

MARKETBEATS



2,580

AVERAGE RENT
(NTD/PING/MO)

0%

RENT GROWTH RATE
(QOQ)

5.4%

VACANCY RATE

WHAT'S NEXT HIGHLIGHTS

Overall vacancy rate continues to drop

The market's overall vacancy rate declined 0.6 percentage points q-o-q to 5.4% in Q3, marking the lowest vacancy rate of the past 10 years. Compared with prior vacancy rates for each submarket, Dunbei / Minsheng led the way with a drop of 1.4 percentage points q-o-q, followed by West with a decrease of 0.7 percentage points, q-o-q. In the Dunbei / Minsheng submarket, relocation of tenants from buildings in urban renewal programs was a major driver of leasing activity in the quarter, with the new location spot remaining in the same submarket with a leasing area of 100-200 pings. Accumulative absorption amounted to 35,800 pings for the past three quarters. The professional services sector was the most notable source of occupier demand, taking up 23% of total leasing area. The co-working space ranked second, accounting for 22% of leasing area, including WeWork and JustCo, with international co-working space operators pursuing positive expansion strategies in Taiwan.

Landlords dominate rental levels

Average rent for Grade A office space remained stable in Q3, as per the past half year, and continuing to reflect a shortage of supply. The average rent was NT\$2,580 per ping per month in Q3. Compared to the previous two quarters, leasing activity was infrequent, again due to a lack of supply. The majority of tenants chose to renew their contract and accept a higher rent when the contract expires.

Future new supply is lacking

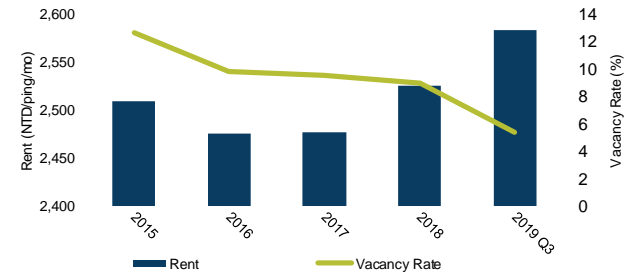
In the leasing market of the past three quarters the key driver of absorption of new supply has been demand for large area headquarters premises. However, in Q4 the office market is expected to be lacking in leasable area, and hence we expect to see a drop in both leasing activity and absorption. As well, the average leasing area will drop into a medium or small-sized classification.

Economic Indicators

	Q1 2019	Q2 2019	One Year Forecast
GDP Growth	1.8%	2.4%	▼
Service Sector GDP Growth	2.2%	2.5%	N/A
CPI Growth	0.3%	0.8%	▲
Unemployment Rate (Jun)	3.7%	3.7%	N/A

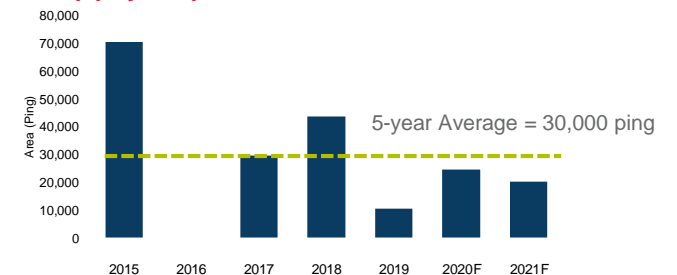
Source: Ministry of the Interior, Oxford Economics Note: Growth figure is y-o-y growth

Rent & Vacancy Rate



Source: Cushman & Wakefield Research

Supply Pipeline



Source: Cushman & Wakefield Research

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About Cushman & Wakefield

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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	0.8%	0	2,100	US\$1.88	€1.70
Nanjing/Songjiang	36,600	5.3%	8,000	2,030	US\$1.82	€1.64
Dunbei/Minsheng	207,400	7.1%	25,300	2,360	US\$2.11	€1.91
Dunnan	103,700	8.0%	0	2,360	US\$2.11	€1.91
Xinyi	343,800	4.1%	0	3,170	US\$2.84	€2.57
Taipei City	731,700	5.4%	33,300	2,580	US\$2.31	€2.09

1 USD = 31.3742 TWD; 1 EUR = 34.7210 TWD as of Aug 23, 2019

Key Leasing Transactions Q3 2019

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Nanshan Plaza	Xinyi	Pfizer's Pharmaceutical Co.	1,380	New Lease
Nanshan Plaza	Xinyi	Amazon Taiwan	1,060	Expansion
Nanshan Plaza	Xinyi	Chanel	750	Expansion
Nanshan Plaza	Xinyi	Genie Networks	370	New Lease
Hung Kuo Building	Dunbei/Minsheng	Philippines Financial Bank	320	Relocation
Exchange Square No.2	Xinyi	NetApp Taiwan	270	Expansion
Cathay Landmark	Xinyi	China Steel Corporation	190	Expansion
Cathay Landmark	Xinyi	BCOW Technology	180	New Lease
Cathay Landmark	Xinyi	Sonruan Financial Adviser	180	New Lease

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

MARKETBEATS



XIHU SECTION

1,390

AVERAGE RENT
(NTD/PING/MO)

0.5%

RENT GROWTH RATE
(QOQ)

1.3%

VACANCY RATE

WHAT'S NEXT

HIGHLIGHTS

Co-working companies expand in Xihu Section

The primary leasing activity in Q3 was take-up of small-scale I/O units at approximately 100 ping. Xihu Section recorded steady take-up, with move-ins and move-outs offsetting each other with the vacancy rate remaining at 1.3% q-o-q. Wende Section's vacancy rate edged up 0.6 percentage points q-o-q to 5.4%. Jiuzong Section's vacancy rate recorded 18% in Q3, with the primary leasing activities coming from expansions from existing Neihu Technology Park (NHTP) tenants. E-commerce, start-up technologies, and Fintech companies are growing, driving steady take-up of small-scale I/O space. Co-working companies expanded in NHTP due to its draw as an industrial cluster and upwardly trending demand from startups. Apart from The Executive Centre located in Chonghong New Century Headquarter and Regus at the Aurora Building, the new project NHTP 2.0 BOT, which is currently under construction, is expected to attract co-working operators.

Rent levels hold firm in NHTP

Average rent in Xihu and Jiuzong Sections increased 0.7% and 1.0% in Q3, finishing the quarter at an average of NT\$1,400 and NT\$930 per ping per month. Rent in Wende Section remained stable at an average of NT\$1,000 per ping per month. There were no major investment transactions recorded in NHTP in Q3. Capital values in each Section were also steady: Xihu at NT\$550,000-NT\$650,000, Wende at NT\$400,000-NT\$480,000 and Jiuzong at NT\$380,000-NT\$430,000 per ping.

Demand for I/O space in Jiuzong section to grow

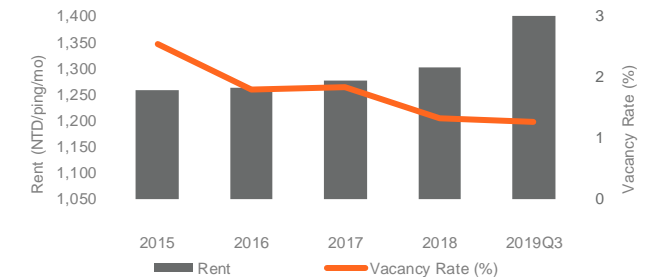
Rental levels in Xihu Section are forecasted to trend upwards due to the supply shortage. As fully developed sections, Xihu and Wende, are suffering from traffic congestion, Jiuzong Section, with the advantage of lower rent levels, will benefit from spillover demand, rising take-up and rising rentals.

Economic Indicators

	2019 Q1	2019 Q2	2019-2020 Forecast
GDP Growth	1.8%	2.4%	▼
Secondary Sector Growth	-2.0%	1.3%	N/A
CPI Growth	0.3%	0.8%	▲

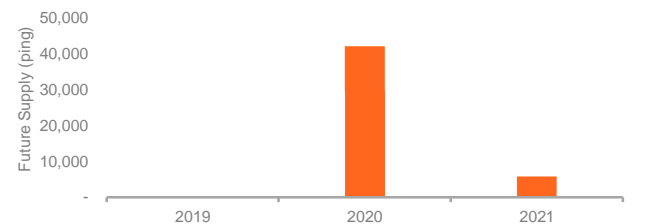
Source: Directorate-General of Budget, Accounting and Statistics, Oxford Economics
Note: Growth figure is y-o-y growth

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)	I/O RENT		
			NTD/PING/MO	USD/SF/MO	EUR/SF/MO
Xihu	1.3%	29,500	1,400	US\$1.25	€ 1.13
Wende	5.4%	-	1,000	US\$0.89	€ 0.81
Jiuzong	18.0%	18,500	930	US\$0.83	€ 0.75

1 USD = 31.3742 TWD; 1 EUR = 34.7210 TWD as of August 23, 2019

Key Leasing Transactions Q3 2019

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
Beta Technology Center	Xihu	Wholesale Clothing	180	Expansion
Beta Technology Center	Xihu	Chemical Industry	130	Expansion
Wei Mon Industry Building	Jiuzong	TMT	120	Expansion

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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MARKETBEATS

13,400

AVERAGE RENT
(NTD / PING / MO)

-1.5%

RENTAL GROWTH RATE
(QOQ)

4.8%

VACANCY
RATE

WHAT'S NEXT

HIGHLIGHTS

Cosmetics retailers expand in Ximen

Vacancy rates at Ximen and Taipei Railway Station dropped in Q3, while those in Zhongxiao and Zhongshan/Nanjing rose. Apart from a rental level drop in Zhongxiao, on the whole other hubs saw rental levels remain stable.

POYA entered Ximen in Q3 and Watsons expanded, demonstrating the continued growth of cosmetics retailers. Away from Hanzhong Street, there are now seven cosmetics stores on Chengdu Road, which has become the new key ground for cosmetics retailers. The 'FAVtory' food court in Zhongshan/Nanjing closed in Q3, and leasing of its sizable space will be an indicator to the area's future growth. Gucci, Prada and Coach have recently withdrawn from Zhongshan/Nanjing. Players in the luxury industry have changed their strategy, and the boutique street image of Zhongshan North Road has faded.

Vacancy rates in the most and least trendy sections in Zhongxiao have greatly diverged. PUMA has expanded in the trendy area, while F&B stores 'ICE MONSTER' and 'Boost Juice Bars' have exited from the more unfashionable sections. With many units vacant in Q2 still on the market, the vacancy rate in Zhongxiao rose 1.4 percent points q-o-q to 11.5%.

Financial sector turns to creative experiences

The financial sector has turned to innovative storefronts and formats to provide new services and experiences. For example, Cathay Life Insurance opened a center including a Starbucks, Yuanta Financial Holdings opened a branch offering cultural and creative imagery at Huashan 1914 Creative Park, and KGI Bank has partnered with creative brands and rising artists to offer a combined bank and gallery experience in Zhongshan.

Ximen to see steady growth despite China travel ban

The travel ban imposed by China in August, with the consequent drop in Chinese tourists, will impact Taiwan's tourism market. However, overall tourist volumes since the beginning of 2019 have risen 12% y-o-y, with numbers from Japan, Korea and Thailand soaring. We expect Ximen, supported by diverse foreign tourism, to be resilient to the ban and to see steady rent growth.

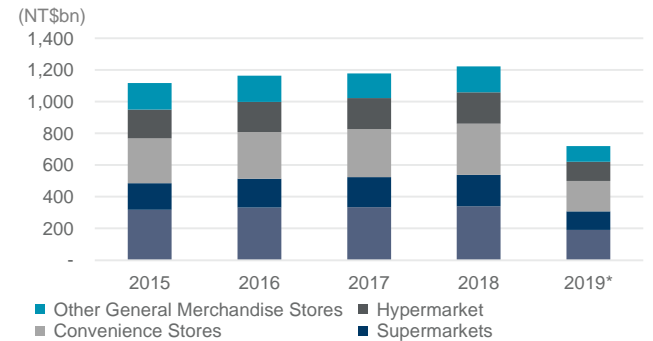
ECONOMIC INDICATORS

	Q1 2019	Q2 2019	2019-2020 Forecast
GDP Growth	1.8%	2.4%	▼
CPI Growth	0.3%	0.8%	▲

Source: Directorate-General of Budget, Accounting and Statistics

SALES OF GENERAL MERCHANDISE

	2018	2019	Period Growth
Cumulative Sales of General Merchandise from Jan to Jul (NT\$ bn)	691.0	720.9	▲
Sales of General Merchandise in Jul (NT\$ bn)	99.2	105.3	▲



*Jul of 2019

Source: Department of Statistics, Ministry of Economic Affairs

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PRIME RETAIL VACANCY AND AVERAGE RENTS IN Q3 2019

RETAIL HUB	VACANCY RATE	RENTAL RANGE (NTD/PING/MO)	RENTAL RANGE (USD/SF/MO)	12-MONTH OUTLOOK
Zhongxiao	11.5%	9,000~16,000	8.1~14.3	▼
Taipei Railway Station	2.6%	10,000~12,000	9.0~10.7	■
Zhongshan / Nanjing	5.8%	7,000~12,000	6.3~10.7	■
Ximen	1.5%	18,000~22,000	16.1~19.7	▲

*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: 1 USD = 31.3742 TWD as of August 23, 2019*

SIGNIFICANT OPENINGS IN Q3 2019

RETAIL HUB	LOCATION	TENANT	AREA (ping)
Zhongxiao	Section 4, Zhongxiao East Road	PUMA	66.1
Zhongshan / Nanjing	Nanjing West Road	CHARLES & KEITH	39.9
Zhongshan / Nanjing	Section 1, Zhongshan North Road	KGI BANK	91.0
Ximen	Chengdu Road	Watsons	76.7 (1~3F)
Ximen	Kunming Street	POYA	358.3 (1~3F)

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

MARKETBEATS



16.0

INVESTMENT VOLUME
(NTD bn)

-43%

VOLUME GROWTH
RATE (QOQ)

21

DEALS

WHAT'S NEXT

KEY TAKEAWAYS

- In Q3, investment totaled NT\$16.0 billion, led by office and industrial sectors at 45% and 39% of the quarterly consideration, respectively.
- The biggest deal for the year to date was the NT\$6.4 billion acquisition of the Global One by Synnex Technology, Winbond Electronics and others, accounting for over 40% of volume for the quarter.
- Amid the absence of big-ticket deals in Q4, investment may stay flat through the end of the year.
- Investment in the land sector for the year to date has amounted to NT\$ 231.8 billion, already setting a new record high.

MARKET OVERVIEW

The biggest deal for the year to date was buoyed by the strong demand for owner-occupied HQ space. Over 40% of the quarter's investment stemmed from the NT\$6.4 billion sale of the 15-floor office space at the Global One in Nankang, acquired by Synnex Technology, its affiliate Winbond Electronics, Mei An Cultural Foundation, and Y. S. Educational Foundation.

The transaction for the decentrally-located project was at an average unit price of NT\$ 1 million per ping, reflecting the built-to-suit commitment and the right to name the office building. The lack of tradeable office assets in Central Taipei and solid demand for owner-occupied office properties were expected to drive office demand and push up prices in decentralized areas in Taipei City.

Meanwhile, the industrial sector also claimed a strong share of quarterly investment volume at 39%, closely following the 45% share of the office sector. Increasing manufacturing activities and rising demand for e-commerce logistics kept the momentum rolling for industrial properties.

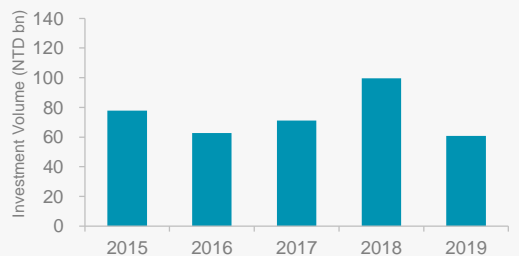
Notable deals included Millerful No.1 REIT's NT\$2.5 billion sale-leaseback acquisition of DSV Logistics Center in Guanyin; and several other transactions of factories located in Taoyuan and Taichung for less than NT\$1 billion for each deal.

ECONOMIC INDICATORS

	Q1 2019	Q2 2019	2019-2020 Forecast
GDP Growth	1.8%	2.4%	▼
CPI Growth	0.3%	0.8%	▲
Prime Leading Loan Rate	2.63%	2.64%	N/A

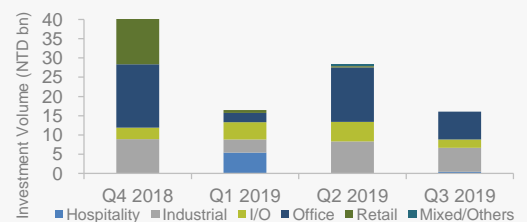
Source: Ministry of the Interior | Note: Growth figure is y-o-y growth

INVESTMENT VOLUME



Source: Cushman & Wakefield Research

INVESTMENT VOLUME BY SECTOR



Source: Cushman & Wakefield Research

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With NT\$88.1 billion recorded in Q3, a total of NT\$231.8 billion worth of land parcels have been purchased in the past three quarters, already setting a new record high for annual consideration. Notably, the most significant deal was the bid on Living Mall in Taipei, won by Ding-Yue Development for NT\$37.2 billion, the highest price recorded for an individual property transaction. Other than this deal, developers continued to drive land sales in residential areas in Taichung and New Taipei City, and showed interest in parcels slated for office building development in Beitou Shilin Technology Park.

OUTLOOK

Land sales, already setting a new record high for annual consideration, are projected to close this year at a value more than NT\$250 billion. While for other sectors, amid the absence of big-ticket deals in the pipeline, investment may stay flat through the end of the year. As manufacturing production continue to expand and there are still very few office buildings available for transaction, industrial and office assets will remain as prized assets in Q4.

INVESTMENT VOLUME BY SECTOR, Q3 2019

SECTOR	DEALS	NTD (BN)	CHANGE (Q-O-Q)
Office	3	7.2	-49%
Retail	0	0.0	-100%
I/O	6	2.1	-58%
Industrial	11	6.3	-25%
Hospitality	1	0.4	100%
Mixed/Others	0	0.0	-100%
OVERALL	21	16.0	-43%

SIGNIFICANT INVESTMENT TRANSACTIONS, Q3 2019

PROPERTY	PURCHASER	LOCATION	SECTOR	PRICE (NTD BN)
The Global One	Synnex Technology, Winbond Electronics, Mei An Cultural Foundation and Y. S. Educational Foundation	Nankang, Taipei City	Office	6.4
DSV Logistics Center in Guanyin	Millerful No.1	Guanyin, Taoyuan City	Industrial	2.5
Factory in Central Taiwan Science Park	Siliconware Precision Industries	Daya, Taichung City	Industrial	0.7
Factory in Luzhu, Taoyuan	Tai Tung Communication	Luzhu, Taoyuan City	Industrial	0.6
Union House Lukang	Millerful No.1	Lukang, Changhua County	hotel	0.4

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