



January 8, 2020



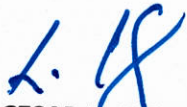
REGIONAL MEMORANDUM

No. 017, s. 2020

SUBJECT: DISSEMINATION OF COA CIRCULAR NO. 2019-005, RE: SUBMISSION OF CONTRACTS INVOLVING GOVERNMENT BUILDINGS AND/OR LANDS LEASED TO PRIVATE ENTITIES/INDIVIDUALS, FOR REVIEW BY THE TECHNICAL SERVICES OFFICE SYSTEMS AND TECHNICAL SERVICES SECTOR

TO: Schools Division Superintendents
Assistant Schools Division Superintendents
All concerned
This Region

1. Enclosed is a copy of DepED Memorandum OUF-2019-0391 providing copies of the policies on leasing out government buildings and/or lands to private entities/individuals as mandated by COA Circular No. 2019-005 and Government Procurement Policy Board (GPPB) Resolution No. 019-2007, "Approving and Adopting the Implementing Guidelines for Lease of Privately-Owned Real Estate.
2. Please be guided by the foregoing significant Commission on Audit and GPPB Issuances and if the situation applies to your respective Schools Division area of jurisdiction, to comply and submit the required documents to the Office of the Commission on Audit Regional Technical Services Office for review.
3. For information and guidance.


FRANCIS CESAR B. BRINGAS, CESO V
Director III
Officer In-Charge
Office of the Regional Director

ASD/jbr
1/8/2020

DCC No.: DepEdRO13-F-REC-013/R2/9-4-2019



ISO 9001:2015 CERTIFIED
Certificate No.:
UAE/QMS/2019/1938



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RELEASED 29871

By: _____ Date: DEC 16 2019



Republic of the Philippines
Department of Education

OFFICE OF THE UNDERSECRETARY FOR FINANCE

MEMORANDUM
OUF-2019-0391

FOR : UNDERSECRETARIES
ASSISTANT SECRETARIES
BUREAU/SERVICE DIRECTORS
REGIONAL DIRECTORS

ATTENTION : UNDERSECRETARY ALAIN DEL B. PASCUA
Administration

ASSISTANT SECRETARY SALVADOR C. MALANA III
Administration and Procurement

DIRECTOR JOEL S. ERESTAIN
Procurement Service

MS. ANNABELLE R. PANGAN
Education Facilities Division

FROM :  ANNALYN M. SEVILLA
Undersecretary
Chairperson, AOM Task Force

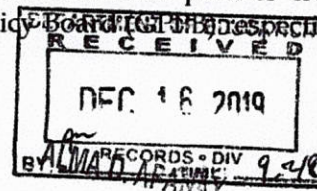
SUBJECT : COA CIRCULAR NO. 2019-005 ENTITLED "SUBMISSION OF
CONTRACTS INVOLVING GOVERNMENT BUILDINGS AND/OR
LANDS LEASED TO PRIVATE ENTITIES/INDIVIDUALS, FOR REVIEW
BY THE TECHNICAL SERVICES OFFICE, SYSTEMS AND
TECHNICAL SERVICES SECTOR" DATED NOVEMBER 28, 2019 AND
GPPB RESOLUTION NO. 019-2007 ENTITLED "APPROVING AND
ADOPTING THE IMPLEMENTATION FOR LEASE OF PRIVATELY-
OWNED REAL ESTATE"

DATE : December 12, 2019

This is to provide your respective Offices copies of the abovementioned policies from the
Commission on Audit (COA) and Government Procurement Policy Board (GPPB) respectively.

For guidance and information.

Thank you.





Republic of the Philippines
Department of Education
OFFICE OF THE UNDERSECRETARY FOR FINANCE

December 12, 2019

MIGUELA S. BAON
Supervising Auditor, Commission on Audit
DepEd 1 Audit Group

Attention: **REYNALDO B. FAMORCAN**
Audit Team Leader, Commission on Audit
DepEd - OSEC / Team 1

Dear **Supervising Auditor Baon**:

This is to acknowledge receipt of the transmittal letter forwarding the copies of the following:

- a. COA System and Technical Service Sector Memorandum dated November 28, 2019 regarding *Documentary Requirements for the Submission of Contracts Involving Government Buildings and/or Lands Leased to Private Entities/Individuals for review by the Technical Services Office*
- b. GPPB Resolution No. 019-2007 on *Approving and Adopting the Implementation for Lease of Privately-owned Real Estate*.

We shall disseminate the information accordingly.

Thank you.

Very truly yours,


ANNALYN M. SEVILLA
Undersecretary

Cc: Secretary Leonor Magtolis Briones
Undersecretary Alain Del B. Pascua, Administration
Assistant Secretary Salvador C. Malana III, Administration and Procurement
Assistant Secretary Ramon Fiel G. Abcede, Finance
Director Anne Rachel C. Miguel, Finance Service (Legal Support)
OIC - Director Armando C. Ruiz, Finance Service
OIC - Director Leilani L. Galvez, Internal Audit Service
Ms. Annabelle R. Pangan, Education Facilities Division
Ms. Rhunna M. Catalan, Accounting Division



Republic of the Philippines
COMMISSION ON AUDIT
Office of the Supervising Auditor
Department of Education
Meralco Avenue, Pasig City

05 December 2019

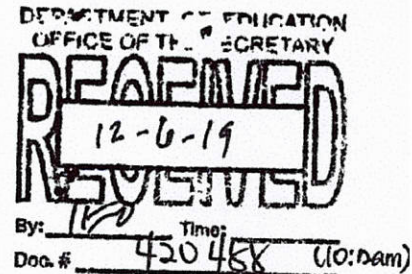
SECRETARY LEONOR M. BRIONES

Department of Education
Meralco Avenue, Pasig City

Attention : **UNDERSECRETARY ANNALYN M. SEVILLA**
Finance

ASST. SEC. ATTY. SALVADOR C. MALANA III
Procurement Management Service

ENGR. ANNABELLE R. PANGAN
Engineer V
Chief, Education Facilities Division



Dear Secretary Briones:

Attached for information and appropriate action are copies of the following :

- a. COA System and Technical Service Sector Memorandum dated November 28, 2019 regarding *Documentary Requirements for the Submission of Contracts Involving Government Buildings and/or Lands Leased to Private Entities/Individuals for review by the Technical Services Office.*
- b. GPPB Resolution No. 019-2007 on *Approving and Adopting the Implementation for Lease of Privately-owned Real Estate.*

Please acknowledge receipt hereof.

Very truly yours,


REYNALDO B. FAMORCAN
Audit Team Leader
DepEd-OSEC/Team 3


MIGUELA S. BAON
Supervising Auditor
DepEd 1 Audit Group



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

CIRCULAR

No. : 2019 - 005
Date : AUG 07 2019

- TO** : All Heads of Departments, Bureaus, Offices, Agencies and Instrumentalities of the National Government, Heads of Local Government Units, Managing Heads of Government-Owned and/or Controlled Corporations, COA Assistant Commissioners, COA Directors, COA Auditors and All Others Concerned
- SUBJECT** : Submission of Contracts Involving Government Buildings and/or Lands Leased to Private Entities/Individuals, for review by the Technical Services Office, Systems and Technical Services Sector

Pursuant to Section 7, Executive Order No. 301, series of 1987, the head of any agency intending to lease out government-owned buildings or spaces for private use, shall have authority to determine the reasonableness of the terms of the lease and the rental rates thereof, and to enter into such lease contracts without need of prior approval by higher authorities, subject to compliance with the uniform standards or guidelines established by the Department of Public Works and Highways (DPWH), and to the audit jurisdiction of the Commission on Audit (COA) or its duly authorized representative, in accordance with existing rules and regulations.

By virtue of COA Circular No. 88-282A issued on March 3, 1988, this Commission adopted the Uniform Standards/Guidelines to Determine the Reasonableness of the Terms and Rental Rates of Lease Contracts for Private or Government Buildings/Spaces promulgated by the DPWH (Annex "A") for the guidance of all officials concerned.

However, results of the audit disclosed that some agencies did not adhere to the guidelines, as there are contracts which were found to be disadvantageous to the interest of the government. Thus, to check the reasonableness of the terms and rental rates of government properties leased to private entities/individuals, it is imperative to review such contracts.

Considering that the reasonableness of rental rates is technical in nature, the review shall be done by the Technical Services Office (TSO), Systems and Technical Services Sector (STSS), this Commission.

Accordingly, all government agencies which have an existing contract involving lease of government building and/or lands with private entities/individuals

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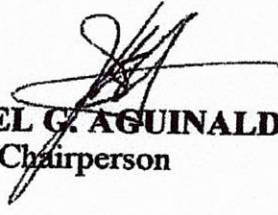
are required to submit to the TSO, STSS, a certified true copy of contracts, within 15 days from publication/posting of this Circular or upon the execution of the contract. The contracts shall be submitted through the respective Audit Team Leader, for agencies in the National Capital Region (NCR), or to the respective Regional TSO for agencies outside NCR.

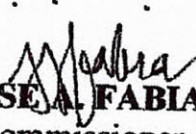
This Circular shall take effect fifteen (15) days after publication in a newspaper of general circulation.



COMMISSION ON AUDIT
OFFICE OF THE COMMISSION SECRETARIAT




MICHAEL C. AGUINALDO
Chairperson


JOSE A. FABIA
Commissioner


ROLAND C. PONDOC
Commissioner



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave, Quezon City, Philippines

Office of the Asst. Comm.
NATIONAL GOVERNMENT SECTOR
Received By: *[Signature]*
DEC 02 2019

SYSTEM AND TECHNICAL SERVICES SECTOR
Technical Services Office

COMMISSION ON AUDIT
National Government Sector
No. 2019-003
Cluster 5 - Education and Employment

MEMORANDUM

FOR

: All Cluster Directors
National Government Sector

THRU

: Assistant Commissioner **SUSAN P. GARCIA**
National Government Sector

Assistant Commissioner **MANOLO C. SY**
This Sector

All of This Commission

SUBJECT : Documentary Requirements for Submission of Contracts Involving
Government Buildings and/or Lands Leased to Private
Entities/Individuals for review by the Technical Services Office

DATE : November 28, 2019

In view of the issuance of COA Circular No. 2019-005 dated August 7, 2019, on the Submission of Contracts Involving Government Lands and/or Buildings Leased to Private Entities/Individuals for Review by the Technical Service Office (TSO), and to properly facilitate review thereof, the following documents listed in Annex "A" shall be submitted to this Office together with the said contract.

For your reference.

[Signature]
DANILO M. LAGASON
Director IV

Enclosure:

Annex "A" List of Required Documents to be submitted together with the contract.



Republic of the Philippines
COMMISSION ON AUDIT
 Commonwealth Avenue, Quezon City

Systems and Technical Services Sector
TECHNICAL SERVICES OFFICE

LIST OF DOCUMENTS TO BE SUBMITTED TOGETHER WITH THE CONTRACT:

A. For Land:

1. Approved Lease Contract/Agreement including the derivation of lease /rental rates
 (If derivation of lease /rental rates is submitted and information is complete, Item 2 may not be required);
2. In-house or private company valuation report indicating the following:
 - a. The derivation or source of information/data used in the approach to value (to include the exact location of comparable data);
 - b. Physical characteristics of the property under valuation;
 - c. Statement of property rights or interests involved;
 - d. Utility connections – electricity, water, telephone, sanitary sewer, etc.
 - e. Public transportation, traffic patterns and control;
3. Copy of Transfer Certificate of Title (TCT) or Original Certificate Title (OCT) of land/lot;
4. Lot plan and vicinity map;
5. Colored geo-tagged photographs of subject property;
6. Colored photo/ map showing the exact location of the subject property and comparable property;
7. Copy of the latest Declaration of Real Property;
8. Applicable Zonal Value; and
9. Other documents required as initially evaluated

B. For Building/Office Space

1. Approved Lease Contract/Agreement including the derivation of lease /rental rates
 (If derivation of lease /rental rates is submitted and information is complete, Item 2 may not be required);
2. In-house or private company valuation report which include the detailed/breakdown/ computation of the basis of value and exact location of sources of comparable data;
3. Copy of Transfer Certificate of Title (TCT) or Original Certificate Title (OCT) (for entire building only);
4. Complete copy of the building floor plans indicating the rentable space;
5. Complete description of the building as to type, kind and class including its component parts and equipment facilities such as, but not limited to, parking areas, elevators, air-conditioning systems, firefighting equipment, etc.;
6. Copy of the Certificate of Occupancy of the building or appropriate approved document showing the date the building was constructed or age of the building;
7. Copy of the Master of Deed Declaration and Restrictions in case of lease/rental of office condominiums;
8. Colored photos of the interior of the leasable/rentable building/office space;
9. Colored geo-tagged photographs of the building/office space;
10. Colored photo/map showing the exact locations of the subject property and comparable properties; and
11. Other documents required as initially evaluated

**APPROVING AND ADOPTING THE IMPLEMENTING GUIDELINES FOR
LEASE OF PRIVATELY-OWNED REAL ESTATE**

WHEREAS, Republic Act No. 9184 (R.A. 9184) and its Implementing Rules and Regulations Part A (IRR-A) took effect on 26 January 2003 and 8 October 2003, respectively;

WHEREAS, the Government Procurement Policy Board (GPPB) under Section 63 of the IRR-A of R.A. 9184 is mandated to formulate and amend public procurement policies, rules, and regulations, and amend whenever necessary, the IRR-A of R.A. 9184;

WHEREAS, Section 5(n) of R.A. 9184 defines procurement to include the lease of real estate;

WHEREAS, the Inter-Agency Technical Working Group (IATWG), in its 4th regular meeting held on 13 April 2007, recommended for the consideration and approval of the GPPB, the inclusion of lease of office space as one of the circumstances when negotiated procurement may be resorted to as provided under Section 53 of the IRR-A of R.A. 9184;

WHEREAS, the GPPB, in its 4th regular meeting held on 4 May 2007, duly considered and approved to include, as Section 53(i) of the IRR-A of R.A. 9184, the lease of privately-owned real estate as one of the instances when an agency can resort to negotiated procurement, subject to guidelines to be approved by the GPPB;

WHEREAS, the IATWG, in its 6th regular meeting held on 15 June 2007, discussed and reviewed the draft guidelines for lease of privately-owned real estate, and consequently resolved to recommend the same for the consideration and approval of the GPPB;

WHEREAS, the GPPB, in its 6th regular meeting held last 29 June 2007, discussed and deliberated upon the appropriate procedures and guidelines for the implementation of Section 53(i) of the IRR-A of R.A. 9184;

WHEREAS, the Department of Public Works and Highways, during the meeting held last 29 June 2007, recognized the distinct scope and application of the draft guidelines for lease of privately-owned real estate from the standards and guidelines on the determination of the reasonableness of rental rates provided under the Manual on Policies, Standards, Guidelines and Issuances on Building Services and Real Property Management;

NOW, THEREFORE, for and in consideration of the foregoing, **WE**, the Members of the **GOVERNMENT PROCUREMENT POLICY BOARD**, by virtue of the powers vested on **US** by law, hereby **RESOLVE** to confirm, adopt and approve, as **WE** hereby confirm, adopt and approve, the "Implementing Guidelines for Lease of Privately-Owned Real Estate," attached as Annex "A" and made an integral part hereof.

This resolution shall take effect immediately.

APPROVED this 29th day of June, 2007 at Pasig City, Philippines

(Sgd.)

ROLANDO G. ANDAYA, JR.
Secretary
Department of Budget and Management

ROMULO L. NERI

Director General
National Economic and Development
Authority

(Sgd.)

**NATIONAL ECONOMIC AND
DEVELOPMENT AUTHORITY**

**DEPARTMENT OF NATIONAL
DEFENSE**

(Sgd.)

DEPARTMENT OF EDUCATION

DEPARTMENT OF HEALTH

**DEPARTMENT OF THE INTERIOR
AND LOCAL GOVERNMENT**

DEPARTMENT OF ENERGY

(Sgd.)

**DEPARTMENT OF PUBLIC WORKS
AND HIGHWAYS**

DEPARTMENT OF FINANCE

(Sgd.)

**DEPARTMENT OF TRADE AND
INDUSTRY**

**DEPARTMENT OF SCIENCE AND
TECHNOLOGY**

Annex A

IMPLEMENTING GUIDELINES FOR LEASE OF PRIVATELY-OWNED REAL ESTATE AND VENUE

1. PURPOSE

The Guidelines on Lease of Privately-Owned Real Estate and Venue (the "Guidelines") shall set forth the rules and procedures in entering into contracts for lease of privately-owned real estate and venue by government agencies for official use pursuant to Section 53.10 of the Implementing Rules and Regulations of Republic Act 9184.

2. SCOPE AND APPLICATION

The Guidelines shall apply to national government, its branches, constitutional offices, departments, bureaus, offices and agencies, including state universities and colleges, government-owned and/or -controlled corporations, government financial institutions, and local government units.

It shall not apply to lease of government properties for private use.

3. DEFINITION OF TERMS

- 3.1. **Cost-benefit Analysis.** Refers to a tool used to aid decision-making by evaluating the benefits to be attained from an action against the costs for its implementation. For purposes of these Guidelines, the cost-benefit analysis should consider, among others, the costs for the transfer to, furnishing, and/or maintenance of the real estate, and include a market analysis of prevailing lease rates within the vicinity of the selected location.
- 3.2. **Lessee.** Refers to any government agency temporarily occupying a real estate on the basis of a contract executed with the private individual, partnership, cooperative, association, or corporation having absolute ownership over such real estate.
- 3.3. **Lessor.** Refers to any private individual, partnership, cooperative, association, or corporation having absolute ownership over the real estate or venue to be leased.
- 3.4. **Real Estate.** Refers to land and buildings, including office spaces or units.

- 3.5. **Rental Rate.** Refers to the amount paid by the Lessee for the use and/or occupancy of the privately-owned real estate to the Lessor, where payment is usually made on a monthly basis.
- 3.6. **Venue.** Refers to training centers, convention halls, hotels, and similar establishments catering to trainings, seminars, conferences, conventions, symposia and similar gatherings requiring the official participation of government officials and employees. This may include meals and accommodation depending on the requirements of the procuring entity.

4. GUIDING PRINCIPLES

- 4.1. It is more preferred that government agencies lease publicly-owned real estate and venue from other government agencies.
- 4.2. The location of the real estate or venue to be leased should have been meticulously selected by the procuring entity after taking into consideration, among others, the need for prudence and economy in government service and the suitability of the area in relation to the mandate of the office, and its accessibility to its clients. In the lease of venue, other factors such as the nature of the event or the level of security in the proposed location may also be taken into account.
- 4.3. As a general rule, rental rates are considered reasonable when they represent or approximate the value of what the Lessee gets in terms of accommodation, facility, amenities, and convenience from the leased real estate or venue, and the Lessor gets an equitable return of capital or investment.
- 4.4. Rental rates should also be within the prevailing market rates for lease of real estate or venue with the same or similar condition or classification and located within the vicinity.
- 4.5. The procuring entity shall ensure that the objectives and purpose of the lease contract do not constitute an unnecessary, excessive, extravagant, or unconscionable expenditure.

5. PROCEDURAL REQUIREMENTS

- 5.1. The end user unit shall conduct a Cost-Benefit Analysis to assess the feasibility of leasing a privately-owned real estate or venue as against purchasing or leasing from a government-owned real estate or venue.
- 5.2. The recommendation of the end user unit to lease a privately-owned real estate or venue shall also indicate the proposed location/s, the justifications therefor, and the result of the market analysis of the

prevailing rates of lease contracts within the vicinity of the selected location/s.

- 5.3. The Approved Budget for the Contract (ABC) shall be set using the mid point of the range obtained from the results of the market analysis on the prevailing lease rates for real estates or venue within the vicinity of the selected location complying with the criteria and technical specifications of the end user unit. In no case shall the rental rates, including additional expenses, such as association dues in the case of lease of real estate, exceed the ABC.
- 5.4. The Annual Procurement Plan of the procuring entity shall reflect the proposed lease of real estate or venue specifying the approved mode of procurement, the ABC, and the general description of the lease.
- 5.5. Selection of the Lessor following the procedures prescribed in Items 6 and 7 of these Guidelines may be delegated to the appropriate bureau, committee, or support unit duly authorized by the Bids and Awards Committee.
- 5.6. Eligibility documents need not be submitted by prospective Lessors. The procuring entity must nevertheless validate whether the Lessor to be awarded the contract is technically, legally and financially capable through other means.
- 5.7. All lease contracts with ABCs costing more than Fifty Thousand Pesos (Php 50,000.00) shall be posted in the Philippine Government Electronic Procurement System.

6. SPECIFIC GUIDELINES: LEASE OF REAL ESTATE

- 6.1. The draft contract and the technical specifications for the lease shall be prepared taking into consideration the rating factors under Appendix A of these Guidelines.
- 6.2. Thereafter, at least three (3) prospective Lessors shall be invited to submit sealed price quotations.
- 6.3. On a specified date, submitted price quotations shall be opened to determine the Lowest Calculated Bid (LCB). The real estate being offered by the Lessor with the LCB shall be rated in accordance with the technical specifications prepared pursuant to Appendix A, and the reasonableness of its price quotation shall be determined in accordance with the methodology prescribed in Appendix B of these Guidelines
- 6.4. If the LCB is determined to be responsive and reasonable, said bid shall be declared as the Lowest Calculated Responsive Bid (LCRB). If not, then the second LCB shall be evaluated and its reasonableness

determined pursuant to Item 6.3 of these Guidelines. This procedure shall be repeated for the next LCB until the LCRB is determined.

- 6.5. Lease contract shall be awarded to the LCRB. If no LCRB has been determined, then another round of prospective Lessors shall be invited to submit sealed price quotations in accord with Item 6.2 of these Guidelines until an LCRB has been determined and awarded the contract.

7. SPECIFIC GUIDELINES: LEASE OF VENUE

- 7.1. Technical specifications shall be prepared taking into consideration the rating factors under Appendix C of these Guidelines.
- 7.2. Once technical specifications have been finalized, at least three (3) price quotations shall be obtained within the vicinity of the selected location.
- 7.3. The venue being offered by the Lessor with the LCB shall then be rated in accordance with the technical specifications prepared pursuant to Appendix C. Compliance rating with technical specifications may be conducted through ocular inspection, interviews, or other forms of due diligence.
- 7.4. If the LCB is determined to be responsive, said bid shall be declared as the LCRB. If not, then the second LCB shall be evaluated and its responsiveness determined pursuant to Item 7.3 of these Guidelines. This procedure shall be repeated for the next LCB until the LCRB is determined.

8. TERMS AND CONDITIONS OF LEASE CONTRACTS

- 8.1. The procuring entity shall ensure that the lease contract provides the most advantageous terms and conditions to the Government.
- 8.2. Lease contracts may be entered into on a multi-year basis, subject to the application of any set of guidelines that governs multi-year contracts.

9. EFFECTIVITY

These Guidelines shall take effect fifteen (15) days after publication in the Official Gazette or in a newspaper of general nationwide circulation.

Appendix A

TABLE OF RATING FACTORS FOR LEASE OF REAL ESTATE

	RATING FACTORS	WEIGHT (%)	RATING
I.	Location and Site Condition		
	1. Accessibility	(25)	
	2. Topography and Drainage	(20)	
	3. Sidewalk and waiting shed	(15)	
	4. Parking space	(15)	
	5. Economic potential	(10)	
	6. Land classification, utilization, and assessment	(10)	
	7. Other added amenities	(5)	
		100	
II.	Neighborhood Data		
	1. Prevailing rental rate	(20)	
	2. Sanitation and health condition	(20)	
	3. Adverse influence	(15)	
	4. Property utilization	(15)	
	5. Police and fire station	(15)	
	6. Cafeterias	(10)	
	7. Banking/postal/telecom	(5)	
		100	
III.	Real Estate		
	1. Structural condition	(30)	
	2. Functionality		
	a. Module	(6)	
	b. Room arrangement	(6)	
	c. Circulation	(6)	
	d. Light and ventilation	(6)	
	e. Space requirements	(6)	
	3. Facilities		
	a. Water supply and toilet	(6)	
	b. Lighting system	(6)	
	c. Elevators	(6)	
	d. Fire escapes	(6)	
	e. Fire fighting equipment	(6)	
	4. Other requirements		
	a. Maintenance	(5)	
	b. Attractiveness	(5)	
		100	

	RATING FACTORS	WEIGHT (%)	RATING
IV.	Free Services and Facilities		
	1. Janitorial and security	(20)	
	2. Air conditioning	(20)	
	3. Repair and maintenance	(20)	
	4. Water and light consumption	(20)	
	5. Secured parking space	(20)	
		100	
I.	Location and Site Condition	$\times (.20) =$	
II.	Neighborhood Data	$\times (.20) =$	
III.	Real estate	$\times (.50) =$	
IV.	Free Services and Facilities	$\times (.10) =$	
FACTOR VALUE			

Note: Weight of each rating factor may be changed as long as total weight per classification is equivalent to 100. Figures in parenthesis are samples. Procuring entity must determine passing rate before inviting bids from Lessors. A bid is determined to be responsive if it is equal to or higher than the passing rate.

Appendix B

DETERMINATION OF REASONABLENESS OF RENTAL RATES

1. The reasonableness of rental rates may be determined using any of the following methods.

- 1.1. *Computation based on Observed Depreciation*

This method uses the following formula and a depreciation rate determined after meticulous ocular inspection of the actual condition of the real estate:

Reproduction Cost	=	Estimated Unit Construction Cost × (1 – Depreciation Rate)
Formula Rate	=	Reproduction Cost × Monthly Capitalization Rate
Rental Rate	=	Formula Rate × Factor Value
Monthly Rental	=	Rentable Area × Rental Rate

- 1.1.1. The following weights may be used in arriving at the observed depreciation rate:

Status	Depreciation (%)
Good	20
Fair	40
Poor	60
Very poor	80

- 1.1.2. Reproduction Cost refers to the estimated total cost of replacing the real estate with the same utility.
 - 1.1.3. Capitalization Rate refers to the interest rate on the cost or value of the property.
 - 1.1.4. Rentable Area refers to the total area of the real estate in square meters being occupied or to be occupied by the Lessee less the common area like lobby, stairway, elevator hall, common comfort room, machine room for air conditioner, and other areas of common use by the public or upper floor occupants.
 - 1.1.5. Factor Value refers to the rating factor where locations and site conditions, neighborhood data and real estate structural condition, functionality, facilities and other requirements, including free services and facilities offered by the Lessor are considered. The rating factors and its corresponding weights are provided in Appendix A of these Guidelines.

- 1.2. *Computation based on Straight Line Depreciation*

This method uses the following formula:

Age of Real Estate	=	Current Year – Year of Construction
Depreciation Rate	=	Please See Table of Structural Depreciation
Reproduction Cost	=	Estimated Unit Construction Cost × (1 – Depreciation Rate)
Formula Rate	=	Reproduction Cost × Monthly Capitalization Rate
Rental Rate	=	Formula Rate × Factor Value
Monthly Rental	=	Rentable Area × Rental Rate

1.2.1. Depreciation rate shall be determined using the following Table of Structural Depreciation provided by the DPWH:

AGE	ESTIMATED LIFE OF REAL ESTATE			
	WOODEN FRAME (40 years)	SEMI-CONCRETE (60 years)	REINFORCED CONCRETE (75 years)	STRUCTURAL REINFORCED (100 years)
	Percentage (%) of estimated life			
1	3	2.5	2	1.5
2	6	4.5	3.8	2.8
3	8.9	6.9	5.6	4.2
4	11.7	9	7.4	5.5
5	14.5	11.1	9.1	6.7
6	17.2	13.1	10.7	8.1
7	19.8	15.1	12.3	9.3
8	22.4	17	13.9	10.5
9	25	18	15.5	11.8
10	27.5	20.7	17.9	13
11	29.9	22.5	18.5	14.2
12	32.2	24.5	20	15.3
13	34.5	26.6	21.4	16.4
14	36.8	27.7	22.8	17.5
15	39	29.3	24.3	18.6
20	49.1	37	30.8	24.8
25	57.7	43.8	36.8	29
30	65	50	42.4	33.6
35	70	55.6	47.5	38
40	75	60.6	52.2	42.1
45		65	56.5	46
50		68.9	60.5	49.6
55		72.3	64.1	53.1
60		75	67.3	56.3
65			70.3	59.3
70			73	62
75			75	64.5
80				67
85				69.3
90				71.4
95				73.3
100				75

1.2.2. Estimated Unit Construction Cost refers to the estimated prevailing cost of construction per square meter of the real estate being appraised. The respective Estimated Unit Construction Cost of types of real estate for each region may be obtained from the Bureau of Maintenance of the DPWH.

1.2.3. Reproduction Cost, Capitalization Rate, Rentable Area and Factor Value shall have the same meaning as those referred Items 1.1.2 to 1.1.5.

1.3. *Comparative Market Price Analysis*

This method is based on the conduct of comparative market analysis on the prevailing lease rates for real estates within the vicinity of the selected location complying with the criteria and technical specifications of the procuring entity. In the lease of vacant lot or other land spaces, the procuring entity shall likewise consider the zonal valuation issued by the city or municipality having jurisdiction over the property.

2. If the price quotation of the prospective Lessor does not exceed the computed monthly rental or is within the prevailing market rates, the rental rate offered may be regarded as reasonable, and its quotation may then be considered for award.
3. Sample Computations for Observed Depreciation and Straight Line Depreciation:

A 5-storey office building made of reinforced concrete structure with mechanical equipment, i.e., elevator, air conditioning system, etc.

Date of Construction	1987
Estimated Unit Construction Cost	P25,000/sq.m
Depreciation	20% (Good condition)
Capitalization Rate	20% (Variable based on bank rate)
Factor Value	90% (Based on rating)

COMPUTATION BASED ON OBSERVED DEPRECIATION

Reproduction Cost = Estimated Unit Construction Cost $\times$ (1 – Depreciation Rate)
= P25,000/sq.m. (1 – 0.20)
= P20,000/sq.m.

Formula Rate = Reproduction Cost $\times$ Monthly Capitalization Rate
= 20,000 (0.20/12) = 20,000 (0.0167)
= P334/sq.m./mo.

Rental Rate = Formula Rate $\times$ Factor Value
P334 (0.90)
300.60/sq.m./mo. say 300/sq.m.

Rentable Area = 200.00 sq.m.

Monthly Rental = Rentable Area $\times$ Rental Rate
= 200/sq.m. $\times$ P300/sq.m./mo.
= P60,000.00/mo.

COMPUTATION BASED ON STRAIGHT LINE DEPRECIATION

Age of Real estate = Current Year – Year of Construction
= 2007 – 1987
= 20 years

Depreciation Rate = See Appendix B for the Table of Structural Depreciation

Reproduction Cost = Estimated Unit Construction Cost $\times$ (1 – Depreciation Rate)
= P25,000/sq.m. (1 – 0.248)
= P18,800/sq.m.

Formula Rate = Reproduction Cost $\times$ Monthly Capitalization Rate
= P18,800 (0.20/12) = 18,800 (0.0167)
= P313.96/sq.m./mo.

Rental Rate = Formula Rate $\times$ Factor Value
= P313.96 (0.90)
= P282.56/sq.m./mo. say P285.00/sq.m.

Rentable Area = 200.00 sq.m.

Monthly Rental = Rentable Area $\times$ Rental Rate
= 200 sq.m. $\times$ P285.00/sq.m.
= P57,000.00/mo.

Appendix C

TABLE OF RATING FACTORS FOR LEASE OF VENUE

	RATING FACTORS	WEIGHT (%)	RATING
I.	Availability	100	
II	Location and Site Condition		
	1. Accessibility	(50)	
	2. Parking space	(50)	
		100	
III.	Neighborhood Data		
	1. Sanitation and health condition	(25)	
	2. Police and fire station	(25)	
	3. Restaurant	(25)	
	4. Banking and Postal	(25)	
		100	
IV.	Venue		
	a. Structural condition	(20)	
	b. Functionality		
	a. Conference Rooms	(10)	
	b. Room arrangement (e.g., single, double, etc.)	(5)	
	c. Light, ventilation, and air conditioning	(5)	
	d. Space requirements	(5)	
	c. Facilities		
	a. Water supply and toilet	(4)	
	b. Lighting system	(5)	
	c. Elevators	(4)	
	d. Fire escapes	(4)	
	e. Fire fighting equipment	(4)	
	f. Internet and Telecommunications	(4)	
	g. Audio visual equipment	(5)	
	d. Other requirements		
	a. Maintenance	(5)	
	b. Attractiveness	(5)	
	c. Security	(5)	
	e. Catering Services	(5)	
	f. Client's satisfactory rating	(5)	
		100	

	RATING FACTORS	WEIGHT (%)	RATING
I.	Availability	X (.5) =	
II.	Location and Site Condition	X (.1) =	
III.	Neighborhood Data	X (.05) =	
IV.	Venue	X (.35) =	
FACTOR VALUE			

Note: Weight of each rating factor may be changed as long as total weight per classification is equivalent to 100. Figures in parenthesis are samples. Procuring entity must determine passing rate before inviting bids from Lessors. A bid is determined to be responsive if it is equal to or higher than the passing rate.