MARKETBEAT

TAIPEI

Office Q4 2020

	12-Mo. Forecast
2,600 Average Rent (NTD/PING/MO)	—
0.0% Rental Growth Rate (QOQ)	—
4.5% Vacancy Rate	—

Source: Cushman & Wakefield Research

TAIWAN ECONOMIC INDICATORS Q3 2020

	Q2 2020	12-Mo. Forecast
3.9% GDP Growth	0.4%	▲
1.9% Service Sector GDP Growth	-1.5%	N/A
-0.5% CPI Growth	-1.0%	▲
3.8% Unemployment Rate (September)	4.0%	N/A

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

Absorption Marks Ten-Year Low

The office market's overall vacancy rate remained low in Q4, dropping 0.1 percentage points q-o-q to record 4.5%. The lack of available office space meant that leasing activity remained relatively quiet in the quarter. Tarobo Investment Advisors' 800 ping leasing deal at the CEC Dunnan Building was a highlight, but other transactions were predominantly small- and medium-sized areas, ranging from 100 to 400 pings. With very limited new supply entering the market, full-year absorption for 2020 reached just 6,200 pings, dropping under 10,000 pings for the first time since 2009. However, co-working spaces have been more of a bright spot, benefitting from growing demand from enterprises for more flexible space allocations during the pandemic period. Some tenants have even relocated from Grade A offices to neighboring co-working facilities.

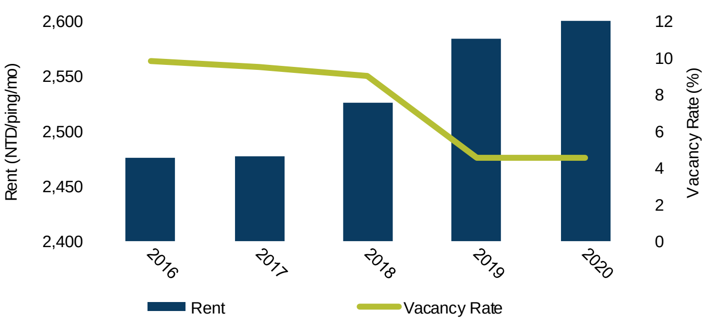
Average Rent Remains Stable

No new Grade A office entered the market in Q4. Average Grade A rents remained stable for the second consecutive quarter, at NT$2,600 per ping per month. Xinyi led the way at NT$3,190 per ping per month, followed by Dunnan at NT$2,400 per ping per month. In the current landlord's market we expect average rents to remain at the prevailing levels.

Rental Growth to Narrow Further Under Market Uncertainty

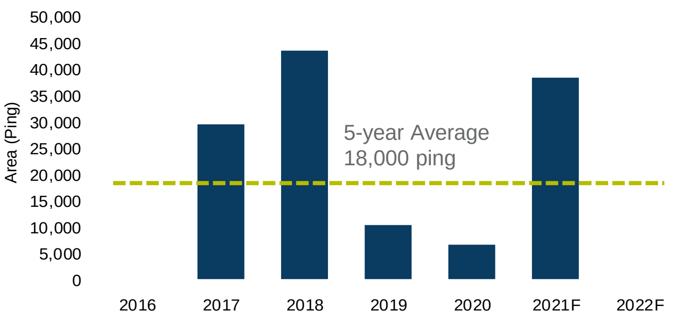
The Taipei Grade A office market is scheduled for 38,500 pings of new supply in 2021, most of which is slated for finance sector firms' own-use. Despite the scarcity of new space, we do not expect to see a pre-leasing boom, as international firms remain conservative in the face of the continuing global economic impact of the pandemic. In the short-term, office market leasing activities are forecast to stay flat, with opportunity for rental growth further narrowing.

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	10.4%	0	2,200	US$2.17	€ 1.83
Nanjing/Songjiang	36,600	2.0%	12,600	2,030	US$2.00	€ 1.68
Dunbei/Minsheng	207,400	5.9%	25,900	2,360	US$2.33	€ 1.96
Dunnan	103,700	5.9%	0	2,400	US$2.37	€ 1.99
Xinyi	343,800	2.6%	0	3,190	US$3.15	€ 2.65
Taipei City	738,300	4.5%	38,500	2,600	US$2.57	€ 2.16

1 USD = 28.4780 TWD; 1 EUR = 33.8663 TWD as of November 25 , 2020

KEY LEASING TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
CEC Dunnan Building	Dunnan	Tarobo Investment Advisors	800	Relocation
TWTC International Trade Building	Xinyi	I Can Entertainment	390	Relocation
Hongya Building	Dunbei/Minsheng	Taiwan Depository & Clearing Corporation	300	Expansion
Taipei Century Plaza	Xinyi	Haidilao International Food Services	220	New Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	PING	COMPLETION DATE
China Life Headquarters	Dunbei/Minsheng	China Life/China Development Financial	17,200	2021
Hope Square	Nanjing/Songjiang	Panasonic	4,600	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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Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. Across Greater China, 22 offices are servicing the local market. The company won four of the top awards in the Euromoney Survey 2017, 2018 and 2020 in the categories of Overall, Agency Letting/Sales, Valuation and Research in China. In 2019, the firm had revenue of $ 8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

MARKETBEAT

TAIPEI

Industrial-Office Q4 2020

XIHU SECTION	12-Mo. Forecast
1,470 Average Rent (NTD/PING/MO)	▲
2.1% Rent Growth Rate (QOQ)	▲
8.9% Vacancy Rate	▼

Source: Cushman & Wakefield Research

TAIWAN ECONOMIC INDICATORS Q3 2020

	Q2 2020	12-Mo. Forecast
3.9% GDP Growth	0.4%	▲
5.8% Secondary Sector Growth	3.8%	N/A
-0.5% CPI Growth	-1.0%	▲

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

New Project Completion Prompts Temporary Vacancy Rise in Xihu Section Temporary

In Xihu Section the completion of the Honhui Sparkle Square project prompted a temporary vacancy rise, as, with the exception of Building B, which has been occupied by ITRI as an incubation center, new tenants for the project have yet to move in. As a result, Xihu vacancy edged up 7.5 percentage points q-o-q to reach 8.9% at the end of Q4. In Wende Section some I/O units were released into the market, prompting vacancy to rise 0.5 percentage points q-o-q to reach 6.4%. In Jiuzhong Section a 530-ping space taken at the Wei Mon Industry Building helped the vacancy rate to drop down to 15.4%.

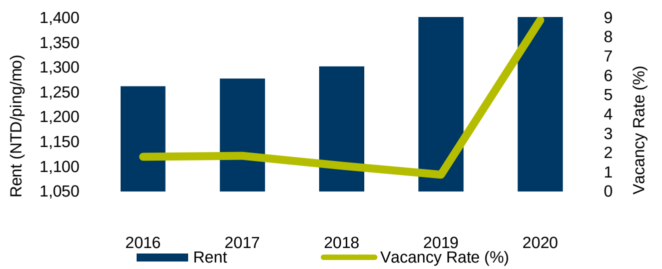
New Supply Drives Rental Level Growth

Rental levels in Xihu Section grew 2.1% q-o-q to average NT$1,470 per ping per month. The increase was predominantly due to the release of the Honhui Sparkle Square project into the market, with the new property's relatively high rental level pulling up neighboring I/O project rents in Xihu. Rents in Wende and Jiuzhong Sections remained stable at NT$1,000 and NT$940 per ping per month respectively in Q4. 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. A notable transaction was First Life Insurance's acquisition of 400 pings on the 5th floor of the Tokyo Enterprise Headquarters in Xihu Section for NT$304 million, equating to an average of NT$620,000 per ping.

Rental Level Growth in Xihu Section Likely Ahead

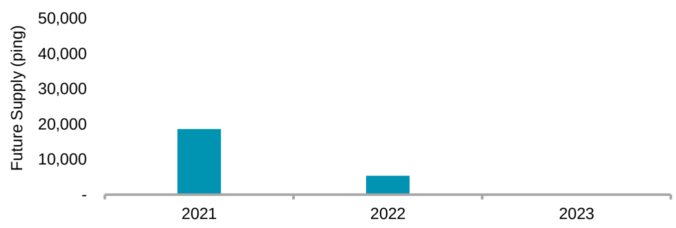
Tenants are expected to move into the Honhui Sparkle Square project in 2021 and the available I/O spaces are expected to fill up quickly. The rental level in Xihu Section may see growth in the year ahead. New supply expected to be released into the I/O market in Jiuzong Section may prompt a rise in vacancy, while the rental level in Jiuzong Section is expected to remain steady in 2021.

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	I/O RENT USD/SF/MO	I/O RENT EUR/SF/MO
Xihu	8.9%	-	1,470	US$1.45	€ 1.22
Wende	6.4%	-	1,000	US$0.99	€ 0.83
Jiuzong	15.4%	23,900	940	US$0.93	€ 0.78

1 USD = 28.4780TWD; 1 EUR= 33.8663TWD as of Nov. 25, 2020

KEY LEASING TRANSACTIONS Q4 2020

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
Tokoyo Enterprise Headquarters	Xihu	Software Design Services	170	Expansion
Loyal Chemical Bldg.	Wende	Investment consulting	160	Expansion
Wei Mon Industry Building	Juizong	Retail	530	New Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SECTION	MAJOR TENANT	PING	COMPLETION DATE
Chonghong New Generation	Jiuzong	-	5,800	2021
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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MARKETBEAT

TAIPEI

Retail Q4 2020

12- Mo. Forecast

12,900
Average Rent (NTD/PING/MO)

-*
Rental Growth Rate (QOQ)

9.1%
Vacancy Rate

Source:Cushman & Wakefield
**The rental growth rate is temporarily incalculable due to the extent of shifts within retail hubs.*

TAIWAN ECONOMICS INDICATORS Q3 2020

	YoY Chg	12-Mo Forecast
+3.9% GDP Growth	▲	▲
-0.5% CPI Growth	▲	▲
1.5% Cumulative Sales of General Merchandise	▲	N/A

Source: Directorate-General of Budget, Accounting and Statistics

Annual Sales Period and Double Eleven Festival Drive Footfall

Retail performance improved notably in Q4, with sales and shopping festival activities helping to drive consumer traffic during the annual promotion season. General merchandise sales for the January to November period grew by 1.5% y-o-y. Malls have partially recovered from the blow of COVID-19 border closures, seeing growing domestic demand for luxury goods and cosmetics, and hence annual turnover dropped relatively softly, down 0.8% y-o-y. Supermarkets and convenience stores, on the other hand, enjoyed annual revenue growth of 10.9% and 8.9% respectively, boosted by promotion events and new store development. Hypermarkets enjoyed growth of 9.1% y-o-y, gaining from e-commerce. However, other general retail sales have still been impacted heavily by pandemic-related restrictions and loss of international travellers, falling 29.3% y-o-y.

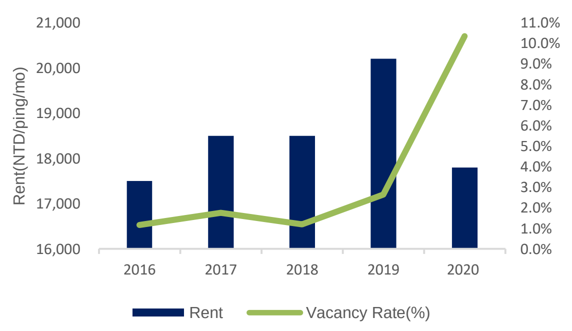
Zhongshan / Nanjing Retail Hub Maintains Appeal With Younger Demographic

The Zhongshan / Nanjing retail hub continued a robust performance in Q4, proving resilient to market headwinds and welcoming several new F&B and seeing store renovation. The vacancy rate dropped gently, 0.6 pp q-o-q, to record 2.6%. The area's mix of cultural and creative stores, F&B outlets, bazaars and art events, coupled with the open space afforded by Linear Park, has proven successful with the important younger shopper demographic. Ximen has suffered from the curtailment of international tourism, with falling sales prompting move-outs by cosmetics and sports stores. Vacancy in the district rose 1.3 pp q-o-q to reach 10.3%. In Zhongxiao the market maintained the status quo, vacancy falling slightly, 2 pp q-o-q, to 11.8%, as a few discount stores moved in to occupy space vacated by jewelry and watch shops.

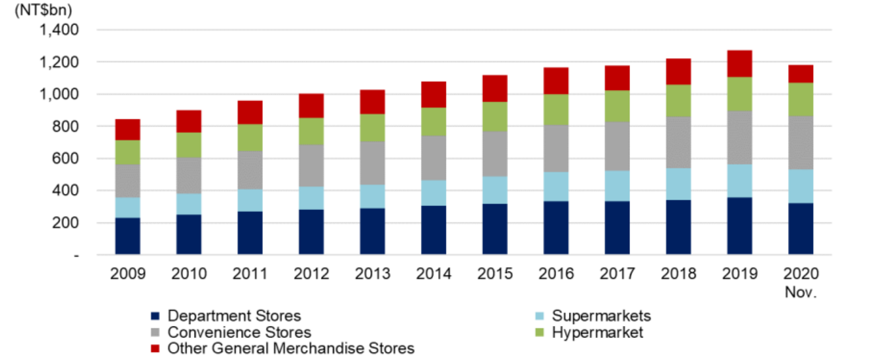
Market Pivot to Domestic Demand

Many operators in the major retail hubs have been forced to fundamentally review their business strategies as a result of the impact of the pandemic, shifting to predominantly target and service the local customer base and domestic-driven demand. In Ximen the disruption is particularly visible, with the former tenant mix of tourist-reliant cosmetics and souvenir stores undergoing radical change.

RENT / VACANCY RATE IN XIMEN



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



MARKETBEAT

TAIPEI

Retail Q4 2020

PRIMARY RETAIL VACANCY AND AVERAGE RENTS IN Q4 2020

RETAIL HUB	VACANCY RATE	RETAIL RANGE (NTD/PING/MO)	RENTIAL RANGE (USD/SF/MO)	12- MONTH OUTLOOK
Zhongxiao	11.8%	8,000~15,000	7.9~14.8	▼
Zhongshan/Nanjing	2.6%	7,000~12,000	6.9~11.8	▼
Ximen	10.3%	16,000~19,000	15.8~18.8	▼

Note: Only high street store 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 = 28.4780 NTD as of November 25, 2020

SIGNIFICANT OPENINGS IN Q4 2020

RETAIL HUB	LOCATION	TENENT	SIZE (Ping)
Ximen	Chengdu Rd.	Xiaonanmen	30*
Zhongshan/Nanjing	Nanjing W. Rd.	New Jeju Korean style tofu pot	107
Zhongshan/Nanjing	Sec. 1, Zhongshan N. Rd.	Sancoffee	123
Zhongxiao	Sec. 4, Zhongxiao E. Rd.	Gontran Cherrier Bakery	62
Zhongxiao	Sec. 4, Zhongxiao E. Rd.	Bonage Paris	30

** Rent with Bootien*

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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MARKETBEAT

TAIWAN

Capital Markets Q4 2020

	YoY Chg
126.7B YTD Investment Volume (NTD)	+32%
31.1B Q4 Investment Volume (NTD)	+28%
48 Q4 Deals	+30%

ECONOMIC INDICATORS
Q3 2020

	YoY Chg	12-Mo. Forecast
+3.9% GDP growth (annualized)	▲	▲
-0.5% CPI growth	▼	▲
2.4% Prime Leading Loan Rate	▼	N/A

Source: Ministry of the Interior , Oxford Economics

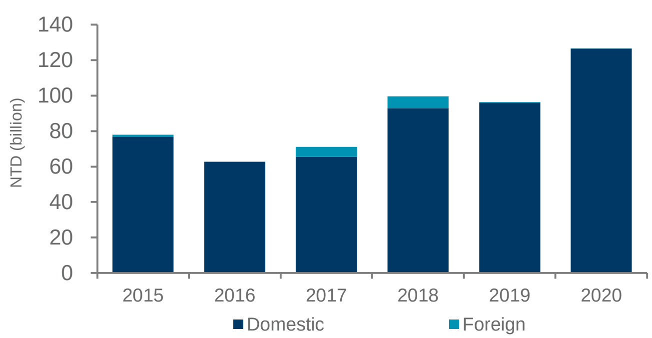
Investment Market Closed 2020 On a Solid Note at NT$126.7 Billion

Taiwan's investment market closed 2020 on a solid note. Total consideration was at NT$126.7 billion for the year, surpassing the NT$100 billion mark for the first time since 2013, and growing 31.6% y-o-y. The Q3 performance was the best of the year, at NT$68.2 billion and 53.8% of the annual total. Investment in Q4 totaled NT$31.1 billion, down 54.4% q-o-q due to the extremely high volume of Q3, yet still up 28.2% on the same quarter last year. Local buyers dominated the market in 2020, with demand coming from both owner-occupier buyers, accounting for 53.7% of the total, and investment buyers, at 46.3%. Most owner-occupier buyers were TMT sector firms purchasing factories and industrial office for operational use, while investment buyers were predominantly life insurance companies.

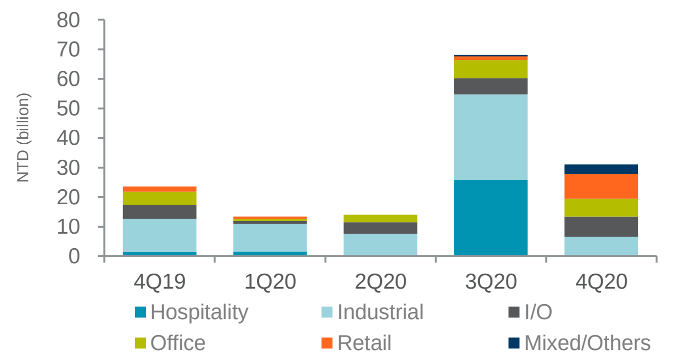
Buyers Target a Variety of Real Estate Sectors in Q4

Owner-occupier buyers and investment buyers targeted a variety of real estate asset sectors in Q4. Owner-occupier transactions included Hannstar's acquisition of a factory in Tainan Science Park for NT$2.8 billion, while Jing-Jan Retail Business purchased Q Square-Xiaobitan for NT$2.4 billion from its parent company Radium Life Tech. Investment buyers were primarily life insurance companies, they purchased a variety of real estate assets including shopping malls, storefronts, offices and industrial offices. Notably, the biggest deal in Q4 was Cathay Life Insurance's acquisition of Kwongfong Plaza for NT$4.7 billion. Taiwan Life Insurance and Bank Taiwan Life Insurance also purchased office and storefront property in Taipei Times Square for NT$3.7 billion and NT$780 million, while Nan Shan Life Insurance acquired 4 leased industrial offices near Tainan Science Park for NT$2.1 billion.

INVESTMENT VOLUME BY CAPITAL SOURCE



INVESTMENT VOLUME BY SECTOR

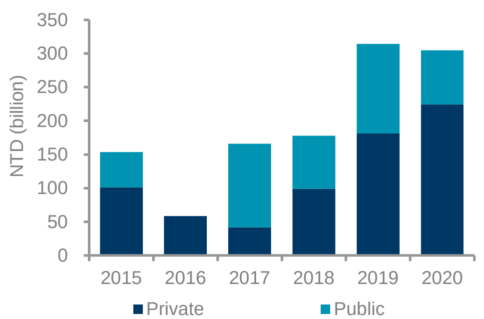


MARKETBEAT

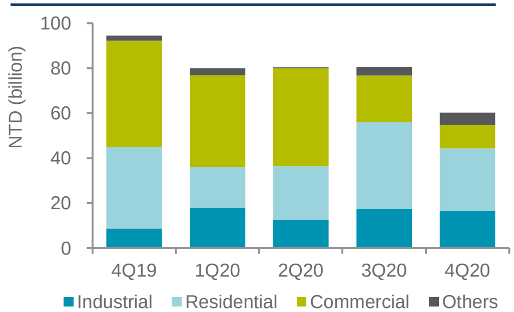
TAIWAN

Capital Markets Q4 2020

Land Investment Volume by Supply Source



Land Investment Volume by Land Use



Land Sales Reach Decade's Second Highest Level, Investment in Land Parcels Continues

Total consideration for the land market in 2020 was at NT$304.9 billion, down 2.9% y-o-y, but still the second highest level of the past ten years. Life insurance companies and developers were the main drivers of transactions. Investment in land parcels reached a total of NT$40.2 billion in Q4, with residential land parcels in the majority, accounting for 46.1%. The most notable land parcel deals in Q4 included Crowell Construction's acquisition of a 2,766.4-ping commercial land parcel in Daju Redevelopment Zone in Taoyuan City for NT$2.4 billion. Dali Construction and Hiyes Group also jointly purchased a residential land parcel in North District, Taichung City, for NT$2.2 billion, while Kuo Yang Construction acquired a land parcel in Jiuzhong Section in Neihu District, Taipei City, for NT$2.1 billion, with plans for an industrial office.

New Loan Limitations Curtail Developers' Activities, Life Insurance Companies Less Impacted

The Central Bank took the market by surprise with the implementation of new mortgage limitations in early December, lowering the allowable loan ratio on land parcel purchases and mortgages. More highly leveraged developers will now have less capital for investment, and, as a result, they will evaluate targets more cautiously and reduce hoarding of residential units. However, 0life insurance companies have been less affected and have continued to invest in commercial real estate, development rights and BOTs. Consequently, we anticipate the investment market to remain steady into 2021.

KEY SALE TRANSACTIONS

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE (NTD BN)
Kwongfong Plaza	Bade Dist., Taoyuan City	Cathay Life Insurance	Baofeng Asset Management	Retail	4.7
Taipei Times Square	Zhongshan Dist., Taipei City	Taiwan Life Insurance	High Wealth Construction, Chyi Yuh Construction, Runlong Construction	Office	3.7
Factory in Tainan Science Park	Shanhua Dist., Tainan City	Hannstar	HannsTouch Solution	Industrial	2.8
Q Square- Xiaobitan	Xindian Dist., New Taipei City	Jing-Jan Retail Business	Radium Life Tech	Retail	2.4

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