

MARKET FUNDAMENTALS

	YOY Chg	Outlook
17.9% Vacancy Rate	▲	▲
44,000 YTD Net Absorption, SQM	▼	▲
PHP 980 Asking Rent, PSQM <small>(Metro Manila Overall, Grade A)</small>	▼	—

ECONOMIC INDICATORS

	YOY Chg	Outlook
5.5% GDP Growth	▲	▲
1.4% CPI Growth	▼	▲
3.9% Unemployment Rate	▼	▲

Source: Moody's

PHILIPPINE ECONOMIC GROWTH SUSTAINS ITS MOMENTUM

The Philippine economy grew by a solid 5.5% year-over-year in Q2 2025 (H1: 5.4%), maintaining its position among emerging Asia's top performers, second only to Vietnam. The services sector led the charge with an impressive 6.9% growth, while agriculture posted a strong 7.0% increase. In contrast, the industrial sector saw a more modest 2.1% rise.

On the demand side, household consumption grew by 5.5%, complemented by a notable 8.7% surge in government spending. Inflation eased to 1.37% in Q2 and further dipped to 0.9% in July, boosting real incomes. Employment also improved, with the overall rate reaching 96.3% in June. Policymakers continue to advocate for structural reforms to foster inclusivity in the labor market but caution against external challenges, including tariffs and declining global demand. With sustained reform efforts, medium-term growth of 6%–8% remains an achievable target.

RENTS IN CBDS HOLD FIRM, FRINGE FACE PRESSURE

Prime and Grade A office rents in Metro Manila's CBDs rose 0.5% QoQ, reaching PHP 1,118/sqm/month, as vacancy rates tightened to 10.5% (from 11.0%). This was driven by a flight-to-quality, with demand fueled by multinational relocations and financial sector expansions.

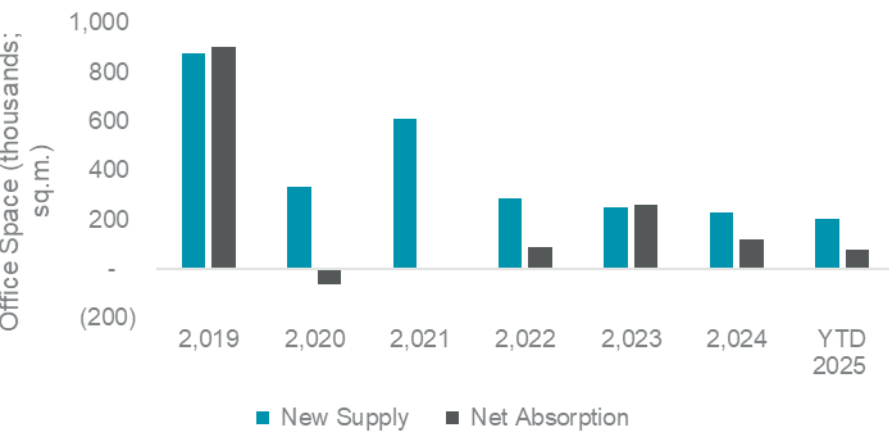
Decentralized office rents declined 1.8% QoQ, impacted by new completions and hybrid work trends. Vacancy rates in fringe areas rose to 23.4%, up 344 bps QoQ and 568 bps YoY, reflecting persistent oversupply and returned spaces.

CBD AND FRINGE OFFICE MARKETS: EMERGING DECOUPLING TRENDS

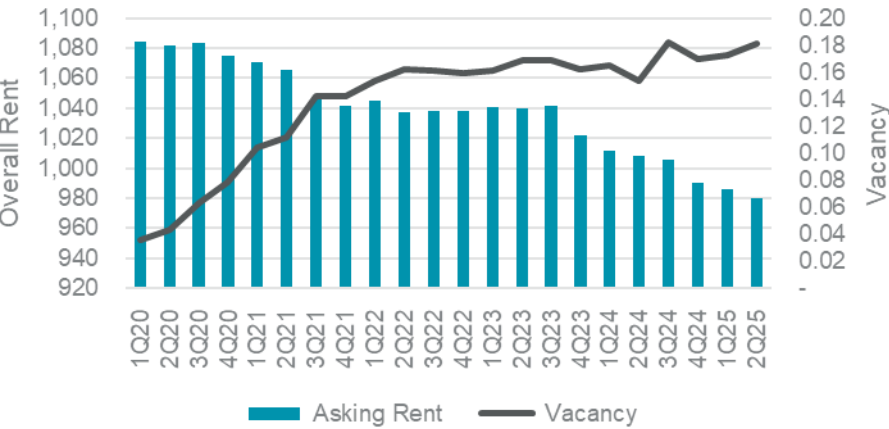
Overall net absorption among Grade A developments turned positive at 44,000 sqm in Q2 2025, signaling steady demand despite elevated vacancies in the fringe areas. Prime and Grade A buildings in CBDs are seeing tightening vacancies and may shift toward a landlord-favorable position in the medium term, supported by limited new supply and sustained interest from multinationals and financial institutions.

In contrast, decentralized locations are expected to face continued rental adjustments and landlord concessions, with over 300,000 sqm of new supply projected through end-2027. Elevated vacancy rates and hybrid work trends are likely to weigh on performance in these areas.

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.
Makati CBD	1,500,000	11%	-	1,232	2.03	1.72
Bonifacio Global City (BGC)	2,300,000	10%	45,000	1,269	2.09	1.78
Ortigas CBD	1,600,000	13%	26,000	790	1.30	1.10
CBD TOTALS / AVERAGES	5,300,000	11%	71,000	1,118	1.84	1.56
Makati Fringe	500,000	50%	94,000	913	1.51	1.28
BGC (Taguig) Fringe	500,000	21%	89,000	988	1.63	1.38
Ortigas Fringe	300,000	13%	-	783	1.29	1.10
Pasig City (C-5 Corridor)	200,000	9%	-	790	1.30	1.11
Quezon City	1,500,000	22%	161,000	1,021	1.68	1.43
Pasay City	800,000	26%	63,000	948	1.56	1.33
Muntinlupa City	700,000	35%	-	791	1.30	1.11
Parañaque City	200,000	21%	-	728	1.20	1.02
CBD FRINGE (Decentralized Areas) TOTALS / AVERAGES	4,700,000	23%	407,000	842	1.39	1.18

US\$/PHP = 0.01775, EUR/PHP = 0.01506 as of June 30, 2025

KEY C&W LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	SQM	TYPE
10 West Campus	Taguig City	2,500	Renewal
Exquadra	Pasig City	2,300	New Lease
Six Neo	Taguig City	2,400	Renewal

KEY CONSTRUCTION COMPLETIONS YTD 2025

PROPERTY	SUBMARKET	SQM	OWNER/DEVELOPER
SM North EDSA Tower 3	Quezon City	36,594	SM Investment Corp.
Cyberpark 3	Quezon City	71,757	Araneta Properties
Spectrum Alabang	Muntinlupa City	24,925	Filinvest Land

OUTLOOK

- Workplace transformation and risk mitigation:** Demand is shifting toward flexible layouts, collaborative zones, and wellness-focused design. Hybrid work continues to reshape office strategies, with companies streamlining footprints and investing in adaptable layouts. Flexible workspaces are increasingly used to mitigate uneven growth and fluctuations in occupancy costs, offering scalability and resilience in a shifting market. Demand is rising for green-certified, disaster-resilient buildings, aligning with long-term sustainability goals.
- Market shifts and regional expansion:** Persistent oversupply in fringe markets in Metro Manila will enhance tenant leverage, leading to favorable lease terms, pre-fitted spaces and flexible space options. Meanwhile, geographic diversification is accelerating, with emerging hubs such as Cebu, Clark, and Davao gaining traction amid economic decentralization and the push for adaptable, future-ready office developments.

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

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