TAIPEI OFFICE

MARKETBEATS

December 2018

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2,530 AVERAGE RENT (NTD/PING/MO)

0.8% RENT GROWTH RATE (QOQ)

9.0% VACANCY RATE

WHAT'S NEXT

HIGHLIGHTS

Absorption Remains Stable in Overall Market

In Q4, Taipei added nearly 12,000 ping of new Grade A office supply, including Cathay Minsheng Jianguo Building in the Dunbei/Minsheng submarket. Taipei's newest office building welcomed such new tenants as ROHM Semiconductor and attracted relocations by several companies in Dunbei/Minsheng or Nanjing/Songjiang submarkets, such as Imperial Tobacco.

Despite the new supply, the overall vacancy rate edged down 0.3 percentage points q-o-q to 9.0% in Q4 due to strong take-up. Nanjing/Songjiang led the way with a 6.4 percentage point drop q-o-q in vacancy, followed by Xinyi at a 1.8 percentage point decrease q-o-q. Technology companies were a notable source of occupier demand, leasing more than 500 ping in Union Jiajia Building and Nan Shan Plaza in Q4. The market recorded 13,000 ping of net absorption for the quarter.

Rent Steadily Grows

Grade A office rent in the overall market increased 0.8% q-o-q to average NT$2,530 per ping per month in Q4, the third consecutive quarter on the rise. Rental growth was driven partly by new lease demand and relocations by technology companies and start-ups. Another factor was the relatively expensive rent at recently added high quality office buildings, which also tended to support rental increases at other quality office buildings in the market, in particular in Xinyi.

Urban Renewal, Upgrades Trigger Office Relocations

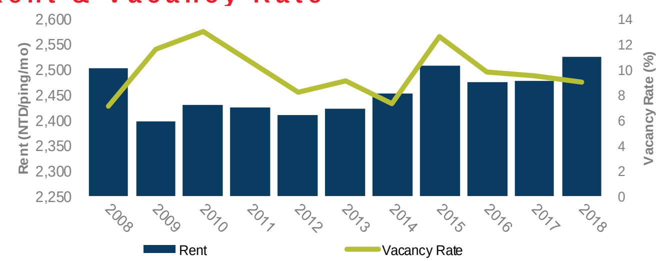
The market has seen strong pre-leasing performance at newly completed buildings like Cathay Minsheng Jianguo Building, as well as the soon-to-be completed United Daily News Zhong Xiao Building. Relocations are driving a significant amount of the leasing activities as companies seek new and expanded office spaces in the city's traditional business district or Xinyi, or due to displacement stemming from urban renewal initiatives. Driven by rapid absorption in newly completed buildings, the overall vacancy rate may tighten and average rent could continue to trend higher in 2019.

Economic Indicators

	2018 Q2	2018 Q3	2018-2019 Forecast
GDP Growth	3.3%	2.3%	▼
Service Sector GDP Growth	2.9%	2.3%	N/A
CPI Growth	1.7%	1.7%	▼
Unemployment Rate (Jan to November)	3.8%	3.7%	N/A

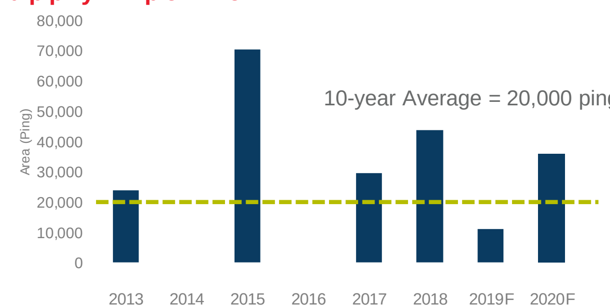
Source: Ministry of the Interior, Oxford Economics
Note: Growth figure is y-o-y growth

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	2.1%	0	2,100	US$1.91	€ 1.69
Nanjing/Songjiang	36,600	8.6%	8,000	2,030	US$1.85	€ 1.63
Dunbei/Minsheng	207,400	15.1%	16,600	2,330	US$2.12	€ 1.87
Dunnan	103,700	7.1%	0	2,350	US$2.14	€ 1.89
Xinyi	333,400	6.7%	11,400	3,070	US$2.80	€ 2.47
Taipei City	**721,300**	**9.0%**	**36,000**	**2,530**	US$2.31	€ 2.04

1USD= 30.8376TWD, 1EUR= 34.9231TWD as of 17th December 2018.

Key Leasing Transactions Q4 2018

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Nan Shan Plaza	Xinyi	Apple	1,700	Relocation
Nan Shan Plaza	Xinyi	Roche Pharmixperience	1,100	Relocation
Nan Shan Plaza	Xinyi	CHA IVF (Taiwan)	910	New Lease
Nan Shan Plaza	Xinyi	Facebook	800	Relocation
Nan Shan Plaza	Xinyi	Marsblockchain	790	New Lease
Cathay Minsheng Jianguo Building	Dunbei / Minsheng	ROHM Semiconductor	800	Relocation
TransGlobe Life Ins. Building	Dunbei / Minsheng	TaskUs	630	New Lease

Significant Projects Under Construction

PROPERTY	SUBMARKET	MAJOR TENANT	PING	COMPLETION DATE
UDN Zhong Xiao Bldg	Xinyi	-	11,000	2019
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

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TAIPEI INDUSTRIAL-OFFICE

DECEMBER 2018

MARKETBEATS

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XIHU SECTION		
1,300	**1.6%**	**1.3%**
AVERAGE RENT (NTD/PING/MO)	RENT GROWTH RATE (QOQ)	VACANCY RATE

WHAT'S NEXT

HIGHLIGHTS

Steady Take-up

No new I/O supply was added in Neihu Technology Park (NHTP) in Q4. In Xihu Section, notable transactions included a combined 800-ping of space leased to financial and TMT firms in Rui Guang Bldg, while Asia One leased out 400 ping in total to a TMT company and a trade company.

In Xihu Section, the vacancy rate edged down 0.4 percentage points q-o-q to 1.3%, marking a 10-year low. Stable take-up helped Wende Section maintain a vacancy rate of 6.2% at quarter's end. The vacancy rate in Jiuzong Section tightened 0.6 percentage points q-o-q to 22.3%. Among notable leases in Jiuzong, a TMT firm took out 500 ping at Global Technology Square, while a total of 700 ping of space was filled in Hung Poo Neihu Office Building during the quarter.

Rental Growth in Xihu

Average rent in Xihu Section increased 1.6% q-o-q to average NT$1,300 per ping per month in Q4, while rent in Wende and Jiuzong Sections remained stable at NT$970 and NT$920 per ping per month on average.

Capital values in each section remained steady in Q4: Xihu at NT$520,000–620,000, Wende at NT$380,000–450,000 and Jiuzong at NT$350,000–430,000 per ping. The largest investment transaction for the quarter was Next Digital's sale of its headquarters (5,300 ping, en bloc) to Taiwan Life Insurance for NT$1.8 billion.

TMT Supports I/O Demand

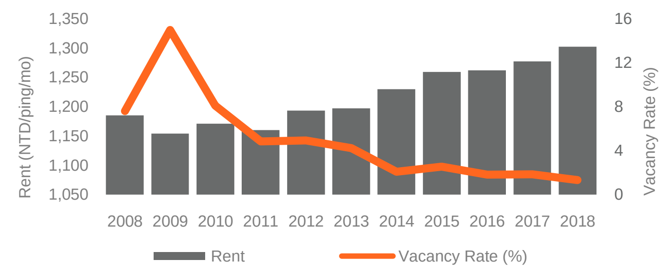
In 2018, NHTP recorded steady take-up thanks in part to solid demand from companies in the TMT industry. Ahead to 2019, amid limited new supply on the horizon, I/O spaces available for lease are expected to fill up quickly. In Xihu Section, rent may continue to be on the rise, driven by solid demand and an historically low vacancy rate. Steady take-up in recent quarters should help rent hold steady in Wende Section. Jiuzong Section, on the other hand, is likely to record flat rental growth amid high vacancy and take-up pressures.

Economic Indicators

	2018 Q2	2018Q3	2018-2019 Forecast
GDP Growth	3.3%	2.3%	▼
Secondary Sector Growth	4.9%	2.4%	N/A
CPI Growth	1.7%	1.7%	▼

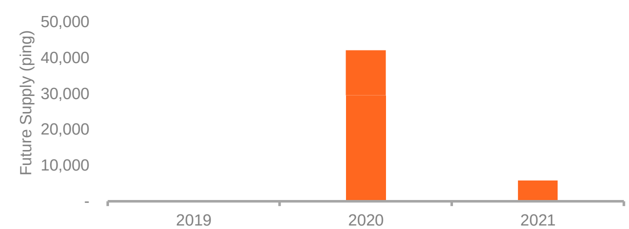
Source: Directorate-General of Budget, Accounting and Statistics, Oxford Economics
Note: Growth figure is y-o-y growth

Rent & Vacancy Rate (Xihu Section)



Source: Cushman & Wakefield Research

Future Supply



Source: Cushman & Wakefield Research

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TAIPEI INDUSTRIAL-OFFICE MARKETBEATS DECEMBER 2018

SECTION	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (PING)	I/O RENT		
			NTD/PING/MO	USD/SF/MO	EUR/SF/MO
Xihu	1.3%	29,500	1,300	US$1.18	€1.05
Wende	6.2%	-	970	US$0.88	€0.78
Jiuzong	22.3%	18,500	920	US$0.84	€0.74

1USD= 30.8376TWD, 1EUR= 34.9231TWD as of 17th December 2018.

Key Leasing Transactions Q4 2018

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
Rui Guang Building	Xihu	Financial	290	Expansion
Rui Guang Building	Xihu	TMT	490	New Lease
Asia One	Xihu	TMT	160	New Lease
Asia One	Xihu	Trade	250	New Lease
Building C of Asia Plaza	Wende	TMT	350	New Lease
Global Technology Square	Jiuzong	TMT	500	Relocation

Significant Projects Under Construction

PROPERTY	SECTION	MAJOR TENANT	PING	COMPLETION DATE
NHTP 2.0 BOT Project	Xihu	-	29,500	2020
Shanyuan Chuangke Building	Jiuzong	-	5,300	2020
Lianhong Technology Building	Jiuzong	-	4,100	2020
Fulin Twin Stars	Jiuzong	-	3,300	2020
Chonghong New Generation	Jiuzong	-	5,800	2021

TAIPEI RETAIL DECEMBER 2018

MARKETBEATS

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13,620	-1.0%	4.0%
AVERAGE RENT (NTD / PING / MO)	RENTAL GROWTH RATE (QOQ)	VACANCY RATE

WHAT'S NEXT

HIGHLIGHTS

Most of Taipei's retail hubs saw the vacancy rate and rental levels remain stable on the whole in Q4. However, the departure of pop-up stores in Zhongxiao contributed to the submarket's vacancy rate jumping 1.3 percentage points q-o-q to 9.1%. The vacancy rate in both Zhongshan/Nanjing and Ximen submarkets edged down, as tenants leased out storefronts. Among main retail hubs, Ximen's rental level is the most expensive, benefiting from strong tourism volume.

Cosmetics retailers continued to expand in the city's major retail hubs in Q4. Matsumoto Kiyoshi, from Japan, entered Zhongxiao and Zhongshan/Nanjing. South Korean retailer Etude House returned to the Taiwan market in Q3 and has opened up locations in department stores across the city, entering Zhongxiao in Q4 as well. In Ximen, Cosmed, Sapporo Drug Store and Japan Medical all have recently entered the market, adding to the current eight cosmetics stores alone along Hanzhong Street.

Elsewhere, among other notable new store openings was ATT 4 Recharge in Dazhi, which offers a combination of interactive intelligent technologies, outdoor leisure and delicacies.

In Taipei City, the market is set to add a total of 26,000 ping of new retail supply in 2019. Among the expected malls to complete include Breeze Nan Shan and FE City A13, both in Xinyi. Upon delivery, the submarket's stock is estimated to increase to 200,000 ping by the end of 2019, signaling rising competition in the market. The first project expected to complete at the beginning of the new year, the 12,000-ping Breeze Nan Shan department store, aims to differentiate its offerings from other such operators through introducing such new international brands as Japanese shopping center chain JR East and a California pop-up store by Blue Bottle Coffee.

Ahead to 2019, Ximen will likely witness steady rent and take-up on the whole, supported by tourism. On the other hand, Zhongxiao may see a decline in average rent next year owing to weaker footfall traffic as shoppers have tended to flock to Xinyi and Ximen.

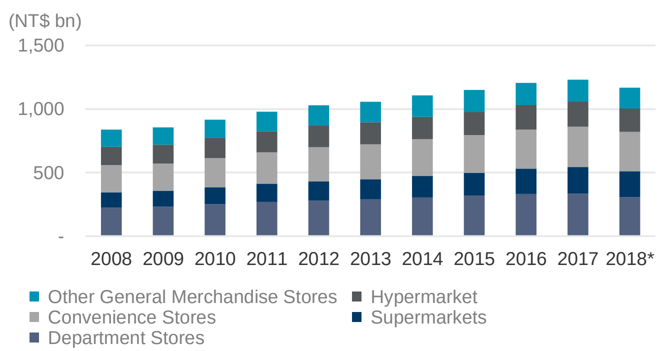
ECONOMIC INDICATORS

	2018 Q2	2018 Q3	2018–2019 Forecast
GDP Growth	3.3%	2.3%	▼
CPI Growth	1.7%	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 Nov (NT$ bn)	1,120.4	1,166.9	▲
Sales of General Merchandise in Nov (NT$ bn)	110.3	112.8	▲



*Jan to Nov of 2018

Source: Department of Statistics, Ministry of Economic Affairs

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TAIPEI RETAIL MARKETBEATS

DECEMBER 2018

PRIME RETAIL VACANCY AND AVERAGE RENTS IN Q4 2018

RETAIL HUB	VACANCY RATE	RENTAL RANGE (NTD/PING/MO)	RENTAL RANGE (USD/SF/MO)	12-MONTH OUTLOOK
Zhongxiao	9.1%	12,000~18,000	10.9~16.4	▼
Taipei Railway Station	2.7%	10,000~12,000	9.1~10.9	—
Zhongshan / Nanjing	4.7%	8,000~12,000	7.3~10.9	—
Ximen	1.2%	17,000~20,000	15.5~18.2	—

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$30.8376 as of 17 December 2018

SIGNIFICANT OPENINGS IN Q4 2018

RETAIL HUB	LOCATION	TENANT	AREA (ping)
Zhongxiao	Section 4, Zhongxiao East Road	Matsumoto Kiyoshi	141.3
Zhongxiao	Section 4, Zhongxiao East Road	JD Logistics	11.0
Zhongxiao	Section 4, Zhongxiao East Road	Etude House	63.3
Ximen	Hanzhong Street	Cosmed	20.3
Ximen	Chengdu Road	Japan Medical	85.8

SIGNIFICANT RETAIL PROJECTS – UNDER CONSTRUCTION / DECORATION

PROJECT	DISTRICT	OPENING TIME	GFA (ping)
Breeze Nan Shan	Xinyi District, Taipei City	Q1 2019	12,000
Dan Hai Miranew Square	Tamsui District, New Taipei City	Q1 2019	8,000
FE City A13	Xinyi District, Taipei City	Q4 2019	14,000

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TAIPEI INVESTMENT

DECEMBER 2018

MARKETBEATS

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42.6 INVESTMENT VOLUME (NTD bn)

217% VOLUME GROWTH RATE (QOQ)

27 DEALS

WHAT'S NEXT

KEY TAKEAWAYS

- In 2018, NT$99.6 billion worth of investment was transacted, a 1.4-fold surge from 2017. The NT$42.6 billion of consideration in Q4 accounted for 43% of the annual total.
- Investment was buoyed by solid demand for headquarter offices, industrial property and renewed activity by REITs.
- The land investment sector recorded an annual consideration of NT$178.0 billion, well above the 10-year historical average of NT$125 billion per year.
- As Taiwan may start to see increased trading and manufacturing activity, investment into the industrial sector is expected to stay robust.
- Given current market conditions, office properties are set to continue to attract investors for purposes of owner-occupation and investment.

MARKET OVERVIEW

Taiwan's investment market closed 2018 on a solid note. Consideration amounted to NT$99.6 billion for the year, a 1.4-fold increase from 2017 and the highest total since 2012. In Q4, consideration surged 217% q-o-q to NT$42.6 billion, accounting for 43% of annual investment and the strongest quarter this year.

The year's strong showing was buoyed by solid demand for headquarter offices, industrial property and renewed activity by REITs. About one-third of annual consideration, as well as some of the year's biggest deals, was transacted by corporates seeking large-sized offices to serve as new headquarters. The largest investment among these was Formosa Plastics Group's purchase of TCBD for NT$18.70 billion in Q2.

Significant headquarter deals this quarter were made by Sunny Bank and E Sun Bank, each acquiring an office building en-bloc at pre-sale amounts of NT$7.7 billion and NT$6.1 billion, respectively. Factors driving investor interest in office properties include an aging stock for upgrade opportunities, tight land supply and limited new supply in the pipeline.

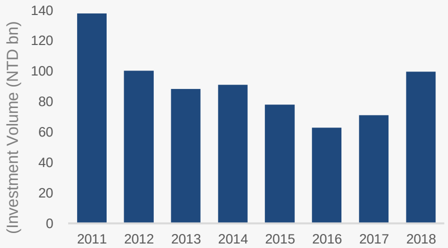
Another notable development was the renewed activity by REITs. Reflecting this, two REITs were launched in 2018, and REITs-related deals accounted for 10% of investment volume this year. Significant transactions included the NT$13.5 billion purchase of TaiMall Shopping

ECONOMIC INDICATORS

	Q2 2018	Q3 2018	2018-2019 Forecast
GDP Growth	3.3%	2.3%	▼
Prime Leading Loan Rate	2.63%	2.63%	N/A
CPI Growth	1.7%	1.7%	▼

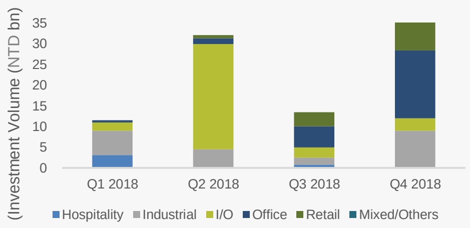
Source: Ministry of the Interior
Note: Growth figure is y-o-y growth

INVESTMENT VOLUME



Source: Cushman & Wakefield Research

INVESTMENT VOLUME BY SECTOR



Source: Cushman & Wakefield Research

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Mall by Millerful No.1 REIT and the German pension fund, BVK, marking the second largest deal of the year in Taiwan. There may more deals to come as Millerful No. 1 continues to grow its portfolio of assets.

The bull market in the land sector carried on through 2018. A total of NT$178.0 billion worth of such investment was recorded in 2018, which was well above the 10-year historical average of NT$125 billion per year. Continued strong momentum was driven by developers, manufacturers and insurers. Insurers, including such players as Fubon Life and Cathay Life, are relatively new to the land investment and development rights markets. But they have shifted attention to investment opportunities in commercially-zoned land amid concerns over increasingly limited options for investment in other property sectors.

OUTLOOK

As ongoing trade frictions between the U.S. and China roll on, Taiwan may start to see increased trading and manufacturing activity. Investment into the industrial sector is expected to stay robust. Meanwhile, office properties, for purposes of owner-occupation and investment, may attract growing investor interest, benefiting from the limited volume of new supply in the pipeline, strong leasing demand and opportunities related to urban renewal initiatives.

INVESTMENT VOLUME BY SECTOR, Q4 2018

SECTOR	Deals	NTD bn	Change q-o-q
Office	6	16.43	222%
Retail	4	14.26	321%
I/O	5	3.03	23%
Industrial	12	8.92	415%
Hospitality	0	-	-100%
Mixed/Others	0	-	0%
OVERALL	**27**	42.64	**217%**

SIGNIFICANT INVESTMENT TRANSACTION, Q4 2018

PROPERTY	PURCHASER	LOCATION	SECTOR	PRICE (NTD BN)
TaiMall Shopping Mall	Millerful No.1 REIT German Pension Fund BVK	Luzhu, Taoyuan City	Retail	13.50
Office Building in Zhongshan Section (pre-sale)	Sunny Bank	Zhongshan, Taipei City	Office	7.65
Office Building in Dunbei (development right, pre-sale)	E Sun Bank	Songshan, Taipei City	Office	6.09
Hwa Ya Technology Park	Quanta Computer	Guishan, Taoyuan City	Industrial	4.28

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