MARKETBEAT
METRO MANILA
INVESTMENT Q1 2026

MARKET FUNDAMENTALS

	YOY Chg	Outlook
6.70% Ave. Office (Gross) Yields for Overall Metro Manila Office Dev't s	▼	▲
6.79% 10-Year T-Bond Rate Mar-2026	▲	▼
148.4 Q4 2025 RPPI	▲	▲

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

ECONOMIC INDICATORS

	YOY Chg	Outlook
US$5.81B OF Cash Remittances YTD Jan-Feb 2026	▲	▲
4.73M Employment in Office-using Industries *Q4 2025*	▲	▲
2.7% Inflation Rate *Q1 2026*	▲	▲
PHP 58.9 Exchange Rate (PHP:US$) *Q1 2026*	▲	▲

Source: Moody's Analytics, BSP, PSA

HIGHLIGHTS

- Average office yields slipped to 6.70% in Q1 2026, down 110 bps QOQ and 112 bps YOY. Prime assets in Makati, BGC, and Ortigas remained stable, supported by scarcity, tenant preference, and stronger amenities. Non-prime assets faced higher vacancy risks and weaker demand, widening the quality gap. With the BSP raising policy rates, borrowing costs are higher, but the resilience of prime offices underscores investor preference for quality, while non-prime assets remain more exposed to cyclical pressures.
- The Residential Property Price Index rose 1.6% YOY in Q4 2025, slower than last year's 9.8%. Condominiums outpaced landed houses, growing 3.5% versus 0.1%. Metro Cebu led regional growth at 7.0%, while Metro Mindanao fell 1.4%. RPPI in Metro Manila grew 2.3%, ahead of the 1.0% in AONCR. Residential real estate loan (RREL) growth slowed to 4.1% YOY from 24.6% prior, with strong gains in Balance GMA and other AONCR areas, offset by declines in Metro Cebu (-14.0%) and NCR (-16.1%).

ECONOMIC OVERVIEW

- Philippine economic growth in 2026 is projected to fall below the government's 5%–6% target and may also underperform the full-year 2025 record of 4.4%. The IMF has revised its 2026 forecast downward to 4.1% from an initial 5.6%, reflecting broader macroeconomic challenges that are directly impacting local sectors.
- Inflation is set to surpass the BSP's 2%-4% target, driven by rising oil prices and a weak peso, which hit 60.74 per dollar in March. Higher import costs causing more expensive production inputs are driving up food and fuel prices. BSP recently hiked its key rate to 4.5% and could tighten further if inflation risks intensify.
- Wholesale construction material prices in Metro Manila accelerated to 1.1% year-on-year in March 2026, marking the strongest growth in the past 24 months. This upward shift is strictly cost-driven, reflecting geopolitical volatility, currency depreciation, and rising global production costs rather than increased local demand. Ongoing global supply chain disruptions are expected to drive construction material prices higher, potentially resulting in compounded development completion delays.
- Cash remittances to the Philippines fell 7.7% month-on-month to US$ 2.79 billion in February, though year-to-date inflows rose 3.1% to US$ 5.81 billion. The United States remained the largest source, contributing 40% of total remittances, followed by Singapore (7.6%) and Saudi Arabia (6.1%). Despite macroeconomic headwinds, ongoing demand for Filipino workers, especially in healthcare, maritime, and services, underpins resilience, with the BSP projecting full-year remittances of US$ 36.7 billion, representing a 3% annual growth rate.

MARKET OUTLOOK

Liquidity Over Expansion: Amid intensifying economic headwinds—including elevated inflation and higher policy rates—capital values are under significant downward pressure, eroding confidence across the sector. Cash has emerged as the most valuable asset, compelling developers to prioritize liquidity and safeguard balance sheet strength. Already, several have taken decisive steps that signal caution hardening into a structural shift: expansion timelines are being pushed back, portfolio decisions placed firmly on hold, and operational priorities redirected toward cost containment. Liquidity preservation has become the overriding benchmark of resilience, driving deferrals of new project launches and pauses on high-risk investments. For investors, heightened risk perceptions reinforce the imperative of disciplined financial management, with adaptive planning replacing growth ambitions and positioning resilience as the defining strategy in real estate.

Crisis Pressures Drive Occupiers Toward Resilience: The local real estate sector continues to face pressure from escalating energy costs, supply chain disruptions, and construction inflation, gradually eroding earlier optimism. Confidence is further tempered by localized challenges, including unresolved flood control corruption scandals, which contribute to heightened risk perceptions. Occupiers, confronted with rising expenses and uncertain delivery timelines, are reassessing expansion strategies—delaying relocations, scaling back fit-outs, and renegotiating leases to maintain flexibility. If the crisis extends over a prolonged period, expansion timelines may be re-evaluated, portfolio decisions deferred, and operational strategies adjusted toward cost containment and resilience.

Defensive Assets Anchor Stability: Warehousing and industrial spaces continue to thrive, supported by steady logistics demand and (domestic) supply chain requirements. Essential retail properties—anchored by grocery stores, pharmacies, and other necessity-based tenants—maintain stable occupancy and reliable rental income. Concentrating on these asset classes enables investors and landlords to safeguard cash flow and mitigate risk when broader market conditions weaken. This shift highlights how defensive property types are increasingly viewed as safe havens, offering stability amid prolonged economic uncertainty.

SECTORAL UPDATE

OFFICE IT-BPM and outsourcing firms remain the primary source of occupier demand for the office sector. Historically driven by cost savings, these firms now prioritize access to specialized talent and operational efficiency, driving the demand for top-grade office spaces. Landlords and developers who tailor properties to the specific technological and spatial needs of these tenants will secure a strategic investment advantage.

RETAIL The prevailing energy crisis, coupled with restrained economic prospects, continues to exert a measurable impact on consumer mobility. Higher utility costs and broader inflationary pressures naturally dampen spending enthusiasm, forcing a shift in consumer behavior to again focus on essentials and cut back on discretionary spending. These factors collectively contribute to a cautious retail environment, where both consumers and retail operators are navigating uncertainties with measured optimism.

INDUSTRIAL Despite current economic headwinds, interest in and the take-up of available plots in industrial estates have remained steady, driven by strong investment commitments and plans for high-value manufacturing observed in key industrial hubs. As operational expenses fluctuate, occupiers are seen to analyze regional industrial hubs that offer seamless transport connectivity in order to mitigate ongoing supply chain risks.

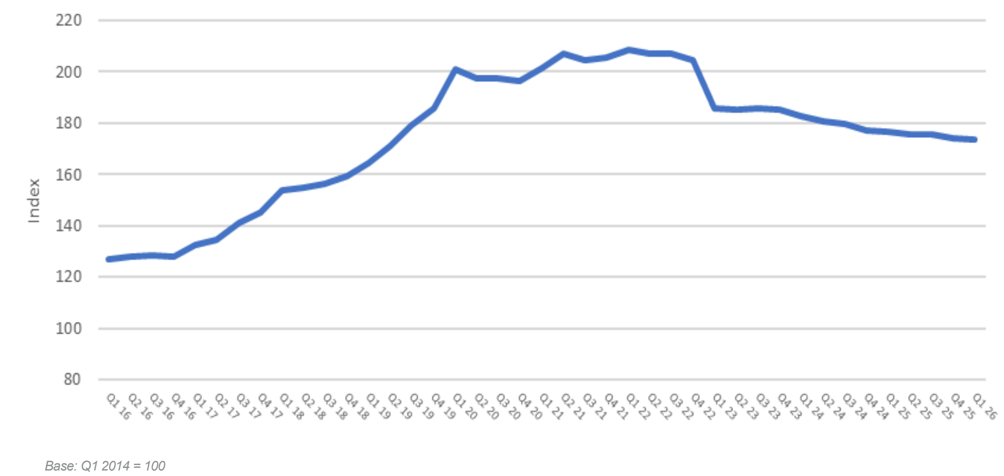
RESIDENTIAL The segment faces mixed signals, with policy rates expected to rise despite earlier anticipation of cuts. In Metro Manila, persistent oversupply continues to weigh on residential valuations, while nationwide demand shows signs of deceleration as buyer appetite weakens under macroeconomic uncertainty. These pressures highlight the fragility of sentiment and the need for cautious capital deployment. Yet, strategic investment opportunities remain. Demand for landed houses in northern and southern Luzon offers developers a chance to optimize portfolios and tap emerging growth corridors. By focusing on resilient submarkets and aligning with shifting consumer preferences, developers and investors can mitigate risk, preserve liquidity, and position for long-term value creation even as broader market conditions remain challenging..

HOTEL In Southeast Asia, particularly within the Philippines, surging aviation fuel costs have already compelled major airlines to implement drastic reductions in international flight schedules. As long-haul airfares escalate alongside the rising global cost of living, international arrivals are anticipated to contract under these macroeconomic pressures. Consequently, hotel players may need to recalibrate their revenue strategies, potentially pivoting toward domestic tourism and regional markets to sustain occupancy rates.

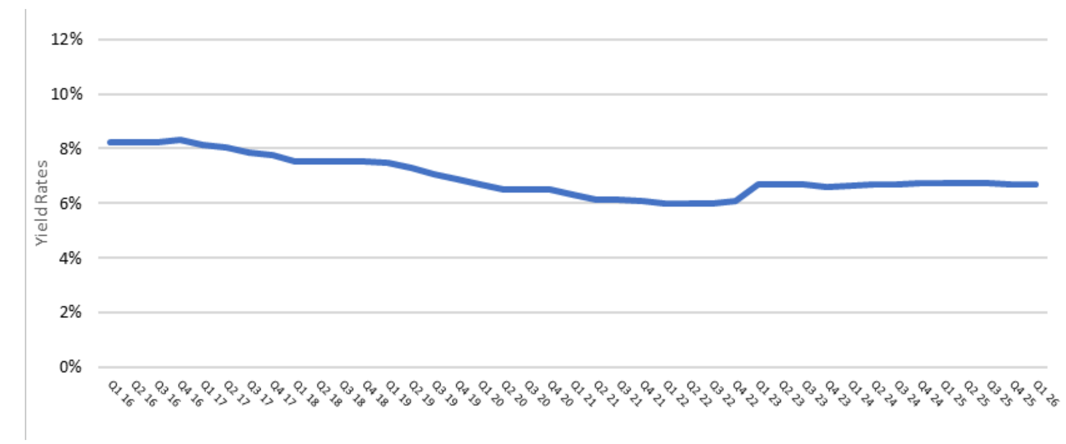
SELECT COMMERCIAL/INVESTMENT TRANSACTIONS (2025[4])

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]	-

OVERALL METRO MANILA OFFICE CAPITAL VALUES INDEX



OVERALL METRO MANILA OFFICE (GROSS) RENTAL YIELDS



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
[4]There were no significant transactions recorded for Q1 2026.

Sources: Real Capital Analytics, Various PSE disclosures, Cushman & Wakefield Research. Considers only closed transactions registered in RCA platform worth over $10 million.

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