MARKETBEAT
METRO MANILA
OFFICE Q3 2024

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
18.2% Vacancy Rate	▲	▲
0.11M YTD New Completions	▲	▼
-0.67% Rent Growth (QoQ)	▼	▼

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
6.3% GDP Growth (As of Q2 2024)	▲	▲
3.2% CPI Growth	▼	▲
4.0% Unemployment Rate (As of August 2024)	▼	▲

Source: Moody's

CAUTIOUSLY OPTIMISTIC ECONOMIC GROWTH PROJECTED FOR Q3 2024

Despite the Philippine GDP likely achieving the government's 6% to 7% growth target by the end of 2024, several downside risks persist. These include weak external demand due to high interest rates and increasing geopolitical tensions.

With the Bangko Sentral ng Pilipinas expected to implement further policy rate cuts and inflation slowing to 1.9% by the end of September, bringing the year-to-date national average to 3.4%, local consumer purchasing power is anticipated to moderately recover in the near term. However, the weak recovery of major economies could affect trade growth and the inflow of remittances from overseas Filipino workers.

METRO MANILA OVERALL OFFICE VACANCY INCREASES IN Q3 2024

By the end of Q3 2024, the overall vacancy rates for Prime and Grade 'A' Office developments in Metro Manila rose by 280 basis points (bps) quarter-on-quarter and by 136 bps compared to the previous year. The average vacancy rate reached 18.2%, the highest level estimated by Cushman & Wakefield Research since Q2 2004, marking an increase of over 1,380 bps since Q2 2020.

In Q3 2024, an additional 114,000 sq.m. of office space was added to the market. This, along with the significant volume of returned office spaces due to major corporate occupiers rationalizing their office needs, has increased the volume of vacant spaces.

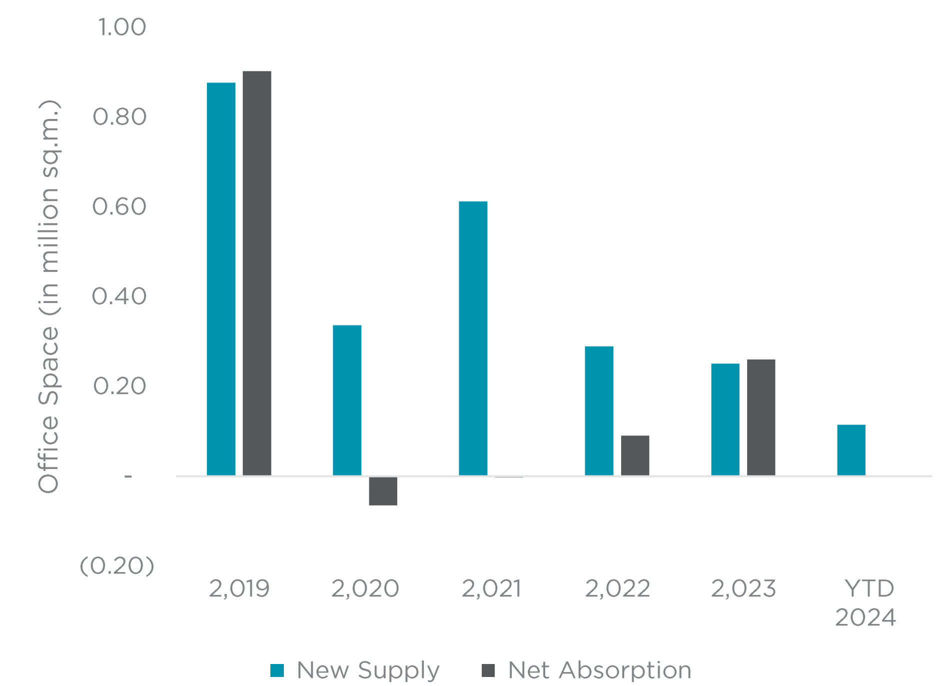
In the medium term, vacancy rates are expected to remain high due to the total ban on Philippine Offshore Gaming Operators (POGOs) and the implementation of the CREATE MORE Bill, which supports flexible work arrangements and will likely result in more vacant spaces.

AVERAGE HEADLINE RENT LOWERS IN Q3 2024

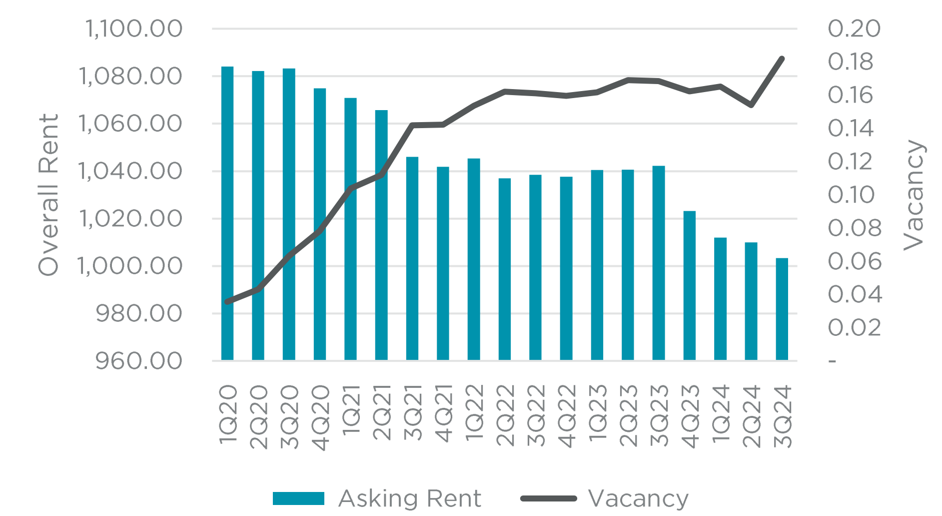
The average headline rent of Prime and Grade 'A' developments in Metro Manila closed at PHP 1,003 / sq.m. / month, a 67-bps decrease from the reported average of PHP 1,010 / sq.m. / month in the previous quarter and a 363-bps decrease from the average of PHP 1,041 / sq.m. / month in the same quarter the previous year.

Some Prime and Grade A developments in the CBDs are maintaining steady headline rents this quarter. However, major developers have indicated that these rents are negotiable, with significantly lower rates achievable. Additionally, developments outside the CBDs, affected by the return of office spaces, are offering more attractive headline rents, which could potentially lower average rents in the short to medium 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$/SF/MO	EUR/SF/MO
Taguig City	2,734,000	15.3%	146,000	1,189	1.97	1.77
Makati City	1,900,000	18.5%	83,000	1,204	2.00	1.79
Pasig City	1,476,000	13.2%	26,000	771	1.28	1.15
Quezon City	1,464,000	18.9%	383,000	801	1.33	1.19
Pasay City	799,000	23.8%	63,000	957	1.59	1.42
Muntinlupa City	699,000	30.0%	53,000	803	1.33	1.20
Mandaluyong City	470,000	20.6%	0	850	1.41	1.26
Parañaque City	215,000	15.6%	0	1,107	1.84	1.65
MANILA TOTALS	9,757,000	18.2%	754,000	PHP 1,003	US$ 1.66	EUR 1.49

US$/PHP = 0.01784, EUR/PHP = 0.01601 as of September 30, 2024

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	sq.m.	TYPE
Solaris One	Makati City	2,783.39	Lease Renewal
Ayala North Exchange Tower 2	Makati City	2,039.55	Lease Renewal
Ayala North Exchange Tower 2	Makati City	3,251.96	New Lease

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	sq.m.	OWNER / DEVELOPER
Altaire	Makati City	66,618.07	Innoland Development Corp.
Park Triangle Corporate Center	Taguig City	38,011.85	Ayala Land, Inc.
MJ Tower Fort	Taguig City	9,587.42	MJ Realty Holdings, Inc.

MARKET OUTLOOK

- **Increasing vacancy rates in the (immediate) corridor areas of major CBDs:** In Q3 2024, the most significant increases in vacancy rates were seen in mature markets. The Pasay City corridor experienced a rise of over 690 basis points (bps) quarter-on-quarter (qoq), followed by the Taguig City corridor with a 590 bps qoq increase, and the Makati City corridor with a 180 bps qoq increase. The high concentration of POGO companies in Pasay City and new completions with low pre-commitment levels in Taguig City and Makati City have contributed to these elevated vacancy rates. In contrast, vacancy rates in office developments near the borders of Metro Manila, such as Muntinlupa City, Parañaque City, and Quezon City, remained relatively stable, with changes below 50 bps qoq.
- **AI shift to chart demand growth for office space in the long term:** The increasing use of artificial intelligence (AI) advancements, especially in the IT-BPM industry, could potentially limit the demand growth for office spaces in key markets if stakeholders do not fully adapt to these changes. AI-driven technologies like virtual assistants, chatbots, and automated customer service interfaces have replaced human roles due to their improved efficiency, service quality, and cost-effectiveness. However, AI still requires human intervention for data analytics and managing more complex customer service issues. Therefore, it is crucial for industry stakeholders to develop policies and programs that equip and upskill workers in the IT-BPM sector with the necessary technical skills. This will help them navigate the evolving demands and seize new opportunities, ensuring steady industry growth and continued demand for office spaces in the long term.

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