

Office Trends Report—First Quarter 2011

Central Business Districts, Philippines

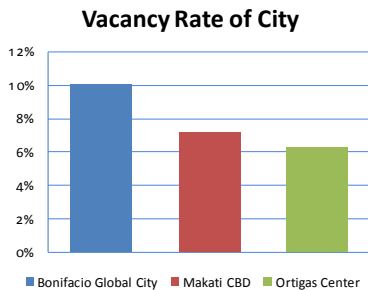


Figure 1) Vacancy rates at the end of 2010. Note that new space in BGC is largely spoken for.

Manila Office Market Summary January 2011

- Premium Grade buildings will likely lose BPO tenants as they relocate to new, lower cost buildings outside the Makati CBD. Premium Grade office rents are expected to remain relatively flat averaging around 900 Php / sqm in Makati CBD.
- Grade A buildings in Makati will not decline but will maintain or increase effective rates due to robust market demand despite the competition in Bonifacio Global City.
- Grade B office rents in the CBD will experience more modest increases as the cost advantages of relocation are less pronounced.

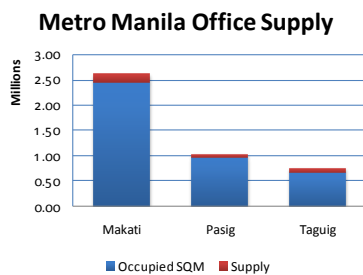


Figure 2) New supply has mostly been in Ortigas Center (Pasig) and Bonifacio Global City (Taguig).

Manila Office Market Overview

The Philippine Business Process Outsourcing (BPO) industry's presence continues to be an impressive sector with a 26% increase in annual revenues for the year 2010 predicted by the Business Process Association of the Philippines (BPAP). This movement has led to more floors being taken up, particularly of high quality office space. Fueled mostly by this growing sector, commercial office space with large, efficient floor plates, and energy efficient VRF AC Systems are in high demand. The majority of new lease transactions occurring in Metro-Manila's Central Business Districts; of which, about half the office take up occurring in Bonifacio Global City. This trend is likely to continue as BPO and call centers represent roughly 50 percent of the tenants currently in the market.

Achievable Rental Rates

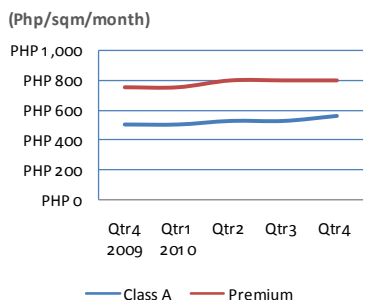


Figure 3) Achievable Rental Rates have been steadily increasing in the Makati CBD.

Financial companies with large footprints are HSBC, JP Morgan Chase, and Deutsche Bank. New expansion requirements are expected from HP, Bank of America, IBM, Sun Life and many others. The demand from companies such as these, contribute to the evolution of Bonifacio Global City and McKinley Hill into Financial Districts, which could one day rival Makati's. Looking back at 2010, approximately 60,000 square meters of new commercial office space was occupied in Bonifacio Global City, in spite of flat growth in the global economy. Investment sales activity continued with rates in Bonifacio Global City increasing to an average of 130,000 Php / sqm, with rates in Ortigas at 80,000 Php /sqm and 95,000 Php / sqm in Makati respectively.

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Supply

The total office space stock in Metro Manila is estimated around 7 million sqm of which the Makati CBD accounts for nearly 2.7 million square meters. Makati (CBD), is a planned business district developed since the 1960s and accommodates the head offices of most large local and multinational companies, particularly the financial institutions. Since 2009, new office supply has been limited, 46,000 sqm were made available in 2009 and no new supply in Makati CBD has become available in 2010 or forecasted to become available in 2011. Transfers to the BPO friendly Bonifacio Global City in early 2010 caused vacancy to rise in Makati CBD although the supply was mostly absorbed over the following months of the same year.

Bonifacio Global City, some 2 km from Makati, was planned in the 1990s and has developed rapidly over the past 5 years. Available new space is projected at 80,000 sqm which will come online over 2011.

Five kilometers north of Makati, office stock extends to nearly 1 million sqm in Pasig (Ortigas CBD). Large occupiers in Ortigas include the Asian Development Bank, San Miguel Corporation and Meralco. New supply at 65,000 sqm was estimated for 2010, notably Hanston Square and One Corporate Center.

Other significant concentrations of office based activity, again primarily BPO are located at Alabang in the southern suburbs (230,000 sqm of office space) and Eastwood City, a 16-hectare mixed-use township development located in Quezon City (220,000 sqm of office space). New supply in Alabang is projected at 10,000 sqm whereas new supply at Eastwood City is projected at 20,000 sqm (Global One) in 2011 which will be mostly absorbed by Accenture.

Demand and Vacancy Rates

Rents are highest in the Makati CBD, with Premium office buildings currently averaging about P850 (gross) monthly per sqm. Makati's Grade A and Grade B office buildings are averaging around P700 and P500 per sqm monthly, respectively. Because of increasing demand, office rental rates have increased over 2010.

In Ortigas, office rents for Grade A buildings are currently at the range of P500 per sqm per month. While average Grade B rents are closer to P400 per sqm per month with rates supported largely by the demand of smaller BPOs and call centers.

Bonifacio Global City (BGC) Class A office rents headline at P650 per sqm per month on average. BGC will see its first Premium Grade buildings namely Net Lima (Net Group) and the LEED Certified Gold, Sun Life Centre (Sun Life Financial). Eastwood office building rents are currently at the range of P470-P600 sqm per month while Alabang Grade A rents range from P380-P510 sqm per month.

Overall, average rents for Metro Manila office space have increased by 10% since mid-2010. Premium office rents increased to around 11%, while Grade A around 10%. With an increase in demand and decrease in vacant office space, we are seeing an upward trend which we expect to continue to 2012.

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Future Outlook

With the decrease in supply of quality space, and relatively limited supply completing in the next 12 months, rents will continue to rise over the next 12 months. BPO companies are scrambling to find contiguous vacant floors for their 1 year expansion plans. Leasing transactions have accelerated and landlords are expected to aggressively raise rents 10-15%. The threat of the global financial crisis seems to be behind us with the US economy stabilizing. In addition, the local Philippine economy is expected to grow as confirmed by the S&P Credit Rating upgrade from BB- to BB last November, 2010.

The BPO industry remains the key demand driver for the office property market. BPAP estimates that their members will grow 20-30% over the next 5 years. That being said, with no new supplies for 2011 in Makati CBD, a small supply in Ortigas, and three new buildings (largely spoken for) in Bonifacio Global City, we expect landlords to take full advantage of this increase in demand.

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OFFICE TERMS AND DEFINITIONS

Occupied SQM: Office inventory includes all multi-tenant and single tenant buildings of at least 1,500 square meters. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: KMC MAG Group Inc, adheres to the BOMA guidelines. Class A/Premium properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Direct Vacant: This is the vacancy rate in space offered on the market directly by the landlord in single and multi-tenant buildings. This excludes vacant space offered for sublease and vacant space that is not offered on the market, for whatever reason.

Absorption Rate: The net change in physically occupied space over a period of time.

Asking Rent: The Philippine peso amount asked by landlords for available space expressed in Php per square meter per month in most parts of the country. The asking rent for each building in the market is weighted by the amount of available space in the building.

** KMC MAG Group's statistics are not audited and may result in revisions to previously reported quarterly and final year-end figures.*