

METRO MANILA


**CUSHMAN &
WAKEFIELD**

Office Q1 2021

0.20 M sq.m.
New Completions (YTD)
YoY
Chg12-Mo.
Forecast
10.7%
Vacancy Rate

-1.2%
Rent Growth (YoY)


PHILIPPINE ECONOMIC INDICATORS 4Q 2020

YoY
Chg12-Mo.
Forecast
-8.3%
GDP Growth

3.13%
CPI Growth

8.73%
Unemployment Rate


Source: Moody's

NEW SURGE IN COVID-19 CASES TO DAMPEN NEAR-TERM ECONOMIC RECOVERY

The continued increase in the number of new COVID-19 cases since mid-March 2021 prompted the imposition of the strictest level of localized lockdown in Metro Manila and surrounding areas. The strict pandemic control measures being imposed in the country's largest economic region is expected to delay near-term recovery. The Philippine economy suffered its deepest contraction as GDP growth rate declined by 9.6% for the full 2020 calendar year. Household final consumption expenditure declined by 7.9%, while gross capital formation declined by 34.4%, as consumer and investment sentiments remained generally muted despite a slight pick-up in economic activities in the second half of 2020.

Philippine GDP growth rate is expected to rebound within the 6.0%-7.0% range in 2021, although growth assumptions have been pegged mostly with the rate of re-opening the economy, dependent on the success of the nationwide inoculation program – which has been earlier hit by the lack of vaccine supplies amidst local logistical issues.

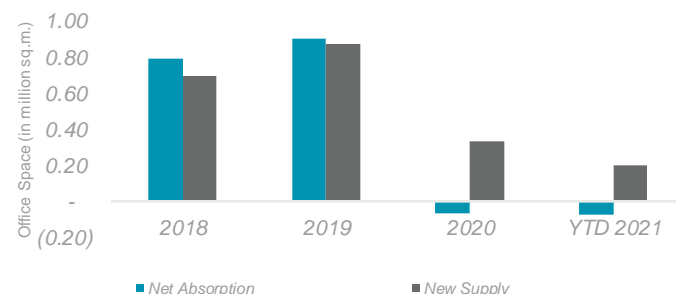
OVERALL VACANCY RATES SURPASSED 10 PERCENT

Overall Metro Manila Prime and Grade 'A' office vacancy rate grew by 290 basis points (bps) quarter-on-quarter (QoQ) and 710 bps year-on-year (YoY) to 10.7% in the first quarter of 2021. This is the first double-digit vacancy rate recorded after the 14.5% figure in 2009 as an effect of the Global Financial Crisis (GFC). The exit of several offshore gaming companies and workspace rationalization of several companies as the work-from-home (WFH) set-up continues, coupled with new supply completions within the quarter, have contributed to the growth in vacancy rates. Pre-commitment has been observed to be lower than historical average in the various office projects completed in Q1 2021. Approximately 65.6% of the 203,000 sq.m. new supply in the first quarter remains available in the market.

FIRST YEAR-ON-YEAR RENTAL DECLINE SINCE GFC RECORDED

The office sub-sector in Metro Manila officially crosses to tenant-favorable territory with the first YoY decline since 2009, with a slight contraction of 1.2% YoY to PHP 1,070/sq.m./mo – which is also 0.4% lower than the quarter-ago value of PHP 1,074/sq.m./mo. While offer rents in most Prime and Grade 'A' developments in Makati CBD and BGC remained unchanged since its year-ago levels, several landlords and developers have started to offer more flexibility in rent negotiations.

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	2,430,000	7.3%	380,000	1,249	2.39	2.04
Makati City	1,590,000	10.9%	270,000	1,281	2.45	2.09
Pasig City	1,310,000	11.5%	250,000	793	1.52	1.30
Quezon City	1,230,000	13.3%	510,000	872	1.67	1.42
Pasay City	710,000	12.0%	140,000	1,087	2.08	1.77
Muntinlupa City	590,000	11.9%	150,000	868	1.66	1.42
Mandaluyong City	380,000	18.6%	90,000	833	1.60	1.36
Parañaque City	160,000	1.6%	0	1,258	2.41	2.05
MANILA TOTALS	8,400,000	10.7%	1,790,000	PHP 1,070	US\$ 2.05	EUR 1.75

US\$/PHP = 0.020605; EUR/PHP = 0.017576 as at 31 March 2021

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SQ.M.	TYPE
Seven/Neo	Taguig City	Life Sciences	8,000	Lease Renewal
Filinvest Axis Tower One	Muntinlupa City	Banking & Finance	2,100	Lease Acquisition
Filinvest Axis Tower Two	Muntinlupa City	FMCG	2,100	Lease Acquisition

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SQ.M.	OWNER/DEVELOPER
Ayala Triangle Gardens Tower Two	Makati City		66,000	Ayala Land
FourE-com Center Towers 2 & 3	Pasay City		52,000	SM
Cyber Omega	Pasig City		40,000	Robinsons Land
Anchor Land Corporate Center South Tower	Parañaque City		33,000	Anchor Land

Notes:

- Q4 2020 Prime and Grade 'A' supply was adjusted from 8,232,703 sq.m. to 8,193,137 sq.m.
- Starting Q1 2021, C&W Philippines will be adopting a new methodology in computing for the average Metro Manila rent. While historical figures have changed, the general trajectory remains consistent with the previous methodology. Historical figures are reflected in the "Overall Vacancy and Asking Rent" chart.
- In the "Market Statistics" table, the "Inventory" and "Planned & Under Construction" columns now carry values rounded off to the nearest ten thousands.

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