

**2,610**  
Average Rent (NTD/PING/MO)

12-Mo.  
Forecast

**0.0%**  
Rental Growth Rate (QOQ)

**3.4%**  
Vacancy Rate

Source: Cushman & Wakefield Research

### Overall Vacancy Remains Low

The office market's overall vacancy rate dropped 0.4 percentage points q-o-q to 3.4%, marking a ten-year low again following the market momentum from Q1. Among submarkets, as the Taiwan Life Insurance Zhongshan Building in Western experienced large take-up of around 1,890 pings, Western saw the biggest vacancy drop of 4.7 percentage points, down to 5.7%. Movement in other submarkets remained limited. Although the COVID-19 situation worsened to the Level 3 alert at mid-May, most corporations have responded with measures such as split-site office, office work in shifts, or work from home, and indicators of tenancy surrenders have not yet been observed.

### Average Rent Remains Stable

With demand steady, average Grade A rents also remained stable at NT\$2,610 per ping per month. Xinyi submarket led the way at NT\$3,210 per ping per month, followed by Dunnan at NT\$2,420 per ping per month. The escalating pandemic situation has weighed on companies' relocation plans. Most leasing activities in the period have been lease renewals with stable rental level.

### Pandemic Continues to Constrain Decision Making

As pandemic control measures continued worldwide and Taiwan's own COVID-19 alert level was raised in Q2, companies have adjusted operating strategies and extended their evaluation and observation periods regarding relocation plans. Significant impact has yet not been observed among Grade A office demand, but we can expect overall rental growth to weaken in the short-term.

### TAIWAN ECONOMIC INDICATORS Q1 2021

**8.9%**  
GDP Growth

Q4 2020: **5.2%**

12-Mo. Forecast: **5.2%**

**5.8%**  
Service Sector GDP Growth

Q4 2020: **2.8%**

12-Mo. Forecast: **N/A**

**0.8%**  
CPI Growth

Q4 2020: **0.0%**

12-Mo. Forecast: **0.0%**

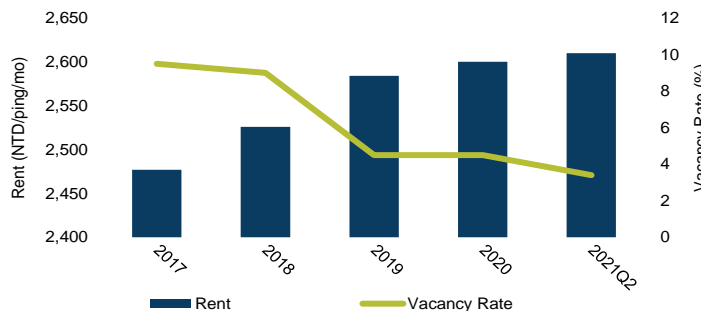
**3.7%**  
Unemployment Rate (March)

Q4 2020: **3.8%**

12-Mo. Forecast: **N/A**

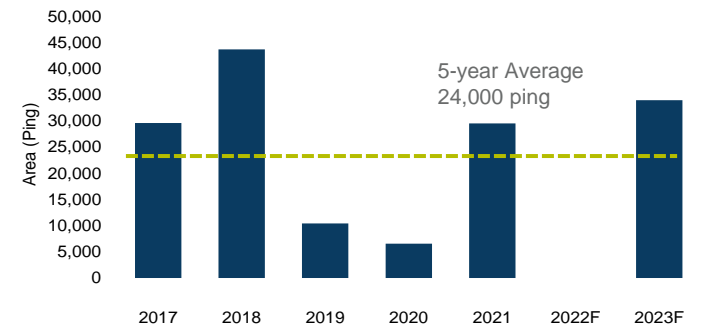
Source: Ministry of the Interior, Moody's Analytics  
Note: Growth figure is y-o-y growth

### 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	5.7%	0	2,200	US\$2.23	€ 1.83
Nanjing/Songjiang	36,600	2.7%	4,600	2,030	US\$2.06	€ 1.69
Dunbei/Minsheng	223,700	5.8%	8,700	2,360	US\$2.40	€ 1.97
Dunnan	95,100	0.6%	0	2,420	US\$2.46	€ 2.02
Xinyi	343,800	2.3%	0	3,210	US\$3.26	€ 2.67
Taipei City	746,000	3.4%	13,300	2,610	US\$2.65	€ 2.17

1 USD = 27.6760 TWD; 1 EUR = 33.7329 TWD as of June 8, 2021

### KEY LEASING TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Taiwan Life Insurance Zhongshan Bldg.	Western	Keyence Taiwan	1,260	Relocation
Farglory Financial Center	Xinyi	Future Tech Development	310	Relocation

### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	PING	COMPLETION DATE
Hope Square	Nanjing/Songjiang	Panasonic	4,600	2021
E.SUN Second Headquarters	Dunbei/Minsheng	E.SUN Financial	8,700	2021

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XIHU SECTION

12-Mo. Forecast

**1,480**  
Average Rent (NTD/PING/MO)

**0.0%**  
Rent Growth Rate (QOQ)

**7.0%**  
Vacancy Rate

Source: Cushman & Wakefield Research

### Vacancy Continued to Edge Down in Xihu and Wende Sections

With firms continuing to move into the new Honhui Sparkle Square project, the vacancy rate in Xihu Section dropped 0.3 percentage points q-o-q to record 7.0%. In Wende Section the vacancy rate also fell, down 0.2 percentage points q-o-q to 6.6%, and retail industry take-up of 240 pings in Bonn Technology Center. Although there was a retail sector expansion at Jindian 21 Technology with TMT industry Building, moves in and out by firms were cancelled out in Jiuzhong Section and the vacancy rate was unchanged at 14.6% q-o-q. The network technology industry is a key tenant industry in Neihu Technology Park(NHTP), and with the online economy benefitting from the impact of the pandemic, leasing demand remained stable in NHTP.

### Whole I/O Building Transactions are Frequent

Rental levels in Wende Section grew 1% q-o-q to average NT\$1,010 per ping per month. Rents in Xihu Section and Jiuzhong Sections remained stable at NT\$1,480 and NT\$940 per ping per month. Notable transactions included the acquisition by Jump Hope Co Ltd, together with a three-person buyer, of the 10<sup>th</sup> floor of a technology center in Xihu Section for NT\$385 million. Transactions in Wende Section were focused on whole building acquisitions. MediaTek Inc. acquired Far EastOne Neihu building for NT\$3,260 million as an R&D base in Wende Section, while Yannick Co., Ltd acquired the Oxford Building for NT\$400 million. 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.

### Online Economy Supports Demand in NHTP

The pandemic situation escalated rapidly in mid-May, with the COVID-19 Level 3 alert in effect around Taiwan. In NHTP Section the key tenant industries are IT and TMT services, and these industries are proving to be beneficiaries from the pandemic environment. Leasing demand remained stable in NHTP and we seen no significant visible impact to the I/O market. However, 18,600 pings of new supply is expected to be released into the I/O market in Jiuzhong section in the second half of this year. Pre-leasing tenants will move in gradually in the third and fourth quarters of this year, and we expect the rental level to remain steady.

### TAIWAN ECONOMIC INDICATORS Q1 2021

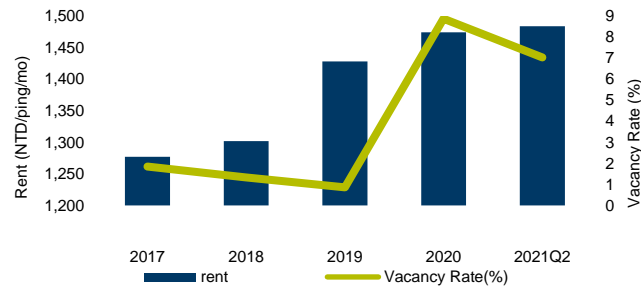
**8.9%** GDP Growth  
Q4 2020: **5.2%** 12-Mo. Forecast: ▲

**14.6%** Secondary Sector Growth  
Q4 2020: **8.9%** 12-Mo. Forecast: N/A

**0.8%** CPI Growth  
Q4 2020: **0.0%** 12-Mo. Forecast: ▲

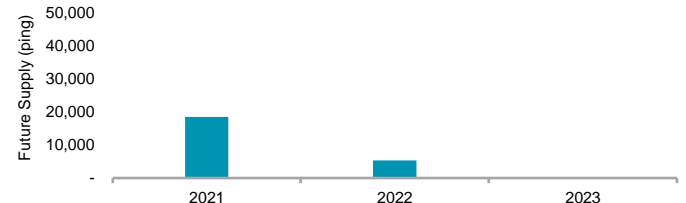
Source: Directorate-General of Budget, Accounting and Statistics, Moody's Analytics  
Note: Growth figure is y-o-y growth

### 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	7.0%	-	-	1,480	US\$1.50	€ 1.23
Wende	6.6%	-	-	1,010	US\$1.03	€ 0.84
Jiuzong	14.6%	23,900	-	940	US\$0.95	€ 0.78

1 USD = 27.6760TWD; 1 EUR = 33.7329TWD as of Jun. 8, 2021

### KEY LEASING TRANSACTIONS Q2 2021

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
Honhui Sparkle Square, Building A	Xihu	IT software industry	3,860	Relocation
Honhui Sparkle Square, Building A	Xihu	IT software industry	900	Relocation
Bonn Technology Center	Wende	TMT industry	130	New Lease
Bonn Technology Center	Wende	Retail	110	Relocation
Jindian 21 technology building	Jiuzong	Retail	160	Expansion

### 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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12- Mo. Forecast

**12,100**  
Average Rent (NTD/PING/MO) ▼

**-5.1%**  
Rental Growth Rate (QOQ) ▼

**N/A**  
Vacancy Rate ▲

Source: Cushman & Wakefield

## Market Faces Severe Challenge With COVID-19 Level 3 Alert in Force

The Taiwan authorities raised the COVID-19 pandemic alert level to Level 3 in mid-May, strengthening containment measures and restrictions. Shopper numbers at physical stores fell dramatically, seriously impacting retail revenue performance. In May 2021, retail sales of general merchandise stores had grown by 0.4% y-o-y. However, department store sales plummeted by 28.3% y-o-y as the Level 3 alert measures came into force. As for supermarkets, sales grew by 35.7% y-o-y due to increased demand for staple goods. Convenience store and wholesale store sales grew by 4.3% and 3.6% y-o-y respectively, again benefitting from growth in demand for daily necessities. However, food court in wholesale stores suffered from declining customer numbers and the temporary closure of some branches. In response to the impact of the pandemic alert, some retail landlords have extended financial assistance to struggling tenants via short-term rent reductions. Ximen retail hub has been particularly hard hit, with lease surrenders growing and rents continuing to drop.

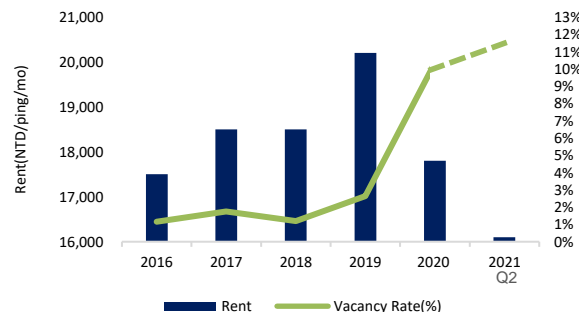
## Clinics and Convenience Stores Move to Retail Hub Center

Prior to the Level 3 pandemic alert, clinics and convenience stores have replaced clothing retailers at the center of the Zhongxiao retail hub. Universal Eye Centre announced a lease of two stories at Quanmei Building, taking approximately 245 ping, at a monthly rent of NT\$1.68 million. Convenience stores such as 7-ELEVEN and FamilyMart have also relocated from the deeper areas of Zhongxiao E. Road to the heart of the retail hub. On the other hand, the Zhongshan / Nanjing retail hub had been able to destock rapidly in an environment of limited space supply. D+AF, an online fashion footwear retailer, leased a whole building of around 110 ping, at a monthly rental of NT\$850,000.

## Pandemic Intensifies Competition Between Online Retailers

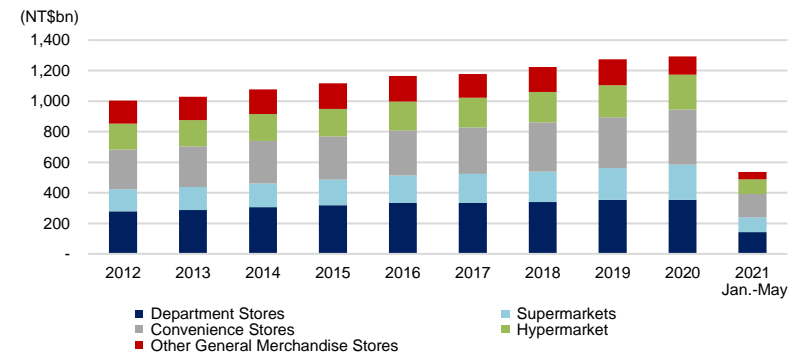
The COVID-19 pandemic has led to stagnant rental activity in physical stores in the city's retail hubs. Department stores are attempting to migrate more quickly onto e-commerce platforms to expand their range of business, shortening opening hours of physical stores and continuing their digital transformation efforts from last year. Overall, we can expect the new environment to strengthen the war between online retailers.

## RENT / VACANCY RATE IN XIMEN



Note: Retail stores are temporary closed under effect of COVID-19 pandemic which the vacancy rate is incalculable. Therefore, the vacancy rate remains number in Q1 2021.

## CUMULATIVE SALES OF GENERAL MERCHANDISE (NT \$ bn)



## TAIWAN ECONOMICS INDICATORS Q2 2021

**+8.9%**  
GDP Growth ▲ (YoY Chg) ▲ (12-Mo Forecast)

**0.8%**  
CPI Growth ▲ (YoY Chg) ▲ (12-Mo Forecast)

**+7.3%**  
Cumulative Sales of General Merchandise ▲ (YoY Chg) ▲ (12-Mo Forecast)

Source: Directorate-General of Budget, Accounting and Statistics, Moody's Analytics



## PRIMARY RETAIL VACANCY AND AVERAGE RENTS IN Q2 2021

RETAIL HUB	VACANCY RATE	RETAIL RANGE (NTD/PING/MO)	RENTAL RANGE (USD/SF/MO)	12- MONTH OUTLOOK
Zhongxiao	N/A	8,000~14,500	8.1~14.7	▼
Zhongshan/Nanjing	N/A	6,500~11,500	6.6~11.7	▼
Ximen	N/A	14,500~17,500	14.7~17.8	▼

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 = 27.6760 NTD as of June 8, 2021

## SIGNIFICANT OPENINGS IN Q2 2021

RETAIL HUB	LOCATION	TENANT	SIZE (Ping)
Zhongshan/Nanjing	Nanjing W. Rd..	D+AF	110
Zhongxiao	Sec. 4, Zhongxiao E. Rd.	FamilyMart	105*
Zhongxiao	Sec. 4, Zhongxiao E. Rd.	7-ELEVEN	55

\* The space is shared with take it easy bakery.

## SIGNIFICANT RETAIL PROJECTS - UNDER CONSTRUCTION/DECORATION

PROJECT	LOCATION	EXPECTED COMPLETION	GFA (Ping)
Mitsui Shopping Park LaLaport (Nangang)	Nangang District, Taipei City	2022	61,900
Yulong Town	Xindian District, New Taipei City	2022	-
Diamond Towers	Da'an District, Taipei City	2022	4,300

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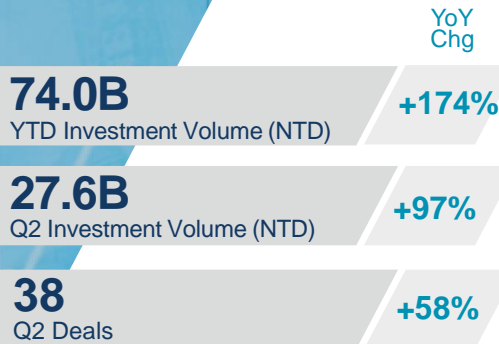
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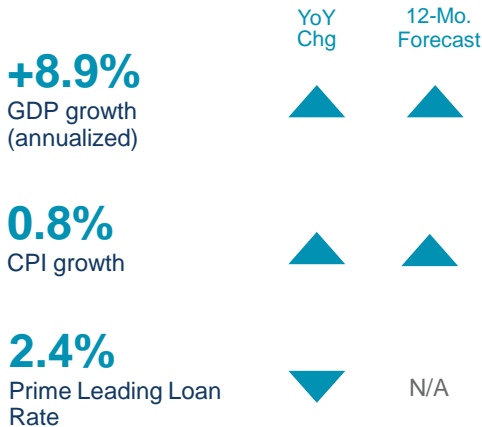
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# TAIWAN

## Capital Markets Q2 2021



### ECONOMIC INDICATORS Q1 2021



Source: Ministry of the Interior, Moody's Analytics

### Transactions Focus on Industrial Properties, Neihu District Draws Attention

Total consideration was at NT\$27.6 billion in Q2, down 40.4% q-o-q but growing 96.6% y-o-y. Local buyers dominated the market, with demand from owner-occupiers accounting for 75.5% of the total. The three biggest deals in Q2 were all industrial offices, with the biggest being Media Tek's acquisition of Far EastOne Neihu Building for NT\$3.3 billion, planning for a future R&D base. The second deal was Adata Technology's purchase of Chonghong Cloud Technology Building at Tanmei St, Neihu District, for NT\$2.6 billion; and the third was ASE Group's acquisition of the K25 Industrial Building in Kaohsiung for NT\$2.3 billion. These transactions represented 29.4% of total investment volume in Q2, marking stable demand from the TMT sector for industrial properties. Transactions in the quarter concentrated on industrial offices and factories, accounting for 76.0% for NT\$21.0 billion, of which NT\$8.0 billion was in Neihu District.

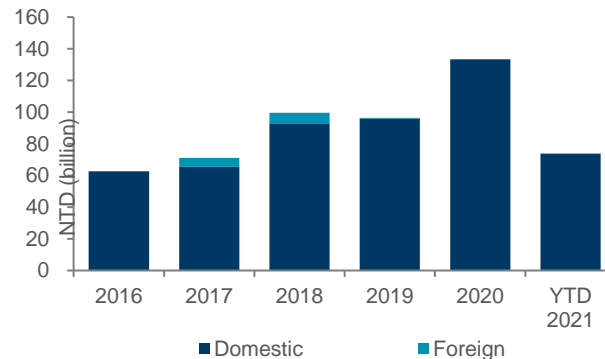
### Lands Sale Activity Continues

Total consideration for the land market in Q2 was at NT\$66.9 billion, up 35.5% q-o-q, with commercial land parcels accounting for 53.0%. Notable deals included Highwealth Construction's acquisition of a commercial land parcel in Xinzhuang Fuduxin for NT\$8.5 billion. An individual buyer bid for a land parcel zoned as cultural and commercial for NT\$7.2 billion in Shuinan Trade and Economic Park, while Dali Construction and Delpha Construction bid for two commercial land parcels near HSR Taichung Station for NT\$4.4 billion and NT\$3.9 billion, respectively. Land auctions in Taichung City drew much attention as developers moved into new developing areas in the city.

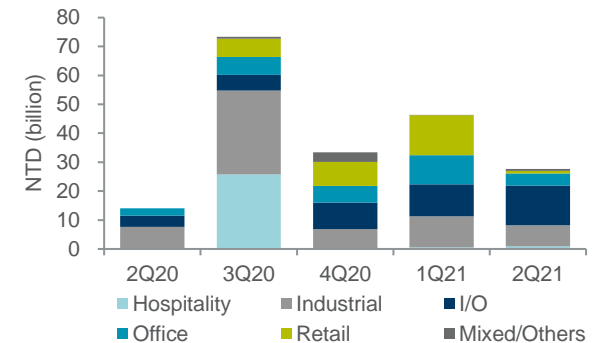
### Land Sales Still Booming Despite Pandemic Alert Escalation

Developers have continued searching for land parcels despite the new Level 3 pandemic alert. The hotel sector has been most impacted, yet hotels with full property rights and qualified for reconstruction status were still attractive for potential buyers in light of the benefits for developers of reconstruction and re-use. With the stay-at-home economy now booming, supply chains of related industries have also benefited, driving new demand for warehouse and logistics facilities and data centers.

### INVESTMENT VOLUME BY CAPITAL SOURCE



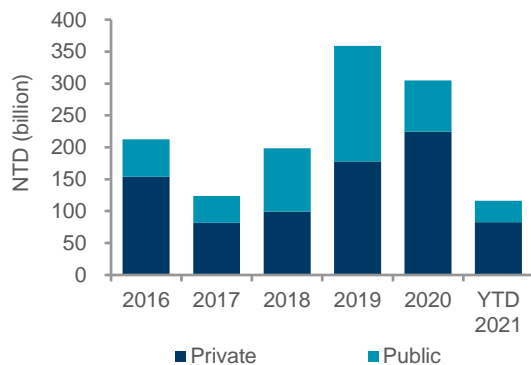
### INVESTMENT VOLUME BY SECTOR



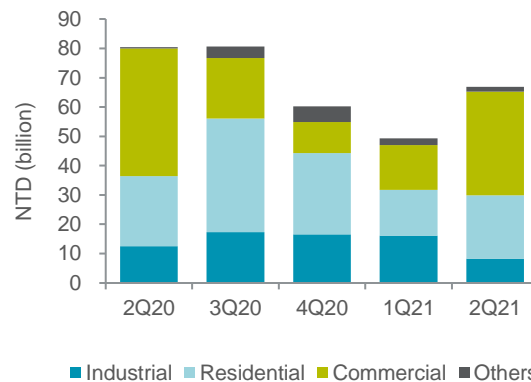
### KEY SALE TRANSACTIONS

PROPERTY	LOCATION	SECTOR	PRICE (NTD BN)	VENDOR	PURCHASER	DEAL TYPE
Far EasTone Neihu Building	Neihu Dist., Taipei City	I-O Building	3.3	New Century Infocomm Tech	MediaTek	Self-use
Chonghong Cloud Technology Building	Neihu Dist., Taipei City	I-O Building	2.6	Chonghong Construction	Adata Technology	Self-use
K25 Industrial Building	Nanzi Dist., Kaohsiung City	I-O Building	2.3	ASE HCC	ASE Group	Self-use
United Technology Center	Xizhi Dist., NewTaipei City	I-O Building	1.6	Founding Construction	Weiyi Corp.	Investment

Land Transactions Volume by Supply Source



Land Transactions Volume by Land Use



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