

# METRO MANILA

Office Q3 2022

**0.24 M sq.m.**  
New Completions (YTD)

YoY Chg      12-Mo. Forecast

**16.1%**  
Vacancy Rate

**-0.8%**  
Rent Growth (YoY)

## PHILIPPINE ECONOMIC INDICATORS Q3 2022

**7.6%**  
GDP Growth

**6.2%**  
CPI Growth (Average)

**5.2%**  
Unemployment Rate (Average)  
*Source: Moody's*

## Q3 2022 GDP GROWTH RATE BUCKS GLOBAL TREND

The Philippine economy grew at a faster-than-expected 7.6% rate in Q3 2022, bucking the slowing growth trend in major global economies. The Philippine economy expanded on the back of strong household consumption growing 8.0% year-on-year (YoY), primarily the growth in spending in restaurants, travel, and tourism. Gross capital formation increased by 21.7% in Q3 2022 from 20.8% in Q3 2021, while the growth of government expenditure slowed to 0.8% from 13.8% during the same period.

While the economy is expected to perform above the GDP growth target range between 6.5%-7.5% by the government due to seasonal factors, the full effects of several macroeconomic headwinds remain to be seen. The high level of inflation elevating the prices of food and fuel due to external risks such as the supply chain disruption, China's zero-COVID program, and rising geopolitical tensions – will exert undue pressure on the growth of household spending amidst the continued increase in the policy rate of the Bangko Sentral ng Pilipinas (BSP) and the weakened level of the Philippine peso.

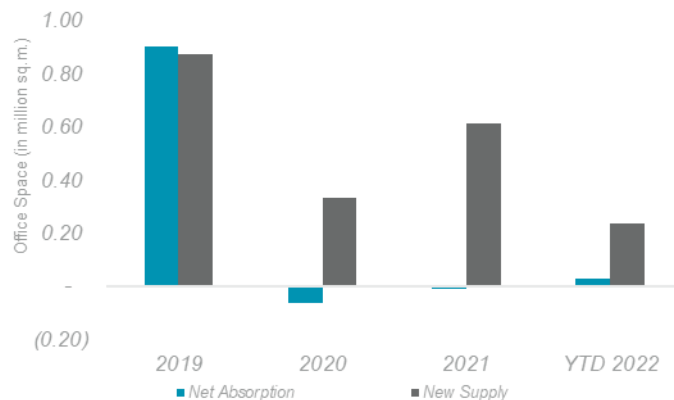
## OVERALL VACANCY DECLINES FOR THE FIRST TIME SINCE THE START OF THE PANDEMIC

Overall Grade 'A' office vacancy rate in Metro Manila closed at 16.1% at the end of Q3 2022, albeit only 10 basis-point decrease quarter-on-quarter (q-o-q). This is the first time the average vacancy rate declined, after maintaining a positive trajectory since Q1 2020. While this figure is still 190 bps higher year-on-year (Y-o-Y) compared to the estimated vacancy rates in Q3 2021, this q-o-q improvement shows that demand is slowly recovering. A positive net absorption of 38,000 sq.m. was recorded this quarter, an improvement from the -37,000 sq.m. in Q2 2022, resulting in a year-to-date net absorption figure of roughly 32,000 sq.m.

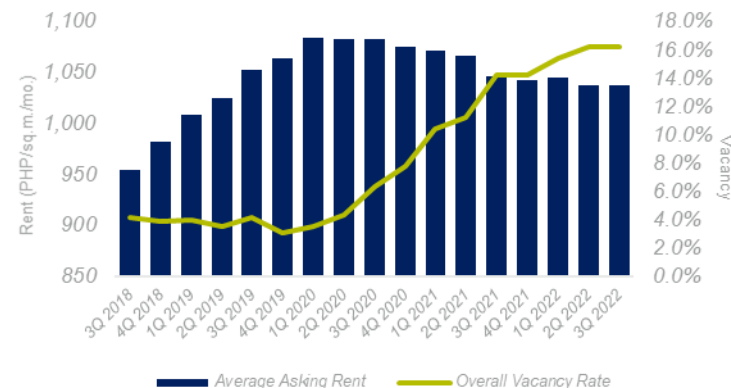
## AVERAGE RENT POSTED SLIGHT Q-O-Q GROWTH

Average asking rents in Metro Manila closed at PHP 1,038/sq.m./mo by end-Q3 2022, a growth of 0.1% q-o-q. While this is still a 0.8% contraction (Y-o-Y) from the monthly rate of PHP 1,046 per sq.m., the contraction is slower than the -2.7% Y-o-Y contraction recorded in Q2 2022, suggesting marked overall improvement in market take-up.

## 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	2,610,000	10.1%	258,000	1,217.00	1.92	1.97
Makati City	1,768,000	17.4%	111,000	1,222.00	1.93	1.97
Pasig City	1,410,000	12.5%	200,000	793.00	1.25	1.28
Quezon City	1,243,000	15.5%	654,000	823.00	1.30	1.33
Pasay City	737,000	21.5%	94,000	1,077.00	1.70	1.74
Muntinlupa City	699,000	30.3%	37,000	834.00	1.32	1.35
Mandaluyong City	470,000	28.0%	0	848.00	1.34	1.37
Parañaque City	159,000	13.1%	27,000	1,208.00	1.91	1.95
<b>MANILA TOTALS</b>	<b>9,096,000</b>	<b>16.2%</b>	<b>1,381,000</b>	<b>PHP 1,038</b>	<b>US\$ 1.64</b>	<b>EUR 1.68</b>

US\$/PHP = 0.01702 ; EUR/PHP = 0.01739 as of 30 September 2022

## KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SQ.M.	TYPE
Bonifacio One Technology Tower	Taguig City	16,500 sq.m.	Lease Acquisition

## KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	SQ.M.	OWNER/DEVELOPER
One Ayala Towers 1 and 2	Makati City	75,000	Ayala Land
Filinvest Axis Tower 4	Muntinlupa City	35,000	Filinvest Development Corp.
DoubleDragon Tower	Pasay City	47,000	DoubleDragon Properties
Filinvest Axis Tower 3	Muntinlupa City	35,000	Filinvest Development Corp.

## MARKET OUTLOOK

- **Effects of high inflation on occupier markets** – with the advent of hybrid work practices, several companies may consider operating in multi-sites, which may mitigate higher occupancy costs and wages due to elevated inflation rates. This scenario bodes well for the continued growth and expansion of the IT-BPM and outsourcing industries, which will likely fuel growth in office space demand in the medium-term.
- **Future real estate occupier strategies** – many corporate occupiers remain unsure about their future office needs – hence, a mix of real estate strategies are in the offing. Future occupational strategies have been a mix of less space allocation per worker and an overall increase in occupancy cost due upgrades into office space serving multiple purposes with the objective to attracting the employees back to the office.

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