies contracted further to 1.1% from 2.0% in 4Q/2018.
- Consequently, the tight market conditions during the quarter pushed rents to grow by 4.5% YoY at PHP699.3 per sq m / month.
- Ortigas Center is expected to receive an additional supply of around 636,000 sq m of office space until 2022. Accordingly, this could cause a surge in vacancies and possibly stagnate rental growth over the following quarters.

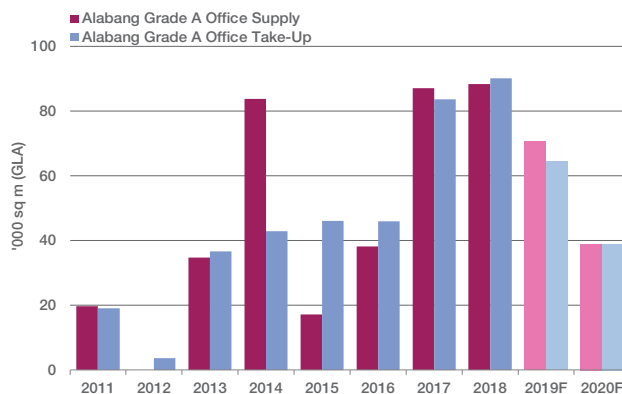
Alabang

GRAPH 15 **Stock & Vacancy**



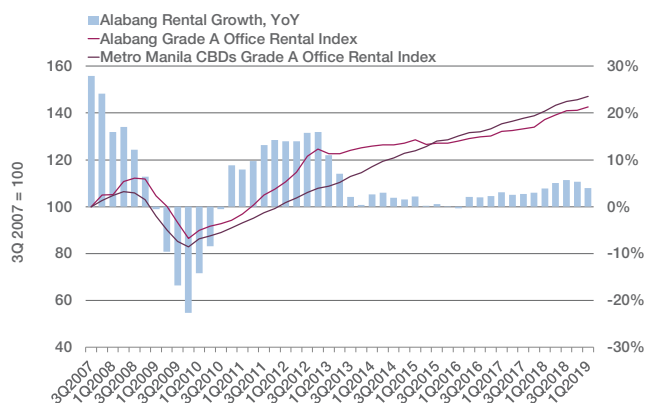
Source: KMC Savills Research

GRAPH 16 **Supply & Take-Up**



Source: KMC Savills Research

GRAPH 17 **Rental Performance**



Source: KMC Savills Research

GRAPH 18 **Development Pipeline**



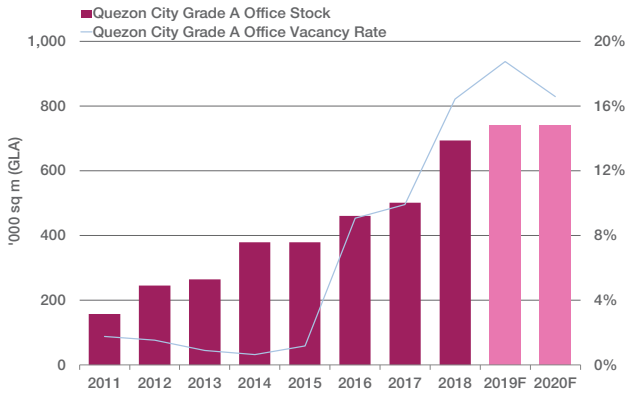
Source: KMC Savills Research

MARKET IN MINUTES

- Despite having no new completions in the submarket, the vacancy rate tightened further to 1.3% in 1Q/2019, compared to the 1.4% recorded in 4Q/2018.
- Rental rates increased by 4.0% YoY to PHP678.8 per sq m / month as the submarket continues to attract occupiers from the POGO sector.
- Robust occupier demand from the POGO and O&O sectors have kept vacancies in Alabang low and may persist in the coming quarters, which we believe could buoy rental rates.

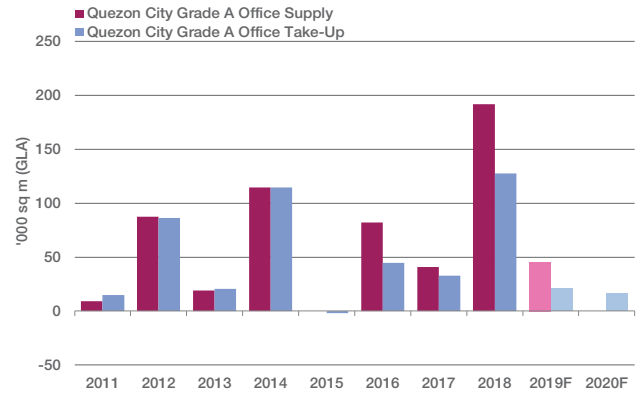
Quezon City

GRAPH 19 **Stock & Vacancy**



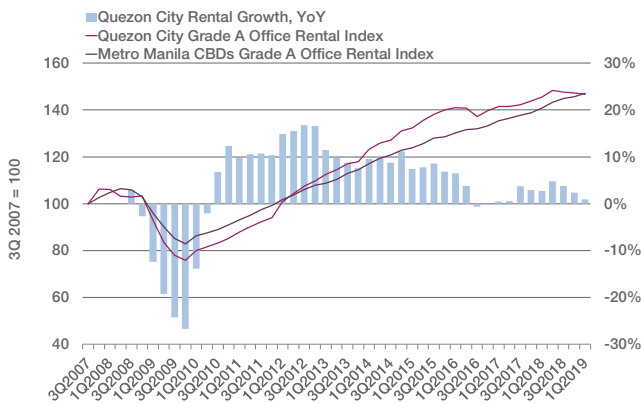
Source: KMC Savills Research

GRAPH 20 **Supply & Take-Up**



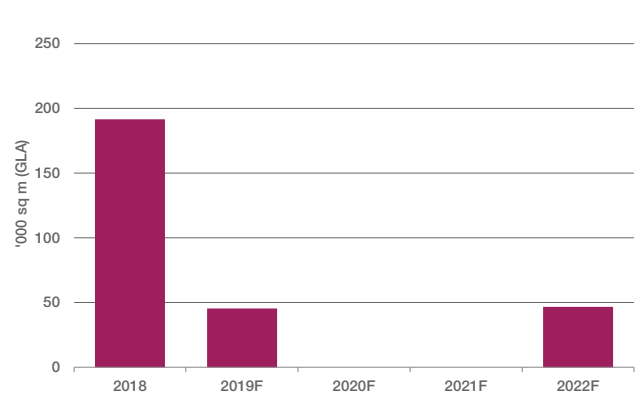
Source: KMC Savills Research

GRAPH 21 **Rental Performance**



Source: KMC Savills Research

GRAPH 22 **Development Pipeline**



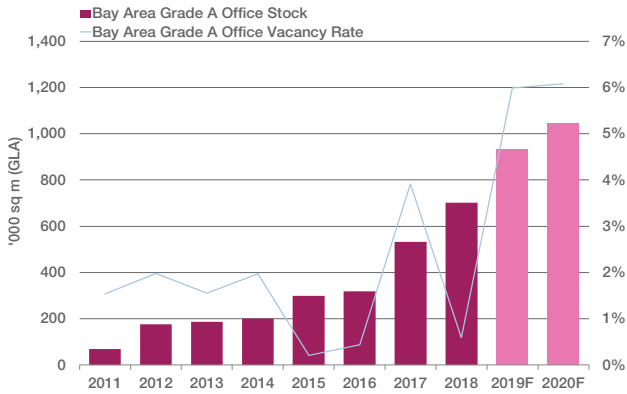
Source: KMC Savills Research

MARKET IN MINUTES

- Although there was no additional office supply in 1Q/2019 and with its occupier demand still lackluster, Quezon City's vacancy rate reached a record high of 19.4% with a negative net absorption of 20,700 sq m.
- As a result, it pulled average rents lower by 0.4% QoQ to PHP744.7 per sq m / month – a stark contrast from its average in 2Q/2018 of PHP753.2 per sq m / month.
- In the medium term, the vacancy rate could continue to play around in the high teens. We expect these conditions to persist further until 2020 and create more downward pressure on rents in the coming quarters.

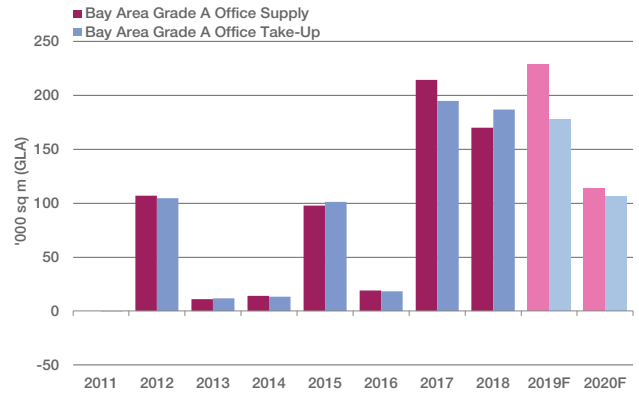
Bay Area

GRAPH 23 **Stock & Vacancy**



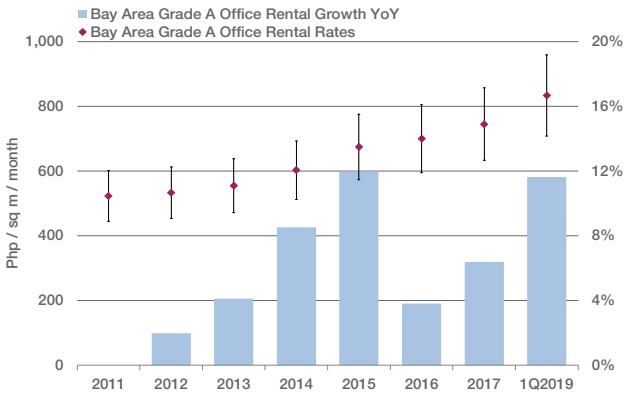
Source: KMC Savills Research

GRAPH 24 **Supply & Take-Up**



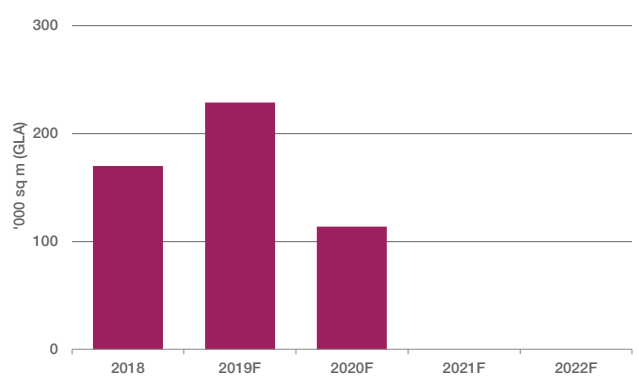
Source: KMC Savills Research

GRAPH 25 **Rental Performance**



Source: KMC Savills Research

GRAPH 26 **Development Pipeline**



Source: KMC Savills Research

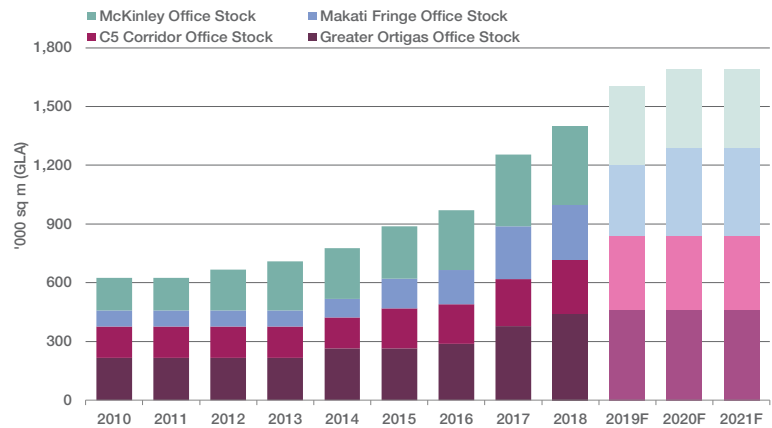
MARKET IN MINUTES

- With no completions for the first quarter, vacancies remain relatively unchanged at 0.7% of total stock albeit slightly higher from last quarter.
- Rental rates for the Bay Area continue to outperform the other submarkets as it recorded another double-digit growth of 11.6% YoY and registered an average rate of PHP833.7 per sq m / month. The very tight conditions in the submarket have continuously buoyed rentals since 2018.
- While we see a significant influx of supply in the quarters ahead with the additional 228,900 sq m of GLA, we could expect net absorption to soften in the submarket as the POGO sector starts to enter new locations in Metro Manila.

Other Submarkets

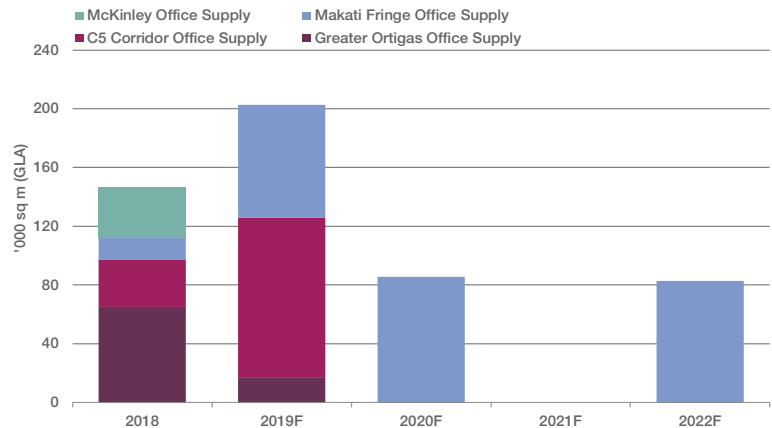
- The growing presence of the POGO sector drove vacancies in the Makati Fringe to its lowest at 0.3% of total stock in 1Q/2019 from 3.8% in the previous quarter.
- With no new completions in Greater Ortigas, conditions in the submarket continued to show improvement with the vacancy rate hitting 8.0% against the 10.7% in 4Q/2018. Meanwhile, contract expirations in C5 Corridor and McKinley drove vacancies upward to 4.1% and 8.1%, respectively.
- As the POGO sector continues to entrench itself in different locations in the capital and with the O&O sector's further expansion, we expect strong net absorption that will mitigate the surge in vacancies from the additional 202,800 sq m 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

DOUBLEDRAGON CENTER WEST AT DD MERIDIAN PARK



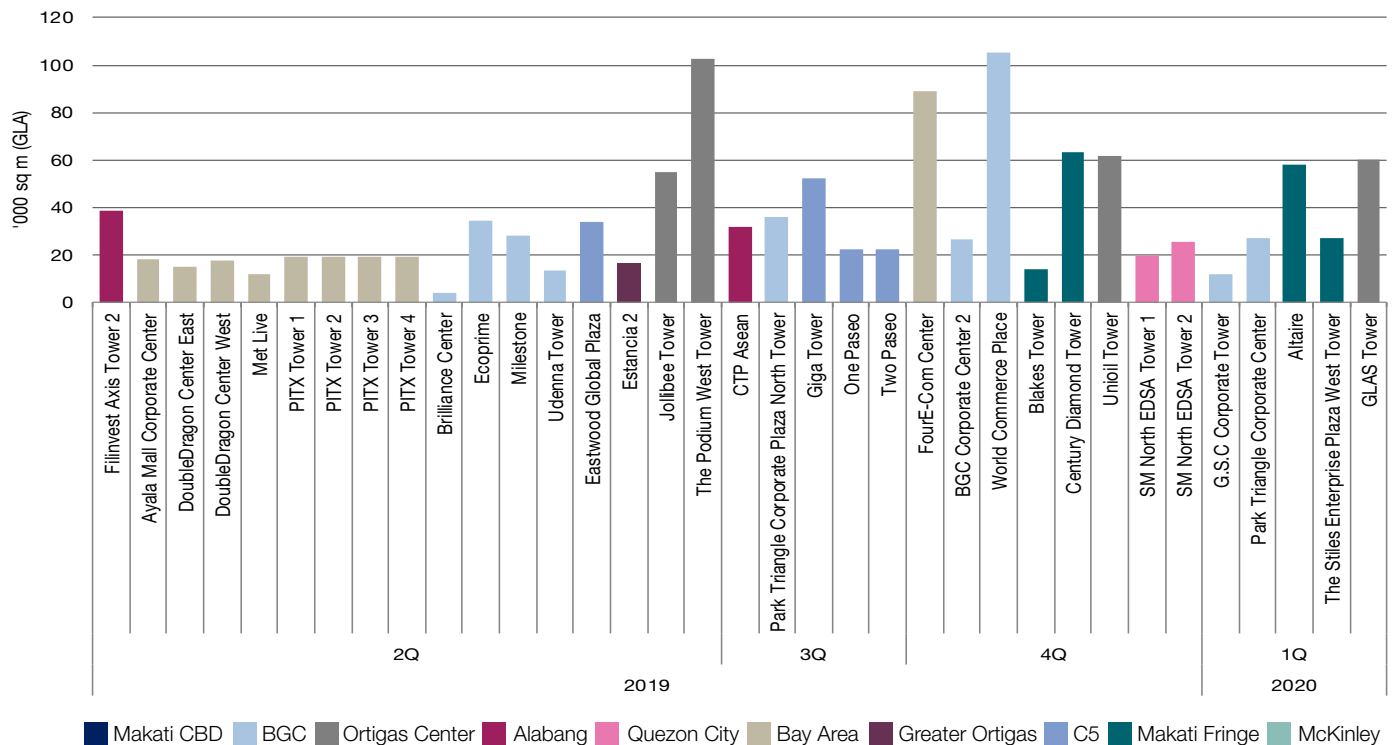
LOCATION	BAY AREA
GRADE	GRADE A
TURNOVER DATE	2Q 2019
GROSS LEASABLE AREA	17,600 SQ M
NO. OF FLOORS	11
FLOOR PLATE (GLA)	2,200 SQ M
HANDOVER CONDITION	BARE SHELL WITH AC
24 / 7 CAPABILITY	YES
BACKUP POWER	N+1

The DoubleDragon Center West is located at DD Meridian Park, the prime office and commercial complex at the forefront of Bay Area. The tower is strategically located at EDSA extension corner Macapagal Avenue making it a highly accessible point in the Metro. Developed by DoubleDragon Properties Corp, this tower has space allocations for office and retail, offering a total gross floor area of 19,252.17 sq m. The structure has a total of 11 floors for commercial and office use with a total of 108 parking slots to conveniently accommodate its tenants.

The Double Dragon Center West is also Fiber Optic ready and features integrated building management with CCTV and security intercom with 24/7 capability and 100% Back up power. In pursuant of sustainability, it features a rainwater harvesting system and has provision for fresh air.

GRAPH 29

12-month Supply Forecast by Building



KMC Savills, Inc.

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