

Office Q3 2022

12-Mo.
Forecast

2,630
Average Rent (NTD/PING/MO)

0.4%
Rental Growth Rate (QOQ)

3.7%
Vacancy Rate

Source: Cushman & Wakefield Research

Demand Growth Slows as Global Economic Uncertainty Rises

The office market's overall vacancy rate dropped slightly at 0.5 percentage points q-o-q to record 3.7% in Q3. Among the submarkets, Dunbei/Minsheng saw the biggest vacancy drop of 1.5 percentage points, followed by Western with a drop of 1.2 percentage points. The uncertain global economic situation has led to slower growth in rental demand.

Average Rental Level Remains Stable

With insufficient market supply in the short-term, average rent for Grade A office space rose slightly at 0.4% in Q3 to record NT\$2,630 per ping per month. Xinyi submarket led the way with a rental level of NT\$3,230 per ping per month, followed by Dunnan at NT\$2,420 per ping per month.

Office Upgrades for Flexible and Sustainable Goals

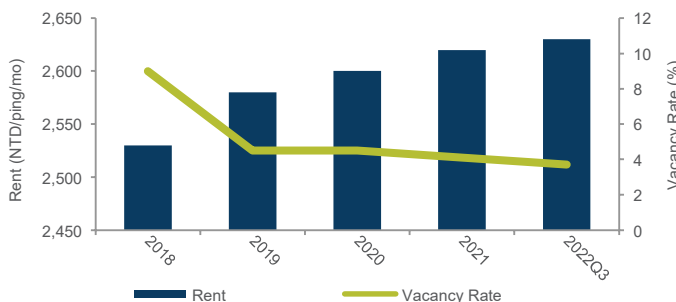
In response to the unclear economic big picture and changes in working models in the post-pandemic era, enterprises generally slowed their expansion plans or commenced business downsizing during the quarter. At the same time, the importance of Environmental, Social, and Corporate Governance (ESG) strategies are growing, leading to rising demand for buildings with green credentials. Flexible, sustainable Grade A office and co-working spaces are still in active demand.

TAIWAN ECONOMIC INDICATORS Q2 2022

	Q1 2022	12-Mo. Forecast
3.1% GDP Growth	3.7%	▼
2.3% Service Sector GDP Growth	1.8%	N/A
3.5% CPI Growth	2.8%	▼
3.7% Unemployment Rate (June)	3.7%	N/A

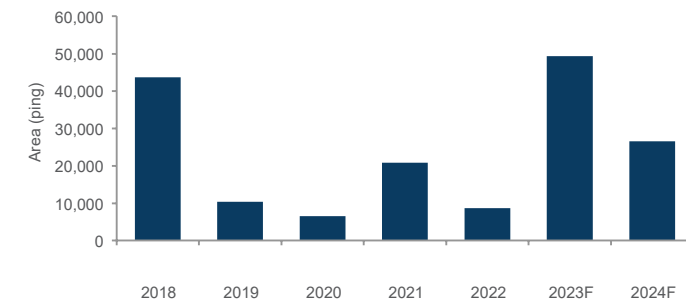
Note: Growth figure is y-o-y growth
Source: Ministry of the Interior, Moody's Analytics

RENT & VACANCY RATE



Source: Cushman & Wakefield Research

SUPPLY PIPELINE



Source: Cushman & Wakefield Research

SUBMARKET	INVENTORY (PING)	VACANCY RATE	UNDER CONSTRUCTION (PING)	GRADE A RENT		
				NTD/PING/MO	US\$/SF/MO	EUR/SF/MO
Western	46,800	6.4%	18,300	2,250	US\$2.03	€ 2.04
Nanjing/Songjiang	41,200	0.8%	0	2,130	US\$1.92	€ 1.93
Dunbei/Minsheng	232,400	7.3%	12,900	2,360	US\$2.13	€ 2.14
Dunnan	95,100	0.5%	13,700	2,420	US\$2.18	€ 2.19
Xinyi	343,800	2.2%	31,100	3,230	US\$2.92	€ 2.93
Taipei City	759,300	3.7%	76,000	2,630	US\$2.37	€ 2.38

1 USD = 31.1299 TWD; 1 EUR = 31.0129 TWD as of September 15, 2022

KEY LEASING TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Hung Tai Center	Dunbei/Minsheng	Shipline	2,410	Relocation
Cathay Xinyi Trade Building	Xinyi	NCTaiwan	820	New Lease
Hung-Sheng International Finance Center	Dunbei/Minsheng	17LIVE	470	Expansion
Hung Kuo Building	Dunbei/Minsheng	PERSOL Taiwan	280	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	PING	COMPLETION DATE
A25 Fubon	Xinyi	-	31,100	2023
Huang Hsiang Taiwan Motor North Station Building	Western	-	12,000	2023
SCSB Headquarters	Western	-	6,300	2023
Cathay Huanyu Building	Dunbei/Minsheng	-	12,900	2024
Yuanta Bank Headquarters	Dunnan	-	13,700	2024

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About Cushman & Wakefield

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 in the world, with approximately 50,000 employees in over 400 offices and 60 countries. In Greater China, a network of 23 offices serves local markets across the region, earning recognition and winning multiple awards for industry-leading performance. The firm had global revenues of \$7.8 billion in 2020 across core services including valuation, consulting, project & development services, capital markets, project & occupier services, industrial & logistics, retail and others. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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XIHU SECTION

12-Mo. Forecast

1,535
Average Rent (NTD/PING/MO)

0.4%
Rent Growth Rate (QOQ)

2.6%
Vacancy Rate

Source: Cushman & Wakefield Research

TAIWAN ECONOMIC INDICATORS
Q2 2022

3.1%
GDP Growth

Q1 2022: **3.7%** (Down arrow)

12-Mo. Forecast: (Down arrow)

4.4%
Secondary Sector Growth

Q1 2022: **6.1%** (Down arrow)

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

3.5%
CPI Growth

Q1 2022: **2.8%** (Down arrow)

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

NHTP Leasing Demand Continues, Vacancy Rate Falls

The vacancy rate in Xihu Section dropped 1.3 percentage points q-o-q to record 2.6% in Q3, primarily due to one financial industry tenant expanding by 2,300 pings at the Honghui Sparkle Square. In Wende Section, the vacancy rate dropped 1.1 percentage points q-o-q to record 6.0%. A financial industry client expanded by 455 pings at Building A, Asia Plaza. An IT software firm took 470 pings at Sweden Technology Center, together with another who took an additional 310 pings at Times Plaza. The vacancy rate also dropped in Juizhong Section, down 1.1 percentage points q-o-q to record 12.5%, primarily due to an IT software firm expanding by 310 pings at the Soloman Building. An ocean freight transportation firm acquired the Chonghong New Generation Technology Building in 2020 and took 725 pings of space at the property this quarter.

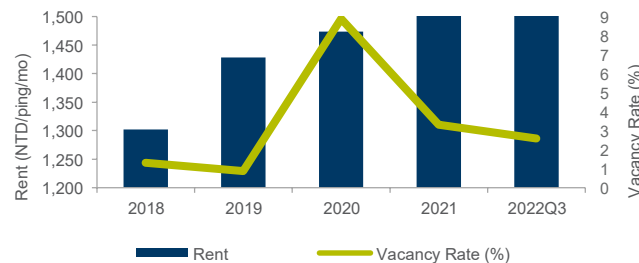
Rent and Capital Values Rose Slightly

Rental levels demonstrated growth in Q3. The average rent at Xihu Section was at NT\$1,535 per ping per month. Average rent in Wende Section was at NT\$1,100 per ping per month, and in Juizhong Section was at NT\$995 per ping per month. Capital values in each Section also moved up slightly: Xihu at NT\$600,000-750,000 per ping, with Wende at NT\$470,000-550,000, and Juizhong at NT\$440,000-500,000. A major transaction at NHTP was China Life's acquisition of the ECS building for NT\$8,350 million, equivalent to an average unit price of NT\$860,000 per ping.

Expected Slowdown in Transactions

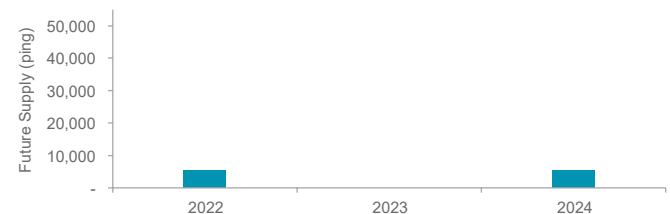
As the vacancy rate continues dropping in NHTP, sellers now have elevated expectations for selling prices. However, due to the uncertain influence of the overall economic climate, investment and self-use buyers have become more conservative in their bids. The price expectation gap of both parties has expanded. We expect to see a slowdown in overall transaction activity.

RENT & VACANCY RATE (XIHU SECTION)



Source: Cushman & Wakefield Research

FUTURE SUPPLY



Source: Cushman & Wakefield Research

SECTION	VACANCY RATE	UNDER CONSTRUCTION (PING)	I/O RENT		
			NTD/PING/MO	USD/SF/MO	EUR/SF/MO
Xihu	2.6%	-	1,535	US\$1.39	€ 1.39
Wende	6.0%	-	1,100	US\$0.99	€ 1.00
Jiuzong	12.5%	-	995	US\$0.90	€ 0.90

1 USD = 31.1299TWD; 1 EUR = 31.0129TWD as of Sep. 15, 2022

KEY LEASING TRANSACTIONS Q3 2022

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
Honhui Sparkle Square	Xihu	Financial Industry	2,300	Expansion
Chonghong New Century Headquarters	Xihu	Wholesale and Retail Trade	330	Expansion
Asia Plaza, Building A	Wende	Financial Industry	455	Expansion
Sweden Technology Center	Wende	IT Software Industry	470	Expansion
Times Plaza	Wende	IT Software Industry	310	Expansion
Solomon Building	Juizhong	IT Software Industry	310	Expansion

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

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

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10,400

Average Rent (NTD/PING/MO)

12- Mo. Forecast



-1.9%

Rental Growth Rate (QOQ)



16.3%

Vacancy Rate



Source: Cushman & Wakefield

TAIWAN ECONOMICS INDICATORS Q2 2022

3.1%

GDP Growth

YoY Chg



12-Mo Forecast



3.5%

CPI Growth



8.7%

Cumulative Sales of General Merchandise



N/A

Retail Revenue Surged With Renewed Consumer Willingness to Spend

Taiwan's pandemic prevention strategy adjustment in order to coexist with the virus led to renewed consumer willingness to go out to spend, boosting retail revenue performance. For the period January to July 2022, retail sales at general merchandise stores expanded by 8.7% y-o-y. Department store sales grew by 21.8% y-o-y on the back of the well-controlled pandemic situation, coupled with the holiday shopping season, compared to the low base period resulting from the pandemic level three alert last year. Supermarket sales grew by 2.0% y-o-y. Convenience stores saw a 5.7% increase, and wholesale stores a 2.9% increase y-o-y.

High Street Vacancy Rates in Ximen Fall for the First Time Since the Pandemic

Jewelry stores and chain beverage stores successively moved into the core shopping districts with the rapid replacement of vacant space in Ximen. As a result, the Ximen vacancy rate fell 1.2 percentage points to 21.1%. Shopper traffic in the Zhongshan/Nanjing business district remained stable, and the storefront refresh continued. Many of the retail units that have not yet been opened have been rented or are undergoing renovation. Zhongshan/Nanjing vacancy rates have fallen by 5.1 percentage points to 4.61%. In the Zhongxiao business district, rents continued to soften, while the vacancy rate remained unchanged.

Department Stores Entering Both Sides of Eastern Business District to Connect Xinyi Retail Hub Shoppers

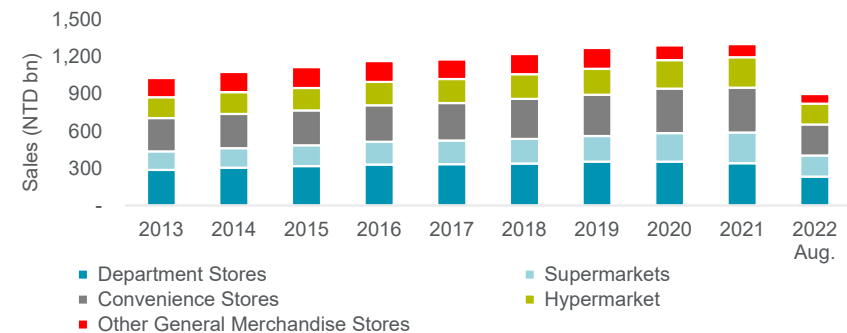
The Shin Kong Mitsukoshi Diamond Tower project is scheduled to open at the end of 2022. The Far Eastern Group has also announced its entry into Taipei Dome. In addition, it has plans to build a large-scale shopping mall in 2024 named the Far Eastern SOGO City. In the absence of further pandemic disruption, department stores are expected to breathe new life into the Eastern business district in the post-pandemic era, which will extend business on both sides of Sec. 4, Zhongxiao E. Rd and connect with the shopper crowds from Xinyi retail hub.

RENT / VACANCY RATE IN XIMEN



Source: Cushman & Wakefield Research

CUMULATIVE SALES OF GENERAL MERCHANDISE



Source: Directorate-General of Budget, Accounting and Statistics

PRIMARY RETAIL VACANCY AND AVERAGE RENTS IN Q3 2022

RETAIL HUB	VACANCY RATE	RETAIL RANGE (NTD/ PING/ MO)	RENTAL RANGE (USD/SF/MO)	12- MONTH OUTLOOK
Zhongxiao	16.8%	8,000~12,000	7.2~10.8	▼
Zhongshan/Nanjing	4.6%	6,500~11,000	5.9~9.9	■
Ximen	21.2%	9,000~14,000	8.1~12.6	▼

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 = 31.1299 NTD as of September 15, 2022

SIGNIFICANT OPENINGS IN Q3 2022

RETAIL HUB	LOCATION	TENANT	SIZE (Ping)
Zhongshan/Nanjing	Sec. 1, Zhongshan N. Rd.	Bravo! Dental Clinic	75
Ximen	Xining S. Rd.	Yakiniku Cha Cha	35
Ximen	Hanzhong St.	COMEBUY	5
Zhongxiao	Sec. 4, Zhongxiao E. Rd.	JINJU MINI	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
Far Eastern SOGO CITY	Xinyi District, Taipei City	2024	42,000

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Capital Markets Q3 2022

96.4B
YTD Investment Volume (NTD) **-8.2%** YoY Chg

34.6 B
Q3 Investment Volume (NTD) **5.1%** YoY Chg

31
Q3 Deals **-16.2%** YoY Chg

ECONOMIC INDICATORS Q2 2022

3.1%
GDP growth **▼** YoY Chg **▼** 12-Mo. Forecast

3.5%
CPI growth **▲** YoY Chg **▼** 12-Mo. Forecast

2.6%
Prime Leading Loan Rate **▲** YoY Chg **N/A** 12-Mo. Forecast

Investment Buyers Focusing on Office and I/O Sectors

Total consideration was at NT\$34.56 billion in Q3, a rise of 25.0% from the previous quarter. As in the prior period, buyers were again focused on office and I/O properties for investment income, totaling NT\$25.9 billion, or 74.9% of the total volume. Notable deals included China Life's acquisition of Mercuries Life Insurance's Elite Group Building in Neihu District for NT\$8.35 billion, and the en-bloc acquisition of the Goldsun Building office property by individual buyers for NT\$6.5 billion.

Steel Market Boom Continues to Boost Factory Demand

Industrial real estate transactions remained a hot trend in Q3, with steel-related industries continuing to require large production capacities. Donghe Steel acquired a factory in Kaohsiung's Xiaogang District for NT\$2.43 billion, while Dacheng Stainless purchased a factory in Tainan's Xintian Industrial Park for NT\$940 million. The quarter also saw a hotel sector transaction, with Bank Taichung Leasing's purchase of Kaohsiung's Airline Inn -- Kaohsiung Station for NT\$560 million, in preparation for the return of the tourism market.

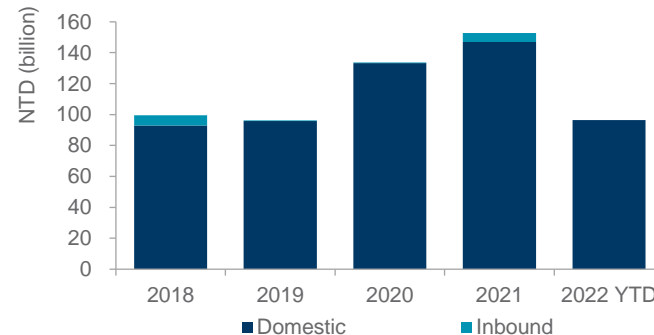
Taoyuan Aerotropolis Land Bids Spur Land Market Transactions Recovery

Benefiting from the opening of land bids in the Taoyuan Aerotropolis, and the Taoyuan City Government's auction of several district land acquisitions, total land transaction value reached NT\$52.04 billion in Q3, jumping 86.5% from the last quarter. Notable deals included Starlux Airlines' bid for the Aerotropolis site G at NT\$8.96 billion, the highest value land transaction in the quarter, followed by President Chain Store Corporation's bid for site H at NT\$6.00 billion.

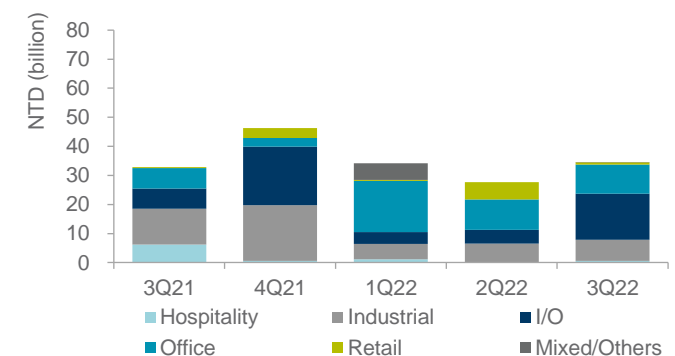
Capital Market Continues Slowdown as Central Bank Again Raises Interest Rates

In the environment of economic recession warnings domestically and from abroad, the market continued to take a wait-and-see attitude, while the Central Bank again raised interest rates, by 12.5 basis points, in September. So far this year, overall market transactions look thin on the ground. Based on the performance for the first three quarters, the market looks set to fall somewhat short of the total investment volume of NT\$150 billion recorded last year.

INVESTMENT VOLUME BY CAPITAL SOURCE



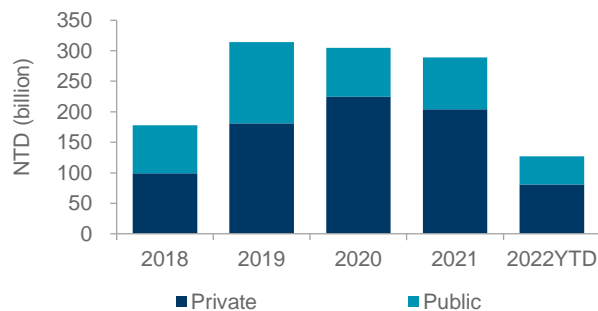
INVESTMENT VOLUME BY SECTOR



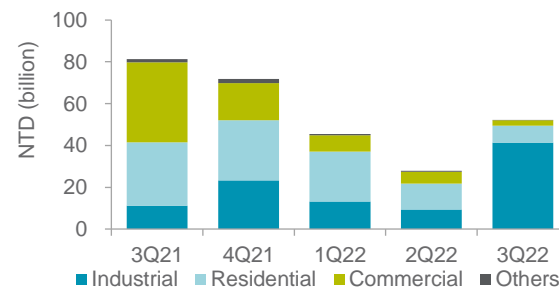
KEY SALE TRANSACTIONS

PROPERTY	LOCATION	SECTOR	PRICE (NTD BN)	VENDOR	PURCHASER	DEAL TYPE
Elite Group Building	Neihu Dist., Taipei City	Office	8.4	Mercuries Life Insurance	China Life	Investment
Goldsun Building	Datong Dist., Taipei City	Office	6.5	Wasion International Development	Individual	Investment
I-O Building in Dayuan Dist., Taoyuan City	Dayuan Dist., Taoyuan City	I-O Building	6.3	Chin Hong Enterprise	Taiwan Life Insurance	Investment
Factory in Xiaogang Dist., Kaohsiung City	Xiaogang Dist., Kaohsiung City	Industrial	2.4	Court	Tung Ho Steel	Self-use
Factory in Rende Dist., Tainan City	Rende Dist., Tainan City	Industrial	0.9	I Cheng Textile, Wu Tong Industrial & Tong Cheng Tay Industrial	Ta Chen International	Self-use

Land Transactions Volume by Supply Source



Land Transactions Volume by Land Use



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