

# MARKETBEATS

**9.2%** RENT GROWTH (YoY)    **3.5%** VACANCY RATE    **0.30M sqm** NEW COMPLETIONS (YTD)

## WHAT'S NEXT

## HIGHLIGHTS

### Budget delay causes economic downturn

The economy experienced a sharp decline from a 6.3% year-on year (YoY) Gross Domestic Product (GDP) growth in Q4 2018 to 5.6% in Q1 2019, generally attributed to the delays in the passing of the 2019 budget that dampened government spending. However, the economy is expected to bounce back in Q2 2019 from this temporary downturn when government spending finally normalizes after the passing of the 2019 budget in April. Inflation rate continues to fall within the Central Bank's 2% to 4% target range since February 2019, eventually hitting a 16-month low of 3% in April with a subsequent marginal rise to 3.2% in May. The Central Bank's inflation forecast for 2019 was further reduced to 2.7% in May from 2.9% in April as drops in the petroleum prices and currency appreciation are expected to persist.

### Construction delays cause lackluster H1 2019 new supply in Taguig City

Thirty-eight percent (38%) of Metro Manila's 135,842 sq.m. newly completed office spaces in the second quarter of 2019 are located in Taguig City. With no new supply in the previous quarter, Taguig City's total H1 2019 new supply of 52,164 sq.m is undeniably lower than its performance in the last two years, with 199,055 sq.m. having been completed in H1 2017, and 136,712 sqm in H1 2018. This is largely caused by delays from expected completion dates of upcoming projects. At least 180,000 sq.m more is expected to be added within the year.

### Year-on-year rental growth registered at 9.2%

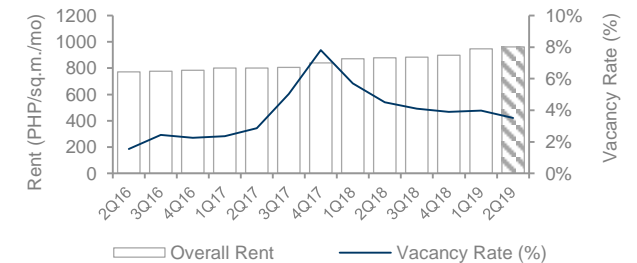
Average Metro Manila asking rent registered at PHP 960/sq.m./mo, a 9.2% increase from the Q2 2018 value of PHP 879/sq.m./mo. The highest growth rates were seen in Parañaque City at 26%, Taguig City at 14%, and Pasay City and Makati City at 8%.

### ECONOMIC INDICATORS

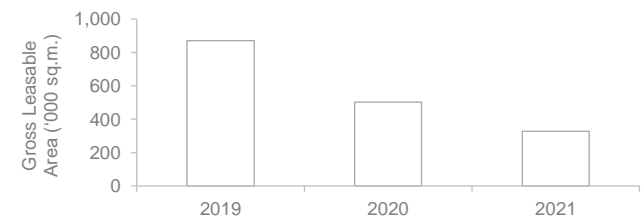
	Q1 2018	Q1 2019	12-month Forecast
GDP Growth	6.5%	5.6%	▲
CPI Growth	3.9%	3.8%	▲
Unemployment Rate	5.3%	5.2%	▼

Source: Oxford Economics

### PRIME AND GRADE A METRO MANILA OVERALL RENT & VACANCY RATE



### PRIME AND GRADE A METRO MANILA SUPPLY PIPELINE



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SUBMARKET	INVENTORY (SQ.M.)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (SQ.M.)	PRIME AND GRADE A ASKING RENT		
				PHP/SQ.M./MO	US\$/SF/MO	EUR/SF/MO
Taguig City	2,149,969	4.4%	426,122	PHP 1,227	\$2.22	€ 1.96
Makati City	1,429,952	1.5%	443,289	PHP 1,211	\$2.19	€ 1.94
Pasig City	1,111,314	0.3%	293,769	PHP 746	\$1.35	€ 1.19
Quezon City	1,086,629	9.2%	430,689	PHP 849	\$1.53	€ 1.36
Muntinlupa City	608,587	2.9%	77,799	PHP 853	\$1.54	€ 1.36
Pasay City	564,643	0.1%	169,568	PHP 953	\$1.72	€ 1.52
Mandaluyong City	272,701	7.0%	94,935	PHP 792	\$1.43	€ 1.27
Parañaque City	74,417	0.0%	58,000	PHP 1,050	\$1.90	€ 1.68
<b>MANILA TOTALS</b>	<b>7,298,212 SQ.M.</b>	<b>3.5%</b>	<b>1,994,171 SQ.M.</b>	<b>PHP 960</b>	<b>US\$ 1.73</b>	<b>€ 1.54</b>

US\$/PHP = 0.01944; €/PHP = 0.01721 as at 21 Jun 2019

## Key Lease Transactions Q1 2019

PROPERTY	SUBMARKET	TENANT	SQ.M.	LEASE TYPE
Parañaque Integrated Terminal Exchange Tower B	Parañaque City	Offshore Gaming (Undisclosed)	19,226	New Lease
Convergys One	Makati City	Offshore Gaming (Undisclosed)	13,960	New Lease
Zuellig Building	Makati City	Financial (Undisclosed)	3,911	Renewal and Expansion

## Significant Projects Under Construction

PROPERTY	SUBMARKET	MAJOR TENANT	SQ.M.	COMPLETION DATE
World Commerce Place	Taguig City		100,678	Q3 2019
SM Megatower	Mandaluyong City		94,935	Q3 2020
One Ayala – Tower One	Makati City		45,520	Q3 2021

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