

Office Q3 2021

12-Mo.
Forecast

2,615
Average Rent (NTD/PING/MO)



0.2%
Rental Growth Rate (QOQ)



3.6%
Vacancy Rate



Source: Cushman & Wakefield Research

Low Overall Vacancy Continues

The Hope Square project in the Nanjing/Songjiang submarket launched in Q3, adding 4,600 pings of new supply to the Grade A office market. The new entrant enjoyed very positive leasing take-up and is now fully occupied, with Panasonic as the anchor tenant. Overall vacancy in the office market remained at a low level in Q3, rising slightly at 0.2 percentage points q-o-q to reach 3.6%. There was notable take-up at the Taiwan Life Insurance Zhongshan Building, at around 1,580 pings, while most other leasing transactions were on the small- to medium-size, ranging from 100 to 300 pings.

Submarket Rental Growth Narrows

Average rent for Grade A office space rose mildly in Q3, up 0.2% q-o-q to record NT\$2,615 per ping per month. Compared with the prior quarter, Nanjing/Songjiang submarket saw the highest rental level growth of 5%, to reach NT\$2,130 per ping per month, predominantly due to the new supply at Hope Square. Average rents at Western submarket rose 1% to record NT\$2,230, as some properties made rental adjustments. Other submarkets remained stable.

Pandemic Continues to Weigh on Decision Making

The global COVID-19 situation continued to constrain business decision making in Q3, with international companies remaining cautious with their office leasing strategies and maintaining continuity policies, such as work-from-home or split-site operations, active, to ensure an efficient response to any sudden new circumstances.

In the coming year, we expect overall leasing activities to continue to remain flat, with rental levels stable in response to the scarcity of new supply. Currently just the E.SUN Second Headquarters property is expected to come to the market in 2022, for self-use.

TAIWAN ECONOMIC INDICATORS Q2 2021

Q1
2021 12-Mo.
Forecast

7.4%
GDP Growth

9.3% ▼

3.9%
Service Sector
GDP Growth

6.2% N/A

2.1%
CPI Growth

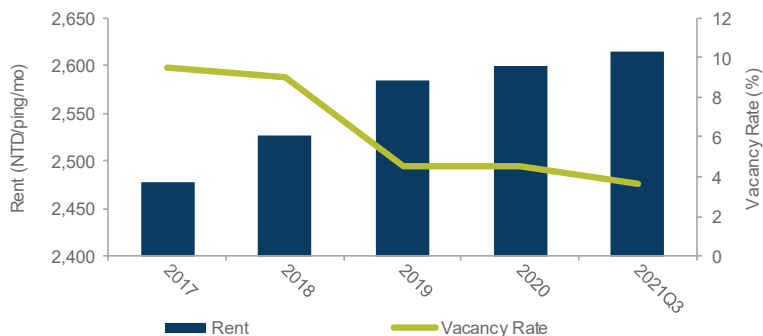
0.8% ▲

4.8%
Unemployment Rate
(June)

3.7% N/A

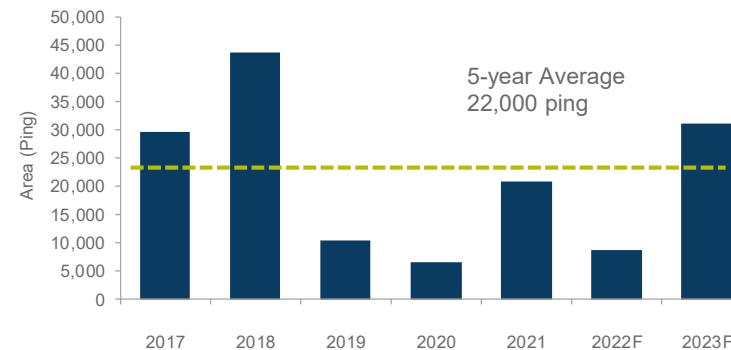
Source: Ministry of the Interior, Moody's Analytics
Note: Growth figure is y-o-y growth

RENT & VACANCY RATE



Source: Cushman & Wakefield Research

SUPPLY PIPELINE



Source: Cushman & Wakefield Research

SUBMARKET	INVENTORY (ping)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (Ping)	NTD/Ping/MO	GRADE A RENT	
					US\$/SF/MO	EUR/SF/MO
Western	46,800	4.2%	0	2,230	US\$2.26	€ 1.92
Nanjing/Songjiang	41,200	1.7%	0	2,130	US\$2.16	€ 1.83
Dunbei/Minsheng	223,700	6.0%	8,700	2,360	US\$2.39	€ 2.03
Dunnan	95,100	1.3%	0	2,420	US\$2.46	€ 2.08
Xinyi	343,800	2.8%	0	3,210	US\$3.26	€ 2.76
Taipei City	750,600	3.6%	8,700	2,615	US\$2.65	€ 2.25

1 USD = 27.7048 TWD; 1 EUR = 32.7171 TWD as of September 15, 2021

KEY LEASING TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Taiwan Life Insurance Zhongshan Bldg.	Western	Allianz Global Investors	1,580	Relocation
Exchange Square No.2	Xinyi	AB Taiwan	250	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	PING	COMPLETION DATE
E.SUN Second Headquarters	Dunbei/Minsheng	E.SUN Financial	8,700	2022

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Industrial-Office Q3 2021

XIHU SECTION

12-Mo. Forecast

1,510
Average Rent (NTD/PING/MO)

2.0%
Rent Growth Rate (QOQ)

4.1%
Vacancy Rate

Source: Cushman & Wakefield Research

New Supply Prompts Temporary Vacancy Rise in Juizhong Section

Juizhong Section saw the completion of four new projects in Q3: Chonghong New Generation, Fuqing Xingshan Enterprise Building, Shanyuan Chuangke Building, and Lianhong Technology Building. The new entrants released a total of around 18,600 pings of space into the market. One building at Chonghong New Generation has been occupied by Wanhai Lines as a headquarters property. But otherwise, new tenants have yet to move into the new completions, prompting a temporary vacancy rise. Consequently, the Juizhong Section vacancy rate rose 4.8 percentage points q-o-q to reach 19.5%. In Wende Section a few I/O units were released into the market, sending vacancy up 1.0 percentage points q-o-q to reach 7.6%. In Xihu Section, the vacancy rate dropped 3.0 percentage points q-o-q to 4.1%.

Demand Drives Rental Level Growth

Sustained demand drove rental level growth at Neihu Technology Park (NHTP) in Q3. Average rent at Xihu Section was at NT\$1,510 per ping per month. Rents in Wende Section and Juizhong Section were at NT\$1,070 and NT\$990 per ping per month, respectively. A notable transaction was CTBC Asset Management's whole-building acquisition of the Ing-Liang Group property for NT\$2.21 billion, at a price of NT\$520,000 per ping. Capital values in each section also increased from the prior quarter: Xihu to NT\$600,000-700,000 per ping, Wende to NT\$450,000-500,000, and Juizhong to NT\$440,000-500,000.

Juizhong Section Rental Level Still Has Growth Potential

Several industries impacted by the pandemic have experienced lease surrenders in Wende section. Such tenants have predominantly been in smaller units, which consequently have been easier to take over by new tenants. A large volume of new I/O supply has been released into the market in Juizhong section. With new tenants expected to move in over the next six months, we believe that the rental level in Juizhong section still has potential for growth.

TAIWAN ECONOMIC INDICATORS Q2 2021

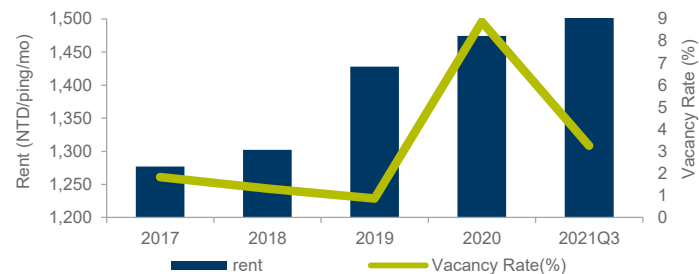
	Q1 2021	12-Mo. Forecast
7.4% GDP Growth	9.3%	▼

15.0% Secondary Sector Growth	14.6%	N/A
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2.1% CPI Growth	0.8%	▲
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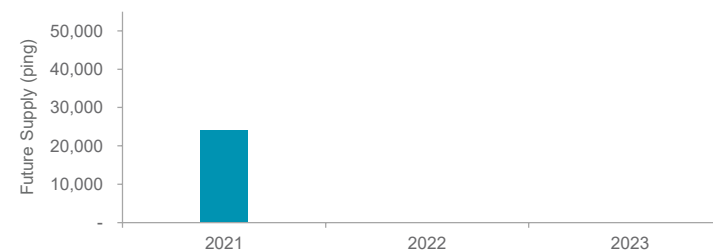
Source: Directorate-General of Budget, Accounting and Statistics, Moody's Analytics
Note: Growth figure is y-o-y growth

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	4.1%	-	1,510	US\$1.53	€ 1.30
Wende	7.6%	-	1,070	US\$1.08	€ 0.92
Jiuzong	19.5%	-	990	US\$1.00	€ 0.85

1 USD = 27.7048TWD; 1 EUR= 32.7171TWD as of Sep. 15, 2021

KEY LEASING TRANSACTIONS Q3 2021

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
Honhui Sparkle Square, Building A	Xihu	Financial Service	440	Relocation
Honhui Sparkle Square, Building A	Xihu	Financial Service	420	Relocation
Yale Technology Ctr.	Xihu	IT software industry	120	New Lease
NASA Technology Building	Xihu	IT software industry	460	Relocation
Jindian 21 technology building	Juizhong	Bio Medical technology	250	New Lease

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12- Mo. Forecast

11,200

Average Rent (NTD/PING/MO)



-7.4%

Rental Growth Rate (QOQ)



16.7%

Vacancy Rate



Source: Cushman & Wakefield

Easing of Pandemic Measures Sees Start of Retail Recovery

Pandemic containment restrictions have been gradually easing since late July. In turn, retail revenue has grown back gradually, benefitting from national holidays and an increasing willingness for consumers to return to brick-and-mortar stores. However, retail sales at general merchandise stores for the January to August period still dropped 1.2% y-o-y to NT\$828.2 billion, primarily due to the sales base support afforded by the stimulus voucher campaign last year. Department store sales in January to August fell by 7.6% y-o-y. Supermarket and wholesale store sales saw positive growth for the same period, up 8.8% and 3.6% y-o-y respectively, aided by Ghost Festival shopping. Convenience store sales for the 8M period fell by 1.0% y-o-y.

Retail Hubs Suffer as Vacancy Rises Sharply

Taipei's major retail hubs remained virtually deserted in Q3, despite COVID-19 case numbers slowing since August. In turn, rental levels have continued to retreat. Ximen hub has been heavily impacted, vacancy rising to 22.1% following the withdrawal of high-visibility tenants KFC-Emei and Xing Ju Dian in Q3. In Zhongxiao the vacancy rate rose to 15.1%. Zhongshan/Nanjing retail hub is now the sole key retail hub with sub-10% vacancy, at 6.6%.

Economic Stimulus Package Hoped to Reboot Retail Sales

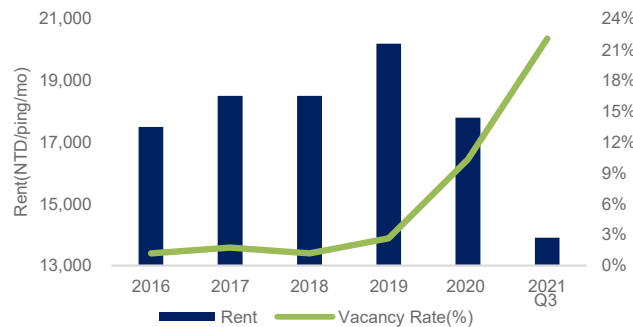
The severity of the COVID-19 case situation in Taipei has eased, with a gradual lifting of control measures during the quarter. In response, the government has announced a new Quintuple Stimulus Voucher campaign to boost consumer spending in Q4. Retailers are also set to launch a series of special offers to partner with the government efforts. As well, Q4 sees the traditional annual discount season. An array of promotional campaigns and offers, from online shopping festivals to department store annual sales, are hoped to draw shoppers back and rebuild the retail sales levels lost during Q2 and Q3.

TAIWAN ECONOMICS INDICATORS Q2 2021

	YoY Chg	12-Mo Forecast
+7.4% GDP Growth		
+2.1% CPI Growth		
-1.2% Cumulative Sales of General Merchandise		N/A

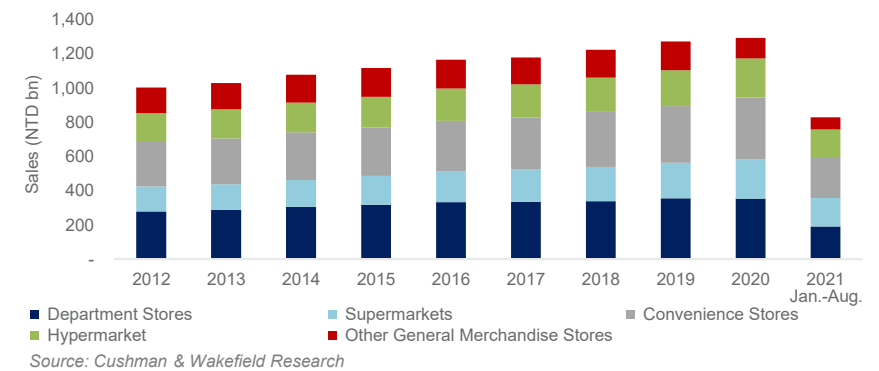
Source: Directorate-General of Budget, Accounting and Statistics, Moody's Analytics

RENT / VACANCY RATE IN XIMEN



Source: Cushman & Wakefield Research

CUMULATIVE SALES OF GENERAL MERCHANDISE



Source: Cushman & Wakefield Research

PRIMARY RETAIL VACANCY AND AVERAGE RENTS IN Q3 2021

RETAIL HUB	VACANCY RATE	RETAIL RANGE (NTD/ PING/ MO)	RENTAL RANGE (USD/SF/MO)	12- MONTH OUTLOOK
Zhongxiao	15.1%	8,000~14,000	8.1~14.2	▼
Zhongshan/Nanjing	6.6%	6,500~11,000	6.6~11.2	▼
Ximen	22.1%	12,500~15,500	12.7~15.7	▼

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 = 27.7048 NTD as of Sep 15, 2021

SIGNIFICANT OPENINGS IN Q3 2021

RETAIL HUB	LOCATION	TENENT	SIZE (Ping)
Zhongshan/Nanjing	Sec. 1, Nanjing E. Rd.	Yitiaotong Sushi Restaurant	60
Ximen	Kunming St.	Top One Pot Restaurant	75
Ximen	Kunming St.	Cool Glasses Shop	180
Zhongxiao	Sec. 4, Zhongxiao E. Rd.	Maccanti Ice Cream Shop	40
Zhongxiao	Sec. 4, Zhongxiao E. Rd.	FamilyMart	35

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	43,600
Diamond Towers	Da'an District, Taipei City	2022	4,300

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TAIWAN

Capital Markets Q3 2021



105.1B
YTD Investment Volume (NTD) **4.8%** YoY Chg

31.3B
Q3 Investment Volume (NTD) **-57.3%** YoY Chg

33
Q3 Deals **-36.5%** YoY Chg

ECONOMIC INDICATORS Q2 2021

+7.4%
GDP growth (annualized) **▲** YoY Chg **▼** 12-Mo. Forecast

+2.1%
CPI growth **▲** YoY Chg **▲** 12-Mo. Forecast

2.4%
Prime Leading Loan Rate **■** YoY Chg **N/A** 12-Mo. Forecast

Source: Ministry of the Interior, Moody's Analytics

Transaction Volume Surpassed 2020 Level, En Bloc Deals Prominent

Total consideration was at NT\$31.3 billion in Q3, up 14.3% q-o-q. The year-to-date transaction volume of NT\$105.1 billion surpassed the volume in the same period in 2020, driven by self-use demand and long-term returns from I/O and office sectors. Notable transactions included China Life Insurance's acquisition of office space at CIWC Tower in Hsinchu for NT\$2.3 billion. Mercuries Life Insurance purchased Huaku FIT for NT\$3.4 billion, while CTBC Asset Management purchased the former Guorui Group's headquarters for NT\$2.2 billion, and Luxshare-ICT acquired the Chong Hong Xin Rui Technology Building for NT\$1.5 billion.

Transaction activities in the hospitality sector also signaled further reshuffling evident since the COVID-19 outbreak. High visibility transactions included Yongshuo Investment's purchase of the Holiday Garden Hotel in Kaohsiung for NT\$2.7 billion, and Tonglit Logistics's acquisition of the Fushin Hotel in Xizhi for NT\$1.9 billion.

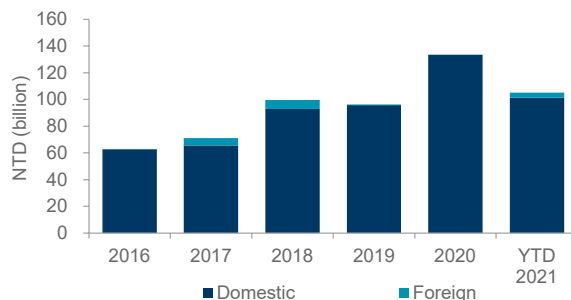
Land Transactions Upbeat

Total consideration for the land market in Q3 was at NT\$7.8 billion, up 11.1% q-o-q. The commercial and residential sectors accounted for 48.5% and 34.4%, respectively. Transaction highlights included Huaku Development's NT\$4.5 billion acquisition at the commercial zone in 2nd Subsection, Yucheng Section, and Goodman Group and Chi Meng Construction's purchase of The Evangelical Building in Taipei for NT\$3.93 billion. Farglory Land Development completed a NT\$3.9 billion acquisition of residential land in Xitun District. Developers are also bidding on land around the Taoyuan International Airport Access MRT A10, A20, and Taiwan High-Speed Rail Taoyuan station, at a combined NT\$21.9 billion.

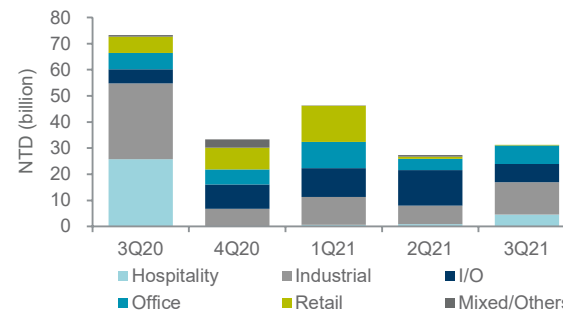
Self-Use Investors Remain Key Market Driver

The market performance for Q1 to Q3 indicates a full-year transaction volume for 2021 exceeding NT\$130 billion. Prospective buyers are accruing from strong corporate demand for owner-occupied property. However, limited office building supply is also generating new demand for built-to-suit office buildings for corporate self-use demand. Development sites in major cities are being keenly sought after by local developers.

INVESTMENT VOLUME BY CAPITAL SOURCE



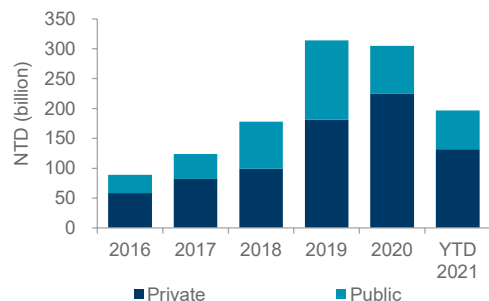
INVESTMENT VOLUME BY SECTOR



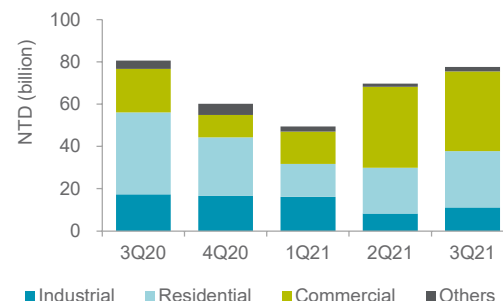
KEY SALE TRANSACTIONS

PROPERTY	LOCATION	SECTOR	PRICE (NTD BN)	VENDOR	PURCHASER	DEAL TYPE
Huaku FIT (Finance and IT Center)	Neihu Dist., Taipei City	Office	3.4	Huaku Development	Mercuries Life Insurance	Self-use
Holiday Garden Hotel	Qianjin Dist., Kaohsiung City	Hospitality	2.7	Holiday Garden Hotel Group	Yongshuo Investment	Investment
CIWC Tower	East Dist., Hsinchu City	Office	2.3	Fong Yi Construction	China Life Insurance	Investment
Guorui Group's Headquarter	Neihu Dist., Taipei City	I-O Building	2.2	Win-Win Global Strategy Marketing	CTBC Asset Management	Investment
Taipei Fushin Hotel	Xizhi Dist., New Taipei City	Hospitality	1.9	Founding Construction Development	Tonglit Logistics	Investment

Land Transactions Volume by Supply Source



Land Transactions Volume by Land Use



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