

# Metro Manila Office Briefing

Q4 2015



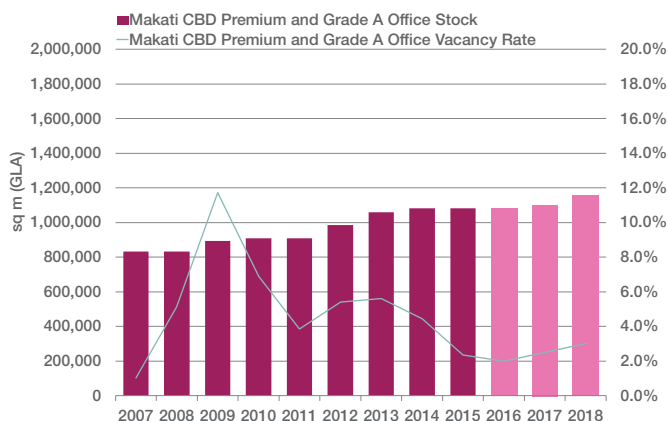
## THE FACTS AT A GLANCE

### Net take-up in Metro Manila at an all-time high in 2015

- Net take-up for Premium and Grade A office spaces in Metro Manila reached an all-time high in 2015 totaling to 459,000 sq m.
- Overall vacancy in Metro Manila declined to 3.0% as a result of the remarkable demand driven by outsourcing and off-shoring companies.
- Makati CBD still commanded the highest average rental rate at Php 980.8 per sq m/month while Alabang continued to lag behind other Metro Manila sub-markets.
- Vacancies are likely to increase in the next three years even with strong pre-leasing activity due to the entry of some 1.8 million sq m of office spaces.
- Likewise due to the new supply, the rental growth is expected to ease in the coming years in most sub-markets.
- Bay Area and Quezon City are expected to continue outperforming other Metro Manila sub-markets given the supply and demand dynamics within these markets

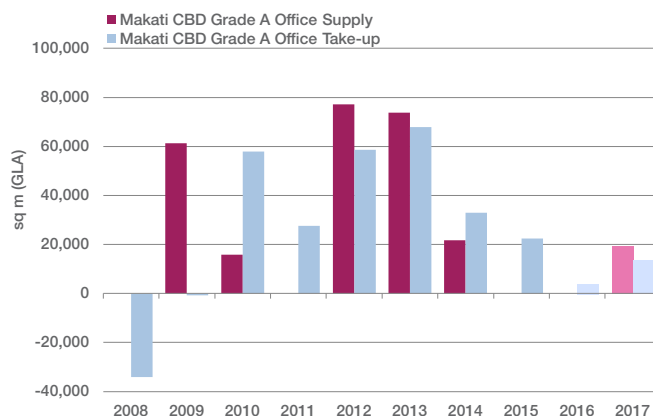
# Office Market Snapshot | Makati CBD

**GRAPH 1**  
**Stock & Vacancy**



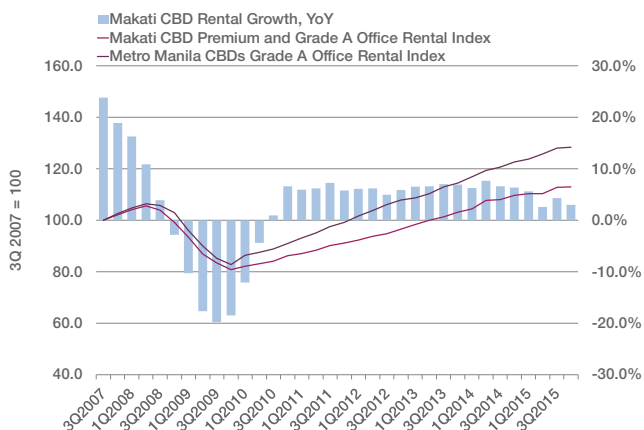
Source: KMC Research & Consultancy

**GRAPH 2**  
**Supply & Take-up**



Source: KMC Research & Consultancy

**GRAPH 3**  
**Rental Performance**



Source: KMC Research & Consultancy

**TABLE 1**  
**Key Figures - Premium and Grade A Office**

	Unit	Q4/2015
Average net rental rate	Php/sq m/month	980.8
Upper net rental rate	Php/sq m/month	1,400.0
Average capital value	Php/sq m	185,511.3
Equivalent yield	%	8.25
Vacancy rate	%	2.4
Current stock	sq m	1,080,863
Development pipeline 2016-2018	sq m	74,556

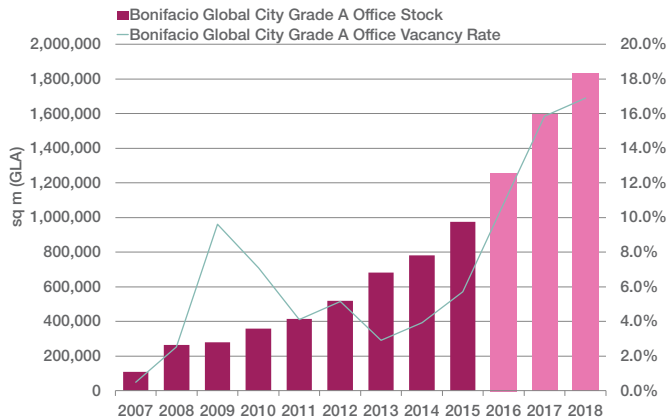
Source: KMC Research & Consultancy

## Makati CBD Market in Minutes

- Makati CBD maintains its position as the most premium CBD in Metro Manila, commanding the highest rental rate in the market at Php 1,400 per sq m/month. Overall, average rental rates in Makati CBD grew by 3.0% YoY and 0.2% QoQ to Php 980.8 per sq m/month.
- With the absence of new supply in 2015, vacancy rate dropped to 2.4% from 4.4% in 2014. This is due to the net absorption of 23,000 sq m throughout the year. This vacancy rate of Makati CBD is the lowest since 2008.
- The lack of new supply is seen to keep vacancy rates low in Makati CBD and trigger rental rate growth in the foreseeable future. Rental rates are likely to accelerate in the short- to-mid-term as new supply in the CBD is yet to come online by 2017 with the re-opening of Insular Life Building which is currently undergoing redevelopment.

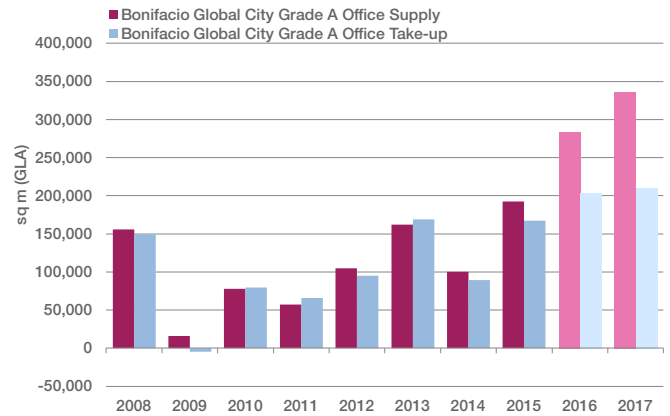
# Office Market Snapshot | Bonifacio Global City

**GRAPH 4**  
**Stock & Vacancy**



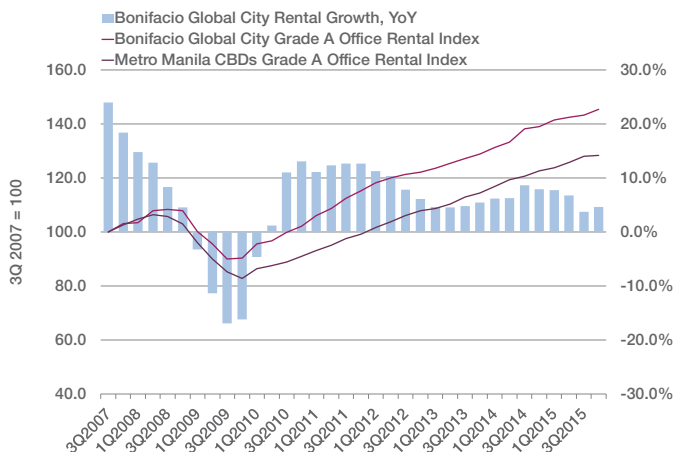
Source: KMC Research & Consultancy

**GRAPH 5**  
**Supply & Take-up**



Source: KMC Research & Consultancy

**GRAPH 6**  
**Rental Performance**



Source: KMC Research & Consultancy

**TABLE 2**  
**Key Figures - Grade A Office**

	Unit	Q4/2015
Average net rental rate	Php/sq m/month	873.2
Upper net rental rate	Php/sq m/month	1,200.0
Average capital value	Php/sq m	150,713.9
Equivalent yield	%	8.75
Vacancy rate	%	5.7
Current stock	sq m	973,914
Development pipeline 2016-2018	sq m	856,345

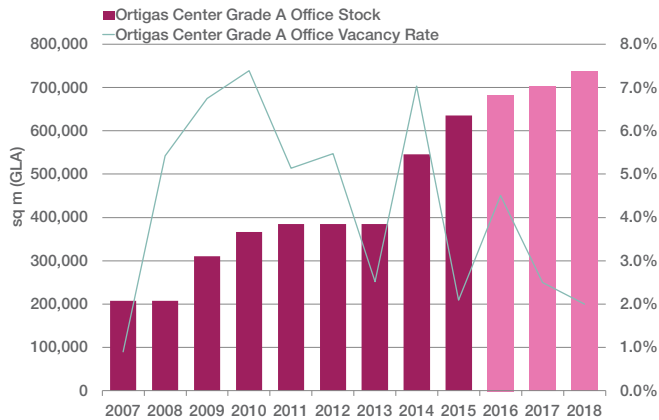
Source: KMC Research & Consultancy

## BGC Market in Minutes

- Four new office towers, adding more than 125,000 sq m, were completed in BGC during the last quarter of 2015, pushing the stock of the sub-market to nearly 974,000 sq m. As a result of the supply additions, vacancy rate rose to 5.7% in 4Q/2015 from 2.5% in the previous quarter.
- In 2015, the pace of rental rate growth softened to 4.6% from 7.9% in 2014 due to the new supply that was delivered in the sub-market. Average rental rate in BGC as of 4Q/2015 is at Php 873.2 per sq m/month with the highest rental rates commanding Php 1,200 per sq m/month.
- The increase in vacancy is likely to continue despite the expected strong demand in the sub-market due to the large pipeline of about 856,000 sq m coming online until 2018. In effect, rental rate growth in BGC is expected to ease in the coming years as a result of supply-side factors.

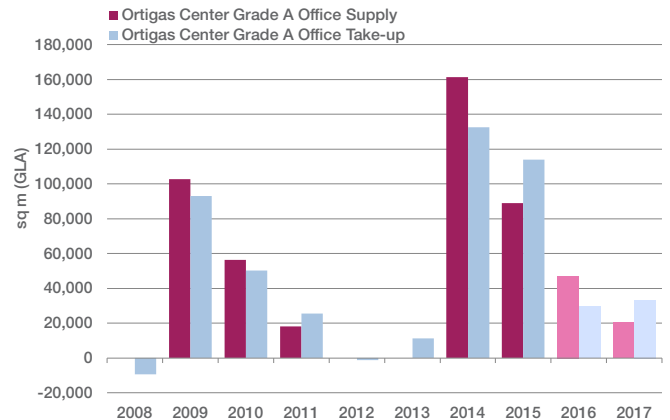
# Office Market Snapshot | Ortigas Center

**GRAPH 7**  
**Stock & Vacancy**



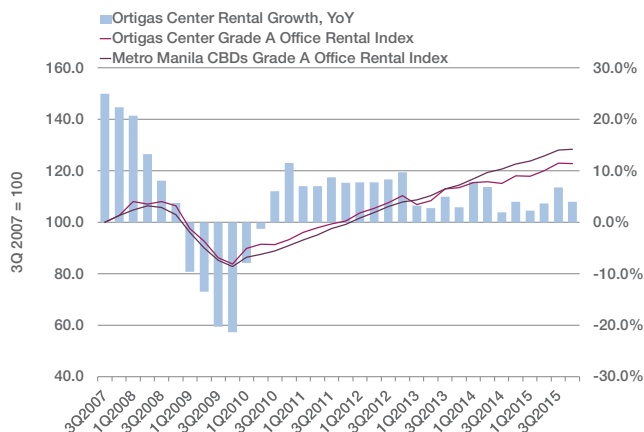
Source: KMC Research & Consultancy

**GRAPH 8**  
**Supply & Take-up**



Source: KMC Research & Consultancy

**GRAPH 9**  
**Rental Performance**



Source: KMC Research & Consultancy

**TABLE 3**  
**Key Figures - Grade A Office**

	Unit	Q4/2015
Average net rental rate	Php/sq m/month	623.7
Upper net rental rate	Php/sq m/month	750.0
Average capital value	Php/sq m	92,594.9
Equivalent yield	%	9.00
Vacancy rate	%	2.1
Current stock	sq m	635,199
Development pipeline 2016-2018	sq m	102,389

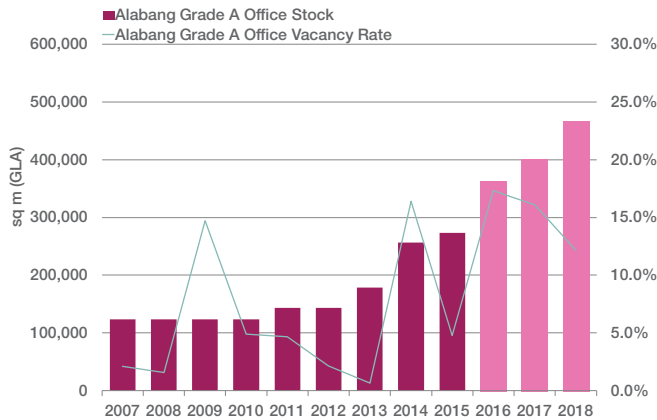
Source: KMC Research & Consultancy

## Ortigas Center Market in Minutes

- Significantly reduced levels of vacant spaces have buoyed rental rates in Ortigas Center. In 2015, average rental rate grew by 4.0% YoY to Php 623.7 per sq m/month.
- Ortigas Center's vacancy rate dropped to 2.1% from the previous year's 7.0%. The strong take-up of office spaces throughout the year has reduced the large amount of vacant spaces in the business district. However, net absorption in 2015 of 114,000 sq m fell short of the 132,000 sq m seen in 2014.
- Vacancy rate in Ortigas Center is likely to remain low until 2018 given the low level of supply coming online in the next three years. This expected low vacancy rate is seen to support rental rate growth in the sub-market.

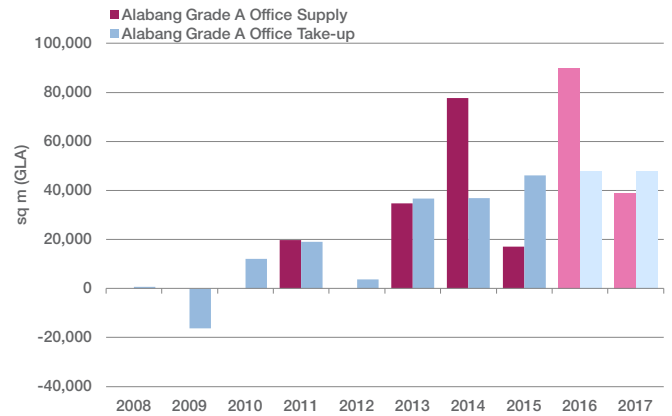
# Office Market Snapshot | Alabang

**GRAPH 10**  
**Stock & Vacancy**



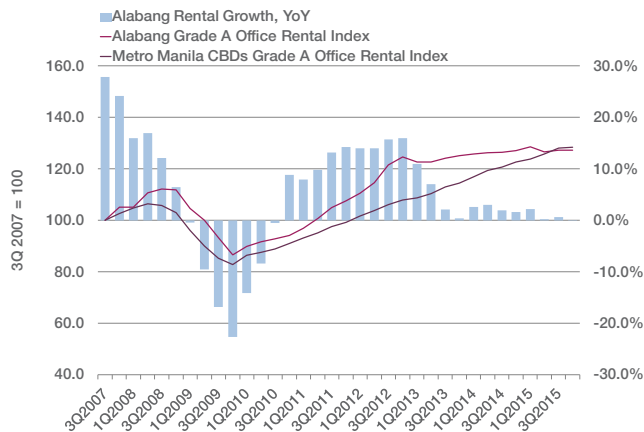
Source: KMC Research & Consultancy

**GRAPH 11**  
**Supply & Take-up**



Source: KMC Research & Consultancy

**GRAPH 12**  
**Rental Performance**



Source: KMC Research & Consultancy

**TABLE 4**  
**Key Figures - Grade A Office**

	Unit	Q4/2015
Average net rental rate	Php/sq m/month	605.3
Upper net rental rate	Php/sq m/month	650.0
Average capital value	Php/sq m	65,170.9
Equivalent yield	%	10.50
Vacancy rate	%	4.8
Current stock	sq m	273,260
Development pipeline 2016-2018	sq m	194,130

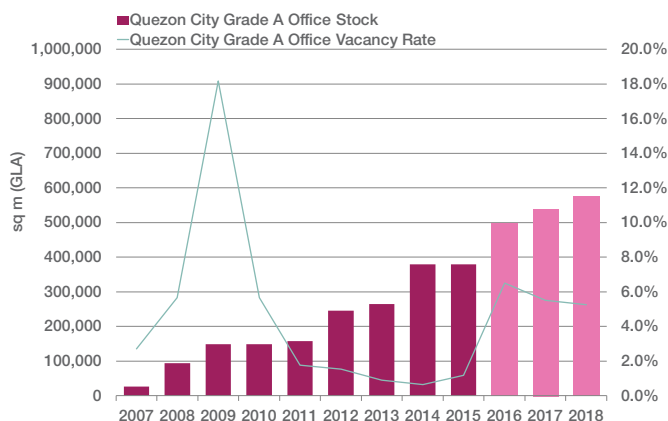
Source: KMC Research & Consultancy

## Alabang Market in Minutes

- Alabang showed a better market performance in 2015 as net absorption in the business district totaled to 46,000 sq m. Vacancy rate plummeted to single-digit territory at 4.8% from the two-digit vacancy rate in 2014.
- However, even with increased demand, average rental rate remained flat and plateaued at Php 605.3 per sq m/month in 2015, posting no growth for the year.
- Rental rate growth in Alabang is likely to remain sluggish in the next two years as vacancy is projected to hit double digits again with the influx of some 194,000 sq m of new supply until 2018.

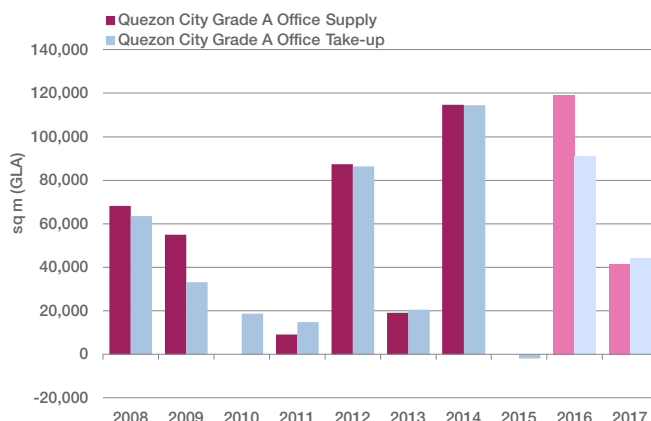
# Office Market Snapshot | Quezon City

**GRAPH 13**  
**Stock & Vacancy**



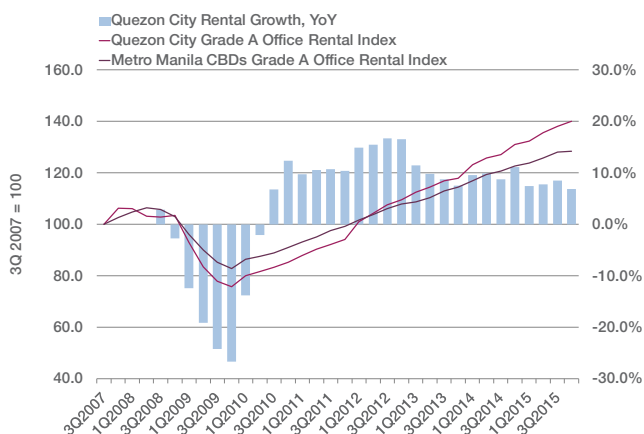
Source: KMC Research & Consultancy

**GRAPH 14**  
**Supply & Take-up**



Source: KMC Research & Consultancy

**GRAPH 15**  
**Rental Performance**



Source: KMC Research & Consultancy

**TABLE 5**  
**Key Figures - Grade A Office**

	Unit	Q4/2015
Average net rental rate	Php/sq m/month	710.7
Upper net rental rate	Php/sq m/month	750.0
Average capital value	Php/sq m	104,057.5
Equivalent yield	%	10.50
Vacancy rate	%	1.2
Current stock	sq m	379,151
Development pipeline 2016-2018	sq m	196,276

Source: KMC Research & Consultancy

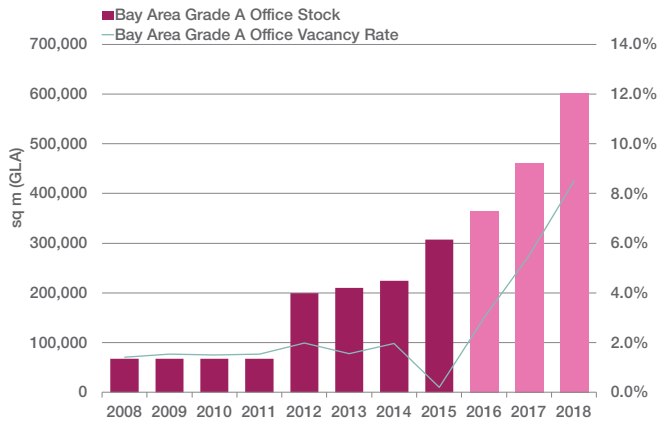
## Quezon City Market in Minutes

- Quezon City's vacancy rate remained relatively low in 2015 at 1.2% despite the slight hike from the rate recorded in 2014. Although vacant spaces continued to be taken up, previously leased office spaces, particularly in some older buildings in Araneta Center, became available at the close of 2015.
- Nevertheless, the lack of new supply in the sub-market pushed average rental rate upward to Php 710.7 per sq m/month, representing a 1.8% rise over the preceding quarter and a 6.9% increase YoY.
- The pace of rental rate growth may soften in Quezon City in the coming years alongside the increase of vacancy rate as a result of the significant amount of new office space coming online until 2018.



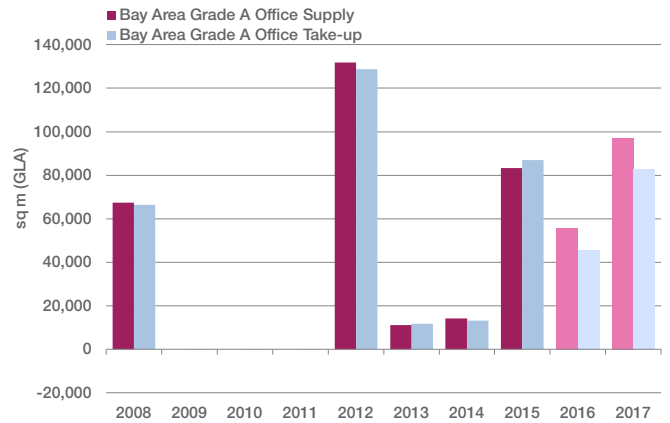
# Office Market Snapshot | Bay Area

GRAPH 16  
Stock & Vacancy



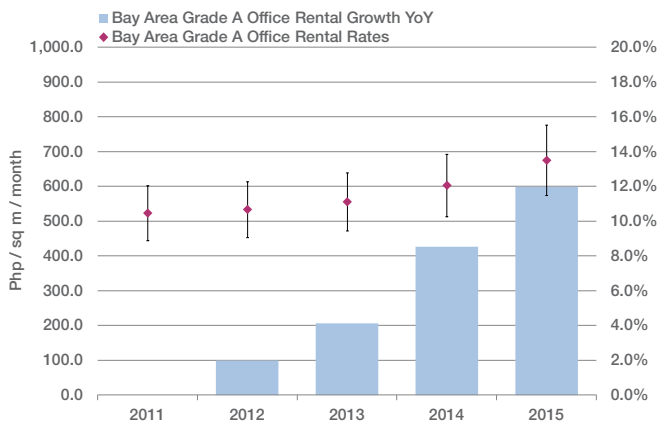
Source: KMC Research & Consultancy

GRAPH 17  
Supply & Take-up



Source: KMC Research & Consultancy

GRAPH 18  
Rental Performance



Source: KMC Research & Consultancy

TABLE 6  
Key Figures - Grade A Office

	Unit	Q4/2015
Average net rental rate	Php/sq m/month	674.7
Upper net rental rate	Php/sq m/month	700.0
Average capital value	Php/sq m	97,752.5
Equivalent yield	%	10.50
Vacancy rate	%	0.2
Current stock	sq m	307,662
Development pipeline 2016-2018	sq m	293,248

Source: KMC Research & Consultancy

## Bay Area Market in Minutes

- The Bay Area recorded the highest YoY rental rate growth amongst all districts at 12.0% in 2015. This brings the average rental rate of the sub-market to Php 674.7 per sq m/month with the upper rental rate at Php 700.0 per sq m/month.
- Vacant spaces in the Bay Area continued to dwindle in 2015 having only less than a thousand sq m available at the end of the year, notwithstanding the turnover of Five E-com Center with a gross leasable space of 83,000 sq m.
- Even with strong occupier demand as evidenced by the high level of pre-leasing activity in the Bay Area, vacancy rate is expected to spike in the short- to mid-term. This is due to the impressive pipeline of office spaces coming online in the next three years close to 290,000 sq m. Rental rate growth is likely to ease given the demand and supply dynamics in the sub-market.

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