



Metro Manila Office Property Market Study

(FINAL REPORT)

19 November 2020

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Prepared for:
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Our Ref: CIP/CONS20-026

19 November 2020

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Attn: Ms. Hannah Yulo-Luccini

Re: Metro Manila Office Property Market Study (the 'Project')

With reference to your instructions received on July 2020, we have prepared the Metro Manila Office Property Market Update (the "Project") for your perusal. As we understand, this report will serve as an attachment to the REIT Plan and submission to the Philippine Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

The market report is enclosed herewith.

Yours faithfully,

For and on behalf of
Colliers International Philippines, Inc.

A handwritten signature in black ink, appearing to read "T. Teodoro", written over a horizontal line.

Theresa Teodoro

Director

Valuation and Advisory Services

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1 INTRODUCTION

1.1 INSTRUCTIONS

This report has been prepared upon the instructions of DoubleDragon Properties Corp., (the “Client”) to prepare a Market Study on the Metro Manila office sector. It covers the office market in Metro Manila, with additional focus on the Manila Bay Area where the Client’s properties are located. We understand that the Client will use the report as an attachment to the REIT Plan and submission to the Philippine Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

1.2 INFORMATION SOURCES

The information provided in this report has been obtained from the Client, applicable government bureaus, other public information sources and our internal database.

1.3 CAVEATS AND ASSUMPTIONS

This report is subject to our Standard Caveats and Assumptions as set out in Section 7.

2 MACROECONOMIC OVERVIEW OF THE PHILIPPINES

2.1 HISTORICAL ECONOMIC PERFORMANCE

Table 1: Historical Economic Performance of ASEAN Countries

Country	2015	2016	2017	2018	2019	2020F	2021F
GDP (growth rates in %)							
Hong Kong	2.3	2.2	3.8	2.9	-1.2	-3.3	3.5
South Korea	2.8	2.9	3.2	2.7	2.0	1.3	2.3
Taipei	1.5	2.1	3.3	2.7	2.7	1.8	2.5
Indonesia	4.9	5.0	5.1	5.2	5.0	2.5	5.0
Thailand	3.1	3.4	4.1	4.2	2.4	-4.8	2.5
Philippines	6.1	6.8	6.7	6.2	5.9	2.0	6.5
Malaysia	5.1	4.4	5.7	4.7	4.3	0.5	5.5
Singapore	2.5	2.8	4.3	3.4	0.7	0.2	2.0
Vietnam	6.7	6.2	6.8	7.1	7.0	4.8	6.8
GDP per Capita (growth rates in %)							
Hong Kong	1.5	1.5	3.0	2.0	-1.9	-3.9	2.8
South Korea	2.2	2.5	2.7	2.3	1.6	0.8	1.9
Taipei	1.2	1.9	3.1	2.6	2.6	1.6	2.4
Indonesia	4.5	3.7	3.8	3.9	3.8	1.4	3.8
Thailand	2.5	2.9	3.3	3.5	1.8	-5.4	1.9
Philippines	4.9	5.3	5.0	4.7	4.4	0.6	5.1
Malaysia	3.5	3.0	4.5	3.6	3.7	-0.7	4.3
Singapore	1.7	1.9	4.2	3.0	-0.4	-0.3	1.3
Vietnam	5.5	5.1	5.8	5.9	5.0	3.7	5.7
Inflation (in %)							
Hong Kong	3.0	2.4	1.5	2.4	2.9	1.5	2.5
South Korea	0.7	1.0	1.9	1.5	0.4	0.5	1.3
Taipei	(0.3)	1.4	0.6	1.3	0.6	0.2	0.8
Indonesia	6.4	3.5	3.8	3.2	2.8	2.0	2.8
Thailand	(0.9)	0.2	0.7	1.1	0.7	-1.3	0.7
Philippines	0.7	1.3	2.9	5.2	2.5	2.2	2.4
Malaysia	2.1	2.1	3.8	1.0	0.7	-1.5	2.5
Singapore	(0.5)	(0.5)	0.6	0.4	0.6	-0.2	0.8
Vietnam	0.6	2.7	3.5	3.5	2.8	3.0	3.5

Source: UNCTAD, ADB
2020 and 2021 forecasts from ADB

Historical economic performance of selected ASEAN countries as well as Taiwan, Hong Kong and South Korea grew, as reflected through the gross domestic product, with an average growth rate of 4.0% from 2015 to 2019.

Growth of GDP in the Philippines has been steady at an average of 6.3% from 2015 to 2019. This is comparable to Vietnam which grew at an average of 6.8%. For forecasted growth in 2020, however, economy is seen to decelerate in the Philippines to 2.0% because of the COVID-19 pandemic. The pandemic has an adverse impact on trade, investment and tourism especially with the implementation



of social distancing and community quarantine. The same was seen across all other countries with Thailand being the hardest hit with a -4.8% deceleration in GDP because of slowdown in tourism as well as decline in exports, domestic consumption and private investments.

Economies are seen to start recovering by 2021-2022 seeing growth in GDP across all countries. The Philippines was forecasted to have a 6.5% growth in GDP by 2021 after a experiencing slower growth of 2.0% in 2020. This will be in conjunction with improvements in global conditions as well as the resumption of domestic activity that is boosted by public investment and the upcoming 2022 national elections.

3 THE PHILIPPINE ECONOMY

3.1 HISTORICAL ECONOMIC PERFORMANCE

Table 2: Historical Economic Performance of the Philippines

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q1 2020	Q2 2020
Growth Rates (in %):														
Gross National Product	4.7	3.6	7.1	3.3	7.1	7.4	6.2	6.1	6.8	6.8	5.9	5.2	-0.6	-17.0
Gross Domestic Product	4.3	1.4	7.3	3.9	6.9	6.8	6.3	6.3	7.1	6.9	6.3	6.0	-0.2	-16.5
Personal Consumption Expenditure	3.9	2.5	3.6	5.6	6.8	5.8	5.8	6.4	7.1	6.0	5.8	5.9	0.2	-15.5
Gov't. Expenditure	0.5	11.0	4.2	1.9	15.5	4.9	3.6	7.9	9.4	6.5	13.4	9.6	7.1	22.1
Capital Formation	26.8	-6.0	30.5	-2.5	5.4	18.4	8.3	13.4	20.8	10.9	11.3	2.5	-18.3	-53.5
Exports	-4.3	-4.7	20.3	-0.8	4.5	2.0	12.1	10.0	9.2	17.4	11.8	2.4	-3.0	-37.0
Imports	4.8	-2.3	20.7	-0.9	6.8	7.0	9.9	15.0	18.8	15.1	14.6	1.8	-9.0	-40.0
AHFF ^a	3.4	-0.1	1.3	3.4	3.1	2.9	1.9	0.7	-1.0	4.2	1.1	1.2	-0.4	1.6
Industry	5.5	-1.4	9.8	1.6	7.7	6.8	7.5	6.5	8.2	7.0	7.3	4.7	-3.0	-22.9
Services	4.0	3.4	7.6	5.2	7.4	7.6	6.7	7.4	8.2	7.4	6.7	7.5	1.4	-15.8
Other Indicators:														
Average Inflation	8.3	4.1	3.9	4.6	3.2	2.6	3.6	0.7	1.3	2.9	5.0	2.5	2.6	2.4
PHP-USD (Average)	44.7	47.6	45.1	43.3	42.1	42.5	44.4	45.4	47.5	50.5	52.7	50.7	51.0	49.9
Average 91-Day T-Bill Rates (in %)	5.2	4.0	3.7	1.4	1.6	0.3	1.2	1.8	1.5	2.1	3.5	4.7	3.2	2.5

^aAgriculture, Hunting, Forestry, Fishing

^bBase year is 2018

Source: Philippine Statistics Authority, Bangko Sentral ng Pilipinas

The Philippine economy, as measured by real gross domestic product (GDP), grew by an average of 6.3% annually from 2010 to 2019. During this period, the Philippines was among the fastest-growing economies in Asia Pacific.

However, in Q2 2020, the country's GDP contracted by 16.5%, the slowest quarterly growth recorded since 1981. This puts the Philippines in a technical recession after two consecutive quarters of contraction, following the -0.7% in the previous quarter. Economic managers attributed the sharp decline to the strict lockdown measures implemented by the government that has resulted in the closure of several businesses and job losses.

Almost all sectors of the economy were badly hit by the pandemic with household consumption contracting by 15.5% in Q2 2020. The Industry and Services sectors also posted declines during the period of about 22.9% and 15.8% respectively. The Agriculture sector remained resilient despite the drop in palay prices and the outbreak of the African Swine Fever (ASF) during the second half of 2019. The National Economic Development Authority (NEDA) revised its economic forecast for the year with a contraction of 5.5%, from the previous 2-3.4% decline. However, NEDA is expecting that the country will likely recover in 2021 with a growth of between 6.5-7.5%.

3.2 ECONOMIC INDICATORS

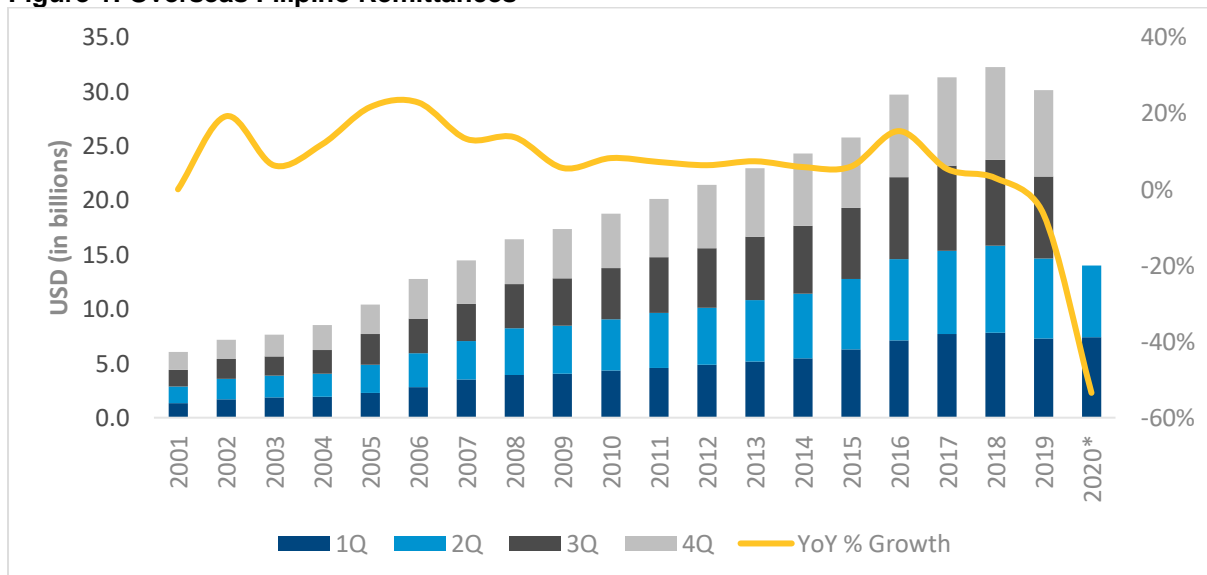
Various factors have contributed to the current growth trend that the country is experiencing:

3.2.1 OVERSEAS FILIPINO REMITTANCES

As of June 2020, Overseas Filipino Workers (OFW) remittances reached PHP 701.0 billion (USD14.0 billion). June 2020 remittances posted a contraction of 15.1%. From 2015 to 2019, OFW remittances grew annually by 4.0%, with the highest year-on-year (YoY) growth seen in 2016 with a growth of 15.3%. For the first half of 2020, OFW remittance dipped by 4.2% as compared to the PHP 731.9 billion OFW remittance in the 1H 2019. This contraction is one of the effects of the COVID-19 pandemic to the country.

About 79% of the remittances came from the United States, Singapore, Japan, Saudi Arabia, United Kingdom, United Arab Emirates, Qatar, Canada, Hong Kong and South Korea. Due to the COVID-19 pandemic, about 100,000 OFWs have been repatriated to the country as of August and the Bangko Sentral ng Pilipinas (BSP) now projects that remittances will likely drop between 5-10% in 2020. We believe that a slowdown in OFW remittances will likely have an impact on household consumption, which accounts for about 70% of the country’s economy.

Figure 1: Overseas Filipino Remittances



Source: Bangko Sentral ng Pilipinas (BSP)
As of June 2020

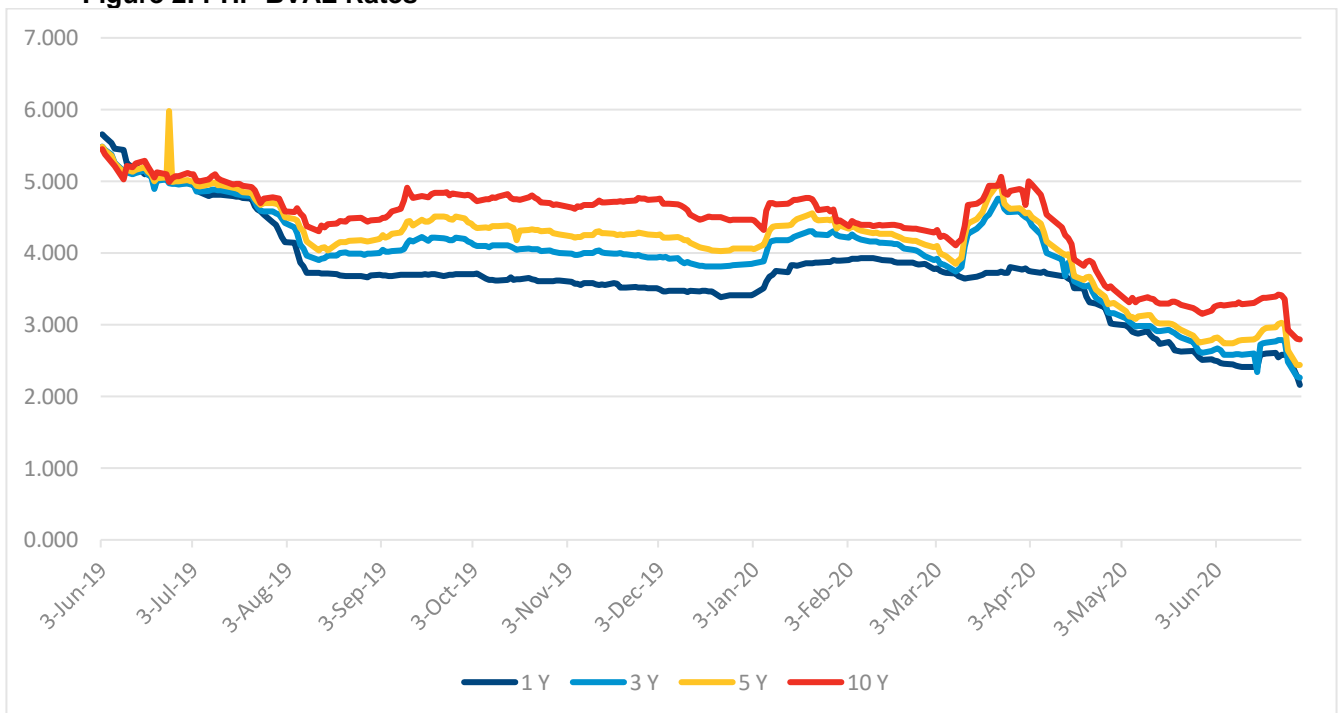
3.2.2 GOVERNMENT BOND YIELDS

Yields on government securities (GS) have been declining due to lower inflation as well as the contraction of the country’s gross domestic product (GDP). Data from the Philippine Statistics Authority

(PSA) show that inflation as of June 2020 slowed to 2.5% from 2.7% in June 2019. Meanwhile, the Philippine economy contracted by 16.5% in Q2 2020. Economic managers expect the country's GDP to contract between 4.5% to 6.6% in 2020 before growing by 6.5% to 7.5% in 2021 and 2022.

As of June 26, 2020, rates of one-, three-, and five-year bonds dropped by 263 bps, 248 bps, and 235 bps YOY, respectively. Rates on the 10- year notes also decreased by 211 bps YOY to 2.930%. The decline was partly due to the central bank's 50 bp cut on interest rates in June 2020. Overnight RRP, deposit, and lending rates as of the end of June 2020 declined to 2.25%, 1.75%, and 2.75%, respectively.

Figure 2: PHP BVAL Rates



Source: PDS Group (2020), PHP BVAL Reference Rates

Analysts believe that GS yields for the remainder of 2020 will likely hinge on the economy's potential for recovery; increase in the prices of basic commodities; and outlook of credit rating firms.

Table 3: Retail Treasury Bond Yields

Government Securities Rates (2020)		
Maturity Period	June 26, 2019	June 26, 2020
1 year	5.009	2.563
3 year	4.967	2.483
5 year	4.988	2.642
10 year	5.044	2.930

Source: PDS Group (2020), PHP BVAL Reference Rates

3.2.3 EMPLOYMENT

Unemployment rate reached a record-high of 17.7% in April 2020, the highest since April 2005. This accounted for 7.3 million unemployed Filipinos in the labor force during the period. Underemployment rate also rose to 18.9% from the 13.5% in the same period of last year. Among the employment sub-sectors, the arts, entertainment and recreation posted the biggest decline in employment at 54%, followed by electricity, steam, gas, and air conditioning supply and information and communication. The spike in unemployment rate was attributed to the enhanced community quarantine (ECQ) in Luzon and other parts of the country to contain the COVID-19 virus.

Table 4: Employment Rate

Year	Month	Labor Force Participation Rate	Employment Rate	Unemployment Rate	Underemployment Rate
2010	Jan	64.50%	92.70%	7.30%	19.70%
	Apr	63.60%	92.00%	8.00%	17.80%
	Jul	63.90%	93.00%	7.00%	17.90%
	Oct	64.20%	92.90%	7.10%	19.60%
2011	Jan	63.70%	92.60%	7.40%	19.40%
	Apr	64.20%	92.80%	7.20%	19.40%
	Jul	64.30%	92.90%	7.10%	19.10%
	Oct	66.30%	93.60%	6.40%	19.10%
2012	Jan	64.30%	92.80%	7.20%	18.80%
	Apr	64.70%	93.10%	6.90%	19.30%
	Jul	64.00%	93.00%	7.00%	22.70%
	Oct	63.90%	93.20%	6.80%	19.00%
2013	Jan	64.10%	92.90%	7.10%	20.90%
	Apr	63.80%	92.50%	7.50%	19.20%
	Jul	63.90%	92.70%	7.30%	19.20%
	Oct	63.90%	93.50%	6.50%	17.90%
2014	Jan	63.80%	92.50%	7.50%	19.50%
	Apr	65.20%	93.00%	7.00%	18.20%
	Jul	64.40%	93.30%	6.70%	18.30%
	Oct	64.30%	94.00%	6.00%	18.70%
2015	Jan	63.80%	93.40%	6.60%	17.50%
	Apr	64.60%	93.60%	6.40%	17.80%
	Jul	62.90%	93.50%	6.50%	21.00%
	Oct	63.30%	94.40%	5.60%	17.70%
2016	Jan	63.30%	94.20%	5.80%	19.70%
	Apr	63.60%	93.90%	6.10%	18.40%
	Jul	63.30%	94.60%	5.40%	17.30%
	Oct	63.60%	95.30%	4.70%	18.00%
2017	Jan	60.70%	93.40%	6.60%	16.30%

Year	Month	Labor Force Participation Rate	Employment Rate	Unemployment Rate	Underemployment Rate
	Apr	61.40%	94.30%	5.70%	16.10%
	Jul	60.60%	94.40%	5.60%	16.30%
	Oct	62.10%	95.00%	5.00%	15.90%
2018	Jan	62.20%	94.70%	5.30%	18.0%
	Apr	60.90%	94.50%	5.50%	17.00%
	Jul	60.10%	94.60%	5.40%	17.20%
	Oct	60.60%	94.90%	5.10%	13.30%
2019	Jan	60.30%	94.7%	5.30%	15.40%
	Apr	61.40%	94.90%	5.10%	13.50%
	Jul	62.10%	94.60%	5.40%	13.90%
	Oct	61.50%	95.50%	4.50%	13.00%
2020	Jan	61.70%	94.70%	5.30%	14.80%
	Apr /p	55.60%	82.30%	17.70%	18.90%

Source: Philippine Statistics Authority
p/ Estimates for April 2020 are preliminary and may change.

3.2.4 EMPLOYMENT BY INDUSTRY SECTORS

On a year-on-year basis, number of employed persons decreased by 19% from 41.3 million employed persons across the three major sectors to 33.4 million. All sectors experienced a decrease in employment with the Industry sector the highest at 29%. In 2019, the Industry sector had 8.1 million employed persons, mostly in construction and manufacturing. However, the result of the COVID-19 pandemic has affected the sector seeing large decrease in employment in the electricity, construction and manufacturing subsectors.

The Services sector also had a decrease in employment with its employed persons decreasing by 22% from 24.1 million to 18.9 million employed persons YoY. Among the subsectors, largest hit was seen from the arts and entertainment sector as well as the accommodation and food services and transportation and storage.

Table 5: Employment by Industry Type

Industry	Apr-19	Apr-20
Total Employed Persons	41,258,471	33,399,723
Agriculture	9,058,268	8,743,088
Agriculture and forestry	7,890,541	7,650,202
Fishing and aquaculture	1,167,728	1,092,886
Industry	8,073,526	5,744,895
Construction	4,194,355	2,780,529
Manufacturing	3,547,826	2,700,101
Mining and quarrying	161,632	155,112
Electricity, gas, steam, and air conditioning supply	105,061	63,194
Water supply; sewerage, waste management and remediation activities	64,653	45,959

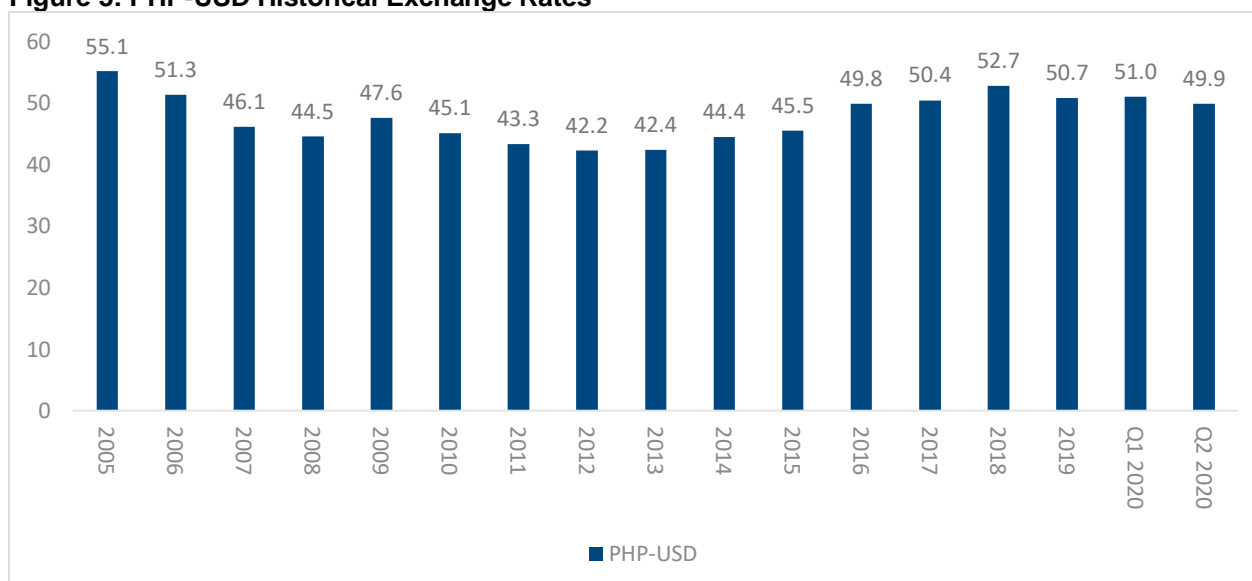
Industry	Apr-19	Apr-20
Services	24,126,676	18,911,740
Wholesale and retail trade; repair of motor vehicles and motorcycles	8,491,842	6,457,545
Transportation and storage	3,544,421	2,583,018
Public administration and defense; compulsory social security	2,756,772	2,505,913
Accommodation and food service activities	1,895,281	1,233,680
Administrative and support service activities	1,747,596	1,503,548
Education	1,156,860	1,118,023
Human health and social work activities	566,123	462,630
Financial and insurance activities	541,509	443,354
Arts, entertainment and recreation	443,053	192,763
Information and communication	443,053	269,868
Activities of extraterritorial organizations and bodies	4,923	1,735
Other service activities	2,535,246	2,139,664

Source: Philippine Statistics Authority

3.2.5 PHP-USD EXCHANGE RATES

Average exchange rate was at PHP 50.45 to USD1 in Q2 2020 from PHP 51.83 in Q1 2020. The peso's appreciation was due mainly the country's manageable inflation environment, prudent fiscal position, resilient banking system and a high level of international reserve buffer. Moreover, the further easing of lockdown restrictions, improved prospects of a vaccine against the COVID-19 pandemic and the affirmation of S&P Global Ratings' credit rating contributed to the appreciation of the peso.

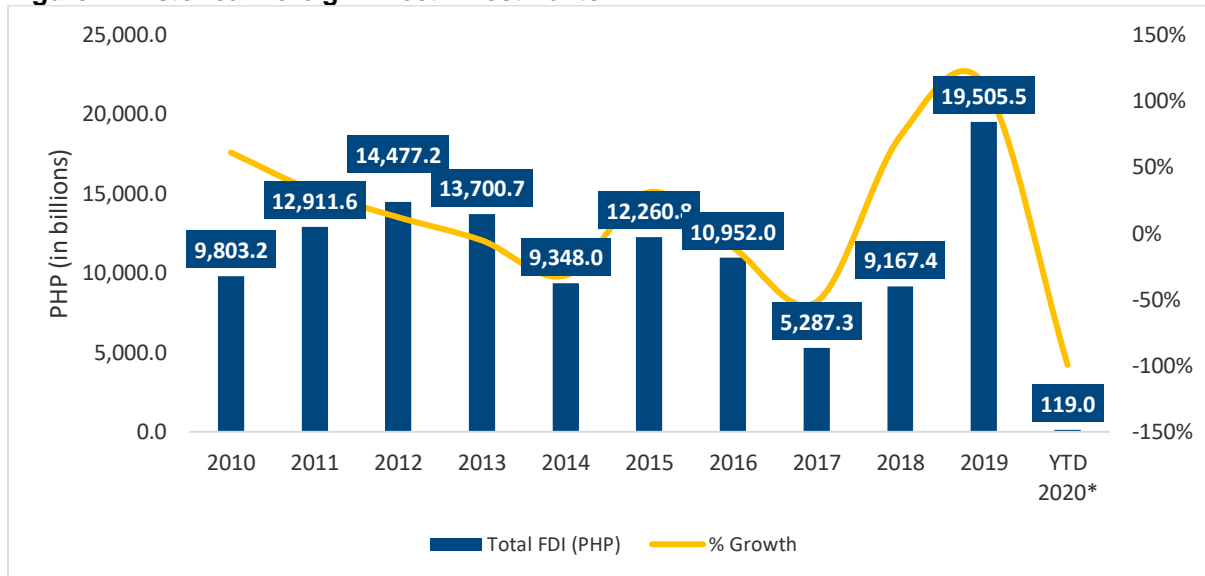
Figure 3: PHP-USD Historical Exchange Rates



Source: Bangko Sentral ng Pilipinas
End-of-period figures

3.2.6 FOREIGN DIRECT INVESTMENTS

Figure 4: Historical Foreign Direct Investments



Source: Board of Investments, CEZA, PEZA and SBMA
 As of May 2020
 Conversion: PHP50 to USD1

Foreign Direct Investments in the Philippines has been on an upward trend from 2010 to 2019, with FDIs increasing significantly the previous two (2) years (2018-2019). However, 2020 is tracking a decline, with year-to-date figures only at PHP 119.0 billion (USD1.9 billion) compared to PHP 145.0 billion (USD2.9 billion) during the same period last year. This can be attributed to the weak global and domestic demand that prompted investors to put their plans on hold due the continuing uncertainty brought by the COVID-19 pandemic.

Most of these investments were from Japan, Singapore and the Netherlands. These investments were mostly focused on manufacturing, real estate and administrative and support service facilities.

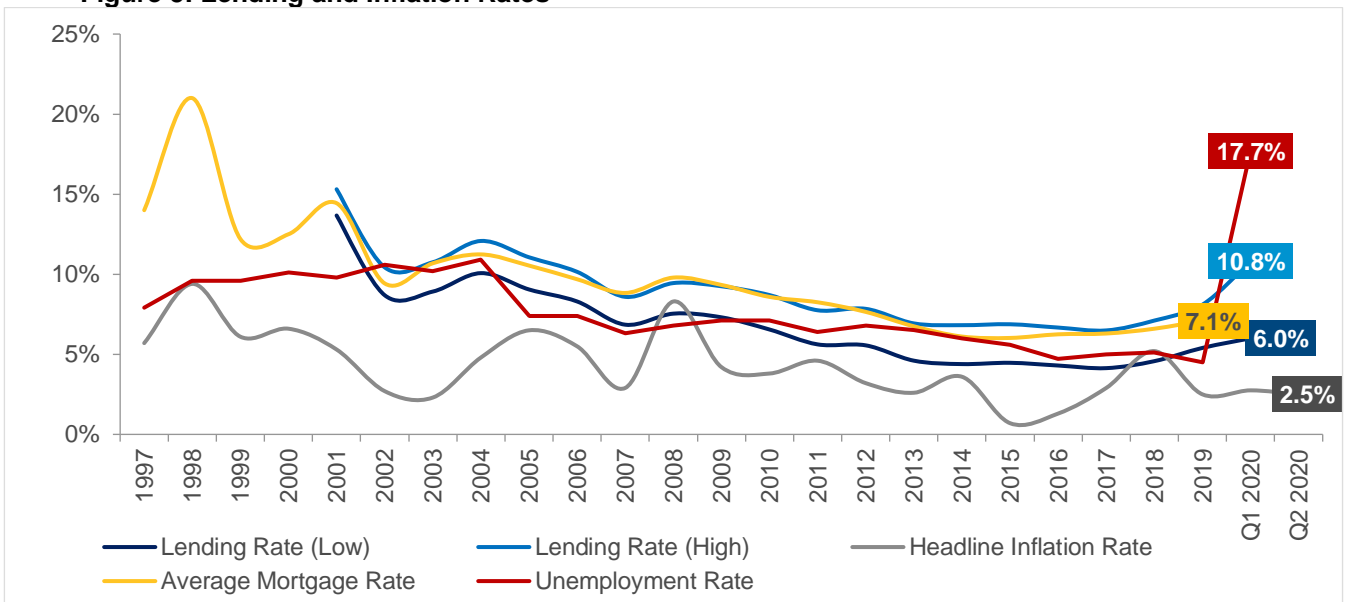
3.2.7 OTHER KEY INDICATORS

Interest and Inflation Rates

Lending rates, as of Q1 2020 (February), ranged from a high of 10.9% to a low of 6.1%. Headline inflation rose to 2.5% in June 2020, from the 2.1% in May 2020, placing the Q2 2020 average inflation at 2.3%, well within the inflation target of the central bank for the year. According to the central bank, downside risks to inflation may likely emanate from the price ceilings imposed by the government on selected commodities, downside pressures on oil prices and subdued domestic demand due to rising unemployment. Upside risk to inflation include the possible rebound in oil prices, higher prices of basic commodities, adverse weather conditions, supply chain disruptions and increase in consumption due to more relaxed quarantine measures.

Based from the survey conducted by BSP on the private sector’s forecast for inflation, several analysts expect inflation to settle between the 2-4% range for 2020. Meanwhile, average mortgage rates remain low at 7.1% (Q1 2020). We see this as an upside for the property sector as investors and end-users are encouraged to apply for loans from lending institutions for real estate investments.

Figure 5: Lending and Inflation Rates

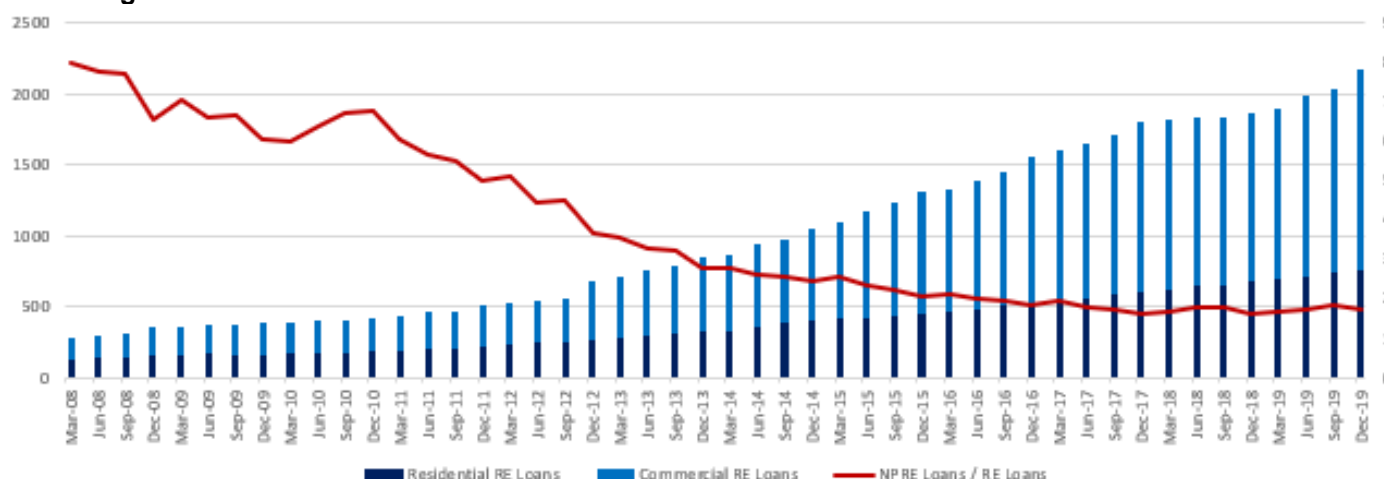


Source: Bangko Sentral ng Pilipinas

Real Estate Loans

Real estate loans for December 2019 grew by 16% to PHP 2.17 trillion from PHP 1.86 trillion in December 2018. The proportion of non-performing real estate loans reached 1.72%. Real estate loans for commercial use accounted for 65% or PHP 1.40 trillion while residential loans covered the remaining 35% or PHP 764 billion.

Figure 6: Real Estate Loans



Source: Bangko Sentral ng Pilipinas
As of December 2019

3.3 OVERVIEW OF METRO MANILA

3.3.1 GROSS REGIONAL DOMESTIC PRODUCT

Philippines has a GDP of PHP 9.2 billion in 2018 and has experienced a compounded growth rate of 6.6% from 2015 to 2018. Metro Manila, as the economic center of the country, accounts for 36.0% or PHP3.3 billion of the total GDP. It has been growing by 6.1% for the same period. The significant growth of GDP in Metro Manila can be attributed to the growth of the IT-BPO industry as well as the entry of the Philippine Offshore Gaming Operators (POGO) in 2018.

Table 6: Gross Regional Domestic Product (at constant 2000 prices, in PHP)

Region	2015	2016	2017	2018	% Share	CAGR
					-2018	('15 – '18)
PHILIPPINES	7,600,175,069	8,123,375,304	8,665,818,041	9,206,888,993	100.00%	6.60%
NCR	2,770,552,677	2,976,234,624	3,159,842,816	3,312,006,887	36.00%	6.10%
CAR	133,848,201	136,873,913	153,611,966	164,891,934	1.80%	7.20%
Region I – Ilocos	237,178,755	257,277,270	272,127,691	289,866,090	3.10%	6.90%
Region II – Cagayan Valley	134,444,616	139,548,688	149,475,093	154,446,076	1.70%	4.70%
Region III – Central Luzon	706,343,196	773,108,325	844,038,175	904,021,524	9.80%	8.60%
Region IVA – CALABARZON	1,302,297,272	1,364,736,594	1,456,341,332	1,562,497,002	17.00%	6.30%
Region IVB – MIMAROPA	122,258,656	125,597,582	132,096,336	143,411,171	1.60%	5.50%
Region V – Bicol	155,449,066	164,065,917	172,249,247	187,599,848	2.00%	6.50%
Region VI – Western Visayas	305,503,332	323,562,341	351,386,178	372,867,944	4.00%	6.90%
Region VII – Central Visayas	482,898,676	524,645,371	551,684,028	593,850,122	6.50%	7.10%
Region VIII – Eastern Visayas	153,224,685	171,610,264	174,651,332	184,941,774	2.00%	6.50%
Region IX – Zamboanga Peninsula	157,640,786	164,866,496	168,806,467	179,376,571	1.90%	4.40%
Region X – Northern Mindana	283,769,262	304,952,799	322,565,118	345,275,060	3.80%	6.80%
Region XI – Davao	304,412,137	333,405,134	369,070,854	400,825,766	4.40%	9.60%

Region	2015	2016	2017	2018	% Share	CAGR
					-2018	('15 - '18)
Region XII – SOCCSKARGEN	203,183,377	213,182,370	230,775,902	246,690,292	2.70%	6.70%
CARAGA	96,587,795	98,905,278	102,494,583	105,771,077	1.10%	3.10%
ARMM	50,582,581	50,802,338	54,600,922	58,549,855	0.60%	5.00%

Source: Philippine Statistics Authority

3.3.2 NO. OF ESTABLISHMENTS

There are 1,003,111 establishments in the Philippines in 2018. Out of this, Metro Manila takes up 20.5% or 205,250.

Table 7: No. of Establishments (2018)

Area	2018	% Share
Philippines	1,003,111	100.00%
NCR	205,250	20.50%
CAR	20,466	2.00%
Region I – Ilocos	50,877	5.10%
Region II – Cagayan Valley	30,753	3.10%
Region III – Central Luzon	116,458	11.60%
Region IVA – CALABARZON	149,007	14.90%
Region IVB – MIMAROPA	33,244	3.30%
Region V – Bicol	40,514	4.00%
Region VI – Western Visayas	61,783	6.20%
Region VII – Central Visayas	70,932	7.10%
Region VIII – Eastern Visayas	30,789	3.10%
Region IX – Zamboanga Peninsula	37,412	3.70%
Region X – Northern Mindana	58,685	5.90%
Region XI – Davao	44,940	4.50%
Region XII – SOCCSKARGEN	19,873	2.00%
CARAGA	23,952	2.40%
ARMM	8,176	0.80%

Source: Philippine Statistics Authority

3.3.3 BANKING STATISTICS

Average deposit per account in Metro Manila grew by 1.1% annually from 2014 to 2Q 2019 from PHP 297,000 to PHP 314,000. In 2Q 2019, highest growth was seen in the City of Manila by 4.7% from an average deposit of PHP 324,000 in 2014 to PHP 440,000 while negative growth was seen in Taguig City, Pasig City and Pasay City.

In terms of highest average deposit, Makati City retains the top spot with an average deposit of PHP 471,000 per account followed by Manila with PHP 440,000 and Taguig City at PHP 325,000.

Table 8: Average Deposit per Account (in thousands, PHP)

Area	2014	2015	2016	2017	2018	Jun-19	CAGR
Metro Manila	297	292	318	343	339	314	1.10%
City of Makati	375	375	447	484	494	471	4.70%
City of Manila	324	342	370	417	450	440	6.30%
Taguig City	403	340	370	346	376	325	-4.20%
Caloocan City	266	284	309	347	328	306	2.80%
City of Mandaluyong	242	255	296	337	306	282	3.10%
Quezon City	258	270	286	303	293	279	1.50%
City of Paranaque	211	204	220	233	253	223	1.20%
City of Pasig	462	405	416	413	279	217	-14.00%
City of Muntinlupa	191	203	214	229	219	216	2.50%
City of Valenzuela	185	202	224	225	209	203	1.90%
City of Malabon	171	171	188	198	195	197	2.80%
City of Navotas	186	191	199	205	202	193	0.80%
City of San Juan	138	136	150	179	206	167	3.80%
City of Marikina	125	141	162	163	156	149	3.60%
Pasay City	181	127	116	130	129	132	-6.10%
City of Las Pinas	111	112	123	128	131	124	2.30%
Pateros	93	87	90	92	95	97	0.70%

Source: Philippine Deposit Insurance Company

3.3.4 UPCOMING INFRASTRUCTURE

Table 9: Upcoming Infrastructure

Project	General Status	Target Date of Completion	Development Status	Description
LRT-2 East Extension	Under Construction	2020	76.90% (end-2019)	Extending LRT 2 stations to Antipolo City
MRT Line 7	Under Construction	2021	51.84% (Mar-20)	A 22.8-km elevated railway from Q. Avenue to San Jose del Monte, Bulacan
Metro Manila Skyway (MMS) Stage 3	Under Construction	2020	96.12% (Feb-20)	Elevated expressway from Buendia, Makati City to Balintawak, Quezon City
Bonifacio Global City to Ortigas Pasig Bridge	Under Construction	2020	53.00% (Jun-20)	4-km roadway to linked BGC from Pasig
C-5 South Link	Under Construction	2021	Acquisition of ROW	A 7.63-km expressway connecting Coastal Road to SLEX/C-5 Road
Cavite-Laguna Expressway (CALAX)	Under Construction	2020	73.40% (Apr-20)	A 4-lane, 45.2-km expressway connecting CAVITEX to SLEX
LRT-1 Cavite Extension	Under Construction	2022	38.70% (Apr-20)	Extending LRT 1 from Baclaran to Bacoor, Cavite
Metro Manila Subway	Contract Awarded	2025	Expanded original plan to add stations	Transit line to connect Mindanao Ave. to Pasay City

Project	General Status	Target Date of Completion	Development Status	Description
New Manila International Airport	Under Construction	2025	On-going pre-construction activities	A new international airport in Bulacan

Source: PPP, DPWH

METRO MANILA SUBWAY

The Metro Manila Subway, formerly known as the Mega Manila Subway is a 25-km underground mass transport system that will link major business districts and government agencies. The proposed subway will traverse Quezon City, Pasig, Makati, Taguig and Pasay City.

In June 2020, the DoTR also announced its decision to expand the original plan and include five additional stations – East Valenzuela, Lawton, Senate, NAIA Terminal 3 and Bicutan. The two additional stations in Taguig (Lawton and Senate) is said to be completed in 2021.

Target completion of the project is in 2025 but that government aims to make three (3) stations operational: Mindanao Ave. – Quirino Ave., Tandang Sora and North Avenue in 2022. Excavation, however, was further delayed and according to the Department of Transportation (DoTR), it will be in 3Q 2020 from the originally planned 4Q 2019.

MANILA METRO RAIL TRANSIT SYSTEM LINE 7 (“MRT LINE 7” OR “MRT-7”)

MRT-7 is a public-private partnership project that involves the financing, design, construction, operation and maintenance of a 23-kilometer elevated railway line with 14 stations from San Jose Del Monte, Bulacan to MRT-3 North Avenue in Quezon City, and the 22-kilometer asphalt road from Bocaue Interchange of North Luzon Expressway (NLEX) to the intermodal in Tala. It is expected to decongest EDSA, a major thoroughfare in Metro Manila, as this will provide an easier commute to Metro Manila.

The MRT-7 railway will have 14 stations which consisting of: (1) North Avenue, (2) Quezon Memorial, (3) University Ave., (4) Tandang Sora, (5) Don Antonio, (6) Batasan, (7) Manggahan, (8) Doña Carmen, (9) Regalado, (10) Mindanao, (11) Quirino, (12) Sacred Heart, (13) Tala, and (14) San Jose del Monte Intermodal Transport Terminal.

The rail component of this project involves the construction of a 22.8-kilometer rail transit system that will operate 108 rail cars in a three-car train configuration with a projected daily passenger capacity ranging from 448,000 to 850,000. Delays in this project were partly due to determining the location of the common station in EDSA. Once completed by year 2020, the project is expected to shorten the 3.5-hour travel time by road from North Avenue, Quezon City to San Jose del Monte, Bulacan and vice versa, to one hour by train. Initially, MRT-7 is expected to accommodate 350,000 daily passengers and once the upgrades are completed, 800,000 passengers per day will benefit from this project.

Commuters can take public utility vehicles or private vehicles and use the new highway from NLEX, take the train through the intermodal transport terminal (ITT), and board the MRT-7 going to North

Avenue, Quezon City. There will also be a common station in North Avenue that will connect MRT-7 to Metro Rail Transit Line 3 (MRT3) and the Light Rail Transit Line 1 (LRT-1).

LRT-1 EXTENSION PROJECT

The 11.7-kilometer extension of the Light Rail Train Line 1 (LRT-1), also called the LRT Line 1 Cavite Extension, will start from Baclaran to Bacoor, Cavite. The extension will include the construction of eight (8) passenger stations with two (2) additional passenger stations namely: Manuyo and Talaba Stations; three (3) intermodal facilities, one (1) satellite depot and modification / upgrading of the existing LRT-1 depot. The estimated cost of the project is ₱64.9 billion, and the project is expected to achieve completion by year 2022.

There will be 10 stations which will begin in the last station of the LRT-1, with stops at: (1) Baclaran station, (2) MIA Road, (3) Asia World, (4) N. Aquino, (5) Dr. Santos, (6), Manuyo Uno, (7) Las Piñas, (8) Zapote, (9) Talaba, (10) Niyog Station going to Bacoor.

The winning proponent for the project, a consortium of Ayala Corporation, Metro Pacific Investments Corporation (MPIC) group, and Macquarie, has already held its groundbreaking ceremony last September 2017. It is currently undergoing pre-construction activities which include ROW acquisition, relocation of Informal Settler Families (ISFs), utility diversion and the finalization of alignment.

Upon the completion of this project, the accessibility to residential developments within the affected areas of Parañaque City, Las Piñas City, and Bacoor City, are expected to increase. Offices and retail developments that are primarily located in Entertainment City – 44-hectare development that lies on the western side of Roxas Boulevard and south of SM Corporate District (part of Paranaque City) – are also expected to benefit from increased foot traffic from visitors of Southern Metro Manila.

3.4 GOVERNMENT EFFORTS TO RESPOND TO COVID-19

The Philippine government has devised several measures as efforts to respond to the effects of the COVID-19 pandemic. It has implemented several tax and employment-related measures to keep the economy afloat.

3.4.1 TAX MEASURES

After the extension of the first Enhanced Community Quarantine (ECQ) in April, the Department of Finance (DoF) and the Bureau of Internal Revenue (BIR) extended the deadline for the filing of income tax returns that was due in April 2020 to June 2020.

In April 2020, the BIR also filed Revenue Regulations (RR) No. 09-2020. This provides full deductibility against the gross income of donor corporations and individuals for gifts and donations given for combatting COVID-19 during the period of the state of national emergency. These are cash donations, critical and needed healthcare equipment or supplies, relief goods and use of real and personal property

such as shuttle services and use of lots or buildings. These donations should be made to the national government or any entity created by any of its entities that is not conducted for profit and accredited non-stock, non-profit organizations.

The Philippine government also enacted a law that would address the COVID-19 pandemic. This law was called the “Bayanihan to Heal as One Act” or the Bayanihan Act under Presidential Proclamation No. 929. Tax measures in the law are as follows:

- Incentives were granted to the manufacturing or importation of critical or needed equipment or supplies. These equipment and supplies are exempt from import duties, taxes and other fees
- Movement of statutory deadlines and timelines for the filing and submission of any document, the payment of fees and other charges required by law to ease the burden on individuals during the community quarantine
- Financial institutions were directed to implement a 30-day grace period for payment of loans, including but not limited to salary, personal, housing and motor vehicle loans, as well as credit card payments

3.4.2 EMPLOYMENT-RELATED MEASURES

Employment-related measures were also implemented to safeguard the employment status of employees especially after placing Metro Manila and the whole country under a community quarantine. These are the following:

- Department Order No. 209 (DAO 209): this provides guidelines on the adjustment measure programs for affected workers due to the COVID-19. In this department order, additional PHP5,000 was granted to affected workers that are not able to receive regular wage due to the implementation of the ECQ and the flexible working arrangements.
- Labor Advisory No. 09-20: the labor advisory provides guidelines of different work arrangements that employers can adopt such as work from home, work rotation and usage of forced leave while utilizing existing leave credits.
- Labor Advisory No. 11-20: this provides remedial and guidelines to be observed during the ECQ. It also clarified that manufacturing, retail and service establishments shall remain in operation during the quarantine period, provided that employees observe social distancing protocols.

3.4.3 RENTAL CONCESSIONS

A memorandum filed by the Department of Trade and Industry (DTI) also known as DTI Memorandum Circular No. 20-12 provided guidelines for concessions on residential and commercial rents, most specifically for Micro, Small and Medium Enterprises (MSME). This is pursuant to the Section 4 of the Bayanihan Act which gives mandate for a provision of a 30-day grace period on residential and commercial rents within the ECQ without incurring interests, penalties, fees and other charges. It aims

to provide Filipinos and MSMEs economic relief during the COVID-19 pandemic. The latest version is seen in the DTI Memorandum Circular No. 20-31. The guidelines are as follows:

- Concession on Residential Rents – a minimum of a 30-day grace period shall be granted on rents falling due within the period of the declared ECQ, MECQ and GCQ without incurring interests, penalties and fees. Cumulative amount of rents falling due within these periods shall be equally amortized in the six months following the lifting of the community quarantine
- The grant by the lessor of the minimum grace period of 30 days for residential rents shall start from the last due date or from the lifting of the community quarantine, whichever is longer.
- Concession on Commercial Rents – rates for commercial spaces in malls are waived while rents of office spaces for MSMEs are also given a 30-day grace period within the period of the declared ECQ, MECQ or GCQ without incurring interests, penalties and fees. Cumulative amount of rents falling due within these periods shall be equally amortized in the six months following the lifting of the community quarantine
- No refunds on rents already paid – lessors are not obliged to refund the rents that have been paid before or during the quarantine period
- Other concessions for MSMEs such as totally or partially waive commercial rents that fall during the identified community quarantine status, grant reprieve or discounted amount of commercial rents due after the community quarantine, open renegotiation of lease term agreements, use other courses to mitigate impact of the community quarantine to the MSMEs , can also be granted by the lessor provided that it does not withstand the guidelines stated above
- Non-enforcement of evictions – failure to pay for residential and commercial rent should not be evicted within the 30-day grace period after the lifting of the community quarantine

4 METRO MANILA OFFICE PROPERTY MARKET

4.1 KEY REGULATIONS / POLICIES GOVERNING THE OFFICE PROPERTY MARKET

The Metro Manila office market has largely been driven by the Business Process Outsourcing (BPO) industry for more than a decade, preferring the country as a top location due to the deep talent pool and relatively lower cost of operations. The continuous strong demand coming from this tenant group has motivated developers to provide facilities that are fit to their technical specifications and cater to this ever growing market. Business districts in the Metro were the first locations for this market, but due to increasing land values at the center, developers have also started building office buildings and commercial centers in other business districts. This paved the way for secondary CBDs, and BPOs moving into other commercial districts in Metro Manila.

Apart from the lower wage costs and sizeable talent pool, local and foreign investors are attracted to the country's fiscal and non-fiscal incentives being given by the government. Incentives are applicable to Board of Investments (BOI) and Philippine Economic Zone Authority (PEZA) accredited companies under Executive Order No. 226 and Republic Act No. 7916. Below are some of the key incentives being offered to these companies:

Table 10: BOI and PEZA Incentives

Incentive	BOI	PEZA
Enabling Law	Executive Order No. 226, as amended	Republic Act No. 7916, as amended
FISCAL		
Income Tax Holiday	<p>Pioneer: Six (6) Years Non-Pioneer: Four (4) Years Expansion: Three (3) Years</p> <p>The exemption period may be extended for another year in each of the following cases:</p> <ol style="list-style-type: none"> 1. The project uses indigenous raw materials 2. The project meets the BOI-prescribed ratio of capital equipment to number of workers 3. The net foreign exchange savings or earnings amount to at least US\$ 500,000.00 annually during the first three (3) years of the project's commercial operations 	<p>For Export-Oriented: Pioneer : Six (6) Years Non-Pioneer : Four (4) Years Expansion : Three (3) Years</p> <p>A special tax rate of 5% of gross income earned in lieu of the payment of all national and local taxes except real property tax after the income tax holiday</p>
Tax- and Duty-Free Importation of Capital Equipment	Incentives under E.O. 528 For BOI-registered companies: 12% VAT, 0% duty	Available
Tax Credit on Domestic Capital Equipment	None	Available

Incentive	BOI	PEZA
Additional Deduction for Labor Expense	Available for the first five (5) years from registration, additional deduction from the taxable income of 50% of the wages	Same as E.O. No. 226 incentive: Available for the first five (5) years from registration, additional deduction from the taxable income of 50% of the wages
Tax- and Duty-Free Importation on Breeding Stocks and Genetic Materials	Available	Available
Tax Credit on Duty Portion of Domestic Breeding Stocks and Genetic Materials	Available	Available
Tax Credit for Taxes and Duties on Raw Materials	Available (used in the manufacture, processing, or production of a project's export products)	None
Tax and Duty Exempt Importation of Imported Spare Parts	Available	Available
Exemption from Wharf age Dues and Export Tax, Duty, Impost and Fee	Available	Available
Additional Deduction on Training Expenses	None	Equivalent to 1/2 of the value of training expenses incurred
Exemption from Payment of Local Licenses, Fees, Dues, Imposts, Taxes and Burdens	None	Available
Tax and Duty Exempt Importation of Construction Materials	None	Available
Taxes and Duty Exempt Importation of Specialized Office Equipment and Furniture	None	Available
NON-FISCAL		
Business within may be 100% foreign owned		

Incentive	BOI	PEZA
Unrestricted Use of Consigned Equipment	<p>Available (including exemption from taxes and duties on imported supplies and spare parts for consigned equipment)</p> <p>There are no restrictions on the use by BOI-registered enterprises of consigned equipment provided a re-export bond is posted. E. O. No. 226 provides further that if the consigned equipment and spare parts were imported tax and duty-free, the re-export bond may be waived.</p>	Available
Treatment of the Zone as a separate customs territory		Available
Permanent Resident Status for Foreign Investors and Immediate Family (Special Investors Resident Visa)	<p>Foreign personnel of regional headquarters in the Philippines; their respective spouses and unmarried children below 21 years old may be issued multiple entry visas.</p> <p>For investments of US\$ 75,000.00</p>	<p>Available</p> <p>For investments of US\$ 150,000.00</p>
Employment of Foreign Nationals	<p>Foreign nationals may be employed in supervisory, technical or advisory positions within five (5) years from a project's registration, extendible for limited periods to be determined by the BOI. The positions of president, general manager, and treasurer or their equivalents, of foreign-owned registered firms may be retained by foreign nationals for a longer period.</p> <p>All foreign employees may bring with them their spouses and unmarried children under 21 years of age.</p>	<p>Foreign nationals may be employed in supervisory, technical or advisory positions within five (5) years from a project's registration, extendible for limited periods to be determined by the BOI. The positions of president, general manager, and treasurer or their equivalents, of foreign-owned registered firms may be retained by foreign nationals for a longer period.</p> <p>All foreign employees may bring with them their spouses and unmarried children under 21 years of age.</p> <p>Special Investor's Resident Visa may be issued to aliens investing in at least US\$ 75,000 in the Philippines thereby allowing them to reside in the Philippines as long as their investment is maintained.</p>
Location on less-developed areas (whether proposed or in an existing venture geared for expansion)	<p>Additional Incentives:</p> <ol style="list-style-type: none"> 1. The same set of incentives given to a pioneer registered enterprise; 2. A 100% deduction from its taxable income representing the necessary major infrastructure it may have undertaken in the course of its operation; and 3. An additional deduction from taxable income of 100% of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year is observed. 	

Incentive	BOI	PEZA
Government Facilities for training laborers		Extends assistance on major manpower training of laborers to firms in the zones. The Technical, Education, Skills Development Authority (TESDA) conducts manpower training programs. In addition, the Labor Code grants incentives to firms engaged in labor training activities.

Source: Board of Investments; PEZA

Currently, the Duterte administration has in place a moratorium to limit PEZA applications for IT Parks inside Metro Manila which will limit companies seeking for PEZA-approved space to existing CBD's. The existing parks and buildings with approved PEZA accreditation already has an advantage over new buildings in the pipeline that are yet to apply for PEZA accreditation and easily capture demand from the existing BPO/KPO industry.

Meanwhile, PEZA has additional specific requirement for facilities providers in line with the registration of IT Parks and Buildings intended for IT-enterprises. These are listed below:

PEZA REGISTRATION OF IT PARKS AND BUILDINGS

IT Parks and Buildings Located in Metro Manila which covers Manila, Caloocan, Las Piñas, Makati, Mandaluyong, Marikina, Muntinlupa, Paranaque, Pasay, Pasig, Quezon, Valenzuela, Malabon, Navotas, Pateros, San Juan and Taguig.

PEZA shall accredit IT Parks and Buildings, subject to the following conditions:

- It is an existing, new or proposed complex or building with a minimal available business floor area of 5,000 square meters (including common areas such as lobbies, elevator/stairways, corridors, wash rooms, and utility areas but excluding parking areas and roof gardens;
- It provides the following minimum facilities required by a tenant IT enterprise:
 - o High-speed fiber-optic telecommunication backbone and high-speed international gateway facility or wide-area network (WAN); or any high speed data telecommunication system that may become available in the future;
 - o Clean, uninterruptible power supply; and
 - o Computer security and building monitoring and maintenance systems (e.g. computer firewalls, encryption technology, fluctuation controls, etc.) Optionally, IT Parks and Buildings in Metro Manila may also provide IT business and technology incubation centers and facilitate access of locator IT Enterprises to IT research and development centers and training and educational institutions / facilities;
- Owners and /or developers of PEZA-registered IT Parks and Buildings in Metro Manila cannot enjoy PEZA incentives; except if the owners and /or developers of IT Parks in Metro Manila are already covered by Presidential Proclamations and / or approved by the PEZA Board prior to

the PEZA Board approval of abovementioned guidelines. This includes facilities-providers in such IT Parks, shall be entitled to PEZA incentives.

- It shall be authorized to serve as location for PEZA-registered IT Enterprise only upon issuance of the required presidential proclamation.

IT Parks To Be Located Outside Metro Manila

PEZA shall register IT Parks outside Metro Manila, subject to the following conditions:

- It has a minimum land area of five (5) hectares;
- It provides the following minimum facilities required by tenant IT Enterprise:
 - o High-speed fiber optic telecommunication backbone and high-speed international gateway facility or wide-area network (wan); or any high speed data telecommunication system that may become available in the future;
 - o Clean, uninterruptible power supply; and
 - o Computer security and building monitoring and maintenance systems (e.g. computer firewalls, encryption technology, fluctuation controls, etc). Optionally, IT Parks outside Metro Manila may also provide IT business and technology incubation centers and facilitate access of locator IT Enterprises to IT research and development centers and training and educational institutions / facilities;
- IT Parks located outside of Metro Manila shall become operational (i.e. authorized to serve as location for PEZA-registered IT Enterprises) only upon the issuance of the required Presidential Proclamation.
 - o Owners and / or developers of PEZA-registered IT Parks outside Metro Manila, including facilities providers in the IT Parks, shall be entitled to avail of the following incentives:
 - Income Tax Holiday (ITH) for four (4) years [for non-Pioneer projects], or six (6) years [for Pioneer project] for IT Zones located in less developed areas listed in the investment Priorities Plan, on income earned from locator IT Enterprises and related operations;
 - After the ITH period, the option to pay a special 5% tax on gross income and other fiscal incentives as may be granted by PEZA;
 - VAT zero rating of local purchases made by the owners, developers and facility providers; and
 - Exemption from the expanded withholding tax.

REQUIREMENTS FOR PEZA BOARD CONSIDERATION, PRESIDENT PROCLAMATION AND REGISTRATION OF IT PARKS AND BUILDINGS.

Owners /developers of IT Parks and/or Buildings may apply for PEZA registration by submitting the following requirements:

- PEZA Board Consideration of a Proposed IT Park or Building
 - o Application Form (notarized);
 - o Anti-Graft Certificate (notarized);
 - o SEC Registration Certificate and updated Articles of Incorporation;
 - o Board Resolution authorizing the filling of application with PEZA and designating the representative(s) authorized to transact registration with PEZA;
 - o Audited Financial Statements (for the last three (3) years of operation, for existing companies);
 - o IT Park / Building Projects Description and / or Feasibility Study, which should provide, among other, information on the financial capability of the proponent, present and proposed land use of the area for the IT Park / Building, and development plan and schedule for the proposed IT Park / Building;
 - o Vicinity map reflecting the various land uses and important verifiable landmarks within one (1) kilometer radius of the project site;
 - o Proof of land ownership or any perfected contact / document confirming the applicant's authority / clearance to use the land for the establishment of the proposed IT Park / Building;
 - o Endorsement by the Sangguniang Bayan / Panlungsod of all local government units (i.e. municipalities and / or cities) of all areas included in the proposed IT Park / Building is not or has ceased to be economically feasible and sound for agricultural purposes (i.e. the area is marginal for agriculture use);
 - o DAR Conversion Clearance or Exemption Certificate (or HLURB Zoning Certification, if applicable);
 - o Other requirements as may be prescribed by the PEZA Board

- PEZA Endorsement of a Proposed IT Park or Building to the Office of the President for the issuance of a Presidential Proclamation
 - o Proof of land ownership and / or Long-Term Lease Agreement on the area of the proposed IT Park / Building
 - o Verified survey returns and technical description of the land area
 - o Certification from the National Water Resources Board that the identified source(s) of water for the IT Park / Building shall not cause water supply and related problems in adjacent communities
 - o Environmental Compliance Certificate issued by the Department of Environment and Natural Resources
 - o Other requirements as may be prescribed by the PEZA Board

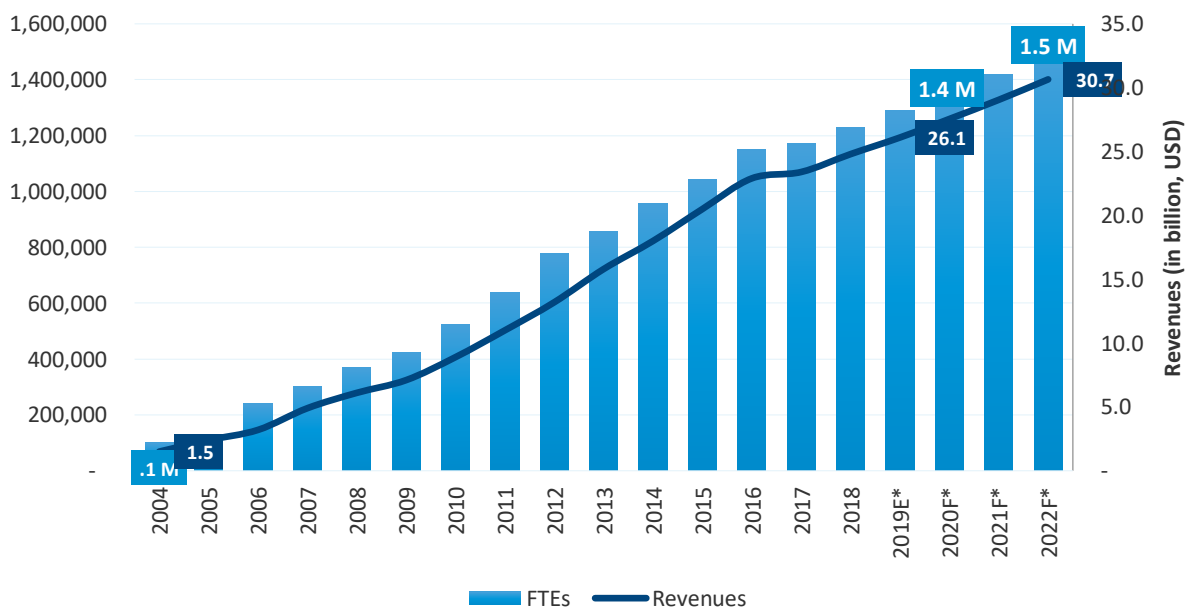
- Signing of the PEZA Registration Agreement for an IT Park or Building Covered by Presidential Proclamations
 - o Detailed engineering and development plan and timetable
 - o Other requirements as may be prescribed by the PEZA Board.

4.2 KEY FACTORS AFFECTING THE OFFICE PROPERTY MARKET

4.2.1 IT-BPO INDUSTRY

The Philippine IT-BPO sector has continuously grown at a rapid rate, from posting revenues of PHP 75 million (USD1.5 billion) in 2004, to PHP 1,240 billion (USD24.8 billion) in 2018, a steady growth of 6% from 2017 but an exponential growth of 14% since 2010. By end of 2022, expected revenues is at PHP 1,535 billion (USD30.7 billion), according to IBPAP.

Figure 7: IT-BPO Industry Growth



Source: IBPAP, Colliers International Philippines

By end-2019, the estimated revenue for the IT-BPO industry will reach PHP 1,305 billion (USD26.1 billion) which translates to an estimated direct employment of 1.29 million employees. The IT-BPO industry is expected to grow by 17% by year 2022 and with growth in employment of 16% from the 2019’s estimated figures. This roughly translates to more than a million square meters demand from the business process outsourcing (BPO) industry.

Based on historical growth, the Philippine IT-BPO headcount is expected to grow by 3.0% – 7.0% with the highest growth expected from the Healthcare and Animation & Game Development outsourced

services. On the same note, revenues are also expected to grow in the same industries by 3.5% to 7.5%.

Table 11: IT-BPO FTEs

	Projected Headout Growth Range 2019 – 2022F		Projected Revenue Growth Range 2019 – 2022F
Contact Center & BP	2.8% - 6.7%	Contact Center & BP	3.3% - 7.4%
IT	2.7% - 6.2%	IT	3.2% - 6.7%
Global in-house Center (GIC)	2.7% - 4.7%	Global in-house Center (GIC)	3.2% - 5.2%
Healthcare	6.8% – 10.2%	Healthcare	7.3% - 10.8%
Animation & Game Devt.	6.8% - 11.7%	Animation & Game Devt.	7.3% - 12.3%
Overall IT-BPM	3.0% - 7.0%	Overall IT-BPM	3.5% - 7.5%

Source: IBPAP

The Philippines is the leading offshore-nearshore location for healthcare services delivery and the segment is expected to steadily grow especially given the pandemic crisis that Covid-19 has brought across the globe.

At present, business processes have shifted its demand from delivering basic and non-core services such as voice and non-voice customer care and data entry services (BPO) to higher-level specialized services (KPO) required for specific business lines. Industries such as banking and finance, insurance, real estate, legal, medical and information technology require specific knowledge and skills sets to deliver services needed.

4.2.2 THE PHILIPPINE GAMING INDUSTRY

The Philippines continues to emerge in the global gaming market as revenue maintains its growth year on year. The gaming industry is regulated by PAGCOR which approves licenses and operates casino establishments. Currently, there are eight (8) PAGCOR operated casinos under the name Casino Filipino, with most concentrated in the Metro Manila and Luzon area. Typical games offered in these establishments are Baccarat, Black Jack, Roulette, Craps, Bingo, Big and Small, Pai-Gow, Stud Poker and Slot Machines.

Previously, these casinos were operated solely by PAGCOR in leased sites usually in hotels, with the building owner receiving rent and/or a percentage of revenues as compensation for the usage of the space. However, with the emergence of integrated resorts, PAGCOR has allowed companies to both own and operate their casinos through the issuances of licenses, with the agreement that PAGCOR is paid a licensing fee. These licensees have the financial capability to pursue large scale developments with substantial hotel and entertainment components that could be comparable to those found in Las Vegas and Macau, and thus would be able to draw tourists and high rollers from abroad.

The Philippines also saw a new entrant in the gaming industry with the surge of online gaming. PAGCOR started providing licenses for Philippine and Offshore-based operators from any foreign country provided that Philippine-based gamers are not allowed to play. With the approval of PAGCOR, the subsector of the gaming industry was named Philippine Offshore Gaming Operators (POGO). POGO is basically online gaming which, according to PAGCOR “*allows players to play casino games without physically being present in a casino*”. However, this is limited to non-Philippine Passport holders.

PAGCOR sees offshore gaming to be an income generator in the industry with the collection of license and royalty fees from POGO. Application and processing fees for POGO is at PHP 2.5 million (USD50,000) for e-casinos and PHP 2.0 million (USD40,000) for sports betting. Upon approval, PHP10 million (USD200,000) and PHP 7.5 million (USD150,000) respectively will be collected from operators. With the surge of POGOs in the country, PAGCOR reports revenues from these operations to have grown steadily, from PHP 73.72 million in 2016, to PHP 5.73 billion in 2019. For the 1st Quarter of 2020, POGOs have already contributed PHP1.80 billion in regulatory fees alone, this is over and above the taxes imposed by the BIR, Bureau of Immigration (BI), and local fees and taxes imposed by the Local Government Units (LUGs)

There are 58 approved POGOs in the Philippines and five (5) accredited Gaming Laboratory of PAGCOR for Offshore Gaming Operators as of January 2020. Most of which are located within the emerging CBDs such as the Manila Bay area and Alabang. They typically occupy office spaces from 10,000 up to 30,000 sq.m..

Gaming-related BPOs or POGO Service Providers meanwhile are “*corporations which are registered in the Philippines that provide support to the operations of licensed operators in various areas of operation*”. Services of these gaming-related BPOs include, but not limited to:

- Customer relations
- Strategic Support
- IT Support
- Gaming Software platform providers
- Live studio and streaming providers

These service providers are heavily-reliant to the operations of POGO operators, as the accounts they are handling are limited to the POGO operations.

4.2.3 GLOBAL COMPETITIVENESS

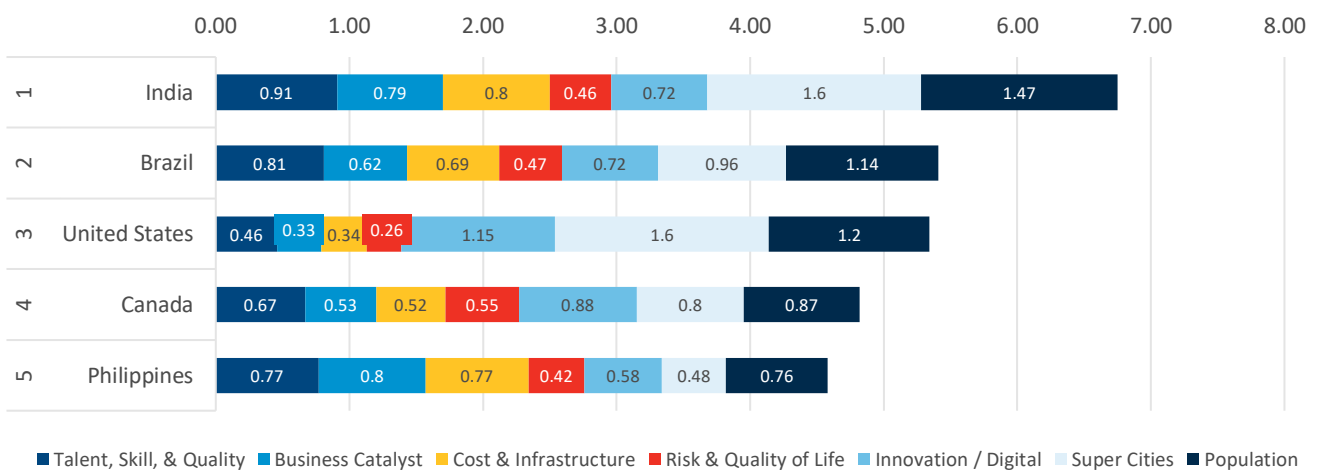
Based on the latest Global Competitiveness Report of the World Economic Forum (WEF), the Philippines is ranked as the 56th most competitive country in the world, with a Global Competitiveness Index of 62.1, up 2.3 points from previous score and increased 12 spots from previous ranking.

However, even with the Philippines’ remarkable performance in the latest survey, it is still behind its ASEAN peers Singapore (2nd), Malaysia (26th), Thailand (38th), and Indonesia (45th) but outranks Lao

PDR (112th) and, Cambodia (110th). Improved competitiveness ranking is a major pre-requisite to attracting foreign investments, including those channeled into the offshoring and outsourcing industry.

Apart from increasing scores in the Global Competitiveness Index, the Philippines has also been ranked as the 5th most digital nation by Tholons Services Globalization Country Index with India maintaining as the topmost digital nation among all countries in 2019. Among seven factors considered, the country's top three metrics for making it to top five is the availability of Talent, Skill & Quality, Business Catalyst, Cost & Infrastructure, and Population.

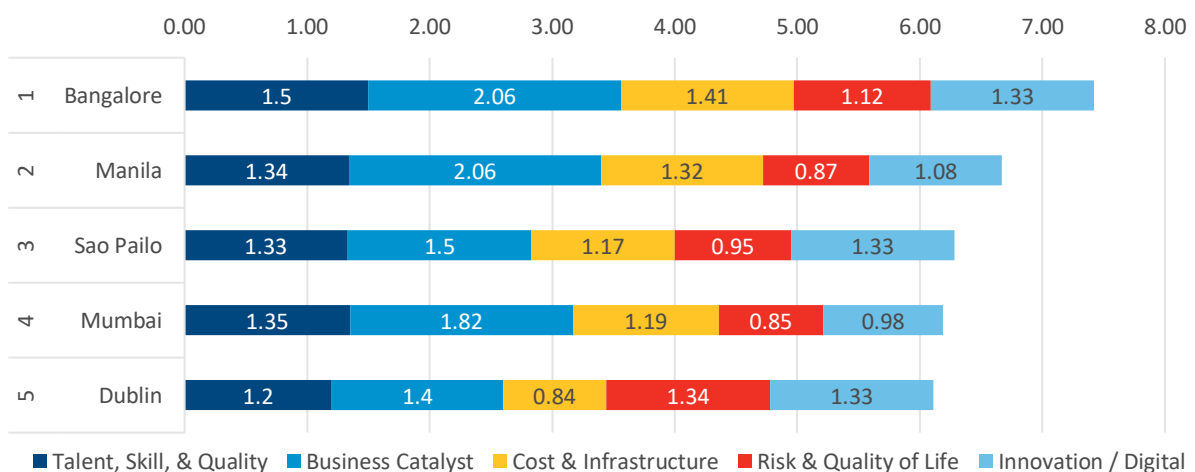
Figure 8: Globalization Country Index



Source: Tholons Services Globalization Index 2019

Manila maintains its 2nd spot in 2019, next only to the City of Bangalore. Talent, skill & quality of workers, Business Catalyst, Cost and Infrastructure were the top metrics where the City scored highest.

Figure 9: Globalization City Index



Source: Tholons Services Globalization Index 2019

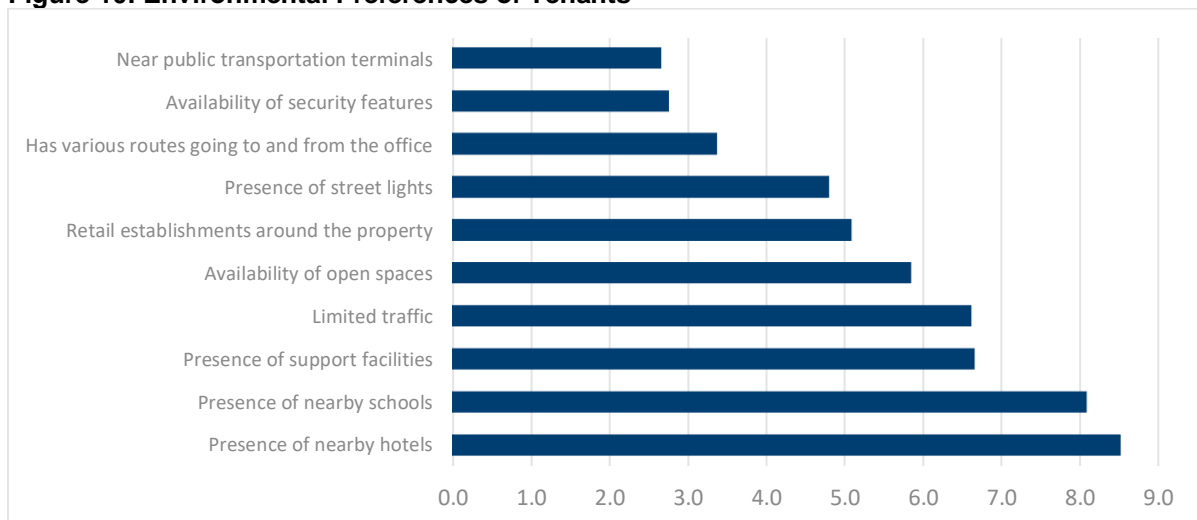
4.2.4 TENANT PREFERENCES

In looking for spaces and locations to expand to, different tenant groups have different technical requirements as well as location parameters. However, Colliers found some common preferences in terms of environmental factors as well as amenities. Below are some of the preferences Colliers have encountered.

4.2.4.1 ENVIRONMENTAL FACTORS CONSIDERED

Top preference for locators, both traditional and BPOs is proximity or having access to public transportation terminals and routes. The ease of getting into and going out of the office has always been top priority, regardless of location. Availability of security features also ranked high, with security features being presence of street lights, feeling of security in the neighborhood, and the like. Retail establishments in and around the property were also ranked and was noted as important by locators, mostly for their employee’s convenience.

Figure 10: Environmental Preferences of Tenants



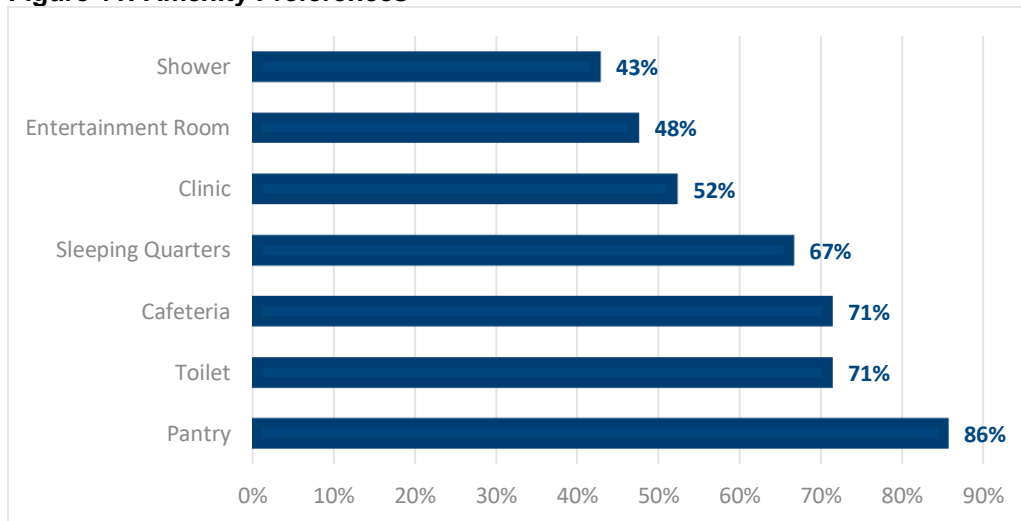
Source: Colliers International Philippines
 Note: scoring based on 1-10 ranking, 1 being the highest

4.2.4.2 AMENITIES

Building amenities are usually considered as an additional item for locators, a plus, rather than a necessity. Top priority amenities that some locators agree on are presence of cafeteria and dining options, again for the convenience of their employees. Provision of meeting rooms (outside their own meeting rooms in their office spaces) are also a plus, as well as having executive lounges. External signages meanwhile are mostly for the bigger companies, while gyms and shower areas are “nice to have” but not really a requirement.

Meanwhile for BPO Companies, in-office amenities preferences are listed below:

Figure 11: Amenity Preferences



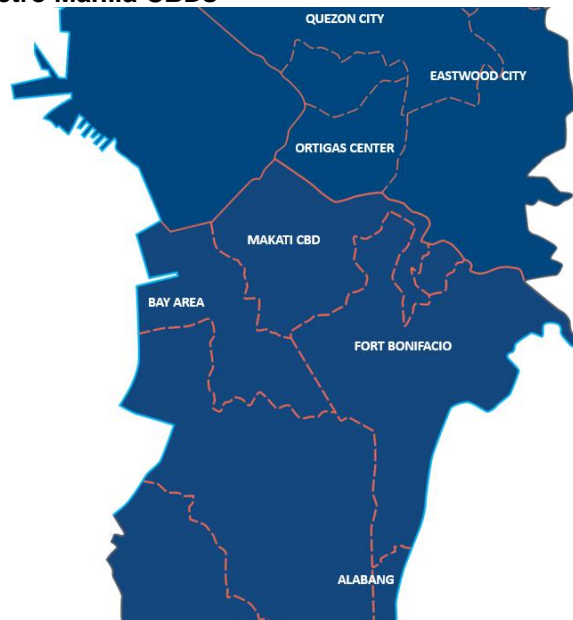
Source: Colliers International Philippines

Note: Score based on percentage who answered the certain amenity is needed in in-office locations.

4.3 METRO MANILA OFFICE MARKET OVERVIEW AND OUTLOOK

This office market overview covers the major business districts within Metro Manila.

Figure 12: Metro Manila CBDs



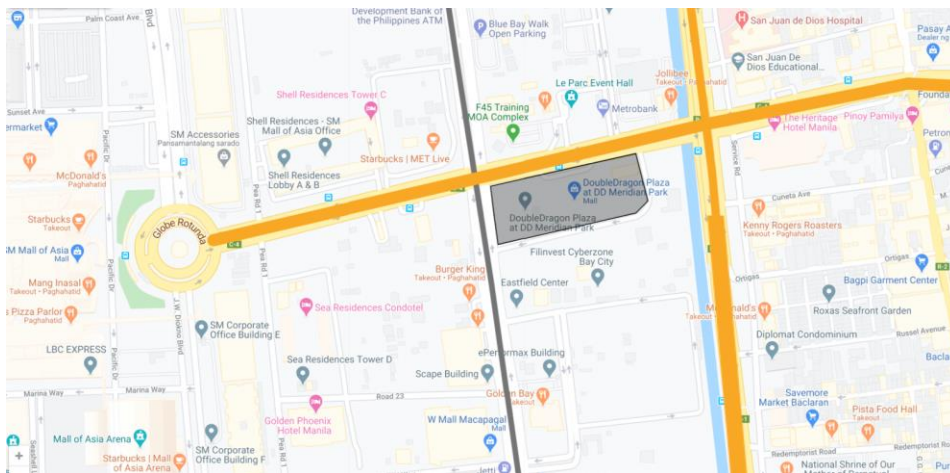
Source: Colliers International Philippines

4.4 INTRODUCTION OF METRO MANILA CBDS

4.4.1 MANILA BAY AREA

DD Meridian Park

DD Meridian Park is a 4.75 hectare commercial complex located at the tip of the Bay Area. Currently, it has six (6) office towers, the largest being DoubleDragon Plaza, with four towers sitting atop a retail podium and a total gross floor area of around 139,022 sq.m.. Two (2) other towers stand behind it – DoubleDragon Center East and DoubleDragon Center West. Combined, these six (6) towers amount to a total gross floor area of around 174,204 sq.m.. The complex is still expected to grow with the completion of their Phase 4 – a serviced residence operated by Ascott in 2022, and two other office towers: DoubleDragon Tower and DoubleDragon Meridian Tower.



MOA Complex

Mall of Asia Complex sits on a 60-hectare reclaimed land along Manila Bay in Pasay City. It is a mixed-use development by The SM Group, with its centerpiece SM Mall of Asia which has 536,000 sq.m.. of retail space and ranks the 3rd largest mall in the world, next to West Edmonton Mall in Canada and the Golden Resources Mall in China. Major components are condominiums, E-com office complexes catering to BPO companies, Tryp by Windham Hotel, and Conrad Manila.



Aseana City

Aseana City is a 107.5-hectare masterplanned reclamation development along Manila Bay, Paranaque City, a flagship project of D.M. Wenceslao and Associates. It is envisioned as a waterfront central business district for the 21st century. It will feature PEZA-accredited offices and residential condominiums that will serve the growing middle-income population who want to live close to city centers. Shopping centers and neighborhood retail will also be built in Aseana City to address the needs of those living and working in the district. Furthermore, hotels, entertainment, educational, institutional and cultural facilities will form an integral part of this.



4.4.2 MAKATI CBD

Makati CBD is a 92-hectare masterplanned development that serves as the country's premier business and lifestyle capital, managed by Makati Commercial Estates Association (MaCEA) and the Ayala Property Management Corporation (APMC). Located at the heart of Makati City, it is bounded by Gil Puyat Avenue (Buendia) to the north, Epifanio Delos Santos Avenue (EDSA) to the east, Chino Roses Avenue to the west, and Arnaiz Avenue to the south. Ayala Land's pioneer district has six (6)

development nodes, namely Makati Central Business District, Ayala Center, Ayala Triangle Gardens, Ayala North Exchange, McKinley Exchange, and Circuit Makati. It boasts of the highest service workforce population and a very competitive environment for industry leaders, local and multinational companies, co-working spaces, and even startups. There are many existing and upcoming residences in Makati CBD, mostly high end and luxury condominiums given its prime location. Other unique features include Ayala Mall complexes, various parks and pocket gardens, international 5-star hotels, local and international educational institutions, Makati Medical Center, and much awaited annual events such as Art Fair Philippines, Art in the Park, and Ayala Triangle Gardens 'Festival of Lights'.

MAKATI CENTRAL BUSINESS DISTRICT



4.4.3 FORT BONIFACIO

Taguig City is located at the south-east of Metro Manila, on the western shore of Laguna de Bay, bounded by Muntinlupa City in the south, Paranaque to the southwest, Pasay to the west, Cainta on the northeast and Makati, Pateros and Pasig to the north. The local government presently administers the central business district of Fort Bonifacio with future mixed-use developments of Arca South, the 70-hectare township by Ayala Land and Megaworld's McKinley West.

Fort Bonifacio is a former military base located immediately east of Forbes Park and Manila Golf Club approximately two kilometers away from the Makati CBD. The site extends to over 200 hectares and is being developed by the Fort Bonifacio Development Corp. (FBDC), a joint venture between the government's Bases Conversion Development Authority (BCDA) and Bonifacio Land Corporation (BLC). Fort Bonifacio is composed of the Bonifacio Global City (BGC), North Bonifacio, Uptown Bonifacio and McKinley Hill.

Bonifacio Global City is directly linked to Manila's two main thoroughfares - EDSA and C5 Highways - and is accessible via seven access points: The Kalayaan Avenue from the North, the Kalayaan Flyover via EDSA, and Makati McKinley Road from the West, the three gates from C5 Highway from the East, and via the airport through Villamor Airbase from the South.



Source: Fort Bonifacio Development Corporation

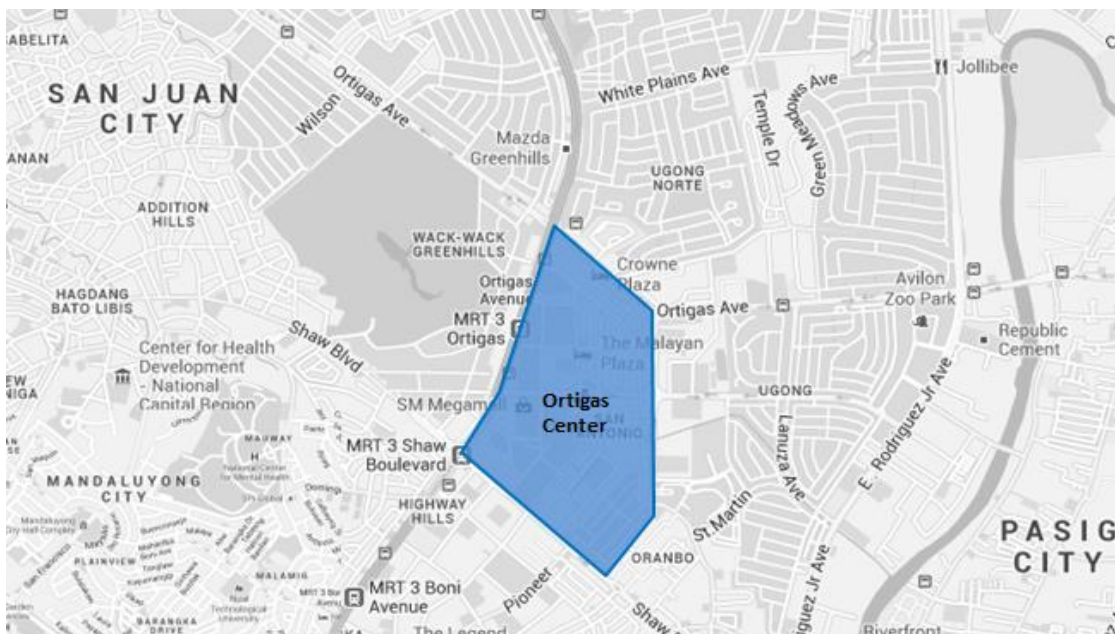
McKinley Hill is a 50-hectare development of Megaworld in Fort Bonifacio. McKinley Hill is bounded by C5 to the east, the American War Memorial to the north, Lawton Road to the west and the Philippine Army Headquarters to the south. Its main artery, Upper McKinley Road, connects to Forbes Park's McKinley Road – which leads to Ayala Avenue of the Makati financial district. It offers residential and office developments and a Venetian-themed mall and an events venue. It also plays host to the British, South Korean, and Qatar embassies.



Source: Colliers International Philippines

4.4.4 ORTIGAS CENTER

Ortigas Center was once the major alternative to Makati as it absorbed the spillover office demand from Makati in the mid-1990s. With an area of around 100 hectares, Ortigas Center is located at the boundaries of Pasig, Mandaluyong and Quezon City. It is surrounded by the streets of EDSA to the west, Ortigas Avenue to the north, Meralco Avenue to the east, and Shaw Boulevard to the south.



4.4.5 ALABANG

Filinvest City sprawls over 244 hectares of prime property in Alabang, Muntinlupa. It is a township by Filinvest Corporation that integrates office, retail, residential, and leisure projects in order to have a well-

balanced and self-contained central business district. Its major districts are the Spectrum District with high-rise offices and residential towers; PEZA accredited Northgate Cyberzone where the premiere IT-BPO Park can be found; the Civic Plaza where hospitals and civic offices are located; Riverside Park, an exciting green attraction that will feature retail and dining options; Central Park which will have lush landscaped gardens and parks for residents, workers, and visitors; and the City Center which houses its anchor which is Festival Alabang Mall.



4.4.6 MAKATI FRINGE

Rockwell Center

Rockwell Center is a high-end, mixed-use development situated in a 15.5-hectare lot that used to be a thermal power plant until it was closed in 1995. It is bounded by J.P. Rizal Avenue to the north, where it faces the Pasig River, Estrella Street to the east, Rockwell Drive and Amapola Street to the south, and R. Palma Street to the west. It was developed by Rockwell Land Corporation, while architectural firm Skidmore, Owings & Merrill (SOM) carried out its project design.

Circuit Makati

Circuit Makati is a 21-hectare mixed-use development situated on the former Sta. Ana Racetrack of the Philippine Racing Club Inc. As a collaboration among Ayala Land Inc., PRCI, and the City of Makati, it is envisioned to be Makati's ultimate lifestyle playground for entertainment, arts, and culture. It anchors on Ayala Malls Circuit Makati which offers a wide range of shopping and dining options. It also features integrated spaces of commercial, hotel and residential buildings.



Century City

Century City is a 3.4-hectare mixed-use development by Century Properties, located along Kalayaan Avenue in Poblacion or what is now referred to as “MoMa” or Modern Makati. It is just north of Makati CBD and a few blocks away from Rockwell Center. Century City boasts of cutting-edge architectural design, as well as its exclusive vertical village that include Gramercy Residences, Knightsbridge Residences, Milano Residences interior design by Versace Home, and Trump Tower. For its retail anchor, they have Century City Mall, a boutique, lifestyle mall situated in the center of its high-rise towers. For companies, it will feature world-class office space with Century Spire – architecture by Studio Daniel Libeskind, designer of Ground Zero at World Trade Center; and interior design by Italian home fashion brand Armani/Casa. Lastly, it will feature Centuria Medical Makati, a one-stop, outpatient medical-IT facility which will house more than 700 clinics.



4.4.7 QUEZON CITY

Vertis North

Vertis North is a 29-hectare mixed-use development brought by Ayala Land Premier, and is envisioned to be the prime central business district in the north. It is located in North Triangle Quezon City, bounded by major roads of EDSA, North Avenue, and Quezon Avenue. Vertis North will have similar components

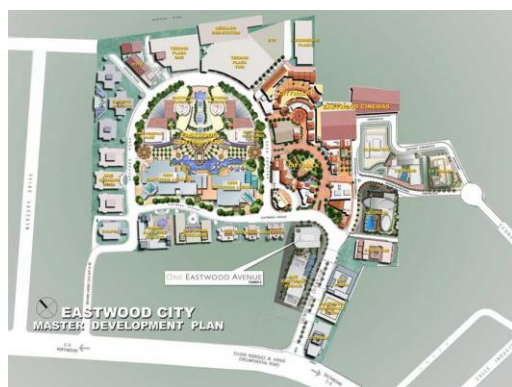
and practices used in the masterplans of Makati CBD and Bonifacio Global City. It anchors on Ayala Malls Vertis North, presently the 4th biggest mall in Quezon City. For the business side, Vertis North Corporate Center has its 3-tower office development and will have a similar concept to Ayala Triangle as Vertis North Gardens will have 2 hectares of parks, civic spaces, bike lanes, and pedestrian lanes.

Vertis North is banking on the different transportation options within its vicinity, namely: MRT 3, P2P stations going to and from Trinoma as well as upcoming infrastructure like the MRT 7, the Unified Grand Central station, and the Metro Manila Subway.



Eastwood City

Eastwood City is an 18.5-hectare commercial and residential township launched in 1997 by Megaworld in Quezon City. According to Megaworld, it has completed 19 condominium towers, and there are seven (7) ongoing residential projects. Eastwood City is also known as the Philippines' first cyberpark, with ten (10) completed first-class corporate office buildings and a modern IT Park. For retail, already completed are three (3) lifestyle malls – Eastwood Mall, Eastwood City Walk, Eastwood Cyber & Fashion Mall – with over 500 commercial and retail shops. As per Megaworld, the whole community is home to more than 22,000 residents and 55,000 workers.



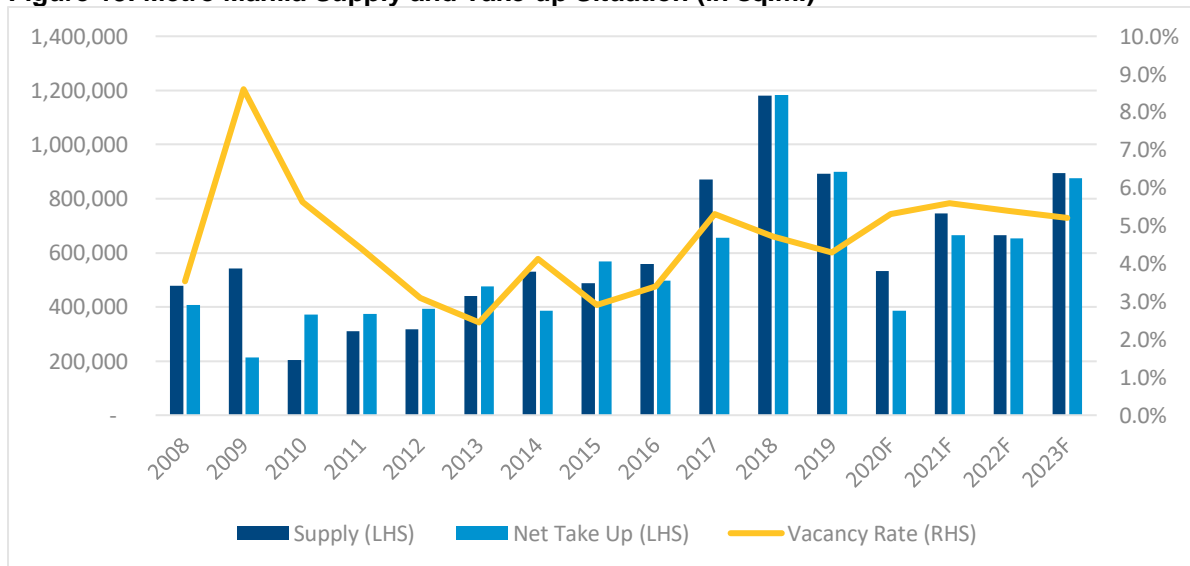
4.5 OFFICE DEMAND AND SUPPLY SITUATION

2019 saw a slowdown in growth, registering 8.14% year-on-year, compared to the 2018 growth which was 12.04%, a record-high growth in the Metro Manila office market. The slower growth was mainly attributed to lower completions for the year, of 893,000 sq.m.. Meanwhile net take-up declined by 23.90%, registering around 900,000 sq.m. of space. Vacancy at year end was at 4.28%. which is lower than 4.71% in 2018.

However, by end-2020, Colliers projects an increase in the vacancy of Metro Manila, up to 5.30%, which is primarily driven by the pandemic and lack of office transactions happening during the 1st two (2) quarters of the year. The vacancy will likely peak in 2021 at 5.60%, and eventually dip to 5.20% come 2023.

Completions in 2020 is almost slashed in half, as construction stoppages were seen, and limited workers being able to work on projects due to social distancing measures that are being implemented.

Figure 13: Metro Manila Supply and Take-up Situation (in sq.m.)

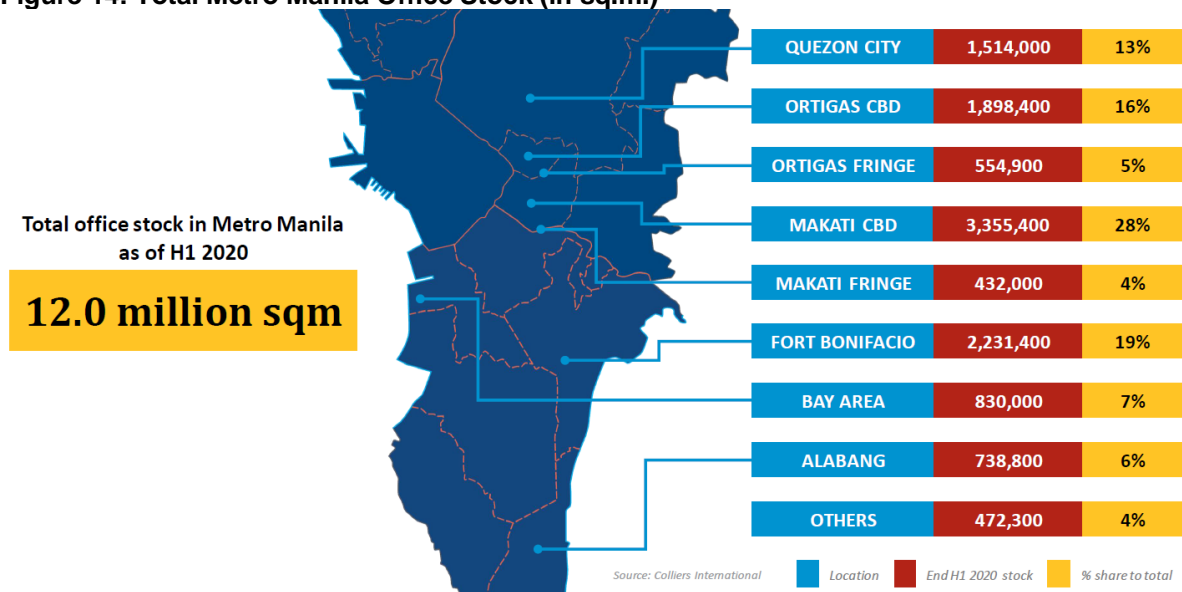


Source: Colliers International Philippines

4.5.1 NEW SUPPLY

As of the end of the 1st half of 2020, total office stock in Metro Manila stands at 12.03 million sq.m., majority of which are found in the primary CBDs: Makati CBD, Fort Bonifacio and Ortigas CBD. These three (3) locations already account for 62.24% of the total office space in Metro Manila.

Figure 14: Total Metro Manila Office Stock (in sq.m.)

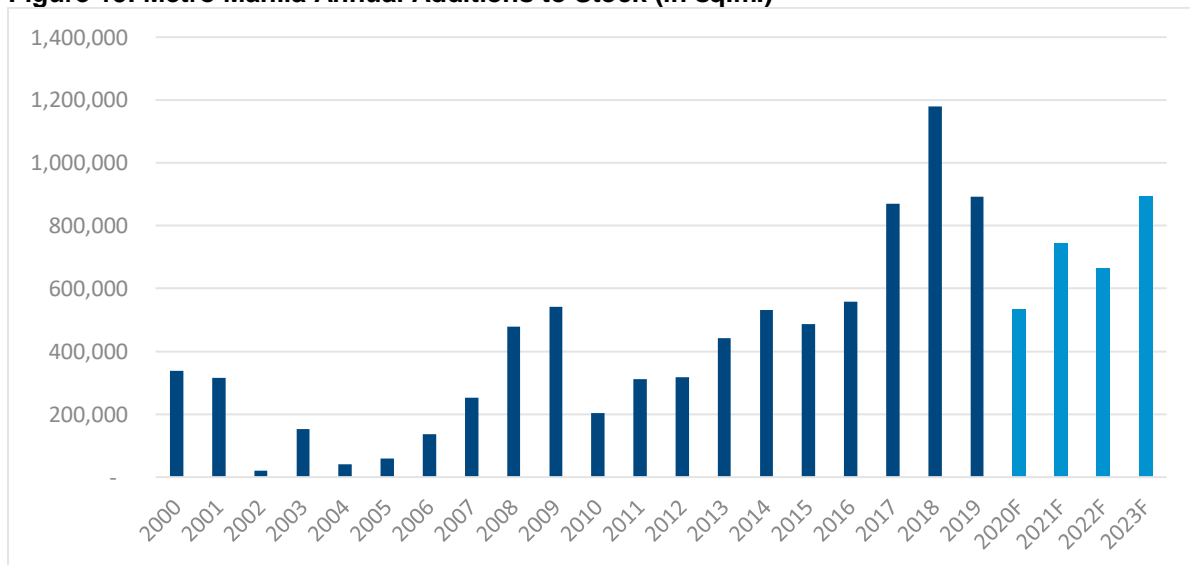


Source: Colliers International Philippines

Quezon City comes in at 4th largest office space location, with 12.58% of the market, while Bay Area is at 5th, having a 6.90% share of the market, with a total leasable space of 830,000 sq.m..

Additional stock per year has been on an increasing trend since 2010, growing from 5% to 18% year-on-year, with the biggest jump seen during the 2017-2018 period. For 2020, a lowly 4% growth is seen by Colliers, with completion levels dropping to around 530,000 sq.m., the lowest since 2015, which recorded 486,000 sq.m. of additional space during the year.

Figure 15: Metro Manila Annual Additions to Stock (in sq.m.)



Ortigas CBD will see the most completions for the year, with almost 150,000 sq.m. of office space expected to come online. The CBD also had completions during the 1st half, with Exquadra Tower. Fort

Bonifacio will also have significant completions at 115,000 sq.m.. Bay Area meanwhile will contribute 100,000 sq.m. to the completed buildings in 2020.

Makati CBD will remain to be the largest CBD in terms of stock and is expected to have a total of 3.56 million sq.m. of office space by end-2023 while Fort Bonifacio will have 2.68 million sq.m. on the same year.

In terms of growth from 2019 to 2023, the Bay Area is expected to grow the fastest, and will register a total of almost 70% growth from 2019 to 2023, while fully built-up CBDs such as the Makati CBD, will tally a flattish growth of 6.35% in the same period.

Table 12: Metro Manila Annual Additions to Stock Projection (in sq.m.)

Location	END 2019	2Q 2020	2020F	2021F	2022F	2023F	Total	% Change (2019 v 2023F)
Alabang	731,921	6,853	4,943	47,246	77,799	15,960	884,722	20.88%
Bay Area	798,585	31,444	68,961	243,909	89,236	124,047	1,356,183	69.82%
Fort Bonifacio*	2,231,435	-	115,491	211,654	38,871	83,975	2,681,427	20.17%
Makati CBD	3,355,391	-	7,136	106,538	32,416	66,860	3,568,341	6.35%
Makati Fringe	417,663	14,346	53,679	21,492	46,569	91,054	644,802	54.38%
Ortigas CBD	1,840,858	57,500	91,038	91,155	244,300	71,500	2,396,351	30.18%
Ortigas Fringe	535,760	19,119	32,731	-	65,313	-	652,923	21.87%
Others	472,343	-	-	22,890	20,400	217,784	733,417	55.27%
Quezon City**	1,485,421	28,616	731	-	49,094	223,739	1,787,601	20.34%
Total	11,869,377	157,878	374,710	744,885	663,998	894,918	14,705,766	23.90%

Source: Colliers International Philippines

Note: * Fort Bonifacio includes: Bonifacio Global City, McKinley Hill and North Bonifacio

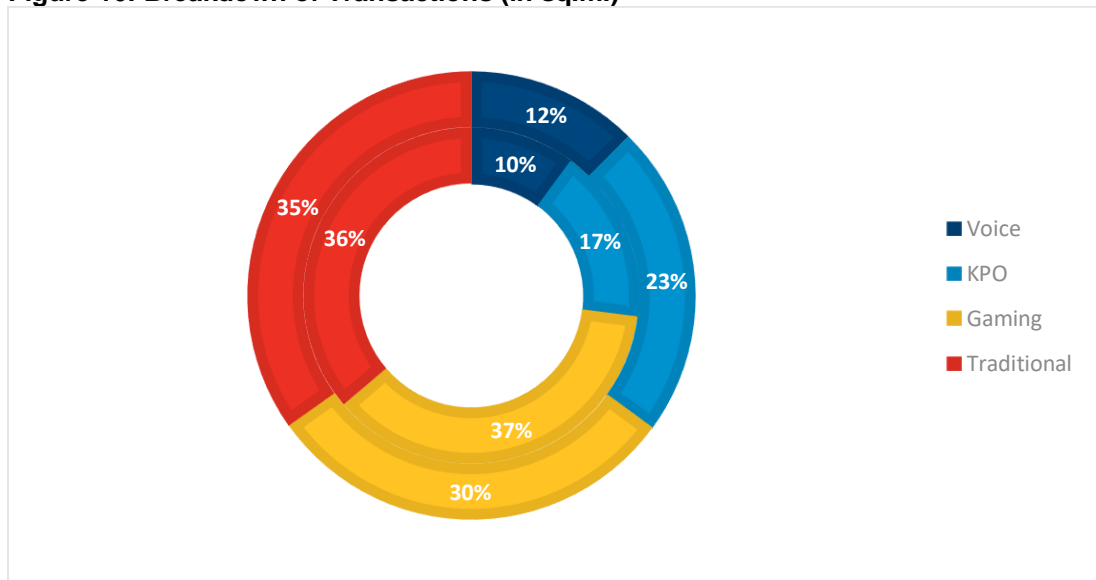
** Quezon City includes: Eastwood City, Vertis North, Araneta Center and C-5 Corridor

4.5.2 DEMAND

Transactions recorded in the 1st half 2020 showed a steep decline, registering only about a third, compared to 1st half 2019 figures.

Among the tenant groups, it is the traditional locators that drove demand, accounting for 35% of the total transactions done during the 1st Half. This group has shown a resurgence in the office market, taking up significant spaces during the past few periods. In 1H 2019, they also recorded a 36% market share in terms of transactions made. KPOs also showed an increase in their share of transactions, accounting for 23% of the total deals, from only 17% during the same period last year.

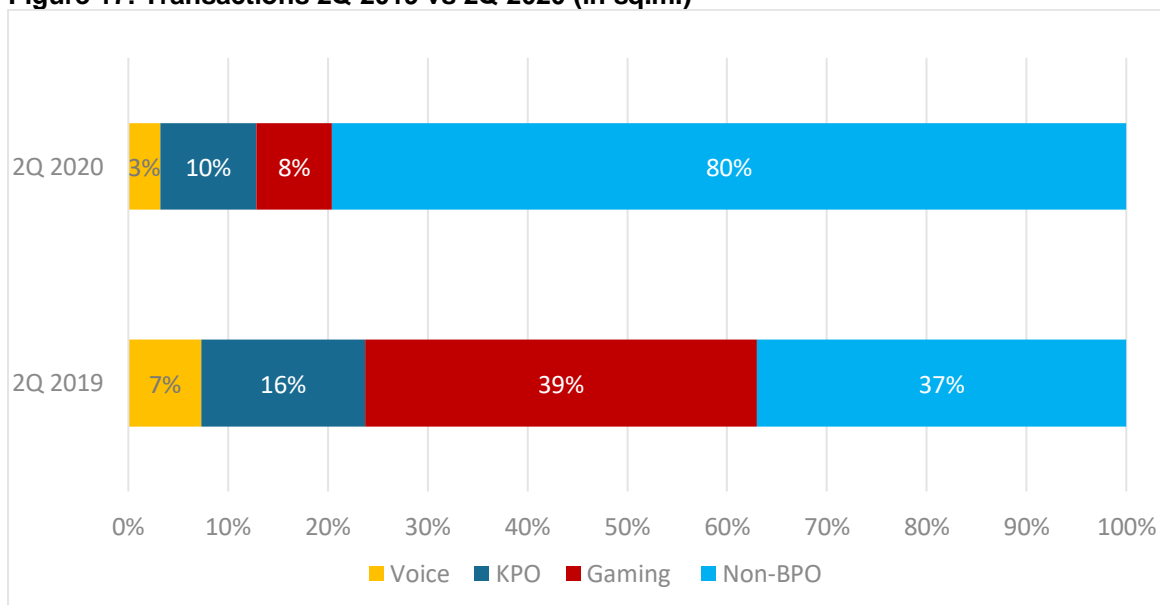
Figure 16: Breakdown of Transactions (in sq.m.)



Source: Colliers International Philippines
 Note: based on space taken-up in sq.m. by tenant type
 Inner circle: 1H 2019
 Outer circle: 1H 2020

However, it must be noted that while both the traditional and KPO tenant groups have seen increases in market shares in terms of transactions made, transaction values are only half of what they were in 2019. The traditional tenant group registered a 66% decrease in the transacted space, second only to the gaming sector, which only had 30% of their total transaction size in 2019 done in 2020. With the travel ban imposed, the Chinese POGO employees cannot enter the country, halting expansion efforts of their respective businesses.

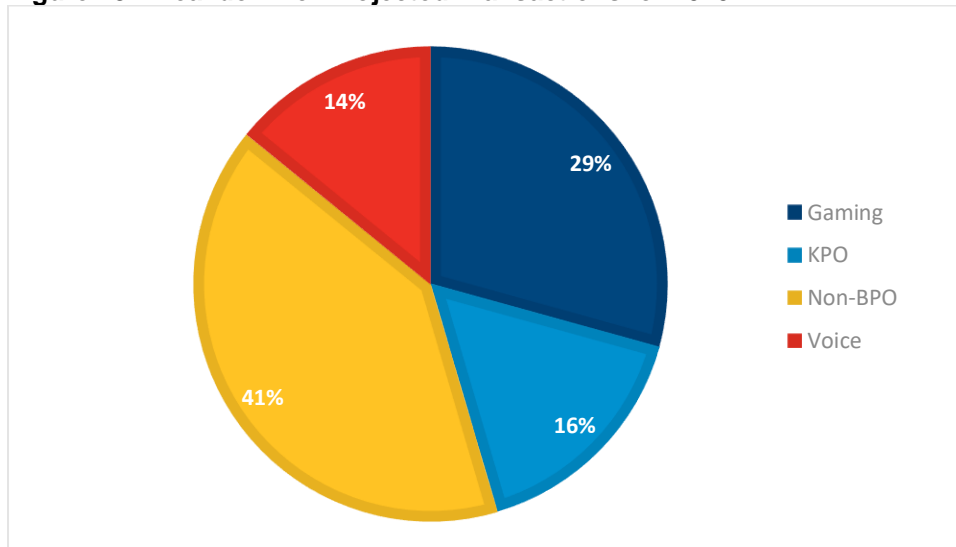
Figure 17: Transactions 2Q 2019 vs 2Q 2020 (in sq.m.)



Source: Colliers International Philippines
 Note: based on space taken-up in sq.m. by tenant type

During the second quarter, when the quarantine was mostly in place, a decrease of 92% in the transactions were seen. It is still the traditional tenant group that had the biggest contribution, followed by the KPOs. Voice meanwhile had the smallest market share in 2Q 2020 transactions, accounting only for 3% of total transactions.

Figure 18: Breakdown of Projected Transactions for 2020



Source: Colliers International Philippines
Note: based on space taken-up in sq.m. by tenant type

For 2020, Colliers project non-BPO tenants to lead transactions with a share of 41%, 5% higher than their share of transactions in 2019, while Gaming is expected to drop to 30% from 37% from the previous year. KPOs will maintain its share of around 16% while Voice is expected to have 14% of the total transactions in 2020. The projections are based on current YTD (August 30) transactions, and the trend is expected to continue until the end of the year.

4.5.3 OCCUPANCY AND VACANCY RATES

Table 13: Metro Manila Vacancy Rates

Location	END 2019	2Q 2020
Alabang	2.29%	6.20%
Bay Area	0.35%	3.15%
Fort Bonifacio*	3.48%	4.28%
Makati CBD	1.06%	1.11%
Makati Fringe	10.47%	6.76%
Ortigas CBD	4.59%	7.22%
Ortigas Fringe	10.57%	10.81%
Others	8.49%	4.65%
Quezon City**	10.25%	9.33%
Total	4.30%	4.91%

Source: Colliers International Philippines
Note: * Fort Bonifacio includes: Bonifacio Global City, McKinley Hill and North Bonifacio
** Quezon City includes Eastwood City, Vertis North, Araneta Center and C-5 Corridor

Vacancy rates during the 2nd Quarter of 2020 increased slightly at 4.91% from 4.30% during the previous period. This is attributed primarily with the completions during the 1st half, while transactions were frozen due to the quarantine. Significant increases are seen in Alabang, Bay Area, and Ortigas CBD. These areas also registered significant completions, with Alabang turning over 6,800 sq.m. of space, Bay Area with 31,000 sq.m. and Ortigas CBD with 57,500 sq.m..

Meanwhile areas with completions but had declining vacancies were Makati Fringe, and Quezon City.

4.5.4 LEASE RATES

Lease rates meanwhile were flattish in terms of growth, with some areas having lower asking rents in 2020 compared to 2019. While it may be a function of the pandemic, available spaces also play a role towards the asking and transacted rates reflected in this table.

Table 14: Headline and Transacted Rates in Metro Manila (in PHP)

Location	Headline (in PHP)		Transacted (in PHP)	
	Low	High	Low	High
Alabang	600	975	550	950
Bay Area	1,000	1,800	950	1,400
Fort Bonifacio*	1,000	1,800	900	1,500
Makati CBD	1,000	1,950	950	1,850
Makati Fringe	800	1,600	700	1,600
Ortigas CBD	800	1,200	750	1,100
Ortigas Fringe	700	1,000	650	950
Others	650	1,100	600	1,000
Quezon City**	600	975	550	950
Total	600	1,950	550	1,850

Source: Colliers International Philippines

Note: * Fort Bonifacio includes: Bonifacio Global City, McKinley Hill and North Bonifacio

** Quezon City include: Eastwood City, Vertis North, Araneta Center and C-5 Corridor

This however is not true in Bay Area, which has even seen an increase in their asking prices from PHP 850 to PHP 1,500 per sq.m. per month in asking rents in 2019, to PHP 1,000 to PHP 1,800 per sq.m. per month during the 2Q 2020. Makati Fringe and Ortigas CBD also registered increases from PHP 700-PHP 1,600 in Makati Fringe to PHP 800 – PHP 1,600, and PHP 750 – PHP 1,100 to PHP 800 – PHP 1,200 for Ortigas CBD.

4.6 OFFICE CLASSIFICATION CRITERIA

Colliers International uses a broad guideline in determining the classification of an office building. While the guidelines are quite specific, the determination of the ultimate classification is also subjective and would require a judgment call. Thus, a building may not meet some criteria under the Premium grade but may still be classified as such. One example is ownership, since several Premium buildings in existence are under strata ownership by multiple owners. Due to changes in building design and

features such as green building, these criteria are currently being updated and some may no longer be applicable in the future.

Table 15: General Office Classification Criteria

Criteria	Premium Grade	Grade A	Grade B
Site	Within CBD Core	Within the business district	Not on main or secondary avenues
	Quality access to/from main avenue	But not in the core area	Average accessibility
	Superior visibility from the main avenue	Good access to/from main avenue / secondary avenue	Average visibility
		Good visibility	
Building Size (Gross Floor Area)	Total floor area above 55,000 sq. m (gross floor area)	Total floor area above 40,000 sq. m (gross floor area)	Any size
Floor Plate & Layout	1,500 sq. m (gross floor area or above)	1,000 sq. m (gross floor area or above)	Less than 1,000 sq. m (gross floor area or above)
	Column-free	Largely Column-free	
General Finish	Landmark building	Good view/look	Easy access to high street
	Iconic structure	Direct access to high street	High quality presentation and maintenance
	Good view/look	High quality presentation and maintenance	
	Direct access to high street		
	Premium presentation and maintenance		
Exterior Finish	Energy efficient-solar reflective window glass	Energy efficient-solar reflective window glass	Average exterior finish
	Curtain wall system on four sides	Curtain wall system on two sides	No curtain wall system/concrete walls
	Superior building materials	High quality building materials	
Interior Finish	Massive two-level lobby with high ceiling	Good size lobby (2 level & below) with moderate ceiling height	Low ceiling lobby
	5 to 6-star quality	4-star quality; first class interior finishing of office and common areas	Average interior finishing
	Prestige interior finishing of office and common areas		
Rental and Capital Value	Pace or trend setter	Above average	Average
Efficiency (single floor tenant) Gross to Net useable	75% and over	Over 70%	Over 60%
Finished floor to ceiling clearance	2.7 meters or more	2.7 meters	2.5 meters
Construction Cost (excluding land cost)	US\$ 1,000 per sq. m or more	US\$ 800 or more	Below US\$800
Ownership	Single ownership	Single ownership	Single ownership or strata titled investors
Technical Services			
Property Management	Reputable international firm	Reputable international or local firm	Average management firm or in-house team
Fire System	FAS	FAS	Average fire prevention system
	Sprinklers	Sprinklers	Limited availability of smoke detection and sprinkler systems
	Smoke detector	Smoke detector	
	Stairwell pressurization	Stairwell pressurization	

Criteria	Premium Grade	Grade A	Grade B
	Fire pumps with redundancy	Fire pumps with redundancy	
Building Intelligence	High quality building automation system	Building automation system	Manned security with monitoring system
	24-hr access with card keys	24-hr access with card keys	

Source: Colliers International Philippines

4.7 TYPICAL LEASE CONTRACT AGREEMENT / STRUCTURE

Below are the following most typical lease contract agreement structure for office tenants. While some buildings have more specialized restrictions such as not allowing certain tenant groups, limiting density of employees within the leased space, etc. This would all be in the lease contract and offer of the developers.

Table 16: Typical Lease Contract Agreement Provisions

Parameters	Typical Practice
Lease term	Traditional: 3 to 5 Years BPOs: 5 Years POGO / Gaming-related BPOs: 5 Years, but has since reduced to 3-5 Years
Escalation Rates	5% starting Year 2
Security Deposit and Advanced Rent	<ul style="list-style-type: none"> - Advanced Rent: 3 months based and applicable on the last 3 months of the lease term - Security Deposit: 3 months based on the last 3 months of the term
Typical rules/restriction	<ul style="list-style-type: none"> - Foot traffic restrictions - Cooking / open-fire regulations - Tenant restrictions - Load capacities - Unit cuts
Rent-free periods	<ul style="list-style-type: none"> - Below 100 sqm – 1 month - More than 100 sq.m. to half-floor – 2 months - Full floor / multiple floors – 3 months
Other contract agreements	<ul style="list-style-type: none"> - Payment of CUSA and utility charges (sub-metered or fixed rate) - Construction bond during fit-out usually is equal to 1 month's rent - Vetting fees during fit-out

Source: Colliers International Philippines

4.8 OUTLOOK OF COLLIERS FOR THE METRO MANILA OFFICE MARKET

With locators taking a wait and see stance for 2020, Colliers sees recovery to happen in 2021 for both outsourcing and traditional tenant groups. This projected uptick in demand is seen to offset the slowdown in take-up from POGOs during the year. Vacancy is seen to be at 5.30% by the end of 2020 due to the slower processing of deals and will rise further to peak at 5.60% in 2021. The rise in vacancy will be driven by several factors, which includes additional stock expected to be turned over during the year, economic recession, and transition to work-from-home of some companies. While take-up will likely not reach the 2018-2019 levels of around 1.0 million sq.m. of leased space, Colliers expects transactions to reach around 650,000 to 700,000 sq.m. for 2021, double of what is expected this year.

While cost, location and labor availability will remain as key decision factors for locators, the current pandemic has brought to light new factors that should be taken into consideration for the new normal:

- Environmental safety – to avoid work stoppage in cases of natural calamities and disasters such as the Taal Volcano eruption, flooding, earthquake
- Expansion to non-core locations and fringes – bringing the offices near where there is a considerable talent pool that the locators can tap, to ensure business continuity if the central location becomes inaccessible or needs to stop operations.
- Higher health standards and additional safety measures will be enacted among office spaces and office buildings – as the pandemic still ravages, and the prospect of a vaccine is towards the end of the year or early 2021, both landlords and tenants are expected to implement strict health measures to ensure the safety of their staff. Colliers expects wellness to be at the forefront of organizations' strategies
- Companies to look at technology to help businesses adapt and look for other ways to alleviate cost pressures – Colliers anticipates most companies to look at technology options to help adapt to the current work structure and movement limitations to ensure business continuity. Others will try to look at their costs and try to rationalize expenses.

4.8.1 FOR LANDLORDS

Landlords are optimistic that the market will bounce back within the first half of 2021. With this, they are not lowering headline rates. However, we've seen that they are more open in reducing their rates and giving more concessions to finalize the transactions.

Some key points for landlords are:

- Be more accommodating to non-POGO / gaming-related tenants
- Expand options by offering available office spaces in non-core locations
- Work with existing tenant to provide flexible lease terms
- Focus on wellness initiatives of the building – be more discerning with design considerations, particularly on proper air circulation and ventilation systems, lower density within the elevators, opening and access to stairwells, and glass ratios that allow natural light to enter the building.
- Strengthen property management capabilities including sanitation, emergency preparedness and building resilience. Implementation of enhanced hygiene and cleaning measures should also be at the forefront of the building management. Provision of hand sanitizing dispensers, soap and water in the toilets, use of sensor taps and flushes as well as other hands-free technologies.
- To maximize existing wellness features of their buildings and prioritize certifications such as LEED and WELL buildings standards to promote the health and well-being of their occupants when they come back to the office building.

4.8.2 FOR OCCUPIERS

The market is shifting towards a tenant's market, as evidenced by the increase in vacancy levels in Metro Manila. The increase is approximately equivalent to 100,000 sq.m. – half of which is accounted for by completions in 2Q 2020 (around 57,000 sq.m.), while the other half is vacated due to non-renewals, downsizing, pre-termination, and/or relocation. Landlords have exhibited a change in behavior in such that, depending on their market position, they are willing to offer more flexible commercial terms to secure new leases. Key considerations for occupiers are as follows:

- Leverage on current market conditions and landlord's propensity to be more accommodating on new leases. Take advantage of bargaining power to derive more mutually beneficial commercial terms
- Design a workplace strategy that is adaptable and resilient to disruptions in preparation towards future crises. Put stronger emphasis on real estate and operational considerations in business continuity plans moving forward.
- Implement a Flex and Core™ real estate strategy where a mix of traditional and flexible workspaces are created. From a commercial real estate point of view, this will help Occupiers manage uncertainty by dialing up or down their space requirements in tandem with the headcount movements and business objectives.
- Effectively communicate cloud computing strategies to their employees to minimize disruption of operations. This can be conducted through numerous online training sessions on how to adapt to remote work, how to communicate with team members remotely, and find seamless ways to work collaboratively with the team.
- Implementation of alternative work arrangements such as telecommuting and/or alternating schedules to be at the office. This means providing adequate support to employees by providing them with laptops, internet access, headsets, etc. that will truly promote the employees' productivity whether is working remotely or working from the office.

4.9 TRENDS AND PRACTICES OF DIFFERENT OFFICE TENANT GROUPS

BPOs and other export-oriented industries were classified as part of those providing essential services, which is why several BPO companies were allowed to continue operating even during the community quarantines. However, due to movement issues and unavailable public transport, these companies were forced to provide housing / accommodations as well as transportation for their personnel, especially those handling sensitive information and cannot work from home. Other non-core functions such as HR, recruitment and administrative functions of these BPOs were mostly work from home, as government regulations only allowed for 30%-50% operations. Other voice and BPOs meanwhile have given their employees remote work arrangement options.

On the other hand, POGO operations, were all at a standstill during the MECQ, and were not allowed to operate until they were able to settle their BIR obligations. While some were able to, other companies opted to just leave and pre-terminate their leases. Colliers have observed and registered pre-terminations of these locators in other locations, such as Mandaluyong and Quezon City, already. Those who were able to continue to their operations however is now reeling due to the loss of employees, given the strict border control measures that were put in place. These POGO operators, and similarly gaming-related BPOs, are now looking at reducing the size they are occupying since they now have fewer employees to run the operations and are looking to sublease their spaces to BPOs and traditional companies who are looking at fitted spaces. This way, they do not need to pre-terminate their leases, get help on their rents (and even charge a premium for the fitted space), and be able to get their deposits when their rental period is up.

Traditional companies were also badly hit by the imposed quarantines, because there weren't many industries that were considered as essential services and weren't allowed to operate until the MECQ was lifted. Companies had to scramble to shift from working physically in the offices to remote working. Employers provided laptops, while some employers shipped employees' desktop to ensure business continuity. Internet connections were also provided by some, most especially those whose core functions require being online the whole day. With the lifting of the most stringent community quarantine, traditional companies started to employ a mix of work onsite and work from home. Shuttles were provided to ferry people in and out of their workplace for some, as limitations in public transportation is still in place so people can practice social distancing requirements. Companies have also started re-assessing their workplace design and number of employees reporting to the office in compliance with the government directives.

4.10 THE RISE OF SECONDARY CBD LOCATIONS

Since the start of the office property market boom in the early 2000s, office developments were mostly concentrated in traditional CBDs of Makati and Ortigas Center. However, with the rising land values, and consequently rental rates in the core, as well as limited developable space, a need for secondary location arose. Fort Bonifacio on its own is actually a secondary location, primarily catering as a catch-basin for Makati CBD, but has flourished as its own CBD, even overtaking Ortigas CBD as the second-largest office location.

In 2005, only 8.72% of the total space in Metro Manila are found in the emerging locations. But has been growing immensely over the past few years, with double digit annual growth rates starting 2010 to 2015, and again from 2015-2020. By the end of 2020, it is expected that the emerging CBD's share will increase to 29.38%.

Table 17: Growth of Traditional and Emerging CBDs (in sq.m.)

	Stock as of 2005	Stock as of 2010	Stock as of 2015	Stock as of 2020F	CAGR 2010-2015	CAGR 2015-2020	% Change 2010 vs 2020F
Traditional CBDs	4,078,579	4,893,819	6,020,897	7,698,849	5.3%	6.3%	57%
- Makati CBD	2,962,866	3,022,722	3,196,001	3,362,527	1.4%	1.3%	11%
- Fort Bonifacio	41,161	571,571	1,262,947	2,346,926	21.9%	16.8%	311%
- Ortigas CBD	1,074,551	1,299,525	1,561,949	1,989,396	4.7%	6.2%	53%
Emerging CBDs	406,969	897,386	1,739,349	3,643,164	18.0%	20.3%	306%
- Alabang	208,642	273,039	429,380	743,717	12.0%	14.7%	172%
- Bay Area	-	71,316	276,580	898,990	40.3%	34.3%	1,161%
- Makati Fringe	-	81,100	202,366	485,688	25.7%	24.5%	499%
- Quezon City	198,327	471,930	831,024	1,514,768	15.2%	16.2%	221%

Source: Colliers International Philippines

Among the secondary locations, the Bay Area is the fastest growing area, its advantage being a blank slate from the start, as well as its proximity to the airport, and infrastructure, making it highly accessible. Quezon City comes in at second, being rich with talent, and a lot of government property being bidded out to private developers or entered into JVs.

4.11 IMPACT OF COVID-19 TO THE OFFICE PROPERTY MARKET

New supply of office space in 2020 are expected to drop due to work stoppage on site, as well as social-distancing measures that are being implemented by the government to construction businesses post enhanced community quarantine (ECQ). Completions are seen to be only at around 533K sq.m., the lowest number of completions since the 487K in 2015. Several occupiers intend to right-size their office portfolio, by non-renewal of certain portions of their leased space, or sub-leasing portions of it. Others meanwhile have cancelled or deferred their expansions as they wait out and see where this health crisis is going. Colliers have also seen companies transition to remote-work entirely, and just keep a smaller office as their official business address and a place where they can meet to collaborate.

4.11.1 RENT RELIEF AGREEMENTS

Due to the reduced income brought about by the reduced economic activities, some occupiers have requested for rent relief from landlords. Unfortunately, landlords were heavily affected by the pandemic too, which made them generally unwilling to grant rent relief. Rental deferment, some discount and use of the advance rent as current rent were some of the options some developers made for their tenants though, as well as payment adjustments without interest and penalties during the lockdown period/s. Major landlords which have significant interests in retail and hotel/leisure were more inflexible compared to the smaller landlords, who have given relief of varying degrees to their tenants. Overall, though, we can say landlords have been willing to listen and help where they can and come up with a mutually beneficial arrangement.

4.11.2 TENANTS' WILLINGNESS TO PAY

Tenants have been asking for rental discounts and abatements and have been in constant communication with their landlords. Cost savings is mostly the theme, as businesses take a hit in their margins due to reduced income from business activities. They have, as much as they can, delayed payment of rent, or have asked for flexibility in rental payments. While there are companies that have this covered, Colliers have seen other companies do a reverse-flex, or sub-leasing of their extra space to help with their rental payments, and some potential tenants becoming indecisive in committing long-term for space.

4.11.3 IMPLICATIONS ON PROPERTY MANAGEMENT

Due to government policies and issuances for safety measures to be implemented in all establishments, all property management groups stepped up both security and safety measures. Additional measures included strict thermal scanning, putting demarcation for social distancing protocols, tracking and collection of health check questionnaires, installation of disinfecting mats, added cleaning personnel for some, all of which increased PM expenses, which is why landlords are also not willing to give discounts on CUSA.

Apart from the physical safety features that property managers and landlords have to invest in, other non-tangible measures were also part of PM's responsibilities, these were prohibiting gatherings, restricting use of smoking areas, aligning with the companies regarding allowed workforce capacity, ensuring social distancing protocols are being followed within the common areas of the building.

Property managers constantly engaged and communicated with the tenants to align expectations and how they can work to ensure the health and safety of all occupiers. These continuous communications and showing safety and sanitation procedures, especially in high foot traffic and high contact areas, notably allayed the fears of the employees and tenants since they see protocols are in place for their safety. Most have also tried raising awareness of what is already available in the building, and proactively shared plans (even those that are still under development) and helped ensure the peace of mind for all.

4.12 IMPLICATION OF POTENTIAL RISKS POST-COVID-19

While there are negative effects in real estate due to the pandemic, we've also seen some positive effects, with some BPOs already moving to secure additional seats to meet social distancing requirements. Additional accounts have also emerged, most especially from tech and the healthcare industry. Flexible workspace and seat leasing facilities have become top consideration due to the immediate availability of a fitted office. We've also seen many growing occupiers preferring office spaces near their existing sites in Metro Manila, while provincial locations are also being considered due to lower costs, untapped labor pools and opportunities for a first-mover advantage.

Although companies have also shifted to work-from-home and other flexible work arrangements, some companies have realized during the pandemic that work from home is not for everyone, mainly due to the connectivity issues and distraction from family, as well as working conditions. This will bring about opportunities in the flexible workspaces as companies implement different strategies to be able to adapt to the different needs for the continuity of their operations. Different models that we see can be adopted are:

MANAGED OFFICE

This solution is a grey area that addresses the gap between a leased space and traditional flexible workspace. It is when a flexible workspace operator delivers a fully outsourced workspace to an occupier. The new facility is a customized and private environment that looks and feels like the tenant's own space. This gives tenants the ability to increase the flexibility of their portfolio, mitigate capital expenditure and reduce balance sheet liability.

This can be adapted by those companies who have expanded and needs immediate extra space but do not want to invest in expansion and fit-out and are just willing to relocate some employees to another location. Due to the pandemic and the need to abide by the social distancing protocols of the government, some companies may need to implement this strategy.

FLEX AND CORE

A more radical solution to fluctuating and unpredictable headcount projections is the Flex and Core strategy. There are two (2) options for this strategy, 1) tenant will allocate less space for their core functions and operator launches a flexible workspace within the same building where they expanded to, and 2) the original tenant becomes the "anchor" tenant of the office-space-turned-flexible-workspace.

This is best for companies which has a new requirement for space but is not sure of the possible headcount in the coming years. The benefit of this is that there is a long-term security for the core functions, and flexibility in the space used, in case the company grows or downsizes.

REVERSE FLEX

Due to the pandemic, and consequently decreased economic and business activities, there were tenants that were badly hit, and now have unutilized or under-utilized space within their leased premises. As the traditional sub-letting may not be allowed by some landlords, and an improved economy may give the original tenant a need to re-occupy that space in the future, some tenants have opted for reverse flex, or having a flexible workspace operator to repurpose a portion of the leased space into a flexible workspace. This will help the current tenants mitigate property expenses and help generate income.

HUB AND SPOKE

The hub and spoke model is when occupiers want to reduce reliance on a single headquarter and implement a dispersed occupancy strategy. A locator may have a central head office, which can serve as their official office address, and have smaller satellite offices in different hubs across a city / region. These would typically be in lower cost locations and are nearer the residences of the employees for



easier access in case similar mobility and border issues arise once more. With health, safety and wellness being at the forefront of the “new normal”, having offices nearer where the talent pool and employees are help in improving work-life balance, reduce commuting times (ergo, reduced exposure to threats), and increased quality of life for the employees. This can be a good marketing strategy for businesses, as well as, increase productivity and ensure business continuity even during extraordinary events such as community quarantines and movement restrictions.

Apart from the physical office space that has to be taken into consideration, adjustments for employees getting back to work to the new normal has to be considered. Transportation options and movement considerations, safety precautions and added health and sanitation procedures must be in place.

5 OFFICE FOR LEASE MARKET RESEARCH IN THE BAY AREA

5.1 KEY SUCCESS FACTORS OF MANILA BAY AS AN OFFICE LOCATION

The Manila Bay Area has made itself known as one of the fastest emerging CBDs in Metro Manila since it first launched way back in 2007. It has grown 23.15% annually since then to 2020 and will continue to grow for about 14.69% annually up to 2023. The fast-paced growth can be attributed to the strategic location of the Manila Bay Area. Key factors that helped in making these growth rates possible are:

- **Near the rich talent pool of southwestern cities of the Province of Cavite, Parañaque and Las Piñas.** Manila Bay Area is located at the end of the coastal road, connecting the City of Manila to the western portion of Las Piñas and Parañaque as well as to CavitEx, which goes through multiple cities of Cavite Province. Because of this, the area has been marketed as a place for BPOs who find Makati and Fort Bonifacio rates too expensive already.
- **Improved infrastructure** – The Manila Bay Area is connected to other major locations in Metro Manila via several major roads. It is connected to the City of Manila via Roxas Boulevard and Diosdado Macapagal Avenue, to Las Piñas and Cavite via the Coastal Road and soon after, CavitEx, to the rest of Metro Manila through EDSA extension. The completion of NAIAX in June of 2017 significantly improved the already good accessibility of the area. It now takes a few minutes only to travel to and from any of the airport terminals to the Manila Bay Area. It also connected Manila Bay to the South Luzon Expressway.
- **Bagong Nayong Pilipino-Entertainment City** – as the PAGCOR Entertainment City lies alongside Aseana City and the MOA Complex, the Manila Bay Area has become the preferred location of the Philippine Offshore Gaming Operators as well as gaming-related BPOs. The local government units which have jurisdiction over the areas also are more accommodating and friendly to these operators and typically give letters of no objection, a requirement for POGO and gaming-related BPOs before they can operate in a certain area. Also, because the area and the buildings are originally marketed for BPOs, floorplates are generally large and column-free, which has boded well with these operators as they require the same specifications for their gaming floors and backroom operations. Lastly, as POGOs and gaming-related BPOs have majority of their workforce coming from Mainland China, residential units were required by the operators. The number of Manila Bay Area condominium projects were able to absorb this demand quite well.
- **Wider Road Network** – Since the CBD is considerably new, developers in the area learned from the mistakes of the older CBDs, and developed a wider road network, carefully considering the volume of vehicles that are going to pass through and linger around the area.
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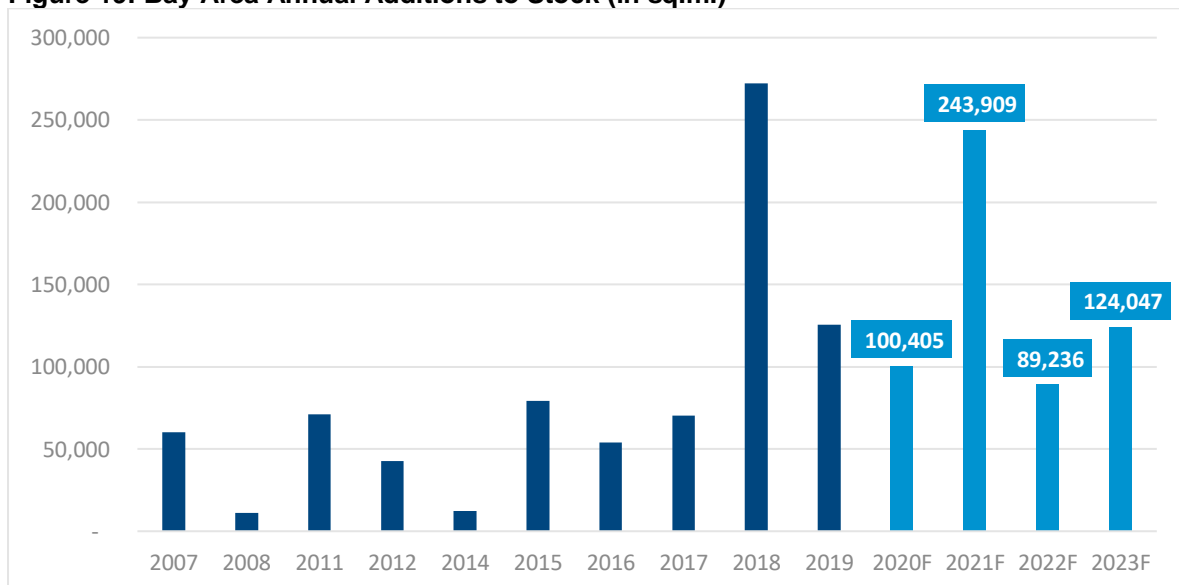
- **Newer CBD** – As mentioned in the previous bullet, because the Manila Bay Area is one of the newer CBDs, buildings are more up to date in terms of technology and architecture, as well as overall building quality. The availability of residential options was also considered in the masterplan schemes of other developers, as well as in other areas in Manila, Parañaque, and Pasay.
- **Proximity to the City of Manila** – The City of Manila is the Capital of the Philippines, and the Old Center of Trade and Commerce. It is also historically where tourists go and stay before they fly elsewhere in the country. Because of this, the City of Manila has a lot of hotels, government offices, as well as commercial establishments around. The Manila Bay Area is in close proximity to all of these, and is benefitting from the support services around the City.

5.2 HISTORICAL AND PROJECTED DEMAND & SUPPLY SITUATION IN THE BAY AREA

5.2.1 CURRENT OFFICE STOCK

As of end of 2nd Quarter 2020, Manila Bay Area has a total leasable space of 830,030 sq.m., and is expected to finish the year with an additional 69,000 sq.m. more, with four (4) more buildings anticipated to be turned over.

Figure 19: Bay Area Annual Additions to Stock (in sq.m.)

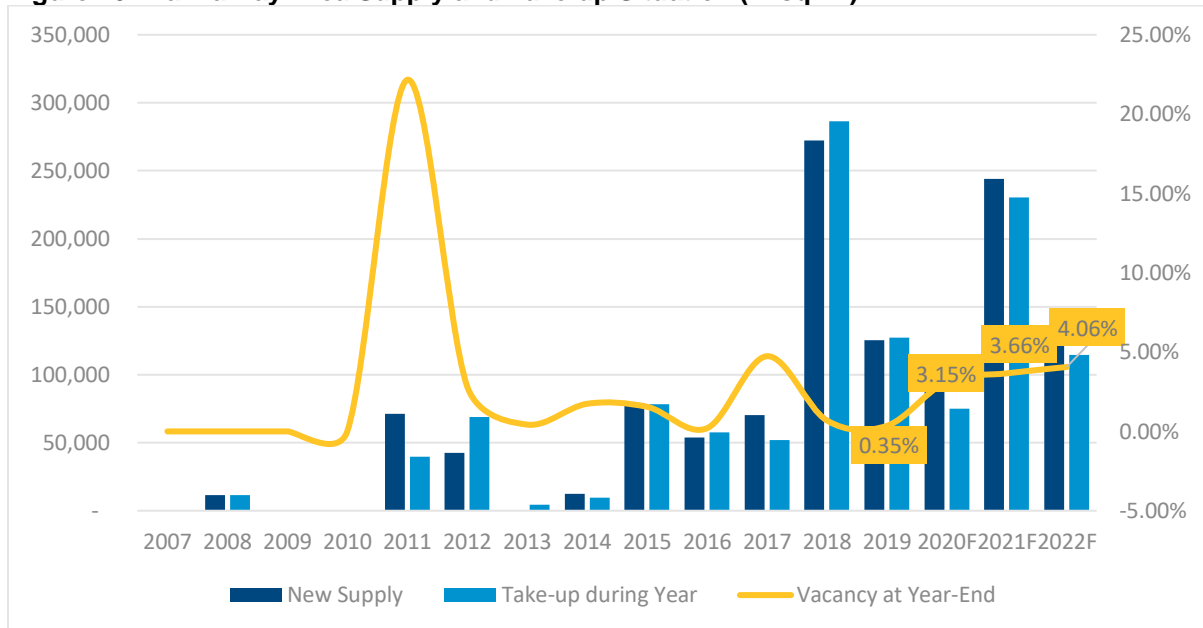


Source: Colliers International Philippines

From 2020 to 2023, barring any unforeseen circumstances that may cause construction and work stoppages, an average of 140,000 sq.m.. will be turned over each year in Manila Bay, increasing its total leasable office space to 1.35 million sq.m. 2021 will see the largest additional space since 2018, turning over a total of nine (9) office buildings and a total of almost 245,000 sq.m..

5.2.2 OVERALL SUPPLY AND DEMAND

Figure 20: Manila Bay Area Supply and Take-up Situation (in sq.m.)



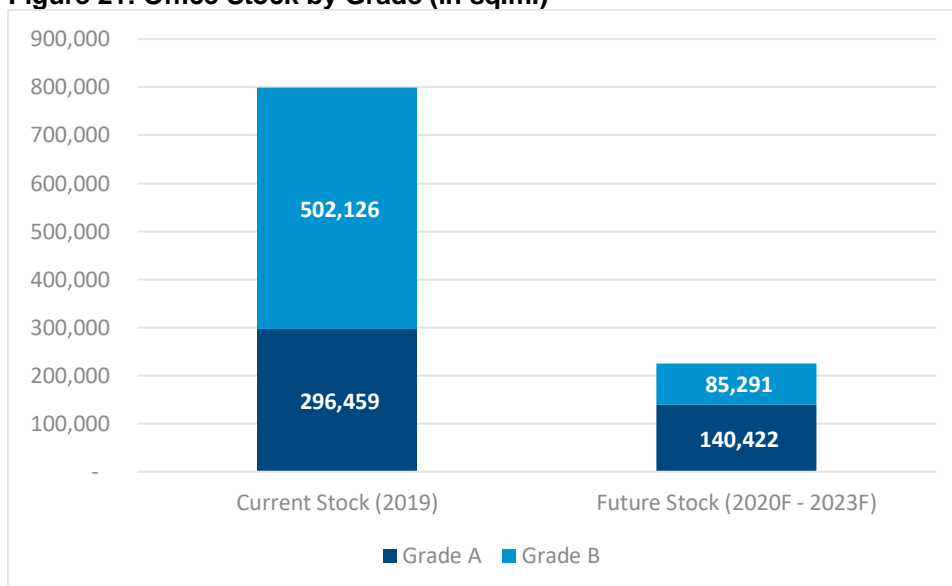
Source: Colliers International Philippines

Bay Area has proven to be one of the more preferred locations for office spaces, and it is evident with the continued low vacancy, even with additional stock coming in. POGOs have mostly located here, due to the presence of the Entertainment City, and more POGO-friendly local government units (LGUs). The CBD has also been able to provide for the immediate need of this tenant group, and the large office spaces being demanded for its operations.

Vacancy levels hover around less than 1% to a maximum of 4.70% in 2017, and then dipped again in 2018 and 2019 due to high take-up in both years. By the end of 2020, vacancy is expected to rise to around 3.66%, with completions eclipsing demand for the year. Demand is seen however to bounce back in 2021. Large additions to supply though will continue to push vacancy upward until 2022 to 4.06%.

With the uncertainty of POGO transactions during this time, mainly driven by the travel bans and clarity to the pandemic situation as well as their tax obligations, probable candidates that can at least take the transactions share of POGOs are government offices and traditional offices looking for expansion options. The Department of Foreign Affairs and PAG-IBIG are two offices that are currently looking for relocation space. While BPOs are also good contenders, the lack of PEZA accreditations in the buildings in the Bay Area remains to be a hindrance to them moving into the available spaces in the CBD.

Figure 21: Office Stock by Grade (in sq.m.)



Source: Colliers International Philippines
Note: Unclassified buildings not yet included

Currently, 62.88% of the total stock in Manila Bay Area are classified as Grade B, primarily catering to the BPO and POGO market during the early stages of the CBD. However, as transactions from other tenant groups such as the traditional locators and KPOs increase, the buildings have started improving not only their technical specifications and building technology, but also their handover conditions, and design and structure. Future stock to be turned over from 2020 to 2023 are dominated by Grade A buildings, with Grade A now having 62.21% of the total GLA to be completed. The upgrading of buildings may also be due to the increasing number of multinational companies (MNCs) locating in the area. Samples of which are: Maersk Group of Companies, Stefanini Philippines, Conduent, Harte Hanks, Tupperware, Kuehne + Nagel and Panalpina World Transport.

5.2.3 OCCUPANCY AND VACANCY RATES

Table 18: Manila Bay Area Vacancy Rates

Submarket	2019 Vacancy Rate	2Q 2020 Vacancy Rate
Bay Area	0.35%	3.15%
Grade A	0.27%	7.42%
Grade B	0.76%	0.64%

Source: Colliers International Philippines

The vacancies of Grade B buildings remain at a minimum which recorded a vacancy rate of less than 1% by end-2019. This comprises of units having leasable space of less than 350 sq.m. each. Meanwhile, Grade A vacancies slightly increased to 7.42% mostly coming from listings in Four E-Com Center Tower 1, which was turned over early this year.

5.2.4 LEASE RATES

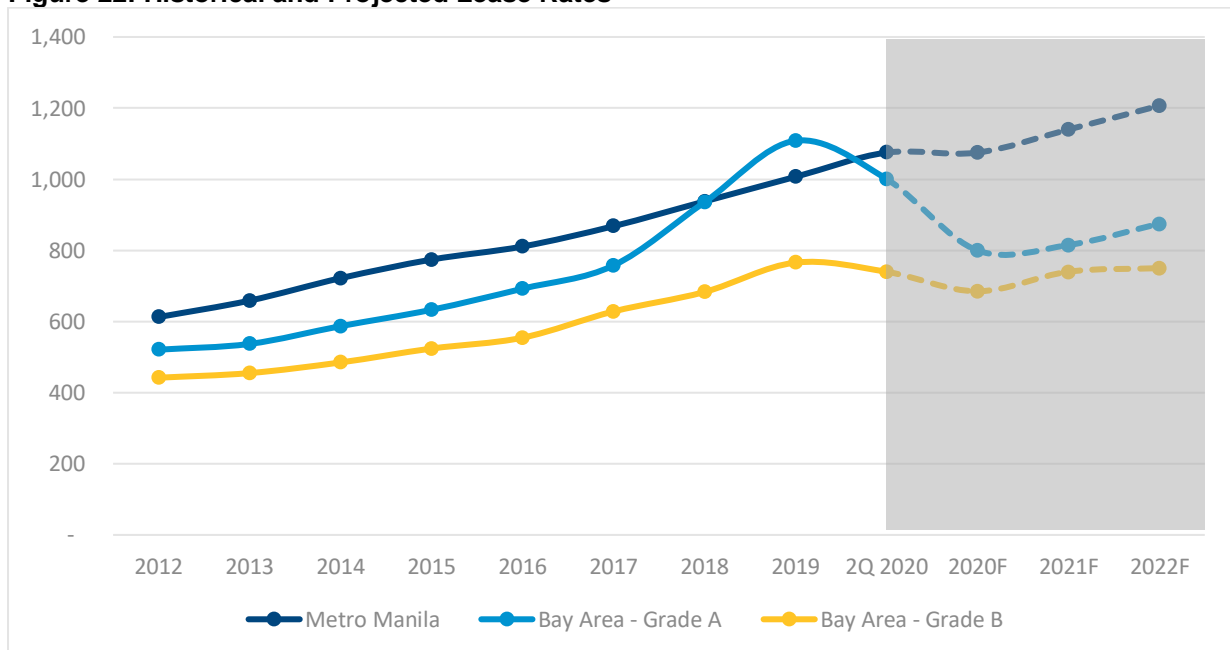
Table 19: Manila Bay Area Headline and Transacted Rates (in PHP)

Building Grade	Headline		Transacted	
	Min.	Max	Min.	Max
Overall	1,000	1,800	950	1,400
Grade A	1,100	1,800		
Grade B	1,000	1,500	950	1,400

Source: Colliers International Philippines

Headline rates in the Bay Area range from PHP 1,000 per sq.m. to as much as PHP 1,800 per month, which is almost at par with lease rates from the primary CBDs. Transacted rates meanwhile for Grade B buildings is from PHP 950 per sq.m. to PHP 1,400 per sq.m., a 5% to 7% discount from headline rates. No transactions were made in Grade A buildings in 2020, but in 2019 transacted rates ranged from 850 to 1,400 per sq.m..

Figure 22: Historical and Projected Lease Rates

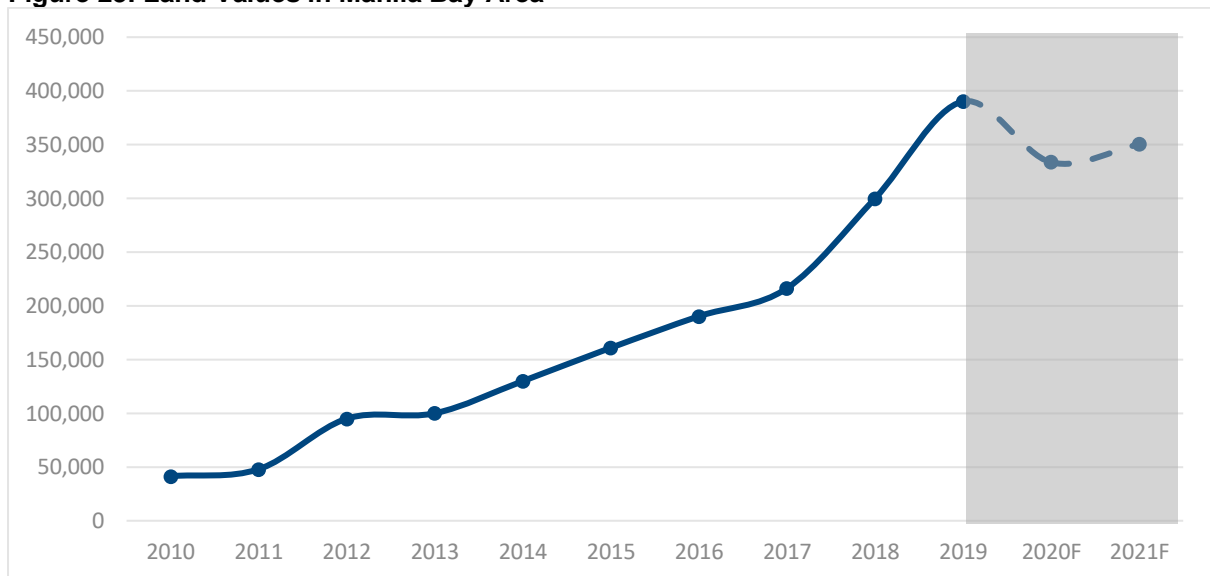


Source: Colliers International Philippines

Metro Manila lease rate has been growing at a compounded annual growth of 7.19% from 2012, with rates back then pegged at PHP 617 per sq.m., and now at PHP 1,075 per sq.m. as of end of 2Q 2020. Bay Area Grade A buildings meanwhile registered faster growth, a CAGR of 8.51% during the same period. Grade B buildings in the Bay Area had a slower but steady growth of 6.65%. This accelerated pace of growth can be attributed to entry of POGOs in end-2016. During the 2016-2018 period, an average of 11.90% increase in lease rates were tracked, the largest increase being the 2017-2018 period when growth was at around 16.78% year-on-year, with Grade A buildings increasing 23.47% from 2017-2018. However, during the pandemic, we have observed a correction in rents, of around 9.68% and 3.34% for Grade A and Grade B, respectively.

This correction of rents is expected to continue towards the end of the year, if take-up doesn't pick up, and POGOs remain struggling. By end-2020, we expect rental levels to be at around PHP 800 to 900 for Grade A, and around PHP 700 for Grade B. While Colliers projects a slight recovery in 2021, rents are still expected to dip as vacancies increase. However, in 2022, as vacancy levels flatten and recovery becomes more stable, we anticipate lease rates to rebound to an average of around PHP 875 for Grade A, and PHP 740 for Grade B.

Figure 23: Land Values in Manila Bay Area



Source: Colliers International Philippines

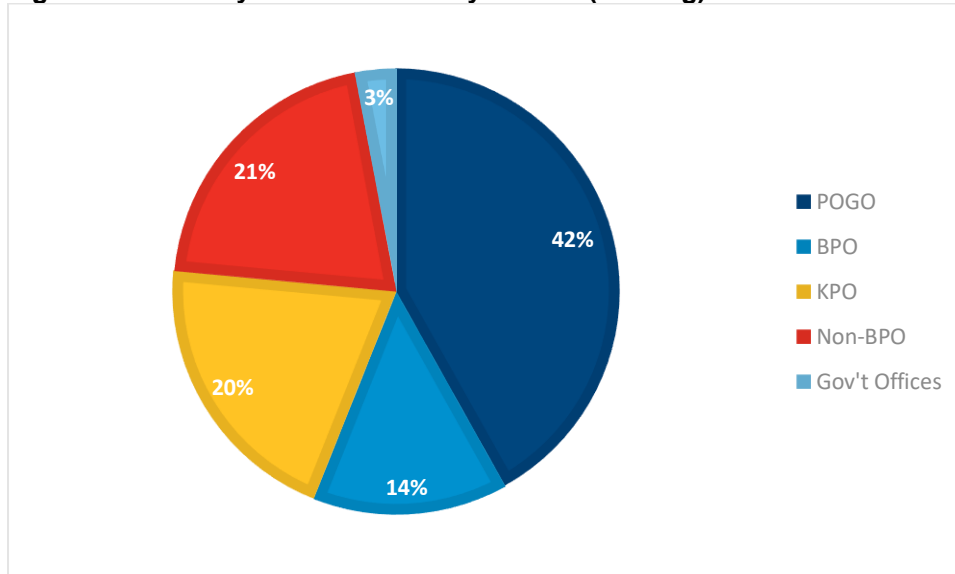
Note: Values are based on listings and indicative transacted price recorded

With increasing demand for office space in the Bay Area, land values have risen to as much as PHP 390,000 per sq.m. in 2019. This is equivalent to a compounded annual growth rate of 28.27% in 10 years. The largest increase in the values was seen in the 2017-2018 period, when rates grew to almost 40% year-on-year. Consequently, this was also the period when lease grew at its largest, and vacancy rates were almost nil. This was also the time when the Bay Area had record-breaking completions of 275,000 sq.m. worth of leasable space, and an equivalent take-up of 280,000 sq.m.

However, just as lease rates are bound to correct by year-end due to slower transactions, land values are also seen to adjust, albeit at a slower rate compared to the correction that will be observed in the lease rates. In 2021, as recovery is seen to begin, a slight uptick is projected, with values going up to around PHP 350,000 per sq.m. during the 1st Quarter.

5.3 TENANCY MIX

Figure 24: Tenancy Mix of Manila Bay Offices (existing)



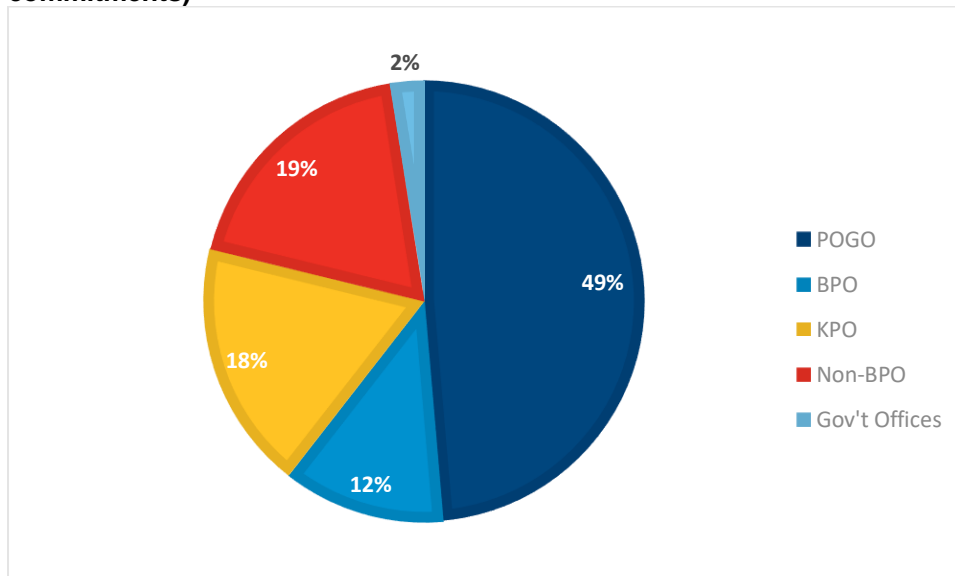
Source: Colliers International Philippines

Note: Share of market is based on space taken up

POGO – POGO operator and gaming-related services, where licenses to operate are released by PAGCOR

Tenant groups that can be found in the completed buildings of the Bay Area are varied, but is dominated by POGO tenants*, taking up around 42% of total leased space in the CBD. It is followed by non-BPO office tenants such as headquarters of real estate companies, shipping and logistics companies, and the like. KPOs also contribute a significant amount, taking up 20% of the total leased space. Compared to other tenant groups, government offices only occupy around 20,300 sq.m. of leasable office stock of 830,030 sq.m.. in the Bay Area, and 80% of which are actually located in the buildings of DDMP REIT, Inc., particularly DoubleDragon Plaza and DoubleDragon Center West.

Figure 25: Tenancy Mix of Manila Bay Offices (including upcoming buildings with pre-commitments)



Source: Colliers International Philippines

Note: Share of market is based on space taken up

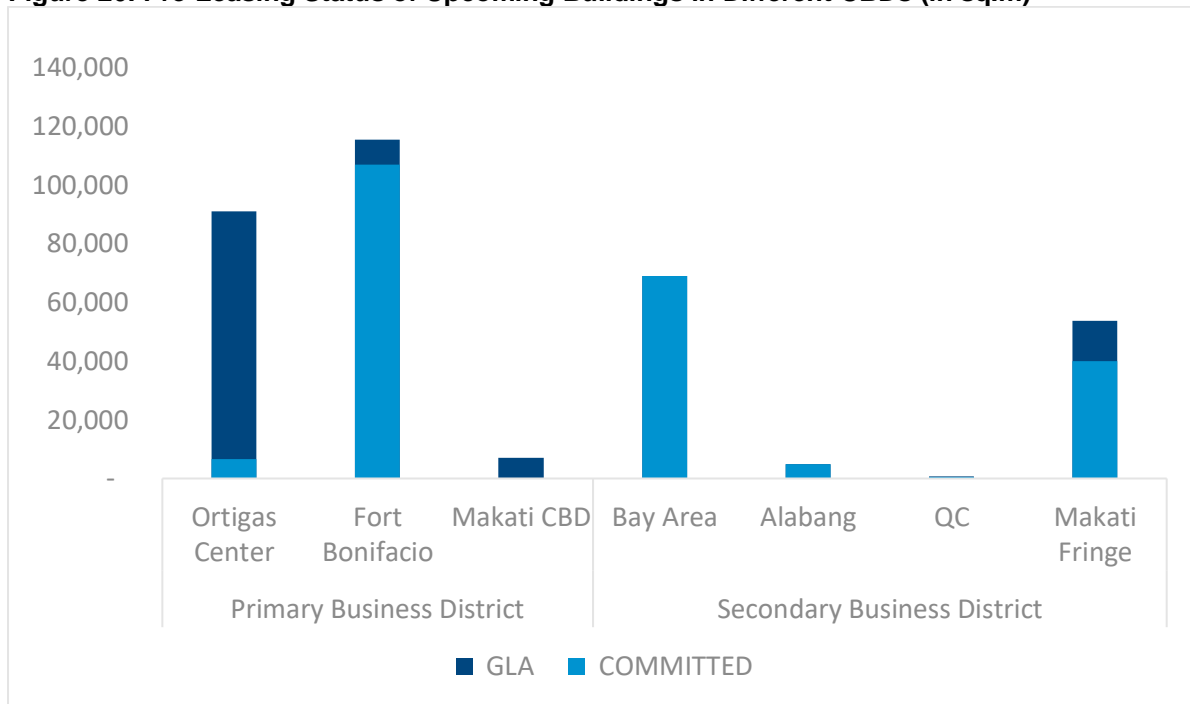
*POGO – POGO operator and gaming-related services, where licenses to operate are released by PAGCOR

Including pre-committed tenants of buildings that are yet to be completed, the share of POGOs increase to 49%, gobbling up shares of other tenant types. However, it is worth noting that other tenant types are actually increasing in number. Tenants which increased in number are government offices (PEZA), traditional tenants (EXL Recruitment, Miniso) and KPOs.

5.4 PRE-LEASING STATUS

Buildings set for completion in 2020 is significantly occupied, registering an overall average occupancy of 70%. Buildings which still have vacancies are those in Fort Bonifacio (7% vacancy), Makati Fringe (25% vacancy), Ortigas CBD (93% vacancy) and Quezon City (42%).

Figure 26: Pre-Leasing Status of Upcoming Buildings in Different CBDs (in sq.m)



Source: Colliers International Philippines
 Note: Based on signed Terms of Reference and Paid Reservation Fees

Alabang and Bay Area meanwhile have 100% pre-commitments in the buildings that are still slated to complete within the year. For Bay Area, tenant groups who were able to pre-commit to the buildings were gaming tenants, as well as a seat-leasing company, taking up one whole building.

5.5 OUTLOOK OF COLLIERS FOR THE MANILA BAY AREA

The growth of Manila Bay Area will be the slowest this year, compared to the previous two (2) years where annual additions to stock averaged at almost 200,000 sq.m. of leasable space. Take-up is likewise expected to decrease severely, as companies assess their need for expansions and POGO transactions are currently in a standstill. Because of this, Colliers expect vacancies to rise to 3.15% by year-end, and rents to drop to around PHP 800 to PHP 900 for Grade A buildings and PHP 700 for Grade B buildings. We believe the realistic levels to be around this much for the Bay Area for it to be sustainable, specially for the BPO, Voice and Traditional locators who are sensitive to operation costs. POGO presence can still be an upside in the rental rates, however Colliers believe that increases should be more controlled and are kept within the market growth. Limited PEZA spaces also dampen the transactions in the area, as only SM remains to have available PEZA space in the CBD.

However, there are still some opportunities that the Manila Bay Area landlords can take advantage of. Vacated POGO spaces can be offered to other tenant types such as the BPOs and KPOs who have significant requirements for fitted space immediately. While rents may not be as high as when it were the POGOs were occupying the space, filling the buildings up, and having more sustainable tenants will be more beneficial for the landlords in the long-run. It will also “voluntarily” correct currently inflated



rents to more realistic levels so demand can be better sustained even if the POGOs and gaming-related BPOs indeed pack-up and leave. As recovery stabilizes, Colliers expects rents to steadily climb starting 2022.

5.6 NOTABLE CHANGES POST-COVID-19

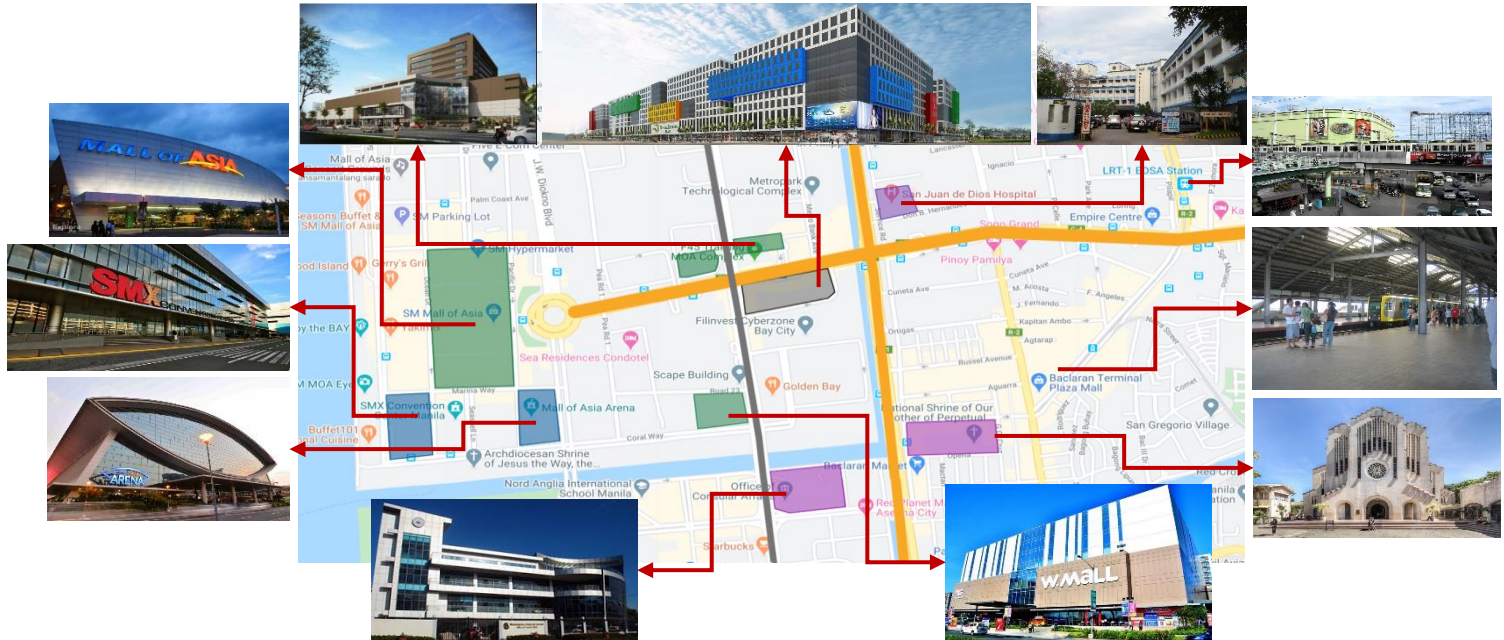
The Covid-19 pandemic has brought about significant changes in the office market in and around Manila Bay Area. Some of the notable changes include:

- Slower expansion from the Philippine Offshore Gaming Operators (POGO's) due to uncertainties brought by the pandemic, coupled with political pressure to settle tax responsibilities.
- Less leasing activity and deferred real estate plans. Some occupiers looking for additional space to cater to social distancing requirements
- Innovations towards contactless access to the building and more technology investment for employee safety. Developers and landlords have become more conscious of safety and sanitation protocols as well, to avoid shutting down their buildings.
- Companies giving flexible work arrangements whenever possible. This also means providing adequate support to employees by providing them with laptops, internet access, headsets, etc. that will truly promote the employees' productivity whether is working remotely or working from the office.

6 VICINITY & SITE ANALYSIS

6.1 LOCATION AND VICINITY

Figure 27: Location and Points of Interest



Source: Colliers International Philippines

The DoubleDragon Meridian Park complex is located at the corner of EDSA and Diosdado Macapagal Avenue, the tip of Bay Area. It is the first building you will see as you cross Roxas Boulevard going into the reclaimed area. Being at the tip, it is near almost everything, with less than 20-min walk to significant landmarks in the area. The property is near retail establishments, big and small, like Mall of Asia, WMall and MET Live, close to transport options, like the transport terminal in MOA Complex, LRT Baclaran and LRT EDSA. Institutions such as schools and hospitals, as well as the passport renewal center are likewise within a few meters distance from the buildings.

Table 20: Distance to Significant Landmarks

DoubleDragon Plaza	Distance in KM	Distance in Minutes (by Walking)
NAIA Terminal 1	4.8	10 mins (by car)
NAIA Terminal 2	5.0	11 mins (by car)
NAIA Terminal 3	4.2	10 mins (by car)
Makati CBD	6.2	13 mins (by car)
Mall of Asia	1.1	15 mins
SMX	1.3	17 mins
MOA Arena	1.2	13 mins
DFA Aseana	0.65	8 mins
WMall	0.45	6 mins

DoubleDragon Plaza	Distance in KM	Distance in Minutes (by Walking)
Baclaran Church	1.1	15 mins
LRT Baclaran Station	1.4	19 mins
LRT / MRT EDSA	1.5	19 mins
San Juan de Dios Hospital	0.70	10 mins
MET Live	0.40	5 mins

Source: Google Maps

The property is also just a few minutes away from the Ninoy Aquino International Airport, the primary airport serving Metro Manila. Via NAI Aex, the property can be reached in around 10-15 minutes from the airport. From Makati CBD, it will take also around 13-15-minute drive going to the property.

6.2 PROPERTY DESCRIPTION

6.2.1 KEY ATTRIBUTES, SPECS AND HIGHLIGHTS

Below are the key attributes of the different DoubleDragon Buildings: DoubleDragon Plaza Towers 1-4, DoubleDragon Center East, and DoubleDragon Center West.

Table 21: Property Information

BUILDINGS	DOUBLEDAGON PLAZA (Towers 1-4)	DOUBLEDAGON CENTER WEST	DOUBLEDAGON CENTER EAST
Address	Edsa Ext, cor Macapagal Blvd, Bay Area, Pasay City	8 Meridian Ave., DD Meridian Park, Macapagal Ave., corner EDSA Extension Bay Area, Pasay City,	3 Meridian Ave., DD Meridian Park, Macapagal Ave., corner EDSA Extension Bay Area, Pasay City,
Building Status	Completed (2017)	Completed (2019)	Completed (2019)
Gross Leasable Area (office)	127,863 sq.m.	15,689 sq.m.	15,124 sq.m.
Gross Leasable Area (retail)	11,377 sq.m.	1,126 sq.m.	1,073 sq.m.
Total Gross Leasable Area	139,240 sq.m.	16,815 sq.m.	16,197 sq.m.
Density Ratio (sq.m. per person)	5.5	5	5
Back-up power	100%	100%	100%
Rent (in PHP)	800 (2019)	1,200	1,200
Basis of Rent	GLA	GLA	GLA
PEZA	Pending application	Pending application	Pending application
Certifications	Certified LEED Gold	Pre-certified LEED Silver	Pre-certified LEED Silver
Aircon Type	VRF	VRF	VRF
Aircon charges (in PHP)	60	60	60
CUSA (in PHP)	120	150	150
Occupancy Rate (Office)	100%	91.89%	100%
Occupancy Rate (Retail)	100%	95.60%	80.78%
Overall Occupancy Rate	100%	92.17%	98.73%

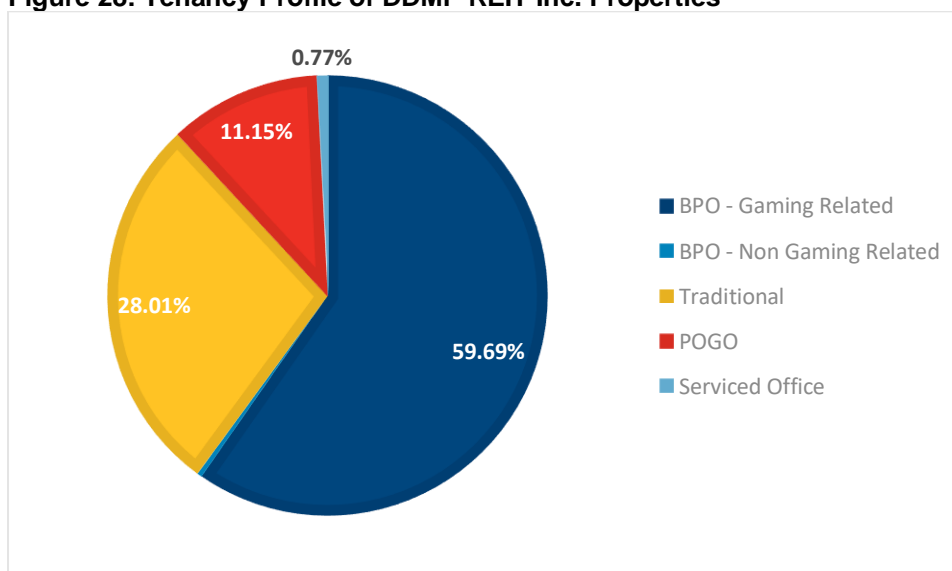
Source: Colliers International Philippines, DDMP REIT, Inc.

DoubleDragon Plaza (DD Plaza) is made up of four (4) towers, with each tower averaging around 32,000 sq.m. of office leasable space and 2,844 sq.m. of retail leasable space. It is significantly bigger than the two (2) other towers which are at 15,689 and 15,124 sq.m. for office space, and 1,126 and 1,073 sq.m. of retail space. DD Plaza also has the largest minimum density ratio at 1:5.5 sq.m.. All towers have 100% back-up tower and have VRFs as their air conditioning unit. DD Plaza is already LEED Gold Certified, while the other two (2) towers are pre-Certified LEED Silver. All buildings have pending PEZA Accreditation applications. Among the developments, DD Plaza, which was completed in 2017 and started leasing in October, has the lowest lease rate at PHP 800 per sq.m., however, this transaction was way back in 2019. This tower is, as of June 30, 2020, 100% occupied for both retail and office spaces. Meanwhile DoubleDragon Center West and Center East, both completed in 2019 have headline rates of PHP 1,200 per sq.m.. They are currently 92.16% and 98.73% occupied as of June 30, 2020, respectively.

6.2.2 TENANCY PROFILE

There are 5 major office tenants in the DoubleDragon Buildings. As of June 30, 2020, gaming-related BPOs take up 59.35% of the total leasable space, while Non-gaming BPOs are at 0.37%. A significant number of traditional office locators can also be found, amounting to around 28.42% of the total leasable space for office. Meanwhile POGO operations only take-up 11.08% of the available leasable space.

Figure 28: Tenancy Profile of DDMP REIT Inc. Properties



Source: Colliers International Philippines, DDMP REIT, Inc.

Note: Based Office Gross Leasable Area ONLY

Data as of Nov 17, 2020

% Share is based on occupied space per tenant versus total leasable space of the buildings

Table 22 : Tenancy Mix of Properties of DDMP REIT, Inc.

Office type and industry sector	Gross Leasable Area (in sq.m.)	% Share to Total GLA
BPO Office		
Gaming related	94,509	59.69%

Office type and industry sector	Gross Leasable Area (in sq.m.)	% Share to Total GLA
Non-Gaming related	594	0.38%
Traditional Locators		
Shipping & Logistics	10,818	6.83%
Real Estate	9,496	6.00%
Insurance	3,839	2.42%
Retail	1,279	0.81%
Other Office Uses	2,785	1.76%
Government Agencies	16,137	10.19%
POGO	17,651	11.15%
Serviced Offices	1,221	0.77%
Office Total	158,329	92.34%
Retail/others	13,140	100.00%
Retail Total	13,140	7.66%
Total Leasable Space	171,469	

Source: Colliers International Philippines, DDMP REIT, Inc.
Note: Data as of November 17, 2020

Breaking down the tenants further, traditional tenant group shows diversified locators, with government agencies taking up the most space among this particular group, amounting to 16,137 sq.m. of leasable space. Shipping and logistics HQ posted significant numbers at 10,818 sq.m., while real estate has 9,496 sq.m. of leasable space.

Of the total leasable space for the three (3) buildings, 7.66% is taken up by retail tenants, while the remaining leased space are for offices.

Table 23: Tenant Profile of Properties of DDMP REIT, Inc.

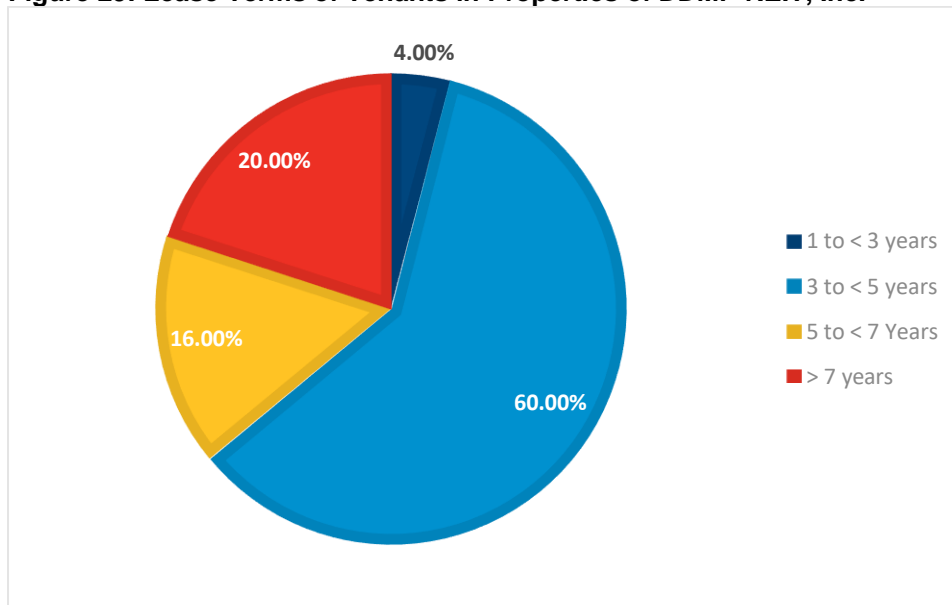
Tenant Profile	DD Plaza	DD Center East	DD Center West
BPO - Gaming Related	54.46%	94.58%	22.23%
BPO - Non Gaming Related	-	-	3.62%
Traditional	23.91%	-	67.67%
POGO	12.69%	-	-
Serviced Office	0.88%	-	-
Retail	8.06%	5.42%	6.48%

Source: Colliers International Philippines, DDMP REIT, Inc.
Note: Data as of November 17, 2020

% Share is based on occupied space per tenant versus total leasable space of each building

On a per building basis, DD Plaza, which is also the biggest among the three (3) buildings, has the most diversified tenant profile, with a mix of gaming-related BPOs, traditional locators, POGOs, serviced office operator, and retail tenants. On the other hand, DD Center East's office leasable area is taken up whole by a gaming-related BPO. DD Center West meanwhile has traditional locators as its primary tenant group, followed by gaming-related BPOs and non-gaming related BPOs.

Figure 29: Lease Terms of Tenants in Properties of DDMP REIT, Inc.



Source: Colliers International Philippines, DDMP REIT, Inc.

Note: Data as of June 30, 2020

% Share is based on occupied space per tenant versus total leasable space of the buildings

Majority of the leases in the buildings have lease terms of more than three (3) years, and a significant percentage are lease terms above seven (7) years. Only one (1) tenant has a lease term of less than 3 years as at June 30, 2020.

Table 24: Lease Terms of Tenants per Building

Lease Terms	DD Plaza	DD Center East	DD Center West
1-3 Years	-	-	16.67%
3-5 Years	55.56%	100.00%	66.67%
5-7 Years	16.67%	-	16.67%
Above 7 years	27.78%	-	-

Source: Colliers International Philippines, DDMP REIT, Inc.

Note: Data as of June 30, 2020

% Share is based on occupied space per tenant versus total leasable space of the buildings

Per building, DD Plaza’s tenants are more long term, with the shortest term being 5 years, and will be ending in 2022. On the other hand, DD Center West has the shortest term at 3 years for one (1) tenant. However, this will not lapse until 2023.

Tenants such as the non-gaming related BPOs, traditional, and KPOs are most likely to renew their leases, or at worse, just reduce their space because that would still be more cost-effective than relocation and additional fit-out costs. POGOs and gaming-related BPOs meanwhile remains uncertain. For POGOs, hurdles such as getting new employees in, tax implications, as well as political instability may dampen their likelihood to renew. Gaming-related BPOs, who are heavily-dependent on the operations of POGO, will also have to look at the renewals of these operators before they will renew their lease contracts with their respective landlords.

6.3 SWOT ANALYSIS

6.3.1 STRENGTHS

Location

DD Plaza, DD Center East and DD Center West are all located in Meridian Park, which can be found at the EDSA Extension and Diosdado Macapagal Boulevard, 2 major roads that are heavy on both foot and vehicular traffic. The whole complex is also located in an upcoming secondary CBD, which is increasingly becoming popular because of the accelerated growth in the area. The location of the property is near everything. It is close enough to Makati through EDSA Extension, within a few minutes from the airport via NAIAX, close to Cavite, which is a talent-rich pool, via Cavite, as well as other municipalities in the south through the coastal road. The properties are also in close proximity to other transportation options such as the PITX Terminal, various LRT stations, and bus and jeepney stops, making it convenient for both public and private car users.

Sizeable floorplate

The floorplates of all towers of DD Plaza, is at more than 4,000 sq.m., while DD Center East is 1,800 sq.m. and DD Center West 2,200 sq.m.. All of which are floorplates that are within the minimum requirements of different tenant groups. It is also sizeable enough that it can be subdivided, in case there would be a whole floor vacancy, or non-whole floor taker.

Brand

DoubleDragon Properties Corp. has become a well-known brand due to the stellar performances of the products that they introduce. A testament to this is the high occupancy rates of all buildings in Meridian Park, and the long-term leases that the tenants committed to.

Retail component – food options for the tenants

Most especially for DD Plaza, the building has within its building a retail component, which offers food options as well as services and convenience stores not only for the tenants but for the neighboring buildings as well. The size and the diversity of the tenants in their ground floor retail has given the tenants choices on where to dine.

Visibility

Because it is at the corner of two (2) major thoroughfares, visibility of the DD Plaza in the Bay Area is unparalleled. It can be seen from all sides of the road. It is even visible along Roxas Boulevard, as there are no obstructions to the building coming from that side, even if its not on the corner. It is also located on the entry way going to Mall of Asia, and the rest of the Bay Area. DD Center West and DD Center East are just behind DD Plaza.

Accessibility

DoubleDragon Meridian Park is accessible by both private and public vehicles, due to its frontages along EDSA Extension and Diosdado Macapagal Boulevard. While public vehicles cannot stop in front of the towers using EDSA extension, the side entrance of Macapagal Boulevard is useable.

6.3.2 WEAKNESSES

Limited 24/7 commercial support

While they have their own retail support within their complex, other retail options, as well as transport options are not available 24/7.

Low open space ratio

At the moment, there is very little open and green space in all the buildings of DD Plaza, DD Center East and DD Center West.

High Headline Rates

Current headline rates of available spaces in Double Dragon Center East is at PHP 1,200, which is higher than other buildings in the Bay Area. While this may do good in the branding image of DoubleDragon, possible tenants tend to shy away given the high asking rates.

Downside risk of gaming-related tenants

There are a few gaming-related tenants in the buildings of DoubleDragon that may have a downside risk should their tenants be affected by national and local government policies such as travel restrictions, restrictions on issuance of letters of no objection by the LGUs and tax rulings.

Not PEZA

While their PEZA application is already pending, tenants currently do not enjoy PEZA incentives because none of the buildings are currently accredited. This however works at the moment, because POGO tenants do not require and do not need the PEZA incentives. In the future, however, this may have an effect, if they're looking to diversify tenancy to KPOs and BPOs.

6.3.3 OPPORTUNITIES

Low vacancy in Bay Area

Bay Area vacancy rates has been below 5% since 2011, which indicates continued strong demand, even with the number of buildings coming in. During the 1st half of 2020, even with the freezing of transactions, it maintained a low vacancy of 3.15%.

Fitted Spaces available if there's Pre-Terminations

One of the opportunities and advantages of the possible departure of POGO tenants is that the spaces they currently occupy are fitted, and can be reused by other tenant groups, such as the BPOs and KPOs who are looking for short term leases to expand their office space to assist in social distancing measures.

New industries entering the market and looking for office spaces

As we have seen in the transactions in 2019 and during the 1st half of 2020, traditional locators and KPOs have been increasing their share in the market in terms of space being taken up. The presence of government offices in DD Plaza is a good precedent that the developer is friendly and accommodating

to these types of tenants. As new industries come, it is an opportune time for DDMP REIT, Inc. to further diversify its tenancy mix.

6.3.4 THREATS

Work from home

With the Telecommuting Act now signed into law by President Duterte, and the onslaught of the pandemic and limited mobility due to the strict quarantine measures. Employees and employers likewise are now looking at work from home as an alternative arrangement for the private sector. While the effect has yet to be felt by the office sector, expansions of some industries might have some slowdown due to this, as workers can now work from home, and the number of seats can now be lessened, or maintained, even as the companies expand. However, for BPO locators, this may not have as much effect, as they have found operations to not be as efficient when applying work from home arrangements.

Stricter government restrictions on gaming

Because of stricter government policies on mobility and travel restrictions, as well as tax implications and rulings, some of the gaming operators and related services might be affected. Resolution with the impositions of the government will definitely be positive for leasing demand in general, but may have a negative effect if these tenants leave these unresolved.

Dropping of rates of other buildings

Because of the freezing of transactions during the 1st half of 2020, some developers have opted to drop rates, and give extra concessions just to close the deal. This may lead to a downward trend in lease rates in the area.

Infection incidents resulting to shutting down the entire complex

Covid-19 has greatly impacted operations of all types of tenant groups, whether POGO or traditional. Infection incidents resulting to shutting down buildings, worse complexes, and putting a negative stigma on buildings regarding safety and hygiene practices of both tenants and landlords.

6.4 COMPETITION ANALYSIS

Below are the competitors seen for the DDMP REIT Inc. properties. These buildings were chosen due to similarities in character, either because of location, technical specifications, or positioning in the market.



Table 25: Property Information of Comparable Buildings

	iMet BPO 1	FOUR e-COM CENTER TOWER 1	FOUR e-COM CENTER TOWER 2	FOUR e-COM CENTER TOWER 3	REACH BUILDING	ASEANA THREE	SCAPE	ASPIRE CORPORATE PLAZA
Address	2660 Metropolitan Park, Bay Area, Pasay City	Bayshore Ave., MOA Complex, Pasay City	Bayshore Ave., MOA Complex, Pasay City	Bayshore Ave., MOA Complex, Pasay City	Diosdado Macapagal Boulevard, Pasay City	Aseana Ave., Pasay City	24 Diosdado Macapagal Blvd., corne Pearl Drive, Pasay City	Lot 2, Super Bloc A, CBP 1, Diosdado Macapagal Ave., Manila
Completion Date	Completed (2017)	Q1 2020	Q1 2021	Q1 2021	Q1 2021	Completed (2018)	Completed (2016)	Q3 2020
Gross Floor Area (in sq.m.)	26,378	36,181	31,159	29,765		32,841	20,229	26,708
Gross Leasable Area (in sq.m.)	20,291	31,444	27,095	25,883	25,647	29,557	17,590	24,280
Density Ratio (sq.m per person)	5.5	5.5	5.5	5.5	5	5	5	TBD
Back-up Power	100%	100%	100%	100%	100%	100%	100%	100%
Rent (in PHP)	750 (2019)	1,200	1,200	1,200	1,100	1,100 (2019)	850 (2016)	258,000 (for sale)
Basis of Rent (per sq.m.)	GLA	GLA	GLA	GLA	GLA	GLA	GLA + BOMA	TBD
PEZA	Yes	Yes	Yes	Yes	No	Yes	Yes	No
Certifications	None	LEED Gold	LEED Gold	LEED Gold	None	None	None	None
A/C Type	VRF	VRF	VRF	VRF	VRF	VRF	VRF (Lessee Provided)	VRF
A/C Charges (in PHP)	Sub metered	90	90	90	90	Sub metered	Sub metered	Metered
CUSA (in PHP)	150	147	147	147	170	130	130	TBD
Occupancy / Pre-leasing status	100%	14%	0%	0%	12%	99%	100%	For Sale

Source: Colliers International Philippines

Note: GLA is based on Leasable Areas for OFFICE USE ONLY



Among the buildings that are featured, Scape is the oldest and smallest, having been completed in 2016 and has a total leasable space of 17,590 sq.m. This size however is closest to DD Center West and DD Center East, which have leasable spaces of 17,859 and 15,124 sq.m., respectively. Meanwhile, DD Plaza Towers 1-4 have the biggest leasable space, amounting to around 127,928 sq.m. allocated for office use.

Most of the towers in the comparable set have density ratios of 1:5.5 sq.m., similar to DD Plaza, while Scape, Reach and Aseana Three have ratios of 1:5 sq.m., comparable to DD Center East and DD Center West.

All buildings, including DD Plaza, DD Center East and DD Center West have 100% back-up power. But among the completed buildings, only DD Plaza has a LEED Gold Certification. DD Center East and DD Center West meanwhile are pre-certified as LEED Silver. Upon completion, the Four E-Com towers will join DD Plaza in having LEED Gold Certification.

Because all buildings are relatively new, VRF is the most common aircon type for the buildings. All completed buildings, with the exception of Four E-Com Center Tower 1 have submetered AC charges. DD Plaza, DD Center East and DD Center West meanwhile have fixed aircon charges of Php 60 per sq.m..

In terms of rents, DD Center East and West's headline rates are comparable to Four E-Com's lease rates at PHP 1,200 per sq.m.. DD Plaza meanwhile recorded Php 800 in 2019, in between Aseana Three's PHP 1,100 and iMet BPO 1's PHP 750 per sq.m..

Occupancy-wise, DD Plaza, and DD Center East are at 99-100% occupancy, as of June 30, 2020, along with Scape, Aseana Three and iMet BPO 1. Four E-Com towers and Reach Building have not performed quite as well, with significant vacancies as of study time.

Aspire Corporate Plaza is the only building among the comparable set that is for sale. Its current price stands at PHP 258,000 per sq.m. + VAT. It is slated for completion in 3Q 2020.

7 CAVEATS AND ASSUMPTIONS

1. Definitions

In these Caveats and Assumptions the following words or phrases shall have the meaning or meanings set out below:

'Confidential Information' means information that:

- (a) Is by its nature confidential.
- (b) Is designed by Us as confidential.
- (c) You know or ought to know is confidential.
- (d) Includes, without limitation: information comprised in or relating to any of Our intellectual property in the Services or any reports or certificates provided as part of the Services.

'Currency Date' means, in relation to any valuation report, the date as at which our professional opinion is stated to be current.

'Fee' means the amount agreed to be paid for the Services as set out in the Quotation.

'Parties' means You or Us as the context dictates.

'Quotation' means the written quote provided by Us in relation to the Services.

'Services' means the valuation services provided pursuant to these Terms and Conditions and the Quotation, and includes any documents, reports or certificates provided by Us in connection with the Services.

'The Property' means the assets which are subject of our appointment as your advisor.

'We', 'Us', 'Our', 'Colliers' means Colliers International Limited.

'You', 'Your', 'Client' means the person, company, firm or other legal entity by or on whose behalf instructions are given, and any person, firm, company or legal entity who actually gave the instructions to us even though such instructions were given as agent for another.

'Professional Property Practice Standards' refers to RICS Valuation and Appraisal Handbook, or appropriate standards.

2. PERFORMANCE OF SERVICES

2.1 We have provided the Services in accordance with:



- (a) The Terms and Conditions contained herein; or
- (b) As specifically instructed by You for the purpose of the Services; and
- (c) Within the current provisions set by the prevailing Professional Property Practice Standards.

3. CONDITION OF THE PROPERTY

- 3.1 No allowance has been made in our report for any charges, mortgages or amounts owing on any neither of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. We have assumed that the Property is free from and clear of any and all charges, liens and encumbrances of an onerous nature likely to affect value, whether existing or otherwise, unless otherwise stated. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title which is assumed to be good and marketable. We are not aware of any easements or rights of way affecting the property and our valuation assumes that none exists.
- 3.2 We have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of, all ordinances, except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, and authorisations have been obtained, except only where otherwise stated.
- 3.3 We have assumed that any development sites are in a condition suitable for development; this has not been checked by us.
- 3.4 We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.
- 3.5 We have assumed that there is no timber infestation, asbestos or any other defect (unless advised otherwise) and that the property is compliant with all relevant environmental laws. It is Your responsibility to provide reports to Us that are relevant to these issues.
- 3.6 An internal inspection has been made; no detailed on site measurements have been taken.
- 3.7 While due care is exercised in the course of our inspection to note any serious defects, no structural survey of the Property will or has been undertaken, and We will not (and are not qualified to) carry out a structural, geotechnical or environmental survey. We will not inspect those parts of the property that are unexposed or inaccessible.
- 3.8 None of the services have been tested by Us and we are unable therefore to report on their present condition, but will presume them to be in good working order.
- 3.9 We have not undertaken a detailed inspection of any plant and equipment or obtained advice on its condition or suitability.



3.10 We recommend that You engage appropriately qualified persons to undertake investigations excluded from our Services.

3.11 No responsibility will be accepted either to You or to any third party for loss or damage that may result directly or indirectly from the condition of the property.

4. ENVIRONMENT AND PLANNING

4.1 We have obtained only verbal town planning information. It is your responsibility to check the accuracy of this information by obtaining a certificate under the appropriate legislation.

4.2 We do not hold ourselves to be experts in environmental contamination. Unless otherwise stated, our inspection of the site did not reveal any contamination or pollution affectation, and our valuation has been prepared on the assumption that that the land is not contaminated and has not been affected by pollutants of any kind. We would recommend that that this matter be checked by a suitably qualified environmental consultant. Should subsequent investigation show that the site is contaminated, our valuation may require revision.

5. BUILDING AREAS AND LETTABLE AREAS

5.1 Where a survey is provided to Us for consideration, We will assume that information contained in the survey is accurate and has been prepared in accordance with the prevailing Professional Property Practice Standards.

5.2 If you do not provide Us with a survey, We will estimate building and/or lettable areas based only upon available secondary information (including but not limited to building plans, deposited plans, and our own measurements). Such estimates do not provide the same degree of accuracy or certainty as would be provided by a survey prepared by an appropriately qualified professional in accordance with the prevailing Professional Property Practice Standards.

5.3 Where such a survey is subsequently produced which differs from the areas estimated then You will refer the valuation back to Us for comment or, where appropriate, amendment.

6. OTHER ASSUMPTIONS

6.1 Unless otherwise notified by You, We will assume:

(a) There are no easements, mortgages, leases, encumbrances, covenants, caveats, rights of way or encroachments except those shown on the Title.

(b) All licences and permits can be renewed and We have not made any enquires in this regard.



- 6.2 Where third party expert or specialist information or reports are provided to Us or obtained by Us in connection with Services (including but not limited to surveys, quantity surveyors reports, environmental audits, structural/ dilapidation reports), we will rely upon the apparent expertise of such experts/ specialists. We will not verify the accuracy of this information or reports, and assume no responsibility for their accuracy.
- 6.3 Our services are provided on the basis that the client has provided us with a full and frank disclosure of all information and other facts which may affect the service, including all secrecy clauses and side agreements. We accept no responsibility or liability whatsoever for the valuation unless such a full disclosure has been made.
- 6.4 Any plans, sketches or maps included in this report are for identification purposes only and should not be treated as certified copies of areas or other particulars contained therein.
- 6.5 The study of possible alternative development options and the related economics are not within the scope of this report.
- 6.6 Our opinion about the Market Value of the property is free from any influence and/ or point of views of any other parties.

7. VALUATION FOR FIRST MORTGAGE SECURITY

- 7.1 Where the Services are provided for mortgage purposes, You agree that You will not use the valuation report where the property:
 - (a) Is used as security other than by first registered mortgage;
 - (b) Is used as part of a group of securities (except where the property forms part of a trust); or
 - (c) Is used as security for more than one loan.
- 7.2 We reserve the right, at Our absolute discretion, to determine whether or not to assign Our valuation to any third party. Without limiting the extent of Our discretion, We may decline a request for assignment where:
 - (a) The proposed assignee is not a major recognised lending institution (such as a major bank);
 - (b) The assignment is sought in excess of 3 months after the date of valuation;
 - (c) We consider that there has been a change in conditions which may have a material impact on the value of the property.
 - (d) The proposed assignee seeks to use the valuation for an inappropriate purpose (including in a manner inconsistent with Your agreement at Clause 7.1); or
 - (e) Our fee has not been paid in full.
- 7.3 Where we decline to provide an assignment on either of the basis at 7.2(b) or (c), we may be prepared to provide an updated valuation on terms to be agreed at that time.



7.4 In the event that You request Us to assign Our valuation and We agree to do so, You authorize Us to provide to the assignee a copy of these Terms and Conditions, the Quotation and any other document, including instructions provided by You, relevant to the scope of Our Services.

8. ESTIMATED SELLING PRICE

8.1 Where you instruct Us to provide an Estimated Selling Price, You agree that the Services:

- (a) Are limited to the provision of an opinion based on Our knowledge of the market and informal enquiries
- (b) We are not required to carry out a full inspection of the property; any inspection of comparable properties; a search of Title(s) or other enquiries as to encumbrances, restrictions or impediments on Title(s); or other investigations which would be required for a formal valuation.
- (c) Provide an indicative figure only which is not suitable for use for any purpose other than as general information or guide as to sale expectations. It is not suitable to be relied upon for the purpose of entry into any transaction.

8.2 No responsibility will be accepted either to You or to any third party for loss or damage that may result from the issue of such an Estimated Selling Price.

9. CURRENCY OF VALUATION

9.1 Due to possible changes in market forces and circumstances in relation to the property the Services can only be regarded as relevant as at the Currency Date.

9.2 Where You rely upon Our valuation report after the Currency Date, You accept the risks associated with market movements between the Currency Date and the date of such reliance.

9.3 Without limiting the generality of 9.2, You should not rely upon Our valuation:

- (a) After the expiry of 3 months from the Currency Date;
- (b) Where circumstances have occurred during that period which may have a material effect on the value of the property or the assumptions or methodology used in the valuation report.

10. MARKET PROJECTIONS



- 10.1 Any market projections incorporated within our Services including, but not limited to, income, expenditure, associated growth rates, interest rates, incentives, yields and costs are projections only and may prove to be inaccurate. Accordingly, such market projections should be interpreted as an indicative assessment of potentialities only, as opposed to certainties.
- 10.2 Where Our Services include market projections such projections require the dependence upon a host of variables that are highly sensitive to varying conditions. Accordingly, variation in any of these conditions may significantly affect these market projections.
- 10.3 Where market projections form part of Our Services, We draw your attention to the fact that there will be a number of variables within acceptable market parameters that could be pertinent to Our Services and the projections adopted are representative of only one of these acceptable parameters.

11. YOUR OBLIGATIONS

- 11.1 You warrant that the instructions and subsequent information supplied by You contain a full and frank disclosure of all information that is relevant to Our provision of the Services.
- 11.2 You warrant that all third party expert or specialist reports provided to Us by You for the purpose of Us providing the Services are provided with the authority of the authors of those reports.
- 11.3 You authorise and license Us to incorporate Your intellectual property within Our report(s).
- 11.4 You will not release any part of Our valuation report or its substance to any third party without Our written consent. Such consent will be provided at Our absolute discretion and on such conditions as We may require including that a copy of these Terms and Conditions be provided to such third party. This clause shall not apply to persons noted as recipients in Your prior instruction to Us or in the Quotation provided that You shall provide any such recipient with a copy of these Terms and Conditions.
- 11.5 We reserve the right to reconsider or amend the valuation advice, or the Fee set out in Our Quotation to You, if;
 - (a) Certificates, surveys, leases, side agreements or related documentation that were not provided to Us prior to the provision of the Services are subsequently provided, and contain matters that may affect the value of the advice; or
 - (b) Where subsequent site inspections made in relation to any of the matters raised in Clause 3 materially affect or may alter the value of the property, the subject of the Services.
- 11.6 If You release any part of the valuation advice or its substance without written consent, You agree: a) to inform the other person of the terms of our consent; and b) to compensate Us if You do not do so. We have no responsibility to any other person even if that person suffers damage as a result of any other person receiving this valuation.

12. CONFIDENTIALITY



- 12.1 This report and each part of it is prepared and intended for the exclusive use of the Client for the sole purpose outlined in Our agreement and for inclusion into the Offering Circular of Ayala Land Offices thru BPI Capital. No person other than the Client shall use or rely upon this report or any part of it for any purpose unless we have given Our express written consent. Similarly neither the whole nor any part of this report nor any reference there to may be included in any document, circular or statement nor published in any way without our written approval of the form and context in which it may appear.
- 12.2 If consent to disclose the Confidential Information is provided by Us, You agree to abide by any additional terms and conditions that We may apply to that disclosure.
- 12.3 You agree that You will indemnify, hold harmless and defend Us from and against any and all loss, liability, costs or expenses (including but not limited to professional or executive time) We may suffer or reasonably incur, directly or indirectly, as a result of a breach of this clause.
- 12.4 Unless otherwise directed in writing by Client, Colliers International retains the right to include references to the Services in its promotional material. Such references shall not contain confidential material.

13. PRIVACY

- 13.1 We may obtain personal information about You in the course of performing Our Services. We respect your privacy and advise You that we will only obtain information that is necessary to assist us in the course of performing Our Services. If it is necessary for Us to engage third parties, we will inform these parties that they are not to disclose any personal information about You to any person or organisation other than Us.

14. SUBCONTRACTING

- 14.1 We may sub-contract or otherwise arrange for another person to perform any part of the Services or to discharge any of Our obligations under any part of these Terms and Conditions, with Your consent.

15. LIMITATION OF COLLIERS LIABILITY

- 15.1 To the extent permissible under applicable laws, in no event shall Colliers International be liable to Client or anyone claiming by, through or under Client, including insurers, for any lost, delayed, or diminished profits, revenues, production, business, use or opportunities, or any incidental, special, indirect, or economic losses, wasted costs, diminution of value or consequential damages, of any kind or nature whatsoever, however caused.
- 15.2 All the costs and benefits forecasted will, ultimately, be determined by future market conditions. Forecasts of these elements are based on assumptions of certain variable factors, which, in turn, are extremely sensitive to changes in the market and economic contexts. For this reason, the figures mentioned in this report were not computed under any known or guaranteed conditions. Rather, these are forecasts drawn from reliable sources of data and information and made in the best judgment and professional integrity of Colliers International.



Notwithstanding this, Colliers International reiterates that it will not accept any responsibilities in the face of damage claims that might result from any error, omission or recommendations, viewpoints, judgments and information provided in this report.

15.3 Colliers International, or any employee of Ours shall not be required to give testimony or to appear in court or any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we are properly reimbursed.

15.4 We are free from any possible legal and/ or non-legal issue which may attach to the Property's title documents.

16. ENTIRE AGREEMENT

16.1 No further agreement, amendment or modification of these Terms and Conditions shall be valid or binding unless made in writing and executed on behalf of the Parties by their duly authorised officers.

16.2 If there is inconsistency between these Terms and Conditions and the Quotation, any letter of instruction from You, or other specific request or information shall prevail to the extent of the inconsistency.