

Metro Manila Office Report



2024 Q1

The Metro Manila Office Report is a quarterly publication from Santos Knight Frank which examines the office market landscape in the Philippines' National Capital Region. The report covers movements in supply, occupancy, and rents, as well as market trends.

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Metro Manila occupied office stock reaches new record-high...

- Latest data reveals that despite a vacancy rate of 20.9%, the 6.7 million square meters (sqm) of total occupied office stock is 1.3% higher than the previous quarter, and 4.3% higher than the end of 2019. The growing occupancy figure indicates that the office leasing market continues to recover post-pandemic.

Office Statistics

Existing Supply
8.4M sqm

Overall occupancy rate
79.1%

Average monthly rent
PHP 1,035/sqm

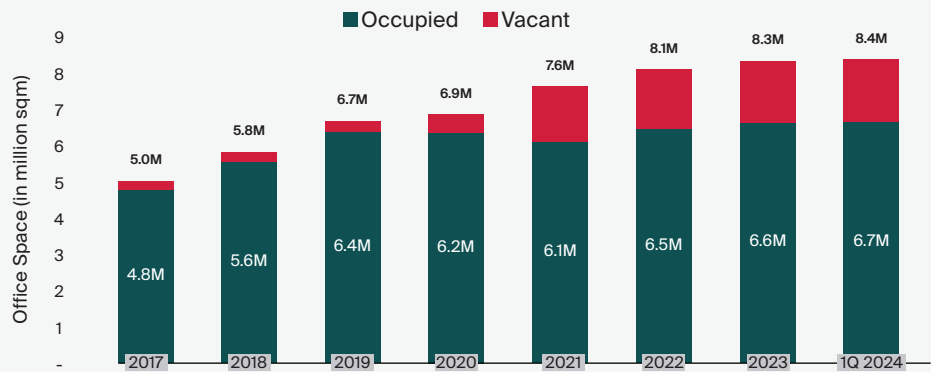
With the addition of about 97,000 sqm of office space completed within the first 3 months of 2024, Santos Knight Frank tracks approximately 8.4 million sqm of operating office spaces in major business districts and key locations in Metro Manila.

Of this total supply figure, 20.9% is vacant, translating to an occupancy of about 6.7 million sqm, a new historic high for the Metro Manila office market.

Overall space take-up continues to outweigh space returns in Metro Manila, leading to positive annual absorption since 2022, with that of the first quarter of 2024 ending at about 87,000 sqm.

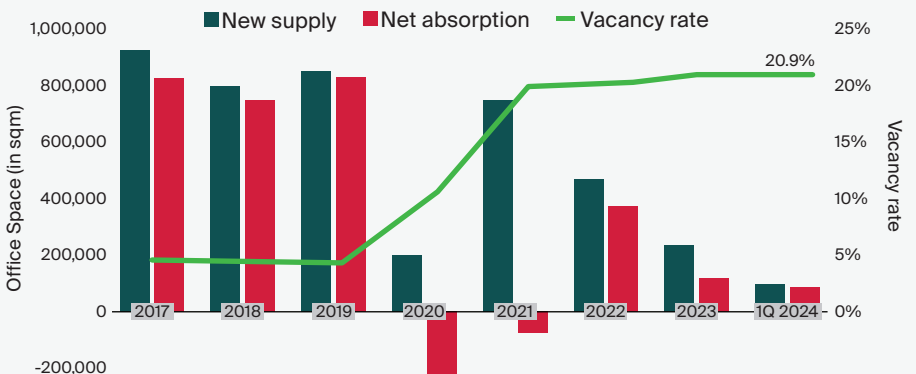
To keep vacancy rates from skyrocketing further, developers continue to be strategic with their project pipeline, with some of them delaying the completion of proposed and under-construction projects, while some others are holding off initial operations in new office projects, and prioritizing vacancies in recently completed buildings that still have available inventories.

Fig 1: Metro Manila Office Supply



Source: Santos Knight Frank Research

Fig 2: Metro Manila Office Vacancy



Source: Santos Knight Frank Research

Average rent in Metro Manila closed at PHP 1,035 per sqm/mo at the end of 1Q 2024, a decline of 1.2% quarter-on-quarter, and 2.9% year-on-year. This comes as the value of downward rental adjustments outweigh rent increases, especially for office projects that continue to face elevated vacancy rates.

Among districts, Makati and Taguig continue to take the lead in terms of rental, with both locations commanding a premium of over 20% above the Metro Manila average.

IT-BPM to continue driving Philippine Office Demand

A recent report from Knight Frank Asia-Pacific compared four top outsourcing destinations in the region, where the Philippines emerged as a well-balanced option, topping in terms of workforce demographics, and performing strongly in growth dynamics, skills, business costs, and commercial real estate value, placing the country at an ideal position to serve the growing demand for outsourced services.

The IT & Business Process Association of the Philippines (IBPAP) expects that the Information Technology and Business Process Management (IT-BPM) sector will employ 1.84 million employees and generate revenues of USD 40 billion in 2024. IBPAP laid out an IT-BPM Industry Roadmap that projects a 2.5 million-strong workforce and revenues of USD 59 billion in 2028.

For more information, you may contact:

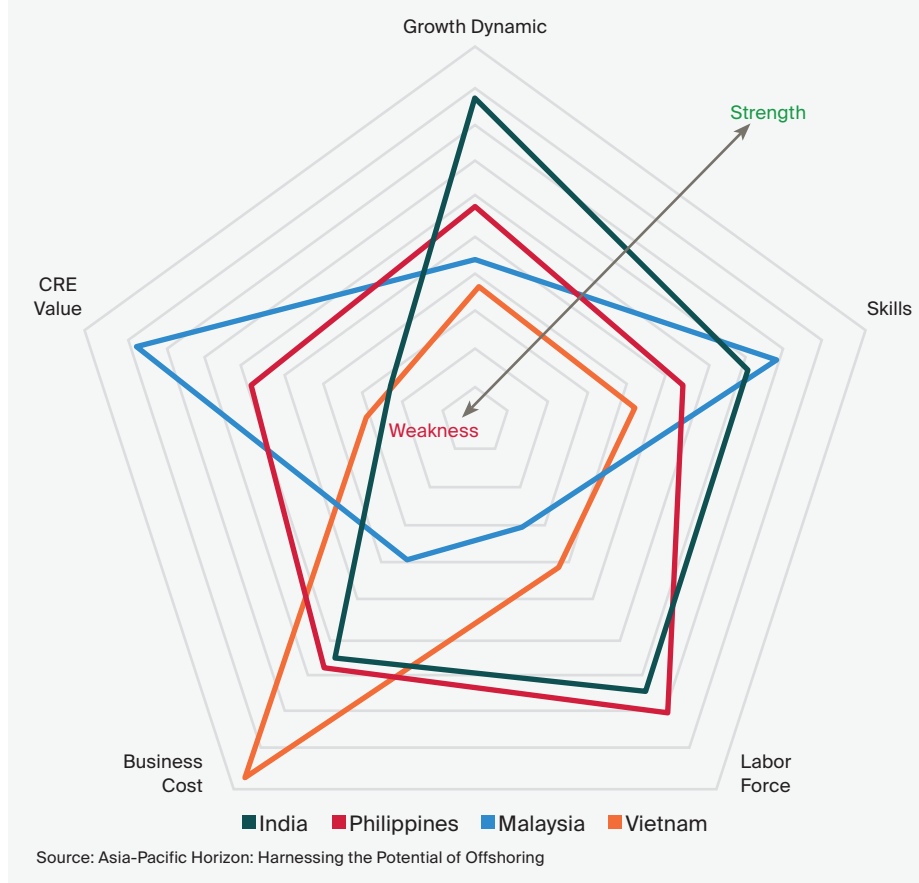
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District	Average rent (per sqm/mo)	Vacancy rate
Makati	PHP 1,256	20.7%
Taguig	PHP 1,250	14.5%
Alabang	PHP 788	23.8%
Quezon City	PHP 823	27.8%
Ortigas	PHP 820	22.0%
Bay Area	PHP 927	23.2%
Metro Manila	PHP 1,035	20.9%

Fig 3: Knight Frank's 5-Point Comparison of the major APAC offshoring hubs



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