



MARKET FUNDAMENTALS

	YOY Chg	Outlook
6.93% Ave. Office (Gross) Yields	▲	▬
6.21% 10-Year T-Bond Rate Mar-2025	▼	▼
172.6 Q4 2024 RREPI	▲	▲

*Note: RREPI = Residential Real Estate Price Index (Q12014=100), prepared by the Bangko Sentral ng Pilipinas (BSP)*

ECONOMIC INDICATORS

	YOY Chg	Outlook
USD 5.63B OF Cash Remittances YTD Jan-Feb 2025	▲	▲
4.46M Employment in Office-using Industries Q4 2024	▲	▲
2.3% Inflation Rate Q1 2025	▬	▲
PHP 57.9 Exchange Rate (PHP:USD) Q1 2025	▲	▼

*Source: Moody's Analytics, BSP, PSA*

HIGHLIGHTS

- Office rental yields remained stable in Q1 2025, averaging 6.93%, unchanged from Q4 2024. On a year-on-year (YoY) basis, yields rose by 8 basis points (bps) compared to Q1 2024. While short- to medium-term yields are expected to remain relatively flat due to persistent global economic uncertainties and evolving US trade policies, there are clear opportunities for the Philippine real estate investment market. The Bangko Sentral ng Pilipinas' (BSP) evolving policy directions, alongside shifts in global real estate trends, indicate potential resiliency in domestic demand for office spaces
- Following a 2.3% year-over-year (YoY) contraction in Q3 2024, house price inflation reversed course, posting a 6.7% YoY increase in the final quarter of 2024. This recovery was led by Duplex properties, which soared 85.9% YoY, rebounding from a 48.1% YoY decline in the previous quarter. Other property types also experienced faster growth, with Single Detached/Attached houses rising 12.8% YoY, up from 2.9% YoY in Q3 2024. Meanwhile, Condominium prices grew 5.1% YoY, recovering from a 9.4% YoY decline in the previous quarter. Townhouse properties, however, continued to contract, decreasing 3.4% YoY, compared to a modest 0.7% YoY growth in Q3 2024. By location, house price inflation outside the National Capital Region (NCR) posted strong growth of 9.3% YoY, up from 3.0% YoY in the previous quarter. Meanwhile, residential prices in Metro Manila continued to decline, contracting 0.4% YoY—a more modest decline compared to the 14.6% YoY contraction in Q3 2024. However, residential condominiums in Metro Manila recovered, posting 4.3% YoY growth in Q4 2024, rebounding from a 14.3% YoY decline in the previous quarter. Overall, loan availment for new housing units fell 10.8% YoY in Q4 2024. Despite the decline, this was an improvement from the 15.7% YoY contraction recorded in Q3 2024.
- Philippine industrial production fell 2.4% YoY in February, reversing the 2.4% annual growth recorded last month. The drop in petroleum and rubber production sparked worries while electronics showed mixed results—electrical equipment production surged, but computer and optical goods declined. Meanwhile, food production rebounded, rising 11.9% after last year's weather-related disruptions. However, manufacturers face challenges as the U.S. plans a 17% tariff on Philippine imports, potentially increasing costs and weakening global demand.

ECONOMIC OVERVIEW

- Amid a global economic slowdown that could challenge growth prospects, the manageable inflation outlook opens opportunities for a more relaxed monetary policy stance. The central bank reduced its policy rate by 25 basis points to 5.50% in April, signaling support for economic recovery. Inflation forecasts for 2025 and 2026 have improved, with 2027 targets remaining stable and within range. While risks of price increases in transportation, meat, and utilities persist, these are offset by factors such as reduced rice tariffs and subdued global demand.

MARKET OUTLOOK

- Monetary easing is fostering consumer spending, creating significant opportunities for local real estate investment amid global demand uncertainties. This economic policy, bolstered by a stable unemployment rate and resilient remittance inflows, sustains income levels and reinforces consumer confidence.
- Globally, real estate investment markets demonstrate evolving trends, including the shift towards sustainable developments and digitalization within asset management. Locally, these trends present both opportunities and competitive pressures. Philippine developers and investors must strategically position themselves to cater to increasing demand for energy-efficient buildings and smart infrastructure expected to rise alongside consumer spending.
- Despite these opportunities, macroeconomic risks such as rising inflation and currency fluctuations remain significant factors for Philippine real estate investors. Developers must also remain alert to disrupted supply chains, which directly affect project timelines and construction costs.

SECTORAL UPDATE

**OFFICE** The Philippine outsourcing industry remains a robust pillar of economic stability, even amid global challenges such as rising protectionism in the post-Trump era. Businesses, driven by the need to manage risks, diversify operations, and achieve cost efficiency, continue to turn to outsourcing as a strategic solution. This resilience has spurred growth in retail-focused BPO firms, particularly as established brands and eCommerce platforms expand their online presence.

**RETAIL** Globally, urban expansion and middle-class growth in emerging markets are reshaping real estate investment strategies. This trend aligns with opportunities in the Philippines, where provincial urbanization mirrors international patterns of decentralization. However, with global inflationary pressures and shifts in consumption habits, developers and investors must carefully consider market dynamics and evolving retail preferences. Challenges such as oversupply risks or competition from e-commerce must also factor into decision-making..

**INDUSTRIAL** Despite potential challenges due to the looming global trade war, domestic economic activity shows resilience, with growing consumer spending driving increased demand for logistics and storage facilities. This shift presents an opportunity for the real estate sector to capitalize on robust demand for industrial assets, particularly warehousing and fulfillment centers, which are critical to supporting the booming e-commerce and retail industries. Among global real estate investors are pivoting toward assets that align with supply chain transformation and sustainability goals. Locally, this parallels the trend of industrial assets emerging as a preferred investment class due to their strong demand fundamentals. However, market players should also remain cautious, as lingering geopolitical tensions and evolving technology standards pose potential risks to investment performance.

**RESIDENTIAL** Subdued global economic slowdown often drives foreign investors away from residential developments, redirecting their capital toward lower-risk, more liquid assets. This trend is particularly evident in Metro Manila, where persistent oversupply heightens perceived investment risks. However, these shifting dynamics present opportunities for local investors. With lower competition from foreign players, local developers and investors can capitalize on reduced demand to negotiate favorable terms, acquire undervalued assets, or diversify their portfolios.

**HOTEL** The hotel sector is poised to sustain its growth trajectory, supported by the resurgence of large-scale events and international conventions. With key developments in major central business districts (CBDs), this segment is expected to gain substantial momentum as global travel restrictions ease, creating robust demand for hospitality assets. Corporate travel is also showing steady recovery, driven by the gradual return of in-person meetings and conferences, further bolstering hotel occupancy rates.

SELECT COMMERCIAL/INVESTMENT TRANSACTIONS (2023-2025)

PROPERTY NAME / DESCRIPTION	SUBMARKET	TYPE	LOT / FLOOR AREA (SQ.M.)
Quezon City Property	Parañaque City	Office	30,000
Land in Tambo, Parañaque City	Parañaque City	Development Site	93,997
Land in Taguig City	Taguig City	Development Site	61, 759
CBD Makati Property	Makati City	Hotel	85,580
Ortigas Center Property	Mandaluyong City	Mixed-use	139,997

Sources: Real Capital Analytics, Cushman & Wakefield Research Closed transactions over \$10 million

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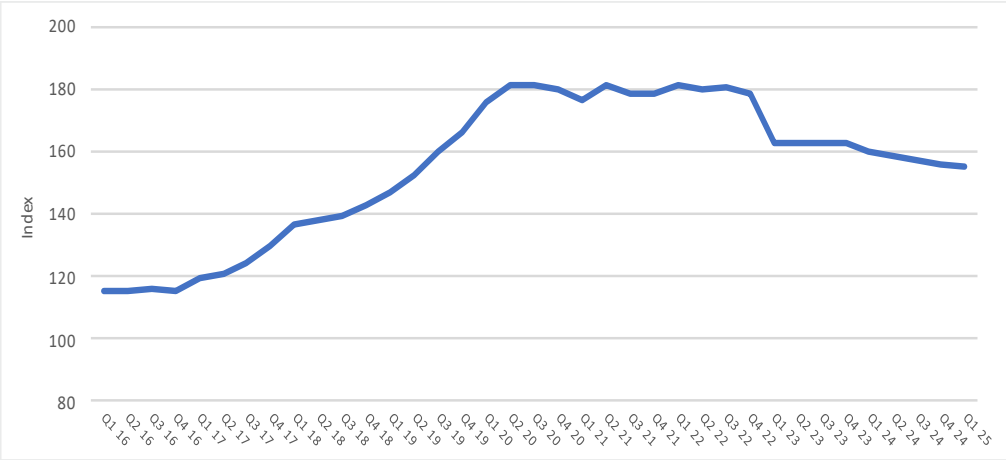
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