

Guide to Finding an Office Space for Rent in Metro Manila

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Renting out an office is a big investment that most new businesses will undertake. We have written out this guide to help out entrepreneurs to secure a place for their business and come out of it with a favorable deal.

Part 1: Defining Your Requirements

Taking the time to clearly lay out your needs will make your journey easier and save you from future headaches. But before you define your requirements, ask yourself if you need an office at this point.

Here are the top things that you would need to determine before you begin searching for offices:

Determine How Much Space You Need

A good rule of thumb to follow when estimating office space requirements is to budget 10-25 m² per office worker.

Refer to the table below for usual office space requirements for specific areas. Note that these are just estimates and can either go up or down depending on your specific situation.

AREAS	ESTIMATED SPACE REQUIREMENTS
FOR EMPLOYEES	
Employee Workstation	8-12 m ²
Manager's Office	12-18 m ²
Executive's Office	18-24 m ²
Director's Office	24-28 m ²
Managing Director / President's Office	28-40 m ²
FOR SPECIALIZED AREAS	
Small Meeting Room (2 to 4 people)	9-13 m ²
Large Meeting Room (4-8 people)	13-18 m ²
Board Room / Conference Room	20 m ² up
Reception Area	10-12 m ² (1-2 m ² for each attendant)
Lunch / Break Room	7 m ² plus about 2-2.5 m ² per seated person
Server Room	4 - 12 m ²

You will also need to take into account your growth forecasts in your estimates. Since lease contract lengths may span years, Businesses will typically allot an additional 10-20% of space from their current needs to account for future growth.

Decide on a Budget

You would need to decide on a budget, while also factoring in other expenses that you may incur such as moving costs, improvements, repair and maintenance, furniture + equipment purchases, and parking.

Ensure that you have enough budget to cover at least several months of rent, as early termination of lease contracts are usually levied with penalties. According to *The Little Book of Real Estate Definitions Asia Pacific* by Jones Lang LaSalle, typical lease terms is from 3-5. Landlords may also collect rental deposits and advances (typically to cover 2 months each).

Usual Lease Terms for Traditional Offices in the Philippines

Lease Term		Rental Payments			
Typical lease length	Frequency of rent payable (in advance)	Rent deposit (expressed in x months rent)	Statutory Right to Renewal and Service Charge	Basis of Rent Increases or Rent Review	Frequency of Rent Increases of Rent Review
3-5 years	Monthly	2 months	No	Fixed % increase of market rental value	Annually or at renewal

Service charges, Repairs, and Insurances		
Internal	Common Parts (reception, lifts, stairs, etc.)	External/Structural
Tenant	Landlord charged back via service charge	Landlord charged back via service charge

Taxation		
Building Insurance	Local Property Taxes	VAT Payable on Rent
Landlord charged back via service charge	Landlord	12%

Disposal of Leases		
Assignment/sub-letting	Early Termination	Tenant's Building Reinstatement Responsibilities at Lease End
Generally accepted (subject to landlord approval)	Only by break clause with penalties	Original condition allowing for wear and tear

Explore Possible Locations

Metro manila is home to many business districts and you have a lot of leeway here in choosing your company's future home. But remember that location can make or break a business so you have to take these points into consideration when taking stock of your requirements:

Accessibility: Your office must be in an area easily accessible to everyone who will use it: not just your employees, but also your clients and suppliers.

Proximity to Other Businesses: Being close to other businesses may provide positive and negative consequences depending on your industry.

Brand Image: The area and location you choose to set-up in would affect how others would perceive your business. Choosing a Grade A building in the middle of a popular CBD would have a different effect from renting in a medium-grade building in the outskirts of the Central Business district.

Submarket	Avg asking rent 2016 in PHP	Avg asking rent 2016 in USD
Makati City	PHP 1,017	USD 2.05
Pasig City	PHP 691	USD 1.37
Mandaluyong City	PHP 688	USD 1.40
Taguig City	PHP 861	USD 1.73
Muntinlupa City	PHP 615	USD 1.24
Quezon City	PHP 741	USD 1.47
Pasay City	PHP 683	USD 1.41
Paranaque City	PHP 700	USD 1.34

Part 2: Searching for Office Spaces

Once you have defined your requirements, it is now time to search around for an office space.

Your goal for this step is to create a short list of properties that matches or nearly fits your requirements from Step 1. Remember to not limit yourself to just 1 or 2 possible locations. It's good to have alternatives to choose from down the road.

You can either search for properties on your own or work with a professional broker. Both options has its pros and cons as follows:

Working with a Broker

A professional broker may save you time searching. Brokers in Metro Manila can tap their extensive network to quickly provide you with a list of properties (including properties that are not listed publicly) that fit your requirements.

Besides the time savings, professional brokers can help you better navigate the market and answer whatever questions that you may have.

DIY Search

You can search for properties on your own if you don't want to engage a broker or even in tandem with your broker.

One benefitting of going at it alone is the possibility of getting discounts. Property owners may sometimes give discounts if you go direct to them since they don't have to pay brokers' fees; although this is a more widespread practice when it comes to purchasing properties.

You can look for properties using the following sources:

Your own network: Always start your search in your own network or simply post in Facebook. There's a good chance that someone may know someone that can point you in the right direction.

Having a common network is regarded highly when doing deals in the Philippines, and this can translate to a smoother transaction.

Online and Offline Classified Ads: Look at both online and offline ads as some properties may not be listed in both mediums. Most popular newspapers here charge a fee when listing properties in offline ads while some people are still wary to post online.

Part 3: Evaluating your Options

You should have a list of possible office locations by this time. Your goal in this step is to eliminate some of your options and rank the remaining ones.

You will need to give different weights to your requirements in order to rank your options. It would be easier if you do this in a spreadsheet.

Here are the things that you would need to consider in evaluating your options.

Space Layout

The layout of the space should be suitable to your business operations. Would you need a large reception area for visitors or perhaps private meeting rooms?

Take note of where the electrical and data outlets are as these might influence the actual layout of your office.

Infrastructure

Things to look out for here are:

- Air-conditioning / heating
- Lift Access and stairs
- Light fixtures and power outlets
- Possibility of internet and phone connections + mobile signal
- Existing improvements to the space

Accessibility and Location

Answer these following questions in order to assess the accessibility of the offices in your list:

- What are the different commuting and driving routes that people may take? Are there alternative routes?
- Are there ample parking space in the building and nearby areas?
- How is traffic at different times of the day? Compare this with your expected time when your clients will most likely come to your office.
- Is the area safe during early mornings and late night? Important if you have late and/or graveyard shifts or expect employees to occasionally go on overtime.
- What are the businesses in building and nearby areas? Would they be a detriment to my business or are there possible collaboration opportunities?

Costs (Rental Fees and Extra Charges)

Besides the rental fees, your landlord may charge you for maintenance costs, insurance fees, property taxes, and even rent for common/shared areas (such as kitchens, bathrooms, etc..)

Also factor in required improvements for the space as part of your calculation.

Contract Terms

Check the contract terms for the following items:

- **Contract Length:** how long is the minimum or maximum contract length?
- **Rental Price:** how much are they asking for rent? Is it cheap or high compared to nearby properties?
- **Rent increases:** is there a rental increase stipulated in the contract? When and how much?
- **Tenant improvements:** who pays for tenant improvements?
- **Additional costs:** are there any other costs stipulated in the contract?
- **Subleases:** are you allowed to sublease?

We will be discussing these in depth in the next part.

Part 4: Negotiating Contract Terms

After further evaluating your options, it's now time to sit down with the landlords of your most preferred location/s. The goal in this step isn't to simply secure a contract, but to secure a contract with amenable terms.

Remember that the initial contracts given out by your landlords were drafted by them and most likely contain favorable to them. There's always room for negotiation, although your bargaining power will mostly be dictated by whether the market is hot or cold.

Below are the major terms of a lease contract that you can consider negotiating:

Contract Length / Lease Term

The length of your lease contract (sometimes called "lease term") will have a major implication for your business. A shorter lease will give you more flexibility to respond to changes. For example, you might need more space sooner than expected due to growth. On the other hand, a longer lease term is favorable to secure a very good location and lower rates for a longer period.

Deciding on the right contract length is hard since there's always uncertainty when it comes to business. If your business and location works out well for you, then you might want to stay for a long time. However, a five year lease will be a burden if your business doesn't grow as forecasted.

Businesses usually favor shorter lease terms while landlords are all for a longer lease since it ensures a steady flow of income for them. Landlords might be willing to compromise on other terms such as paying for tenant improvements and additional costs, if you're signing up for a longer lease.

A good compromise is to negotiate for a shorter initial lease (1-2 years) with multiple options for renewal (another 1-2 years, 3-5 year terms, or other arrangements). The only drawback here is that your landlord will most likely increase the rent on your renewal; but this might be a small price to pay if your business is currently operating with lots of uncertainty.

Rental Fee and Increases

Most landlords wouldn't budge on rental fees, specially if the area has high occupancy rates. It will be good to benchmark prices of similar properties in the area to get the best deal.

An increase in rental fees is usually included in the contract in the form of an annual increase or upon renewal. If your landlord demands to keep this clause, then you can try to negotiate as follows:

- put a maximum cap to minimize the increase
- defer the increase to a latter period by waiving the increase in the first few years or in subsequent renewals.

Tenant Improvements

Improvements are any alterations to the lease property that increase its value. Remodeling, renovations, and additions can be considered as improvements. What would constitute as improvements will need to be discussed with your landlord and will be stipulated in the contract. Any improvements done to the property will be considered part of the party and owned by the landlord.

Either tenants or landlords can pay for required improvements. You can usually negotiate for the landlord to foot the bill (or part of the bill) if you're signing-up for a longer-term. Landlords can sometimes foot the bill upfront or discount the cost of your improvements in your rental payments.

Subleasing

Try to negotiate for the right to sublease the property to give you more flexibility. In this way, you can rent out unused space if you leased a larger property for future growth.

Summing Up

Getting an office is a huge investment so make sure you need one before searching. Explore alternative options first before you commit since your finances will be tied up upon signing the contract.

If you really do need one, then remember to follow our steps from as detailed in this guide. Always remember that you might not get the perfect space that fits all your requirements so it's important to have several options lined-up.

It's okay for you to go at it on your own, but do consider working with professionals to save time and ensure you get a favorable deal.