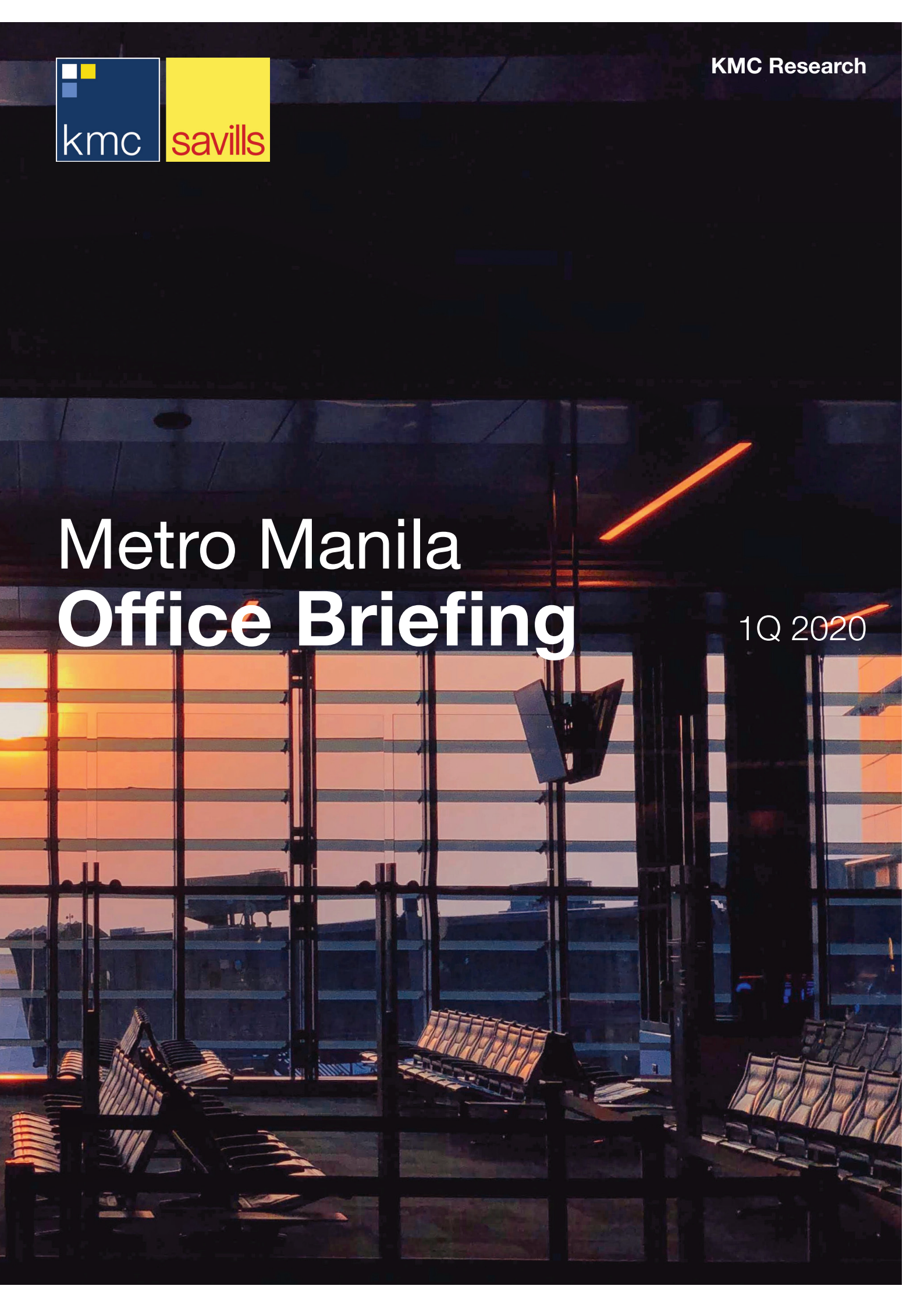




KMC Research

Metro Manila Office Briefing

1Q 2020

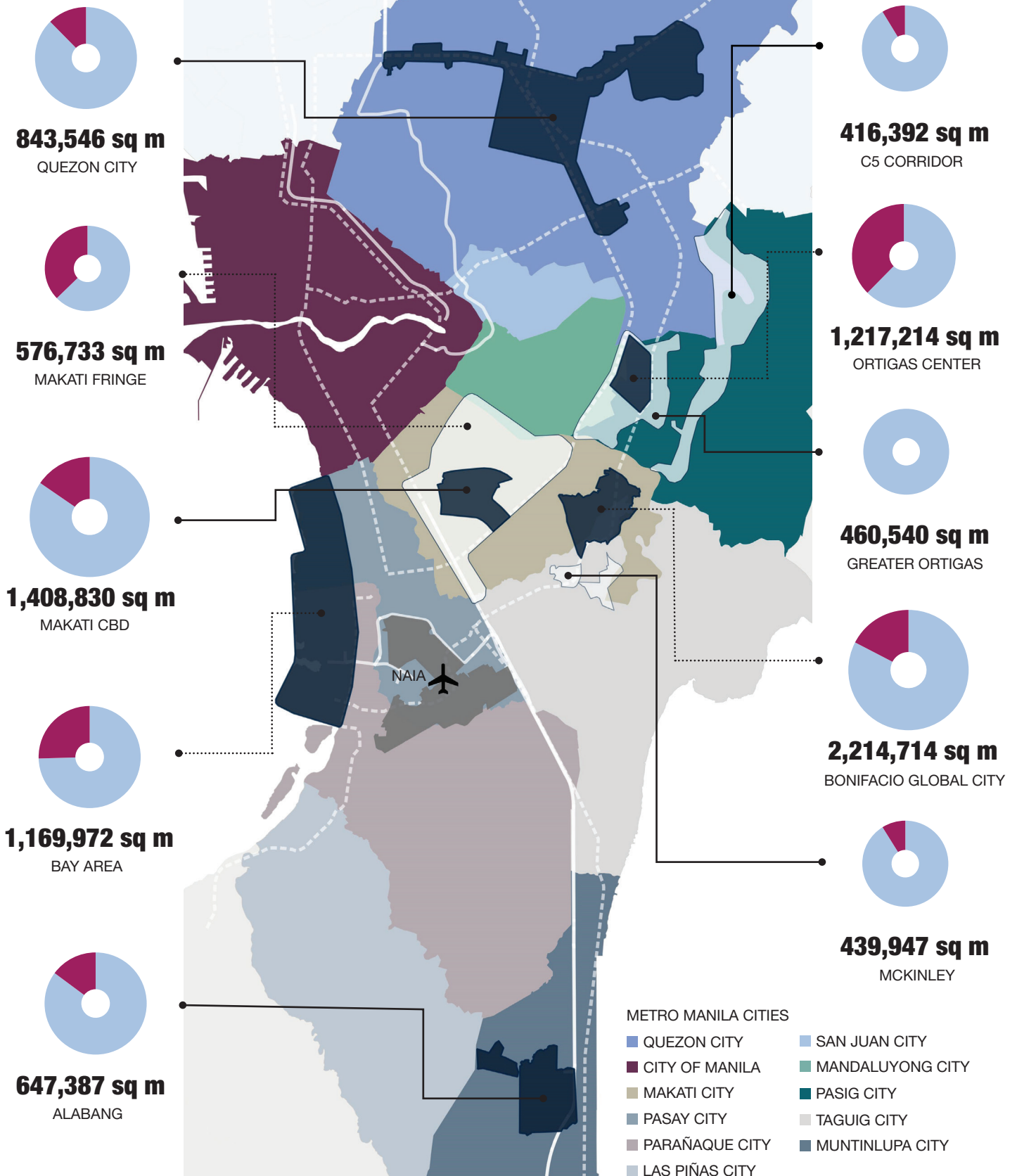


Metro Manila Office Submarkets

Future Stock (2023)

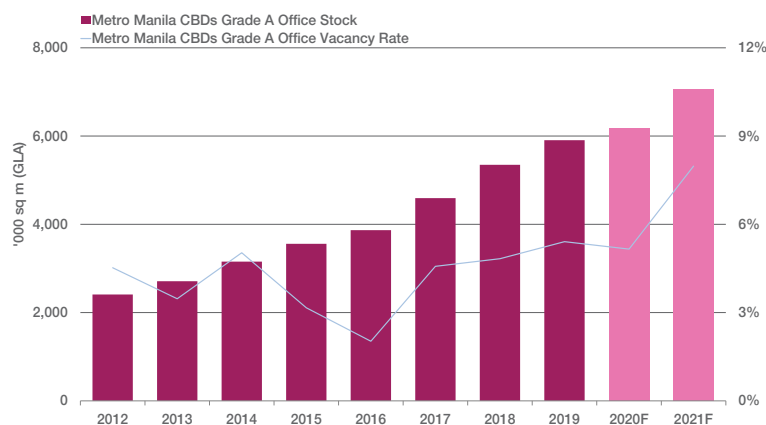
● DEVELOPMENT PIPELINE (2020-2023) ● CURRENT STOCK

MAP 1



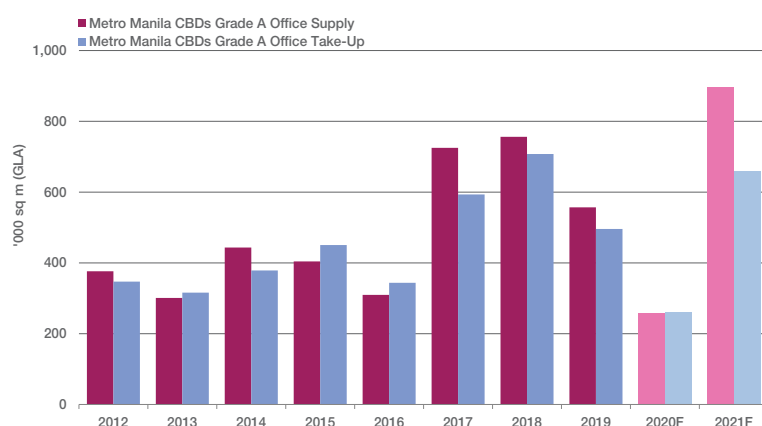
Metro Manila

GRAPH 1
Stock & Vacancy



Source: KMC Savills Research

GRAPH 2
Supply & Take-Up



Source: KMC Savills Research

TABLE 1
Key Figures - Grade A Office

1Q 2020	Unit	Makati CBD	BGC	Ortigas Center	Alabang	Quezon City	Bay Area
Average net rental rate	PHP/sq m	1,149.0	1,036.8	696.5	697.0	758.0	872.3
	USD/sq ft	2.09	1.89	1.27	1.26	1.38	1.58
Upper net rental rate	PHP/sq m	1,600.0	1,400.0	900.0	725.0	825.0	950.0
	USD/sq ft	2.92	2.55	1.64	1.32	1.50	1.73
Vacancy rate	%	1.7%	3.0%	14.2%	4.5%	11.9%	3.7%
Current Stock	sq m	1,191,611	1,829,458	759,357	551,299	739,051	872,157
Development Pipeline 2020-2023	sq m	217,219	385,256	457,857	96,089	104,495	297,815

* Makati CBD includes Premium Offices

■ The upheaval brought by COVID-19 across the globe continues to test the strength of the real estate sector in the Philippines. Since the implementation of the Enhanced Community Quarantine (ECQ), the immediate market consequences have been nothing but short of dramatic. While the long-term effects remain uncertain, the industry is beginning to embrace the new status quo. The O&O sector may still come on top while cost-savings will become key business priorities in the coming quarters.

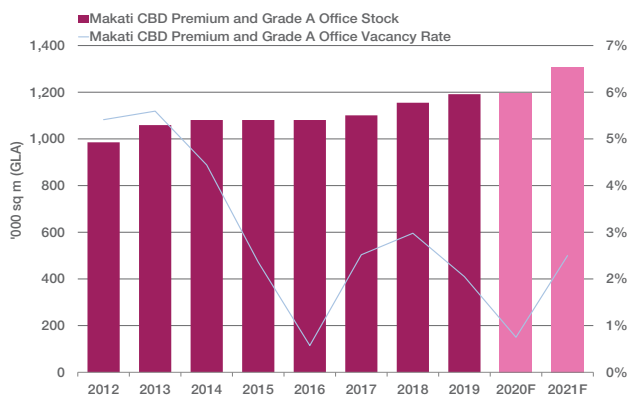
■ Overall vacancy managed to sustain its stable rate at 5.5% in 1Q/2020 – mostly thanks to a muted new supply of only 36,500 sq m during the quarter. We expect construction delays to push completion dates of several buildings onto the latter half of the year. With the ongoing suppression of the pandemic, we do not foresee them being fast tracked.

■ Prior to the recent disruption, average rents improved by 3.6% YoY to PHP 1,022.8 per sq m / month due to the continued tight conditions in Makati CBD and BGC. Surprisingly, Quezon City has gained footing as the submarket progressed to attract more occupiers.

■ We expect office demand to hit a slump in the coming quarters as companies accommodate a workforce that chooses to work from home. However, the magnitude will depend on how long current circumstances will pan out. With leasing activity forecasted to slow down and present an increase to overall vacancies, downward pressure on rental growth for the remainder of the year may occur.

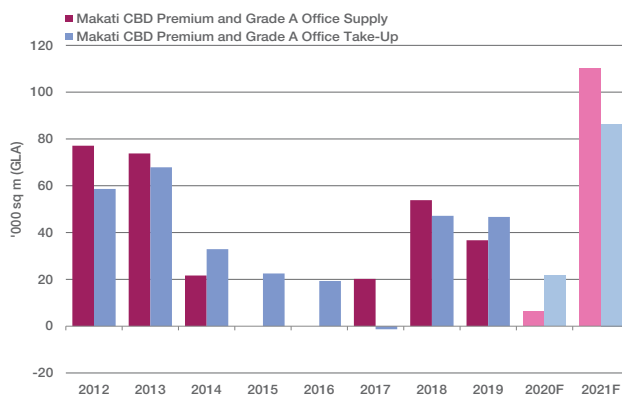
Makati CBD

GRAPH 3
Stock & Vacancy



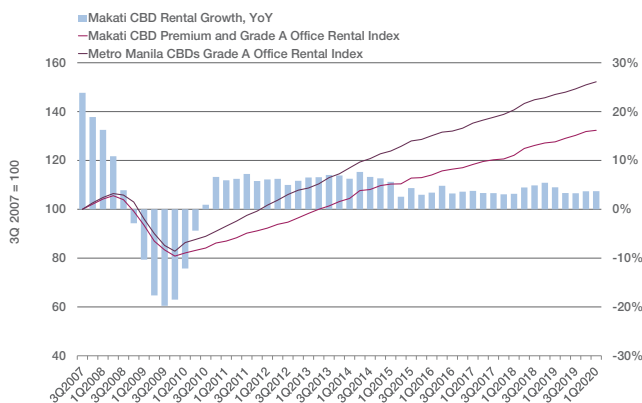
Source: KMC Savills Research

GRAPH 4
Supply & Take-Up



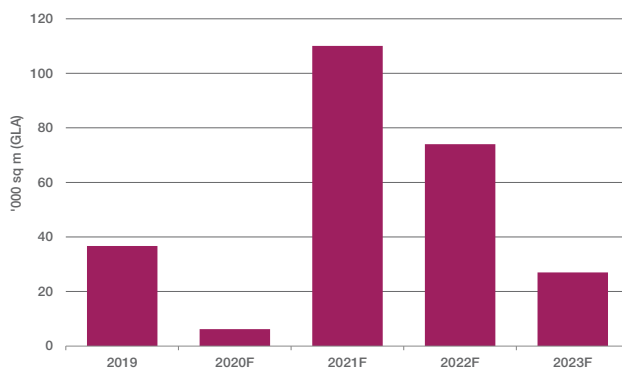
Source: KMC Savills Research

GRAPH 5
Rental Performance



Source: KMC Savills Research

GRAPH 6
Development Pipeline



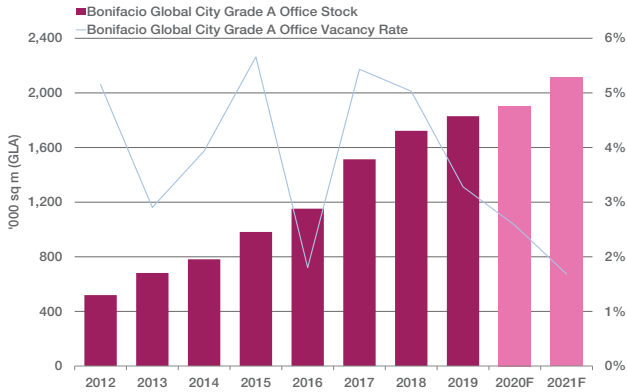
Source: KMC Savills Research

MARKET IN MINUTES

- Makati CBD experienced another contraction in vacancies, down to 1.7% coming from 2.1% in 4Q/2019. This is attributable to the absence of new supply in the premier financial district during the quarter.
- As such, average rents grew 3.7% YoY to PHP 1,149.0 per sq m / month. However, given the current condition, rental growth could stagnate in the coming quarters.
- As organizations reevaluate workforce needs considering the evolving situation, we expect demand for office to be sluggish. Be that as it may, Makati CBD may be able to ride out the storm. The vacancy rate is expected to remain in low to mid-single digits by yearend.

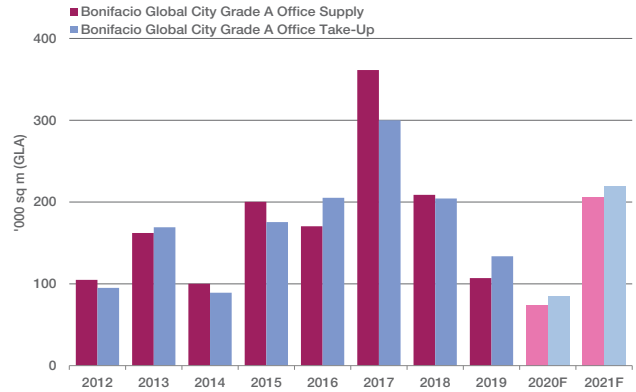
Bonifacio Global City

GRAPH 7
Stock & Vacancy



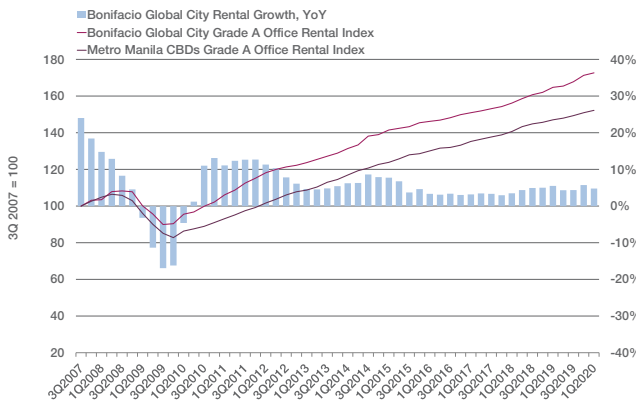
Source: KMC Savills Research

GRAPH 8
Supply & Take-Up



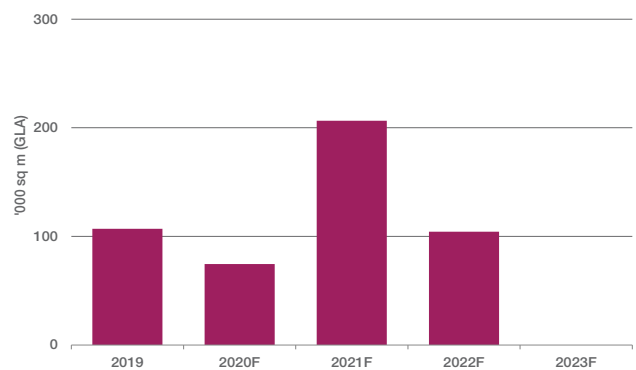
Source: KMC Savills Research

GRAPH 9
Rental Performance



Source: KMC Savills Research

GRAPH 10
Development Pipeline



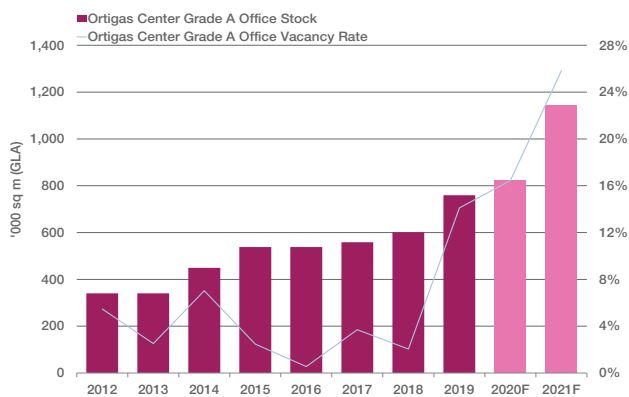
Source: KMC Savills Research

MARKET IN MINUTES

- Due to several projects being delayed, BGC did not see any new completions during the quarter. As a result, vacancy rate shed another 30bps from the previous quarter of 3.3% to 3.0% in 1Q/2020.
- Rental rates outperformed the rest of the submarkets as it registered a 4.8% YoY growth to PHP 1,036.8 per sq m / month during the quarter. For the coming quarters, growth is expected to plateau resulting from the impacts of COVID-19.
- Although the pandemic is bringing massive threats across all types of businesses, unexpected opportunities might come about for flexible office solutions as part of companies' business continuity plans (BCP). While this could stimulate leasing activity, it may not be enough to offset the adverse impact on the office market. Conditions will still be tight, but we do not discount a jump in the near term.

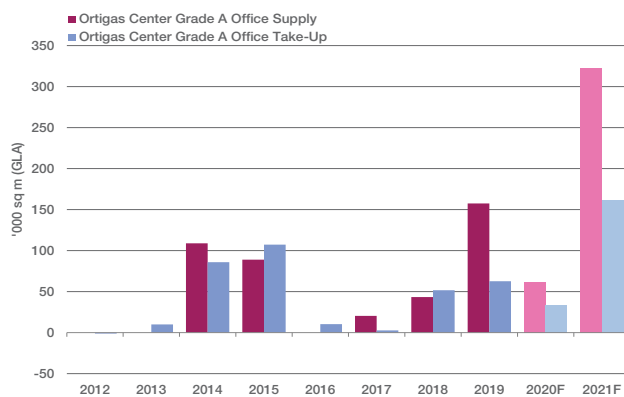
Ortigas Center

GRAPH 11
Stock & Vacancy



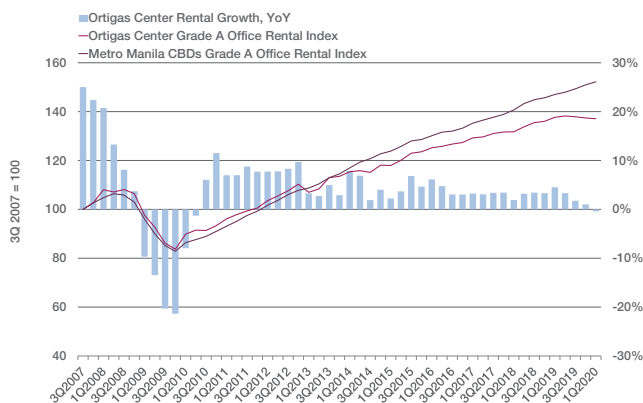
Source: KMC Savills Research

GRAPH 12
Supply & Take-Up



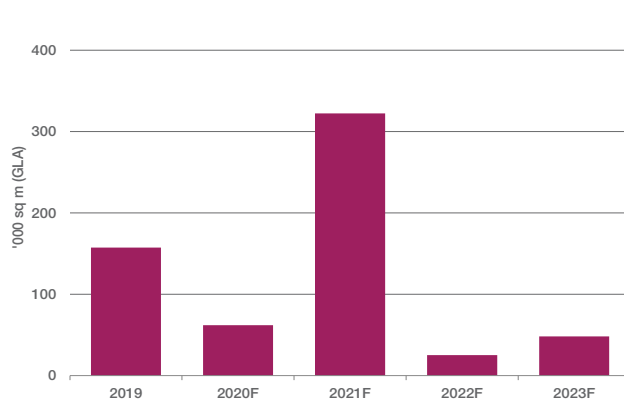
Source: KMC Savills Research

GRAPH 13
Rental Performance



Source: KMC Savills Research

GRAPH 14
Development Pipeline



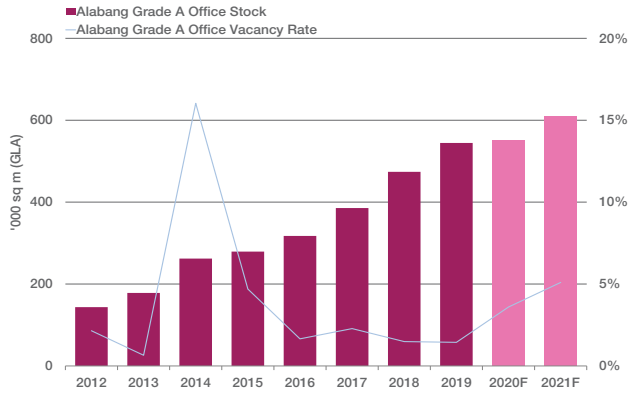
Source: KMC Savills Research

MARKET IN MINUTES

- Conditions in Ortigas Center continue to look depressed. Despite no new completions during the quarter, net absorption slipped to the negative territory which brought the vacancy rate to inch up to 14.2%.
- The lack of PEZA-accredited buildings and the inflexibility of new building landlords posed a great challenge for net absorption in the submarket. As a consequence, average rents declined by 0.4% YoY to PHP 696.5 per sq m / month.
- The major disruption brought by the pandemic is expected to alter market fundamentals in favor of tenants. Landlords are likely to be more aggressive in attracting and retaining tenants as office demand is expected to slacken. We do not foresee improvements in rental growth in the near term as vacancies continue to hover at double digits.

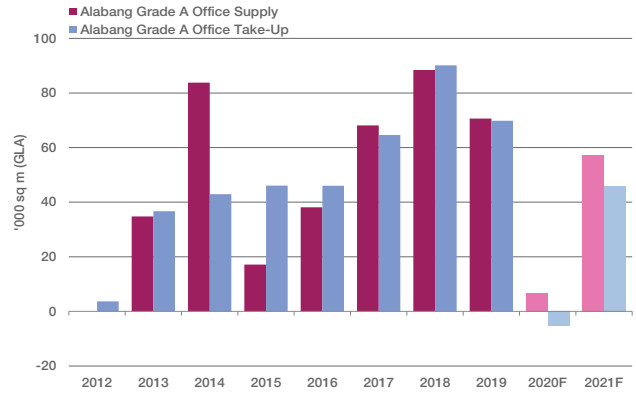
Alabang

GRAPH 15 **Stock & Vacancy**



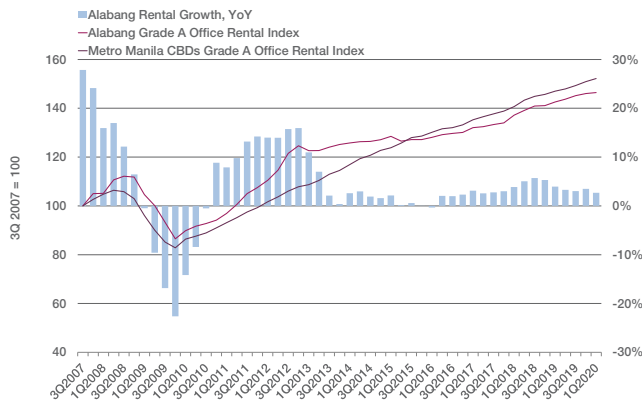
Source: KMC Savills Research

GRAPH 16 **Supply & Take-Up**



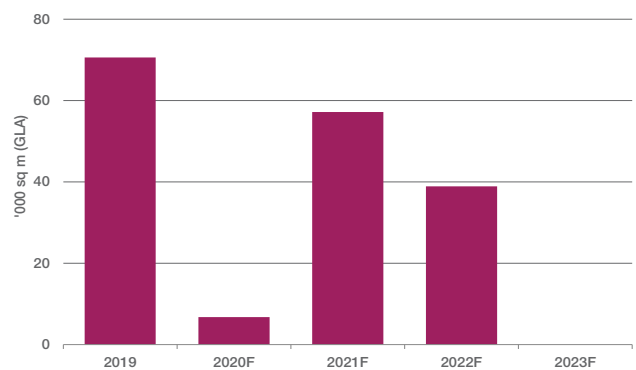
Source: KMC Savills Research

GRAPH 17 **Rental Performance**



Source: KMC Savills Research

GRAPH 18 **Development Pipeline**



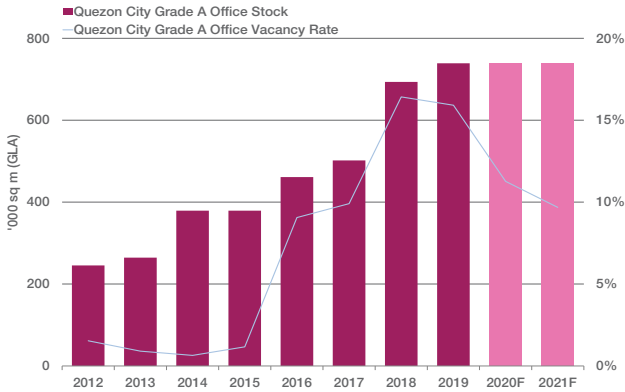
Source: KMC Savills Research

MARKET IN MINUTES

- After nine consecutive quarters of vacancy rates settling at low single digits, Alabang CBD succumbed to negative net absorption. The vacancy rate rose to 4.5% in 1Q/2020 coming from 1.4% in the previous quarter.
- Prior to COVID-19, average rents have been increasing albeit at a moderate pace. For the quarter, it grew 2.7% YoY to PHP 697.0 per sq m / month. Similarly with the other submarkets, we are not optimistic that office demand will pick up rental growth – given the current market circumstances.
- Proposed development projects that have yet to secure tenants but have begun construction will likely reassess their current leasing strategies as they wait for further market clarity. Due to the current work from home setup, some occupiers may use this time to capitalize and have their empty spaces subleased. On the other hand, we may expect flexible office providers to compensate for the lack in demand.

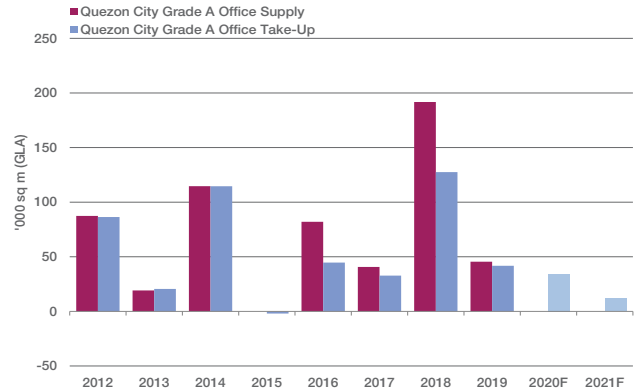
Quezon City

GRAPH 19
Stock & Vacancy



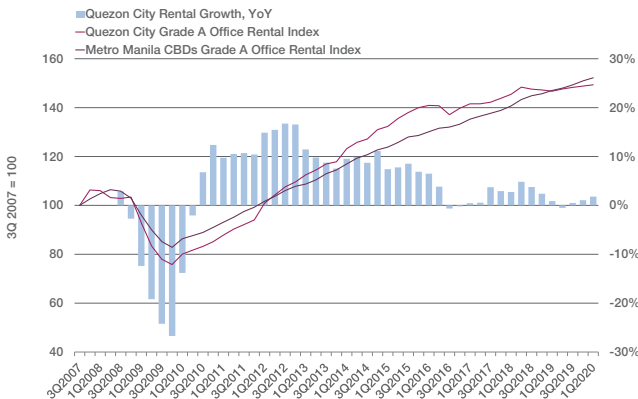
Source: KMC Savills Research

GRAPH 20
Supply & Take-Up



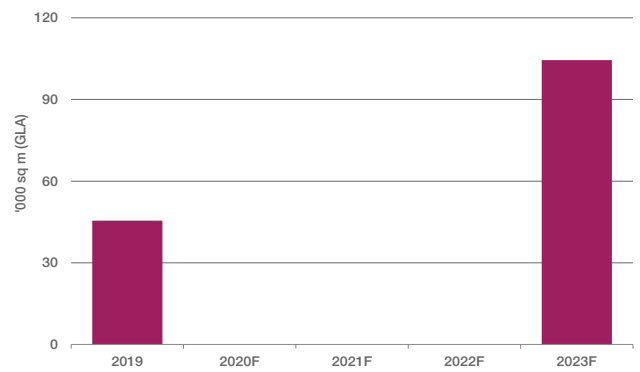
Source: KMC Savills Research

GRAPH 21
Rental Performance



Source: KMC Savills Research

GRAPH 22
Development Pipeline



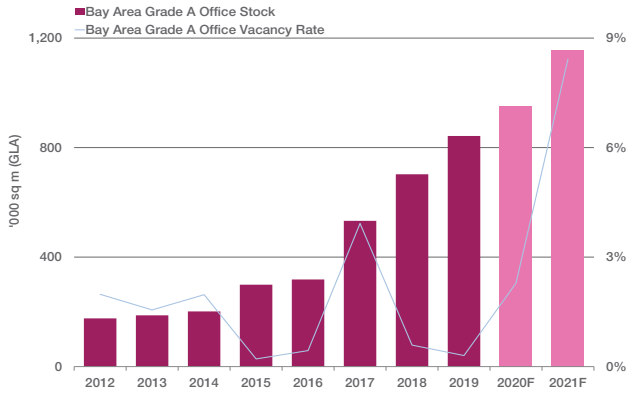
Source: KMC Savills Research

MARKET IN MINUTES

- The laggard submarket in the previous year has been catching up, proving that Quezon City remains an attractive business location not just to traditional occupiers but to the O&O sector as well. Market conditions improved as vacancy rate declined to 11.9% in 1Q/2020 coming from 15.9% in 4Q/2019.
- Average rents continue to advance as it registered another 1.8% growth YoY to PHP 758.0 per sq m / month. However, the momentum is anticipated to be short-lived depending on how things stack up post COVID-19.
- On the other hand, the submarket faces muted new supply in the near term which should reduce the upward pressure on vacancies.

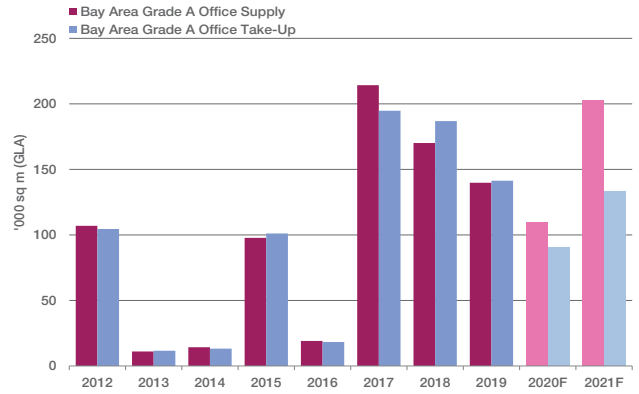
Bay Area

GRAPH 23 **Stock & Vacancy**



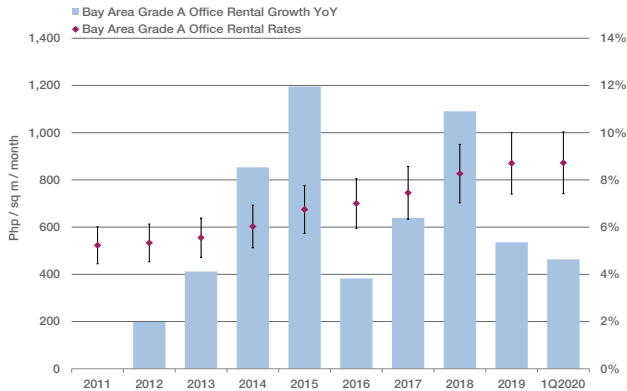
Source: KMC Savills Research

GRAPH 24 **Supply & Take-Up**



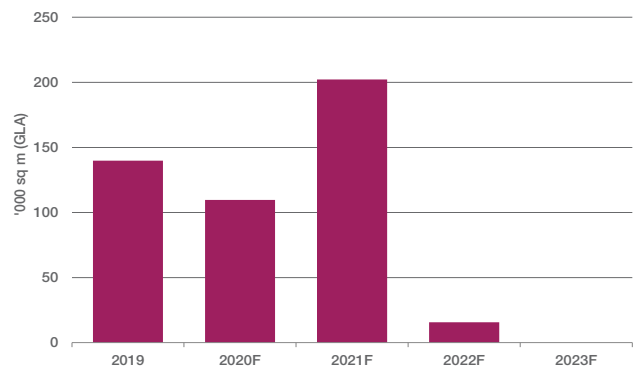
Source: KMC Savills Research

GRAPH 25 **Rental Performance**



Source: KMC Savills Research

GRAPH 26 **Development Pipeline**



Source: KMC Savills Research

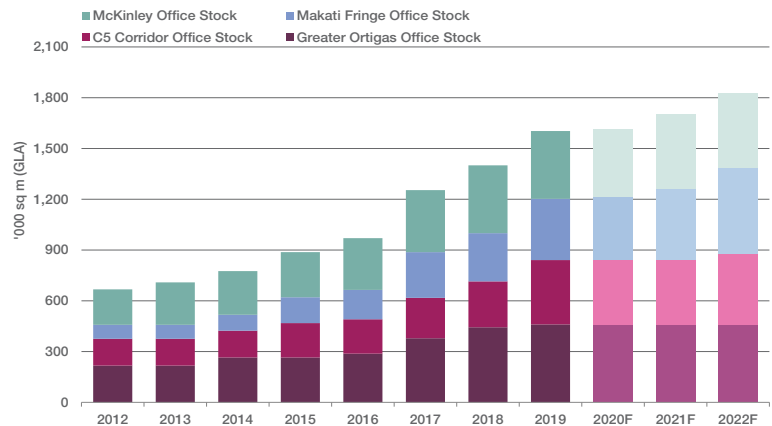
MARKET IN MINUTES

- The introduction of around 29,700 sq m from Four E-Com Center Tower 1 broke the streak of air-tight vacancies in the Bay Area. The vacancy rate climbed to 3.6% during the quarter against 0.3% in 4Q/2019.
- Despite subdued leasing activity and increase in vacancy in the first quarter, average rents managed to increase by 4.6% YoY to PHP 872.3 per sq m / month.
- The pandemic has greatly affected POGO operations and may consequently affect demand in the Bay Area in the foreseeable future. On the other hand, due to the limited completions this year, we expect the vacancy rate to settle at 2.3% by end-2020.

Other Submarkets

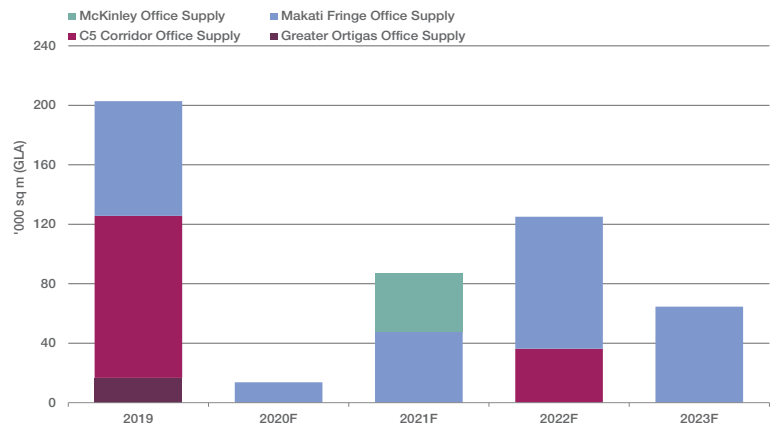
- The secondary submarkets were off to a gloomy start except for McKinley. Makati Fringe, C5 Corridor, and Greater Ortigas recorded negative net absorption during the quarter for the first time since 2017 amid absence of new buildings.
- Vacancies in C5 Corridor and Greater Ortigas were in the uptrend to 1.4% and 4.3%, respectively. Meanwhile, McKinley was able to conclude the first quarter with around 7,000 sq m of net take up which pulled down its vacancies to its three-year low of 0.8%.
- Due to limited new supply in C5 Corridor, Greater Ortigas, and McKinley, we expect that vacancies will remain at the low single digits. Meanwhile, Makati Fringe will be an outlier as it has the busiest construction activity. As such, the overall vacancy rate is anticipated to expand further.

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.

C5 CORRIDOR

C5 Corridor covers a stretch of Eulogio Rodriguez Jr. Avenue from Quezon City to Pasig City. Located north are Eastwood City, Circulo Verde, Bridgetowne Business Park, and Parklinks; farther south are Frontera Verde and ArcoVia.

GREATER ORTIGAS

The Greater Ortigas submarket predominantly covers the cities of Pasig and Mandaluyong—which include Capitol Commons, Portico, Robinsons Cybergate Center and Greenfield District—and the areas of Quezon City that surround the Ortigas Center.

PROJECT FOCUS

JEG TOWER @ ONE ACACIA

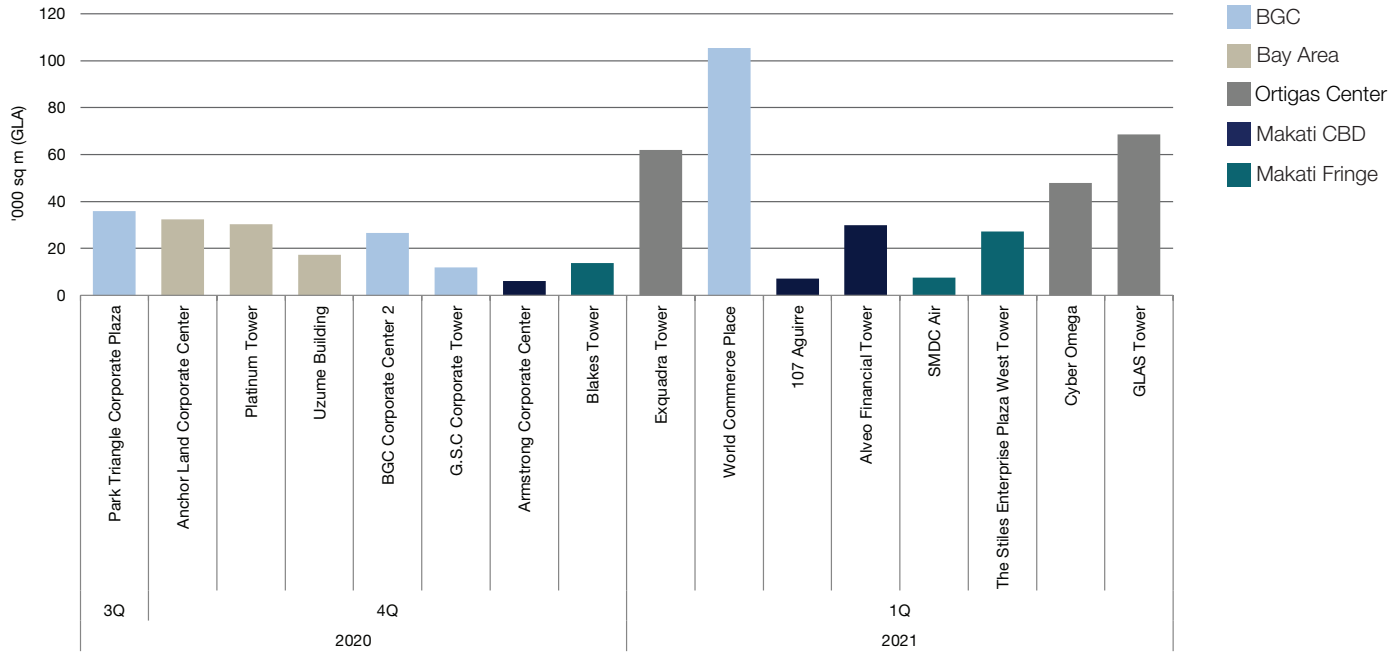


LOCATION	CEBU CITY
GRADE	GRADE A
TURNOVER DATE	3Q 2020
GROSS LEASABLE AREA	15,470 SQ M
NO. OF FLOORS	22
HANDOVER CONDITION	BARE SHELL WITH VRF
24 / 7 CAPABILITY	YES
BACKUP POWER	100%

JEG Tower @ One Acacia is one of Cebu City’s first premium grade green buildings. It is a Grade A building and a definite future-proof structure in terms of design. This 22-floor tower is built using environment-friendly materials and would operationalize as energy efficient as possible. As a LEED silver pre-certified by the US Green Building Council, the building uses less water, energy and emits less greenhouse gases.

The tower is set to be an icon among office buildings in the city with said environment friendly features and sophisticated design. It is set to become the new standard in the real estate industry in Cebu City. Strategically located in one of the city’s major thoroughfares, it is soon to be one of the most desired office addresses in the heart of the Queen City of the South.

GRAPH 29
12-month Supply Forecast by Building



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