CBRE

With headline demand unmasked, an evolving weakness in the market is bared

▼ 19.2%
Vacancy Rate, Metro Manila

26.3k
SQM Net Absorption, Metro Manila

-
SQM New Completions, Metro Manila

▶ Php380 – 2,400
Bare Shell Rental Rates, Metro Manila

Note: Arrows indicate change from previous quarter.

QUARTERLY HIGHLIGHTS

- Headline demand in the Philippine office market for the 2nd quarter saw 161,160 sq. m. worth of transactions. However, excluding pre-leasing transactions and take-up by developers within their own buildings, real demand was only 111,100 sq. m. This has been the thinnest quarter in 5 years.
- Although the IT-BPM sector drove the demand in terms of size, traditional companies continue to drive this quarter's demand in terms of count which resulted to even lower average transaction size this quarter.
- This quarter saw the steepest one-quarter drop on transaction count. Transaction count dropped to 35% to 116 transactions for the quarter.
- Vacancy in Metro Manila slightly improves despite worsening demand due to completions drying up as developers hold off projects.

TABLE 1: Metro Manila Office Market – Quick Stats

	2025 Q4	2026 Q1	2026 Q2
Existing Supply (in '000 sqm)	9,161.6	9,186.3	9,186.3
New Supply (in '000 sqm)	37.0	24.7	-
Vacated Spaces (in '000 sqm)	15.3	47.4	54.2
Total Demand - New Leases (in '000 sqm)	117.0	137.2	131.9
Overall Vacancy	20.3%	19.5%	19.2%

Metro Manila Vacancy and Availability

Vacancy in Metro Manila improved to 19.2% despite worsening demand. A primary driver of the decline in vacancy is that completions dry up as developers hold off projects.

Metro Manila office stock remained at 9.19 million sq. m. given that no new completions were seen this quarter. Current availability is at 1.77 million sq. m. Share of vacated spaces expanded to 58% with over 1.02 million sq. m. Although availability is shrinking, POGO vacated spaces are still intact. Most of the transactions were done in new and unleased spaces.

On a per subdistrict view, Fort Bonifacio market remains tight and stable but is anchored on high turnover. Share of vacated spaces increased to 70% this quarter compared to 59% last Q2 2025.

Makati is gradually ceding its premium over BGC. Only 32% of availability is under 5 years, but the majority is boutique-held. Makati Prime is starting to buy occupancy to stay competitive while the fringe holds aging, secondary stock that price cuts alone cannot move.

Ortigas' stock under five years has gone down from 56% of availability last year to just 25% this quarter. Vacancy decline in Ortigas is young stock getting absorbed, but that is basically done.

Quezon City, on the other hand, has the best product with barely any takers. This subdistrict seen weak demand despite young stock, abundance of PEZA buildings, and availability held mostly by major developers.

Bay Area is experiencing uneven recovery. Most of the backfilling happened within a major developer's portfolio, but recovery has not yet reached the other's 71% of the district's availability that is boutique-held and largely non-PEZA.

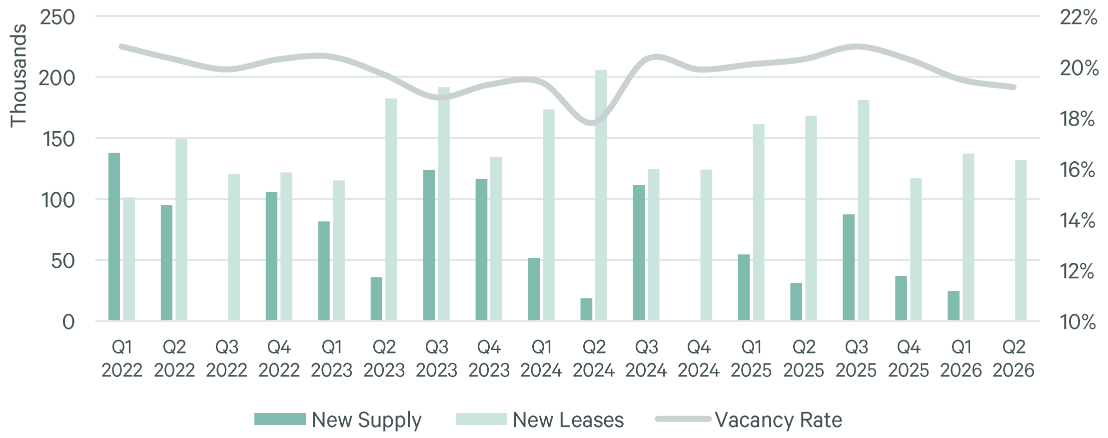
Lastly, Alabang's constraint is neither price nor product. Not even young stock, or the abundance of PEZA buildings, or motivated landlords willing to slash rent, can stem the tide of increasing vacancy in the subdistrict.

TABLE 2: Metro Manila Office Market – Subdistrict Overview

	Total Existing Stock	Total Current Availability	Vacancy	Published Rent	Published CUSA
Makati CBD	1,772,500	350,100	19.8%	Php 550 – 2,400	Php 86 – 335
Fort Bonifacio	2,655,100	193,500	7.3%	Php 800 – 1,600	Php 160 – 300
Ortigas CBD	1,371,700	172,300	12.6%	Php 450 – 1,000	Php 95 – 220
Quezon City	1,530,500	384,300	25.1%	Php 600 – 900	Php 125 – 235
Bay Area	1,100,500	450,200	40.9%	Php 550 – 1,200	Php 147 – 220
Alabang	756,100	216,600	28.6%	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

The Philippine office market recorded 161,100 sq. m. of transactions for this quarter. However, only 69% of the headline demand was real. 31% of the demand was pre-leasing transactions and demand by developers within their own buildings. With this, only 111,000 sq. m. real demand was recorded this quarter. This has been the thinnest quarter in 5 year. From a record 173 transactions last quarter, transaction count dropped 37% to 109 transactions for the quarter. Average deal size was at 1,014 sq. m. Looking back between 2022 to 2024, this stood at about 1,300 sq. m.

Although the IT-BPM sector drove the demand in terms of size, traditional companies continue to drive this quarter's demand in terms of count which resulted to even lower average transaction size.

Ortigas Fringe was the best performing subdistrict this quarter with around 34,000 sq. m. worth of transactions driven by an IT-BPM occupier who made the biggest bet in years via a pre-commitment (33,000 sq. m.) followed by Bay Area (27,000 sq. m.), and Fort Bonifacio (26,800 sq. m.).

It will take a seemingly unattainable 2nd half demand to match 2025 market performance. The market needs to hit 500,000+ sq. m. of demand for the 2nd half, which was never been achieved during the post-pandemic era.

Pipeline Supply

Looking at the upcoming supply, around 430,000 sq. m. of new supply will be added in Metro Manila and Provincial stock by the end of the year. Although Manila has a building-freeze, national developers are still breaking ground for new office developments in provincial locations.

For 2027-2029, more than a million sq. m. of office supply is anticipated to be added to Metro Manila and Provincial stock.

Rental Rates

Makati Prime and BGC still command the highest rates among the subdistricts. However, low vacancy does not guarantee better rates. BGC rents drifted from Php 1,166 to Php 1,110 y-o-y despite single digit vacancy. In addition, Makati Prime premium over BGC is almost gone from a 17% spread last 2024 to just less than 5% premium this quarter. Sub-districts that gave the steepest discounts are the ones doing well. Bay Area, Mckinley Hill, and North Bonifacio all took brutal cuts then backfill volume followed. Lastly, for Alabang and Quezon City, waiting costs more than repurposing.

FIGURE 2: Philippines Office Market – Announced Pipeline by Area

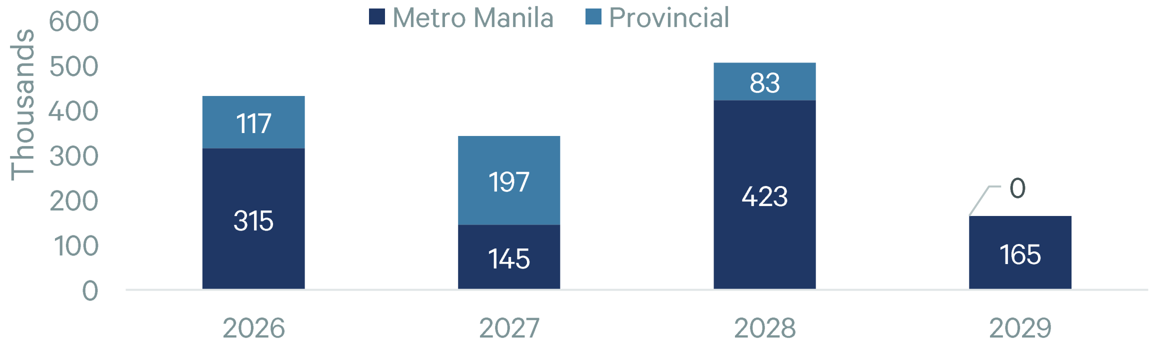


TABLE 3: Metro Manila Rents

SUB-DISTRICT	PUBLISHED RATES IN PHP	FAIR MARKET RENT Q1 2026	FAIR MARKET RENT NOW	COMMON AREA CHARGES IN PHP
MAKATI PRIME	1,250 – 2,400	1,168.70	1,161.44	200 – 290
BGC	1,000 – 1,600	1,111.15	1,109.96	160 - 300
MAKATI A&B	550 – 1,500	951.42	955.41	86 – 335
NORTH BONIFACIO	1,000 – 1,600	975.33	985.95	170 – 252
ORTIGAS	450 – 1,000	804.99	782.21	95 - 220
MCKINLEY	800 – 1,200	649.58	704.18	170 - 200
QUEZON CITY	600 – 900	644.12	645.96	125 – 235
BAY AREA	550 – 1,200	717.90	715.75	147 – 200
ALABANG	380 – 900	592.39	585.77	113 – 200

Advisory & Transaction Services - Research

Quarterly Market Reports

The Philippine Quarterly Market Report is CBRE Philippines' flagship regularly recurring publication, with insights derived from the latest updates from data collection methods and market surveys conducted by the local Research team.

The Philippine Quarterly Market Report provides in-depth analysis on the Philippine real estate market, including office supply and demand dynamics, vacancy, rental trends, transaction insights, location in-focus activity, and industry sector overview.

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The reports contain valuable information from industry experts on a wide variety of topics, including but not limited to costs, infrastructure, incentives, and processes that could impact their businesses and operations.

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