

# Metro Manila **Office Briefing**

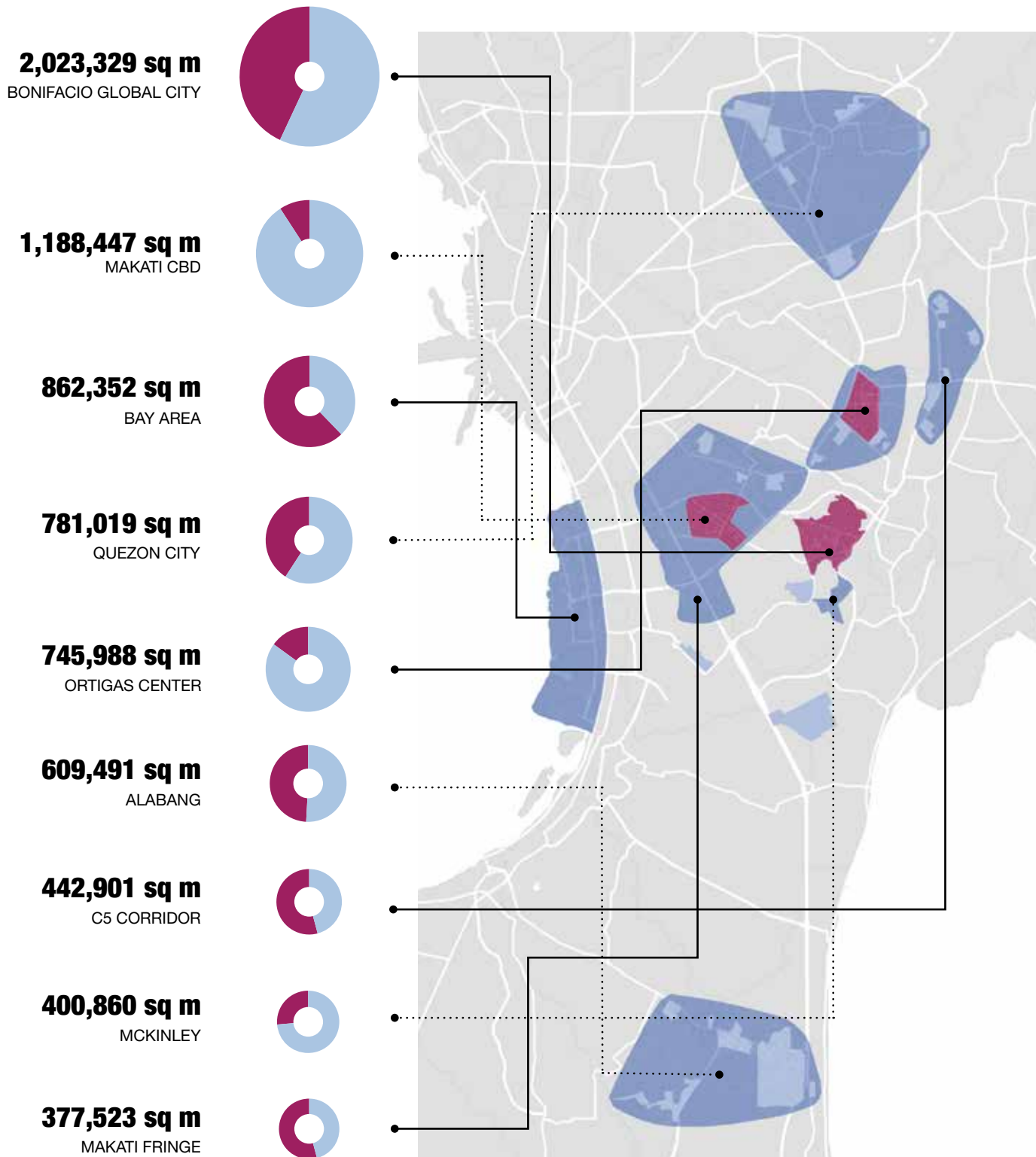
3Q 2016



# Metro Manila Office Submarkets

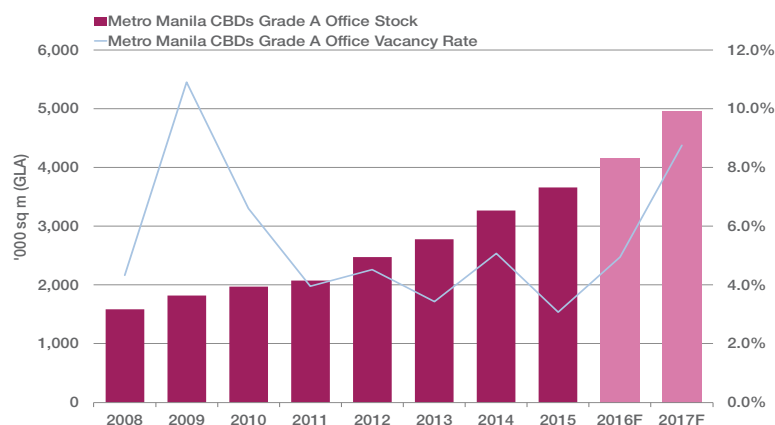
## Future Stock (2019)

● DEVELOPMENT PIPELINE (2016-2019) ● CURRENT STOCK



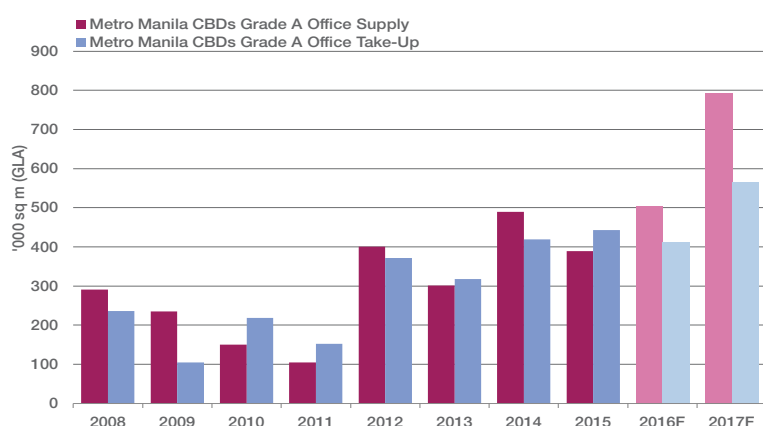
# Metro Manila

GRAPH 1  
**Stock & Vacancy**



Source: KMC Savills Research

GRAPH 2  
**Supply & Take-Up**



Source: KMC Savills Research

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

3Q 2016	Makati CBD	BGC	Ortigas Center	Alabang	Quezon City	Bay Area
Average net rental rate (Php/sq m/month)	1,010.8	889.6	643.7	617.4	696.0	699.2
Upper net rental rate (Php/sq m/month)	1,450.0	1,200.0	800.0	650.0	750.0	750.0
Vacancy rate (%)	1.2%	2.4%	0.5%	5.2%	9.7%	0.9%
Current stock (sq m)	1,080,863	1,152,313	635,199	311,407	463,183	326,737
Development pipeline 2016-2019 (sq m)	107,584	871,016	110,789	298,083	317,836	535,615

\* Makati CBD includes Premium Offices

- The market was relatively quiet in Metro Manila with fewer supply additions due to several building completions postponed to later quarters. In 3Q/2016, only 18,000 sq m of new office supply was turned over in BGC.

- Occupier demand was still strong though, as the market recorded a net absorption of 24,900 sq m which resulted with the vacancy rate to further drop to 2.7% in 3Q/2016.

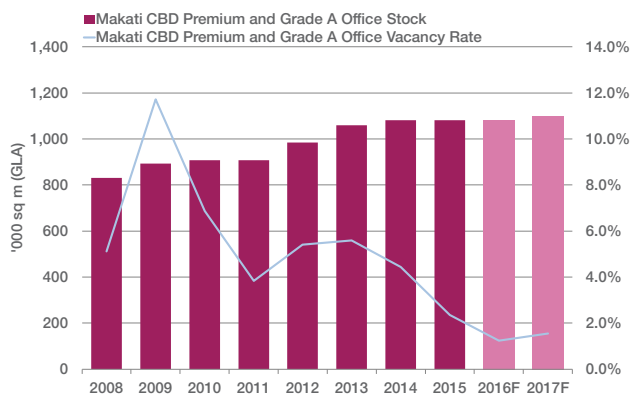
- In 4Q/2016, supply additions should return as the market is expected to introduce another 193,300 sq m of Grade A office space. Although we expect office demand to continue to be robust, we foresee a gradual increase in vacancies in the coming quarters with the completion of an unprecedented new supply of 871,900 sq m in the next 12 months.

- Overall, despite tightening vacancies, average rents rose moderately by 3.4% YoY, a slight slowdown from 4.4% YoY in 2Q/2016. However, Quezon City witnessed its first decline in rental rates since 2010 due to the high level of availabilities in the area.

- Looking ahead, the expected new deliveries over the next 12 months should put additional pressure on lease rates in Metro Manila as the vacancies are seen rising.

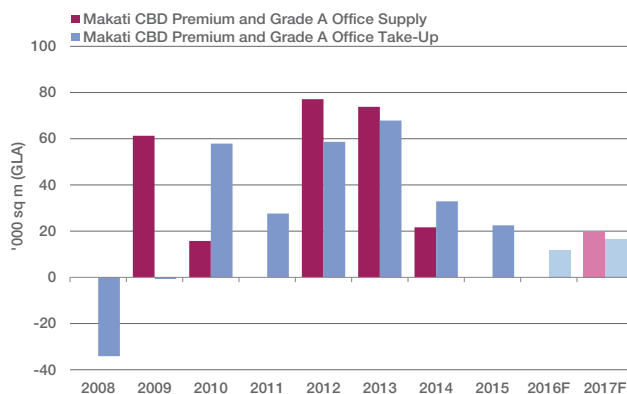
# Makati CBD

GRAPH 3 **Stock & Vacancy**



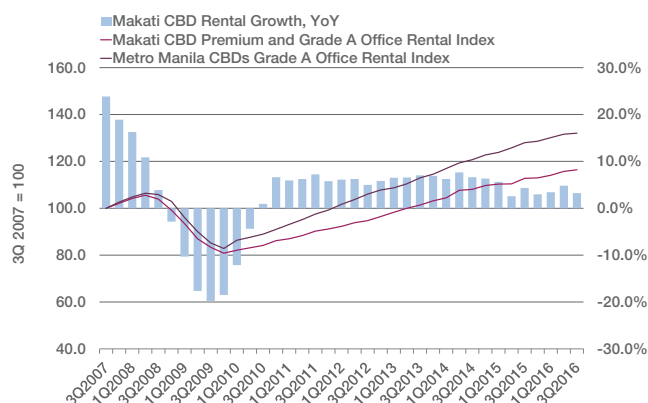
Source: KMC Savills Research

GRAPH 4 **Supply & Take-Up**



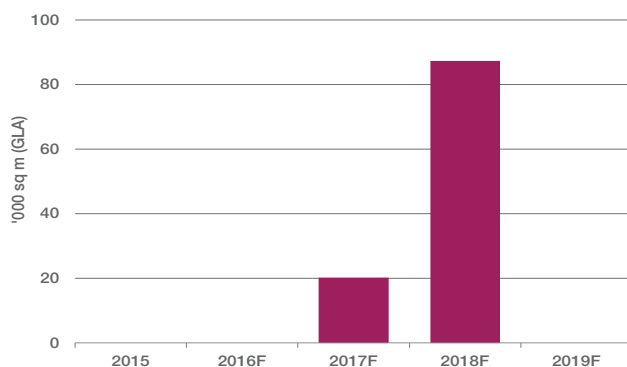
Source: KMC Savills Research

GRAPH 5 **Rental Performance**



Source: KMC Savills Research

GRAPH 6 **Development Pipeline**



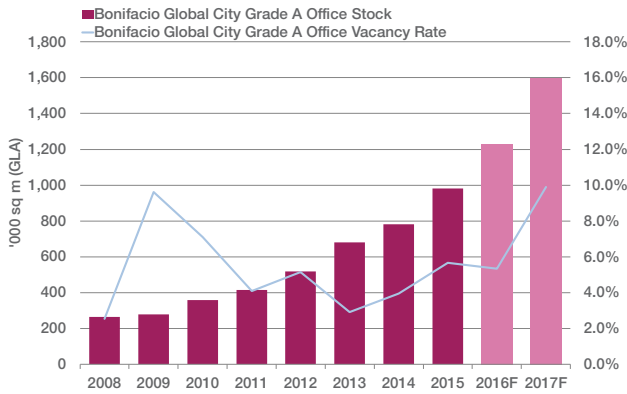
Source: KMC Savills Research

## MARKET IN MINUTES

- With no additional supply coupled with the net take up of 9,858 sq m, the Makati CBD's vacancy rate further pulled down to 1.2% in 3Q/2016.
- Although vacancies continue to tighten, rental rates during the quarter have grown just steadily at 3.2% YoY. In addition, the country's premier CBD still commands the highest average rental rate of Php 1,010.8 per sq m/month.
- New office supply in Makati CBD will be scarce in the coming quarters with just the reopening of the Insular Life Makati building in 1Q/2017. As a result, we expect the vacancy rate to remain tight next quarter which would raise the likelihood of accelerating rental rates due to the limited available office stock.

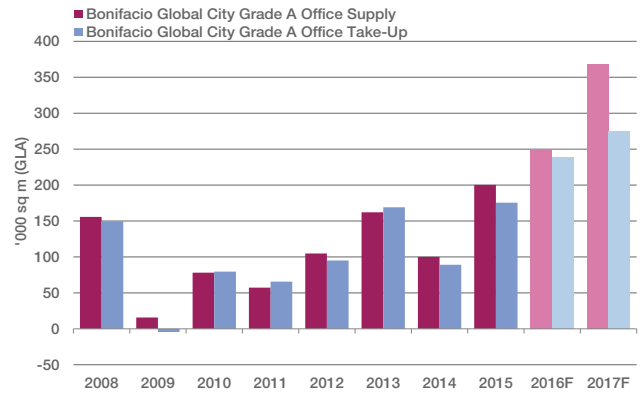
# Bonifacio Global City

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



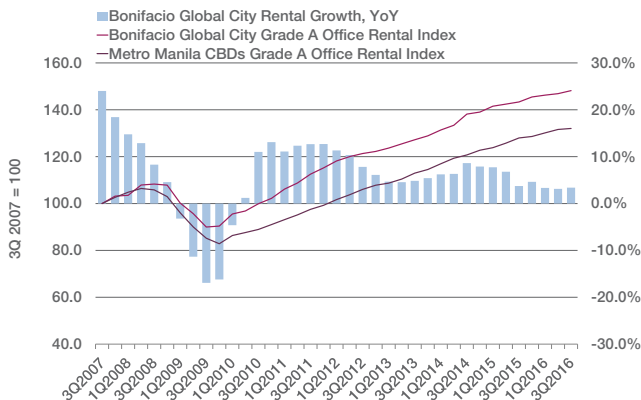
Source: KMC Savills Research

**GRAPH 8**  
**Supply & Take-Up**



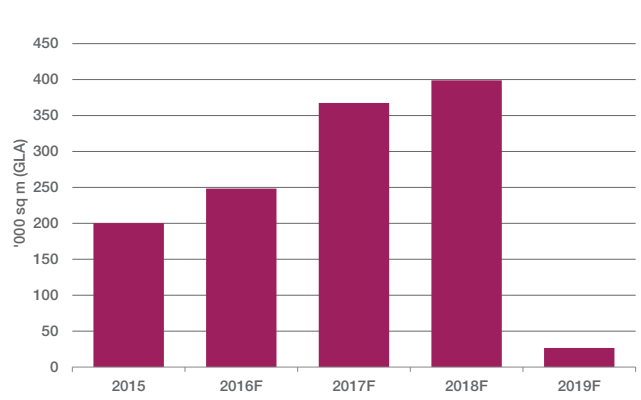
Source: KMC Savills Research

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



Source: KMC Savills Research

**GRAPH 10**  
**Development Pipeline**



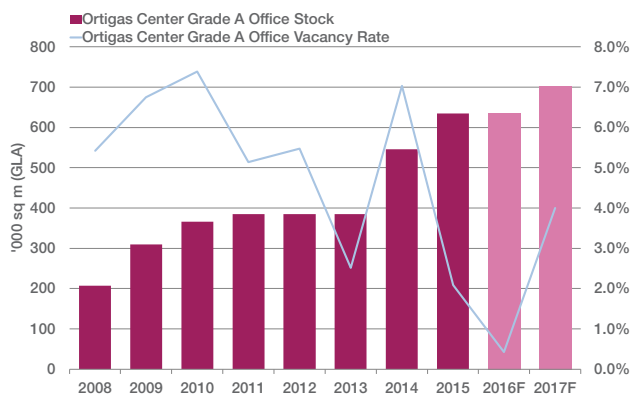
Source: KMC Savills Research

## MARKET IN MINUTES

- Although there was only 18,000 sq m of additional office space in 3Q/2016, demand for office space remained robust in BGC as the vacancy rate further dropped to 2.4%.
- The average rental rate in BGC stood at Php 889.6 per sq m/month at the end of 3Q/2016. The healthy rental growth of 3.4% YoY and 0.9% QoQ was a slight uptick from 2Q/2016's rental growth of 3.1% YoY and 0.5% QoQ.
- Year to date, net absorption of 198,200 sq m has exceeded office completions of 170,400 sq m. With 40% of BGC's incoming office space in the next 12 months already pre-leased, we still expect the strong demand to carry over to the next quarter.

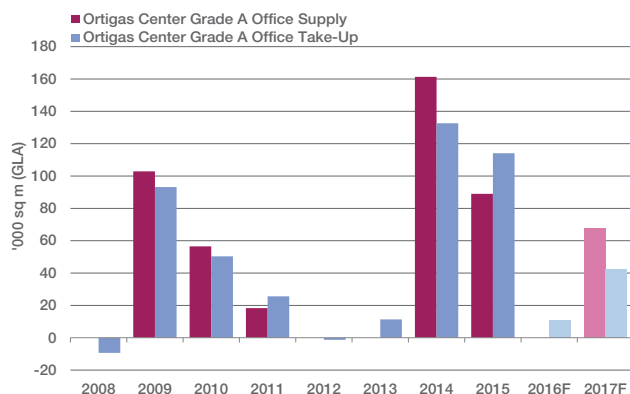
# Ortigas Center

GRAPH 11 **Stock & Vacancy**



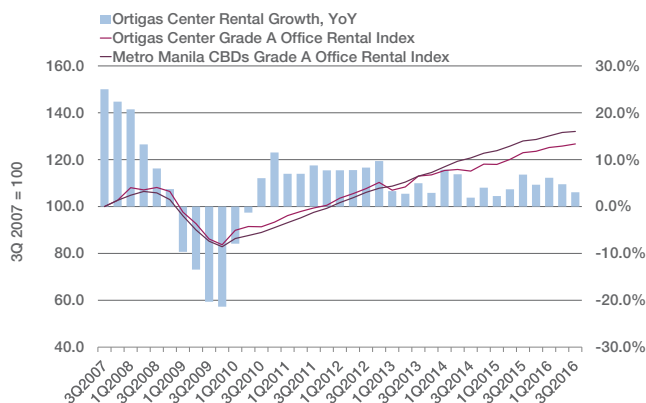
Source: KMC Savills Research

GRAPH 12 **Supply & Take-Up**



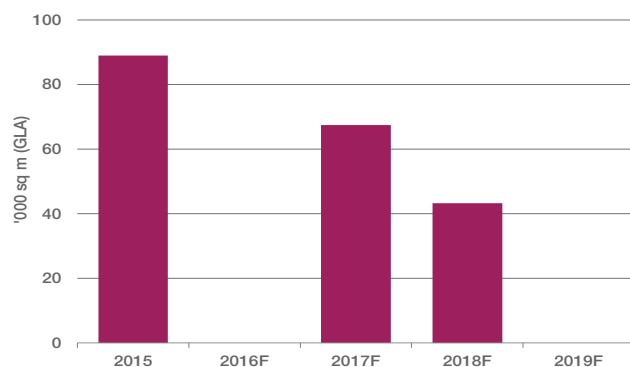
Source: KMC Savills Research

GRAPH 13 **Rental Performance**



Source: KMC Savills Research

GRAPH 14 **Development Pipeline**



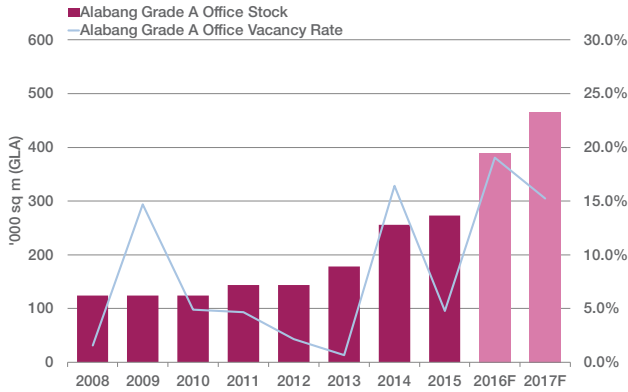
Source: KMC Savills Research

## MARKET IN MINUTES

- With no additional supply during the quarter, vacancies further tightened to 0.5% in 3Q/2016 from 1.2% in 2Q/2016. With sustained occupier demand despite the limited available office supply, 4,384 sq m was further taken up.
- With the low vacancy rate, the average rental rate further improved to Php 643.7 per sq m/month after posting modest growth of 3.1% YoY and 0.7% QoQ in 3Q/2016.
- New supply in the coming quarters is expected to increase vacancies from its current level but will still be manageable as demand is still seen to be healthy. In 2017, only two office buildings will be completed which will add 67,400 sq m in Ortigas Center.

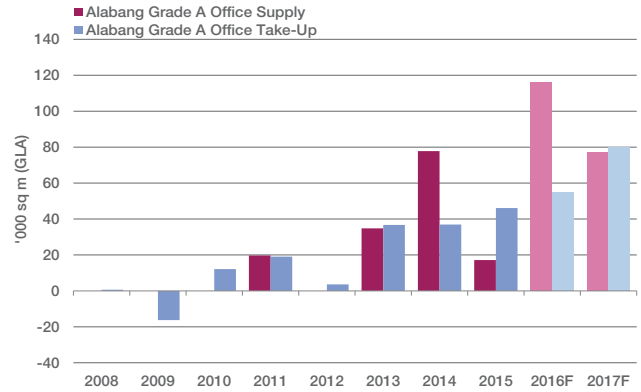
# Alabang

**GRAPH 15**  
**Stock & Vacancy**



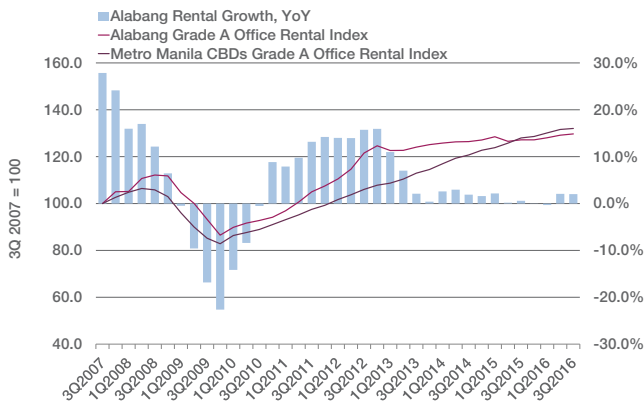
Source: KMC Savills Research

**GRAPH 16**  
**Supply & Take-Up**



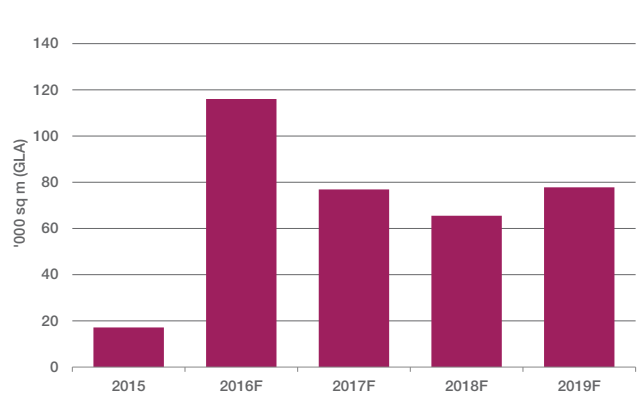
Source: KMC Savills Research

**GRAPH 17**  
**Rental Performance**



Source: KMC Savills Research

**GRAPH 18**  
**Development Pipeline**



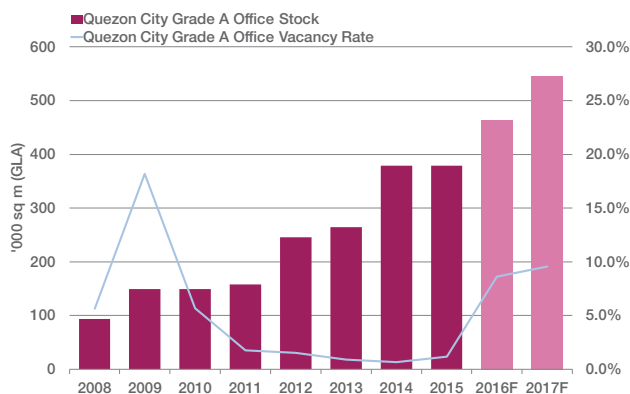
Source: KMC Savills Research

## MARKET IN MINUTES

- In 3Q/2016, there was an increase in the vacancy rate to 5.2% after occupancies declined in the Filinvest Three and Vector Two buildings during 3Q/2016.
- However, rental rates remained stable despite the uptick in vacancies in Alabang. The average rental rate posted a growth of 2.0% YoY to Php 617.4 per sq m/month for 3Q/2016.
- Looking ahead, the additional 77,900 sq m of new office space to be completed in 4Q/2016 is expected to further increase the average vacancy rate to double digits. The rise in vacancies is estimated to result in slow rental growth in the immediate term, but we also do not discount the possibility rentals may stagnate if elevated vacancies are sustained.

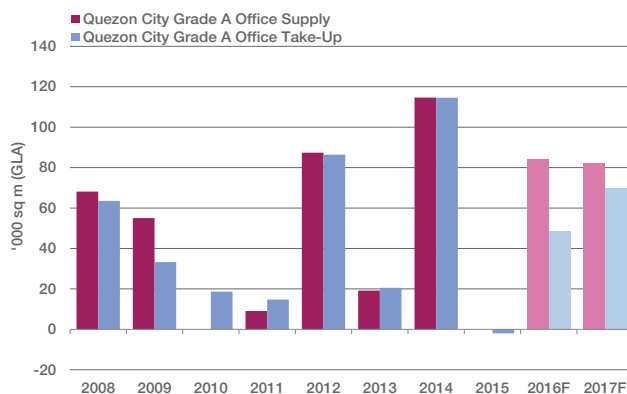
# Quezon City

GRAPH 19 **Stock & Vacancy**



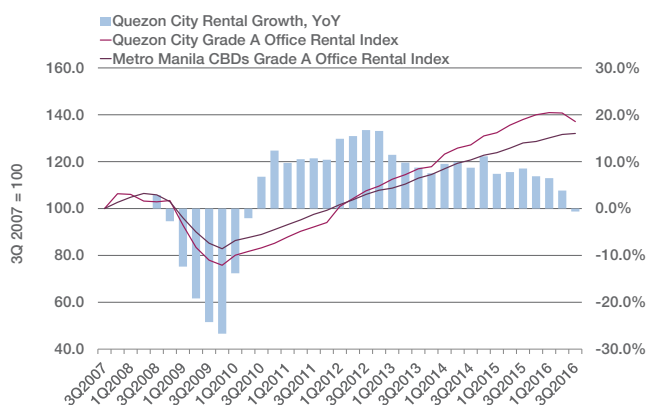
Source: KMC Savills Research

GRAPH 20 **Supply & Take-Up**



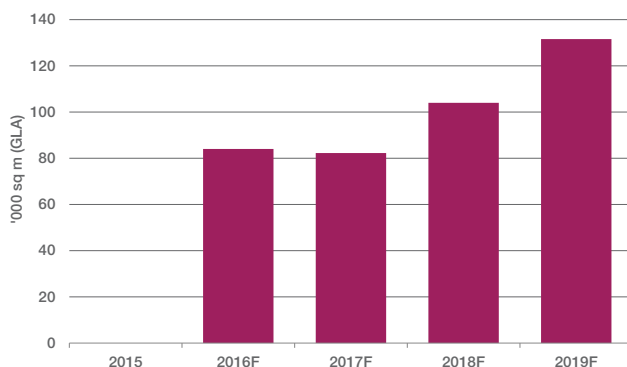
Source: KMC Savills Research

GRAPH 21 **Rental Performance**



Source: KMC Savills Research

GRAPH 22 **Development Pipeline**



Source: KMC Savills Research

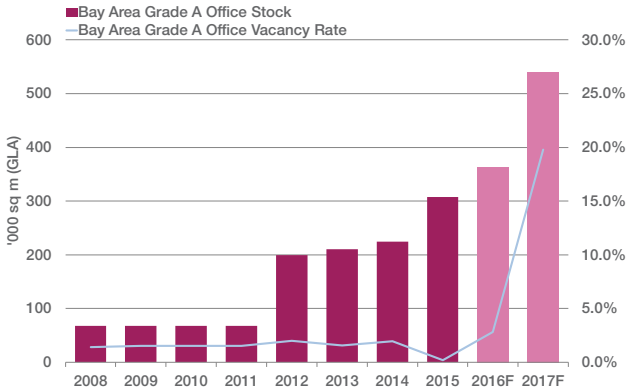
## MARKET IN MINUTES

- The average rental rate in Quezon City dropped by -0.6% YoY and -2.6% QoQ in 3Q/2016 as existing vacancies have lingered for the third consecutive quarter. This has pressured landlords to increasingly offer incentives and reduce base rates. For comparison, in 3Q/2016, the vacancy rate was recorded at 9.7% versus its five year average of 1.2%.
- Absorption has been relatively slow for the completed buildings early this year and future performance may likely follow its current pace. Therefore, the average vacancy may further increase in the coming months as the upcoming supply is expected to exceed the take-up.
- With vacancies expected to remain elevated in the coming quarters due to the additional 82,200 sq m of new office space in 2017, downward pressure on rents should persist. We may see the average rentals to further drop as landlords try to fill their available office stock amidst the influx of new offices.



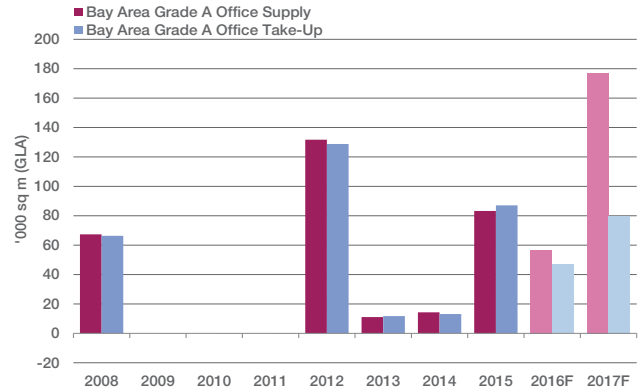
# Bay Area

GRAPH 23 **Stock & Vacancy**



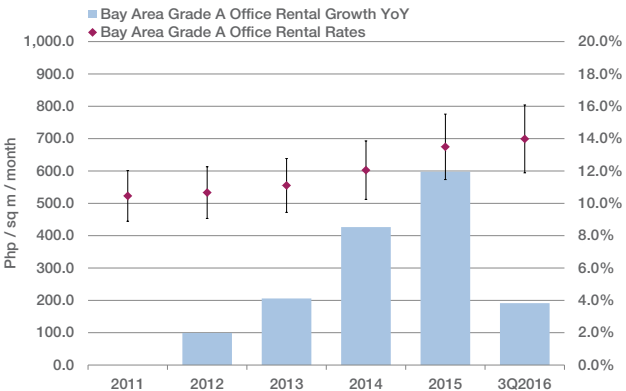
Source: KMC Savills Research

GRAPH 24 **Supply & Take-Up**



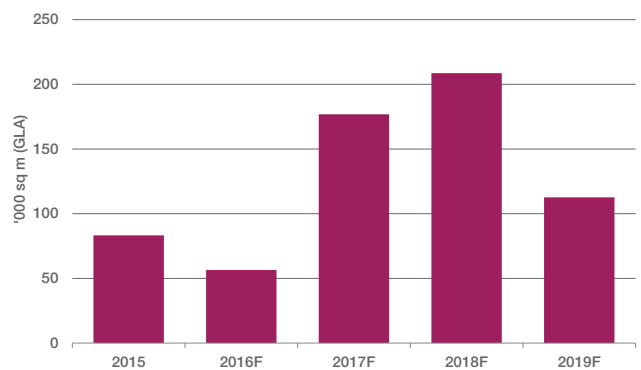
Source: KMC Savills Research

GRAPH 25 **Rental Performance**



Source: KMC Savills Research

GRAPH 26 **Development Pipeline**



Source: KMC Savills Research

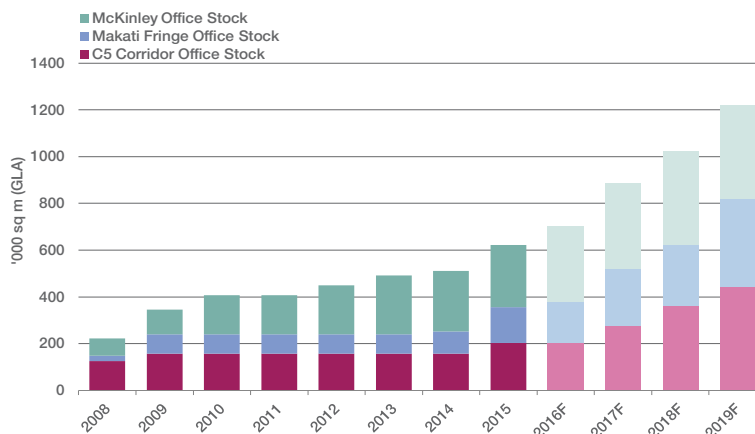
## MARKET IN MINUTES

- The average rental rate in the Bay Area has started to stabilize at Php 699.2 per sq m/month after posting growth of just 3.8% YoY in 3Q/2016 compared to 6.4% in 2Q/2016.
- The vacancy rate is still tight at 0.9% despite slightly increasing from 0.4% in 2Q/2016. Moving forward, the vacancy rate in the Bay Area may marginally rise by 4Q/2016 with the expected addition of 37,400 sq m of new office supply from the Biopolis and iMet buildings.
- However, a record 177,000 sq m of new office space will come on line in the Bay Area in 2017 – mostly from the office buildings of Double Dragon in the Meridian Park. Although office demand has historically been robust, the scale of the incoming supply may pose as a tough challenge. Thus, we foresee the vacancy rate to slowly climb to double digits in the coming quarters, creating downward pressure on rentals.

## Other Submarkets

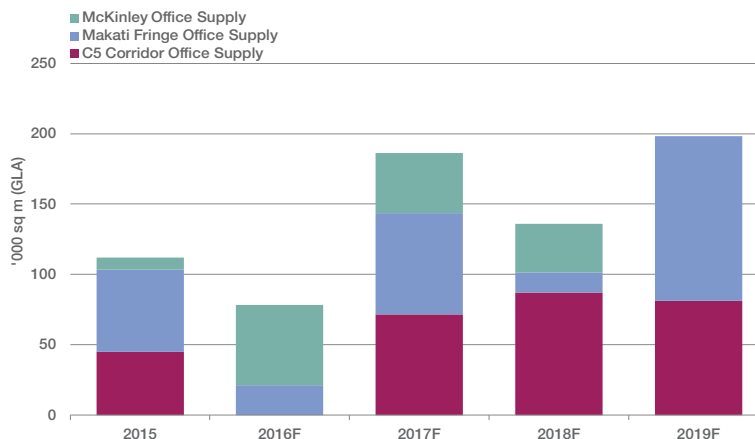
- There was no additional supply in C-5 Corridor, McKinley and Makati Fringe for 3Q/2016. New supply from these submarkets will be relatively low in 4Q/2016 with just three of the McKinley West Campus buildings to be completed, consisting of around 28,000 sq m.
- In the coming years, the Makati Fringe and C-5 Corridor will add almost 443,500 sq m of leasable space until 2019. These submarkets are expected to continue to complement the main business districts in their respective areas as they grow substantially in scale.
- The upcoming townships of Bridgetown Business Park by Robinsons Land and ArcoVia City by Megaworld will dominate the C-5 Corridor office pipeline in the coming years. Looking ahead, we should expect more office buildings in this submarket as these townships are in its early stages with ample land for development.

GRAPH 27  
Stock by District



Source: KMC Savills Research

GRAPH 28  
Development Pipeline by District



Source: KMC Savills Research

## Definition of other submarkets

These submarkets are not included in the aggregate Metro Manila figures

### MCKINLEY

The McKinley submarket is located south of Bonifacio Global City, covering McKinley West and McKinley Hill.

### MAKATI FRINGE

Rockwell Center, Century City and Circuit Makati, as well as areas outside the Makati Central Business District, comprise the Makati Fringe submarket.

### C-5 CORRIDOR

The C-5 Corridor submarket stretches from Eastwood City in Quezon City down to ArcoVia City in Pasig City. The submarket consists of seven microdistricts which include the upcoming Ayala-Eton joint-venture project and Bridgetown Business Park by Robinsons Land.

# PROJECT FOCUS

## ARTHALAND CENTURY PACIFIC TOWER



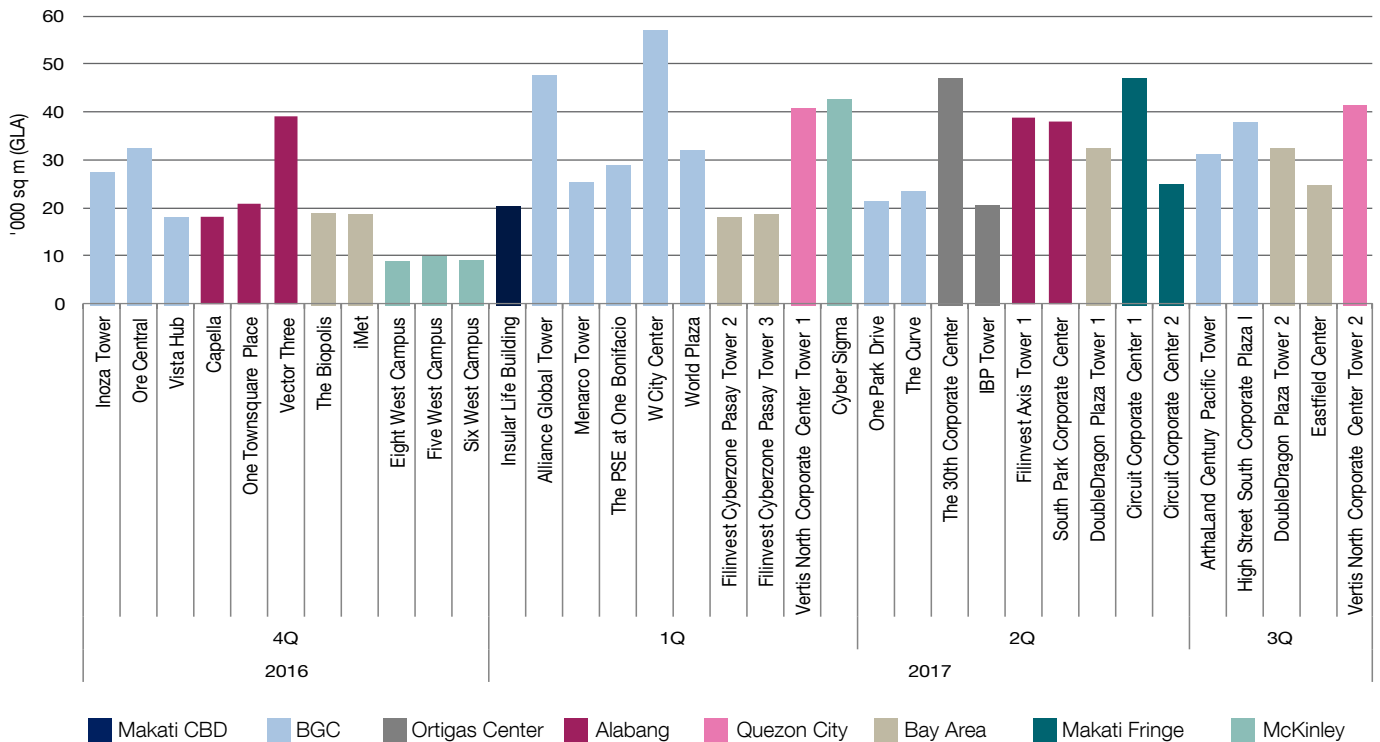
<b>LOCATION</b>	BONIFACIO GLOBAL CITY
<b>GRADE</b>	Premium
<b>TURNOVER DATE</b>	Q2 2017
<b>GROSS LEASABLE AREA</b>	31,045 sq m
<b>NO. OF FLOORS</b>	30
<b>FLOOR PLATE (GLA)</b>	1,550 sq m - Low Zone 1,600 sq m - High Zone
<b>HANDOVER CONDITION</b>	Warm Shell
<b>PEZA</b>	Yes
<b>24 / 7 CAPABILITY</b>	Yes
<b>BACKUP POWER</b>	100%

This is the ArthaLand Century Pacific Tower, a premium office building at the corner of 5th Avenue and 30th Street. The project is located at a prime block, just across Shangri-La at the Fort, the Central Square Mall, and near the future Philippine Stock Exchange building.

The premium grade building is designed by SOM New York, the same group that penned the One World Trade Center in New York and Burj Khalifa in Dubai.

In all aspects, this project, that is designed to hold the headquarters of multinational companies, is fully green. It is on target to achieve dual green building certification from both LEED and BERDE. In fact, it is already LEED pre-certified Gold and won this year's Philippines' Property Award as the Best Green Building in the country.

GRAPH 29  
12-month Supply Forecast by Building



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