TAIPEI OFFICE

July 2019

MARKETBEATS

2,580	0.4%	6%
AVERAGE RENT (NTD/PING/MO)	RENT GROWTH RATE (QOQ)	VACANCY RATE

WHAT'S NEXT

HIGHLIGHTS

Newly completed buildings fill up

In Q2, the market's overall vacancy rate declined 1.9 percentage points q-o-q to 6.0%, supported by the 14,250 ping worth of net absorption recorded on the quarter. Dunbei/Minsheng submarket led the way with a 2.7-percentage point decrease in vacancy with the Sinyi submarket just behind it at a 2.6-percentage point fall q-o-q.

Relocations were a major driver of leasing activity, as large occupiers sought higher quality office space in such newly completed properties as Minsheng Jianguo Building and UDN Zhong Xiao Building. UDN Zhong Xiao Building achieved full occupancy, a key example of the strong demand for Grade A office space in Sinyi District.

Sinyi's rental levels on the rise

In Taipei City, average Grade A office rent edged up 0.4% q-o-q to NT$2,580 per ping per month, led by 1.0% and 0.4% increases on the quarter in Sinyi and Dunnan submarkets, respectively. Sinyi has recorded rental growth for seven consecutive quarters, with some high-rise office buildings in the submarket reaching a NT$4,000 per ping per month level. Amid the market's supply shortage and upside in the leasing market, Taipei World Trade Center Club plans to convert a 750-ping wedding room (named World Trade 33) for office use.

Market favors landlords in short term

Rental levels are forecasted to rise in the short term as leasing demand remains strong and little new office supply is expected to complete ahead. Reflecting the demand, the market has recorded absorption of more than 10,000 ping each quarter since 2018 and the overall vacancy rate has tightened to a 10-year low. At the same time, occupiers in the co-working, technology and start-up segments have taken up large office spaces of more than 1,000 ping.

Economic Indicators

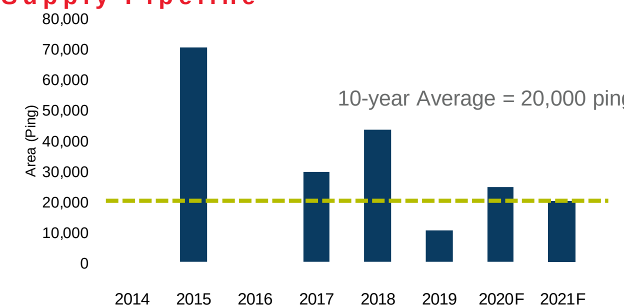
	Q4 2018	Q1 2019	One Year Forecast
GDP Growth	1.8%	1.7%	▼
Service Sector GDP Growth	2.0%	2.0%	N/A
CPI Growth	0.5%	0.3%	▲
Unemployment Rate (Jan to Mar)	3.7%	3.7%	N/A

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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TAIPEI OFFICE MARKETBEATS July 2019

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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	1.5%	0	2,100	US$1.88	€1.67
Nanjing/Songjiang	36,600	5.5%	8,000	2,030	US$1.81	€1.62
Dunbei/Minsheng	207,400	8.5%	25,300	2,360	US$2.11	€1.88
Dunnan	103,700	8.1%	0	2,360	US$2.11	€1.88
Xinyi	343,800	4.4%	0	3,170	US$2.83	€2.53
Taipei City	**731,700**	**6.0%**	**33,300**	**2,580**	**US$2.30**	**€2.06**

1USD= 31.4690TWD, 1EUR= 35.2343TWD as of 27th May 2019.

Key Leasing Transactions Q2 2019

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
UDN Zhong Xiao Building	Xinyi	Lee and Li Attorneys-at-Law	5,000	Relocation
Exchange Square No.2	Xinyi	WeWork	3,760	New Lease
UDN Zhong Xiao Building	Xinyi	Shopee	3,400	Expansion
HungThai Financial Center	Dunbei / Minsheng	Capital Group	3,360	Relocation
Cathay Minsheng Jianguo Building	Dunbei / Minsheng	JustCo	1,950	New Lease
Nanshan Plaza	Xinyi	Taipei Medical Science and Technology	1,030	Relocation
Cathay Minsheng Jianguo Building	Dunbei / Minsheng	China COSCO Shipping	980	Relocation

Significant Projects Under Construction

PROPERTY	SUBMARKET	MAJOR TENANT	PING	COMPLETION DATE
Yuanta Life New Headquarters	Nanjing/Songjiang	Yuanta Group	8,000	2020
China Life Headquarters	Dunbei/Minsheng	China Life/China Development Financial	16,600	2020
Taipei Dome	Xinyi	-	11,400	2021
E.SUN Second Headquarters	Dunbei/Minsheng	E.SUN Financial	8,700	2021

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Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of $8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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TAIPEI INDUSTRIAL-OFFICE

July 2019

MARKETBEATS

XIHU SECTION

1,390	0.5%	1.3%
AVERAGE RENT (NTD/PING/MO)	RENT GROWTH RATE (QOQ)	VACANCY RATE

WHAT'S NEXT

HIGHLIGHTS

Vacancy rate falls below 20% in Jiuzong

No new I/O supply was added in Neihu Technology Park (NHTP) in Q2. Xihu Section recorded steady take-up, with move-ins and move-outs offsetting. Xihu's vacancy rate edged up 0.1 percentage points q-o-q to 1.3%, remaining the lowest among all three I/O sections.

As large-scale units available for lease tend to be rare in Xihu Section, Jiuzong and Wende sections have benefited from spillover demand and seen vacancy rates tighten. In particular, Jiuzong's vacancy rate fell below the 20%-mark in Q2, tightening 3.1 percentage points q-o-q, on demand from online shopping and logistics firms, which leased a combined 2,180 ping of I/O space at Gen Ding Jiuzong Building during the quarter.

Take-up remained stable in Wende Section. Notable transactions included a 260-ping lease by a business service company at Xinzuan Office Building and a 110-ping lease by a TMT company at Times Plaza. These deals drove down Wende Section's vacancy rate 0.5 percentage points q-o-q to 4.8%, the seventh consecutive quarter in which space tightened.

Rent holds firm in NHTP

Rental levels held firm on the whole in Xihu, Wende and Jiuzong Sections in Q2, finishing the quarter at an average of NT$1,390, NT$1,000 and NT$925 per ping per month, respectively. There were no major investment transactions recorded in NHTP in Q2. Capital values in each section also were steady: Xihu at NT$550,000–650,000, Wende at NT$400,000–480,000 and Jiuzong at NT$380,000–430,000 per ping.

New project could drive relocations

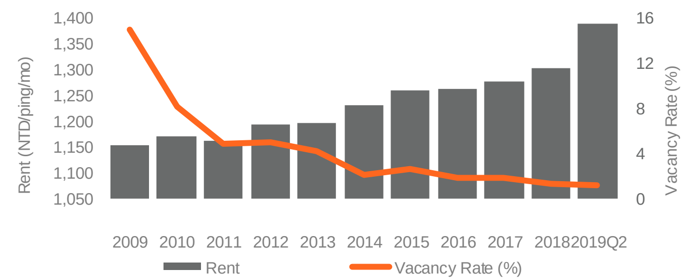
In this quarter, NHTP recorded steady take-up. As the market is not scheduled to receive a significant volume of new supply until completion of the large-scale NHTP 2.0 BOT in 2020, strong demand in Xihu is expected to drive rental growth ahead. The project, when completed, is likely to attract existing NHTP tenants who are seeking HQ space to relocate.

Economic Indicators

	Q4 2018	Q1 2019	2019–2020 Forecast
GDP Growth	1.8%	1.7%	▼
Secondary Sector Growth	2.7%	-1.9%	N/A
CPI Growth	0.5%	0.3%	▲

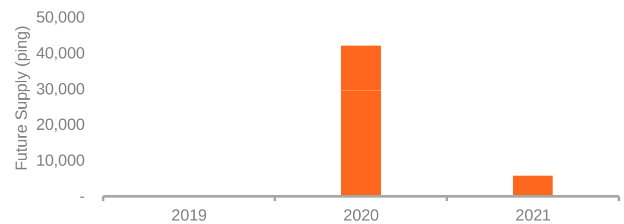
Source: Directorate-General of Budget, Accounting and Statistics, Oxford Economics
Note: Growth figure is y-o-y growth

Rent & Vacancy Rate (Xihu Section)



Source: Cushman & Wakefield Research

Future Supply



Source: Cushman & Wakefield Research

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TAIPEI INDUSTRIAL-OFFICE MARKETBEATS July 2019

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SECTION	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (PING)	I/O RENT		
			NTD/PING/MO	USD/SF/MO	EUR/SF/MO
Xihu	1.3%	29,500	1,390	US$1.24	€ 1.11
Wende	4.8%	-	1,000	US$0.89	€ 0.80
Jiuzong	17.5%	18,500	925	US$0.83	€ 0.74

1USD= 31.4690TWD, 1EUR= 35.2343TWD as of May 27, 2019.

Key Leasing Transactions Q2 2019

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
Chong Hong a+ Building	Xihu	Trade	190	New Lease
Beta Technology Center	Xihu	TMT	140	Expansion
Times Plaza	Wende	TMT	110	Expansion
Xinzuan Office Building	Wende	Business Service	260	Relocation
Gen ding Jiuzong Building	Jiuzong	Online shopping	1,480	New Lease
Hong Pu Trade	Jiuzong	TMT	270	New Lease

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

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TAIPEI RETAIL JULY 2019

MARKETBEATS

13,600	1.2%	4.5%
AVERAGE RENT (NTD / PING / MO)	RENTAL GROWTH RATE (QOQ)	VACANCY RATE

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WHAT'S NEXT

HIGHLIGHTS

Ximen's rent rises while Zhongxiao's vacancy tightens

Zhongshan/Nanjing and Taipei Railway Station retail hubs saw rental levels and vacancy rates remain stable on the whole in Q2. Rental levels in Ximen picked up, while vacancy and rent in Zhongxiao fell back on average.

Matsumoto Kiyoshi entered Ximen in Q2, continuing expansion efforts by cosmetics retailers in Ximen. As of Q2, there were 14 cosmetics stores within the 200-meter-walking-area from Exit 6 of MRT Ximen Station. In addition, local handmade drinks retailer Xing Fu Tang leased out pricey storefronts in Ximen's prime high street area.

Vacancy in Zhongxiao dropped 2.4 percent points q-o-q to 10.1% after Adidas and COSMED expanded, and MOMA, ORBIS and K.UNO entered the market in Q2. However, rental levels have continued to slide on the whole as some landlords have offered incentives to attract tenants.

Fast fashion exits, large storefronts may face challenges

Korean fast fashion brand SPAO exited its approximately 1,000-ping store in Ximen in Q2 on the heels of an earlier exit from Zhongxiao last year. Elsewhere, Forever 21 moved out of a 605-ping space in Zhongxiao in Q2. With most retailers over the past two years opting for stores of less than 60 ping, it appears that landlords of sizeable storefronts face leasing challenges.

Evolving beyond retail experiences

Traditional retail stores also have challenges as e-commerce continues to grow. Retailers are going beyond providing shoppers with experiences to position their stores as destinations in themselves. The Apple XINYI A13 flagship store that opened in Q2 is a prime example.

ECONOMIC INDICATORS

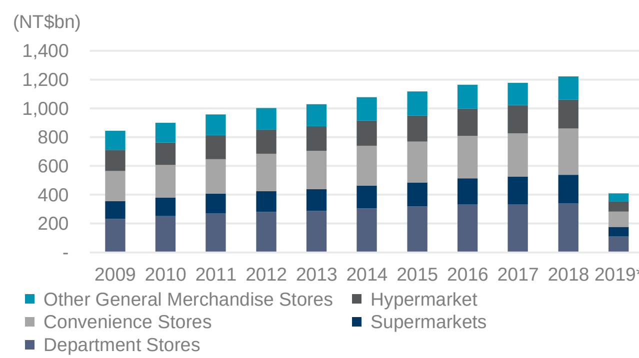
	Q4 2018	Q1 2019	2019–2020 Forecast
GDP Growth	1.8%	1.7%	▼
CPI Growth	0.5%	0.3%	▼

Source: Directorate-General of Budget, Accounting and Statistics

SALES OF GENERAL MERCHANDISE

	2018	2019	Period Growth
Cumulative Sales of General Merchandise from Jan to Apr (NT$ bn)	396.0	408.7	▲

	2018	2019	
Sales of General Merchandise in Apr (NT$ bn)	98.2	102.8	▲



*Apr of 2019

Source: Department of Statistics, Ministry of Economic Affairs

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TAIPEI RETAIL MARKETBEATS

JULY 2019

PRIME RETAIL VACANCY AND AVERAGE RENTS IN Q2 2019

RETAIL HUB	VACANCY RATE	RENTAL RANGE (NTD/PING/MO)	RENTAL RANGE (USD/SF/MO)	12-MONTH OUTLOOK
Zhongxiao	10.1%	10,000~17,000	8.9~15.2	▼
Taipei Railway Station	2.8%	10,000~12,000	8.9~10.7	▬
Zhongshan / Nanjing	5.3%	8,000~12,000	7.1~10.7	▬
Ximen	1.8%	18,000~22,000	16.1~19.6	▲

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$31.4690 as of 27 May 2019

SIGNIFICANT OPENINGS IN Q2 2019

RETAIL HUB	LOCATION	TENANT	AREA (ping)
Zhongxiao	Section 4, Zhongxiao East Road	MOMA	41.2
Zhongxiao	Section 4, Zhongxiao East Road	ORBIS	26.1
Zhongshan / Nanjing	Nanjing West Road	JLD Dragon	53.5
Ximen	Emei Street	Matsumoto Kiyoshi	51.2

SIGNIFICANT RETAIL PROJECTS – UNDER CONSTRUCTION / DECORATION

PROJECT	DISTRICT	OPENING TIME	GFA (ping)
FEDS XINYI	Xinyi District, Taipei City	Q4 2019	13,000
Honhui Plaza	Xinzhuang District, New Taipei City	Q2 2020	25,600
Mitsui Shopping Park LaLaport Nangang	Nangang, Taipei City	2021	61,900

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TAIPEI INVESTMENT JULY 2019

MARKETBEATS

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27.7 INVESTMENT VOLUME (NTD bn)

68% VOLUME GROWTH RATE (QOQ)

26 DEALS

KEY TAKEAWAYS

- Investment volume increased 68% q-o-q to NT$27.7 billion in Q2, led by office and industrial sectors.
- Waterland Financial Holdings' acquisition of part of Asia Landmark Plaza for NT$5.1 billion was the biggest deal in Q2.
- Land investment was NT$143.1 billion in 1H, amounting to 80% of the annual volume in 2018. Notably, a plot in close proximity to Taipei 101 was won by Yuanli Group for NT$11.3 billion.
- As trading and manufacturing activities continue to grow and few tradeable assets are hard to come by, both industrial and office properties will likely remain highly sought-after.

MARKET OVERVIEW

Investment volume amounted to NT$27.7 billion in Q2, up 68% q-o-q. Office and industrial sectors took the lion's share of deals at 51% and 30% shares of quarterly investment, respectively. The quarter's strong total was supported by production expansion activities in the manufacturing industry and strong demand for owner-occupied HQ space.

Centrally-located office buildings in Taipei City have been prized assets for financial institutions and insurance companies seeking to upgrade their HQ offices. Notable deals in Q2 included: Waterland Financial Holdings' acquisition of 5,900 ping in Asia Landmark Plaza for NT$5.1 billion; Taian Insurance's purchase of Changchun Financial Building for NT$3.8 billion; and Wan Hai Lines' picking up 1,700 ping of space in Pacific Commercial Building for NT$1.4 billion. Amid a lack of tradeable office assets in Taipei and strong demand for owner-occupied office properties, office buildings are expected to continue to be sought-after by investors.

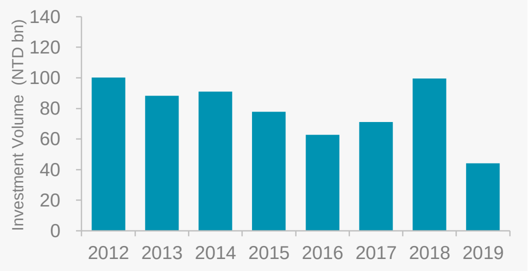
Meanwhile, the industrial sector has been active on a boost to manufacturing activities, particularly in Northern Taiwan. Notably, Delta Electronics and ASUSTeK Computer acquired factories in Chungli Industrial Park (New Taipei City) for NT$2.6 billion and Tamsui (Taoyuan City) for NT$1.4 billion, respectively.

ECONOMIC INDICATORS

	Q4 2018	Q1 2019	2019–2020 Forecast
GDP Growth	1.8%	1.7%	▼
CPI Growth	0.5%	0.3%	▲
Prime Leading Loan Rate	2.63%	2.63%	N/A

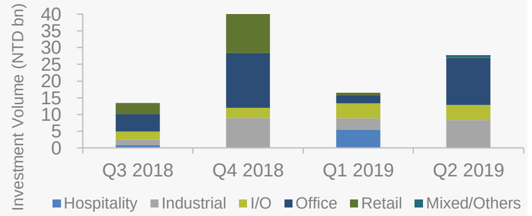
Source: Ministry of the Interior | Note: Growth figure is y-o-y growth

INVESTMENT VOLUME



Source: Cushman & Wakefield Research

INVESTMENT VOLUME BY SECTOR



Source: Cushman & Wakefield Research

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TAIPEI INVESTMENT MARKETBEATS JULY 2019

Strong momentum continued in the lands sector with NT$80.8 billion recorded in Q2. A total of NT$143.1 billion worth of land parcels have been purchased in 1H, amounting to approximately 80% of annual volume recorded for all of 2018. Residential and commercial development sites owned by public sectors were the principle source of land investments in Q2. Developers drove transactions in Taoyuan, Hsinchu and Taichung City.

The most significant deal was the auction sale of Lot D3 in Xinyi Planned Area in Taipei City. The site sits directly across from Taipei 101 and was won by Yuanli Group for NT$11.3 billion.

OUTLOOK

Investment in the market's lands sector has recorded massive volume over the past 6 months, amounting to NT$143.1 billion, which already has exceeded the 10-year annual average of NT$129.0 billion. Land sales are projected to reach a new historical high by year-end.

Elsewhere, as trading and manufacturing activities continue to grow and few tradeable assets are still hard to come by, industrial and office properties are expected to remain highly sought-after for the remainder of 2019.

INVESTMENT VOLUME BY SECTOR, Q2 2019

SECTOR	DEALS	NTD (BN)	CHANGE (Q-O-Q)
Office	10	14.09	488%
Retail	1	0.32	-56%
I/O	3	4.44	-2%
Industrial	11	8.36	148%
Hospitality	0	-	0%
Mixed/Others	1	0.48	100%
OVERALL	**26**	**27.69**	**68%**

SIGNIFICANT INVESTMENT TRANSACTIONS, Q2 2019

PROPERTY	PURCHASER	LOCATION	SECTOR	PRICE (NTD BN)
Asia Landmark Plaza	Waterland Financial Holdings	Zhongshan, Taipei City	Office	5.13
Changchun Financial Building	Taian Insurance	Zhongshan, Taipei City	Office	3.77
Pacific Commercial Building	Wan Hai Lines	Daan, Taipei City	Office	1.42
Chungli Industrial Park	Delta Electronics	Chungli, Taoyuan City	Industrial	2.57
Factory in Tamsui	ASUSTeK	Tamsui, New Taipei City	Industrial	1.42

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