MARKETBEAT

METRO MANILA

OFFICE Q1 2026

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YoY Chg	Outlook
17.1% Vacancy Rate	▼	▲
62,000 Net Absorption, SQM	▼	▲
PHP 959 Asking Rent, PSQM	▼	▼

(Metro Manila Overall, Grade A)

ECONOMIC INDICATORS

	YoY Chg	Outlook
3.0% GDP Growth *(Q4 2025)*	▼	▲
2.8% CPI Growth *(Q1 2026)*	▲	▲
4.6% Unemployment Rate *(Q4 2025)*	▲	▼

Source: Moody's

PHILIPPINE ECONOMY SEES SLOW GROWTH FOR Q1 2026

Despite the early release of government funds and cooling inflation in the first two months of the year, GDP growth in Q1 2026 is expected to fall below the initial projection, settling at under 3.5%. As a result, the International Monetary Fund recently downgraded the country's full-year 2026 growth forecast to 4.1%, positioning the Philippines below its usual high-growth ranking in emerging and developing Asia. This revised outlook reflects the country's heightened vulnerability to the ongoing oil crisis triggered by Middle East tensions, as well as lingering confidence impacts from a recent corruption scandal. Robust domestic demand and the positive effects of earlier policy rate cuts are still helping to drive short-term recovery, supported by steady remittance inflows, broader public-private partnerships, and recent foreign investment reforms.

Rising costs and price pressures persist as a challenge, even with these economic gains. The unemployment rate increased to 4.9%, reflecting a normal seasonal drop in hiring after the holidays. The Consumer Price Index (CPI) rose by 2.8%, driven by a sharp uptick in March inflation. With ongoing geopolitical tensions in the Middle East policymakers are maintaining a cautious stance, actively adjusting monetary and fiscal policies to shield the market from external risks.

METRO MANILA OFFICE MARKET OPENS Q1 2026 ON A STABLE FOOTING

The Metro Manila office market saw steady improvement in overall conditions during Q1 2026. Prime and Grade 'A' vacancy rates dropped slightly to 17.1% from 17.9% last quarter. Steady leasing momentum and limited new supply supported this stability across Central Business Districts (CBDs) and decentralized markets.

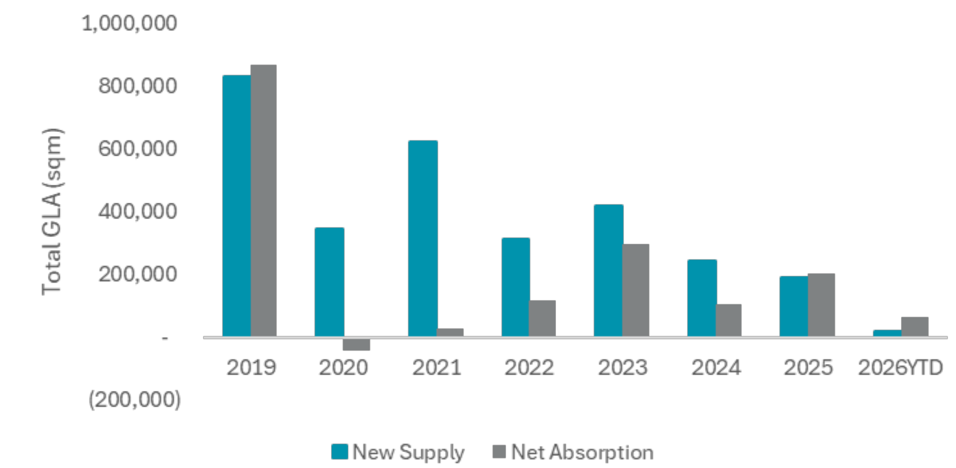
Despite the overall improvement in vacancy, average headline rents softened to PHP 959/sqm/mo. This was primarily driven by rental adjustments in high-vacancy submarkets, as landlords offered more competitive rates to attract and retain tenants. Specifically, CBD vacancy rates stayed tight at roughly 10%, while decentralized markets faced elevated vacancies of 24.4%.

OFFICE DEMAND HOLDS FIRM DESPITE RISING UNCERTAINITY

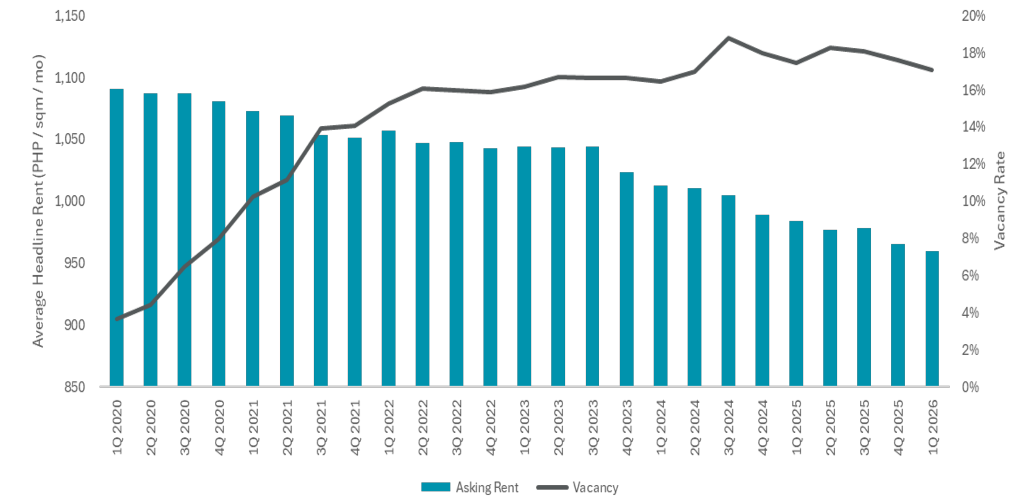
Office demand saw positive net absorption in Q1 2026, logging 62,000 sqm of net take-up across Prime and Grade A spaces. Expanding IT-BPM (largely BPO and shared services sectors drove this growth. Leasing concentrated in the Makati CBD and BGC as tenants actively pursued *flight-to-quality* strategies.

Although the market remains on track, global and local headwinds will create a more complex environment over the next six months. Shifting demand will likely alter occupier preferences, increasing the need for flexible leasing options across the market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SQ.M.)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (SQ.M.)	PRIME AND GRADE A ASKING RENT		
				PHP / SQ.M./MO.	US$/SF/MO.	EUR/SF/MO.
Makati CBD	1,320,000	11.0%	11,000	1,257	1.93	1.69
Bonifacio Global City (BGC)	2,300,000	8.2%	22,000	1,217	1.87	1.63
Ortigas CBD	1,760,000	11.8%	12,000	780	1.19	1.04
CBD TOTALS / AVERAGES	**5,380,000**	**10.0%**	**45,000**	**1,082**	**1.66**	**1.45**
Makati Fringe	280,000	47.3%	83,000	942	1.45	1.27
BGC (Taguig) Fringe	600,000	18.6%	64,000	929	1.43	1.25
Ortigas Fringe	430,000	13.6%	108,000	789	1.21	1.06
Quezon City	1,570,000	18.8%	141,000	741	1.14	1.00
Pasay City	800,000	26.7%	63,000	893	1.37	1.20
Muntinlupa City	700,000	29.3%	25,000	765	1.17	1.03
Parañaque City	220,000	34.4%	-	819	1.26	1.10
CBD FRINGE (Decentralized Areas) TOTALS / AVERAGES	**4,600,000**	**24.4%**	**484,000**	**816**	**1.25**	**1.10**

US$/PHP = 0.01662, EUR/PHP = 0.01414 as of March 31, 2026
Planned & Under Construction (SQ.M) in the next 2 years

KEY MARKET LEASE TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	SQM	TYPE
Axon Prime Building	Makati CBD	15,000	New Lease
Four Neo	Bonifacio Global City	5,200	New Lease
Seven Neo	Bonifacio Global City	4,000	Renewal
Ayala Triangle Tower Two	Makati CBD	700	Expansion

KEY CONSTRUCTION COMPLETIONS 2026

PROPERTY	SUBMARKET	SQM	OWNER/DEVELOPER
Pioneer House BGC	Bonifacio Global City	24,000	Pioneer Insurance and Surety Corporation

OUTLOOK

- **Middle East Crisis weigh on business sentiments**: As the Middle east crisis continues to weigh on global business sentiment, corporate decision making is becoming more cautious. Some firms are expanding work-from-home or hybrid arrangements to maintain operational flexibility. This shift could also dampen office space demand and delay leasing decisions, resulting in softer net absorption in the next 3-6 months.
- **Artificial Intelligence (AI)-augmented work and space efficiency**: There is a growing adoption of AI-augmented workflows in the Philippines, particularly in the IT-BPM sector. Increasing AI-driven automation is expected to reshape office space utilization as firms operate with leaner team structures, reducing incremental space requirements.
- **Energy resilience premium**: The emphasis on energy resilience is reshaping the Philippine office market, creating a sharp divergence between green and grid-dependent assets. Energy-efficient prime offices command higher rents and stable prices, attracting ESG-focused investors and locators. Meanwhile, older exposed buildings face declining demand and yields, and this effect will be heightened further should the energy crisis drag on. Occupiers prioritize total utility costs, pushing landlords toward green retrofits.

Definition	
Submarket Rent	Simple average of building headline rent in current quarter
Overall Average	Weighted average (based on total supply) of building headline rent in current quarter
Vacancy Rate	Current vacancy divided by total gross leasable area where space is immediately available
Net Absorption	(Vacant space of previous quarter) + (Gross Leasable Area of New Supply provided during current quarter) – (Vacant space of current quarter)

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