

12-Mo. Forecast

2,600
Average Rent (NTD/PING/MO) ▲

0.6%
Rental Growth Rate (QOQ) ▲

4.4%
Vacancy Rate ▼

Source: Cushman & Wakefield Research

Overall Vacancy Rate Marks Ten-Year Low

The office market's overall vacancy rate declined 0.4 percentage points q-o-q to 4.4% in Q2, marking a ten-year low. By submarket, the Western District experienced the biggest drop of 5.6 percentage points q-o-q, other districts moving less so. The Taiwan Life Insurance Zhongshan Building in Western performed well in leasing take-up, having entered the market only two quarters ago. Most of its tenants have relocated from the surrounding area, such as Sony Taiwan, which took 1,300 pings of space, relocating from the Changchun Financial Building.

Average Rent Continues Rise

Average rent for Grade A office space rose 0.6% in Q2 at NT\$2,600 per ping per month, marking a ten-year high. Xinyi District led the way with NT\$3,190 per ping per month, with Taipei 101 recording a leasing record of more than NT\$4,000 per ping per month. Xinyi's high rental levels are still supported by sustained demand. In the low-supply environment, some tenants shifted to leasing co-working spaces in lieu of Grade A offices, such as LINE Bank, which has located in JustCo Dian Shih. With the recent tight supply of leasable Grade A office space, the overall Taipei market remains as a landlords' market, with overall high rental levels.

Co-Working Spaces in the Limelight

The COVID-19 outbreak has not yet significantly impacted office leasing activity in Taipei. Demand has remained steady, especially from the technology and medical sectors. As the limited supply continues more tenants are expected to shift to co-working spaces in the short-term, further supporting the growth of the co-working space, which has already seen a boost during the pandemic thanks to its highly flexible offering.

TAIWAN ECONOMIC INDICATORS Q1 2020

1.6% GDP Growth
Q4 2019: 3.3%
12-Mo. Forecast: ▼

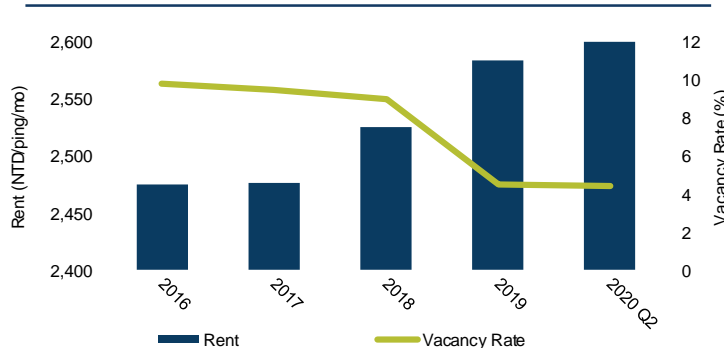
0.9% Service Sector GDP Growth
Q4 2019: 3.5%
12-Mo. Forecast: N/A

0.5% CPI Growth
Q4 2019: 0.7%
12-Mo. Forecast: ▼

3.8% Unemployment Rate (Dec.)
Q4 2019: 3.7%
12-Mo. Forecast: N/A

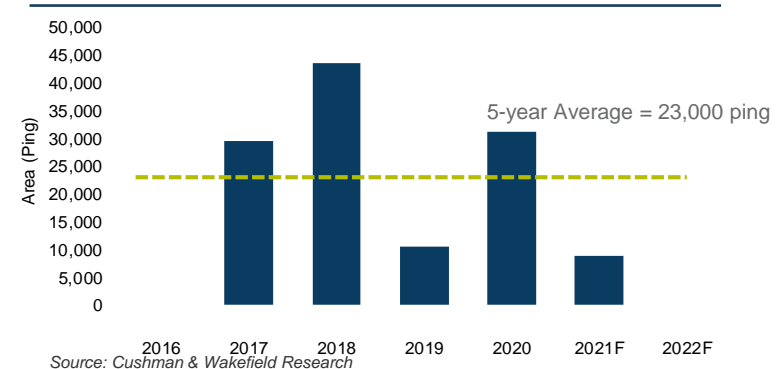
Source: Ministry of the Interior, Oxford Economics
Note: Growth figure is y-o-y growth

RENT & VACANCY RATE



Source: Cushman & Wakefield Research

SUPPLY PIPELINE



Source: Cushman & Wakefield Research

SUBMARKET	INVENTORY (ping)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (Ping)	GRADE A RENT		
				NTD/Ping/MO	US\$/SF/MO	EUR/SF/MO
Western	46,800	10.1%	0	2,200	US\$2.06	€ 1.85
Nanjing/Songjiang	36,600	3.7%	8,000	2,030	US\$1.90	€ 1.71
Dunbei/Minsheng	207,400	5.4%	25,300	2,360	US\$2.21	€ 1.99
Dunnan	103,700	6.6%	0	2,400	US\$2.25	€ 2.02
Xinyi	343,800	2.4%	0	3,190	US\$2.99	€ 2.69
Taipei City	738,300	4.4%	33,300	2,600	US\$2.44	€ 2.19

1 USD = 29.9872 TWD; 1 EUR = 33.3402 TWD as of June 1, 2020

KEY LEASING TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Taiwan Life Insurance Zhongshan Bldg.	Western	Sony Taiwan Limited	1,300	Relocation
Taipei 101	Xinyi	French Office in Taipei	550	Relocation
Walsin Xinyi Building	Xinyi	Orsted Taiwan Limited	200	Expansion
Taipei Metro Office Tower	Dunnan	Novo Nordisk Pharma (Taiwan)	350	Relocation
Taiwan Securities Financial Building	Nanjing/Songjiang	Wei Ying Network Technology	200	Relocation
Taipei Financial Center	Dunbei/Minsheng	Taiwan Tanaka Kikinzoku Kogyo	160	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) ▲

0.0%
Rent Growth Rate (QOQ) ▲

1.3%
Vacancy Rate ▼

Source: Cushman & Wakefield Research

New Supply Released in Jiuzhong Section

Two new projects were released at the Neihu Technology Park (NHTP) in Jiuzhong Section in Q2. The Fulin Twin Stars facility added 3,300 pings of space, with 70% already taken up, while the Hongpu Building added 3,000 pings of space. In Jiuzhong Section the vacancy rate rose 0.9 percentage points q-o-q to 16.4% in response to the new supply. In Xihu Section vacancy edged up 0.3 percentage points q-o-q to 1.3%. Leasing activities in Wende Section comprised take-up of small-scale I/O units at approximately 100 ping, and the vacancy rate dropped 0.6 percentage points q-o-q to 4.8%.

Rent and Capital Values Remain Stable at Three Sections

Rental levels in Xihu, Wende, and Jiuzhong sections remained stable at NT\$1,440, NT\$1,000 and NT\$940 per ping per month respectively in Q2. In capital values, a major transaction at over NT\$100 million was for the Changhong New Generation Technology Building in Jiuzhong section. The acquisition by Wan Hai Lines was at NT\$2,229 million. The project is under construction and is expected to be certificated with a usage license in Q3. Capital values in each Section have also remained steady: Xihu at NT\$560,000-680,000 per ping, with Wende at NT\$420,000-480,000 and Jiuzhong at NT\$400,000-450,000.

E-Commerce and Medical Sectors Lead Leasing Inquiries

In the wake of the COVID-19 pandemic firms in the e-commerce and medical sectors are now leading inquiries. New project Hong Hui Rui Guan Plaza, in Xihu section, is expected to be certificated with a usage license in Q3 2020. Although the building is still under construction, serviced office provider Regus and firms in communications technology and software have already pre-leased, indicating strong demand for larger spaces in Xihu section and rental level growth. In Wende Section take-up was stable and the rental level is expected to remain flat. In Jiuzong, the vacancy rate is expected to edge up in response to new supply comprising 15,200 pings of new industrial office space scheduled for 2H.

TAIWAN ECONOMIC INDICATORS Q1 2020

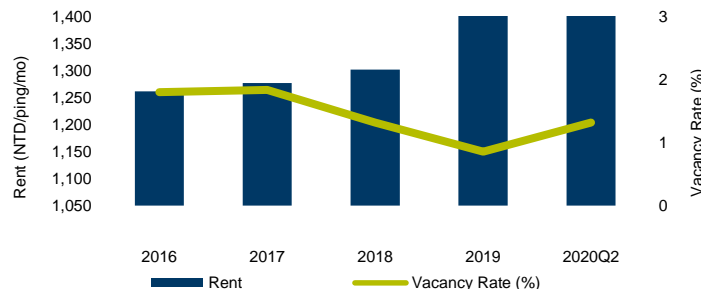
	Q4 2019	12-Mo. Forecast
1.6%	3.3%	▼
GDP Growth		

6.1%	2.0%	N/A
Secondary Sector Growth		

0.5%	0.7%	▼
CPI Growth		

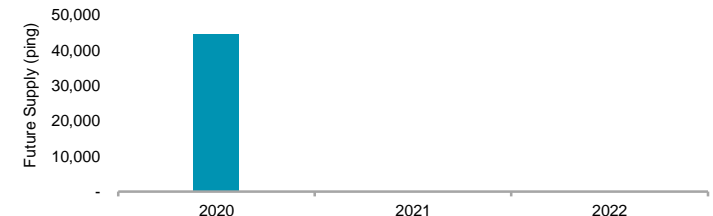
Source: Directorate-General of Budget, Accounting and Statistics, Oxford Economics
Note: Growth figure is y-o-y growth

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	1.3%	29,500	1,440	US\$1.35	€ 1.21
Wende	4.8%	-	1,000	US\$0.94	€ 0.84
Jiuzong	16.4%	15,200	940	US\$0.88	€ 0.79

¹ USD = 29.9872TWD; 1 EUR= 33.3402TWD as of June 1, 2020

KEY LEASING TRANSACTIONS Q2 2020

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
Wall Street Technology Headquarters	Xihu	Furniture Industry	130	New Lease
Wall Street Technology Headquarters	Xihu	IT Software Industry	100	Expansion
Millennium Technology Building	Xihu	Waterside Entertainment Activities Business	270	New Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SECTION	MAJOR TENANT	PING	COMPLETION DATE
Hong Hui Rui Guan Plaza	Xihu	Regus	29,500	2020
Shanyuan Chuangke Building	Jiuzong	-	5,300	2020
Lianhong Technology Building	Jiuzong	-	4,100	2020
Chonghong New Generation	Jiuzong	-	5,800	2020

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12,600
AVERAGE RENT (NTD/PING/MO)

12-Mo. Forecast

-3%
RENTAL GROWTH RATE(QOQ)

8.3%
VACANCY RATE

Source: Cushman & Wakefield Research (Figures are growth rates as of Q2 2020.)

TAIWAN ECONOMIC INDICATORS Q1 2020

1.6%
GDP Growth

YoY Chg 12-Mo. Forecast

0.5%
CPI Growth

-1.0%
Cumulative Sales of General Merchandise

N/A

Source: Directorate-General of Budget, Accounting and Statistics

COVID-19 Outbreak Has Driven Rise in Online Shopping

The COVID-19 outbreak curtailed shopper traffic at brick-and-mortar stores. At April 2020, general retail sales were down 1% y-o-y. Department stores offered special discounts for Mother's Day in May, hoping to alleviate the impact, but sales still fell 12.4% for the period y-o-y. Customer demand for daily necessities and fresh foods has driven an increase in online shopping. Supermarket sales also rose 18.8% y-o-y and wholesale stores 12.1%. Convenience store sales rose by 4.4%, helped by operators issuing discount vouchers to boost customer traffic and spending. However, sales of other general merchandise stores dropped sharply by 27.7% y-o-y, due to curtailed tourism and poorer performance at duty-free shops.

H&M, Net and POYA Expand in Zhongxiao Retail Hub

In Ximen district the vacancy rate climbed 5 percentage points q-o-q, with many cosmetics and souvenir stores closing due to the drop-off in tourism. Vacancy rates edged up 1 percentage point in Zhongshan/Nanjing and Zhongxiao, while Taipei Main Station remained stable. In Zhongxiao, fashion brands H&M and Net opened new stores in Q2, H&M taking the former storefront of Forever 21, and Net the former space of Yunfulou restaurant.

Cosmetics retailer POYA also expanded, taking a former Net storefront. The expansion of these three brands has aided the further development of the Zhongxiao retail hub. Landlords have offered rental reductions, although only for temporarily periods.

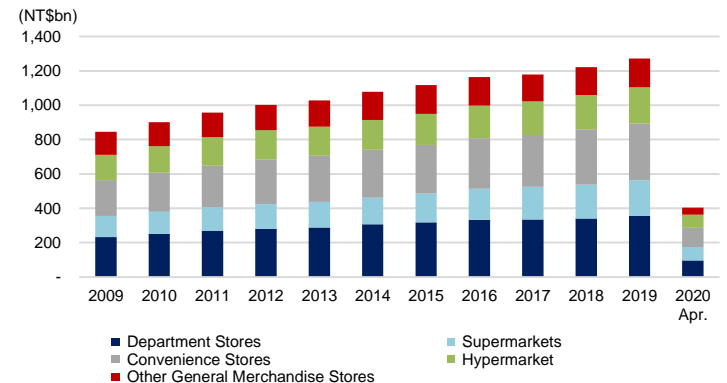
Pandemic Impact is Ebbing

The coronavirus outbreak has depressed shoppers' desire to venture out and has severely curtailed tourism. However, a speedy recovery in sales is expected post-pandemic. The first revival is predicted to be in the catering industry and domestic tourism. Promotions by department stores will also be bolstered by shopping vouchers issued by the central government in July, with the hope that retail sales can rebound to pre-COVID-19 levels.

RENT / VACANCY RATE IN XIMEN



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



PRIMARY RETAIL VACANCY AND AVERAGE RENTS IN Q2 2020

RETAIL HUB	VACANCY RATE	RENTAL RANGE (NTD/PING/MO)	RENTAL RANGE (USD/SF/MO)	12-MONTH OUTLOOK
Zhongxiao	12.4%	8,000~15,000	7.5~14.1	▼
Taipei Main Station	6.2%	9,000~11,500	8.4~10.8	▼
Zhongshan/Nanjing	4.1%	7,000~12,000	6.6~11.2	▼
Ximen	8.8%	17,000~20,500	15.9~19.2	▼

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 = 29.9872 TWD as of June 1, 2020

SIGNIFICANT OPENINGS IN Q2 2020

RETAIL HUB	LOCATION	TENANT	AREA(ping)
Zhongxiao	Section 4, Zhongxiao East Road	H&M	610
Zhongxiao	Section 4, Zhongxiao East Road	NET	390
Taipei Main Station	Nanyang St.	Zai Shui Wu Fen Zhong	30
Ximen	Emei St.	Xing Fu Jin Long Bao	30
Ximen	Sec. 1, Zhonghua Rd.	Ming Xian Lou	20
Zhongshan/Nanjing	Nanjing W. Rd.	Two Shots Coffee	20

SIGNIFICANT RETAIL PROJECTS - UNDER CONSTRUCTION/DECORATION

PROJECT	DISTRICT	OPENING TIME	GFA(ping)
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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TAIWAN

Capital Markets Q2 2020



	YoY Chg
27.2B YTD Investment Volume (NTD)	-53%
13.8B Q2 Investment Volume (NTD)	-60%
23 Q2 Deals	-28%

Investment Market Edged up in Q2, Technology Firms Drive Market

Investment in Q2 totaled NT\$13.8 billion, up 3.1% q-o-q, but down 59.7% on the same quarter last year. Transactions were concentrated in Taipei City, New Taipei City and Taichung City, together accounting for 64.3% of the total investment volume in Q2. Local buyers dominated the market for owner-occupation in Q2, accounting for 79.5% of transactions. The industrial sector led the market, taking 53.6% of the quarterly consideration, driven by technology firms preparing for future operations and expansion. Notable industrial deals in Q2 included General Interface Solution Limited's acquisition of a factory in Taichung Science Park for NT\$1.8 billion. As well, I-HWA Industrial acquired a factory in Xinhua District, Tainan City for NT\$1.1 billion, and Getac Technology acquired a factory for NT\$1 billion in Giushan Industrial Park, Taoyuan City. The industrial office sector accounted for 26.5% of Q2 consideration, with the largest deal being Wan Hai Lines' purchase of the Chonghong New Generation Building for NT\$2.1 billion as its future headquarters.

Investment Buyers Target Offices and Industrial Offices

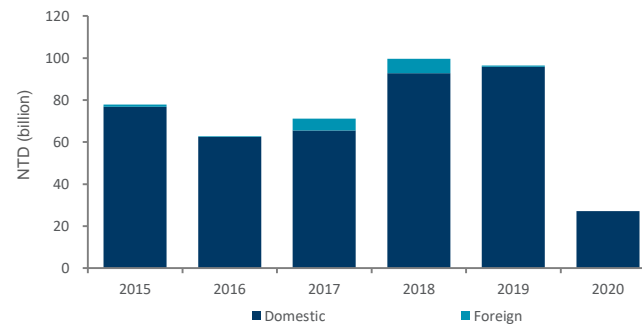
Buyers for investment maintained a cautious attitude toward storefronts this quarter, preferring offices and industrial offices. Deals included Chunghua Post's acquisition of Taipei Technology City for NT\$830 million, Wan Hai Lines' purchase of an office in the Pacific Commercial Building for NT\$540 million, and Long Bon's acquisition of Time Financial Plaza in Taipei City for NT\$210 million from a related party.

ECONOMIC INDICATORS Q1 2020

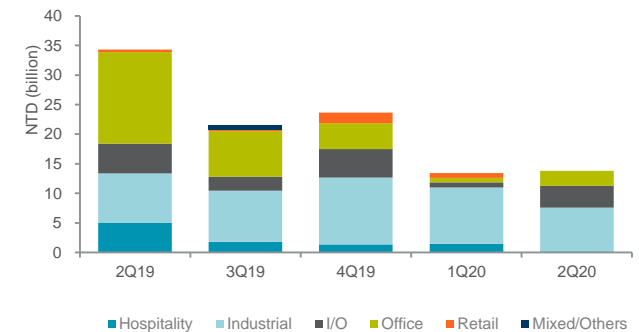
	YoY Chg	12-Mo. Forecast
1.6% GDP growth (annualized)	▼	▼
0.5% CPI growth	▼	▼
2.6% Prime Leading Loan Rate	▬	N/A

Source: Ministry of the Interior, Oxford Economics

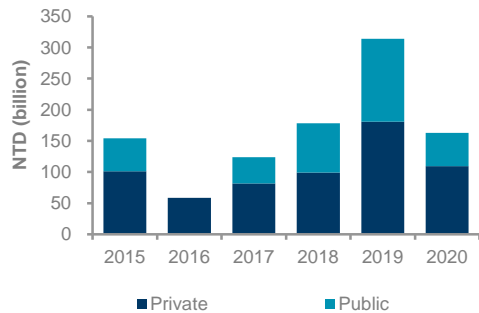
INVESTMENT VOLUME BY CAPITAL SOURCE



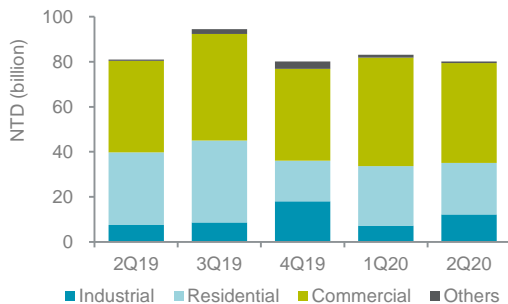
INVESTMENT VOLUME BY SECTOR



Land Investment Volume by Supply Source



Land Investment Volume by Land Use



Developers Maintain Hunt for Suitable Land

Investment in land parcels reached a total of NT\$80.1 billion in Q2, marking a record of over NT\$80 billion for the last five consecutive quarters. Land sales were driven by life insurance and developers. Significant deals included Fubon Life Insurance's acquisition of commercial land in Nangang for NT\$28.3 billion, breaking the record for the highest unit price in Nangang at NT\$3.8 million per ping. Fubon plan to build commercial buildings in the future. As well, the NT\$3.2 billion industrial land transaction by Hung Sheng Construction in Nangang demonstrates the interest in the district. Strong momentum continued in the surface rights sector in Q2. Transglobe Life won the 70-year development rights to a land parcel near Taipei Songshan Airport for NT\$9.8 billion, planning to build their future headquarters.

Land Market Predicted to Maintain Activity in Q3 - Q4

With developers maintaining their hunt for suitable land the market is predicted to be active in the next two quarters. Demand for commercial real estate is mainly concentrated in offices and industrial office properties for owner-occupation. The impact of the COVID-19 outbreak severely damaged revenues for hotels and storefronts and these sectors face challenges in recovery. However, some potential buyers were willing to enter the market during the crisis period.

KEY SALE TRANSACTIONS

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE (NTD BN)
Chonghong New Generation	Neihu Dist., Taipei City	Wan Hai Lines	Chong Hong Construction	Industrial office	2.1
Factory in Taichung Science Park	Houli Dist., Taichung City	General Interface Solution Limited	NexPower Technology	Industrial	1.8
Factory in Xinhua Dist., Tainan City	Xinhua Dist., Tainan City	I-HWA Industrial	Tah Shin Spinning	Industrial	1.1
Factory in Giushan Industrial Park, Taoyuan City	Taoyuan Dist., Taoyuan City	Getac Technology	Waffer Technology	Industrial	1.0

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