



KMC Research

# Metro Manila Office Briefing

2Q 2019

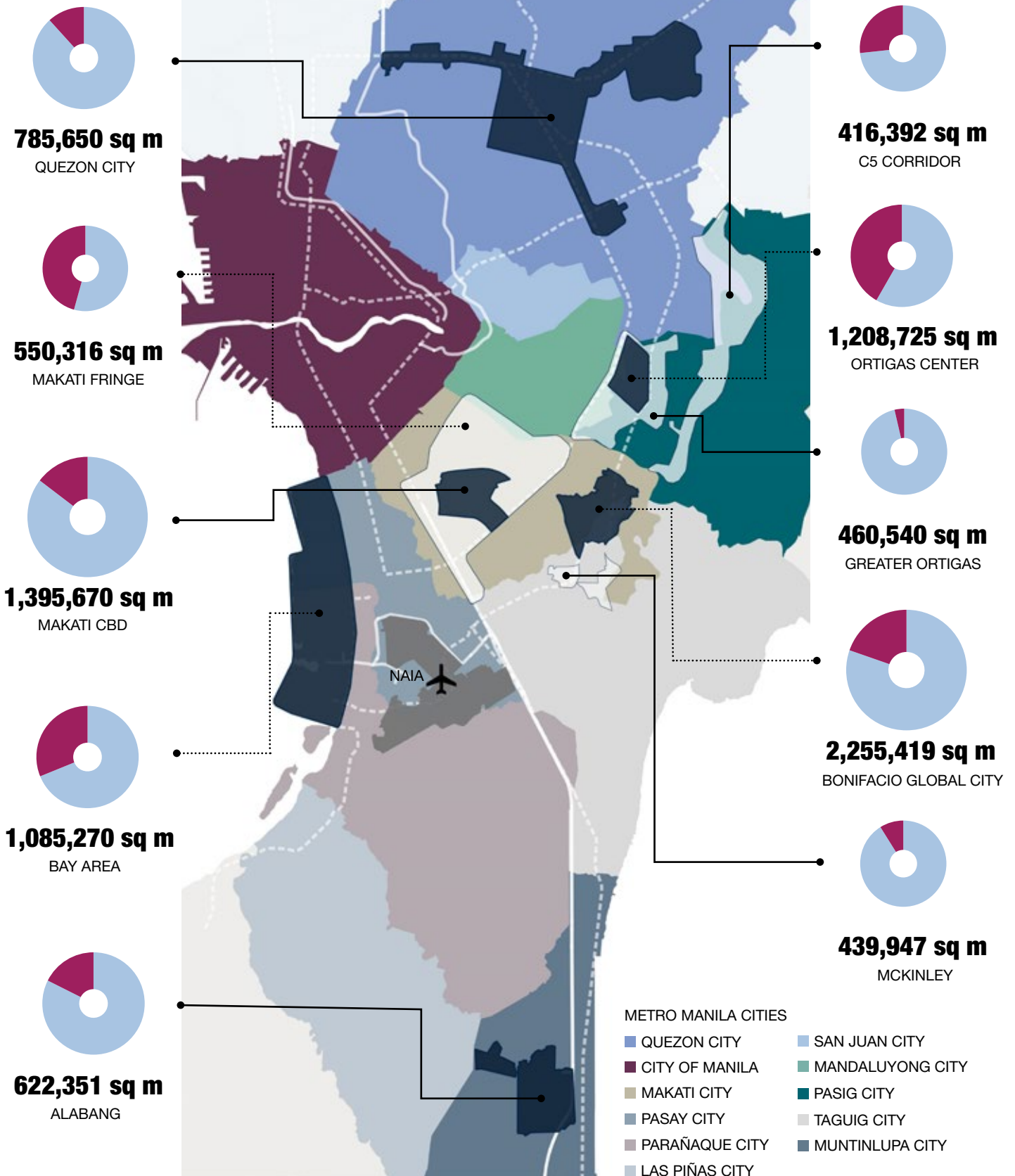


# Metro Manila Office Submarkets

## Future Stock (2022)

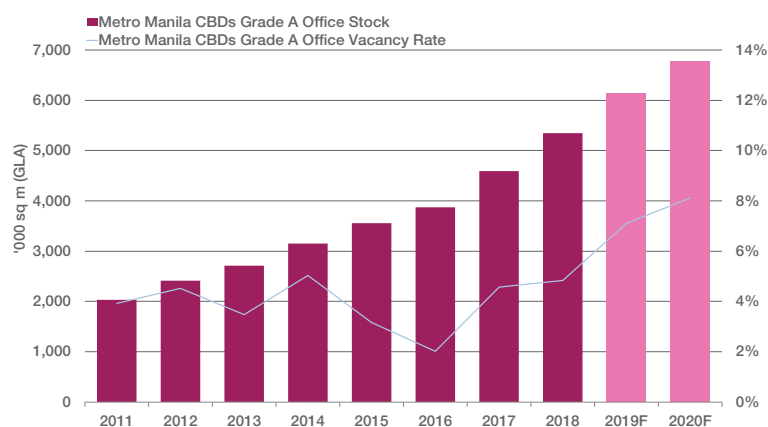
● DEVELOPMENT PIPELINE (2019-2022) ● CURRENT STOCK

MAP 1



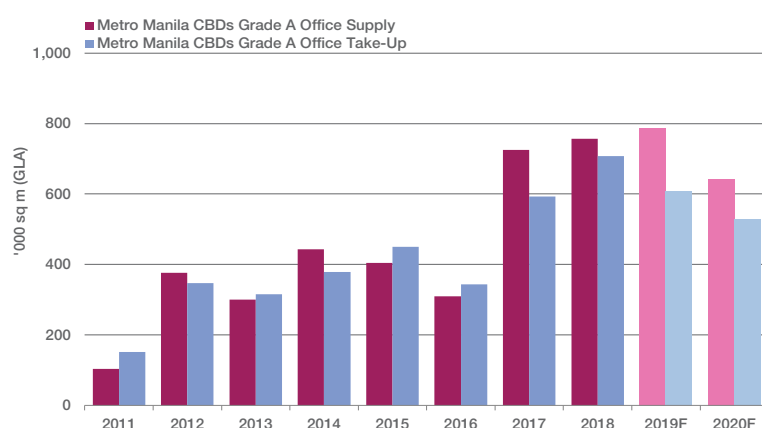
# Metro Manila

GRAPH 1  
**Stock & Vacancy**



Source: KMC Savills Research

GRAPH 2  
**Supply & Take-Up**



Source: KMC Savills Research

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

2Q 2019	Makati CBD	BGC	Ortigas Center	Alabang	Quezon City	Bay Area
Average net rental rate (Php/sq m)	1,120.5	993.5	702.1	684.1	749.3	845.2
Average net rental rate (USD/sq ft)	2.0	1.8	1.3	1.2	1.3	1.5
Upper net rental rate (Php/sq m)	1,600.0	1,250.0	850.0	725.0	825.0	950.0
Vacancy rate (%)	1.8%	6.6%	11.8%	1.7%	18.0%	1.7%
Current stock (sq m)	1,191,611	1,811,856	704,357	512,841	693,601	747,175
Development pipeline 2018-2022 (sq m)	204,059	443,563	504,368	109,510	92,048	338,094

\* Makati CBD includes Premium Offices

■ Metro Manila welcomed around 249,000 sq m of new Grade A office supply in 2Q/2019, coming primarily from Ortigas Center and the Bay Area. This brought the overall vacancy rate to expand to 6.6%. Net absorption improved almost four folds compared to the subdued performance in 1Q/2019.

■ Average rents in Metro Manila upheld its steady pace growing at a modest rate of 3.9% YoY. The absence of new supply in Makati CBD for the remaining quarters of 2019 pushed rents higher. On the other hand, BGC is seen to improve rents due to the strong pre-leasing commitments for its upcoming buildings this year. Ortigas Center may experience a softer growth as market absorption in the CBD may be slower.

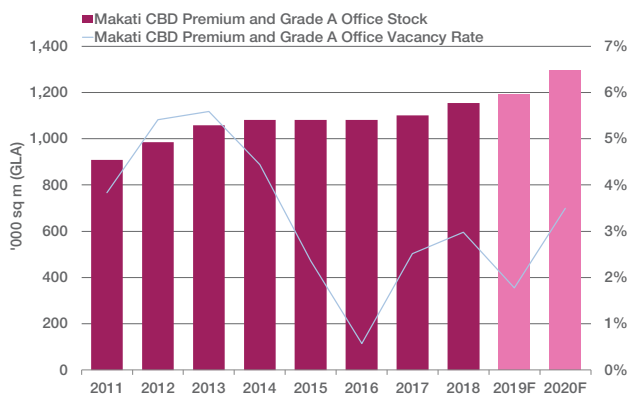
■ In terms of office space demand, leasing activity in the newly completed buildings came predominantly from the O&O sector. However, we could expect sluggish growth in the sector after the government imposed a moratorium for Philippine Economic Zone Authority (PEZA) to process pending new economic zones applications in Metro Manila. Moreover, the POGO sector—which has been budding immensely— may pick up the slack.

■ For the second half of the year, Metro Manila is expected to welcome more than 475,000 sq m of new office supply. The rapid growth of the POGO sector in the country could further lift average rents despite muted demand from the O&O sector.



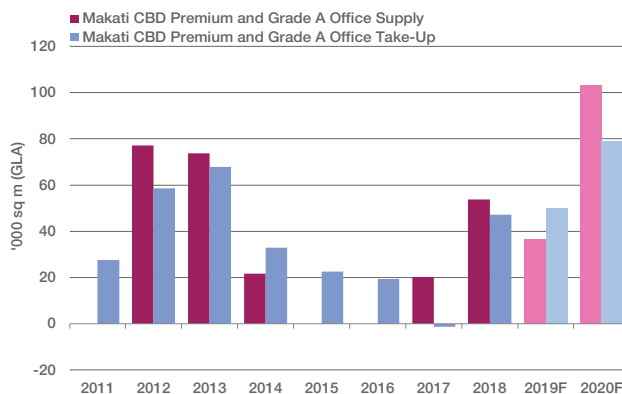
# Makati CBD

GRAPH 3 **Stock & Vacancy**



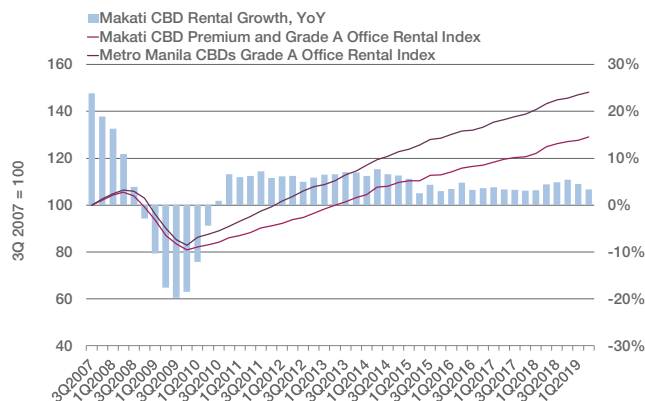
Source: KMC Savills Research

GRAPH 4 **Supply & Take-Up**



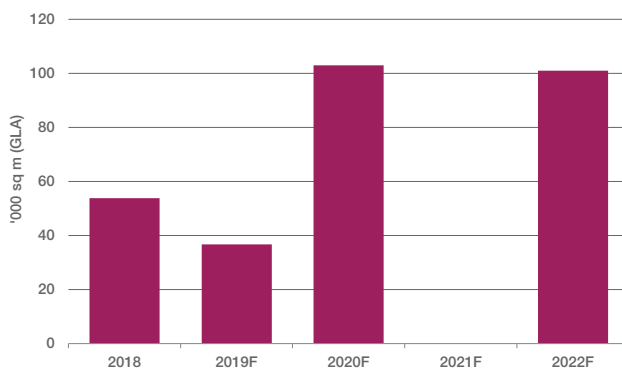
Source: KMC Savills Research

GRAPH 5 **Rental Performance**



Source: KMC Savills Research

GRAPH 6 **Development Pipeline**



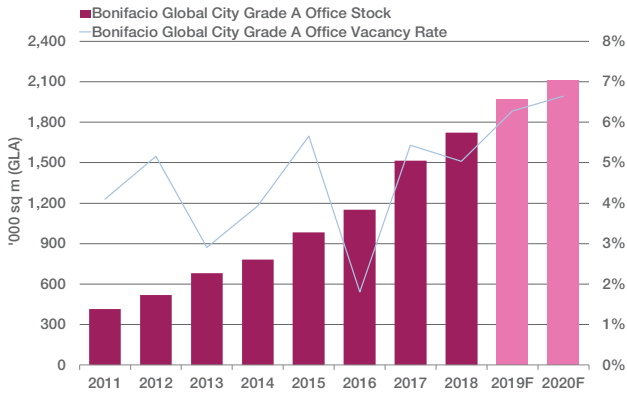
Source: KMC Savills Research

## MARKET IN MINUTES

- With no additional supply for the quarter, the vacancy rate lowered further to 1.8% compared to 3.0% in 1Q/2019.
- As a result, the Makati CBD maintained its spot as the submarket with the highest average rental rate of PHP 1,120.5 per sq m/month, which is 3.3% higher YoY.
- Competition for space in the premier business district will be rigid since there will be no new buildings available until 2020. Therefore, the low level of vacancy could continue to push rents higher.

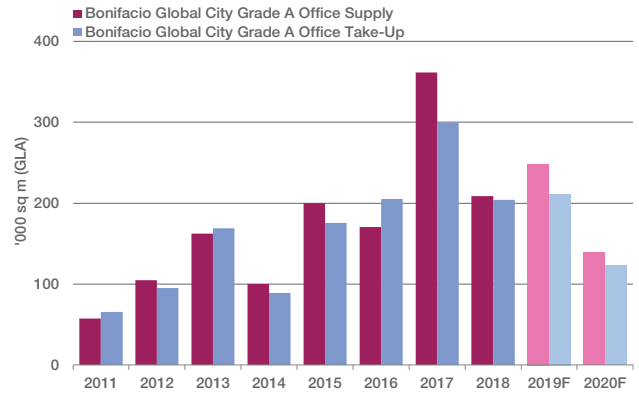
# Bonifacio Global City

GRAPH 7  
**Stock & Vacancy**



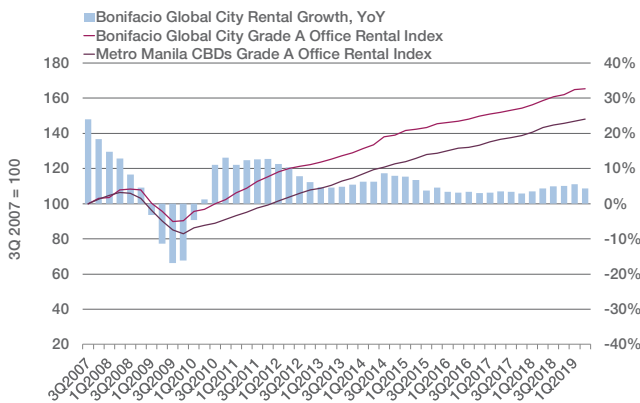
Source: KMC Savills Research

GRAPH 8  
**Supply & Take-Up**



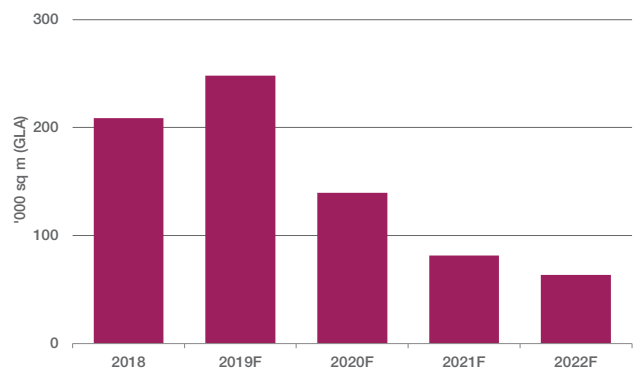
Source: KMC Savills Research

GRAPH 9  
**Rental Performance**



Source: KMC Savills Research

GRAPH 10  
**Development Pipeline**



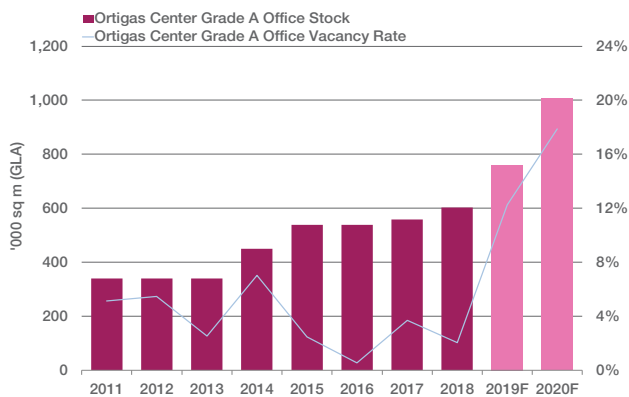
Source: KMC Savills Research

## MARKET IN MINUTES

- The completion of Ecoprime and Milestone pushed vacancies higher, adding 34,545 sq m and 28,624 sq m, respectively to the total current stock in BGC. Given this condition, the vacancy rate is currently pegged at 6.6% in 2Q/2019.
- The modest increase in vacancies reduced the bargaining power of landlords. As a consequence, rental growth was slower at 4.3% YoY compared to the previous quarter at 5.5% YoY. This resulted to average rental rate closing at PHP 993.5 per sq m/month.
- BGC is estimated to introduce around 159,000 sq m of new office space by the second half of the year. Bulk of it will come from World Commerce Place. Nevertheless, we expect solid occupier demand to offset the impact.

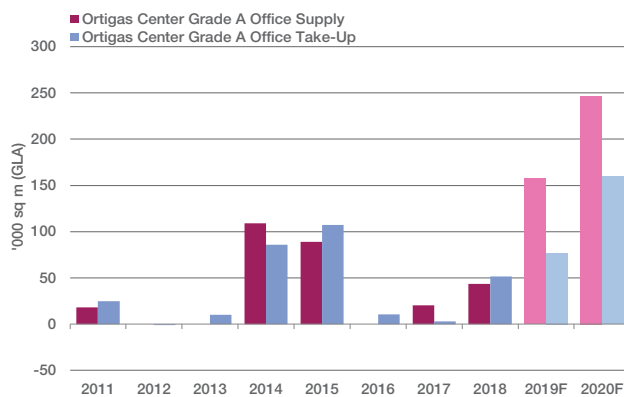
# Ortigas Center

GRAPH 11 **Stock & Vacancy**



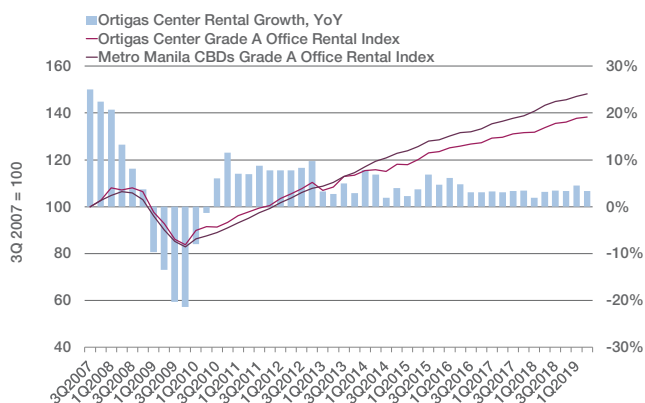
Source: KMC Savills Research

GRAPH 12 **Supply & Take-Up**



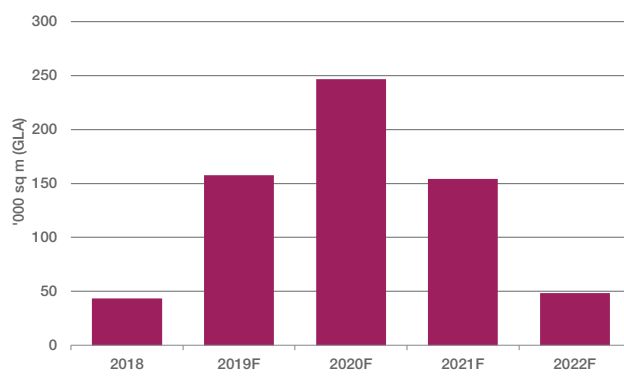
Source: KMC Savills Research

GRAPH 13 **Rental Performance**



Source: KMC Savills Research

GRAPH 14 **Development Pipeline**



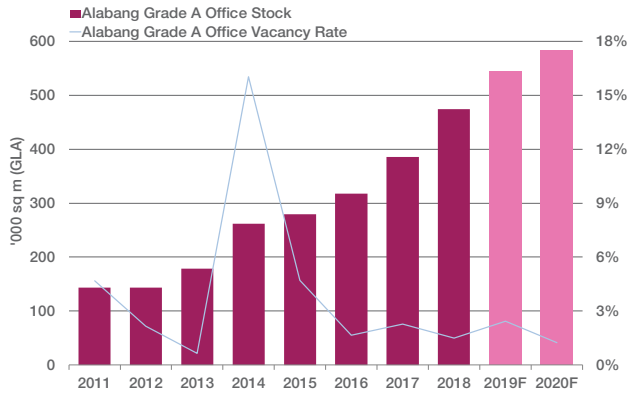
Source: KMC Savills Research

## MARKET IN MINUTES

- Despite the faster net absorption compared to the previous quarters, the 102,500 sq m of additional supply from The Podium West caused the surge in vacancies in Ortigas Center. This resulted to the vacancy rate reaching its nine-year high at 11.8%.
- Average rents in the business district grew, albeit at a slower pace. It registered a 0.4% QoQ growth to PHP 702.1 per sq m/month, breaching the 700-mark.
- With limited PEZA-approved buildings coming online and the moratorium imposed on new economic zones in Metro Manila, occupier demand is weaker than expected. This could keep the vacancy rate in double digits in the submarket. We expect conditions to further compress rental growth in the coming quarters.

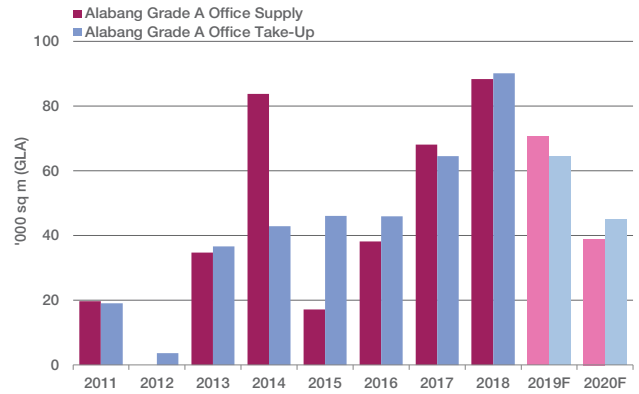
# Alabang

GRAPH 15 **Stock & Vacancy**



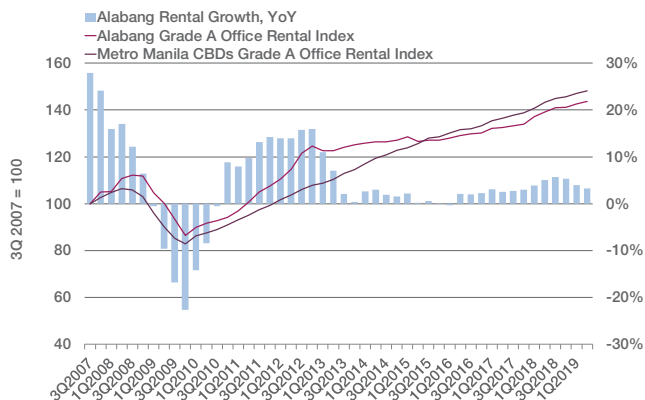
Source: KMC Savills Research

GRAPH 16 **Supply & Take-Up**



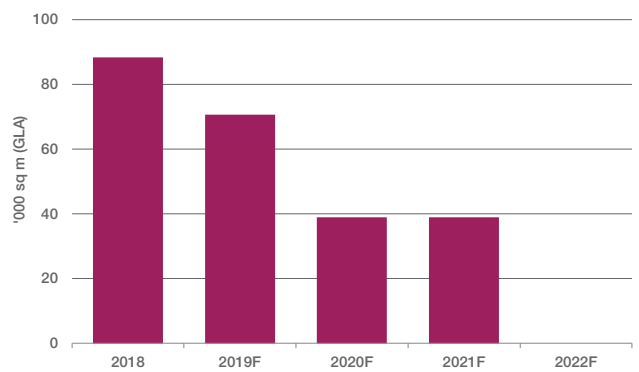
Source: KMC Savills Research

GRAPH 17 **Rental Performance**



Source: KMC Savills Research

GRAPH 18 **Development Pipeline**



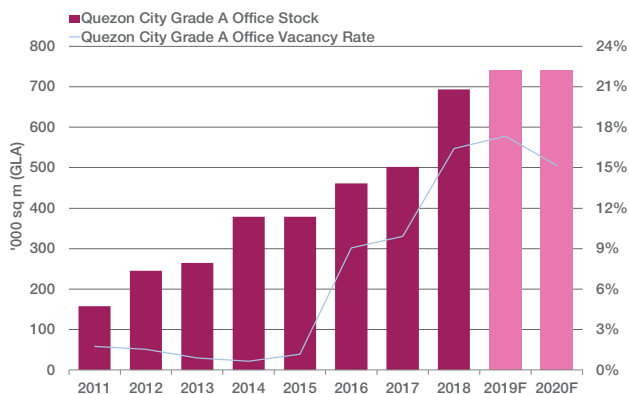
Source: KMC Savills Research

## MARKET IN MINUTES

- Despite the addition of Filinvest Axis Tower 2, the submarket's vacancy rate was steady at 1.7% with a net take-up of 36,800 sq m. The healthy leasing activity stemmed from the demand of both the POGO and O&O sector.
- Rental rates likewise inched up by 3.3% YoY to PHP 684.1 per sq m/month during the quarter.
- Even with the upcoming completion of CTP Asean in the coming quarter, vacancy rates are likely to remain tight in Alabang CBD which is seen to trigger rental rate growth.

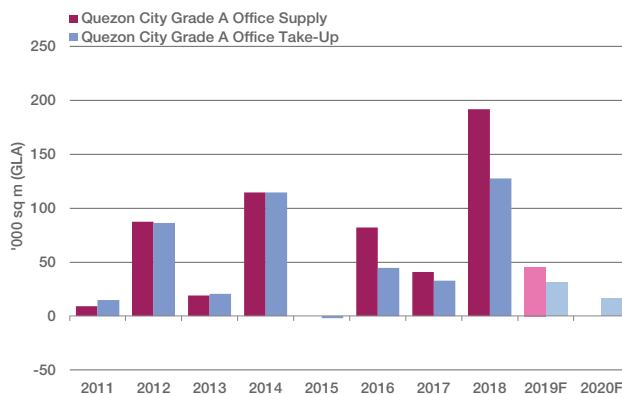
# Quezon City

GRAPH 19 **Stock & Vacancy**



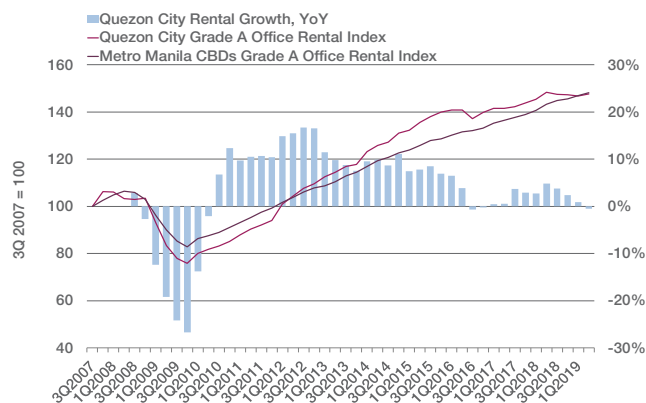
Source: KMC Savills Research

GRAPH 20 **Supply & Take-Up**



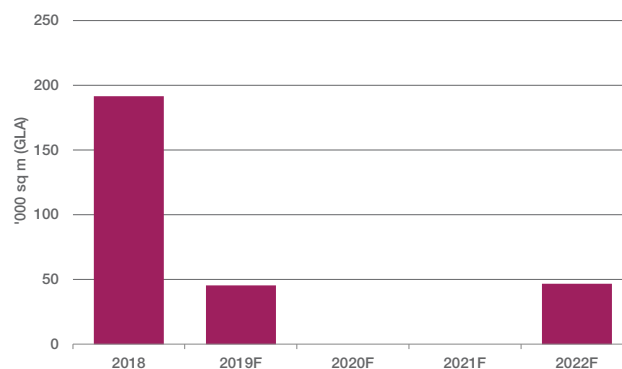
Source: KMC Savills Research

GRAPH 21 **Rental Performance**



Source: KMC Savills Research

GRAPH 22 **Development Pipeline**



Source: KMC Savills Research

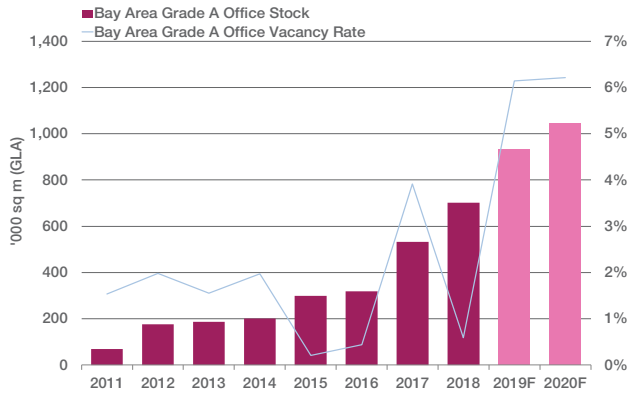
## MARKET IN MINUTES

- As there were no new completed buildings in Quezon City, improvement in the submarket was observed. The vacancy rate declined to 18.0% in 2Q/2019 from 19.4% in 1Q/2019.
- Consequently, average rents improved from last quarter, posting a 0.6% QoQ upswing to PHP 749.3 per sq m/month. However, compared to last year, it slipped by 0.5% YoY.
- Quezon City will continue to play catch up as conditions in the submarket remain bland. With no new buildings coming online until the end of the year, net absorption could slightly pick up.



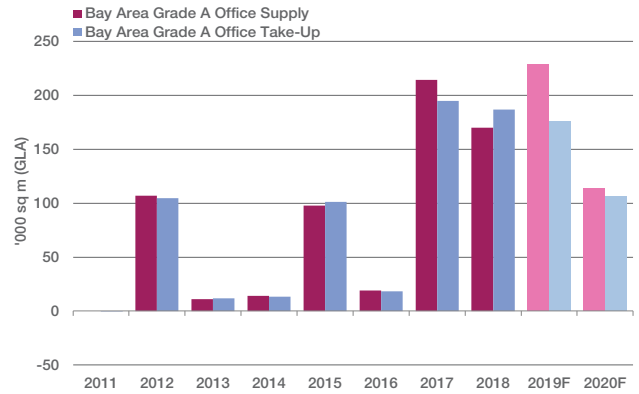
# Bay Area

GRAPH 23 **Stock & Vacancy**



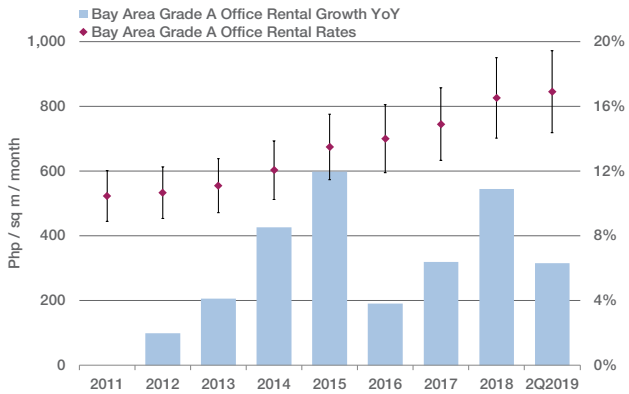
Source: KMC Savills Research

GRAPH 24 **Supply & Take-Up**



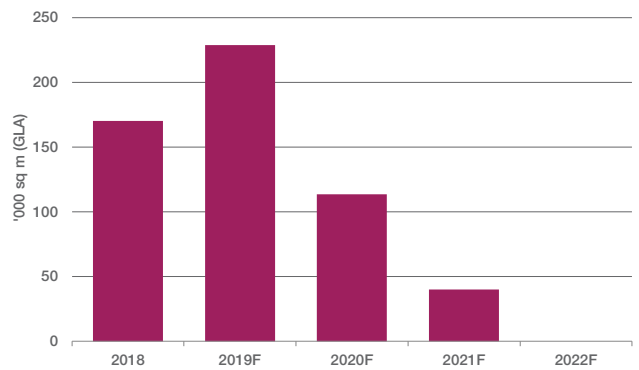
Source: KMC Savills Research

GRAPH 25 **Rental Performance**



Source: KMC Savills Research

GRAPH 26 **Development Pipeline**



Source: KMC Savills Research

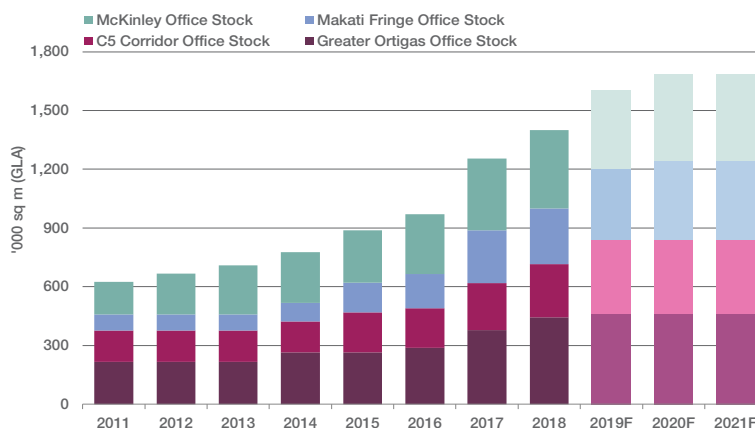
## MARKET IN MINUTES

- Conditions in the Bay Area remained tight notwithstanding the additional stock coming from DoubleDragon Center and Met Live. However, the vacancy rate edged higher to 1.7% this quarter compared to 0.7% in 1Q/2019.
- Rents in the Bay Area grew to 6.3% YoY, pegging the rate at PHP 845.2 per sq m/month. This is the seventh consecutive quarter with the highest rental growth among all the submarkets covered.
- As the POGO sector grabs a stronger base in the submarket with no obvious signs of cooling down, vacancies are expected to maintain its position in the lower margins and keep rents inflated.

## Other Submarkets

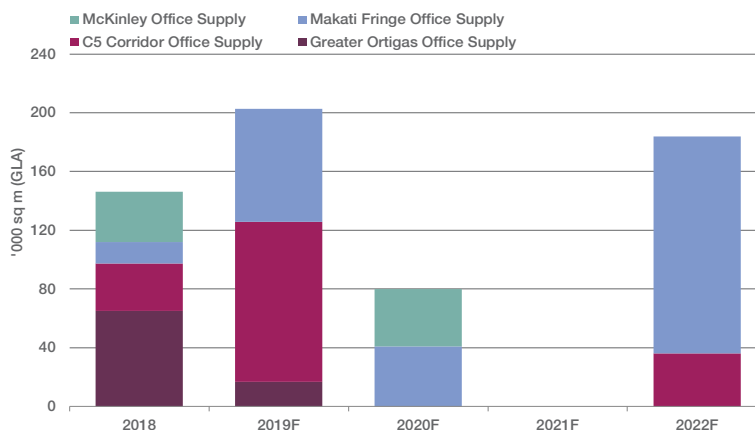
- While vacancies in the Makati Fringe were marginally unchanged at 0.3% versus the preceding quarter, the C5 corridor showed a notable rally as net take-up outstripped the new supply, pulling down its vacancy rate to 1.0% in 2Q/2019.
- Similarly, conditions in Greater Ortigas and McKinley improved after posting 6.6% vacancy rates respectively after having no new building completions in the quarter.
- Tight vacancies in Makati Fringe and C5 Corridor may persist due to the robust demand on their incoming stock from the POGO sector. Meanwhile, Greater Ortigas and McKinley could continue to hover around the mid-single digit as they cater majorly to the O&O sector.

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 FELINA CORPORATE PLAZA



<b>LOCATION</b>	QUEZON CITY
<b>GRADE</b>	GRADE B
<b>TURNOVER DATE</b>	2003
<b>GROSS LEASABLE AREA</b>	9,501.9 SQ M
<b>NO. OF FLOORS</b>	12
<b>FLOOR PLATE (GLA)</b>	5TH FLOOR 1,429 SQ M 6TH FLOOR 1,371 SQ M 7TH FLOOR 1,375 SQ M 8TH TO 11TH FLOOR APPROX. 1,061 SQ M (PER FLOOR)
<b>HANDOVER CONDITION</b>	FULLY FITTED (WITH A/C)
<b>24 / 7 CAPABILITY</b>	YES
<b>BACKUP POWER</b>	100% WITH AUTOMATIC TRANSFER SWITCH

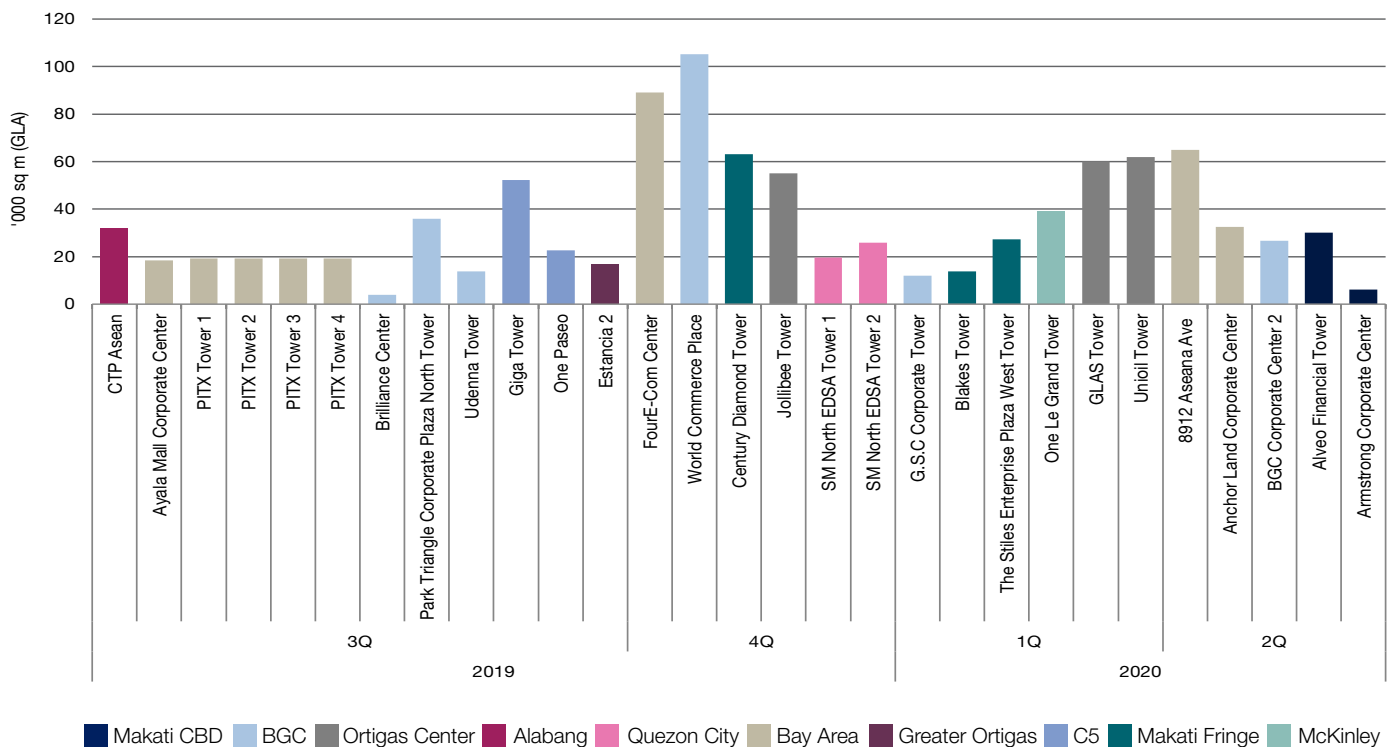
Felina Corporate Plaza is Eastwood Cybercity's creative hub. This commercial building provides a space for businesses to expand and express creativity.

Developed by Felina Properties, it is equipped with state-of-the-art technology and is capable of expansion based on client prerequisites.

Felina Corporate Center enables companies to grow exponentially by providing an environment that nurtures creativity and enables innovation.

GRAPH 29

## 12-month Supply Forecast by Building



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