



KMC Research

Cebu Office Briefing

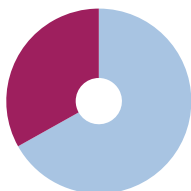
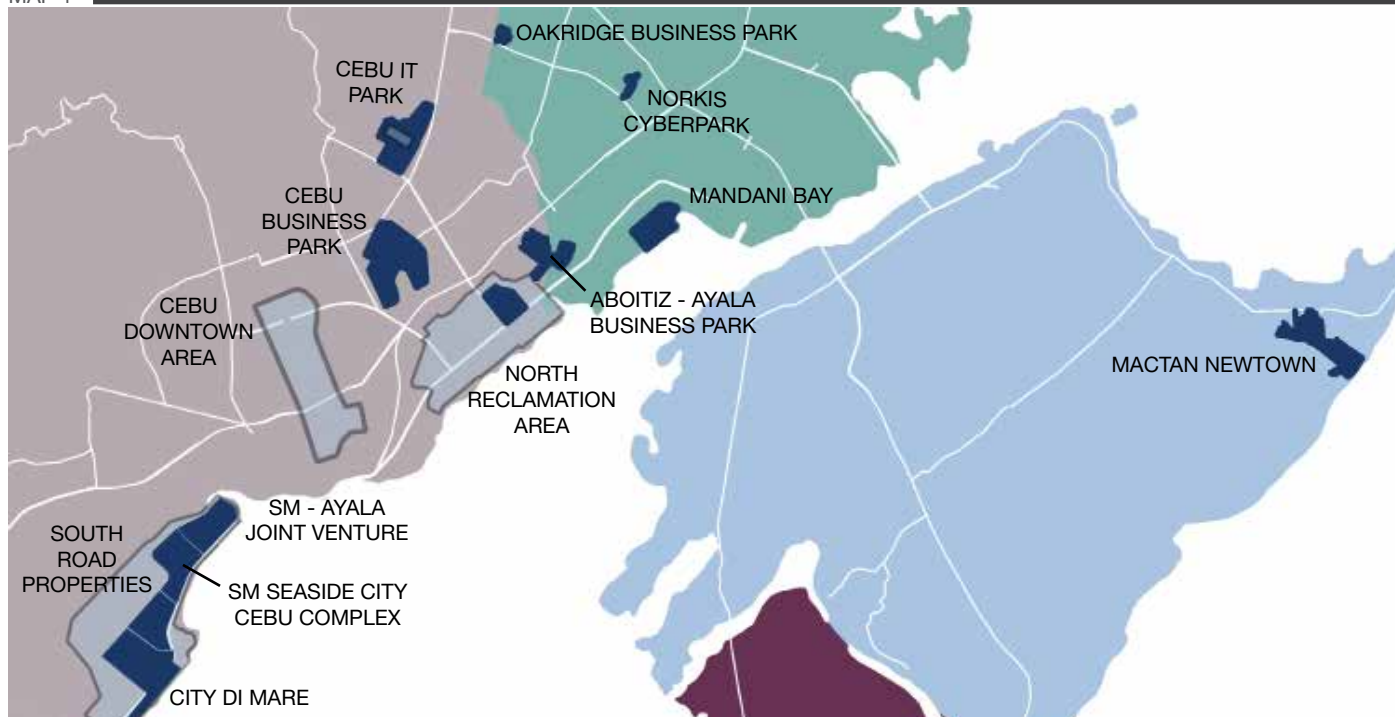
2Q 2020



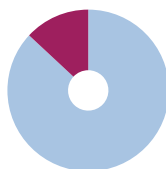
Cebu Business Districts

Future Stock (2023)

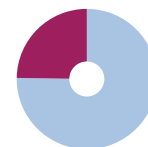
MAP 1



505,623.0 sq m
CEBU IT PARK



437,499.1 sq m
CEBU BUSINESS PARK



362,640.8 sq m
CEBU FRINGE

● DEVELOPMENT PIPELINE (2019-2022) ● CURRENT STOCK

Source: KMC Savills Research

TABLE 1

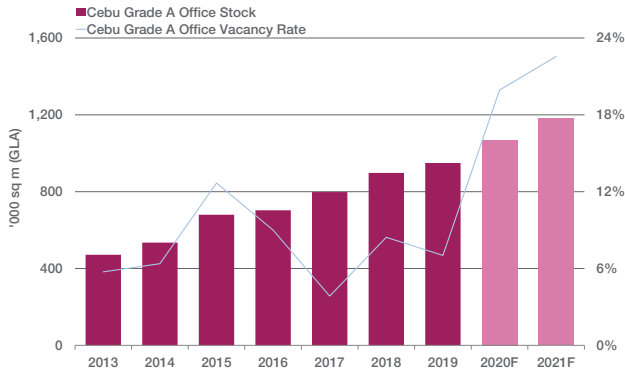
Key Figures - Grade A Office

2Q 2020	Unit	Cebu Business Park	Cebu IT Park	Cebu Fringe	Cebu
Average net rental rate	PHP/sq m	601.9	625.9	518.3	587.1
	USD/sq ft	1.10	1.14	0.94	1.07
Upper net rental rate	PHP/sq m	650.0	700.0	550.0	700.0
	USD/sq ft	1.18	1.28	1.00	1.28
Vacancy rate (%)	%	10.8%	14.2%	12.4%	12.4%
Current stock (sq m)	sq m	380,339.1	338,188.0	272,884.1	991,411.2
Development pipeline 2020-2023 (sq m)	sq m	57,160.0	167,435.0	89,756.7	314,351.7

Source: KMC Savills Research

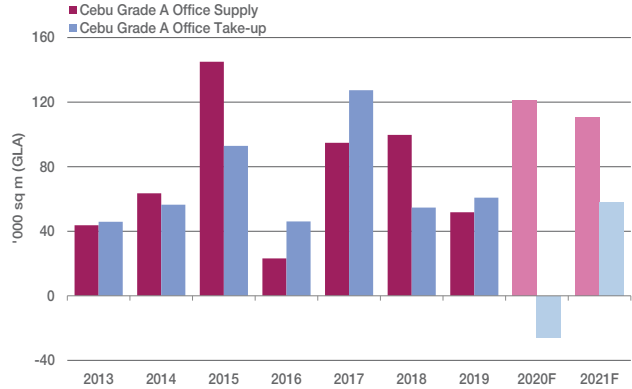
Cebu

GRAPH 1
Stock & Vacancy



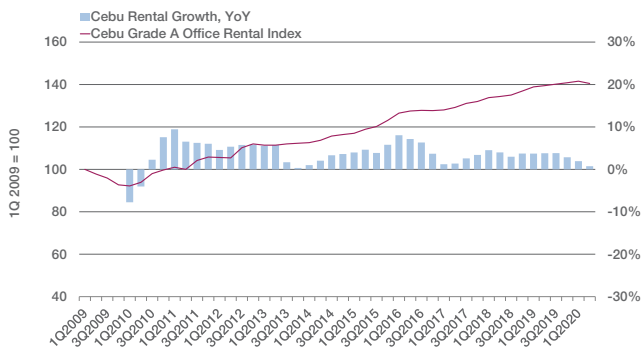
Source: KMC Savills Research

GRAPH 2
Supply & Take-up



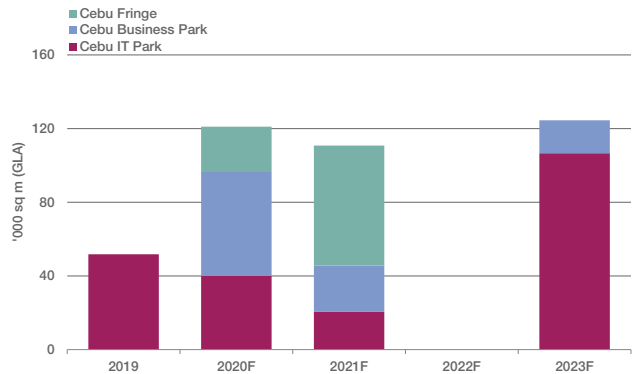
Source: KMC Savills Research

GRAPH 3
Rental Performance



Source: KMC Savills Research

GRAPH 4
Development Pipeline by District



Source: KMC Savills Research

MARKET IN MINUTES

- The effects of COVID-19 continued to have dire effects on the office market. The average vacancy rate in Cebu continued to rise, increasing to 12.4% in 2Q/2020. This is not an isolated case as 8,810 sq m and 12,527 sq m of new available office space opened up in CBP and CITP, respectively. Construction projects have also been delayed and are expected to be completed by 4Q/2020 at the earliest.
- Cebu's average rents worsened by 0.4% YoY to PHP 587.1 per sq m / month. Compared to the previous quarter, average rents in CBP have decreased by 0.6% to PHP 601.9 per sq m / month, while rents in CITP also declined by 0.9% to PHP 625.9 per sq m / month. However, the Cebu Fringe remained stable at PHP 518.3 per sq m / month in 2Q/2020. Continuing with this trend, we anticipate a downward repricing in the short-term if market conditions do not improve.
- With the quarantine extending into 3Q/2020, there are early signs that locators may be rethinking their office space needs. Market absorption is expected to further decline in the coming quarters as gains from the previous quarter were erased. We expect Cebu's average vacancy rate to reach 20.0% by the end of 2020. However, if overall conditions normalize later this year, we may still expect recovery to begin as early as 2021.

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