MARKETBEAT

METRO MANILA

INVESTMENT Q4 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
6.92% Ave. Office (Gross) Yields for Prime / Grade A	▼	—
5.87% 10-Year T-Bond Rate Dec-2025	▼	▼
150.3 Q3 2025 RPPI	▲	▲

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

ECONOMIC INDICATORS

	YOY Chg	Outlook
USD29.20B OF Cash Remittances YTD Jan-Oct 2025	▲	▲
4.76M Employment in Office-using Industries *Q3 2025*	▲	▲
1.6% Inflation Rate *Q4 2025*	▼	▲
PHP 58.7 Exchange Rate (PHP:USD) *Q4 2025*	▲	▼

Source: Moody's Analytics, BSP, PSA

HIGHLIGHTS

- Average office yields slipped to 6.92% in Q4 2025, down by 1 bp both quarter-on-quarter (QoQ) and year-on-year (YoY). Prime and Grade 'A' assets in Makati, BGC, and Ortigas remain stable, signaling cautious investor sentiment. With the Bangko Sentral ng Pilipinas (BSP) easing policy, stable yields alongside lower borrowing costs widen spreads—setting the stage for stronger future demand in income-generating properties.
- The overall Residential Property Price Index (RPPI) continued its downward trend in Q3 2025, growing only 1.9% YoY, a sharp slowdown from 7.5% in the previous quarter and 7.6% in Q3 2024, marking its third consecutive year of deceleration. The weaker performance was mainly due to the significant drop in house price growth to 1.9% from 13.1%, while condominium units showed a modest rebound at 1.4% after a 0.2% decline last quarter. On a QoQ basis, both segments recorded contractions, with houses declining by 5.7% and condominiums by 1.4%, resulting in an overall RPPI QoQ decrease of 3.8%. Metro Manila outperformed the rest of the country with 2.3% YoY growth compared with 1.6% outside the capital, although other metropolitan areas also experienced slower gains, with Balance GMA easing to 2.2%, Metro Cebu to 3.8%, and Metro Mindanao to 5.5%. In contrast, residential loan availments strengthened significantly, rising 24.6% YoY and 16.5 QoQ, supported by increased lending activity in provincial markets, particularly Balance GMA and Metro Cebu.
- The BSP set the benchmark interest rate at 4.5% at the end of 2025, following a series of policy rate cuts totaling 200 basis points since August 2024. These cuts helped tame inflation, which averaged 1.7% in 2025, although the BSP forecasts higher inflation of 3.2% in 2026 and 3.0% in 2027. The outlook for economic growth has dimmed due to weakened business sentiment stemming from governance-related concerns and uncertainties surrounding global trade policies. Nonetheless, the effects of monetary policy easing are expected to support domestic demand.

ECONOMIC OVERVIEW

- Net foreign direct investment (FDI) in the Philippines declined by 25% as of October 2025, with year-to-date inflows totaling USD 642 million, down from USD 1.07 billion in the same period in 2024. In terms of sectoral inflows related to Philippine real estate, growth was recorded in Transportation and Storage (206%), Real Estate Activities (34%), and Information and Communication (3%). Meanwhile, declines were observed in Financial and Insurance Activities (-151%), Construction (-133%), Manufacturing (-56%), and Accommodation and Food Service Activities (-21%).
- Foreign visitor arrivals in the Philippines continue to lag, reaching only 5.94 million international arrivals, a 0.15% year-on-year decline from the 5.95 million foreign tourists recorded in 2024. This figure also remains significantly below the 8.26 million arrivals posted in 2019. The country continues to fall behind its ASEAN peers such as Vietnam, Malaysia, and Indonesia in attracting international visitors. This underperformance is largely attributed to rising travel-related expenses, infrastructure limitations, and operational bottlenecks, all of which negatively affect the overall travel experience and accessibility.
- The Philippine peso continued to weaken against the US dollar, closing at PHP 58.80 in December 2025 as heightened global risks prompted investors to move toward safe haven assets. Since the United States remains the largest source of remittances to the Philippines, any economic developments affecting the US, including changes in immigration policy or labor market conditions, may influence the country's remittance inflows. Notably, the Philippines recorded its lowest remittance level in six months in November 2025, further highlighting the sensitivity of household income to external economic shifts.

MARKET OUTLOOK

Persisting Sectoral Imbalances: Uneven sectoral recovery is expected to persist as the market responds to recent policy rate adjustments, which are likely to influence financing costs across asset classes. Investor sentiment also remains cautious amid ongoing geopolitical tensions and broader economic uncertainties.

Resilient Outlook: Short-Term Appetite, Long-Term Capital Flows: Over the next 12–18 months, expect renewed appetite for acquisitions—particularly in logistics and industrial assets, which remain strong demand drivers, as well as prime office and residential properties. Looking further ahead, if the Bangko Sentral ng Pilipinas continues easing monetary policy and structural reforms hold, the real estate sector could attract significant capital inflows from both domestic and foreign investors. With stable yields and lower borrowing costs widening spreads, investment assets are poised to deliver more attractive risk-adjusted returns.

SECTORAL UPDATE

OFFICE Developments located in major CBDs are anticipated to stabilize and see a quicker rebound in rental rates by the second half of 2026. In contrast, activity in non-CBD locations is expected to remain sluggish, with slow absorption of available space leading to more gradual vacancy improvements. Overall, market demand is being supported by a mix of expanding IT BPM operations and renewed leasing activity from traditional occupiers, which are helping to underpin the recovery momentum across the office sector.

RETAIL The current retail landscape is shifting, with growing interest from large format and lifestyle-oriented brands that are actively expanding across key retail locations. However, recovery remains uneven across the segment. Major malls situated in established retail districts, particularly those with strong transport connectivity and a high concentration of office workers, are seeing noticeable improvements in foot traffic and retail sales performance.

INDUSTRIAL Manufacturing activity improved in Q4 2025, supported primarily by solid domestic demand. However, lingering external headwinds are expected to continue weighing on the segment and could soften demand in 2026. The logistics and industrial property markets maintained healthy occupancy levels, driven by sustained demand in major logistics corridors such as CALABA and Central Luzon. At the same time, industrial lot take-up posted modest growth, reflecting the additional supply introduced through recent expansion initiatives by industrial developer.

RESIDENTIAL Residential activity is now focused on selling existing inventory, prompting developers to improve their marketing strategies in a competitive market. At the same time, careful planning for upcoming projects is crucial to ensure they match evolving buyer preferences. Developers need to review their project pipelines to ensure future launches reflect shifting priorities such as preferred unit sizes, modern amenities, sustainability features, and overall affordability.

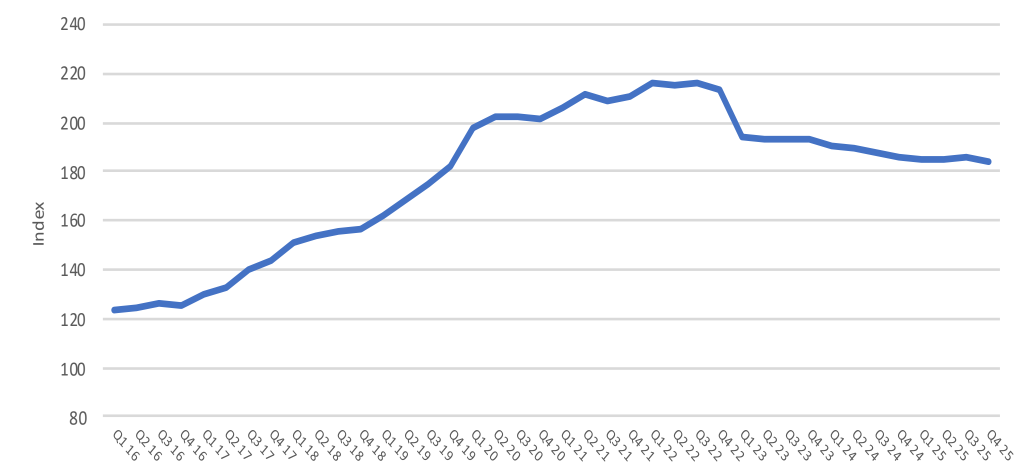
HOTEL The slow recovery of high-spending foreign travelers may affect hotel occupancy levels and influence investment planning in the near term. In response, operators are beginning to adopt long-term strategies that include gradual diversification into both major urban centers and emerging secondary destinations, focusing on cities and regions that continue to benefit from reliable and expanding air connectivity.

SELECT COMMERCIAL/INVESTMENT TRANSACTIONS (Q4 2025)

PROPERTY NAME / DESCRIPTION	TYPE	BUYER	SELLER	PURHASE PRICE ($ million)	SUBMARKET
Land in Salcedo Village[1]	Residential	LFM Properties Corp	Parity Values Inc	18.79	Makati CBD
Alabang Town Center	Retail	The Madrigal Group[2]	Ayala Land	461.09	Muntinlupa City
New Coast Hotel Manila[1]	Hotel	DigiPlus Interactive Corp.	International Entertainment Corporation	380.67	City of Manila
Condominium in Makati	Residential	Mitsui Fudosan	Arthaland	30.87	Makati CBD
Ayala Land PHL Mall Portfolio[1] 2025	Retail	(AREIT) Ayala Land REIT	Ayala Land	668.12[3]	-
Megaworld PHL Office Portfolio[1]	Office	MREIT (Megaworld) REIT	Megaworld Corporation	556.19[3]	-

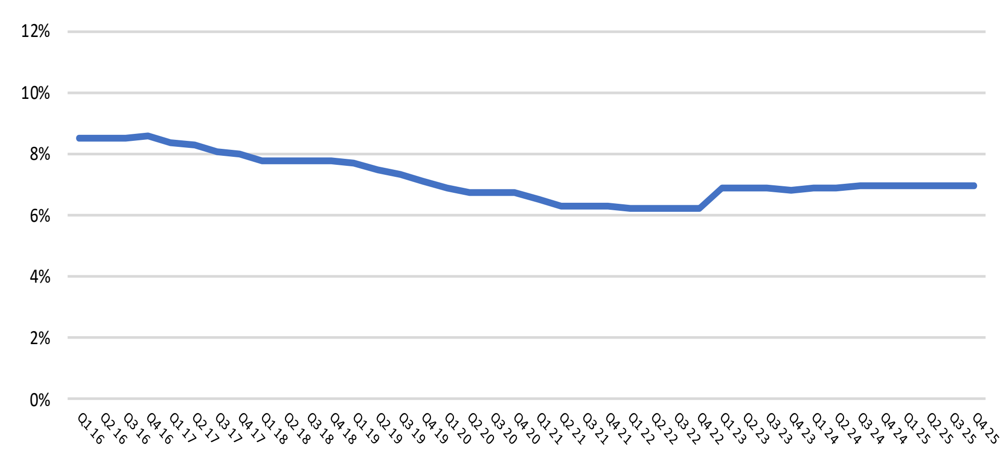
Notes:
[1]Transaction is pending actual confirmation
[2]Rockwell Land is reportedly acquiring 75% of Alabang Commercial Center (ACC), majority-owned by the Madrigal Group upon Ayala Land exit.
[3]Transfer of assets into real estate investment trust
Sources: Real Capital Analytics, Various PSE disclosures, Cushman & Wakefield Research. Considers only closed transactions registered in RCA platform worth over $10 million.

PRIME/GRADE 'A' OFFICE CAPITAL VALUES INDEX



Base: Q1 2014 = 100

PRIME/GRADE 'A' OFFICE (GROSS) RENTAL YIELDS



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