

Office demand dives anew; all eyes on 4Q



Note: Arrows indicate change from previous quarter.

QUARTERLY HIGHLIGHTS

- Demand in the Philippine office market slowed down further this quarter, recording 137,800 sq. m. in transactions, representing a drop of 14% q-o-q and 45% y-o-y.
- Managed facility providers emerge as market's biggest space takers this quarter capturing 19% of total demand and all fueled by 3PO demand.
- Looking at yearly demand, the IT-BPM sector has not been the major driver since 2023. Share in overall demand has shrunk to its lowest in the last 5 years.
- Metro Manila vacancy edged up slightly to 19.3% this quarter and will likely hit 20.1% by year end, driven by sluggish demand and upcoming completions.

TABLE 1: Metro Manila Office Market – Quick Stats

	2026 Q1	2026 Q2	2026 Q3
Existing Supply (in '000 sqm)	9,186.3	9,186.3	9,186.3
New Supply (in '000 sqm)	24.7	-	-
Vacated Spaces (in '000 sqm)	47.4	54.2	110.7
Total Demand - New Leases (in '000 sqm)	137.2	131.9	105.4
Overall Vacancy	19.5%	19.2%	19.3%

Metro Manila Vacancy and Availability

Metro Manila vacancy slightly increased to 19.3% this quarter. Vacancy in main outsourcing hubs rise as vacated spaces outstrip demand. Given the slow demand and upcoming projects that will add in the Metro Manila stock, it is likely to end at 20.1% by 4th quarter.

Manila office stock remained flat at 9.19 million sq. m. as project completions were pushed back to 4th quarter. Current total availability is at 1.77 million sq. m. down from 1.9 million sq. m. during the same period last year, but what remains is older and increasingly second-hand stock.

On a per subdistrict view, most of the empty spaces in Makati are held by boutique developers with the age profile remaining unchanged.

Fort Bonifacio remains the tightest subdistrict in the country and characterized by churn - pre-terminations at pace with new signups.

Ortigas experienced the steepest decline among the subdistricts in Metro Manila where stock under 5 years has collapsed from 56% to 24% of what remains.

On the other hand, Quezon City is one of the subdistricts with the best spaces to offer with mostly new, PEZA-accredited, major developer-held, and bare shell spaces but with the fewest customers in view of waning BPO demand.

Bay Area continues to have an uneven landscape where SM largely backfills its own towers while the rest of the subdistricts held onto older, non-accredited, and POGO-vacated spaces, whose availability has grown even when the total shrank.

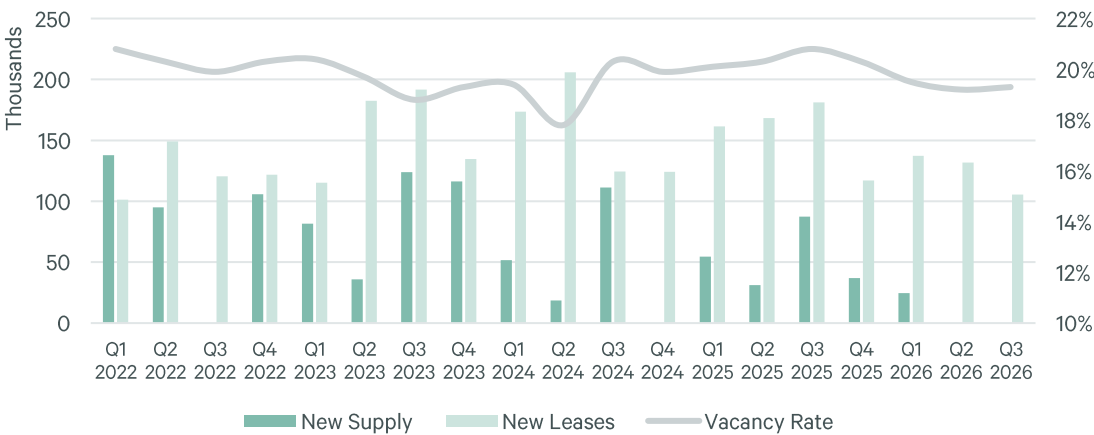
Lastly, although Alabang now has the highest concentration of PEZA-accredited spaces, rents have dropped below Quezon City and Cebu.

TABLE 2: Metro Manila Office Market – Subdistrict Overview

	Total Existing Stock	Total Current Availability	Vacancy	Published Rent	Published CUSA
Makati CBD	1,772,500	348,600	19.7%	Php 550 – 1,800	Php 86 – 335
Fort Bonifacio	2,655,100	214,700	8.1%	Php 800 – 1,600	Php 160 – 300
Ortigas CBD	1,371,700	158,200	11.5%	Php 450 – 1,000	Php 95 – 220
Quezon City	1,530,500	399,300	26.1%	Php 600 – 900	Php 125 – 235
Bay Area	1,100,500	444,600	40.4%	Php 550 – 1,200	Php 147 – 220
Alabang	756,100	209,100	27.7%	Php 380 – 900	Php 113 – 200

Note: Rent and CUSA are in PHP/sqm/month

FIGURE 1: Metro Manila Office Supply, Demand, and Vacancy



Philippine Demand

Headline demand slowed further this quarter to 137,800 sq. m., representing a 14% drop q-o-q and a 45% decline y-o-y. Managed facility providers emerged as the quarter’s largest space takers at 19% of total demand, driven entirely by 3rd party outsourcing requirements.

Traditional companies captured the largest market share at 40%, followed closely by IT-BPM at 39%, Agile spaces at 18%, and others at 3%. Notably, IT BPM has not been the primary market driver since 2023, with its share of overall demand falling to a five year low.

Majority of the transactions were in Metro Manila at 81% while the rest are in provincial areas.

Pressure mounts to achieve an almost impossible 380,000 sq. m. of demand in the last quarter of the year. The market has not seen a strong fourth quarter rally since 2022, which was the only strong finish recorded in the last 5 years.

Pipeline Supply

Around 374,000 sq. m. of new supply will be completed by the end of the year in Metro Manila and provincial areas.

Looking ahead, around 700,000 sq. m. of stock will be completed in the next 3 years in Metro Manila despite the current high vacancy. For provincial areas, around 300,000 sq. m. will be completed in the next three years. Davao being the tightest market among the major provincial areas will see the highest total completions of around 103,000 sq. m. in 2027.

Rental Rates

Makati Prime have stopped declining and premium against BGC rates held at 5%. Low vacancy in BGC still not translating to improved rates as FMR remains unchanged. On the other hand, boutique landlords holding 5-year-old buildings that never leased in Ortigas are pricing more aggressively to move their stock. Quezon City rents remain unchanged despite major handbacks this quarter. Bay Area rents improve but mostly only for SM rents. The other 71% largely unchanged. Lastly, Alabang breaks 14-quarter losing streak. Rents up for the first time since early 2023.

FIGURE 2: Philippines Office Market – Announced Pipeline by Area

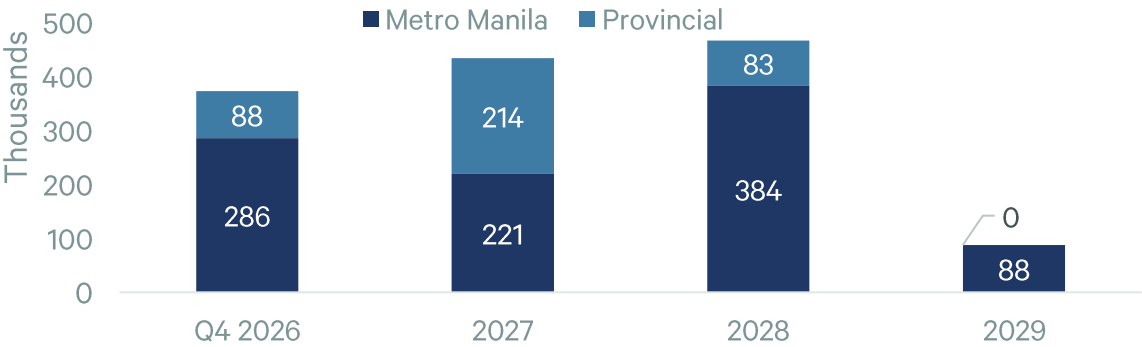


TABLE 3: Metro Manila Rents

SUB-DISTRICT	PUBLISHED RATES IN PHP	FAIR MARKET RENT Q2 2026	FAIR MARKET RENT RENT NOW	COMMON AREA CHARGES IN PHP
MAKATI PRIME	1,250 – 1,800	1,161. ⁴⁴	1,164. ⁵²	200 – 290
BGC	1,000 – 1,600	1,109. ⁹⁶	1,112. ⁶⁷	160 – 300
MAKATI A&B	550 – 1,500	955. ⁴¹	968. ³⁴	86 – 335
NORTH BONIFACIO	1,000 – 1,600	985. ⁹⁵	935. ¹⁵	170 – 252
ORTIGAS	450 – 1,000	782. ²¹	759. ⁵⁴	95 – 220
MCKINLEY	800 – 1,200	704. ¹⁸	705. ⁴⁸	170 – 200
QUEZON CITY	600 – 900	645. ⁹⁶	648. ¹⁸	125 – 235
BAY AREA	550 – 1,200	715. ⁷⁵	734. ⁸⁷	147 – 200
ALABANG	380 – 900	585. ⁷⁷	600. ⁷⁰	113 – 200

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