

Headline: Green buildings, redevelopment to shape future of office market

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AS THE COUNTRY continues to capitalize on its economic momentum, government agencies and business leaders alike are now focusing on ensuring that cities remain livable and sustainable. In Metro Manila, 22 buildings in Makati and Bonifacio Global City (BGC) are either applying for the Leadership in Energy and Environmental Design (LEED) certification or have been precertified as LEED, with over 75 percent of these green buildings located in BGC in Taguig.

For KMC MAG Group managing director Michael McCullough, going green is a welcome trend, one that they hope would spread not just across Metro Manila, but also in other major cities across the country.

McCullough said: "There are a lot of benefits to building or investing in green buildings, such as being able to provide a healthier workplace for employees and increasing savings and cost-efficiency. Green buildings use 25-percent less energy, allow organizations to save up to 19 percent on operational expenses and have an average increase in return of investment of about 19.2 percent."

A lot of benefits

According to him, "these benefits make these buildings more attractive to multinational companies, which are increasingly looking for spaces that will reflect their own sustainability commitments."

McCullough added that these benefits would also give developers the ability to command higher rental rates for green developments.

He said: "In this day and age, developers can no longer look at green buildings as a premium offering. Developers need to look at green buildings as a key component of their medium- to long-term strategy. They need to consider how this concept can be applied to lower-end offerings, so that multiple customer bases will actually benefit from sustainable spaces." McCullough elaborated: "The recent Asia-Pacific Economic Cooperation Summit in Manila and the recent Paris Climate Conference have stressed the importance of businesses taking action to reduce the impact of climate change. Making green buildings a norm is an important step for the real estate and construction industry and will help encourage the country's pursuit of sustainable development."

Another development that will drive the future of the office market is redevelopment. Redevelopment involves upgrading older buildings, which can help increase their asking prices, especially for buildings located in high-demand central business districts (CBDs). With the Makati CBDs continuing to command the highest average rental rate in Metro Manila at P979/square

meter/month, developers in the area are turning to redevelopment to revitalize their existing properties and attract new investors into the business district.

Being redeveloped

Some of the developments that have led this trend are the Jaka Tower on Ayala Avenue, which is currently being converted into a strata-type office building and will be renamed the Alveo Financial Tower. The tower is expected to provide 37,138 sqm of leasable space, with potential rental rates of P979/sqm/month. The project is expected to be fully turned over by the second half of 2020 and will be a part of Ayala Land's City Gate complex.

Another building undergoing redevelopment is Insular Life Building located on Ayala Avenue, which is set to reopen 19,156 sqm of premium leasable space by the fourth quarter of 2016, with the potential rental rate pegged at P1,400/sqm/month.

McCullough said: "In terms of the development pipeline from 2015 to 2018, the Makati CBD only offers 74,556 sqm, vis-à-vis Bonifacio Global City, which will offer 934,886 sqm. The Makati CBD also has the highest asking rental rate for Grade A offices among Metro Manila markets."

Help revive a building

He added: "Redevelopment will help revive a building and make it more attractive to organizations or businesses looking for spaces in high-demand business districts like Makati. Moreover, redevelopment can also increase the value of surrounding properties. We see redevelopment as a way for the Makati CBD to stay competitive and hold its own against emerging CBDs such as BGC."

McCullough emphasized that beyond increasing investors in Metro Manila's key CBDs, redevelopment can also be the key to spreading growth to other cities in the country.

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"We've seen in Manila that a push from the local government and support from both businesses and ordinary citizens can inject new life into a megacity," added McCullough. "We hope that local government units would learn from the experience of the city of Manila and start thinking about what they can do to revive old and forgotten areas, create new business districts, and encourage locals and foreigners to visit their part of the country."