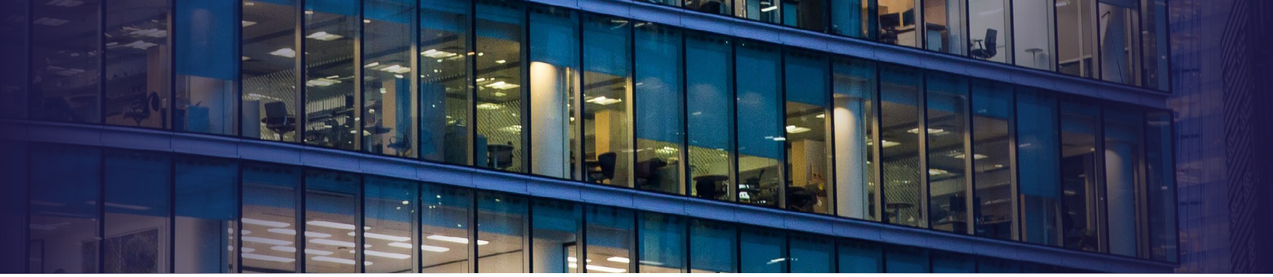
MARKETBEAT

METRO MANILA

OFFICE Q2 2026



CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YoY Chg	Outlook
17.6% Vacancy Rate	▲	▼
61,000 Net Absorption, SQM	▼	▲
PHP 964 Asking Rent, PSQM *(Metro Manila Overall, Grade A)*	▲	▼

ECONOMIC INDICATORS

	YoY Chg	Outlook
2.3% GDP Growth *(Q2 2026)*	▼	▲
6.4% CPI Growth *(Q2 2026)*	▲	▲
4.9% Unemployment Rate *(Q2 2026)*	▲	▼

Source: Moody's

CAUTIOUS RECOVERY DUE TO PERSISTENT ECONOMIC HEADWINDS IN Q2 2026

Recovery momentum carried into Q2 2026, supported by a temporary easing of oil price pressures; however, macroeconomic headwinds continued to weigh on the broader leasing environment. Labor market conditions showed gradual improvement, with the unemployment rate easing to 4.8%, yet inflationary pressures remained acute—the Consumer Price Index (CPI) rose 6.8% year-on-year, sustaining elevated occupancy costs and compressing tenant affordability across office space segments. Residual energy price volatility, stemming from the ongoing oil crisis, further stifled leasing demand and prolonged decision-making cycles among occupiers.

In response to these compounding pressures, policymakers accelerated structural economic reforms and expanded public-private partnerships to restore business confidence and stimulate long-term investment. Although the quarter opened on uncertain footing, economic activity gathered pace toward its close, laying the groundwork for a more resilient leasing recovery in the second half of the year. Nonetheless, persistent inflationary conditions and supply-side constraints are expected to temper the pace of demand recovery, keeping occupiers cautious in their real estate commitments over the near term.

METRO MANILA OFFICE MARKET PICKS UP AT THE END OF Q2 2026

The Metro Manila office market posted mixed performance in Q2 2026. Prime and Grade A vacancy edged up from 17.1% to 17.6%, as limited new supply and lingering economic uncertainty tempered leasing activity—particularly across Central Business Districts (CBDs)—during the early part of the quarter. However, leasing momentum improved markedly toward quarter-end, driven largely by activity in secondary business districts, where occupiers were drawn by larger contiguous floorplates and more cost-competitive rental rates.

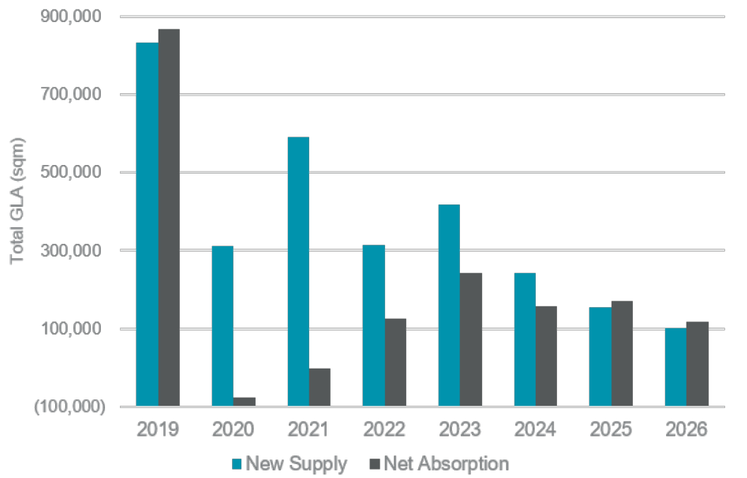
Average headline rents rose to PHP 964 per sqm per month, reflecting landlords' upward adjustments in buildings with tightening availability. At the submarket level, performance diverged: CBD vacancy increased to 10.5%, while secondary markets saw increased activity, with vacancy at 24.8%. Overall, market conditions remained broadly tenant-favorable as Metro Manila entered the second half of the year, with occupiers well-positioned to leverage competitive terms—particularly in secondary locations—while leasing momentum continues to build.

OFFICE DEMAND FACES MIXED RESULTS WITH POSITIVE OUTLOOK

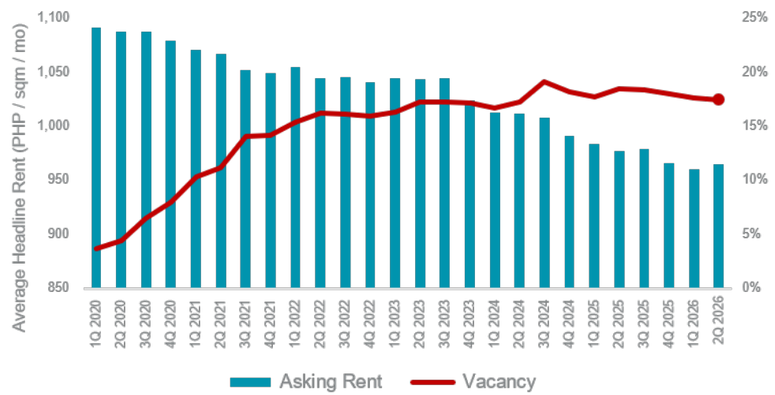
Office demand saw net take-up in Q2 2026, with 61,000 sqm of net take-up across Prime and Grade A spaces. Take-up was largely driven by expanding IT-BPM (GCC and BPO) sectors in the secondary business districts. BGC and Makati saw a slight increase in vacancy as traditional and IT-BPM sectors downsized or relocated their operations outside CBDs, opening opportunities for occupiers to establish or expand in CBDs. Large leasing transactions primarily occurred in secondary business districts as tenants pursue flight-to-quality strategies, contiguous spaces, and cost-efficient rents.

Market demand increased at the end of the quarter, positioning the market to recover in the next six months. However, shifting demand will likely persist in the next six months, increasing the need for flexible leasing options across the market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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METRO MANILA
OFFICE Q2 2026

MARKET STATISTICS

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.
Makati CBD	1,320,000	12.0%	60,500	1,283	1.94	1.70
Bonifacio Global City (BGC)	2,300,000	8.6%	84,500	1,218	1.85	1.62
Ortigas CBD	1,760,000	11.7%	12,000	770	1.17	1.02
CBD TOTALS / AVERAGES	**5,380,000**	**10.5%**	**157,000**	**1,088**	**1.65**	**1.45**
Makati Fringe	360,000	49.1%	11,000	942	1.43	1.25
BGC (Taguig) Fringe	600,000	19.2%	76,000	900	1.39	1.19
Ortigas Fringe	430,000	14.2%	121,000	789	1.19	1.05
Quezon City	1,570,000	16.0%	272,000	742	1.12	0.98
Pasay City	800,000	28.6%	66,000	918	1.39	1.22
Muntinlupa City	700,000	28.5%	25,000	755	1.14	1.00
Parañaque City	220,000	42.4%	-	817	1.24	1.08
CBD FRINGE (Decentralized Areas) TOTALS / AVERAGES	**4,680,000**	**24.8%**	**738,500**	**818**	**1.27**	**1.11**

US$/PHP = 0.01629, EUR/PHP = 0.01427 as of June 30, 2026
Planned & Under Construction (SQ.M) in the next 2 years

Definitions				
	Submarket Rent	Simple average of building headline rent in current quarter	**Vacancy Rate**	Current vacancy divided by total gross leasable area where space is immediately available
	Overall Average	Weighted average (based on total supply) of building headline rent in current quarter	**Net Absorption**	(Vacant space of previous quarter) + (Gross Leasable Area of New Supply provided during current quarter) – (Vacant space of current quarter)

KEY MARKET TAKE UP Q2 2026

PROPERTY	SUBMARKET	SQM	TYPE
Araneta Cyberpark Tower 3	Quezon City	27,000	Relocation
Four Ecom East Tower	Pasay	9,500	New Lease
Four Ecom South Tower	Pasay	5,400	Relocation
Circuit Makati Corporate Center	Makati Fringe	4,900	Relocation

KEY CONSTRUCTION COMPLETIONS 2026

PROPERTY	SUBMARKET	SQM	OWNER/DEVELOPER
The Yuchengco Centre	Makati Fringe	83,000	San Lorenzo Ruiz Investment Holdings and Services, Inc.

OUTLOOK

- **The bottom line for occupiers and investors:** The Philippine office market is navigating a genuine crosscurrent: near-term cyclical caution from slower growth and elevated inflation, set against durable structural tailwinds from a resilient labor market, income reclassification, and reform-driven investment. For occupiers, the environment favors disciplined space planning and hard negotiation on incentives. For landlords and investors, the premium on quality, efficient, well-located assets is set to widen, reinforcing the case for a selective, quality-led strategy through the second half of 2026.
- **Middle East crisis pressures ease but remain a distant threat:** Geopolitical uncertainty tempered corporate decision-making through the quarter. As activity firmed toward quarter-end and occupiers reverted to pre-crisis arrangements, office demand is positioned to strengthen in H2 2026.
- **Artificial Intelligence (AI)-cited layoffs may be temporary**: The IT-BPM sector has been the main driver for AI-augmented workflows in the Philippines, potentially leading to smaller space requirements and leaner teams. However, emerging global trends suggest that widespread AI-driven workforce reductions may be short-lived, as occupies reassess AI's limitations in handling complex tasks, hiring activity may gradually recover, supporting future office demand.
- **Future-proofing through pre-leasing**: Amid limited large, contiguous floorplates, occupiers are committing earlier to upcoming Metro Manila developments to secure premium space. Tenants should compress decision-making timelines to lock in preferred locations and configurations.

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