



KMC Research

Cebu Office Briefing

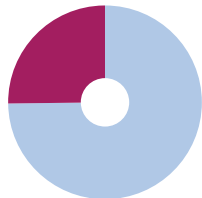
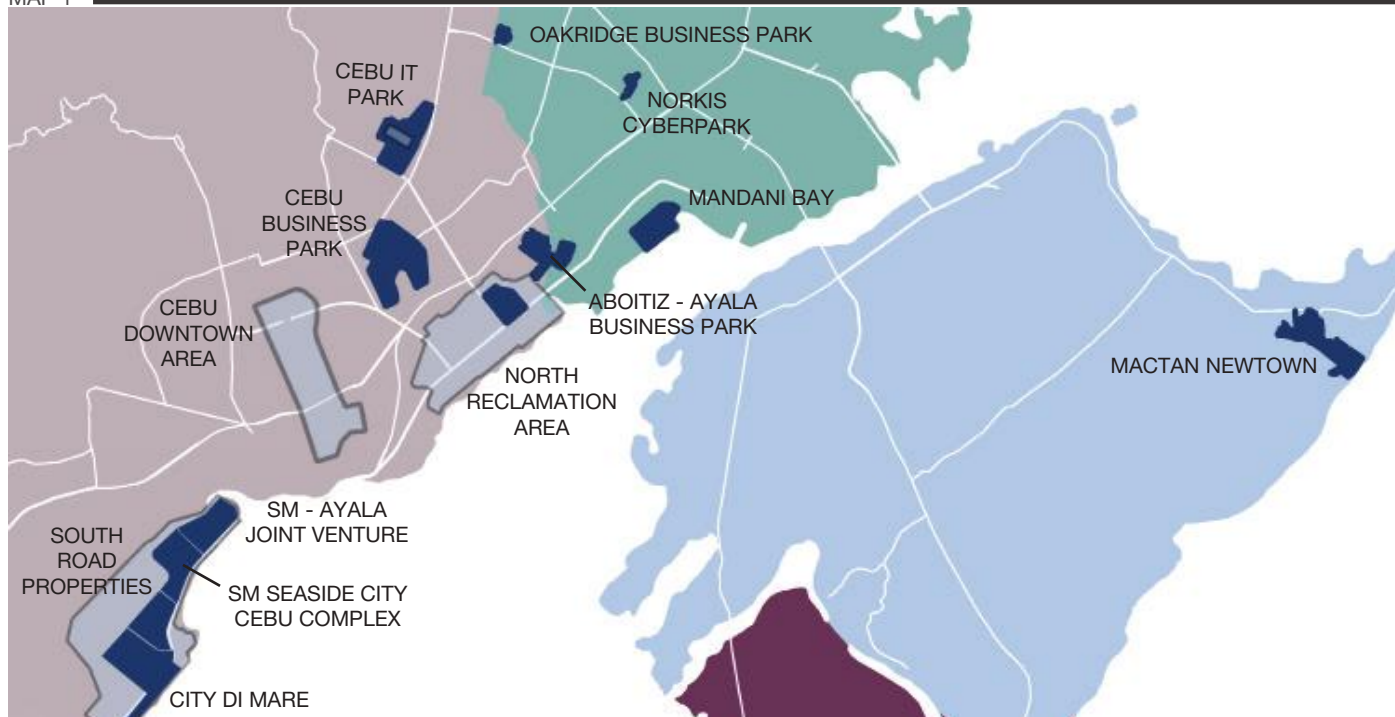
4Q 2020



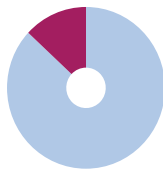
Cebu Business Districts

Future Stock (2024)

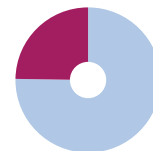
MAP 1



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 (2021-2024) ● CURRENT STOCK

Source: KMC Savills Research

TABLE 1

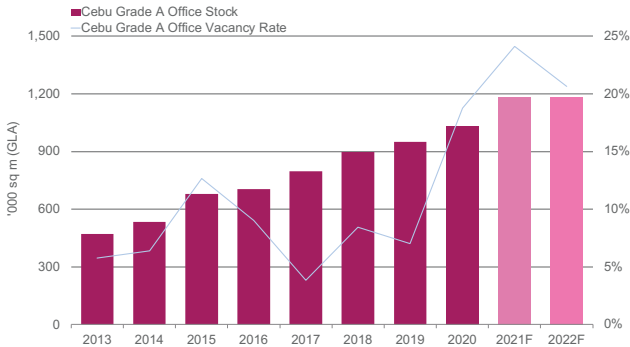
Key Figures - Grade A Office

4Q 2020	Unit	Cebu Business Park	Cebu IT Park	Cebu Fringe	Cebu
Average net rental rate	PHP/sq m	580.8	619.7	513.7	577.4
	USD/sq ft	1.12	1.19	0.99	1.11
Upper net rental rate	PHP/sq m	650.0	700.0	550.0	700.0
	USD/sq ft	1.25	1.35	1.06	1.35
Vacancy rate (%)	%	15.5%	23.6%	16.6%	15.1%
Current stock (sq m)	sq m	380,339.1	378,280.0	272,884.1	1,031,503.2
Development pipeline 2021-2024 (sq m)	sq m	57,160.0	127,343.0	89,756.7	274,259.7

Source: KMC Savills Research

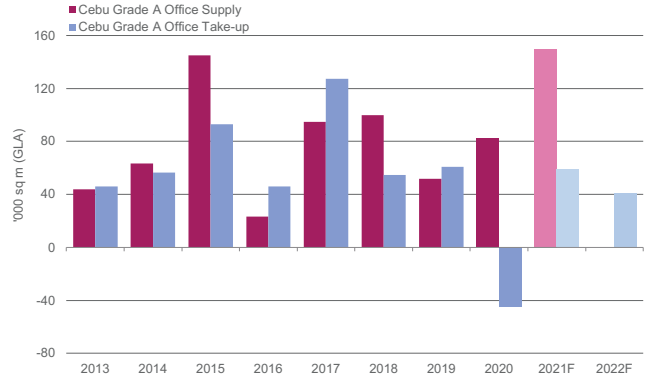
Cebu

GRAPH 1
Stock & Vacancy



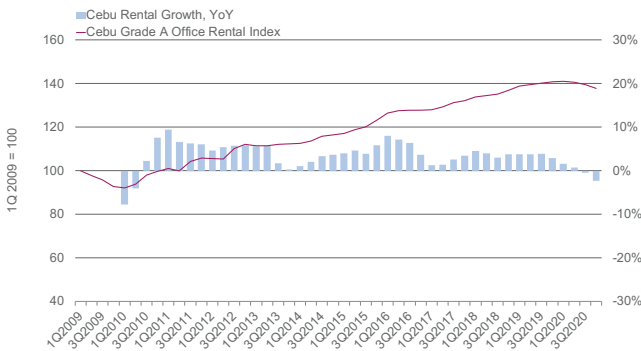
Source: KMC Savills Research

GRAPH 2
Supply & Take-up



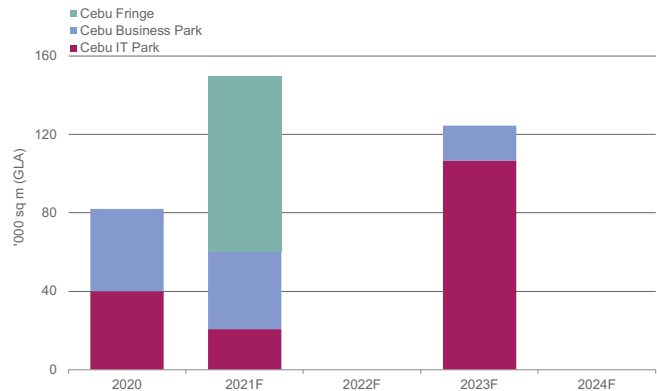
Source: KMC Savills Research

GRAPH 3
Rental Performance



Source: KMC Savills Research

GRAPH 4
Development Pipeline by District



Source: KMC Savills Research

MARKET IN MINUTES

- Overall vacancy in Cebu increased during the quarter and finished the year at an all-time high of 18.8%. All submarkets continued their slide from the previous quarter, with Cebu Business Park (CBP) and Cebu Fringe recording 8,300 sq m and 2,200 sq m of office space vacated, respectively. The biggest loser for the quarter was Cebu IT Park (CITP) which registered 89,200 sq m of vacant office space. Due to low demand from the opening of Central Bloc Tower 2, vacancy rates in the area grew to 23.6% in 4Q/2020.
- Declines were seen across the board as landlords coped with the increased competition from recent vacancies and upcoming releases. CBP rents took the hardest hit, reversing its 2019 gains with a 3.3% drop YoY. This brought average rents in Cebu a 1.3% quarterly decrease at PHP 577.4 per sq m / month, dropping by 2.3% in 2020. We forecast rental rates to continue its downward trend as the market deals with the new supply in the coming months.
- Around 149,800 sq m of fresh Grade A office supply is expected to come online in 2021. Demand is foreseen to remain muted due to weak leasing activity. As of year-end, more than 95% of this scheduled new inventory is still available in the market. This surplus may continue in the long term as Cebu deals with the effects of the pandemic.

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