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KMC Solutions provides staff leasing services for foreign and local companies which require dedicated staff and virtual teams. Additionally, the company offers seat leasing and managed facilities for companies setting up operations in the Philippines. KMC Solutions operates in both major business districts of the country - Makati City and Bonifacio Global City.

KMC Solutions currently has over 1,400 fully-outfitted seats located in 5 prime office buildings. These serviced offices are fully-furnished and backed with 24/7 IT support services. The main advantage of KMC’s serviced offices is the variety of room options that can accommodate 1-10 employees to as large as 140 employees depending on floor size.

Founded in March 2009, KMC Solutions has successfully assisted over 50 companies in establishing their operations in the country. Our client portfolio includes small to medium sized enterprises as well as multinational companies Bright, Sun Life Shared Services, and Vocus.
Key Facts

US$371
Average rate per workstation in 2013

20
Serviced Offices in the Philippines

49%
of contracts signed for an initial 12 months

8.4
Workstations
Average contract size

Cebu
Davao
Areas outside of Manila suitable for serviced offices
Asian Market Overview

The emerging markets of Asia have seen the highest increase of serviced office space with an increase of at least 64 centres over the past 12 months. The availability of quality space and significantly affordable rates has allowed the region to grow at a rapid pace. The use of serviced offices has become more familiar in the region as the market searches for property solutions that will allow them to expand at minimal costs.

The Asian region’s supply is primarily concentrated in prominent business and financial hubs. The high level of population density found in these areas results in a limited amount of available land for development making for the extensive use of high-rise buildings for both commercial and residential sectors.

With the Association of Southeast Asian Nations (ASEAN) eco-
Asian Market Overview

<table>
<thead>
<tr>
<th>Market</th>
<th>Country</th>
<th>Location</th>
<th>Centre Count</th>
<th>Centre Details</th>
<th>Average Workstation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>City Centre Locations</td>
<td>Business District Locations</td>
<td>Grade A centres</td>
</tr>
<tr>
<td>China</td>
<td>Shanghai</td>
<td>66</td>
<td>$\star$</td>
<td></td>
<td>$\star$</td>
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<tr>
<td></td>
<td>Beijing</td>
<td>30</td>
<td>$\star$</td>
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<td>Guangzhou</td>
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<td>$\star$</td>
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<td>India</td>
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<td></td>
<td>Gurgaon</td>
<td>7</td>
<td>$\star$</td>
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<td>Indonesia</td>
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<td>Malaysia</td>
<td>Kuala Lumpur</td>
<td>27</td>
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<td>Pakistan</td>
<td>Karachi</td>
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<tr>
<td>Philippines</td>
<td>Manila</td>
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<td>Taiwan</td>
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<td>Thailand</td>
<td>Bangkok</td>
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<td>Vietnam</td>
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<td>$\star$</td>
<td></td>
<td>$\star$</td>
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<tr>
<td></td>
<td>Ho Chi Minh</td>
<td>3</td>
<td>$\star$</td>
<td></td>
<td>$\star$</td>
</tr>
</tbody>
</table>

**Category Key:**
- Shaded portion shows the percentage of centres that fall into the category, for example:
  - $\star$ shows 20% of centres are located in the city centre
  - $\star$ shows 60% of centres are in business district locations
  - $\star$ shows 80% of centres are in Grade A buildings

**Price range:**
- $\star$ $1,500 - $1,001
- $\star$ $1,000 - $751
- $\star$ $750 - $500
- $\star$ less than $500

Economic integration coming into implementation in 2015, Southeast Asia will become a highly competitive single market. Stronger capital inflows and investments will follow because of the removal of tariff and non-tariff barriers on both goods and services. This allows ASEAN countries access to greater regional resources.

Under the current uncertain economic conditions, it is very challenging for corporations and start-ups to make heavy capital investments such as offices which must be used for a long term basis. This is one main driver of the serviced offices sector which allows businesses flexible solutions for downsizing and expanding operations. For a company to sustain its competitive advantage, operational efficiency and flexibility will be key. Serviced offices can be set up in a week compare to traditional offices that can take months. This is one reason why the serviced office sector thrives especially in a region that offers significantly affordable rates while possessing a highly-skilled workforce. With these factors, the Asian market for serviced offices will continue to grow and sustain its pace.
The Philippine Market

The serviced office market in the Philippines is growing as a lot of companies continue to flock to the country to outsource work or establish a presence. The BPO sector will remain a major influence in the market in the next few years especially with the recent announcement of Tholons, a global outsourcing advisory firm, that Manila has now surpassed Mumbai as the second leading outsourcing hub in the world. As a result, more companies are expected to enter the country and set up operations, in which serviced offices will cater for the demand. At the moment there exists 18 serviced office centers in the Philippines. It is expected to increase with at least 2 serviced offices to open in 2014.

The largest market of serviced offices in the Philippines is still Metro Manila as the country’s businesses are highly concentrated in this area. However, other cities such as Cebu and Davao are becoming potentially big markets for serviced offices because these areas are much less congested than Metro Manila and also have lower rates.

One issue that the Philippines has is the country has the highest electricity rates in Asia due to the lack of competition in the private sector and energy infrastructure.

Despite the challenges the Philippines is faced with, the low average of rates (US$371) available in the Philippines, it is one of the few countries that offer high quality value-for-money office spaces while employing a young, highly-skilled and English-fluent workforce.

Outlook

The prospects for the market

Supported by sound macroeconomic fundamentals and expanding economy, together with limited supply of new Grade A office buildings, demand for serviced offices is expected to remain healthy in the Philippines. As the occupancy rates and lease rates of CBD buildings remain high, service providers will experience growing demand.

<table>
<thead>
<tr>
<th>PH Largest Providers</th>
<th>Rank</th>
<th>Provider</th>
<th>Centres</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regus</td>
<td>11</td>
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</tr>
<tr>
<td>2</td>
<td>KMC Solutions</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Servcorp</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Nomad Offices</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>New Wave Offices</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>
# Issues to Consider

Many corporations struggle with setting up an office space especially in the emerging markets such as the Philippines. The procedures that must be done seem easy to do but take much more time than they should do. The potential for additional costs, operation delays and unsatisfactory outcomes is far greater than in more developed countries. The challenges of opening an office in the Philippines are quite different from those in Singapore or Japan.

<table>
<thead>
<tr>
<th>Market Issues</th>
<th>Information Issues</th>
<th>Timing Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Philippine market is very buoyant and it may be necessary to reserve space with a non-refundable deposit whilst corporate approvals go through.</td>
<td>• Information, data and statistics from the government may take a long time to retrieve unless you know someone who can help the process go faster.</td>
<td>• It is often necessary to obtain a visa and there can be delays. Some visas require a letter of invitation from someone in the country, often authorised by a notary.</td>
</tr>
<tr>
<td>• Serviced office options are limited to congested Metro Manila.</td>
<td>• Landlords may not be prepared to provide information unless they are absolutely convinced that a requirement is legitimate. There are instances of people posing as purchasers to get information to commit fraud.</td>
<td>• Metro Manila is difficult to get around from a traffic and public transport point of view.</td>
</tr>
<tr>
<td>• If one does not know a way through the process of establishing a business in the Philippines, there are often bogus “fees” stemming from fraudulent practices.</td>
<td>• It may be difficult to obtain photographs from a security point of view, or because a landlord or agent simply won’t let you (sometimes for no obvious reason). In some locations, photography may require a permit.</td>
<td>• Similar to other Asian countries, there is a big work-style difference in the Philippines. It is often difficult to get information from someone until you have had several meetings and there is a level of trust.</td>
</tr>
<tr>
<td>• Security issues, including crime, military activity, and terrorism.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Country is located in the Pacific Ring of Fire which is frequented by typhoons and earthquakes.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Definition of Terms

**Serviced office:** An office that provides clients with fully furnished and equipped offices in addition to full facility management. They are commonly known as executive suites, executive centres, business centres and managed offices. The data presented in this report pertains solely to this type of office space.

**Provider:** The company that owns, operates and manages the serviced office business. Providers may have one or multiple sites in their portfolio of properties in which they provide this workplace solution.

**Centre:** An individual serviced office site within a specific building. Some providers have centres across multiple floors within a building; however, this is only counted as one unique centre.

**Workstation:** The furniture package that is allocated for each user of serviced office space. As a minimum, this is comprised of a desk, chair, pedestal, and waste basket. Some providers also include additional items such as writing mats, filing trays, desk lamps, and/or bookcases. The number of workstations in an office is usually the same as the office headcount.

**City centre:** This is considered to be the historic or traditional centre of a city and the immediate surrounding area. Typically, this is the area where most civic and administrative offices are concentrated. Depending on the city, the primary business district may or may not be located in the city centre.

**Business district:** This is any area of a city that has a high concentration of businesses and supporting infrastructure. Includes both primary CBD and other secondary business districts. A city may have multiple business districts, and depending on the city, they may or may not be located in the traditional city centre.

**Grade A centre:** A high quality serviced office environment that complies with the standards of most large international corporations. These are usually located in Grade A buildings, provide sophisticated IT systems, imported high quality office furnishings, and a full range of administrative and support services available to tenants.
KMC Serviced Offices

Sun Life Centre
8th Floor, Sun Life Centre, 5th Avenue corner Rizal Drive, Bonifacio Global City
Facility features:
- 725 sqm. total floor area
- 120 fully-equipped seats
- LEED-Platinum Certified building

SM Aura Office Tower
11th Floor, SM Aura Office Tower, 26th Street Corner McKinley Parkway, Bonifacio Global City
Facility features:
- 2,000 sqm. total floor area
- 400 fully-equipped seats
- Connected to 6-storey flagship mall
- Opens April 2014

Picadilly Star
20th & 24th Floor, Picadilly Star, 4th Avenue corner 27th Street, Bonifacio Global City
Facility features:
- 1,650 sqm. total floor area
- 388 fully-equipped seats
- Located along Ayala Avenue or the “Wall Street of the Philippines”

Rufino Pacific Tower
14th & 29th Floor, Rufino Pacific Tower 6784 Ayala Avenue, Makati City
Facility features:
- 886 sqm. total floor area
- 194 fully-equipped seats
- PEZA accredited

V Corporate Center
8th Floor, V Corporate Center, LP Leviste St., Salcedo Village, Makati City
Facility features:
- 1,000 sqm. total floor area
- 209 fully-equipped seats
- Located in newly-constructed building
- Opens mid-2014
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