MARKETBEAT

TAIPEI

Office Q4 2019

	12-Mo. Forecast
2,580 Average Rent (NTD/PING/MO)	▲
0% Rental Growth Rate (QOQ)	▬
4.5% Vacancy Rate	▼

Source: Cushman & Wakefield Research

TAIPEI ECONOMIC INDICATORS Q3 2019

	Q2 2019	12-Mo. Forecast
3.0% GDP Growth	2.6%	▼
2.6% Service Sector GDP Growth	2.7%	N/A
0.4% CPI Growth	0.8%	▲
3.7% Unemployment Rate (Jun)	3.7%	N/A

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

Overall Vacancy Rate Records Ten-Year Low

The office market's overall vacancy rate declined 0.9 percentage points q-o-q to 4.5% in Q4, marking our lowest recorded vacancy rate. By submarket, compared with prior vacancy rates, Nanjing/Songjiang led the way with a drop of 1.8 percentage points q-o-q, followed by Xinyi with a decrease of 1.4 percentage points, q-o-q. Leasing activity in the period was flat and concentrated predominantly in the small and medium space sectors in Xinyi district.

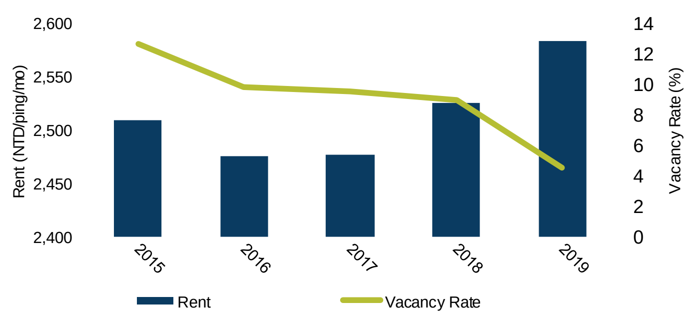
Average Rent Remained Stable

Average rent for Grade A office space remained stable in Q4 at NT$2,580 per ping per month. Xinyi district led the way with NT$3,170 per ping per month, followed by Dunbei/Minsheng and Dunnan with NT$2,360 per ping per month. In the low-supply environment landlords were bullish in their rental terms and conditions. Average rent remained at the prevailing level.

Leasing Activity Will Stall in the Short Term

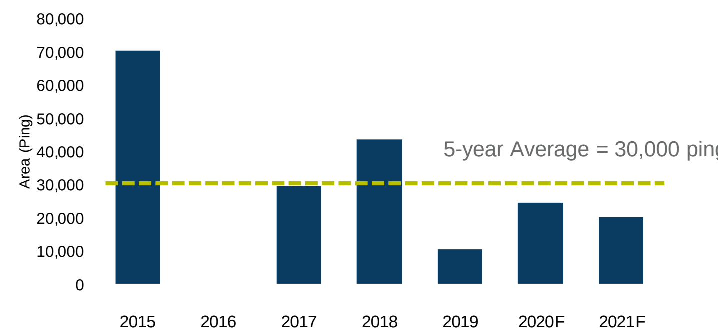
Total absorption was at nearly 43,000 pings for 2019, matching the figure for 2018. Over the past two years new completions have benefitted from strong demand and have enjoyed effective preleasing. Older properties at choice locations and at competitive rents have also performed well and have supported the overall market prosperity. For the future we see continuing healthy demand. However, with the lack of current vacant supply and with the upcoming two years' supply earmarked for own-use, a gradual downturn in leasing activity is expected. In the short-term some tenants are expected to shift to co-working spaces, older office buildings and outer districts of the city. Rents are expected to rise as the shortage of new supply is felt.

RENT & VACANCY RATE



Source: Cushman & Wakefield Research

SUPPLY PIPELINE



Source: Cushman & Wakefield Research

TAIPEI

Office Q4 2019

SUBMARKET	INVENTORY (ping)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (Ping)	GRADE A RENT		
				NTD/Ping/MO	US$/SF/MO	EUR/SF/MO
Western	40,200	2.4%	0	2,100	US$1.93	€ 1.75
Nanjing/Songjiang	36,600	3.5%	8,000	2,030	US$1.87	€ 1.69
Dunbei/Minsheng	207,400	6.6%	25,300	2,360	US$2.17	€ 1.96
Dunnan	103,700	7.0%	0	2,360	US$2.17	€ 1.96
Xinyi	343,800	2.8%	0	3,170	US$2.92	€ 2.64
Taipei City	731,700	4.5%	33,300	2,580	US$2.38	€ 2.15

1 USD = 30.5200 TWD; 1 EUR = 33.7649 TWD as of Nov 22 , 2019

KEY LEASING TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Hung Sheng International Finance Center	Dunbei/Minsheng	Claddagh Venture Investment Limited	470	New Lease
Taipei 101	Xinyi	The Executive Centre.	490	Expansion
Cathay Landmark	Xinyi	Mannatech	180	New Lease
Cathay Landmark	Xinyi	Honda Taiwan	270	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

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MARKETBEAT

TAIPEI

Industrial-Office Q4 2019

XIHU SECTION	12-Mo. Forecast
1,430 Average Rent (NTD/PING/MO)	▲
1.9% Rent Growth Rate (QOQ)	▲
0.9% Vacancy Rate	▬

Source: Cushman & Wakefield Research

TAIPEI ECONOMIC INDICATORS Q3 2019

	Q2 2019	12-Mo. Forecast
3.0% GDP Growth	2.6%	▼
1.7% Secondary Sector Growth	0.6%	N/A
0.4% CPI Growth	0.8%	▼

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

Vacancy Rates in Xihu and Wende Hit a Historic Low

No new I/O supply was added in Neihu Technology Park (NHTP) in Q4. Take-up remained stable in Wende, Xihu and Jiuzong Sections. The primary leasing activitiy in Xihu Section was take-up of small-scale I/O units at approximately 100 ping, and the vacancy rate edged down 0.4 percentage points q-o-q to 0.9% with almost full occupancy. The vacancy rate in Wende Section recorded 4.8% at the end of the quarter following a 320-ping lease by a medical company at Guo Mei Time Plaza. The vacancy rate in Jiuzong Section edged down 2.2 percentage points q-o-q to 15.8% after a 1,500-ping lease by City Mart at the Gen Ding Jiuzong Building.

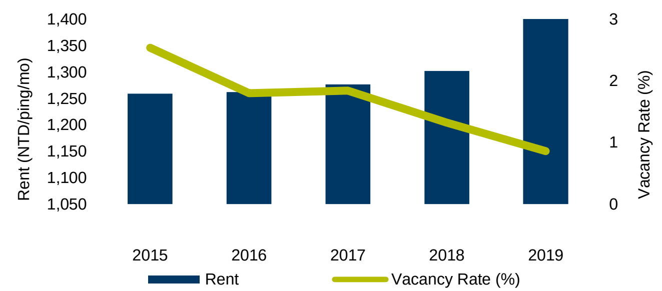
Transactions Over NT$100 Million Are Booming

In Q4 average rent in Xihu Section rose 1.9% q-o-q to NT$1,430 per ping per month, Jiuzong saw an increase of 0.3% q-o-q to NT$940 per ping per month. Capital values rose slightly in each section: Xihu at NT$560,000-NT$680,000, Wende at NT$420,000-NT$480,000 and Jiuzong at NT$400,000-450,000. There were several large transactions over NT$100 million in NHTP in Q4, including Bora Pharmaceuticals's NT$640 million en bloc acquisition of Ip Tone Technology Headquarters Building, Shinkong Insurance's NT$1.13 billion en bloc acquisition of Life Technologies Headquarters Building, and Taiwan Life Insurance's NT$1.8 billion en bloc acquisition of Dianthus Minquan Building.

Rent Rises in Xihu Driven by Expected New Supply

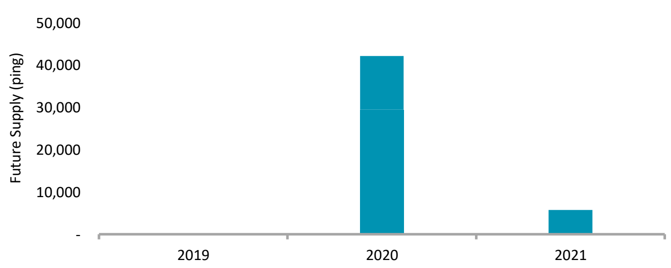
Take-up remained stable in Xihu, Wende, and Jiuzong Sections in 2019. However, a supply shortage now exists in Xihu Section, persisting until the scheduled completion of Hong Hui Rui Guan Plaza in 2020, and rental is expected to grow. Most transactions in Wende Section were en bloc transactions, illustrating growing demand for en bloc industrial office space, and rent should hold flat in Wende Section. The vacancy rate in Jiuzong Section is expected to slightly edge up in the short term until the completion of 12,700 pings of new industrial office space in 2020. Jiuzong Section has also benefitted from spillover demand in response to tightened vacancy in Xihu and Wende Sections, and Jiuzong's rent level has edged up.

RENT & VACANCY RATE (XIHU SECTION)



Source: Cushman & Wakefield Research

FUTURE SUPPLY



Source: Cushman & Wakefield Research

TAIPEI

Industrial-Office Q4 2019

SECTION	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (PING)	I/O RENT		
			NTD/PING/MO	USD/SF/MO	EUR/SF/MO
Xihu	0.9%	29,500	1,430	US$1.32	€ 1.19
Wende	4.8%	-	1,000	US$0.92	€ 0.83
Jiuzong	15.8%	18,500	940	US$0.87	€ 0.78

1 USD = 30.5200 TWD; 1 EUR= 33.7649 TWD as of November 22, 2019

KEY LEASING TRANSACTIONS Q4 2019

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
Wallstreet Technology Headquarters	Xihu	TMT	180	Expansion
Millenium Technology Building	Xihu	Game Industry	160	New Lease
Guo Mei Time Plaza	Wende	Medical Industry	320	Expansion
Xing Yang Technology Headquarters	Wende	Religious Group	140	Relocation
Gen Ding Jiuzong Building	Jiuzong	Furniture Industry	1,460	New Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SECTION	MAJOR TENANT	PING	COMPLETION DATE
Hong Hui Rui Guan Plaza	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 Q4 2019

	12-Mo. Forecast
13,400 AVERAGE RENT (NTD/PING/MO)	–
0% RENTAL GROWTH RATE(QOQ)	–
4.5% VACANCY RATE	▼

Source: Cushman & Wakefield Research (Figures are growth rates as of Q4 2019.)

TAIPEI ECONOMIC INDICATORS Q3 2019

	YoY Chg	12-Mo. Forecast
3.0% GDP Growth	▲	▼
0.4% CPI Growth	▼	▲
4.3% Cumulative Sales of General Merchandise	▲	N/A

Source: Directorate-General of Budget, Accounting and Statistics

Clothing Brand NET Expands in Zhongxiao Retail Hub

Vacancy rates at Ximen and Taipei Main Station climbed in Q4 while remaining stable in Zhongshan/Nanjing and dipping in Zhongxiao. Rental levels grew slightly in Ximen, while dropping at Taipei Main Station and at the Zhongxiao retail hub. In Zhongxiao the exit of several retailers had caused a rise in the vacancy rate. In response, landlords offered rent reductions, prompting clothing and catering sectors to expand, including fashion brand NET taking the former storefront of Yunfulou restaurant. Consequently the Zhongxiao vacancy rate edged down 4 percentage points q-o-q to 7.7% in Q4. The FAVtory food court in Zhongshan/Nanjing closed in Q3. The storefront was leased to Poya in Q4, marking the first time the chain has entered the Zhongshan/Nanjing retail hub. The completion of the MRT Zhongshan Station Xianxing Park helped boost convenient pedestrian access and the park is expected to become an attraction in Zhongshan/Nanjing.

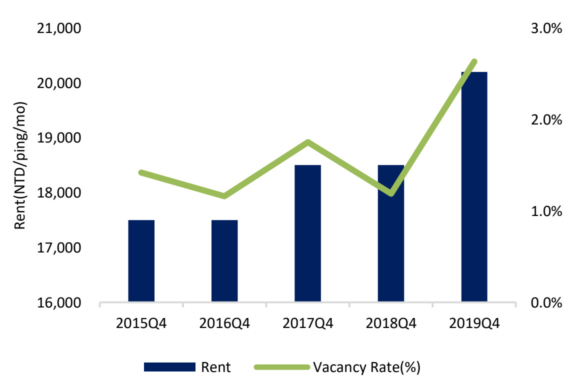
Combination of Cosmopolitan Style and Leisure a Significant Trend

Tsutaya Bookstore opened at Citylink Nangang in December, with the 500-ping store incorporating a parent-child reading area in line with Citylink's family-friendly environment. In response to the shift towards smaller families, growing numbers of malls are adopting a combination of cosmopolitan style and leisure in their planning. The concept was demonstrated at the 13,000-ping Far Eastern Department Store at Xinyi block A13, introducing Taiwan's first officially authorized Lego specialty store, combining a Lego experience area and sales floor. The store has also partnered with Viewshow Cinemas with movie theaters on higher floors. Combining luxury, young adult and parent-child elements, the Xinyi retail hub is designed to attract customers of all generations.

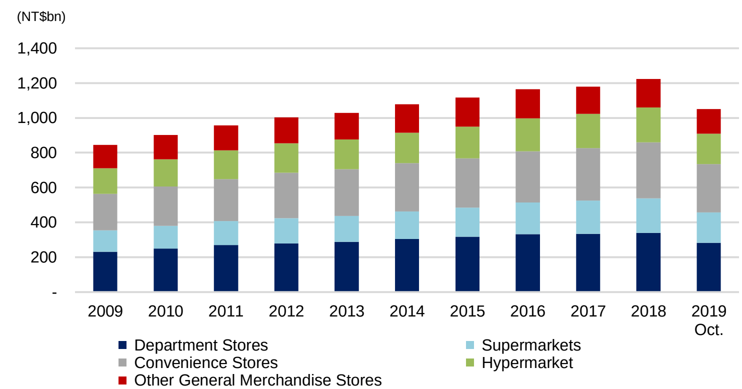
Xinyi's Night-Time Retail Hub Bringing Economic Benefits

Night-time leisure spaces such as movie theaters and clubs are bringing rewards to extended retail opening hours, and food and beverage retailers offering late closing hours are becoming a new rising force in Xinyi's night-time economy. Looking forward to next year, the economic benefits brought by tourism are expected to grow, and leasing demand and rental levels should remain stable in Ximen. Rent reductions by landlords in the Zhongxiao retail hub should attract further numbers of retailers.

RENT / VACANCY RATE IN XIMEN



CUMULATIVE SALES OF GENERAL MERCHANDISE FROM JAN TO OCT (NT $ bn)



MARKETBEAT

TAIPEI

Retail Q4 2019

PRIMARY RETAIL VACANCY AND AVERAGE RENTS IN Q4 2019

RETAIIL HUB	VACANCY RATE	RENTAL RANGE (NTD/PING/MO)	RENTAL RANGE (USD/SF/MO)	12-MONTH OUTLOOK
Zhongxiao	7.7%	9,000~16,000	8.3~14.7	▼
Taipei Main Station	3.1%	9,000~12,000	8.3~11.1	▬
Zhongshan/Nanjing	5.8%	7,000~12,000	6.4~11.1	▬
Ximen	2.6%	18,000~22,000	16.6~20.3	▬

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 = 30.52 TWD as of November 22, 2019

SIGNIFICANT OPENINGS IN Q4 2019

RETAIL HUB	LOCATION	TENANT	AREA(ping)
Zhongxiao	Section 4, Zhongxiao East Road	COME TRUE COFFEE	53
Ximen	Xining South Road	NBMAN	42
Zhongshan/Nanjing	Nanjing West Road	POYA	213
Zhongshan/Nanjing	Section 1, Zhongshan North Road	IPPUDO	85
Taipei Main Station	Section 1, Chongqing South Road	FAR EASTERN INTERNATIONAL BANK	276(1~2F)

SIGNIFICANT RETAIL PROJECTS - UNDER CONSTRUCTION/DECORATION

PROJECT	DISTRICT	OPENING TIME	GFA(ping)
Far Eastern Department Stores Xinyi A13	Xinyi District, Taipei City	2019	13,000
Q Square Xiaobitan	Xindian District, New Taipei City	2020	4,500
Honghui Plaza	Xinzhuang District, New Taipei City	2020	25,600
Mitsui Shopping Park LaLaport Nangang	Nangang, Taipei City	2021	61,900

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MARKETBEAT

TAIWAN

Capital Markets Q4 2019

	YoY Chg
96.4B YTD Investment Volume (NTD)	-3%
24.4B Q4 Investment Volume (NTD)	-43%
37 Q4 Deals	37%

ECONOMIC INDICATORS
Q3 2019

	YoY Chg	12-Mo. Forecast
3.0% GDP growth (annualized)		
0.4% CPI growth		
2.6% Prime Leading Loan Rate		N/A

Source: Ministry of the Interior , Oxford Economics

Investment Market Closed 2019 on a Solid Note at NT$96.4 billion

Taiwan's investment market closed 2019 on a solid note. Total consideration was NT$96.4 billion for the year, maintaining the momentum from 2018 despite an 3% slide y-o-y. Big-ticket deals took place in northern and southern Taiwan. Significant deals of the year included the NT$6.4 billion office space transaction in the Global One in Nangang, Waterland Financial Holdings' NT$5.7 billion purchase of Asia Landmark Plaza, and the acquisitions of 85 Sky Tower Hotel in Kaohsiung and CitizenM near Taipei Main Station.

Accounting for 25% of the annual volume, investment in Q4 totaled NT$24.4 billion, up 17% from last quarter. A notable deal this quarter was by TransGlobe Life Insurance, acquiring a factory in Hwa Ya Technology Park for NT$2.8 billion. The factory was slated for a logistics center conversion and has secured e-commerce operator MomoShop as a tenant, expected to generate stable income.

Financial and Technology Sectors Dominated the Market

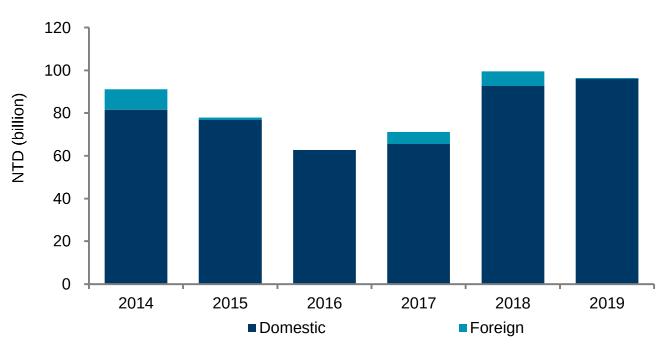
Local buyers dominated the market for the year, both for owner-occupation and for investment. Solid demand stemmed from buyers in financial sectors seeking opportunities to upgrade and consolidate space, as well as from technology sector firms amid growing manufacturing activities. Notable deals also included Novatek, Delta Electronics and ASE Group, who acquired assets in Tai Yuen Hi-Tech Industrial Park, Zhong Li Industrial Park and Nanzih Export Processing Zone for NT$3.7 billion, NT$2.6 billion and NT$ 2.3 billion, respectively.

Insurers and AMCs were also active in Q4. TransGlobe Life Insurance, Taiwan Life and Shin Kong Insurance each acquired a factory and en-bloc I/O buildings for NT$2.8 billion, NT$1.8 billion and NT$1.1 billion, respectively. AMCs were attracted to auction sales, with China Trust AMC and Taiwan Cooperative Bank AMC winning a retail space under foreclosure in Beitou and an I/O building in Neihu, respectively.

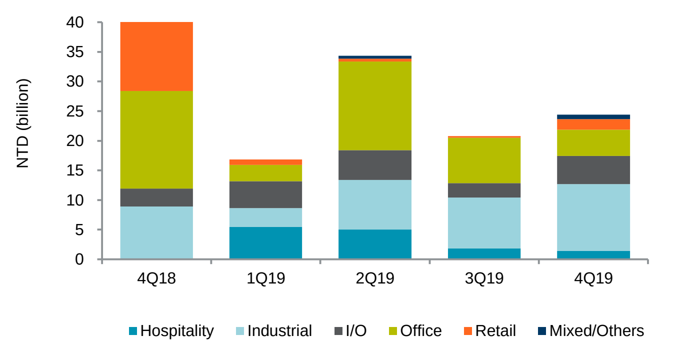
Office and Industrial Properties in Demand

Buoyed by strong demand from local buyers, office and industrial properties were prized assets for investors, taking a major share of the consideration for the year at 31% and 33%, respectively. Hotel in Taipei and Kaohsiung and I/O properties in northern Taiwan followed, the latter with a approximate 17% share. In the industrial sector, logistics properties with stable long-term income streams were particularly attractive to institutional investors and, with e-commerce business in full swing, warehouses in the logistics capital, Taoyuan City, were particularly in demand.

INVESTMENT VOLUME BY CAPITAL SOURCE



INVESTMENT VOLUME BY SECTOR

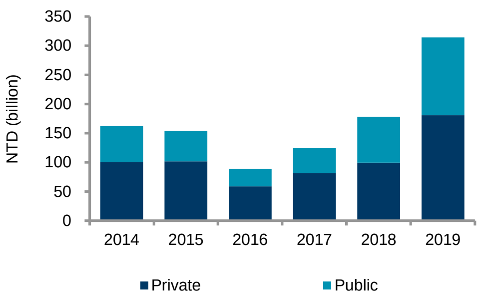


MARKETBEAT

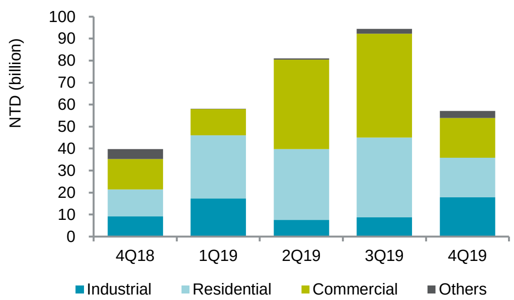
TAIWAN

Capital Markets Q4 2019

Land Investment Volume by Supply Source



Land Investment Volume by Land Use



Land Sales Set a Record New High

Investment in the land market set a record new high. Consideration for 2019 surged to over NT$300 billion, closing the year at NT$314 billion. Developers drove land sales in northern and central Taiwan. The most significant deal, the NT$37.2 billion transaction of the Living Mall Site in Taipei, contributed 12% of sales to the annual consideration.

Strong momentum continued in the surface rights sector in Q4. Nanshan Life won the 50-year development right to a land parcel in Xinyi Planned Area in Taipei, which currently accommodates Taipei Xinyi Administration Center, for NT$16.0 billion. The price per ping, at NT$7.4 million, broke the record for local land value. Yuanta Insurance's winning of the development right to the land parcels adjacent to the Taipei Metro's Songjian-Nanjing Station for NT$5.3 billion was another notable deal. The space was planned for office development.

Insurers Expected in Surface Right Deals

As manufacturing production continues to expand and with a shortage of office buildings available for transaction, industrial and office assets are expected to remain in strong demand for owner-occupation in the coming year. We expect developers to continue to drive land sales, while insurers are likely to actively participate in the surface rights market. Two high-profile deals -- the development rights to the sites of World Trade Center Ⅲ and Guo Tai Camp -- are scheduled on the block in early 2020.

KEY SALE TRANSACTIONS

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE (NTD BN)
Factory in Hwa Ya Technology Park	Guishan Dist., Taoyuan City	TransGlobe Life Insurance	Infomedia	Industrial	2.81
Postpartum Center, Neihu	Neihu Dist., Taipei City	Taiwan Life Insurance	Individual	I/O Building (En-bloc)	1.80
DigiLife Technologies Building	Neihu Dist., Taipei City	Shin Kong Insurance	Genius Net	I/O Building (En-bloc)	1.13
Factory in Guishan Industrial Park	Guishan Dist., Taoyuan City	Inventec	China Electronics	Industrial	1.12

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