

12-Mo. Forecast

2,600
Average Rent (NTD/PING/MO)

0.0%
Rental Growth Rate (QOQ)

4.6%
Vacancy Rate

Source: Cushman & Wakefield Research

Rental Demand Slows From Prior Peak

The office market's overall vacancy rate remained low in Q3, rising just 0.2 percentage points q-o-q to hit 4.6%. Key leasing transactions in the quarter were concentrated in Xinyi and Dunbei/Minsheng submarkets, with lease areas of 100 to 300 pings. With no new supply entering the market, cumulative absorption for the Q1 – Q3 2020 period reached merely 5,500 pings, evidently toned down compared to the absorption of 43,000 pings for the 2019 full year.

Average Rent Remains Steady

Without no new supply stimulus, average Grade A office rents remained stable in Q3 at NT\$2,600 per ping per month. In the investment market there were two notable deals at the Uni-President International Building in Xinyi: Yingzhan Development's NT\$1.24 billion purchase of around 670 ping on the 16/F, and Yingfu Development's NT\$615 million acquisition of about 340 ping on the 29/F, both at around NT\$1,790,000 per ping, marking the highest transaction unit price in Taipei.

Rental Growth Weakens as Economic Uncertainty Continues

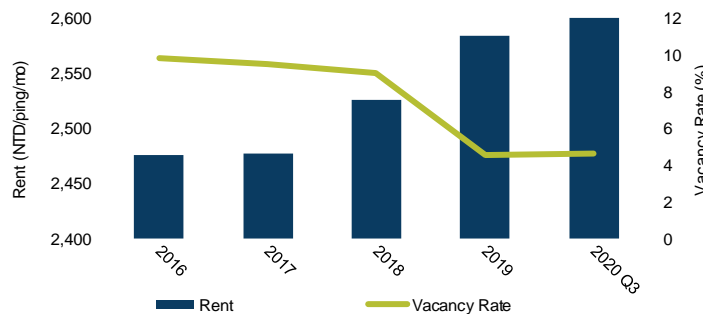
In the wake of the pandemic international firms have turned cautious with their office space leasing strategies, adopting a wait and see attitude in response to continuing uncertainty in the global economic environment. Firms are also adopting corporate policies to allow employees to work from home, or implementing flexible office space solutions with co-working space providers. Consequently, rental growth is expected to weaken as office demand continues to drop from pre-pandemic levels.

TAIWAN ECONOMIC INDICATORS Q2 2020

	Q1 2020	12-Mo. Forecast
-0.6% GDP Growth	2.2% ▲	
-1.6% Service Sector GDP Growth	0.9%	N/A
-1.0% CPI Growth	0.5% ▲	
4.0% Unemployment Rate (June)	3.8%	N/A

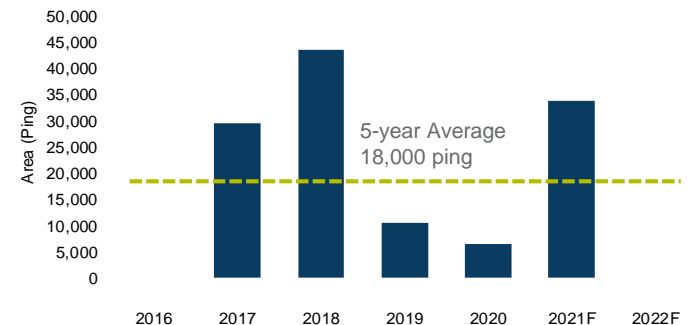
Source: Ministry of the Interior, Oxford Economics
Note: Growth figure is y-o-y growth

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	9.7%	0	2,200	US\$2.10	€ 1.78
Nanjing/Songjiang	36,600	3.5%	8,000	2,030	US\$1.94	€ 1.64
Dunbei/Minsheng	207,400	6.0%	25,900	2,360	US\$2.25	€ 1.91
Dunnan	103,700	6.6%	0	2,400	US\$2.29	€ 1.94
Xinyi	343,800	2.5%	0	3,190	US\$3.05	€ 2.58
Taipei City	738,300	4.6%	33,900	2,600	US\$2.48	€ 2.10

1 USD = 29.4311 TWD; 1 EUR = 34.7451 TWD as of August 24, 2020

KEY LEASING TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Farglory Financial Center	Xinyi	Tianhao Network Technology	300	New Lease
Farglory Financial Center	Xinyi	Agoda International Taiwan Company Limited	300	Relocation
Wango Bldg.	Dunbei/Minsheng	Lexcel Law Offices	180	Relocation
Farglory Financial Center	Xinyi	Rakuten Medical Taiwan	120	New Lease
City Link Bldg.	Dunbei/Minsheng	Bank SinoPac	120	Expansion

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	PING	COMPLETION DATE
China Life Headquarters	Dunbei/Minsheng	China Life/China Development Financial	17,200	2021
Yuanta Life New Headquarters	Nanjing/Songjiang	Yuanta Group	8,000	2021
E.SUN Second Headquarters	Dunbei/Minsheng	E.SUN Financial	8,700	2021

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Industrial-Office Q3 2020

XIHU SECTION

12-Mo. Forecast

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

0.0%
Rent Growth Rate (QOQ)

1.4%
Vacancy Rate

Source: Cushman & Wakefield Research

Vacancy Rates Rise Slightly in Xihu and Wende Sections

No new I/O supply was added at the Neihu Technology Park (NHTP) in Q3. In Xihu Section the vacancy rate edged up 0.1 percentage points q-o-q to reach 1.4%. A notable transaction was the take-up of 550 pings at Darwin Technology Center by a leasing industry firm. In Wende Section small-scale I/O units were released into the market, prompting vacancy to rise 1.1 percentage points q-o-q to 5.9%. Activity in Jiuzhong Section included a 1,500 ping space taken by an ICT company at Gending Juizjing Building, and a 600 ping space taken by an IT software company at Farglory Zurich B, dropping Jiuzhong's vacancy rate down 0.4 percentage points q-o-q to 16.2%.

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 Q3. There were no major investments in NHTP in the quarter. Capital values in each section also remained steady: Xihu at NT\$560,000-680,000 per ping, Wende at NT\$420,000-480,000, and Jiuzhong at NT\$400,000-450,000.

Leasing Inquiries for Jiuzhong Section Grow

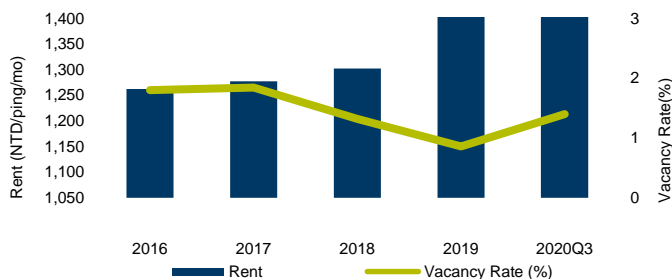
New projects Hong Hui Rui Guan Plaza, in Xihu section, and Chang Hong New Generation, in Jiuzhong section, are expected to be released into the I/O market in Q4 2020. The new releases can be expected to push up vacancy rates in the future. However, leasing inquiries indicating strong demand for larger spaces may support further rental level growth. In Wende Section take-up was stable and the rental level is expected to remain flat. The negative impacts of the COVID-19 pandemic have obliged some firms to cut costs, and, with lower rental levels, Jiuzhong section has seen growth in leasing inquiries.

TAIWAN ECONOMIC INDICATORS Q2 2020

	Q1 2020	12-Mo. Forecast
-0.6% GDP Growth	2.2%	▲
3.5% Secondary Sector Growth	6.2%	N/A
-1.0% CPI Growth	0.5%	▲

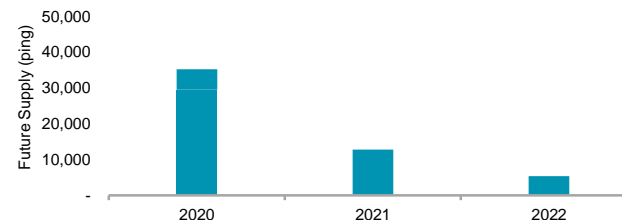
Source: Directorate-General of Budget, Accounting and Statistics, Oxford Economics
Note: Growth figure is y-o-y growth

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	1.4%	29,500	1,440	US\$1.37	€ 1.16
Wende	5.9%	-	1,000	US\$0.95	€ 0.81
Jiuzong	16.2%	23,900	940	US\$0.90	€ 0.76

1 USD = 29.4311TWD; 1 EUR = 34.7451TWD as of August 24, 2020

KEY LEASING TRANSACTIONS Q3 2020

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
Darwin Technology Center	Xihu	Leasing industry	550	Expansion
Asia Plaza	Xihu	Retail	200	Relocation
Guoding Technology Plaza	Xihu	Information and Communications Technology	200	New Lease
Farglory Zurich B	Jiuzong	IT Software Industry	600	Relocation
Gending Juizging Building	Jiuzong	Information and Communications Technology	1,500	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SECTION	MAJOR TENANT	PING	COMPLETION DATE
Hong Hui Rui Guan Plaza	Xihu	Regus	29,500	2020
Chonghong New Generation	Jiuzong	-	5,800	2020
Shanyuan Chuangke Building	Jiuzong	-	5,300	2021
Lianhong Technology Building	Jiuzong	-	4,100	2021
Fuqing Xingshan Enterprise Building	Jiuzong	-	3,400	2021
CMP Building	Jiuzong	-	5,300	2022

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12- Mo. Forecast

12,600
Average Rent (NTD/PING/MO)



0%
Rental Growth Rate (QOQ)



9.2%
Vacancy Rate



Source: Cushman & Wakefield ((Figures are growth rates as of Q3 2020)

TAIWAN ECONOMICS INDICATORS Q2 2020

-0.6%
GDP Growth

YoY Chg: 12-Mo Forecast:

-1.0%
CPI Growth

YoY Chg: 12-Mo Forecast:

0.8%
Cumulative Sales of General Merchandise

YoY Chg: 12-Mo Forecast: N/A

Source: Directorate-General of Budget, Accounting and Statistics

Voucher Scheme and Retail Promotions Drive Rebound in Retail Sales

Government efforts to reinvigorate the economy with voucher schemes have been supported by retailers' own promotions to encourage spending. General merchandise sales for the January-August period grew by 0.8% y-o-y. Consumer traffic is gradually recovering from the impact of the pandemic, with a great variety of sales promotions from department stores narrowing the y-o-y deficit in customer footfall to 5% in Q3. Supermarkets, wholesalers, and convenience stores, on the other hand, enjoyed revenue growth of 12.3%, 10.1% and 9.0%, respectively. Other retail sales were boosted by duty-free shopping from domestic tourism to outlying islands, but this only partially mitigated the revenue losses coming from global travel restrictions, with sales sliding 29.3% y-o-y in the quarter.

Xinzhuang Welcomes Its First Large-Scale Mall

Vacancies at Taipei Main Station Retail Hub spiked by 3%, with a few retail and restaurant closures, while other retail hubs witnessed only slight changes. Beleaguered souvenir storeowners were replaced by fashion retailers and F&B owners in Ximen, where domestic shopping helped rein in the impact of absent tourists, vacancy edging up just 0.2%. The vacancy rate rose 1.4% in Zhongxiao and dropped 0.8% in Zhongshan/Nanjing, with few stores undergoing renovation. Xinzhuang welcomed its first major shopping mall, Honhui Plaza, serving the Xinzhuang, Sanchong, Luzhou, Wugu and Taishan areas. With 30,000 ping of retail space, the complex includes a virtual reality amusement park area and a Japan-themed live music venue, Zepp New Taipei, aiming to attract and retain domestic spending.

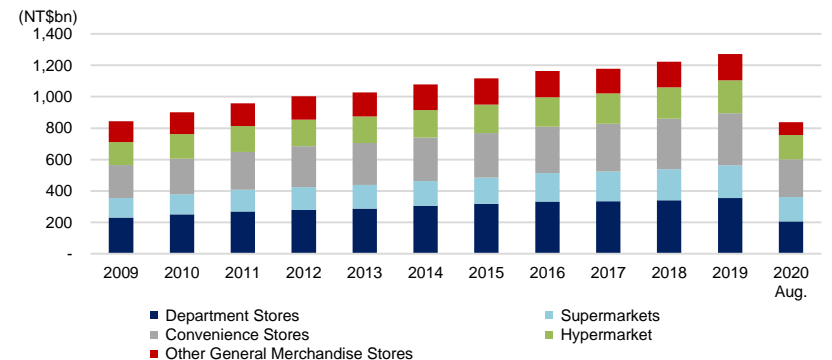
Department Store Annual Sales Expect to Meet Pent-Up Shopping Demand

The COVID-19 outbreak disrupted retail sales performance for department stores and malls in the first half of the year. However, with the impact of the pandemic now ebbing, retailers are expecting a "revenge shopping" spree in the coming annual sales period, helping to offset the losses experienced in the previous two quarters.

RENT / VACANCY RATE IN XIMEN



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





PRIMARY RETAIL VACANCY AND AVERAGE RENTS IN Q3 2020

RETAIL HUB	VACANCY RATE	RETAIL RANGE (NTD/PING/MO)	RENTAL RANGE (USD/SF/MO)	12- MONTH OUTLOOK
Zhongxiao	13.7%	8,000~15,000	7.6~14.3	▼
Taipei Main Station	9.4%	9,000~11,500	8.6~11.0	▼
Zhongshan/Nanjing	3.3%	7,000~12,000	6.7~11.5	▼
Ximen	9.0%	17,000~20,000	16.2~19.1	▼

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 Conversion: 1 Ping=35.58 Square Feet =3.3 Square Meters

Currency Exchange Rate: 1USD =29.4311 NTD as of August 24, 2020

SIGNIFICANT OPENING IN Q3 2020

RETAIL HUB	LOCATION	TENANT	SIZE (Ping)
Zhongxiao	Section 4, Zhongxiao East Road	Bonage	20
Ximen	Kunming Street	Znd STREET	70
Zhongshan/Nanjing	Section 2, Zhongshan North Road	IROO	30
Taipei Main Station	Section 4, Zhongxiao West Road	7-11	50
Taipei Main Station	Section 1, Kaifeng Street	GossipBite	30

SIGNIFICANT RETAIL PROJECTS - UNDER CONSTRUCTION/DECORATION

PROJECT	LOCATION	EXPECTED COMPLETION	GFA (Ping)
Mitsui Shopping Park LaLaport (Nangang)	Nangang District, Taipei City	2021	61,900
Yulong Town	Xindian District, New Taipei City	2022	-

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TAIWAN

Capital Markets Q3 2020



	YoY Chg
98.7B YTD Investment Volume (NTD)	+137%
71.2B Q3 Investment Volume (NTD)	+242%
49 Q3 Deals	+81%

Investment Market Surged in Q3, With TSMC Expanding in Tainan Science Park

Investment in Q3 totaled NT\$71.2 billion, up 406.9% q-o-q and up 242.4% on the same quarter last year. Investment volume for the Q1 to Q3 2020 period has now exceeded the full year total volume for 2019. Transactions were concentrated in Taipei City, Taoyuan City and Tainan City, together accounting for 76.6% of the total investment volume in Q3.

Local buyers dominated the market in the quarter, with the biggest deal in Q3, and for the year to date, being Fubon Life Insurance's acquisition of the Sunworld Dynasty Hotel for NT\$25.5 billion. TSMC continued preparations for operational expansion in the quarter, acquiring three factories at Tainan Science Park for NT\$9.4 billion, adding to their Q2 acquisition, for a total investment of more than NT\$10 billion.

Investment Buyers Target Industrial Offices and Warehouses

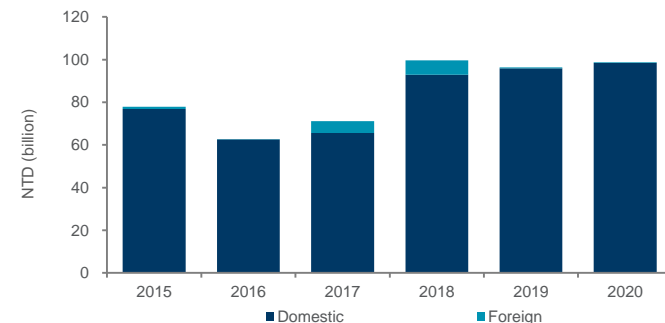
Owner occupier buyers remained the primary market purchasers in Q3, although investment buyers targeted a variety of real estate sectors in the quarter. Notable deals included Fubon Life Insurance's acquisition of the Sunworld Dynasty Hotel for NT\$25.5 billion, while Genyi Construction took Sampo's previous warehouse in Guishan District, Taoyuan, for NT\$1.8 billion; and Chunghwa Post and Fengshin Steel separately acquired ownership shares in Farglory U-Town for NT\$389 million and NT\$327 million respectively.

ECONOMIC INDICATORS Q2 2020

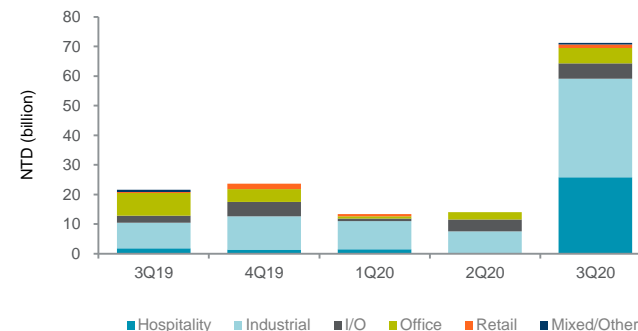
	YoY Chg	12-Mo. Forecast
-0.6% GDP growth (annualized)	▼	▲
-1.0% CPI growth	▼	▲
2.5% Prime Leading Loan Rate	▼	N/A

Source: Ministry of the Interior, Oxford Economics

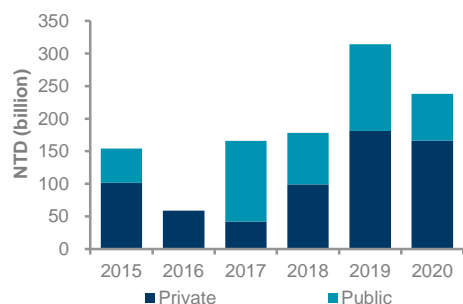
INVESTMENT VOLUME BY CAPITAL SOURCE



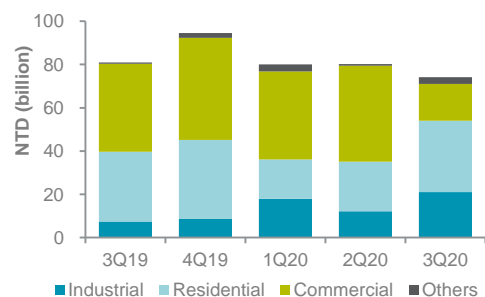
INVESTMENT VOLUME BY SECTOR



Land Investment Volume by Supply Source



Land Investment Volume by Land Use



Developers Maintain Land Purchases, Sale by Tender of National Land Attracts Interest

Investment in land parcels reached a total of NT\$74.1 billion in Q3, with developers maintaining their land acquisition activities. Chonghong Construction acquired an industrial land parcel near MRT Yongning Station for NT\$6.1 billion, while Highwealth Construction bought a land parcel in the 7th Redevelopment Zone in Taichung City for NT\$3.2 billion. After Highwealth's business district land acquisition in February, this new deal represented a unit price high of NT\$3.5 million per ping. Highwealth Construction also acquired a residential land parcel in Chunglu Redevelopment Zone in Taoyuan City for NT\$2.5 billion.

The sale by tender of national land held by the Tainan City Government has attracted attention from different parties. A land parcel in a zone expropriation region has been tendered for NT\$2 billion, and two land parcels in the other zone expropriation region near Tainan Airport have both been tendered for NT\$1.3 billion.

Industrial Land Demand in Central and Southern Taiwan Grew in Q3

With interest rate reductions and quantitative easing policies in place, investors have been analyzing other potential investment targets, while developers have been maintaining their hunt for suitable land for future development projects.

Demand for owner-occupation properties is expected to remain stable, especially for the industrial property sector, which is the main force in the market. With industrial property prices on the rise and a lack of available large land parcels, demand for industrial land in central and southern Taiwan has grown, especially in Tainan City. The semiconductor and automobile component industries have now become key drivers of Taiwan's industry value chain.

KEY SALE TRANSACTIONS

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE (NTD BN)
Sunworld Dynasty Hotel	Songshan Dist., Taipei City	Fubon Life Insurance	Sunrider International	Hotel	25.5
Factory in Tainan Science Park	Anding Dist., Tainan City	TSMC	Hannstar	Industrial	4.8
Factory in Taichung Youth Industrial Park, Taoyuan City	Yangmei Dist., Taoyuan City	Individual	Wintek Corporation	Industrial	4.4
Factory in Tainan Science Park	Shanhua Dist., Tainan City	TSMC	Optimax Technology	Industrial	3.7

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