

# METRO MANILA

Office Q2 2020

**0.21 M sq.m.**

New Completions (YTD)

YoY  
Chg12-Mo.  
Forecast
**4.4%**

Vacancy Rate

**7.07%**

Rent Growth (YoY)

## PHILIPPINE ECONOMIC INDICATORS Q1 2020

**-0.2%**

GDP Growth

**2.7%**

CPI Growth

**5.3%**

Unemployment Rate

Source: Philippine Statistics Authority, Oxford Economics

## PHILIPPINE ECONOMY CONTRACTS FOR THE FIRST TIME SINCE 1998

The Philippine Gross Domestic Product (GDP) declined by 0.2% in Q1 2020, the first contraction in the country's GDP after almost 22 years. Further, GDP growth in Q2 2020 is expected to contract sharply, as Metro Manila remained on strict lockdown mode for majority of the period. The lockdown period severely constricted economic activities which prompted several multilateral agencies to downgrade economic growth forecasts. The Philippine government maintains GDP growth to contract between -2.0% and -3.4% by end-2020.

## LEASING ACTIVITY SIGNIFICANTLY DECLINED

The amount of leasing transactions in Q2 2020 have significantly declined due to the strict lockdown measures in Metro Manila and in other key urban centers, such as Metro Cebu. In the short-term, substantial headwinds in occupied office spaces are expected as the Philippine offshore gaming operations (POGO) firms face steep tax compliance directive from the local regulators, coupled with the intensified crackdown on online gambling activities by the Chinese government.

Overall office vacancy slightly increased to 4.4%, due to new availabilities in recently-completed projects and some vacated spaces in existing buildings. As micro, small, and medium enterprises were impacted more severely by the pandemic, there is also notable increase in vacancies of ground floor retail spaces and small office units.

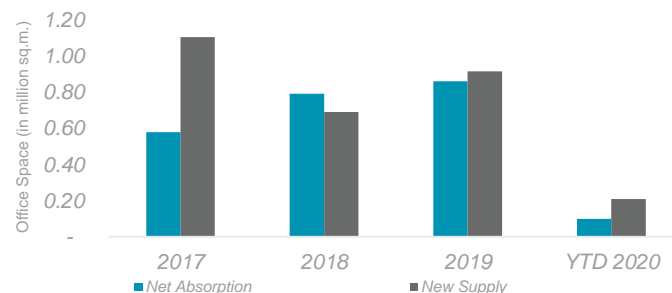
Meanwhile, average net rents in Metro Manila remain unchanged retaining its Q1 2020 value of PHP 1,028/sq.m./mo, as landlords held firm on their pre-pandemic asking rents.

## IT-BPM SECTOR EXPECTED TO DRIVE REAL ESTATE DEMAND

As the economy gradually opens, stalled transactions since Q1 2020 are expected to be revived. In the medium-term, new demand is expected to come from the IT and business process management (IT-BPM) firms which are seen to benefit from the expected surge in global demand for outsourcing services by traditional companies.

The competitiveness of the sector against other emerging markets, however, may be eroded due to lack of suitable office spaces in Metro Manila (specifically those with PEZA incentives), worsened by pandemic-induced delays in building completions. The lack of suitable office space in the medium-term, may artificially push up gross effective rents, which is already expected to be piled up with increased amount of outgoings attributed to additional expense in maintaining the safety standards in the office buildings. Higher rents may possibly displace other companies which have been severely affected by the extended economic downturn.

## 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	2.37	2.11
Makati City	1,526,341	1%	280,500	1,284	2.40	2.13
Pasig City	1,268,246	6%	129,489	813	1.52	1.35
Quezon City	1,230,837	8%	471,597	889	1.66	1.48
Pasay City	637,654	4%	192,500	1,075	2.01	1.78
Muntinlupa City	590,487	3%	116,782	881	1.64	1.46
Mandaluyong City	375,201	19%	94,935	913	1.70	1.51
Parañaque City	92,417	0%	61,957	1,100	2.05	1.83
<b>MANILA TOTALS</b>	<b>8,063,854</b>	<b>4.4%</b>	<b>1,758,506</b>	<b>PHP 1,028</b>	<b>US\$ 1.92</b>	<b>EUR 1.71</b>

US\$/PHP = 0.020089 ; EUR/PHP = 0.017861 as at 30 June 2020

## KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SQ.M.	TYPE
Filinvest Axis Tower 2	Muntinlupa City	Electronics	2,070	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
Exquadra Tower	Pasig City		57,000	Exquadra Inc
SM Four Ecom Tower 1	Pasay City		29,000	SM Prime

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