MARKETBEAT

TAIPEI

Office Q2 2022

12-Mo. Forecast

2,620
Average Rent (NTD/PING/MO)

0.0%
Rental Growth Rate (QOQ)

4.2%
Vacancy Rate

Source: Cushman & Wakefield Research

Overall Vacancy Remains Low

The E.SUN Bank Second Headquarters project for self-use in the Dunbei/Minsheng submarket launched in Q2, adding 8,700 pings of new supply to the Grade A office market. Overall vacancy in the office market remained at a low 4.2%. Among the submarkets, Western saw the biggest vacancy drop of 1.0 percentage points, followed by Dunnan with a drop of 0.8 percentage points. The reappearance of COVID-19 cases in Taiwan from April 2022 again impacted office market rental demand, with most leasing transactions consequently focused on small- to medium-size spaces.

Average Rental Level Remains Stable

Rental demand dropped off in Q2 from the renewed negative impacts of COVID-19. However, average rent for Grade A office space remained stable at NT$2,620 per ping per month, unchanged from the previous quarter. Xinyi submarket led the way with a rental level of NT$3,220 per ping per month, followed by Dunnan at NT$2,420 per ping per month.

Co-Working Spaces Provide an Office Alternative in Post-Pandemic Era

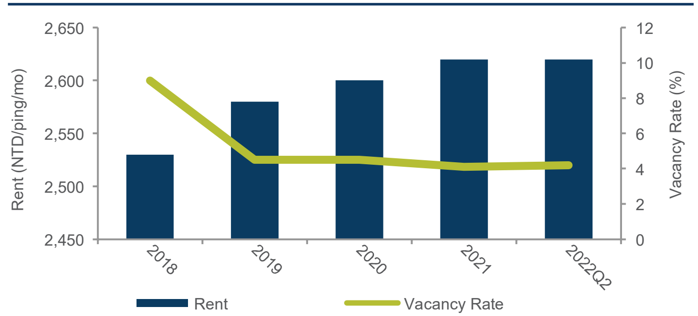
International companies generally slowed their expansion plans due to the pandemic situation in Taiwan in the quarter, while some enterprises dropped remote office projects in favor of renting more flexible co-working spaces. Co-working and flexible working spaces are in high demand in the post-pandemic era as working models change, combined with the rise of startup companies.

TAIWAN ECONOMIC INDICATORS Q1 2022

	Q4 2021	12-Mo. Forecast
3.1% GDP Growth	5.3%	
1.6% Service Sector GDP Growth	2.7%	N/A
2.8% CPI Growth	2.7%	
3.7% Unemployment Rate (March)	3.7%	N/A

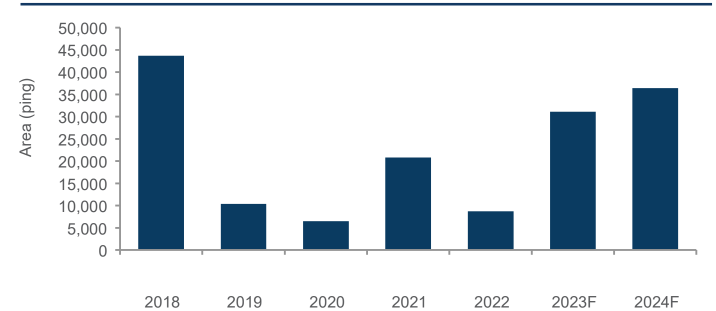
Note: Growth figure is y-o-y growth
Source: Ministry of the Interior, Moody's Analytics

RENT & VACANCY RATE



Source: Cushman & Wakefield Research

SUPPLY PIPELINE



Source: Cushman & Wakefield Research

MARKETBEAT

TAIPEI

Office Q2 2022

SUBMARKET	INVENTORY (PING)	VACANCY RATE	UNDER CONSTRUCTION (PING)	GRADE A RENT		
				NTD/PING/MO	US$/SF/MO	EUR/SF/MO
Western	46,800	7.6%	0	2,250	US$2.13	€ 2.04
Nanjing/Songjiang	41,200	1.0%	0	2,130	US$2.01	€ 1.93
Dunbei/Minsheng	232,400	8.8%	0	2,360	US$2.23	€ 2.14
Dunnan	95,100	0.3%	0	2,420	US$2.29	€ 2.19
Xinyi	343,800	2.2%	31,100	3,220	US$3.05	€ 2.92
Taipei City	759,300	4.2%	31,100	2,620	US$2.48	€ 2.37

1 USD = 29.7170 TWD; 1 EUR = 31.0273 TWD as of June 15, 2022

KEY LEASING TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Taipei 101	Xinyi	Coupang	1,060	New Lease
Taiwan Life Insurance Zhongshan Bldg.	Western	Brown-Forman	320	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	PING	COMPLETION DATE
A25 Fubon	Xinyi	-	31,100	2023

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About Cushman & Wakefield

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TAIPEI

Industrial-Office Q2 2022

XIHU SECTION

	12-Mo. Forecast
1,530 Average Rent (NTD/PING/MO)	
1.3% Rent Growth Rate (QOQ)	
3.9% Vacancy Rate	

Source: Cushman & Wakefield Research

TAIWAN ECONOMIC INDICATORS Q1 2022

	Q4 2021	12-Mo. Forecast
3.1% GDP Growth	5.3 %	
6.0 % Secondary Sector Growth	9.9 %	N/A
2.8% CPI Growth	2.7%	

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

Same-Building Expansion Activities Lead the Leasing Market

The vacancy rate in Xihu Section rose 0.2 percentage points q-o-q to record 3.9% in Q2, primarily due to tenancy expiry with the resulting idle space still to be rented. In Wende Section, the vacancy rate dropped 0.2 percentage points q-o-q to record 7.1%. Same-building expansion by tenants was a highlight in leasing activity in the quarter. An ICT firm expanded by 700 pings at the Li & Fung Building, while an apparel company took an additional 120 pings at Building C, Asia Plaza, and an F&B operator took 190 pings at the Sweden Technology Center. The Juizhong Section vacancy rate rose 0.1 percentage points q-o-q to record 13.6% in the quarter.

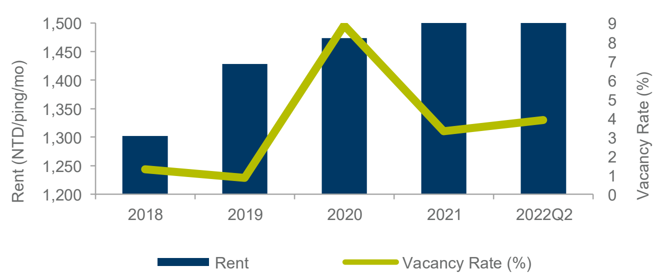
Rent and Capital Values Remain Steady

Rental levels grew modestly in Wende section in Q2. The average rent at Wende Section was at NT$1,090 per ping per month. Average rent in Xihu Section stood at NT$1,530 per ping per month, and in Juizhong Section was steady at NT$990 per ping per month. There were only a few acquisition transactions at NHTP in Q2. Brillian acquired 180 pings of the Re-Form Solar Headquarters for NT$148 million, equivalent to an average unit price of NT$790,000 per ping. Capital values in each Section were steady. Xihu Section was at NT$600,000-730,000 per ping, Wende at NT$460,000-530,000, and Jiuzhong at NT$440,000-500,000.

Owners Set to Test Sale-Leasebacks Following Rate Hike

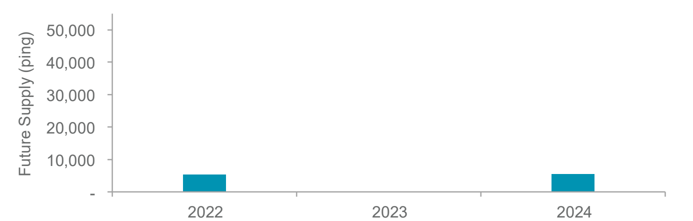
Following the Central Bank's benchmark interest rate rise, some owners are now considering asset disposals to benefit from firm capital values. They plan to test the market reaction with sale and leaseback agreements. However, the key factors for such agreements will be the lease term and the rental level. Capital funds are also eyeing the Tanmei Section, adjacent to NHTP. Most of the investment activity here is aimed at new properties and whole-building acquisitions as choices for capital berthing.

RENT & VACANCY RATE (XIHU SECTION)



Source: Cushman & Wakefield Research

FUTURE SUPPLY



Source: Cushman & Wakefield Research

MARKETBEAT

TAIPEI

Industrial-Office Q2 2022

SECTION	VACANCY RATE	UNDER CONSTRUCTION (PING)	I/O RENT		
			NTD/PING/MO	USD/SF/MO	EUR/SF/MO
Xihu	3.9%	-	1,530	US$1.45	€ 1.39
Wende	7.1%	-	1,090	US$1.03	€ 0.99
Jiuzong	13.6%	-	990	US$0.94	€ 0.90

1 USD = 29.7170TWD; 1 EUR= 31.0273TWD as of Jun. 15, 2022

KEY LEASING TRANSACTIONS Q2 2022

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
Li & Fung Building	Wende	Information and Communications Technology	700	Expansion
Asia Plaza, Building C	Wende	Wearing Apparel and Clothing Accessories	120	Expansion
Sweden Technology Center	Wende	F&B	190	Expansion
Farglory Zurich Trading Center B	Juizhong	Investment Advisory Services	100	New Lease
For-tune Xingshan Headquarters	Juizhong	IT Software Industry	170	Expansion

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SECTION	MAJOR TENANT	PING	COMPLETION DATE
CREM Building	Xihu	-	5,400	2024

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TAIPEI

Retail Q2 2022

	12- Mo. Forecast
10,600 Average Rent (NTD/PING/MO)	—
-4.5% Rental Growth Rate (QOQ)	—
18.4% Vacancy Rate	—

Source:Cushman & Wakefield

TAIWAN ECONOMICS INDICATORS Q1 2022

	YoY Chg	12-Mo Forecast
3.1% GDP Growth	▼	▼
2.8% CPI Growth	▲	▼
3.1% Cumulative Sales of General Merchandise	▲	N/A

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

Reappearance of COVID-19 Triggers Retail Revenue Sector Divergence

The reappearance of COVID-19, with a sharp rise in cases at the end of April, again negatively impacted the retail market, with some sectors more hard-hit than others. Revenue performance divergence again became evident. Retail sales at general merchandise stores for the January to April period rose by 3.1% y-o-y. Supermarket sales for the same January to April period jumped 13.4%, benefiting from increasing demand for daily necessities and fresh produce during the COVID wave. In contrast, department stores suffered from shrinking customer footfall, with sales struggling to record 0.2% growth for the same period y-o-y. Convenience store and wholesale store sales for the January to April period rose 1.3% and 4.9% y-o-y, respectively.

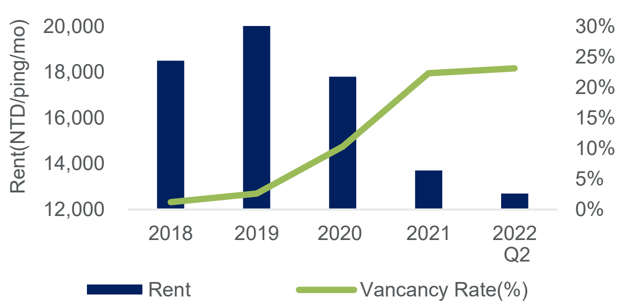
Ximen Retail Hub Vacancy Rises to Record High

The negative impact of the new wave of COVID-19 drove the vacancy rate at the Ximen retail hub to a historical peak, at 23.1%. The pandemic has seen an exodus of pharmacy stores, accessory shops and tea shops from the heart of the district, Hanzhong St. In the Zhongshan / Nanjing hub, the just-completed high-rise Yuanta Fang Yuan building is now partly occupied by a retail bank branch, with the hub's vacancy rate rising quite modestly to 9.7%. In the Zhongxiao hub, several pharmacy stores and fashion stores that had exited have now been replaced primarily by tea shops and footwear brands. The hub's vacancy remained unchanged on the previous quarter at 16.9%.

Department Store Operators Seeking Business Opportunities Post-Pandemic

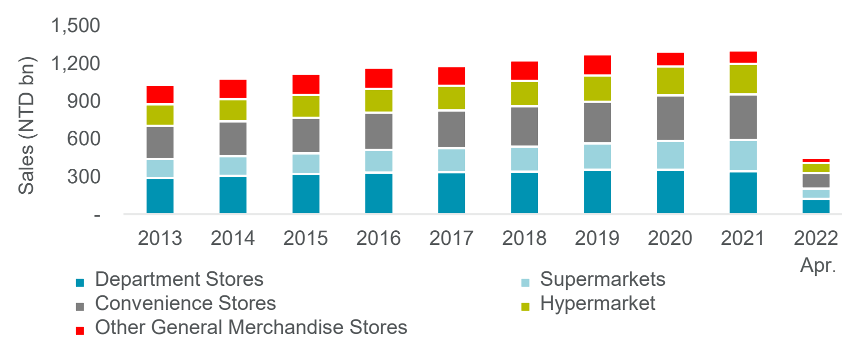
Department stores have moved to refurbish spaces, refresh merchandise layouts and enhance online services during the period, looking to regain customer footfall and sales once the pandemic abates. Ahead, the key concern for the overall recovery of the retail market in the second half of the year is the hoped-for ending of the plateau period of the current wave of COVID-19.

RENT / VACANCY RATE IN XIMEN



Source: Cushman & Wakefield Research

CUMULATIVE SALES OF GENERAL MERCHANDISE



Source: Directorate-General of Budget, Accounting and Statistics

MARKETBEAT

TAIPEI

Retail Q2 2022

PRIMARY RETAIL VACANCY AND AVERAGE RENTS IN Q2 2022

RETAIL HUB	VACANCY RATE	RETAIL RANGE (NTD/ PING/ MO)	RENTAL RANGE (USD/SF/MO)	12- MONTH OUTLOOK
Zhongxiao	16.9%	8,000~13,000	7.6~12.3	▼
Zhongshan/Nanjing	9.7%	6,500~11,000	6.1~10.4	▬
Ximen	23.1%	9,000~14,000	8.5~13.2	▼

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 = 29.7170 NTD as of June 15, 2022

SIGNIFICANT OPENINGS IN Q2 2022

RETAIL HUB	LOCATION	TENENT	SIZE (Ping)
Zhongshan/Nanjing	Nanjing W. Rd.	aimerfeel	50
Ximen	Xining S. Rd.	SHARECO	25
Zhongxiao	Sec. 4, Zhongxiao E. Rd.	SHOEX	20

SIGNIFICANT RETAIL PROJECTS - UNDER CONSTRUCTION/DECORATION

PROJECT	LOCATION	EXPECTED COMPLETION	GFA (Ping)
Diamond Towers	Da'an District, Taipei City	2022	4,300
Yulong Town	Xindian District, New Taipei City	2023	43,600
Mitsui Shopping Park LaLaport (Nangang)	Nangang District, Taipei City	2024	61,900

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MARKETBEAT

TAIWAN

Capital Markets Q2 2022

CUSHMAN & WAKEFIELD 戴德梁行

	YoY Chg
61.9 B YTD Investment Volume (NTD)	-15.9%
27.7 B Q2 Investment Volume (NTD)	1.5%
43 Q2 Deals	16.2%

ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
3.1% GDP growth	▼	▼
2.8% CPI growth	▲	▼
2.4% Prime Leading Loan Rate	▬	N/A

Source: Ministry of the Interior, Moody's Analytics

Investment Buyers Focusing on Office Sector

Total consideration was at NT$27.7 billion in Q2, a sharp drop of 19.2% compared to last quarter. Buyers are primarily interested in office and I-O properties for investment income. The two sectors accounted for 54.9% of total consideration, totaling NT$15.2 billion. Notable deals included Universal Real Estate Development and Kun Ching International Development's acquisition of Uni-President International Tower's office space for NT$3.5 billion. Ling Hang Jia Investment also purchased Chong Hong Feng Hui Commercial Building for NT$3.1 billion. Moreover, Uni-President Enterprises claimed the largest transaction in the quarter, based on asset allocation, as it acquired a share of the retail space at the Uni-President International Building for NT$5.9 billion.

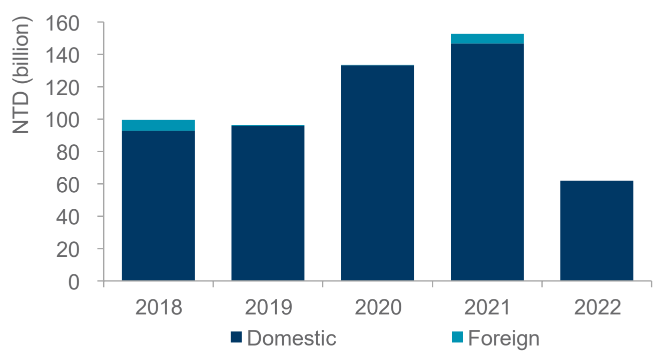
Construction Companies Turn Cautious, Land Sales Dwindle

The Central Bank's housing price restraint policy and interest rate hikes have prompted the market into opting for a wait-and-see approach. As a result, the land market lacked large-scale transactions. Total transaction volume was just NT$26.5 billion in Q2, a sharp drop of 43.8% from the previous quarter. Construction companies were the primary buyers, followed by financial and insurance firms. Notable acquisitions included Fubon Life Insurance's purchase of Type-D construction land for NT$2.7 billion in Hukou Township, Hsinchu County, while Goldsun Building Materials acquired technology industrial land in Jiuzong Section, Neihu District, for NT$2.1 billion. Additionally, Far Eastern International Bank picked up specific business areas in Xinyi District for NT$2.0 billion.

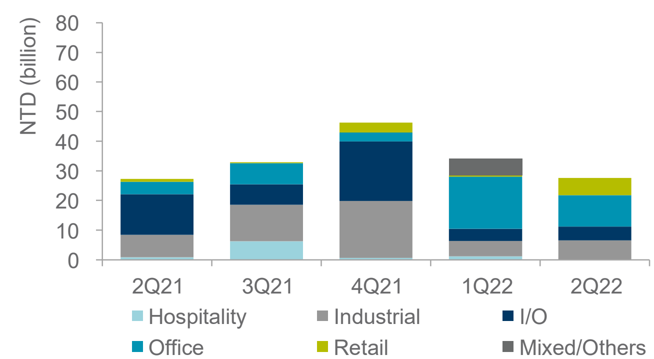
Capital Market Faces Challenges as Central Bank Again Raises Interest Rates

Investors' purchasing power weakened after the Central Bank raised interest rates in March this year. Interest rates then rose again by 12.5 basis points on June 16, leaving buyers more cautious in evaluating real estate capital allocation. We can also expect to see transaction volume fall, as prices remain firm and a tug-of-war between buyers and sellers develops.

INVESTMENT VOLUME BY CAPITAL SOURCE



INVESTMENT VOLUME BY SECTOR



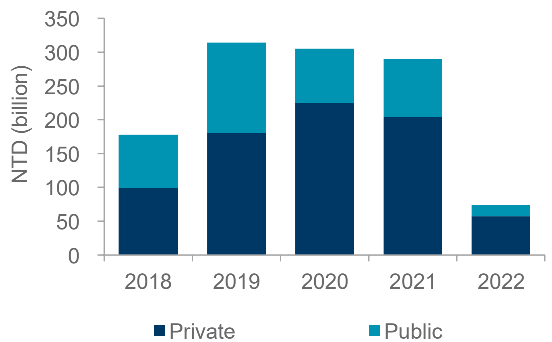
TAIWAN

Capital Markets Q2 2022

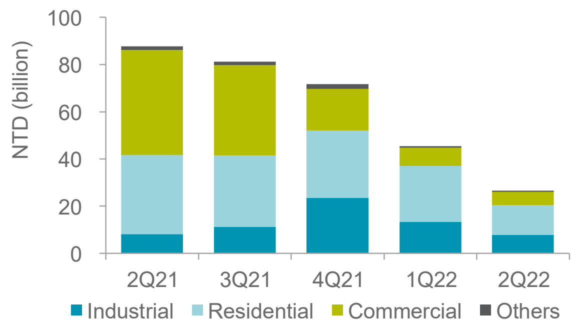
KEY SALE TRANSACTIONS

PROPERTY	LOCATION	SECTOR	PRICE (NTD BN)	VENDOR	PURCHASER	DEAL TYPE
Uni-President International Tower	Xinyi Dist., Taipei City	Retail	5.9	Universal Real Estate Development and Kun Ching International Development	Uni-President Enterprises	Investment
Uni-President International Tower	Xinyi Dist., Taipei City	Office	3.5	Uni-President Enterprises	Universal Real Estate Development and Kun Ching International Development	Investment
Chong Hong Feng Hui Commercial Building	Neihu Dist., Taipei City	Office	3.1	Chong Hong Construction	Ling Hang Jia Investment	Investment
Factory in Waipu Dist., Taichung City	Waipu Dist., Taichung City	Industrial	2.3	Twoway Communications	Individual	Self-use
Factory in Xinfeng, Hsinchu	Xinfeng Township, Hsinchu County	Industrial	1.2	Sanyang Motor	Chuan Shing Engineering Corporation	Investment

Land Transactions Volume by Supply Source



Land Transactions Volume by Land Use



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