

12-Mo. Forecast

**2,585**  
Average Rent (NTD/PING/MO) ▲

**0.2%**  
Rental Growth Rate (QOQ) ▲

**4.8%**  
Vacancy Rate ▼

Source: Cushman & Wakefield Research

### Overall Low Vacancy Rate Stabilized

The Grade A office market added 6,500 pings of new supply in Q1 2020. The new space came from the Taiwan Life Insurance Zhongshan building in the western district, which shifted its leasing strategy from whole-building with no usage restrictions to office spaces divided into units. A number of units were taken up immediately, easing the very limited supply in the market.

The overall vacancy rate edged up 0.3 percentage points q-o-q to 4.8% in Q1, prompted by new supply in the market. But by submarket, compared with prior quarter vacancy rates, the Dunbei/Minsheng district led the way with a drop of 0.8 percentage points q-o-q, followed by Xinyi with a drop of 0.7 percentage points q-o-q. The drop in the vacancy rate in these submarkets has slowed due to the lack of further available space.

### Average Rent Remained Stable

Average rent for Grade A office space slightly increased in Q1 at NT\$2,585 per ping per month. Xinyi district led the way with NT\$3,180 per ping per month, followed by Dunbei/Minsheng and Dunnan with NT\$2,360 per ping per month. Tenants and landlords have recognized that in the low-supply environment, a stable rise in rentals reflects that the trend is towards a landlords' market.

### Leasing Activity Will be Flat Ahead With Limited Supply

The COVID-19 outbreak has prompted tenants who are actively looking for new locations to extend their evaluation time, but has not yet significantly influenced the office leasing activity. However, due to the very limited supply available may enterprises can be expected to remain at existing locations in 2020, and consequently leasing activity is expected to be flat in the year.

### TAIPEI ECONOMIC INDICATORS Q4 2019

**3.3%**  
GDP Growth

Q3 2019: 3.0% ▼ 12-Mo. Forecast

**3.4%**  
Service Sector GDP Growth

Q3 2019: 2.8% N/A 12-Mo. Forecast

**0.7%**  
CPI Growth

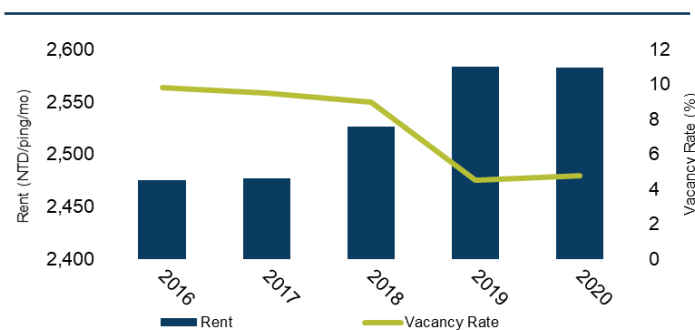
Q3 2019: 0.4% ▼ 12-Mo. Forecast

**3.7%**  
Unemployment Rate (Dec.)

Q3 2019: 3.7% N/A 12-Mo. Forecast

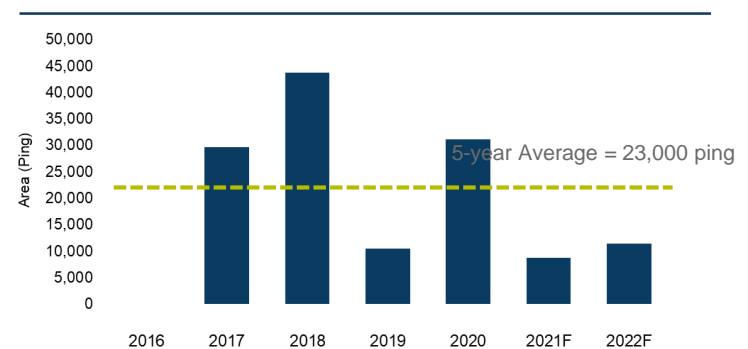
Source: Ministry of the Interior, Oxford Economics  
Note: Growth figure is y-o-y growth

### RENT & VACANCY RATE



Source: Cushman & Wakefield Research

### SUPPLY PIPELINE



Source: Cushman & Wakefield Research

SUBMARKET	INVENTORY (ping)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (Ping)	GRADE A RENT		
				NTD/Ping/MO	US\$/SF/MO	EUR/SF/MO
Western	46,800	15.8%	0	2,180	US\$2.05	€ 1.84
Nanjing/Songjiang	36,600	3.7%	8,000	2,030	US\$1.91	€ 1.72
Dunbei/Minsheng	207,400	5.8%	25,300	2,360	US\$2.22	€ 1.99
Dunnan	103,700	7.0%	0	2,360	US\$2.22	€ 1.99
Xinyi	343,800	2.1%	0	3,180	US\$2.99	€ 2.68
Taipei City	738,300	4.8%	33,300	2,585	US\$2.43	€ 2.18

1 USD = 29.8721 TWD; 1 EUR = 33.2967 TWD as of Mar 3, 2020

## KEY LEASING TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Continental Engineering Corporation Dunnan Building	Dunbei/Minsheng	Next Bank	1,600	New Lease
Hontai Financial Centre	Dunbei/Minsheng	Shopline	750	New Lease
TransGlobe Life Insurance Inc. Commercial Building	Dunbei/Minsheng	Targetglobal	260	Expansion
Shin Kong Life Insurance Co., Ltd. Zhongshan Building	Western	Taishin D.A. Finance	430	Relocation
Shin Kong Life Insurance Co., Ltd. Zhongshan Building	Western	Taishin Securities	220	Expansion

## 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
E.SUN Second Headquarters	Dunbei/Minsheng	E.SUN Financial	8,700	2021

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XIHU SECTION

12-Mo. Forecast

**1,440**  
Average Rent (NTD/PING/MO) ▲

**0.9%**  
Rent Growth Rate (QQQ) ▲

**1.0%**  
Vacancy Rate ▼

Source: Cushman & Wakefield Research

### Vacancy Rate in Jiuzong Continues to Edge Down

No new I/O supply was added in Neihu Technology Park (NHTP) in Q1. With move-ins and move-outs offsetting each other, Xihu Section's vacancy rate edged up just 0.1 percentage points q-o-q to 1.0%. In Wende Section the vacancy rate was 5.4%. Take-up in Wende included a printing industry firm taking a lease of approximately 190 pings at the Sweden Technology Center, and CakeResume taking approximately 120 pings at the Century Kuobao Building. In Jiuzong Section the vacancy rate edged down again, at 0.3 percentage points q-o-q to 15.5%. Diageo Taiwan Inc. took a lease of approximately 410 pings.

### Rent Holds Firm in Wende and Jiuzong

In Q1 average monthly rental in Xihu Section rose 0.9% q-o-q to NT\$1,440 per ping per month. Rental levels in Jiuzong and Wende remain steady at NT\$1,000 and NT\$940 per ping per month respectively. In capital values, there was a large transaction of NT\$330 million in the Oxford Building in Wende section by Hwanan Asset Management in Q1. Capital values in each Section have also remained steady: Xihu at NT\$560,000-680,000, Wende at NT\$420,000-480,000, and Jiuzong at NT\$400,000-450,000 per ping.

### Rent Rises in Xihu Driven by Expected New Supply

New project Hong Hui Rui Guan Plaza in Xihu section is expected to be certificated with a usage license in Q2 2020. This is anticipated to attract corporations with headquarters spaces to relocate, and the rental level is expected to rise. In Wende Section take-up was stable and the rental level remained firm. In Jiuzong the vacancy rate is expected to edge up in response to new supply comprising 12,700 pings of new industrial office space scheduled for 2020. With little new industrial space available in Wende and Xihu, corporations are now looking beyond just NHTP and venturing into Nangang, which is expected to become an emerging I/O destination.

### TAIPEI ECONOMIC INDICATORS Q4 2019

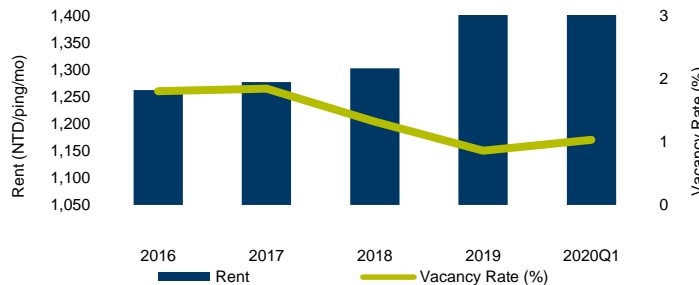
**3.3%** GDP Growth  
Q3 2019: 3.0% 12-Mo. Forecast: ▼

**1.8%** Secondary Sector Growth  
Q3 2019: 1.6% 12-Mo. Forecast: N/A

**0.7%** CPI Growth  
Q3 2019: 0.4% 12-Mo. Forecast: ▼

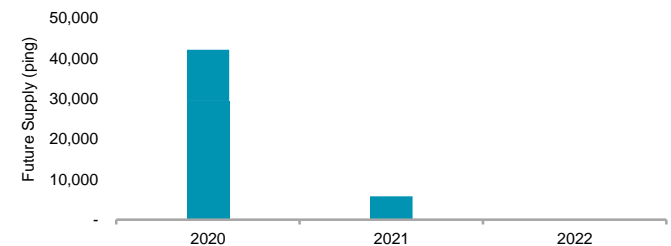
Source: Directorate-General of Budget, Accounting and Statistics, Oxford Economics  
Note: Growth figure is y-o-y growth

### RENT & VACANCY RATE (XIHU SECTION)



Source: Cushman & Wakefield Research

### FUTURE SUPPLY



Source: Cushman & Wakefield Research

SECTION	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (PING)	I/O RENT		
			NTD/PING/MO	USD/SF/MO	EUR/SF/MO
Xihu	1.0%	29,500	1,440	US\$1.35	€ 1.22
Wende	5.4%	-	1,000	US\$0.94	€ 0.84
Jiuzong	15.5%	18,500	940	US\$0.88	€ 0.79

1 USD = 29.8721TWD; 1 EUR= 33.2967TWD as of March 3, 2020

#### KEY LEASING TRANSACTIONS Q1 2020

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
Sweden Technology Center	Wende	Printing Industry	190	Expansion
Century Guobao Building	Wende	TMT	120	Relocation
Gen Ding Jiuzong Building	Jiuzong	Wholesale Industry	410	Expansion

#### 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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**13,000**  
AVERAGE RENT (NTD/PING/MO)

12-Mo. Forecast

**-3%**  
RENTAL GROWTH RATE(QOQ)

**5.9%**  
VACANCY RATE

Source: Cushman & Wakefield Research (Figures are growth rates as of Q1 2020.)

### TAIPEI ECONOMIC INDICATORS Q4 2019

**3.3%**  
GDP Growth



**0.7%**  
CPI Growth



**13.4%**  
Cumulative Sales of General Merchandise



Source: Directorate-General of Budget, Accounting and Statistics

### Market Overview

At February 2020 general retail sales were up 1.7% y-o-y. However, department store sales dropped by 3.2%, with customer traffic impacted by the coronavirus outbreak. Year-on-year, convenience store sales rose by 5.0% due to expansion by retailers and demand for fresh foods. Supermarket sales rose by 15.1% and wholesale stores by 10.8%, boosted by greater demand for fresh food and daily necessities. However, sales of other general merchandise stores dropped sharply by 22.4% y-o-y, due to curtailed tourism and poorer performance at duty-free shops.

### Fast Fashion Brand H&M Expands in Zhongxiao Retail Hub

Vacancy rates dipped in Zhongshan/Nanjing in Q4, while edging up in Ximen and climbing more than 3 percentage points q-o-q in Taipei Main Station and Zhongxiao. Rental reductions in Zhongxiao have prompted convenience stores to expand, while H&M has taken the former storefront of Forever 21, somewhat relieving the negativity of large storefront vacancy and bringing new vitality to the fast fashion market in Zhongxiao.

### Large Storefronts Are Being Divided Up

In the last two years most leased storefronts in the main retail hubs have been at less than 60 pings. With large storefronts standing vacant for longer periods, landlords are no longer insisting on leasing properties to single tenants. Li Ren Commercial Building in Zhongxiao has divided its large storefronts into medium- and small-size units leased to chain convenience stores, while Taipei TIT Tower Square in Ximen has leased divided units to gift shops and clothing stores. This has proven to be a flexible solution to achieve take-up of large storefronts.

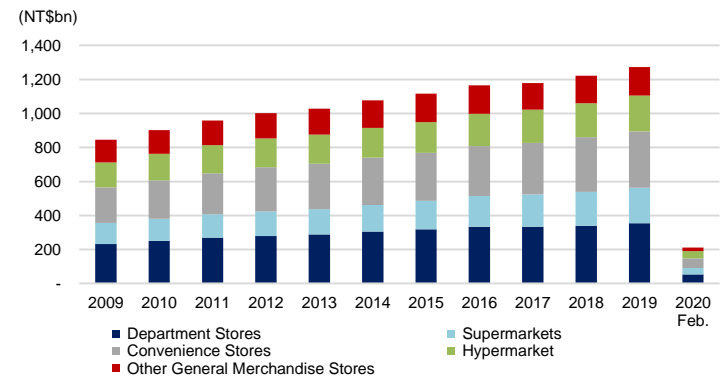
### COVID-19 Outbreak Has Impacted Retail Hubs

The coronavirus outbreak has driven down tourist numbers at Ximen retail hub, with some cosmetics stores closing. Customer footfall at Zhongxiao retail hub has also dropped, resulting in store closures, pressure on rentals, and longer storefront vacancy. However, in the Zhongshan/Nanjing hub, cultural and creative stores and coffee shops have become popular for younger shoppers, and, coupled with convenient access from the MRT Zhongshan Station Xianxing Park, customer flow has remained stable and has given a boost to the market.

### RENT / VACANCY RATE IN XIMEN



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



## PRIMARY RETAIL VACANCY AND AVERAGE RENTS IN Q1 2020

RETAIL HUB	VACANCY RATE	RENTAL RANGE (NTD/PING/MO)	RENTAL RANGE (USD/SF/MO)	12-MONTH OUTLOOK
Zhongxiao	11.4%	8,500~16,000	8.0~15.1	▼
Taipei Main Station	6.2%	9,000~11,500	8.5~10.8	▼
Zhongshan/Nanjing	2.7%	7,000~12,000	6.6~11.3	▼
Ximen	3.8%	18,000~21,500	16.9~20.2	▼

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: 1 USD = 29.87 TWD as of March 4, 2020

## SIGNIFICANT OPENINGS IN Q1 2020

RETAIL HUB	LOCATION	TENANT	AREA(ping)
Zhongxiao	Section 4, Zhongxiao East Road	The Body Shop	25
Zhongxiao	Section 4, Zhongxiao East Road	7-11	64
Taipei Main Station	Section 1, Zhongxiao West Road	7-11	54
Zhongshan/Nanjing	Nanjing West Road	Vlens	44
Ximen	Xining South Road	Sukiya	49(1~2F)

## SIGNIFICANT RETAIL PROJECTS - UNDER CONSTRUCTION/DECORATION

PROJECT	DISTRICT	OPENING TIME	GFA(ping)
Honghui Plaza	Xinzhuan District, New Taipei City	2020	25,600
Mitsui Shopping Park LaLaport Nangang	Nangang, Taipei City	2021	61,900

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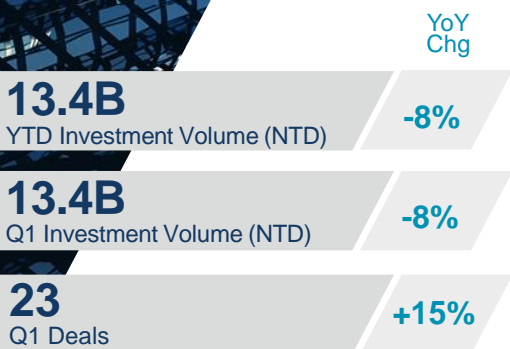
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## Capital Markets Q1 2020



### Investment Market Dropped Sharply in Q1

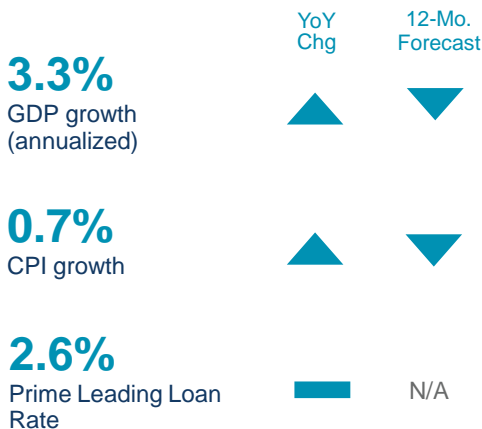
Investment in Q1 totaled NT\$13.4 billion. The quarter is usually viewed as the investment off-season, but investment was still off 45% compared with the last quarter and 20% on the same quarter last year. Notable deals in Q1 included Highwealth Construction's purchase of the Hotel Kingdom for NT\$1.5 billion. As well, Pegatron Corporation acquired a factory in Guishan, Taoyuan City for NT\$1.3 billion, and Subtron Technology acquired a factory in Hukou Township, Hsinchu County for NT\$1.3 billion. The industrial sector led market with 71% of the quarterly consideration. Deals were mainly concentrated in Taoyuan City and Hsinchu County.

### Technology and Biotechnology Sectors Dominated the Market

Local buyers dominated the market for owner-occupation in Q1. Demand came from technology and biotechnology firms due to growing manufacturing activities. For example, Grape King Biotech acquired a factory in Pingjhen Industrial Park for NT\$890 million, Kaori Heat Treatment acquired a factory in Jhongli Industrial Park for NT\$480 million, and iBase Gaming acquired an industrial office in Farglory U-Town for NT\$230 million.

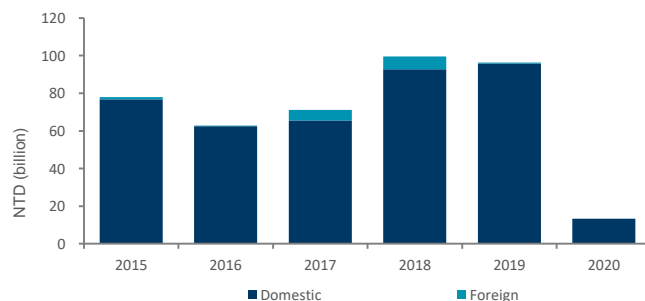
Buyers for investment purposes, led by asset management companies (AMCs), were more conservative this quarter. Deals included Hua Nan Assets Management's acquisition of the Jiuyi Oxford Commercial Building for NT\$330 million through the auction market. First Holding AMC acquired a storefront in New Taipei City for NT\$360 million, and Taishin Asset Management acquired the Shi Jie Zhi Ding Commercial Building in Taipei City for NT\$430 million from a related party.

### ECONOMIC INDICATORS Q4 2019

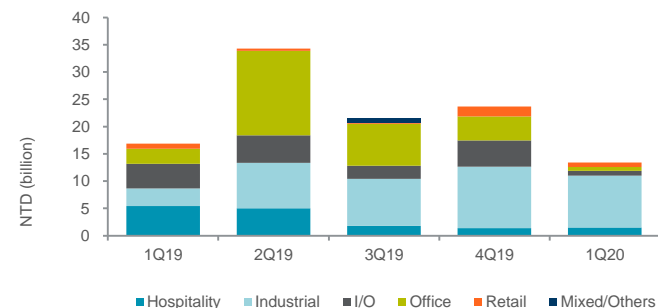


Source: Ministry of the Interior, Oxford Economics

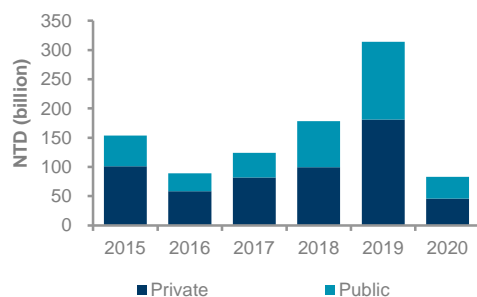
### INVESTMENT VOLUME BY CAPITAL SOURCE



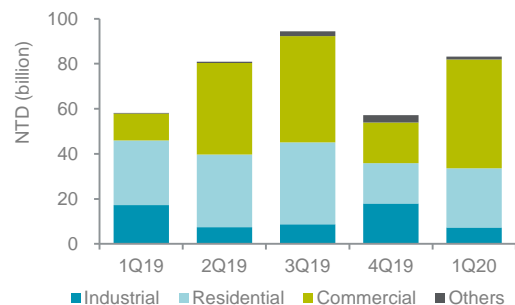
### INVESTMENT VOLUME BY SECTOR



### Land Investment Volume by Supply Source



### Land Investment Volume by Land Use



### Land Sales Maintain Momentum

Investment in land parcels reached a total of NT\$83.1 billion in Q1, up 45% on the prior quarter and 43% on the same quarter last year. The ten biggest land sales were driven by developers, and concentrated in Taipei City and Taichung City.

Significant deals included Nanshan Life's acquisition of the development rights of World Trade Center III for NT\$31.3 billion, breaking the record for both the biggest land parcel and the highest premium. As well, the NT\$8.4 billion business district land transaction by Highwealth Construction in the 7th Redevelopment Zone in Taichung City broke the local area record for the highest-value land sale. Highwealth plan to develop a commercial space including a department store, hotel, and office building on the site. Highwealth Construction also acquired a land parcel in a residential district in the 7th Redevelopment Zone for NT\$4.4 billion with intentions to develop a commercial building.

### Industrial Assets for Owner Occupation Continue

Demand for industrial assets for owner occupation will continue to support the real estate market. Transactions of investment properties such as hotels or storefronts were largely suspended in response to the COVID-19 outbreak. With interest rate reductions across major markets worldwide, office assets have become an attractive target for investors seeking properties for owner-occupation or stable rental income. However, with land an essential asset for developers, they will continue to seek suitable land parcels to ensure future supply.

### KEY SALE TRANSACTIONS

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE (NTD BN)
Hotel Kingdom	Yancheng Dist., Kaohsiung City	Highwealth Construction	Hotel Kingdom	Hotel	1.5
Factory in Guishan	Giushan Dist., Taoyuan City	Shu Guang Construction	Choice Company	Industrial	1.4
Factory in Pingjhen Industrial Park	Pingzhen Dist., Taoyuan City	Grape King Bio	Onano Industrial Corporation	Industrial	0.9
Factory in Zhudong	Zhudong Township, Hsinchu City	Yong Xi	Glotech Industrial	Industrial	0.8

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