

Green Edge:

Future-proofing offices post-pandemic



Insights & recommendations

Colliers Philippines believes that adopting green and sustainable features plays a crucial role in future-proofing office towers beyond the pandemic.

The COVID-19 situation has accelerated the adoption of sustainable office spaces and we see this trend complementing the recovery of office leasing demand across Metro Manila beyond 2021.

As part of occupier retention as well as attraction strategies, Colliers believes that existing landlords and developers should focus not only on wellness attributes, but also on green retrofitting activities.¹

Occupiers that are mandated to follow green initiatives should constantly be on the lookout for upcoming wellness certified office towers likely to be completed across the Philippines in the next 12 to 36 months. In Metro Manila, about 37% of the new supply from 2021 to 2023 will likely be wellness certified buildings.



Health-related expenditure up 7% per annum

Data from the Philippine Statistics Authority (PSA) show that from 2010 to 2019, Filipinos' spending on health-related expenditures grew by an average of 7.9% per annum, faster than the growth of other consumer spending sub-sectors such as hotels and restaurants (7.6%), food and beverage (5.4%), communication (5.0%), and clothing and footwear (1.8%). This indicates that health and wellness are among Filipinos' major priorities. We see both employers and employees putting a greater emphasis on health post-pandemic. Landlords and tenants are likely to implement health and wellness initiatives to retain occupants and employees.

25K sqm Menarco Tower: first WELL-certified building

In 2019, Menarco Tower located in Fort Bonifacio received a WELL Gold certification from the WELL Building Institute (IWBI), the first building in Southeast Asia to secure such certification.

With Gross Leasable Area (GLA) amounting to 25,500 sq metres (274,400 sq feet), Menarco Tower offers WELL-centric features and facilities such as filtered air circulation, natural light in fire staircases, potable water at the tap and healthy food choices in the food hall.

According to Menarco Development Corp. CEO Carmen Jimenez-Ong, securing a WELL-certification enables property developers to attract and keep tenants through healthier workplaces.³

Product differentiation is key

As developers ramp up construction of office towers across Metro Manila in 2021, product differentiation plays a crucial role in ensuring that buildings are appropriate to the needs of the tenants given the increasing options in the market. Colliers Philippines believes that today's labor force is also more discerning in choosing which companies to work in and the type of workspace is critical in attracting and retaining the best talent.

In a survey conducted by insurer Cigna in 2017, about 66% of respondents said that it was important for their employer to have a wellness program in place and 59% said that having such program would impact their decision on whether to join a new employer.²

LEED buildings to account for 37% of new office supply

Colliers believes that landlords should maximize wellness features of their buildings and prioritize wellness certifications such as LEED (Leadership in Energy and Environmental Design) and WELL building standards. LEED buildings will likely account for 37% of new office supply from 2021 to 2023. Landlords should also be more discerning with design considerations (e.g. filtered air circulation, lower density ratios, and high glass ratios for natural sunlight) and strengthen property management capabilities including sanitation (e.g. implementation of measures to avoid disease transmission) and emergency preparedness.

Note: 1 sq m = 10.76 sq ft. Source: ¹Asia Pacific Property Markets: Themes for 2021; ²Live Well 2017 Cigna 360 Well-Being Survey; ³Menarco Tower is 'healthiest' building in SE Asia

Embracing sustainability in office leasing

Colliers recommends that developers upgrade their buildings by creating a seamless and efficient overall experience for today's workforce. This can be done by incorporating technology and design enhancements in office space as we see the increasing importance of LEED and WELL certified options to attract major tenants.

Overall, Colliers foresees a market that is due for an upgrade driven by shifting tenant profiles that cater to the more discerning Knowledge Process Outsourcing (KPO), multinational corporations (MNCs) and traditional[†] occupiers. Given this, the market moves from basic structures to more spacious, LEED certified buildings, with more energy efficient systems, consequently improving the overall experience of employees and visitors alike.

Even post-pandemic, Colliers believes that landlords are likely to remain competitive by improving office amenities. Over the past two years, Colliers has seen a more aggressive development of LEED certified buildings. This should become more prevalent over the next three years as we see the expansion of discerning KPO tenants.

Already, we see more developers constructing LEED-certified buildings to respond to the demands of an increasingly broad and more discerning clientele. Some of the LEED-certified buildings due to be completed from 2021 onwards are One Ayala Tower 1, SM Mega Tower, The Glaston Tower, Primex Tower, and Glas Tower, among others.

Another major building due to be completed during the period is Arthaland's Cebu Exchange Tower, the largest office tower to be built in the Visayas-Mindanao area with a Gross Leasable Area (GLA) of 108,500 sq metres (1.17 million sq feet). Cebu Exchange will offer large floor plates (approximately 5,000 sq metre), flexible unit cut-ups, and a smart building management system. It is registered with U.S. Green Building Council, LEED, Philippine Green Building Council, and Building for Ecologically Responsible Design Excellence (BERDE).

In Colliers' recent Asia Pacific report, [Who? What? WELL!](#), it mentions that, "Wellness is becoming a key component of workplace strategy with corporates increasingly looking to design the best workplaces to enhance employee engagement and productivity, and developers aiming to attract higher calibre tenants and potentially lease more quickly and at higher rates."

To this end, Colliers introduced workplace strategy last year as an additional service offering for our clients, giving us the opportunity to bring wellness to the forefront, giving our clients a more well-rounded strategic service offering.

In Colliers Philippines' report entitled [Is there a greener pasture in the Philippine real estate market?](#), it was stated that the role of the real estate industry in supporting efforts to achieve the country's Nationally Determined Contributions (NDCs) to the Paris Agreement is critical as a driver for property development growth. The real estate industry directly supports opportunities in the economy and the environment.

Upcoming and existing sustainable buildings across the country

Building Name	Location	Gross Leasable Area (GLA, sqm)	Building Certifications	Completion Date
Makati Commerce Tower	Makati City	56,000	Pre-certified LEED (ver 4) Gold, aiming for Platinum	Q3 2022
Menarco Tower	Fort Bonifacio	25,500	LEED Gold and WELL Gold Certified	Q3 2017
The Brilliance Center	Fort Bonifacio	5,100	LEED aiming for Silver	Q3 2019
The Podium West Tower	Ortigas CBD	104,000	Pre-certified LEED Gold	Q3 2019
Jollibee Tower	Ortigas CBD	54,200	Pre-certified LEED Gold	Q3 2020
One Trium Tower	Alabang	28,500	Pre-certified LEED Gold	Q2 2021
DoubleDragon Plaza	Bay Area	130,000	LEED Gold	Completed
DoubleDragon Tower	Bay Area	38,000	Pre-certified LEED Silver	Q4 2021
Damosa Diamond Tower	Davao	20,600	On track for BERDE On track for EDGE	Q2 2021
Cebu Exchange	Cebu	108,500	Pre-certified LEED Gold On track for BERDE On track for EDGE On track for WELL	Phase 1 – Q2 2021 Phase 2 – Q2 2022
Faustina Center	Cebu	21,400	On track for EDGE	Q1 2022

Source: Colliers. Note: LEED = Leadership in Energy and Environmental Design; EDGE = Excellence in Design for Greater Efficiencies; BERDE = Building for Ecology and Responsive Design Excellence

Green building certifications became a seal of authenticity to end-users for standard green building practices. These widely accepted standards tend to be appreciated by middle and up-market Philippine and MNC occupiers. LEED, BERDE, WELL, and Excellence In Design and Greater Efficiencies (EDGE) are green building certifications widely used in the Philippines. These rating systems complement each other with unique criteria addressing a common goal: to support the Philippines' commitment to reducing emissions by 70% by the year 2030.⁵

Metro Manila office supply forecast (2020-2023)

About 271,400 sq metres of wellness certified buildings are due annually from 2021 to 2023.

Location	End 2020	2021F	2022F	2023F	End 2023
Makati CBD	3,355,400	120,000	74,300	-	3,549,700
Makati Fringe	439,200	44,200	90,100	64,100	637,500
Fort Bonifacio	2,307,100	218,100	32,900	123,900	2,681,900
Ortigas CBD	1,995,600	157,100	63,600	176,100	2,392,400
Ortigas Fringe	565,000	41,200	20,400	-	626,600
Bay Area	975,900	245,900	93,400	20,300	1,335,500
Alabang	746,300	47,200	38,900	38,900	871,400
Quezon City	1,519,100	12,500	62,900	218,000	1,812,500
Others	395,400	-	124,900	71,900	592,300
Total	12,299,000	886,200	601,500	713,200	14,499,900

Source: Colliers ⁵Colliers. [Is there a greener pasture in the Philippine real estate market?](#)

The immediate benefit of applying green building standards is to promote a safe environment, improve health and wellbeing, and begin to address the environmental impacts of real estate development. Some of the design strategies already being used in Metro Manila which can be easily rolled out nationwide include:⁶



Access to natural lighting that helps enhance productivity, increase visual acuity, and support the body's circadian rhythm.



Access to clean indoor air that will help limit physical discomforts in the eyes, nose, and throat.



Proper interior acoustic planning that will reduce physiological distraction from internally generated noise and exterior noise intrusions.



Improved thermal efficiency, enhancing comfort while reducing the use of air-conditioning, therefore, decreasing utility cost.



Low-flow fixtures that reduces water waste, therefore, reducing overall water demand.



Properly designed wayfinding and signage within the development that will promote active movement from one place to another.

Colliers believes that moving forward, there will likely be a heightened preference for sustainable buildings that provide natural lighting and optimize air quality, among other features. Over the next three to five years, these features should result in utility and talent acquisition cost savings and contribute to a healthier and more productive workforce.

The pandemic has disrupted the Philippine property sector. Developers and tenants should use this opportunity to improve their sustainable leasing strategies, and mitigate this disruption.



Accelerating success.

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