

METRO MANILA

Office Q1 2020

0.12 M sq.m.
New Completions (YTD)

YoY Chg 12-Mo. Forecast

3.6%
Vacancy Rate

8.7%
Rent Growth (YoY)

PHILIPPINE ECONOMIC INDICATORS Q4 2019

6.4%
GDP Growth

1.5%
CPI Growth

5.1%
Unemployment Rate

Source: Oxford Economics

PHILIPPINES MISSES 2019 ECONOMIC GROWTH TARGET

Philippine Gross Domestic Product (GDP) grew by 6.4% Q4 2019, leading to a full-year average growth rate of 5.9%, short of the government's target range between 6% to 6.5%. In light of the potential economic impact of the Coronavirus Disease 2019 (COVID-19) brought about by the enhanced community quarantine (ECQ) measures, the Philippine economy is expected to miss the 2020 economic growth anew, with a view of a strong GDP growth rebound by 2021. The Asian Development Bank estimates the economy to grow by 2%, while the International Monetary Fund conservatively estimates a 0.6% GDP growth rate by end-2020.

DEMAND EXPECTED TO SLOW AS SUPPLY COMPLETION DELAYS PROJECTED THROUGH 2020

The growth of office space demand is expected to be subdued through 2020, as the expansion plans of the major demand drivers, primarily the firms in the IT-BPM (business process management) and the Philippine offshore gaming operations (POGO) industries are delayed due to the prevailing ECQ measures in major urban centers in the country. Projected net absorption rates are estimated to decrease by as much as 25%-30% from the historical average of around 900,00 sqm due to delayed transactions, even post-ECQ environment. There is an expected lag in the resumption of business activities, as occupational health and safety guidelines need to be updated and adopted in light of the new business normal environment.

On the supply-side, development completions are similarly expected to be delayed. Within Q1 2020 alone, roughly 40% of the expected stock completion (at 360,000 sq.m.) have been completed and turned-over to the tenants. An aggregated completion delay of approximately 450,000 sq.m. originally earmarked for completion within 2020 is expected to slide down to 2021.

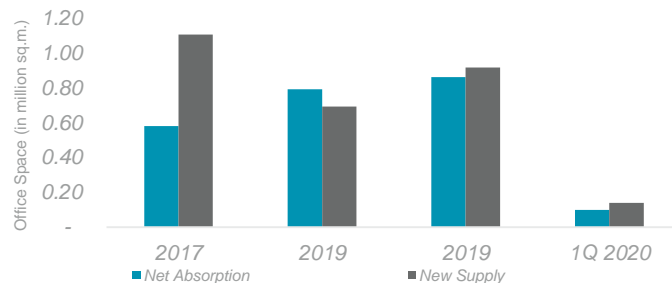
Overall vacancy slightly rose to 3.6%, or around 50 basis points higher than Q4 2019, brought about by accumulated vacancies in recently-completed buildings.

METRO MANILA RENT GROWS 8.8% YoY

Average net rents in Metro Manila were estimated at PHP 1,028/sq.m./mo., 8.8% higher than its year-ago levels, and 2.5% higher than its level in Q4 2019. Meanwhile, common area dues average at PHP 181, leading to an average occupancy cost of PHP 1,209/sq.m./mo. The increase covers the annual escalation that is typically applied at the beginning of the year.

The extent of the (adverse) effects on the growth of average rents for existing Prime and Grade 'A' developments will be dependent on the length of the current business disruption. As the current pandemic scare cannot be likened to any previous crisis periods, the likelihood of significant correction in rental rates is minimal due to the strong market fundamentals manifested by the office sub-sector immediately before the onset of the ECQ period.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SQ.M.)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (SQ.M.)	PRIME AND GRADE A ASKING RENT		
				PHP/SQ.M./MO	US\$/SF/MO	EUR/SF/MO
Taguig City	2,342,671	3%	410,746	1,272	2.32	2.07
Makati City	1,526,341	2%	280,500	1,284	2.28	2.04
Quezon City	1,230,837	3%	471,597	888	1.58	1.41
Pasig City	1,211,246	3%	193,579	813	1.44	1.29
Pasay City	611,554	0%	232,133	1,075	1.90	1.69
Muntinlupa City	590,487	0%	116,782	881	1.58	1.41
Mandaluyong City	375,201	19%	94,935	913	1.67	1.49
Parañaque City	92,417	0%	61,957	1,100	1.92	1.71
MANILA TOTALS	7,980,754	3.6%	1,862,229	PHP 1,028	US\$ 1.87	EUR 1.7

US\$/PHP = 0.01961 ; EUR/PHP = 0.017778 as at 31 March 2020

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SQ.M.	TYPE
Six Neo	Taguig City	Technology Company	2,400	Lease Acquisition
1800 Eastwood	Quezon City	Technology Company	10,200	Lease Renewal
Filinvest Axis Tower 2	Muntinlupa City	Technology Company	2,100	Lease Acquisition
Filinvest Axis Tower 2	Muntinlupa City	FMCG Company	2,100	Lease Acquisition

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SQ.M.	OWNER/DEVELOPER
SM North Towers 1 and 2	Quezon City		43,400	SM Group
Park Triangle Corporate Plaza	Taguig City		39,300	Ayala Land

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