



Office Q2 2021

0.23 M sq.m.
New Completions (YTD)
YoY
Chg12-Mo.
Forecast
12.2%
Vacancy Rate

-1.5%
Rent Growth (YoY)

**PHILIPPINE ECONOMIC INDICATORS
Q1 2021**
-4.2%
GDP Growth

4.4%
CPI Growth

8.7%
Unemployment Rate

Source: Moody's

DOWNSIDE RISKS ON SHORT-TERM ECONOMIC GROWTH

Despite imposing the strictest form of community quarantine in Metro Manila and surrounding areas in late March to early May 2021, the Philippine economy is expected to post positive Gross Domestic Product (GDP) growth rate in Q2 2021 due to the low base effect. GDP contracted to an all-time low of 16.9% in Q2 2020, while GDP growth in Q2 2021 is expected to recover due to further reopening of the domestic economy and the approval of relevant tax reforms measures.

The short- to medium-term economic growth remains weak due to the recent spread of the highly contagious COVID-19 variant. With severe lockdowns in several Southeast Asian economies, the country bets big on a nationwide vaccination rollout hampered by a backlog in vaccine supply and other logistical issues. While Fitch Ratings has kept its 'BBB' rating for the Philippines, it has recently revised its outlook to negative. The rating agency has noted that the country's economic recovery is being set back by emerging COVID-19 variants and the corresponding quarantine measures to be placed to curb the increase of new infections. S&P Global Ratings has similarly retained its rating for the country last May at 'BBB+'.

OVERALL VACANCY RATE CONTINUES TO RISE

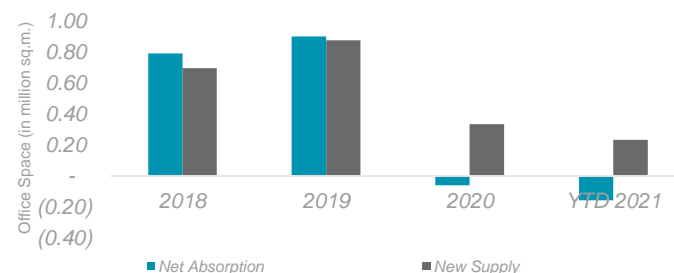
At the end of Q2 2021, overall Prime and Grade 'A' office vacancy rates in Metro Manila rose by 157 basis points quarter-on-quarter to 12.2%, with most major markets demonstrating double-digit vacancy rates. Office space absorption levels remained in the negative territory, showing that the impact of office space leavers and increasing space rationalization initiatives still outweigh the level of new transactions in the market. There are also large office spaces made available by some companies moving into newer buildings, the relocation transactions for which were done pre-pandemic.

AVERAGE RENT DECLINES FURTHER

Following the downward adjustment in the asking rent of a few more buildings, average office rents in the Manila market continued to slide down further on a quarter-on-quarter basis. Several landlords outside the major CBDs continued to provide more flexibility in the headline rents. Average asking rents in Metro Manila was recorded at PHP 1,066/sq.m./mo in Q2 2021, down by 1.5% from the PHP 1,082 recorded in the same period last year. The average rents in Mandaluyong City, despite showing a stable rental figure quarter-on-quarter, exhibited the highest year-on-year decline of 8.7%

Corporate tenants looking at upgrading into quality office space accommodation can take advantage of the window of opportunity while market rents remain soft. The short-term outlook on rental growth is that rents in major CBDs are likely to bottom out by the end of the year. The industries likely to benefit from this trend are companies engaged in logistics, fast-moving consumer goods, technology firms, and data centers.

The advent of a hybrid work setup will shore up demand for office space in the emerging business districts in the peripheries of Manila; and will further temper rental growth in the mid-term.

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\$/SQ.FT/MO	EUR/SQ.FT/MO
Taguig City	2,512,000	11.0%	417,000	1,246	2.38	2.00
Makati City	1,592,000	11.8%	267,000	1,256	2.40	2.02
Pasig City	1,308,000	10.7%	254,000	793	1.51	1.27
Quezon City	1,231,000	15.0%	671,000	872	1.67	1.40
Pasay City	711,000	14.6%	143,000	1,087	2.08	1.74
Muntinlupa City	590,000	12.1%	123,000	870	1.66	1.40
Mandaluyong City	375,000	17.2%	95,000	833	1.59	1.34
Parañaque City	160,000	1.9%	0	1,258	2.40	2.02
MANILA TOTALS	8,479,000	12.2%	1,970,000	PHP 1,066	US\$ 2.04	EUR 1.71

US\$/PHP = 0.020562 ; EUR/PHP = 0.017278 as at 30 June 2021

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SQ.M.	TYPE
Podium West Tower	Mandaluyong City	E-commerce	19,000	New 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
Alveo Park Triangle Tower	Taguig City		30,000	Ayala Land (under Alveo Land)

Notes:

1. Prime and Grade A office supply has been adjusted by approximately 53,000 sq.m. affecting Taguig City and Metro Manila starting Q3 2017.

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