

# MARKETBEATS



**2,510**

AVERAGE RENT  
(NTD/PING/MO)

**0.4%**

RENT GROWTH RATE  
(QOQ)

**9.3%**

VACANCY RATE

BE  
WHAT'S  
NEXT

## HIGHLIGHTS

### Leasing Activities in Xinyi District Flourish

In Q3, the vacancy rate in Taipei's Grade A office market declined 1.2 percentage points from the previous quarter to 9.3%. Although completion of Nanshan Plaza pushed up the vacancy rate in Xinyi District, notable leasing activity offset the rise to some extent. For example, in Q3 Dentsu Taiwan and its subsidiary took out a 5,000-ping space in Nanshan Plaza in order to relocate from their offices in Nanjing/Songjiang, Xinyi and Dunbei/Minsheng. Nanshan Plaza also welcomed new tenants TSAR & TSAI Law firm, Reuters and Blackrock. Elsewhere, Farglory Xinyi Financial Building added a number of new tenants, which leased office spaces ranging from 100 to 300 pings.

### Overall Rent Edges up

In Taipei City, Grade A office rent in the overall market increased to NT\$2,510 per ping per month on average in Q3, up approximately 0.4% q-o-q, driven by the growth in Xinyi from NT\$3,030 to NT\$3,050. Leasing activity and rental growth remained stable in other regions.

### Green Becomes Standard in New Office Buildings

Green buildings have caught on in Taiwan as occupiers increasingly place an importance on environmental awareness, energy savings and their carbon footprint. Reflecting this trend, the market has welcomed such green Grade A office projects in recent years as Nanshan Plaza, Taiwan Cooperative Financial Holding's headquarter building, Cathay Landmark, Huanan Bank's headquarter building, Hongsheng International Financial Center and the upcoming Cathy Minsheng Jianguo Building. Buildings that achieve reputable green certification tend to attract MNCs and command higher rent.

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### Economic Indicators

	2018 Q1	2018 Q2	2018-2019 Forecast
GDP Growth	3.0%	3.3%	▲
Service Sector GDP Growth	3.1%	2.9%	N/A
CPI Growth	1.6%	1.7%	▲
Unemployment Rate (Jan to July)	3.7%	3.7%	N/A

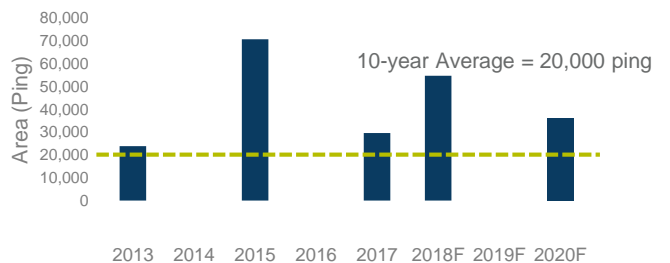
Source: Ministry of the Interior, Oxford Economics  
Note: Growth figure is y-o-y growth

### Rent & Vacancy Rate



Source: Cushman & Wakefield Research

### Supply Pipeline



Source: Cushman & Wakefield Research

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SUBMARKET	INVENTORY (Ping)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (Ping)	GRADE A RENT		
				NTD/Ping/MO	USD/SF/MO	EUR/SF/MO
Western	40,200	2.7%	0	2,100	US\$1.93	€ 1.66
Nanjing/Songjiang	36,600	14.9%	8,000	2,030	US\$1.87	€ 1.61
Dunbei/Minsheng	195,600	12.2%	28,500	2,280	US\$2.10	€ 1.81
Dunnan	103,700	7.4%	0	2,350	US\$2.16	€ 1.86
Xinyi	333,400	8.4%	11,000	3,050	US\$2.81	€ 2.42
<b>Taipei City</b>	<b>709,500</b>	<b>9.3%</b>	<b>47,500</b>	<b>2,510</b>	<b>US\$2.31</b>	<b>€ 1.99</b>

1USD= 30.5256TWD, 1EUR= 35.4725TWD as of 28th September 2018.

### Key Leasing Transactions Q3 2018

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Nan Shan Plaza	Xinyi	Dentsu Taiwan	5,000	Relocation
Nan Shan Plaza	Xinyi	TSAR & TSAI Law firm	1,100	Relocation
Nan Shan Plaza	Xinyi	E-Sun Bank	840	Expansion
Nan Shan Plaza	Xinyi	Reuters	450	Relocation
Nan Shan Plaza	Xinyi	Blackrock	450	Relocation
Farglory Financial Center	Xinyi	Worldquant	310	Expansion
Farglory Financial Center	Xinyi	Gucci	290	Relocation
Cathay Landmark	Xinyi	Vena Energy	260	New Lease

### Significant Projects Under Construction

PROPERTY	SUBMARKET	MAJOR TENANT	PING	COMPLETION DATE
Cathy Minsheng Jianguo Building	Dunbei/Minsheng	-	11,900	2018
UDN Zhongxiao Building	Xinyi	-	11,000	2018
Taipei Dome	Xinyi	-	11,400	2020
Yuanta Life New Headquarters	Nanjing/Songjiang	Yuanta Group	8,000	2020
China Life Headquarters	Dunbei/Minsheng	China Life, China Development Financial	16,600	2020

# MARKETBEATS



XIHU SECTION

**1,280**

AVERAGE RENT  
(NTD/PING/MO)

**0.1%**

RENT GROWTH RATE  
(QOQ)

**1.7%**

VACANCY RATE

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## HIGHLIGHTS

### Strong Take-up in Wende

In Q3, Jiuzong Section's Voltronic Power Technology Building was added in Neihu Technology Park (NHTP), which includes nearly 2,000 pings of space for Voltronic Power's headquarters. In Wende Section, Building A of Boss The World D.C. recorded full occupancy at quarter's end after a combined 2,000-ping lease by TMT companies and a gymnasium, equaling the full occupancy levels in the property's Building B and C achieved since Q2 2016. The section's vacancy rate tightened 2 percentage points q-o-q to 6.2% in Q3, marking a historical low.

Xihu Section recorded steady take-up on the quarter, with move-ins and move-outs offsetting. The section's vacancy rate edged up 0.1 percentage points q-o-q to 1.7%, remaining the lowest among all three I/O sections. Elsewhere, Jiuzong Section saw relatively less take-up and the release of large areas of space, contributing to a vacancy rate increase of 1.9 percentage points q-o-q to 23.0% in Q3.

### Market Holds Stable

Rent held firm on the whole in Xihu, Wende and Jiuzong Sections in Q3, finishing the quarter at an average of NT\$1,280, NT\$970 and NT\$920 per ping per month, respectively. There were no major investments in NHTP in Q3. Capital values in each section also were steady: Xihu at NT\$520,000–620,000, Wende at NT\$380,000–450,000 and Jiuzong at NT\$350,000–430,000 per ping.

### Supply Wave to Hit in 2020; Solid Demand Remains

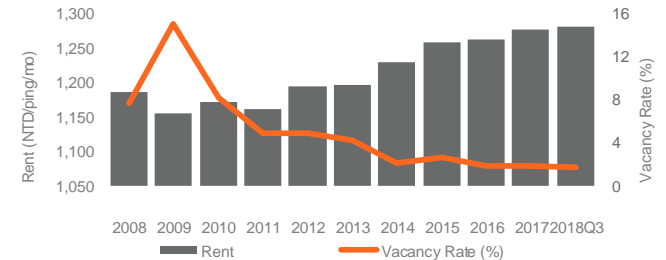
With the market not scheduled to receive a significant volume of new supply until completion of the large-scale NHTP 2.0 BOT in 2020, strong demand in Xihu is expected to drive rental growth ahead. Rental levels in Wende should keep steady on demand from domestic firms in NHTP. Jiuzong could see rent fall on a slowdown in take-up.

### Economic Indicators

	2018 Q1	2018Q2	2018-2019 Forecast
GDP Growth	3.1%	3.3%	▲
Secondary Sector Growth	3.0%	4.9%	N/A
CPI Growth	1.6%	1.7%	▲

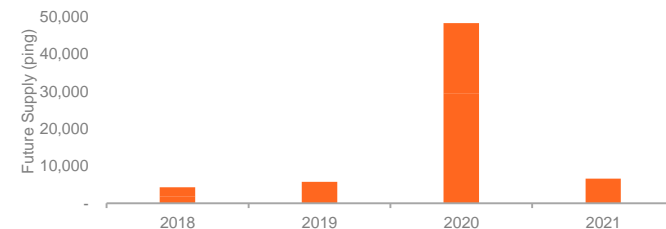
Source: Directorate-General of Budget, Accounting and Statistics, Oxford Economics  
Note: Growth figure is y-o-y growth

### Rent & Vacancy Rate (Xihu Section)



Source: Cushman & Wakefield Research

### Future Supply



Source: Cushman & Wakefield Research

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SECTION	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (PING)	GRADE A EFFECTIVE RENT		
			NTD/PING/MO	USD/SF/MO	EUR/SF/MO
Xihu	1.7%	31,400	1,280	US\$1.18	€1.01
Wende	6.2%	-	970	US\$0.89	€0.77
Jiuzong	23.0%	33,600	920	US\$0.85	€0.73

<sup>1</sup>USD= 30.5256TWD, 1EUR= 35.4725TWD as of 28th September 2018.

## Key Leasing Transactions Q3 2018

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
Metropolitan Era Headquarters	Xihu	TMT Industry	210	New Lease
Lyon Technology Center	Xihu	TMT Industry	120	New Lease
Building B of Tokoyo Enterprise Headquarters	Xihu	Trade industry	220	New Lease
Building B of Tokoyo Enterprise Headquarters	Xihu	TMT Industry	210	New Lease
Building A of Boss The World D.C.	Wende	TMT Industry	660	Relocation
Building A of Boss The World D.C.	Wende	TMT Industry	660	New Lease
Building A of Boss The World D.C.	Wende	Sports Activities	660	Expanded Lease

## Significant Projects Under Construction

PROPERTY	SECTION	MAJOR TENANT	PING	COMPLETION DATE
Ln. 48, Xingshan Rd	Jiuzong	-	5,200	2019
NHTP 2.0 BOT Project	Xihu	-	29,500	2020
Xinhu 3rd Rd.	Jiuzong	-	3,000	2020
Shanyuan Chuangke Building	Jiuzong	-	5,300	2020
Xinhu 1st Rd.	Jiuzong	-	4,100	2020
Fulin Twin Stars	Jiuzong	-	3,300	2020
Chonghong New Generation	Jiuzong	-	5,800	2021

# MARKETBEATS



**13,760** AVERAGE RENT (NTD / PING / MO)  
**-0.4%** RENTAL GROWTH RATE (QOQ)  
**4.2%** VACANCY RATE

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## HIGHLIGHTS

Most retail hubs saw the vacancy rate and rental levels remain stable on the whole in Q3. However, the exit of a fashion retailer in Zhongxiao contributed to the submarket's vacancy rate jumping 3.8 percentage points q-o-q to 7.8%. The hub's vacancy rate could even be 11.2% if measured to exclude occupancy by a significant number of pop-up stores.

Meanwhile, asking rent at most vacant storefronts in Zhongxiao has dropped approximately 15%–20% from 2016, yet retailers are cautious about entering the hub amid a decline in shoppers. One bright spot on the quarter was Fred Segal, which took out a new lease for a shop to open in October.

Elsewhere, Ximen's rental levels have remained steady in recent years, benefiting from strong tourist volume. Some major cosmetics brands like Japan Medical and Sapporo Drug Store, originally from Hokkaido, have leased pricey storefront space in the hub's prime high street area.

Among the quarter's notable leasing deals, Eslite Nanxi Store opened at the end of Q3 in Zhongshan/Nanjing retail hub. Within the large format retailer's premises are such stores as Japanese brands Matsumoto KiYoshi Cosmetics, FLIPPER'S and Sarutahiko Coffee, as well as several local creative brands. Meanwhile, Shin Kong Mitsukoshi Nanxi Store One and Three have completed renovation works to upgrade the interior, while a linear park project between Zhongshan and Shuanglian MRT Station is nearly completed and is expected to attract retailers in the creative segments.

Online retailers are expanding their offline presence. For example, Test Rite and Taobao cooperated to open their first intellectual shop, "Taobao x hoi!," at Breeze Songgao in Xinyi. Beyond Plaza in Yonghe District launched its online shop in Yahoo! Kimo Online Mall in order to develop an online-to-offline channel.

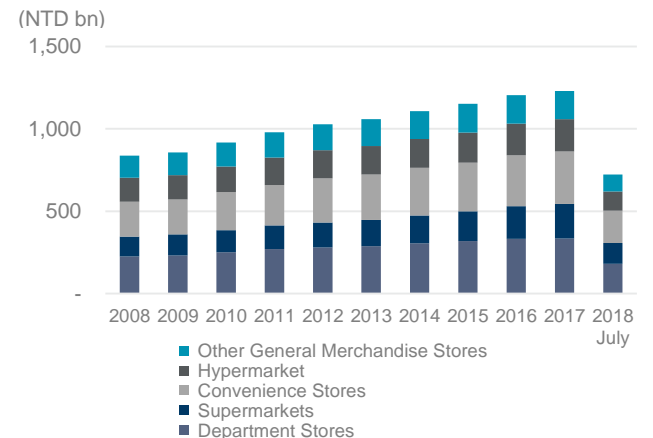
### ECONOMIC INDICATORS

	2018 Q1	2018 Q2	2018–2019 Forecast
GDP Growth	3.1%	3.3%	▲
CPI Growth	1.6%	1.7%	▲

Source: Directorate-General of Budget, Accounting and Statistics

### SALES OF GENERAL MERCHANDISE

	2017	2018	Period Growth
Cumulative Sales of General Merchandise from Jan to Jul (NTD bn)	689.5	722.8	▲
Sales of General Merchandise in Jul (NTD bn)	100.5	104.2	▲



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## PRIME RETAIL VACANCY AND AVERAGE RENTS IN Q3 2018

RETAIL HUB	VACANCY RATE	RENTAL RANGE (NTD/PING/MO)	RENTAL RANGE (USD/SF/MO)	12-MONTH OUTLOOK
Zhongxiao	7.8%	12,000~20,000	11.0~18.4	▼
Taipei Railway Station	2.7%	9,000~12,000	8.3~11.0	■
Zhongshan / Nanjing	5.3%	8,000~12,000	7.4~11.0	■
Ximen	2.4%	17,000~20,000	15.7~18.4	■

*Note: Only storefronts in prime retail hubs are taken into account. All data is based on gross floor area unless otherwise specified. Rentals are exclusive of management fees or other expenses.  
Area Unit Conversion: 1 ping = 35.58 sq ft = 3.3 sq m  
Exchange Rate: US\$1 = NT\$30.5256 as of 28 September 2018*

## SIGNIFICANT OPENINGS IN Q3 2018

RETAIL HUB	LOCATION	TENANT	AREA (ping)
Zhongxiao	Section 4, Zhongxiao East Road	MLB	75.0
Zhongxiao	Section 4, Zhongxiao East Road	Fred Segal	250.0
Zhongshan / Nanjing	Nanjing West Road	Starbucks	100.9
Ximen	Emei Street	NIKE	74.5
Ximen	Hanzhong Street	SAPPORO DRUG STORE	51.9

## SIGNIFICANT RETAIL PROJECTS - UNDER CONSTRUCTION / DECORATION

PROJECT	DISTRICT	OPENING TIME	GFA (ping)
ATT 4 Recharge	Zhongshan District, Taipei City	2018 Q4	15,000
Breeze Nan Shan	Xinyi District, Taipei City	2018 Q4	12,000
FE City A13	Xinyi District, Taipei City	2019 Q4	14,000

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**9.6**  
INVESTMENT VOLUME  
(NTD bn)

**-69%**  
VOLUME GROWTH RATE  
(QOQ)

**17**  
DEALS

BE  
**WHAT'S NEXT**

## KEY TAKEAWAYS

- Activity softened with only NT\$9.6 billion worth of deals on the quarter, down more than 69% q-o-q and 64% y-o-y.
- Office and I/O deals led the way, accounting for 42.2% and 25.7% of quarterly consideration, respectively, and amounting to a combined NT\$6.5 billion in investment.
- The biggest deal of the quarter was Yong Pei Develop and Jiu Yiao Investment's en-bloc acquisition of Xerox Building, reflecting investors' interest in aged office buildings with redevelopment potential.
- Several high-visibility projects' deadline for tender submission will expire in Q4. As a result, land sector's investment volume in 2018 is expected to set a new historical high provided that the projects successfully land an investor by the end of the year.

## MARKET OVERVIEW

The market recorded NT\$9.6 billion worth of investment in Q3, down from NT\$31.5 billion in Q2.

Amid a down quarter, investment was led by office and industrial-office (I/O) deals, accounting for 42.2% and 25.7% of quarterly consideration, respectively. Most of the office deals involved older office buildings in core areas with stable income and redevelopment potential. These properties will likely continue to be sought-after assets given that future supply of quality office buildings in Taipei is limited.

Major deals in the office sector included Yong Pei Develop and Jiu Yiao Investment's en-bloc acquisition of Xerox Building for NT\$2.3 billion, and Taiwan Co-operative Bank Asset Management's 540-ping purchase of Meifu Times Square for NT\$439 million.

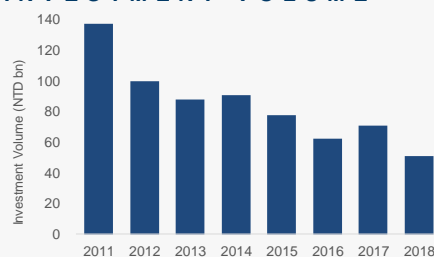
Meanwhile in the I/O sector, notable deals were all made by Yi-Jing, which secured several floors of the pre-sale project Kuo Yang Silicon Valley and Farglory U-Town in Xizhi, New Taipei City for NT\$957 million and NT\$409 million, respectively.

### ECONOMIC INDICATORS

	Q2 2018	Q3 2018	2018-2019 Forecast
GDP Growth	3.1%	3.3%	▲
Prime Leading Loan Rate	2.63%	2.63%	N/A
CPI Growth	1.6%	1.7%	▲

Source: Ministry of the Interior, Oxford Economics  
Note: Growth figure is y-o-y growth

### INVESTMENT VOLUME



Source: Cushman & Wakefield Research

### INVESTMENT VOLUME BY SECTOR



Source: Cushman & Wakefield Research

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Owner-occupier deals mainly involved assets in the industrial sector. Notably, Largan Precision purchased a factory in Taichung for NT\$810 million to expand production.

The land sector's big-ticket deal was Yuanta Bank's sealing 70-year development rights for a new headquarters in the former Airforce Club site in Taipei City. The NT\$8.2 billion winning bid exceeded the starting price by 123.3%, an equivalent to NT\$7.2 million per ping for the site development right, hitting a record high even for freehold land in a prime location.

## OUTLOOK

Taipei CBD Xinyi Planned Area, which has long been the main area for quality office supply, is about to reach full development in the near term. With limited land available for future office projects, the market is expected to see tightening office supply in years to come. Such scarcity in land availability and in office supply in the centralized area has turned investors' attention to high-profile deals expected to close by the end of this year, including the tender sale of Living Mall, Parcel C1/D1, Pacific Commercial Building and Taipei Financial Center. Provided that these projects successfully get investors on board by the end of the year, the land sector's investment volume for the whole of 2018 is expected to exceed NT\$200 billion to set a new historical high.

SECTOR	Deals	NTD bn	Change q-o-q
Office	5	4.05	336%
Retail	3	1.71	140%
I/O	6	2.47	-90%
Industrial	3	1.38	-64%
Hospitality	0	-	0%
Mixed/Others	0	-	0%
<b>OVERALL</b>	<b>17</b>	<b>9.61</b>	<b>-69%</b>

## SIGNIFICANT INVESTMENT TRANSACTION, Q3 2018

PROPERTY	PURCHASER	LOCATION	SECTOR	PRICE (NTD BN)
Kuo Yang Silicon Valley (pre-sale)	Yi-Jing	Xizhi, New Taipei City	Industrial office	0.96
Farglory U-Town	Yi-Jing	Xizhi, New Taipei City	Industrial office	0.41
Xerox Building	Yong Pei Develop Jiu Yiao Investment	Songshan, Taipei City	Office	2.25
Wanguo Commercial Building	Nanshan Life	Songshan, Taipei City	Office	0.76
Meifu Times Square	Taiwan Co-operative Bank Asset Management	Zhongshan, Taipei City	Office	0.44
Factory in Xitung Industrial Park	Largan Precision	Xitung, Taichung City	Industrial	0.81

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