

METRO MANILA

Office Q4 2022

0.11 M sq.m.
New Completions (YTD)

YoY Chg 12-Mo. Forecast



16.13%
Vacancy Rate



-0.51%
Rent Growth (YoY)



PHILIPPINE ECONOMIC INDICATORS Q4 2022

YoY Chg 12-Mo. Forecast

7.2%
GDP Growth



7.8%
CPI Growth (Average)



5.2%
Unemployment Rate (Average) Q3 2022



Source: Moody's

POSITIVE BUT SLOWING ECONOMIC GROWTH

The Philippines' GDP grew by 7.2% in Q4 2022, resulting in a 7.6% full-year growth in 2022, surpassing the previous government projection between 6.5% and 7.5%. The main contributors to the Q4 2022 and the full year 2022 GDP growth include wholesale and retail trade and manufacturing, owing to the growth in domestic demand and the consequent expansion in the services and manufacturing-related sectors. Despite the external risks (such as the supply chain disruption), domestic demand and consumption growth are buoyed by relaxing COVID-19-related health protocols in early 2022.

Due to the surge in commodity prices, however, the Q4 2022 GDP growth has slowed from 7.6% in Q3 2022. Inflation, being a lagging indicator, is expected to further temper the GDP growth in the short term. The inflation rate accelerated to (a 14-year high) 8.1% in December 2022, resulting in the full-year average of 5.8%, well above the 2% to 4% target range of Bangko Sentral ng Pilipinas (BSP).

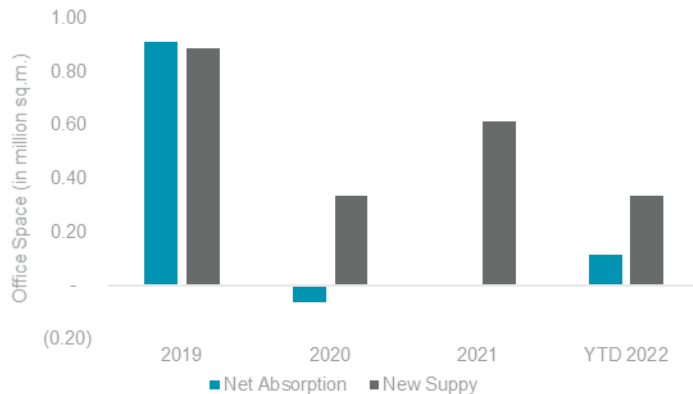
RENTAL RATES EXPECTED TO RECOVER DESPITE INCREASING SUPPLY

Average vacancy rates marginally increased to 16.13% in Q4 2022 from 16.12% in Q3 2022, as average rental rates similarly registered a slight softening of 0.16% q-o-q in Q4 2022 primarily due to the volume of new stock completions. On a y-o-y basis, average Prime & Grade A rents in Metro Manila declined by 0.51%, despite a 0.4% y-o-y growth in net absorption in 2022. Total completions in 2022 were recorded at 0.34 million sq.m., roughly 43% of the expected completions estimated at the beginning of the year. The estimated total Prime and Grade 'A' office supply in Metro Manila now stands at approximately 9.2 million sq.m. and is expected to grow by another 0.53 million sq.m. within 2023. The continued flight-to-quality and availability of higher grade office developments will drive vacancy rates downwards to 15% by end-2023.

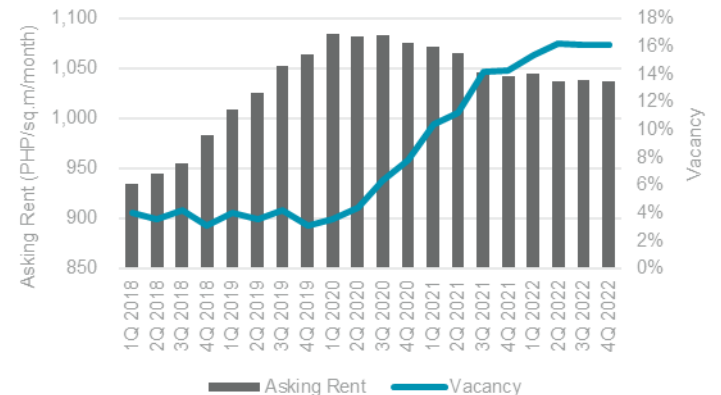
DEMAND GROWTH AMIDST CHALLENGING ENVIRONMENT

Despite the several global economic headwinds ahead, the Philippine IT-BPM industry is expected to significantly benefit from large-scale lay-offs in tech companies. Mass job cuts among tech and start-up companies have driven the demand for outsourcing and IT-BPM related industries in order to further save up on operating costs amidst the challenging business environment. As demand starts to recover, average Prime and Grade 'A' rents are estimated to grow at a base scenario between 1.5%-2.0% in 2023.

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	10.0%	258,000.00	1,215.00	2.03	1.89
Makati City	1,820,000	16.9%	58,000.00	1,221.00	2.04	1.90
Pasig City	1,410,000	10.5%	200,000.00	787.00	1.31	1.22
Quezon City	1,288,000	17.5%	619,000.00	823.00	1.37	1.28
Pasay City	751,000	21.2%	94,000.00	1,077.00	1.80	1.68
Muntinlupa City	708,000	30.6%	37,000.00	834.00	1.39	1.30
Mandaluyong City	470,000	30.9%	-	848.00	1.41	1.32
Parañaque City	159,000	13.1%	27,000.00	1,208.00	2.02	1.88
Manila Totals	9,215,000	16.1%	1,293,000.00	PHP 1,036.00	US\$ 1.73	EUR 1.61

US\$/PHP = 0.01796; EUR/PHP = 0.01675 as of 31 December, 2022

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SQ.M.	TYPE
Six Neo	Taguig City	2,800 sq.m.	Lease Acquisition

KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	SQ.M.	OWNER/DEVELOPER
Studio 7	Quezon City	36,600	Filinvest Land, Inc.
Makati Commerce Tower	Makati City	52,500	BPE Asia Real Estate Fund, L.P.

MARKET OUTLOOK

- **Flight-to-quality impacts non-premium developments** – net consolidation of space by large occupiers may leave more vacant spaces in less premium developments.
- **WFH arrangement in IT-BPM favoring growth of flex spaces** – allowing liberal implementation of work-from-home (WFH) schemes among IT-BPM companies will favor further growth of flex spaces. A "hub-and-spoke" strategy will likely increase the demand for "plug-and-play" office spaces which are readily-available on short notice and with flexible terms.
- **Growth in gig economy to serve streamlining efforts of companies** - the growing gig economy in other markets can answer to the demand of companies in keeping overall overhead costs low. With aggressive efforts through upskilling and reskilling the labor force and implementing favorable business policies, the gig economy, however, may pose a potential indirect threat to the growth of the local outsourcing industry.

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