MARKETBEAT

METRO MANILA

INVESTMENT Q2 2026



CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
6.73% Ave. Office (Gross) Yields for Overall Metro Manila Office Dev'ts	▲	▲
6.94% 10-Year T-Bond Rate June-2026	▲	▼
156.7 Q1 2026 RPPI	▲	▲

Note: RPPI = Residential Property Price Index (2019=100), prepared by the Bangko Sentral ng Pilipinas (BSP)

ECONOMIC INDICATORS

	YOY Chg	Outlook
US$14.11B OF Cash Remittances YTD Jan-May 2026	▲	▲
5.19M Employment in Office-using Industries *Q2 2026*	▲	▲
6.2% Inflation Rate *July 2026*	▲	▲
PHP 61.3 Exchange Rate (PHP:US$) *Q2 2026*	▲	▲

Source: Moody's Analytics, BSP, PSA

HIGHLIGHTS

- Average office yields edged up to 6.73% in Q2 2026, an increase of three basis points quarter-on-quarter (QOQ) and one basis point year-on-year (YOY). Prime office assets in Makati, BGC, and Ortigas maintained a stable investment outlook, supported by tenant demand for enhanced amenities and competition to secure limited supply. Non-prime assets, however, continue to face higher vacancy risks and weaker demand, widening the performance gap across the market.
- Despite pressure from persistent core inflation—which risks spreading through second-round effects amid global economic headwinds—the Bangko Sentral ng Pilipinas (BSP) is expected to maintain elevated policy rates, keeping borrowing costs high. In this environment, investor preference remains tilted toward prime asset types, particularly office and logistics spaces, valued for their quality and stable returns.
- The Residential Property Price Index rose 5.1% year-on-year in Q2 2026, up from 4.5% the prior quarter, with condominiums outperforming landed houses (5.4% versus 4.2%). The Balance Greater Manila Area led quarterly price growth at 5.1%, while Metro Cebu lagged at 1.9%. Residential real estate loan growth contracted sharply at -18.7% year-on-year, reflecting tighter lending standards, though developer financing schemes are fostering cautious optimism in the residential segment.

ECONOMIC OVERVIEW

- Philippine economic growth eased to 2.3% in Q2 2026, the slowest since Q4 2019. marking its slowest pace in five years. This signals a notable shift in the Philippines' medium-term growth trajectory, with projections for 2027–2028 likely to be revised downwards, to a range of 4.5%–5.2%, below the government's target band of 6.0%–7.0%. This positions the Philippines as a mid-tier performer within Southeast Asia, trailing Vietnam (6.1%), Indonesia (5.3%), and Malaysia (4.8%), while outpacing Thailand (2.1%) and Myanmar.
- Inflation is still set to surpass BSP's 4% target band driven by highly-volatile oil prices and a weak peso. This reflects ongoing cost-push inflation, where higher import costs for fuel and raw materials raise production expenses. Additionally, an increase in production inputs also causes other commodities to surge up in prices.
- Wholesale construction material prices in Metro Manila continued to rise YOY reaching up to 2.9% in June 2026, extending the steady increase observed since the start of the year. Faster price growth in key inputs such as structural steel, cement, and electrical materials suggests that construction costs remain elevated despite easing price pressures in fuels and selected building components.
- Cash remittance inflows remained resilient in the early part of Q2 2026, rising 2% YOY to $2.72B in May this year. Furthermore, cumulative cash remittances reached $13.7B YTD, up 2.5% from the same period last year. The continued growth reflects the steady demand for Filipino workers, particularly in the healthcare, maritime and service-related industries. United States still lead the largest source of remittances at 40%, followed by Singapore at 7.6% and Saudi Arabia at 6.1%.

MARKET OUTLOOK

- ***Headwinds as Tailwinds***: Despite GDP growth moderating to 2.3% in Q2 2026, we retain a cautiously optimistic outlook on the Philippine property market—further supported by the World Bank's recent reclassification of the Philippines as an upper-middle-income country (UMIC), signaling strengthened economic fundamentals. Government infrastructure spending, historically accelerated during slower growth periods, continues to enhance emerging property corridors. Overseas Filipino worker remittances remain a resilient demand driver for affordable and mid-market residential segments. External pressures—El Niño-driven rural-to-urban migration, Middle East instability, and geopolitical tensions—are paradoxically generating localized market tailwinds, expanding the urban buyer pool, elevating remittance inflows, and positioning the Philippines as a nearshoring destination. Combined with a sustained commitment to high-priority infrastructure programmes, these dynamics support land value appreciation in key growth corridors, offering investors meaningful resilience against broader macroeconomic constraints.
- ***Navigating Uncertainty, Seizing Opportunity***: Increased risk premia, evidenced by rising bond yields and shifting REIT pricing are prompting occupiers to take a more measured approach to expansion—carefully timing relocations, optimizing fit-outs, and renegotiating leases to align with long-term objectives. Despite the presence of unwarranted externalities, the market is responding with resilience and adaptability. Existing REITs are strategically diversifying into less interest-rate-sensitive sectors, including malls and hotels, unlocking new avenues for growth. Defensive asset classes such as warehousing, industrial spaces, and necessity-anchored retail continue to demonstrate strong appeal, offering stable occupancy and reliable rental income. Looking ahead, large transactions involving prime assets in major CBDs are poised to energise market activity, presenting significant opportunities for strategic investors well-positioned to capitalize on the evolving landscape.

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SECTORAL UPDATE

OFFICE Demand for office space remains subdued, with occupiers focusing on optimizing costs and hybrid work arrangements. Leasing activity is concentrated on prime assets in Metro Manila, although landlords are increasingly diversifying portfolios to include emerging hubs such as Davao, Pampanga, and Iloilo. Flexible workspace adoption has grown as companies seek cost-efficient and scalable options to align with workforce trends.

RETAIL Retail performance remains uneven, with essential categories such as groceries and pharmacies driving foot traffic while luxury and discretionary retail segments face weaker consumer spending amid inflationary pressures. Retailers are accelerating investments in online platforms and in-store experiences to adapt to evolving consumer behaviors and strengthen omnichannel strategies.

INDUSTRIAL The industrial and logistics sector continues to grow, supported by sustained e-commerce expansion and supply chain diversification efforts. Investments in warehouse infrastructure across Metro Manila, Cavite, and Clark have been robust, with strong interest from foreign occupiers seeking regional distribution hubs. Despite challenges from inflation and geopolitical risks, the industrial market remains a key driver of stability in the real estate sector.

RESIDENTIAL The residential segment shows signs of recovery, driven by steady demand for affordable housing and mid-market condominiums. Developers are offering attractive payment terms and flexible financing to boost sales, while product differentiation and targeted expansions into suburban growth corridors are becoming more prominent strategies. However, pocket condominium submarkets continue to face rising vacancy rates, weighing on overall yields.

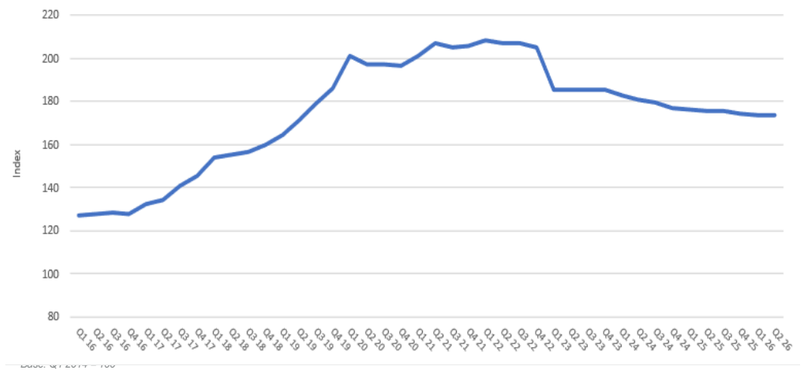
HOTEL Domestic tourism and MICE activities remain the primary drivers for the hotel sector, with international market recovery still lagging. New hotel developments in Cebu, Palawan, and Boracay are capturing growing traveler interest, while operators focus on revenue diversification through enhanced food and beverage offerings and event hosting. Rising operating costs, however, challenge profitability, particularly for mid-range market players..

SELECT COMMERCIAL/INVESTMENT TRANSACTIONS (Q2 2026)

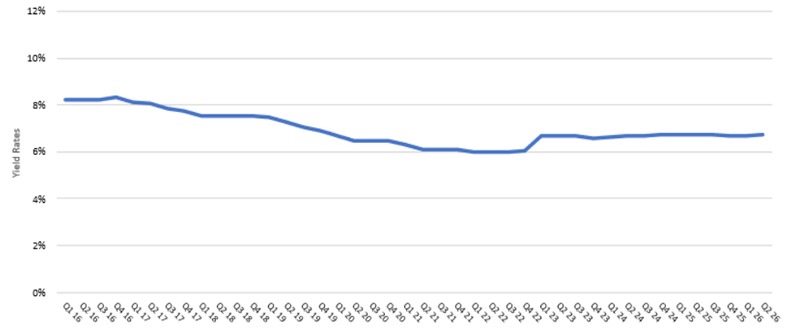
PROPERTY NAME / DESCRIPTION	TYPE	BUYER	SELLER	PURHASE PRICE ($ million)	SUBMARKET
EDGNex Laguna Campus	Industrial	DAMAC Digital	Confidential	*tbc*	Laguna
Land in Dasmarinas[1]	Residential	Cebu Landmasters Inc.	*Confidential*	*tbc*	Cavite
Victoria Plaza Complex	Development Site	Robinsons Land Corporation	Great Earth Marketing & Development Corporation	*tbc*	Davao City
New Coast Hotel Manila[1]	Hotel	DigiPlus Interactive Corp.	International Entertainment Corporation	365.15	Metro Manila
RLC PHL Mall Portfolio 2026[1]	Retail	(RCR) RL Commercial REIT	Robinsons Land	172.19	*Various*
PLDT REIT IPO 2026	Industrial	Vitro REIT	PLDT Inc.	*tbc*	*Various*
Megaworld KOR Office, Hotel, Portfolio 2026[1]	Mixed	(MREIT) Megaworld REIT	Megaworld Corporation	*tbc*	*Various*

Notes:
[1]Transaction is pending actual confirmation, 'tbc' = information to be confirmed
[2]Involves transfer of assets into real estate investment trust
Sources: Real Capital Analytics, Various PSE disclosures, Cushman & Wakefield Philippines Research. Considers only closed transactions registered in RCA platform worth over $10 million.

OVERALL METRO MANILA OFFICE CAPITAL VALUES INDEX



OVERALL METRO MANILA OFFICE (GROSS) RENTAL YIELDS



Note: Gross Rental Yield is calculated using the following estimates: Gross Rental Yield = Annual Rent / Purchase Price. While it serves as a popular proxy tool for investment tool analysis in the Philippines due to the relative lack of data transparency and challenge of looking for actual/transacted figures to estimate the Net Yield. With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of gross rental yield levels and should not be used as a substitute for Net Yield or comparable for any particular property or transaction without regard to the specifics of the property.

Source: Cushman & Wakefield Philippines Research

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