

MARKETBEATS

7.1% RENT GROWTH (YoY) **3.9%** VACANCY RATE **0.7M sqm** NEW COMPLETIONS (YTD)

WHAT'S NEXT

HIGHLIGHTS

Economic growth hits three-year low, inflation begins to slowdown

The Philippine economy expanded at a slower pace in the 3rd quarter of 2018, recording only a 6.1% year-on-year (YoY) growth as compared to 7.2% in the same period in 2017. This is the lowest figure recorded since September 2015, which also reflects the slow-moving growth in exports and agriculture production, and lower consumer spending due to higher interest rates. On the other hand, inflation rate starts to taper off at 6.0% in November 2018, the first decline seen for the year after peaking at 6.7% for two months in September and October. While the latest published inflation rate of 5.2% is still well-above the 2-4% central bank target range, inflation expectations are better with the declining international crude oil prices and currency stabilization.

2018 new supply fails to exceed 2017 figure

In 2017, there was 1,036,156 square meters (sqm) of office space that was completed in Metro Manila, the largest additional supply recorded for any year. For 2018, total completions was originally expected to be around 1.1 million sqm, but a number of projects are still under construction, putting the actual annual new supply at just 0.7 million sqm. With this, 1.4 million sqm is now in the office supply pipeline for 2019.

Taguig overtakes Makati in Average Rent

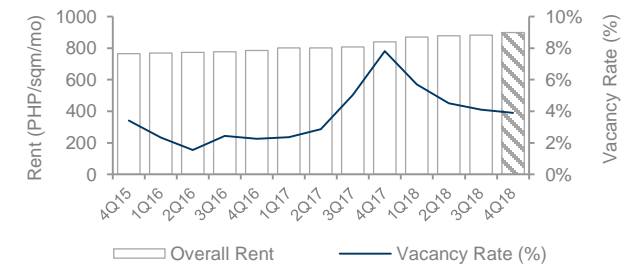
Fueled by the high asking rents of newly completed buildings, as well as the jump in the rates for buildings that were previously fully-leased, average Taguig City rental figure for year-end 2018 has gone up by 14.0% YoY to PHP 1,173/sqm/mo, overtaking for the first time that of Makati City at PHP 1,160 sqm/mo with a recorded increase of just 4.3% YoY. Meanwhile, average Metro Manila rental value has gone up by 7.1% YoY at the last quarter of the year to PHP 899/sqm/mo.

ECONOMIC INDICATORS

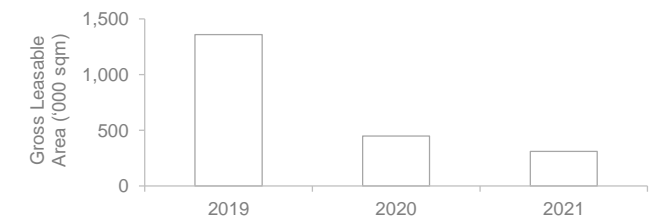
	Q3 2017	Q3 2018	12-month Forecast
GDP Growth	7.2%	6.1%	—
CPI Growth	2.7%	6.2%	▼
Unemployment	5.6%	5.4%	▼

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 (SQM)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (SQM)	GRADE A EFFECTIVE RENT		
				PHP/SQM/MO	US\$/SF/MO	EUR/SF/MO
Taguig City	2,097,805	4.7%	456,087	PHP 1,173	\$2.06	€ 1.81
Makati City	1,329,179	1.4%	544,062	PHP 1,160	\$2.04	€ 1.79
Pasig City	1,111,314	2.9%	297,169	PHP 734	\$1.29	€ 1.13
Quezon City	1,038,129	9.0%	430,089	PHP 839	\$1.47	€ 1.29
Pasay City	545,964	0.0%	188,247	PHP 881	\$1.55	€ 1.36
Muntinlupa City	524,345	0.1%	178,042	PHP 800	\$1.40	€ 1.23
Mandaluyong City	272,701	11.4%	94,935	PHP 767	\$1.35	€ 1.18
Parañaque City	74,417	0.0%	58,000	PHP 838	\$1.47	€ 1.29
MANILA TOTAL	6,993,854 SQM	3.9%	2,215,892 SQM	PHP 899	US\$ 1.58	€ 1.39

US\$/PHP = 0.01889; €/PHP = 0.0166
as at 19 Dec 2018

Key Lease Transactions Q4 2018

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
Eco Prime	Taguig City	Technology (Undisclosed)	8,396	New Lease
RCBC Plaza	Makati City	Flexible Workspace (Undisclosed)	3,300	New Lease

Significant Projects Under Construction

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	COMPLETION DATE
NEX Tower	Makati City	N/A	34,377	Q1 2019
Eco Prime	Taguig City	N/A	34,545	Q1 2019
One Ayala Tower	Makati City	N/A	56,510	Q1 2022

DATA
INTO
ACTION

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