MARKETBEAT

METRO MANILA

OFFICE Q1 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
17.3% Vacancy Rate	▲	▲
32,500 YTD Net Absorption, SQM	▼	▼
PHP 987 Asking Rent, PSQM	▼	—

(Overall, Grade A)

ECONOMIC INDICATORS

	YOY Chg	Outlook
5.2% GDP Growth (Q4 2024)	▼	▲
2.2% CPI Growth	▼	▲
3.8% Unemployment Rate (February 2025)	▼	▲

Source: Moody's

OPTIMISTIC ECONOMIC GROWTH PROJECTED IN 2025

The Philippine economy is set to grow by 6% in 2025, positioning itself at the lower end of the government's 6-8% target range. This growth will likely be propelled by election-related spending and improved inflation rates. For real estate occupiers, investors, and developers, this economic forecast creates opportunities to capitalize on heightened consumer activity, particularly in the local retail and commercial markets.

Inflation has continued to cool, with headline rates falling to 1.8% in March 2025, the slowest pace in nearly five years. Year-to-date inflation now averages 2.2%, driven by stabilized food and transport costs.

OVERALL VACANCY REMAINS ELEVATED IN Q1 2025

Office vacancy rates in Prime and Grade 'A' developments across Metro Manila reached 17.3% by the end of Q1 2025, a marginal increase of 25 basis points from the previous quarter's 17.0% and 105 basis points higher than the 16.5% reported in the same period last year.

The rise in vacancy rates can partially be attributed to vacated spaces previously occupied by POGO operators. However, demand for office space continues to be driven by companies in the IT-BPM sector, which are actively expanding and consolidating operations.

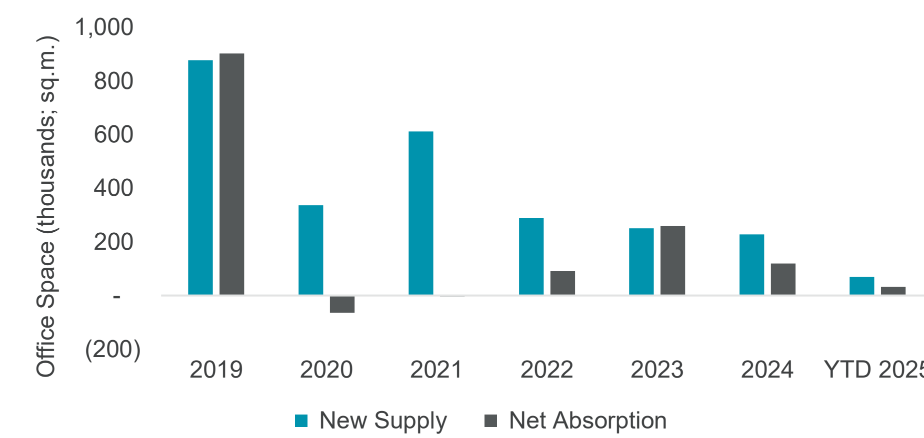
This presents opportunities for developers and investors to optimize existing assets by tailoring offerings toward IT-BPM companies, a sector that has sustained demand despite wider economic challenges.

AVERAGE HEADLINE RENTS REMAIN STEADY IN Q1 2025

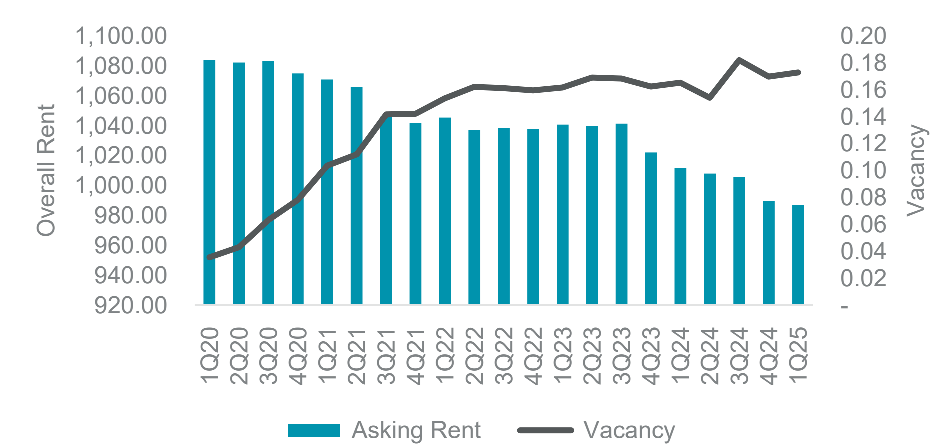
The average headline rent for Prime and Grade 'A' developments in Metro Manila was recorded at PHP 987 per sqm per month by the end of Q1 2025, reflecting a minor decline from the previous quarter's rate of PHP 990 per sqm per month.

Despite current high vacancy rates, rents in key Central Business Districts (CBDs) such as Makati and Taguig City are expected to remain stable in the medium term. However, a significant influx of new supply, combined with subdued demand for office spaces due to global economic uncertainties, may introduce downward pressure on rents for developments located outside major CBDs.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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
Taguig City	2,803,000	12.1%	77,090	1,170	1.90	1.76
Makati City	1,900,000	19.3%	83,048	1,172	1.90	1.76
Pasig City	1,476,000	11.5%	26,100	775	1.26	1.16
Quezon City	1,464,000	18.3%	383,395	741	1.20	1.11
Pasay City	799,000	26.1%	62,800	957	1.55	1.44
Muntinlupa City	699,000	31.6%	53,410	799	1.30	1.20
Mandaluyong City	470,000	17.5%	-	850	1.38	1.27
Parañaque City	215,000	20.2%	-	1,107	1.80	1.66
MANILA TOTALS	**9,827,000**	**17.6%**	**685,843**	**987**	**1.60**	**1.48**

US$/PHP = 0.01747, EUR/PHP = 0.01614 as of March 31, 2025

KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	SQM	TYPE
UP-Ayala Technohub Building J	Quezon City	7,979.00	Renewal
World Plaza	BGC, Taguig City	5,583.03	New Lease

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	SQM	OWNER/DEVELOPER
Intellectual Property Center	BGC, Taguig City	62,900	Megaworld

OUTLOOK

- **Headline rents to remain steady in the medium term:** Despite the elevated market vacancy, the headline rate of Prime and Grade 'A' developments in Metro Manila, particularly in the major CBDs, are expected to remain steady in the medium term. However, if the demand does not pick-up in the latter half of the year, another rental adjustment might happen.
- **Vacancy rates to remain elevated in the medium- to long-term:** Overall vacancy rates of Prime and Grade A developments in Metro Manila has remained within the 16-18% post-pandemic due to the implementation of hybrid work set-up and the exit of POGO operators. In the medium- to long-term, overall rates are expected to remain elevated due to soft demand of office space and the upcoming high volume of new supply in the market.
- **Evolving market landscape:** Some challenges persist, including potential headwinds from global trade disputes. However, these international dynamics can also be viewed as an opportunity for Philippine retail markets to focus more on localized consumer demand and leverage regional strengths. For occupiers and developers, understanding this shifting landscape and opportunities in non-traditional markets and locations offers opportunities to capitalize on strategic locations and respond effectively to evolving market trends.

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