

Are we seeing the early effects of AI on the IT-BPM industry?

▼ 19.5%

Vacancy Rate, Metro Manila

91.8k

SQM Net Absorption, Metro Manila

▼ 25k

SQM New Completions, Metro Manila

► Php380 – 2,400

Bare Shell Rental Rates, Metro Manila

Note: Arrows indicate change from previous quarter.

QUARTERLY HIGHLIGHTS

- The Philippine office market saw 178,300 sq. m. worth of transactions at the start of the year, reflecting an 8% uptick q-o-q, though still trailing last year’s figures by 19%.
- Demand for this quarter was largely driven by traditional companies, albeit with smaller individual take-ups. On the other hand, IT-BPM sector continues to decline in terms of total demand and average transaction size.
- Transaction volume rose notably to 179 deals this quarter, though the average deal size slipped to 1,040 sq. m.
- Metro Manila vacancy improved to 19.5% this quarter following the absence of significant new completions and low additions on newly vacated spaces.

TABLE 1: Metro Manila Office Market – Quick Stats

	2025 Q3	2025 Q4	2026 Q1
Existing Supply (in '000 sqm)	9,124.6	9,161.6	9,186.3
New Supply (in '000 sqm)	87.4	37.0	24.7
Vacated Spaces (in '000 sqm)	136.2	15.3	47.4
Total Demand - New Leases (in '000 sqm)	181.2	117.0	137.2
Overall Vacancy	20.8%	20.3%	19.5%

Metro Manila Availability

With the absence of significant new completions this quarter, Metro Manila total stock totaled 9.19 million sq. m. Current available spaces reached 1.79 million sq. m. with majority of the spaces are still vacated spaces at 56%. In terms of space profile per subdistrict, Makati market is skewing toward smaller, fitted spaces. Fort Bonifacio, on the other hand, is still predominantly a landlord’s market with limited large floor plate options. In Ortigas, most of the available spaces require significant fit-out investment. Spaces in Quezon City have combination of large, modern, incentive-eligible spaces that give tenants real leverage on rent and fit-out contributions. Alabang still has a high percentage of PEZA-accredited buildings. Lastly, Bay Area has a wide range of space configurations which is good for companies wanting modern buildings at competitive rates.

Vacated spaces reached 1.01 million sq. m. this quarter. Looking historically, absorption on vacated spaces average at 95,000 sq. m. to 100,000 sq. m. To hit a 2027 to 2028 timeline for meaningful vacancy normalization, ideal average absorption pace should be 200,000 – 300,000 sq. m. In terms of sector, IT-BPM occupiers are the most consistent absorbers, but agile can be the rising wild card.

Metro Manila Vacancy

Metro Manila vacancy improved to 19.5% this quarter following the absence of significant new completions and low additions on newly vacated spaces this quarter.

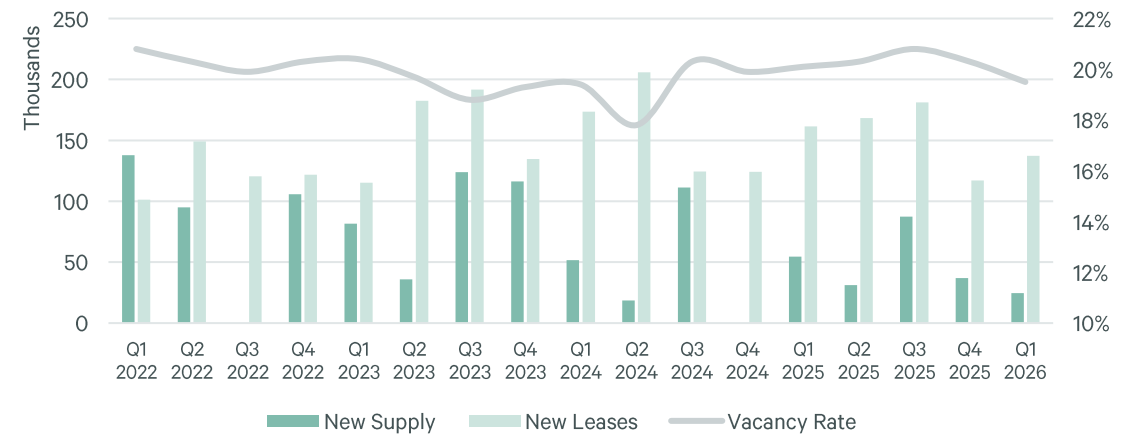
On a subdistrict basis, core Makati CBD performs better but sub-market aggregate is being weighed down by fringe and secondary inventory. Fort Bonifacio remains the only subdistrict with a single digit vacancy due to strong flight-to-quality demand and premium tenant base. On the other hand, Ortigas experiences consistent downward trajectory of vacancy with improvement driven by mixed-use transformation and relative affordability premium vs. BGC. Recovery in Quezon City largely depends on BPO re-engagement, which is slowly happening. Alabang’s tenant base almost exclusively BPO and has limited demand diversity which affects path to sub-20% vacancy especially without a meaningful non-BPO demand driver. Lastly, Bay Area still has the highest concentration of POGO spaces and new demand has not come close to filling the void.

TABLE 2: Metro Manila Office Market – Subdistrict Overview

	Total Existing Stock	Total Current Availability	Vacancy	Published Rent	Published CUSA
Makati CBD	1,772,500	363,600	20.5%	Php 550 – 2,400	Php 86 – 335
Fort Bonifacio	2,655,100	193,000	7.3%	Php 800 – 1,600	Php 160 – 300
Ortigas CBD	1,371,700	168,900	12.3%	Php 450 – 1,000	Php 95– 220
Quezon City	1,530,500	386,900	25.3%	Php 600 – 900	Php 125 – 235
Bay Area	1,100,500	467,600	42.5%	Php 550 – 1,200	Php 147 – 220
Alabang	756,100	213,600	28.2%	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

At the start of the year, the Philippine office market recorded a total of 178,300 sq. m. of transactions. Demand improved by 8% q-o-q but a 19% decline y-o-y. Transaction count increased to 179 but average transaction size continues to soften at 1,040 sq. m. In terms of location, Metro Manila remained the dominant location, capturing 77% of total demand while 61% were transacted by major developers.

For the longest time, IT-BPM sector has been the primary driver of demand in the country, However, for this quarter, majority of the transactions were from traditional sector with much smaller take-ups compared to IT-BPM. The IT-BPM sector is showing signs of strain, with transaction count, average transaction size, and total demand all sitting at multi-year lows. This points to a broader shift on how IT-BPM occupiers are approaching their real estate decisions – right-sizing, opting for short term/provisional leases, pursuing staggered expansions, and moving away from large-block requirements.

Makati is the best performing subdistrict this quarter with around 39,000 sq. m. worth of transactions driven by managed facility deals followed by Fort Bonifacio (26,100 sq. m.), and Bay Area (21,500 sq. m.). Looking at the provincial market, Iloilo dislodges Cebu as the best performing provincial sub-district this quarter.

1st quarter’s weakness in terms of demand may not be fatal, but 2nd half numbers have to be extraordinarily strong to match 2025.

Pipeline Supply

For 2026, around 600,000 sq. m. of new supply will be added to Metro Manila and Provincial stock. Despite the high vacancy in Bay Area, it has the highest total upcoming supply in Metro Manila. Among the provincial areas, Cebu is expecting the highest total supply by the end of the year.

For 2027-2029, almost 800,000 sq. m. of new office supply is anticipated in Metro Manila while around 265,000 sq. m. will be completed in the provincial areas.

Rental Rates

Rental rates in Metro Manila remained relatively flat q-o-q. Makati Prime and BGC still command the highest rates among the subdistricts. Over the past six to twelve months, Makati and Mckinley rates continue to decline due to the quality of spaces while rate in BGC improves due to tight vacancy which signals a landlord market. On the other hand, Bay Area shows signs of recovery, buoyed by recent transactions in the SM developments.

FIGURE 2: Philippines Office Market – Announced Pipeline by Area

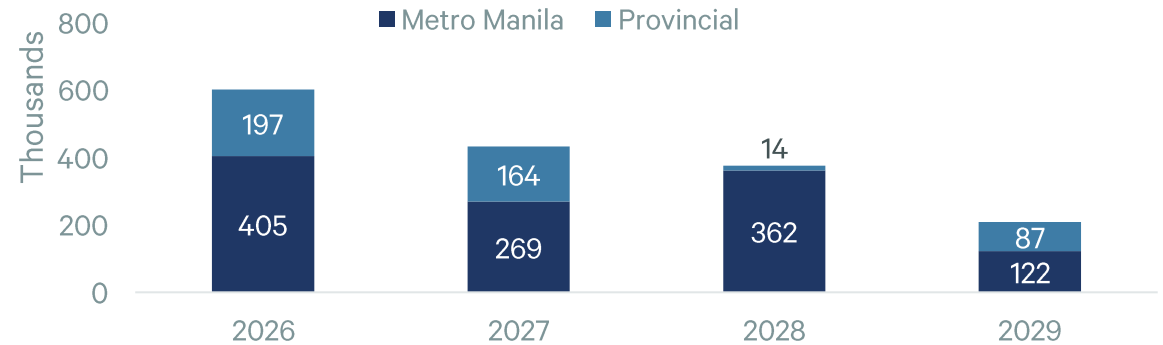
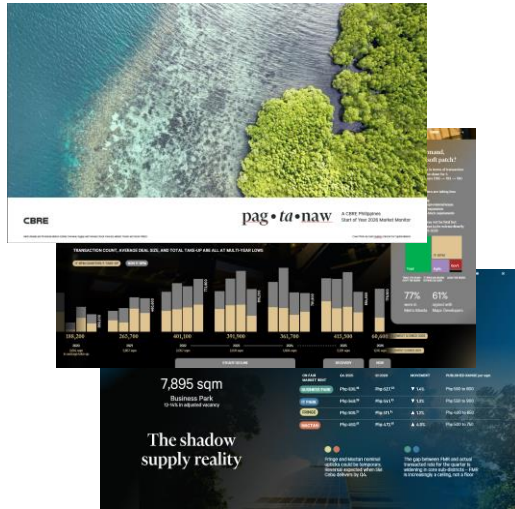


TABLE 3: Metro Manila Rents

SUB-DISTRICT	PUBLISHED RATES IN PHP	FAIR MARKET RENT Q4 2025	FAIR MARKET RENT NOW	COMMON AREA CHARGES IN PHP
MAKATI PRIME	1,250 – 2,400	1,195. ⁴¹	1,168. ⁷⁰	200 – 290
BGC	1,000 – 1,600	1,107. ²⁶	1,111. ¹⁵	160 – 300
MAKATI A&B	550 – 1,500	986. ⁴⁵	951. ⁴²	86 – 335
NORTH BONIFACIO	1,000 – 1,600	959. ³²	975. ³³	170 – 252
ORTIGAS	450 – 1,000	814. ⁶²	804. ⁹⁹	95 – 220
MCKINLEY	800 – 1,200	652. ⁹⁰	649. ⁵⁸	170 – 200
QUEZON CITY	600 – 900	657. ⁶⁷	644. ¹²	125 – 235
BAY AREA	550 – 1,200	706. ¹⁴	717. ⁹⁰	147 – 200
ALABANG	380 – 900	606. ⁹⁷	592. ³⁹	113 – 200

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