

# METRO MANILA

Office Q2 2024

YoY Chg      12-Mo. Forecast

**0.11 M sq.m.**  
New Completions (YTD) ▲ ▲

**15.40%**  
Vacancy Rate ▼ ▼

**-2.92%**  
Rent Growth (YoY) ▼ ▲

## PHILIPPINE ECONOMIC INDICATORS Q2 2024

YoY Chg      12-Mo. Forecast

**6.3%**  
GDP Growth ▲ ▼

**3.8%**  
CPI Growth ▲ ▼

**3.8%**  
Unemployment Rate ▼ ▲

Source: Moody's

### FASTER THAN EXPECTED ECONOMIC GROWTH IN Q2 2024

The Philippine's Gross Domestic Product (GDP) grew by 6.3% in Q2 2024, stronger than the revised 5.8% growth in Q1 2024 and the 4.3% growth a year ago. On a seasonally adjusted basis, GDP grew 0.5% quarter-on-quarter (q-o-q), slower than the 1.3% growth in Q1 2024.

Government spending (grew by 10.7%) and fixed investments (grew by 9.5%) led the growth on the domestic front, while household spending growth remained lackluster at 4.6%. The growth of discretionary spending – including spending on clothing and house furnishings as well as total receipts from restaurants and hotels – was likely tempered by the elevated policy rates.

In an unprecedented move, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) decided to cut interest rates by 25 basis points (bps) in early-August, as inflation rates continue its downward trend, settling at 3.8% by end-Q2 2024, within the government's 2% to 4% target range for the year.

### METRO MANILA'S OFFICE VACANCY LOWERS IN Q2 2024

Overall vacancy of Prime and Grade 'A' offices in Metro Manila was estimated at 15.2% by end-Q2 2024, a 129-basis point decrease from the reported vacancy rate of 16.5% in the previous quarter. Additionally, this figure is 167-basis points lower than the reported vacancy rate of 16.9% in the same quarter the previous year.

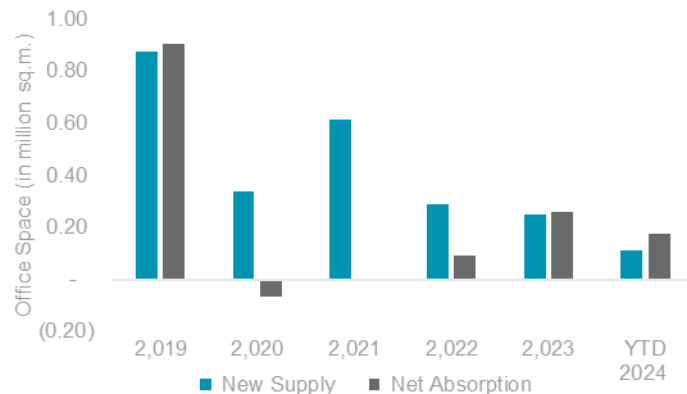
By end-Q2 2024, an additional 113,000 sq.m. of Prime and Grade 'A' developments had been added to the supply, bringing the total stock to 9.65 million sq.m. This, in turn, results in a quarterly net absorption figure of roughly 203,000 sq.m.

The total stock is expected to increase by another 0.38 million sq.m. by the end of 2024; however, completion delays are still expected. Vacancy rates are expected to remain elevated in the medium term due to the large volume of office space to be added to the supply and the effects of the deferred expansion decisions of BPO companies awaiting the finalization of the amendments to the CREATE MORE Bill.

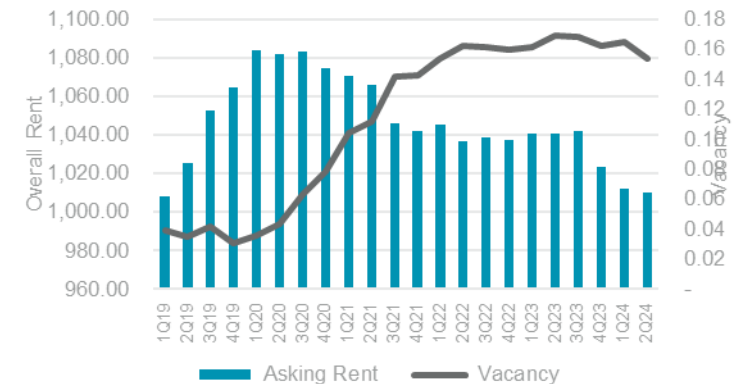
### AVERAGE ASKING RENT REMAINS STEADY AMIDST PREVAILING HIGH VACANCIES

Despite the improvement in vacancy rates of Prime and Grade 'A' developments in Metro Manila, the average asking rent remains steady at PHP 1,012 per sq.m. per month. In the near- to medium-term, developments in the major CBDs are expected to keep their headline rent steady, while those in the fringe areas are most likely to post lowered headline rents as high building and market vacancies persist.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (SQ.M.)	PRIME AND GRADE A ASKING RENT		
	(SQ.M.)			PHP/SQ.M./MO	US\$/SF/MO	EUR/SF/MO
Taguig City	2,689,000	9.5%	195,000	1,191	1.89	1.76
Makati City	1,834,000	16.7%	174,000	1,209	1.92	1.79
Pasig City	1,476,000	12.1%	26,000	782	1.24	1.16
Quezon City	1,464,000	18.4%	383,000	806	1.28	1.19
Pasay City	799,000	17.0%	63,000	957	1.52	1.42
Muntinlupa City	699,000	29.9%	53,000	803	1.28	1.19
Mandaluyong City	470,000	20.3%	0	867	1.38	1.28
Parañaque City	215,000	15.2%	0	1,107	1.76	1.64
<b>MANILA TOTALS</b>	<b>9,646,000</b>	<b>15.40%</b>	<b>894,000</b>	<b>PHP 1,010</b>	<b>US\$ 1.61</b>	<b>EUR 1.5</b>

US\$/PHP = 0.01710, EUR/PHP = 0.01593 as of June 30, 2024

## KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SQ.M.	TYPE
One World Square	Taguig City	1,700	Lease Renewal
The Finance Center	Taguig City	1,789	Lease Acquisition
1Nito	Cebu City	2,167	Lease Acquisition

## KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	SQ.M.	OWNER/DEVELOPER
SM North EDSA Tower 3	Quezon City	36,594.00	SM Investments Corporation
GBF Center 2	Quezon City	58,273.00	Robinsons Land Corporation
SM Bicutan Towers (Tower 1 & 2)	Parañaque City	18,068.60	SM Investments Corporation

## MARKET OUTLOOK

- **Heightened demand for Tier 2 locations:** IT-BPM companies are now showing heightened demand for office spaces in Tier 2 locations to (1) access the talent pool in the provincial areas and (2) lower CAPEX and OPEX. While new entrants are still looking at Metro Manila to establish their first office in the country, existing IT-BPM occupiers now consider Tier 2 locations as primary areas to expand their operations.
- **Continued demand for serviced offices:** Serviced offices continue as an alternative to traditional office spaces. Serviced offices provide companies the flexibility they need in adjusting their space requirement to suit their current headcount, as well as their future growth projections. Additionally, serviced offices having no CAPEX makes it a viable option for companies, particularly new entrants to the country.
- **Complete ban on POGO Operators to add further pressures on rents in the medium-term:** Until the directive to completely ban offshore gaming operations in the country by the end of 2024 has been made official, the establishment of Internet Gaming Licensees (IGL) is seen to provide a reprieve to the current market uncertainties created by the policy pronouncements. In the long term, the complete banning of offshore gaming operations will add further downward pressure on rents due to the elevated office market vacancy rate.

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