Metro Manila office vacancy seen below 10% by 2028

By Beatriz Marie D. Cruz
Reporter


UNSPLASH/NASTUH ABOOTALEBI

METRO MANILA'S office vacancy rate is projected to drop below 10% by 2028, fueled by the steady expansion of the information technology and business process management (IT-BPM) sector, according to real estate services firm CBRE.

In its Mid-Year Property Market Briefing on Friday, CBRE said the Metro Manila office sector is expected to reach a single-digit vacancy rate by 2028 under two key scenarios.

By 2028, CBRE projects office vacancy could drop to 3.6% if the IT-BPM sector becomes more aggressive in its expansion.

"The lower [vacancy] scenario will be if the IT-BPM sector continues to grow by around 10-15% in terms of number of FTEs (full-time employees) per year," CBRE Philippines Country Head Jie C. Espinosa told reporters on the sidelines of the briefing.

Under a conservative scenario, office vacancy may fall to 8.3% in 2028, "based on historical data over the past three years, where the growth of demand was around 2.4% only," he added.

Office vacancy in the Philippine capital slightly rose to 20.3% in the second quarter from 20.1% in the first quarter.

This comes as demand in the Metro Manila office market declined by 1% to 219,400 square meters (sq.m.) in the second quarter from 221,810 sq.m. in the previous quarter.

Third-party outsourcing firms drove office demand during the April–June period, particularly InTouchCX (14,000 sq.m. of take-up), Concentrix (14,000 sq.m.), and Teleperformance (17,260 sq.m.).

Year on year, demand was also 17.21% weaker than the 265,000 sq.m. take-up recorded in the second quarter of 2024, shortly before the ban on Philippine Offshore Gaming Operators (POGOs).

Since the POGO ban last year, about 197,400 sq.m. of office space has been vacated, bringing the total vacated space in Metro Manila to 995,600 sq.m. as of the second quarter.

When asked if office vacancies in Metro Manila could reach one million sq.m. this year, Mr. Espinosa said: "I think it will, but the additional vacated spaces every quarter could go down."

"Hopefully, the growth of the IT-BPM sector offsets whatever POGO closures there might have been quarter on quarter," he added.

Mr. Espinosa also noted that office developers have been managing their inventory, adding about 250,000 sq.m. to 300,000 sq.m. of new office space annually.

"Because of the high vacancy situation at the moment, they don't want to flood the market with supply that ultimately the market cannot catch up and lease," he said.

"Ultimately, most of the developers here are waiting for the vacancy to go down before they start building aggressively again."

At present, Metro Manila has 1.84 million sq.m. of office supply, with 54% vacated and 46% consisting of new and unleased space, CBRE said.

Of the available supply, over 808,000 sq.m. is unleased, while 31,300 sq.m. is newly completed space.

Meanwhile, Cebu continues to lead the provincial office market, with a vacancy rate of 17.9% in the second quarter, down from 18.3% in the previous quarter.

CBRE also noted improved vacancies in other provincial submarkets: Iloilo (25.3% in the second quarter from 30.6% in the first quarter); Clark, Pampanga (31.7% from 32.2%); and Davao (11.2% from 11.9%).

The Bacolod office market, however, saw vacancy jump to 53.4% in the April–June period, following the recent completion of the 17,500-sq.m. SM North Block.

Meanwhile, the industrial and logistics sector saw gains in the second quarter, with vacancy improving to 6.7% from 9.6% in the first three months. This covers the submarkets of Cavite, Laguna, and Batangas (Calaba), CBRE said.

As of end-June, the Calaba industrial market had 435,800 sq.m. of total available warehouse space. Of this, 253,000 sq.m. is in Laguna, 101,600 sq.m. in Cavite, and 81,100 sq.m. in Batangas.

For the remainder of the year, the Calaba industrial submarkets have about 46,800 sq.m. of upcoming supply and 5 million sq.m. of total available land.


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PHL developers tap retiree demand with golf, wellness estates

PROPERTY DEVELOPERS in the Philippines are integrating wellness features and golf courses into estate developments to capture demand from the growing retirement market.

Ayala Land Hospitality, which manages a portfolio of 4,000 rooms across its homegrown and luxury brands, aims to attract retirees by incorporating wellness across its leisure estates.

"We're actually looking into that... we're exploring assisted living, [and] all that comes with kind of our new outlook on wellness," Ayala Land Hospitality Creative Director Paloma Urquijo Zobel de Ayala said on the sidelines of a forum hosted by the Philippine Hotel Owners Association, Inc. last week.

For its part, Filinvest Hospitality Corp. (FHC) is looking to attract the retirement market through its golf-integrated developments.

"In Mimosa, we have our Golf Ridge Estates, which is a condominium development that's focused on the golf kind of lifestyle," FHC Senior Vice-President Francis Nathaniel C. Gotianun said on the sidelines of the same forum.

"So, we have these kinds of leisure products that are trying to attract retirees."

FHC manages seven hotels under brands such as Crimson, Quest, and Timberland Highlands.

Likewise, Filinvest Mimosa Plus Leisure City in Clark, Pampanga, houses two 18-hole golf courses managed by FHC.

The retirement market, which is composed mainly of former Filipino citizens and foreigners looking to settle in the Philippines, presents opportunities in the country's residential and hospitality sectors, said David Leechiu, founder and chief executive officer of Leechiu Property Consultants, Inc. (LPC).

"The economic drivers for the retirement market are so compelling — we've been talking about it for 30 years," Mr. Leechiu said in a separate briefing earlier this month.

"But why aren't they coming? Because they are not convinced that we are ready to take them on," he said.

As an example, he said golf courses are an effective way to "attract them [retirees] to come to the Philippines and [stay] until they are comfortable to live here."

Mr. Leechiu also cited the need to improve the country's infrastructure, security, and connectivity to encourage more retirees to invest and settle in the country.

About 3,812 foreigners are enrolled under the Special Resident Retiree's Visa (SRRV), a non-immigrant visa that grants former Filipinos and foreigners aged 50 and above multiple-entry and indefinite stay privileges in the Philippines.

Data from the Philippine Retirement Authority also showed that the top SRRV applicants are Chinese, followed by Americans, Indians, and Koreans. — **Beatriz Marie D. Cruz**

AGI says 12,000 room key target achievable by 2028

ALLIANCE GLOBAL Group, Inc. (AGI) is on track to reach 12,000 room keys across its key hospitality units by 2028, the company's president said.

"Before 2028, we will definitely hit 12,000 room keys through our Megaworld Hotels & Resorts and through Travellers [International Hotel Group], which currently hosts Newport World Resorts," AGI President, Chief Executive Officer, and Vice Chairman Kevin Andrew L. Tan said during Philippine Hotel Connect 2025, a forum hosted by the Philippine Hotel Owners Association, Inc., on Thursday last week.

This year alone, AGI expects to end 2025 with 10,000 room keys, he added.

Mr. Tan also cited plans to invest $2 billion (around P114 billion) to expand the company's integrated resort developments, pointing to new projects in Boracay, Aklan and Lapu-Lapu City, Cebu.

The company earlier said it is investing P5 billion in Travellers International's ongoing expansion, including the development of The Narra Palm Hotel and Villa within the Newport World Resorts complex.

"This hotel is comprised mostly of suites and villas. It's very much a curated service... and it's elevating the hospitality industry to new heights," Mr. Tan said.

He also said there are plans to build Narra Palm Hotels in both Boracay and Cebu.

Megaworld is also adding around 3,600 room keys through new hotels in Metro Manila, Pampanga, Palawan, Bacolod, Iloilo, and Boracay.

AGI is likewise investing in the upskilling of Filipino talent in the hospitality industry.

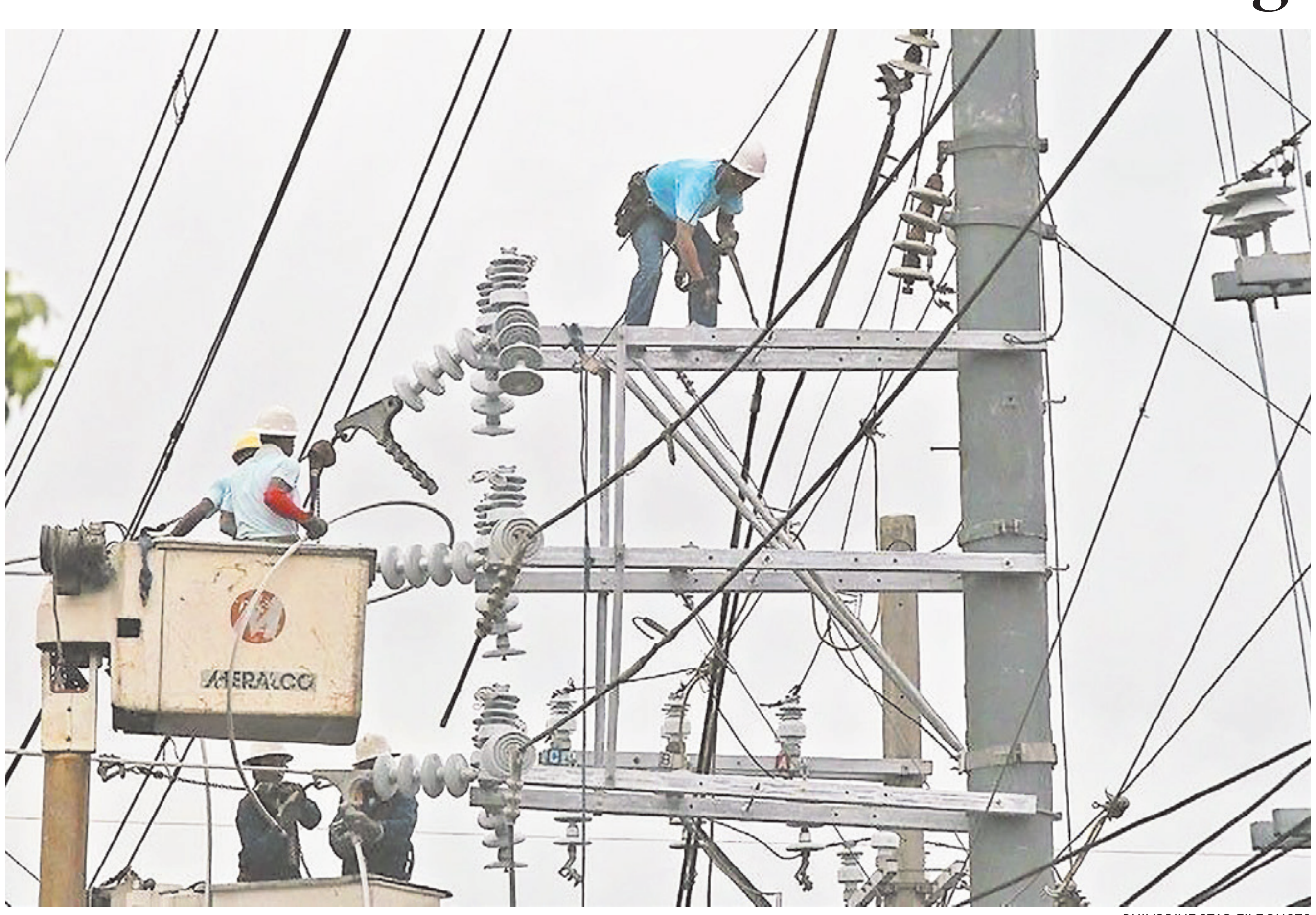
"We're investing a lot of our capital as well in building schools and institutions that will help train the next generation of tourism executives," he told the forum.

AGI is also optimistic about the growth of the local tourism industry, citing the country's ongoing infrastructure developments.

"We believe there's nowhere else to go but up. So, our group's committed to really expand aggressively," Mr. Tan said. — **Beatriz Marie D. Cruz**

Power distributor Meralco sees P50-billion earnings this year

By Sheldeen Joy Talavera
Reporter



PHILIPPINE STAR FILE PHOTO

POWER DISTRIBUTOR Manila Electric Co. (Meralco) is on track to hit its target earnings of P50 billion for this year, driven by its power generation business, its chairman said.

At a press briefing on Monday, Meralco Chairman and Chief Executive Officer Manuel V. Pangilinan said the company is on track for "low double digits" over last year's P45.1-billion earnings.

"The biggest growth will come from generation," Mr. Pangilinan said.

Betty C. Siy-Yap, Meralco's senior vice-president and chief finance officer, said Meralco saw its core net income increase by 9.5% to P14.4 billion from a year earlier, driven by solid contributions from its power distribution and generation businesses.

Revenues declined by 2% to P130.7 billion due to lower pass-through charges and the implementation of a refund.

For the six months ending in June, the power distributor reported a 10% increase in its core net income to P25.54 billion from P23.21 billion in the same period last year.

Of this total, the distribution business accounted for 54%, power generation contributed P13.7 billion or 37%, while retail electricity supply and non-electricity businesses accounted for 9%.

Gross revenues climbed by 3% to P245.22 billion from P237.48 billion, driven by higher pass-through charges, an increase in sales volume from the distribution utility and retail electricity supply, and higher revenues from power generation in the reserve market.

Residential sales volume rose by 0.7% to 9,778 gigawatt-hours (GWh), due to steady growth in newly energized accounts offsetting flat demand.

Commercial sales volume climbed by 0.3% to 10,103 GWh, supported by the ramp-up and expansion in retail and restaurant sectors, which countered the impact of office vacancies due to the exit of Philippine offshore gaming operators.

Industrial sales increased by 0.5% to 7,137 GWh, as growth in the semiconductor and cement sectors and a recovery in steel offset the decline from operational shifts in food and beverage and the termination of embedded generation accounts.

By the end of the first half, consolidated customer count had reached 8.1 million, marking a 3% increase from 7.9 million in the same period last year.

"As we move into the second half, we remain focused on achieving key milestones that will enable us to meet our full-year profit target and business goals," Mr. Pangilinan said.

COAL POWER PROJECT

Emmanuel V. Rubio, president and chief executive officer of Meralco PowerGen Corp. (MGen), announced that the Department of Energy (DoE) had reissued the "committed capacity" status for its Atimonan Energy Power Plant project, reaffirming that the project is outside the coverage of the coal moratorium.

MGen is the power generation arm of Meralco.

Following the go-signal from the government, MGen, through its subsidiary Atimonan One Energy, Inc., is set to pursue the development of the 1,200-megawatt ultra-supercritical coal-fired power plant, beginning with the processing of the required additional permits through the Energy Virtual One-Stop Shop.

"As MGen plays a key role in ensuring the country's energy security and leading the energy transition, our investment in Atimonan will help address today's needs while preparing for tomorrow's opportunities," Mr. Rubio said.

In 2020, the DoE issued a moratorium on the development of new coal-fired power plants.

Meralco's majority owner, Beacon Electric Asset Holdings, Inc., is partly owned by PLDT Inc.

Hastings Holdings, Inc., a unit of the PLDT Beneficial Trust Fund subsidiary MediaQuest Holdings, Inc., has an interest in *BusinessWorld* through the Philippine Star Group, which it controls.