

12-Mo.
Forecast

2,640
Average Rent (NTD/PING/MO)

0.4%
Rental Growth Rate (QOQ)

3.8%
Vacancy Rate

Source: Cushman & Wakefield Research

Overall Vacancy Remains Low as Variation Emerges Among Submarkets

The office market's overall vacancy rate rose slightly at 0.1 percentage points q-o-q to reach 3.8% in Q4. Among the submarkets, Nanjing/Songjiang and Dunbei/Minsheng dropped 0.8 percentage points respectively, while Dunnan and Xinyi rose 0.6 and 0.5 percentage points respectively. The overall vacancy rate in the quarter remained low, with variation emerging among the submarkets. Full-year net absorption for 2022 recorded just 10,600 pings primarily due to the limited available market supply.

Average Rental Level Remains Stable, While Rising in Core Area

With insufficient market supply in the short-term, average rent for Grade A office space rose slightly at 0.4% in Q4 to record NT\$2,640 per ping per month. Xinyi submarket led the way with a rental level of NT\$3,270 per ping per month, followed by Dunnan at NT\$2,420 per ping per month. Xinyi submarket showed the strongest growth for consecutive quarters, due to rising rents for prime office space in the area.

Flexible Office Trends in Post-Pandemic Era

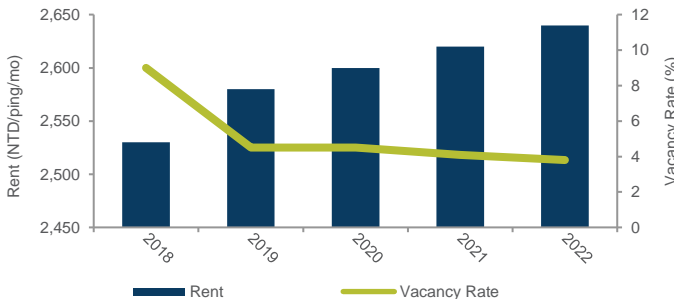
Hybrid work has been adopted by some companies in the post-pandemic era, leading to higher demand for office space providing flexible leasing duration and floor areas. Business center and co-working space operators are able to provide customized and flexible terms for tenants' diverse demands, and in turn help enterprises reduce carbon footprints or reach sustainability goals under the regulations and objectives of ESG, SDGs and the Green Finance Action Plan 3.0.

In the meantime, some traditional office occupants chose to renovate their working areas or downsize, either moving to prime space to enhance corporate visibility or to meet contemporary working models. High-quality offices meeting tenants' requirements remains in short supply.

TAIWAN ECONOMIC INDICATORS Q3 2022

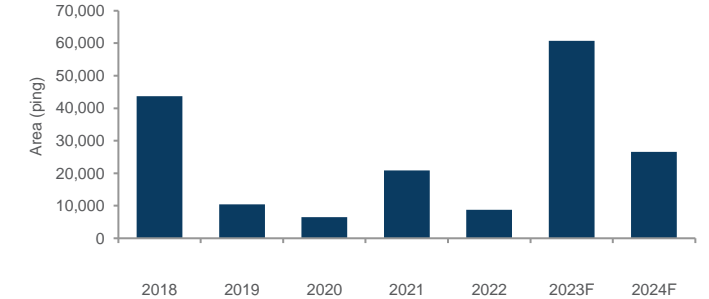
	Q2 2022	12-Mo. Forecast
4.0% GDP Growth	3.0%	▼
4.2% Service Sector GDP Growth	2.5%	N/A
2.9% CPI Growth	3.5%	▼
3.7% Unemployment Rate (September)	3.7%	N/A

RENT & VACANCY RATE



Source: Cushman & Wakefield Research

SUPPLY PIPELINE



Source: Cushman & Wakefield Research

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

SUBMARKET	INVENTORY (PING)	VACANCY RATE	UNDER CONSTRUCTION (PING)	NTD/PING/MO	GRADE A RENT	
					US\$/SF/MO	EUR/SF/MO
Western	46,800	6.4%	18,300	2,250	US\$2.07	€ 1.94
Nanjing/Songjiang	41,200	0.0%	0	2,150	US\$1.98	€ 1.85
Dunbei/Minsheng	232,400	6.7%	12,900	2,370	US\$2.18	€ 2.04
Dunnan	95,100	1.1%	13,700	2,420	US\$2.22	€ 2.09
Xinyi	343,800	2.8%	42,500	3,270	US\$3.00	€ 2.82
Taipei City	759,300	3.8%	87,400	2,640	US\$2.43	€ 2.28

1 USD = 30.5847 TWD; 1 EUR = 32.5998 TWD as of December 15, 2022

KEY LEASING TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Taiwan Securities Financial Building	Nanjing/Songjiang	Taishin Securities	320	Expansion
Bank Tower	Dunbei/Minsheng	Chang Gung Biotechnology	310	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
Farglory Dome	Xinyi	-	11,400	2023
Cathay Huanyu Building	Dunbei/Minsheng	-	12,900	2024
Yuanta Bank Headquarters	Dunnan	-	13,700	2024

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About Cushman & Wakefield

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XIHU SECTION

12-Mo. Forecast

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

0.0%
Rent Growth Rate (QQQ)

3.0%
Vacancy Rate

Source: Cushman & Wakefield Research

TAIWAN ECONOMIC INDICATORS
Q3 2022

4.0%
GDP Growth

Q2 2022: **3.0%** (12-Mo. Forecast)

3.0%
Secondary Sector Growth

Q2 2022: **3.6%** (12-Mo. Forecast: N/A)

2.9%
CPI Growth

Q2 2022: **3.5%** (12-Mo. Forecast)

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

NHTP Leasing Demand Slows, Vacancy Rises Slightly

The vacancy rate in Xihu Section rose 0.5 percentage points q-o-q to record 3.0% in Q4, primarily due to some financial industry tenants surrendering leases, releasing around 900 pings of space into the market. In Wende Section, the vacancy rate dropped 0.5 percentage points q-o-q to record 5.5%. An IT software firm took 210 pings at the Xinzuan Office Building, while a financial industry client took 600 pings of space at Building A, Asia Plaza. In Juizong Section, vacancy rose 0.4 percentage points q-o-q to record 12.9%, primarily due to some tenants moving out, releasing approximately 1,060 pings of space.

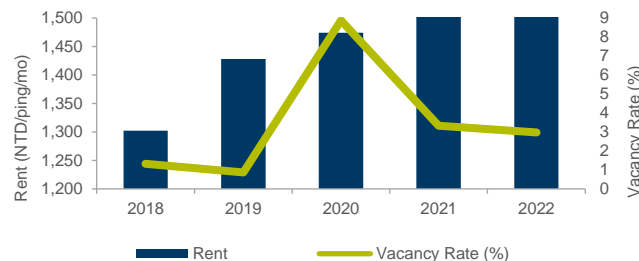
Rent and Capital Values Remain Constant

Rental levels remained constant in Q4. 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 Juizong Section was at NT\$995 per ping per month. Capital values in each Section also remained constant in the quarter. Xihu was at NT\$610,000-750,000 per ping, with Wende at NT\$470,000-550,000, and Juizong at NT\$440,000-530,000. A major transaction at NHTP was the acquisition by Hong Kai investment Co., Ltd. and Xin Yan investment Co., Ltd. of the under-construction Hong Pu International Trade Building 2.0 project for NT\$4.08 billion.

Thin Trading in Transactions and Leasing Market

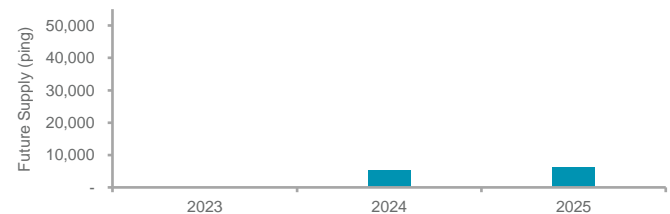
The interest rate hike and the uncertainties of the overall economic climate have prompted investment and self-use buyers to turn more conservative, and we expect transaction activities to slow. Some I/O take-up has dipped, and the leasing market has become generally more thinly traded. However, the overall rental level should remain firm. Ahead, Xihu section may see a short-term vacancy rise with 5,400 pings of industrial office space currently scheduled for entry in 2024.

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	3.0%	-	1,535	US\$1.41	€ 1.32
Wende	5.5%	-	1,100	US\$1.01	€ 0.95
Jiuzong	12.9%	-	995	US\$0.91	€ 0.86

1 USD = 30.5847TWD; 1 EUR= 32.5998TWD as of Dec. 15, 2022

KEY LEASING TRANSACTIONS Q4 2022

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
SIT Technology Building	Xihu	Wholesale and Retail Trade	160	New Lease
NASA Technology Building	Xihu	IT Software Industry	180	New Lease
Xinzuan Office Building	Wende	Investment Advisory Services	210	New Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SECTION	MAJOR TENANT	PING	COMPLETION DATE
CREM Building	Xihu	-	5,400	2024
Hong Pu International Trade Building 2.0	Jiuzong	Hong Kai investment Co., LTD	6,200	2025

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12- Mo. Forecast

10,500
Average Rent (NTD/PING/MO)



0.8%
Rental Growth Rate (QOQ)



13.4%
Vacancy Rate



Source: Cushman & Wakefield

Retail Revenue Performance Steady as Pandemic Normalizes

As the pandemic has gradually normalized, retail revenues have continued to rise. Retail sales in general merchandise stores increased 7.6% y-o-y to reach NT\$1,274.4 billion from January to November 2022. In the context of the prior pandemic restrictions and the low base period in last year's first half, department store sales jumped by 15.8% y-o-y. With the World Cup boom and the Double Tenth holidays in the post-pandemic era, supermarkets and convenience store sales climbed by 2.3% and 5.6%, respectively. In wholesale stores, sales were up 1.5% y-o-y.

High Street Vacancy Rates Improve With Ongoing Recovery From Pandemic

Landlords' flexibility and willingness to lower rents have gradually paid off since the pandemic broke out. In conjunction with the expectation of tourist crowds after the reopening of borders, the vacancy rates in major business districts fell in Q4. The vacancy rate dropped to 18.6% in Ximen, a decrease of 2.6 percentage points from the previous quarter, as tourists are expected to gradually return and gift shops, catering and clothing stores are replenished. In the Zhongxiao business district, rental level performance was flat. A number of international brands, including Lululemon and Lush, entered the area in the period, reducing the vacancy rate to 11.6%. The Zhongshan-Nanjing business district maintained its performance in the quarter, with the vacancy rate dropping slightly by 0.7 percentage points to record 3.9%.

Domestic Consumption Still to Play Crucial Role in Coming Year

After the vacancy rates of commercial districts peaked in 2022, a welcome turning point has now arrived, with the gradual lifting of pandemic containment policies and border controls in the second half of the year. However, the Ministry of Communications warns that the number of tourists visiting Taiwan in 2023 will still only reach half the number of 2019. Despite the return of international tourists, key business districts must still rely on fundamental domestic demand and wait for consumption to steadily grow before the retail market can usher in a warm spring.

TAIWAN ECONOMICS INDICATORS Q3 2022

4.0%
GDP Growth

YoY Chg:  12-Mo Forecast: 

2.9%
CPI Growth

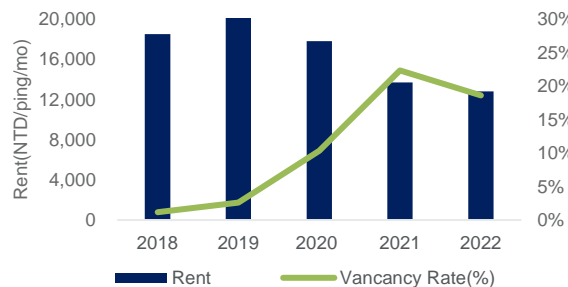
YoY Chg:  12-Mo Forecast: 

7.6%
Cumulative Sales of General Merchandise

YoY Chg:  12-Mo Forecast: **N/A**

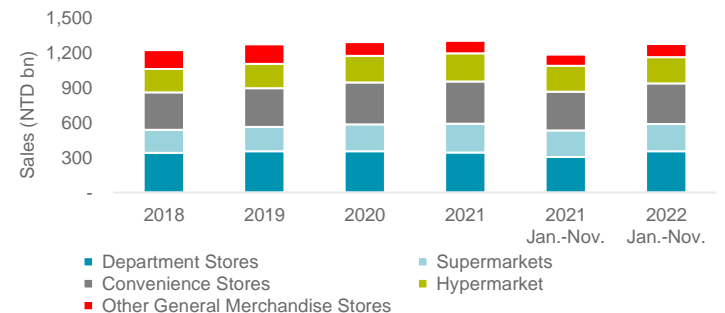
Source: Directorate-General of Budget, Accounting and Statistics, Moody's Analytics

RENT / VACANCY RATE IN XIMEN



Source: Cushman & Wakefield Research

CUMULATIVE SALES OF GENERAL MERCHANDISE



Source: Directorate-General of Budget, Accounting and Statistics

PRIMARY RETAIL VACANCY AND AVERAGE RENTS IN Q4 2022

RETAIL HUB	VACANCY RATE	RETAIL RANGE (NTD/PING/ MO)	RENTAL RANGE (USD/SF/MO)	12- MONTH OUTLOOK
Zhongxiao	11.6%	8,000~12,000	7.4~11.0	■
Zhongshan/Nanjing	3.9%	6,500~11,000	6.0~10.1	■
Ximen	18.6%	9,000~14,000	8.3~12.9	■

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 = 30.5847 NTD as of December 15, 2022

SIGNIFICANT OPENINGS IN Q4 2022

RETAIL HUB	LOCATION	TENANT	SIZE (Ping)
Zhongshan/Nanjing	Sec. 1, Zhongshan N. Rd.	Kee Wah Bakery	30
Ximen	Chengdu Rd.	Jiao Tang Feng	30
Ximen	Sec. 2, Wuchang St.	FOURPICS	20
Zhongxiao	Sec. 4, Zhongxiao E. Rd.	Lululemon	20
Zhongxiao	Sec. 4, Zhongxiao E. Rd.	LUSH	65

SIGNIFICANT RETAIL PROJECTS - UNDER CONSTRUCTION/DECORATION

PROJECT	LOCATION	EXPECTED COMPLETION	GFA (Ping)
Diamond Towers	Da'an District, Taipei City	2023	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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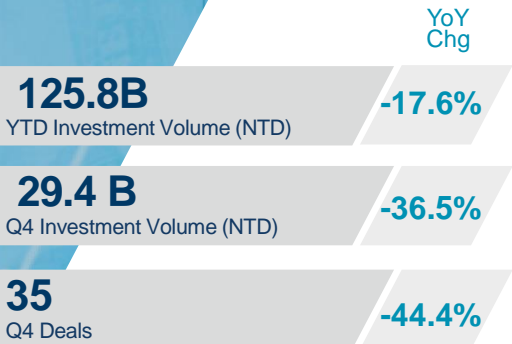
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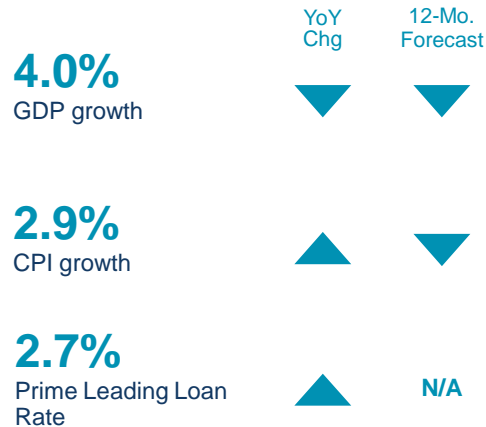
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Capital Markets Q4 2022



ECONOMIC INDICATORS Q3 2022



Investment Market Tightens but Values Remain Firm

Total investment transaction value totaled NT\$29.38 billion in Q4, down 36.5% y-o-y. The top three transactions accounted for 42.3% of the total value, all being office and I/O assets in Taipei City. The largest transaction was Baoyuan Development's acquisition of an entire I/O building in Beitou Shilin Technology Park for NT\$4.59 billion. Second was Hong Pu Real Estate Development's sale of an entire I/O building in Taipei Neihu Technology Park at NT\$4.08 billion, followed by Taishin Bank's purchase of the Mingtai Insurance Building for NT\$3.77 billion. Notably, the sixth largest deal in the quarter was Paolyta's acquisition of the 15th floor of the Uni-President International Tower in the Xinyi Planning District for NT\$1.45 billion, setting a new high for the average unit price for office buildings exceeding NT\$2.1 million per ping.

Full-Year Investment Total Falls, Ending Three Consecutive Years of Growth

The full-year 2022 total investment valued reached NT\$125.8 billion, a fall of 17.6% y-o-y, ending three consecutive years of growth, although still standing above the NT\$100 billion mark. Transactions focused on industrial development assets, including offices, I/O buildings, and industrial factories, together accounting for 88% of the total.

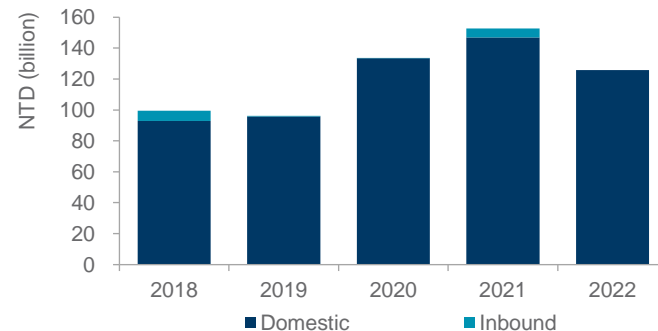
Land Market Transactions Drop, Government Land Auctions Maintain Important Role

Total land market transaction value was at NT\$30.87 billion in Q4, down 59.8% y-o-y, with land released via government auctions still playing an important role. Specifically, more than 51% of transaction value was in New Taipei City, in the special industrial zone in Xinzhuang District and in the entertainment zone in Bali District. Full-year 2022 land market transaction value was a modest NT\$171.8 billion, dropping 41.6% y-o-y. Overall, public land auctions remained at a stable level, but private transactions shrank significantly.

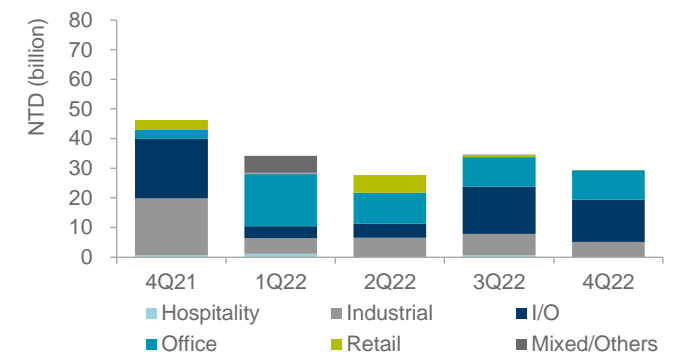
Market Transaction Activity Set to Sustain Amid Cautious Environment

As the overall market environment and the international economic situation remain loaded with uncertainties, and the cycle of interest rate hikes continues, buyers are turning more cautious in their investment attitudes, although selling prices currently remain firm. Looking ahead to 2023, we expect trading to sustain in the short-term albeit in a cautious environment.

INVESTMENT VOLUME BY CAPITAL SOURCE



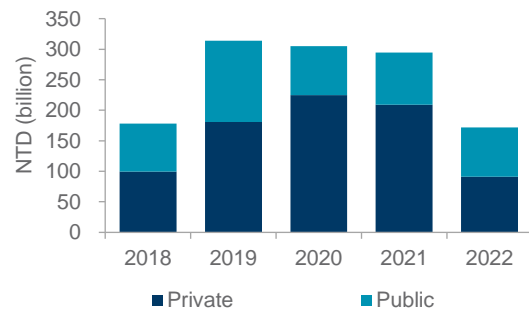
INVESTMENT VOLUME BY SECTOR



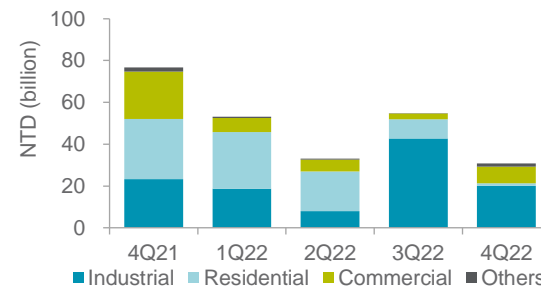
KEY SALE TRANSACTIONS

PROPERTY	LOCATION	SECTOR	PRICE (NTD BN)	VENDOR	PURCHASER	DEAL TYPE
Trade and Finance Center	Shilin Dist., Taipei City	I/O Building	4.59	Huaku Development	Baoyuan Development	Self-use
Hongpu International Trade Building 2.0	Neihu Dist., Taipei City	I/O Building	4.08	Hong Pu Real Estate Development	Hongkai Investment, Xinyan Investment	Investment
Mingtai Insurance Building	Da'an Dist., Taipei City	Office	3.77	MSIG Mingtai Insurance	Taishin Bank	Self-use
Evergreen Marine Building	Luzhu Dist., Taoyuan City	I/O Building	3.00	Evergreen International	Evergreen Marine	Self-use
Evergreen Building	Luzhu Dist., Taoyuan City	I/O Building	1.74	Evergreen International	Evergreen Marine	Self-use
Uni-President International Tower	Xinyi Dist., Taipei City	Office	1.45	CTBC Financial Holding	Paolyta	Self-use

Land Transactions Volume by Supply Source



Land Transactions Volume by Land Use



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