MARKETBEAT

# TAIPEI

## Office Q2 2023

| | 12-Mo. Forecast |
|---|---|
| **2,665** Average Rent (NTD/PING/MO) | – |
| **0.6%** Rental Growth Rate (QOQ) | – |
| **4.4%** Vacancy Rate | ▲ |

*Source: Cushman & Wakefield Research*

### TAIWAN ECONOMIC INDICATORS Q1 2023

| | Q4 2022 | 12-Mo. Forecast |
|---|---|---|
| **-2.9%** GDP Growth | -0.8% | ▲ |
| **0.6%** Service Sector GDP Growth | 0.7% | N/A |
| **2.6%** CPI Growth | 2.6% | ▼ |
| **3.6%** Unemployment Rate (March) | 3.5% | N/A |

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

### Steady Low Vacancy Rates Show Slight Upward Trend Over Three Consecutive Quarters

The continued shortage of short-term supply ensured the office market's overall vacancy rate remained low in Q2, recording 4.4%. However, the slight 0.4 percentage point q-o-q rise marked three consecutive quarterly increases. All submarkets experienced higher vacancy rates in the quarter, with Western seeing the largest rise of 1.3 percentage points, followed by Dunnan with a 0.4 percentage point increase. Ahead, the upcoming completions of the Fubon A25 project and the Huang Hsiang Taiwan Motor North Station Building are expected to help alleviate the supply shortage and to restore market equilibrium.

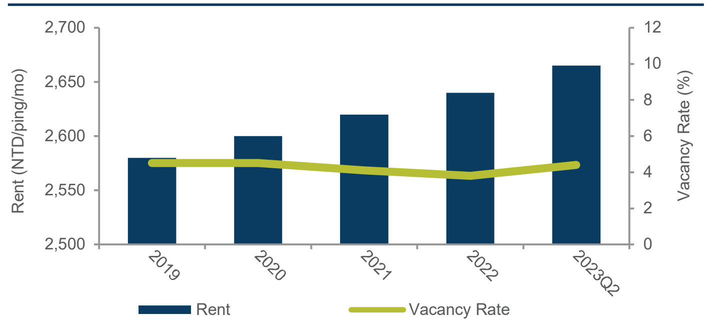
### Rental Levels Continue to Rise in Xinyi and Dunbei/Minsheng Submarkets

Due to lease renewals with rent adjustments, the average Grade A office rental level rose slightly at 0.6% in Q2 to record NT$2,665 per ping per month. Xinyi submarket led the way with a rental level of NT$3,320 per ping per month, followed by Dunnan submarket at NT$2,420 per ping per month. Rents in Xinyi and Dunbei/Minsheng submarket continue to climb, indicating a strong willingness among businesses to remain in these key commercial areas.

### Growing Emphasis on Green and Healthy Building Certifications

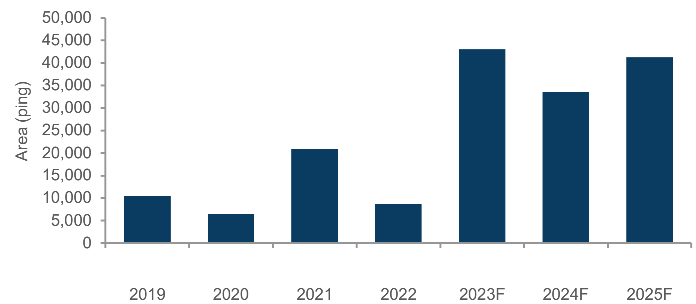
With the increasing corporate focus on Environmental, Social, and Governance (ESG), there has been growing demand for green and healthy office spaces, particularly among global enterprises. Looking at forthcoming supply, significant new projects such as Taipei Twin Towers, Core Pacific Plaza, and Fubon A25 have already announced their intention to obtain LEED or WELL certifications. Landlords of older buildings are also investing in new facilities and aiming for certifications. For instance, the more than 30-year-old Hung Kuo Building and the TWTC International Trade Building have achieved LEED Platinum and WELL Gold certification, respectively. These highly relevant and valued certifications contribute to enhancing the visibility of older building among ESG-conscious tenants.

### RENT & VACANCY RATE




*Source: Cushman & Wakefield Research*

### SUPPLY PIPELINE




*Source: Cushman & Wakefield Research*

MARKETBEAT

# TAIPEI

## Office Q2 2023

CUSHMAN & WAKEFIELD 戴德梁行

| SUBMARKET | INVENTORY (PING) | VACANCY RATE | UNDER CONSTRUCTION (PING) | GRADE A RENT | | |
|---|---|---|---|---|---|---|
| | | | | NTD/PING/MO | US$/SF/MO | EUR/SF/MO |
| Western | 46,800 | 8.9% | 19,900 | 2,250 | US$2.06 | € 1.90 |
| Nanjing/Songjiang | 41,200 | 1.6% | 0 | 2,150 | US$1.97 | € 1.82 |
| Dunbei/Minsheng | 232,400 | 6.9% | 41,300 | 2,390 | US$2.19 | € 2.02 |
| Dunnan | 95,100 | 1.7% | 13,700 | 2,420 | US$2.21 | € 2.05 |
| Xinyi | 343,800 | 3.1% | 43,000 | 3,320 | US$3.04 | € 2.81 |
| Taipei City | 759,300 | 4.4% | 117,900 | 2,665 | US$2.44 | € 2.25 |

*1 USD = 30.7374 TWD; 1 EUR = 33.2563 TWD as of June 15, 2023*

### KEY LEASING TRANSACTIONS Q2 2023

| PROPERTY | SUBMARKET | TENANT | PING | LEASE TYPE |
|---|---|---|---|---|
| Taipei 101 | Xinyi | Suntory Taiwan | 500 | Relocation |
| Nanshan Dunnan Building | Dunbei/Minsheng | MSIG Mingtai Insurance | 440 | New Lease |
| Cathay Landmark | Xinyi | HSBC Global Asset Management | 270 | Relocation |
| Union Enterprise Bldg. | Dunbei/Minsheng | Seaway Offshore Cables | 230 | Relocation |

### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

| PROPERTY | SUBMARKET | MAJOR TENANT | PING | COMPLETION DATE |
|---|---|---|---|---|
| Fubon A25 | Xinyi | Fubon Group | 31,100 | 2023 |
| Huang Hsiang Taiwan Motor North Station Building | Western | - | 12,000 | 2023 |
| SCSB Headquarters | Western | Shanghai Commercial & Savings Bank | 7,900 | 2024 |
| Farglory Dome | Xinyi | - | 11,900 | 2024 |
| Yuanta Bank Headquarters | Dunnan | Yuanta Bank | 13,700 | 2024 |
| Kindom Songshan Minquan Building | Dunbei/Minsheng | - | 9,800 | 2025 |
| Cathay Huanyu Building | Dunbei/Minsheng | - | 12,900 | 2025 |
| TransGlobe Life Taipei Headquarters | Dunbei/Minsheng | TransGlobe Life | 18,600 | 2025 |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**About Cushman & Wakefield**

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In Greater China, a network of 23 offices serves local markets across the region. In 2022, the firm reported global revenue of US$10.1 billion across its core services of valuation, consulting, project & development services, capital markets, project & occupier services, industrial & logistics, retail and others. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit www.cushmanwakefield.com.tw.

MARKETBEAT

# TAIPEI

Industrial-Office Q2 2023

CUSHMAN & WAKEFIELD 戴德梁行

| XIHU SECTION | 12-Mo. Forecast |
|---|---|
| **1,535** Average Rent (NTD/PING/MO) | ▬ |
| **0.0%** Rent Growth Rate (QOQ) | ▬ |
| **3.4%** Vacancy Rate | ▬ |

*Source: Cushman & Wakefield Research*

### TAIWAN ECONOMIC INDICATORS Q1 2023

| | Q4 2022 | 12-Mo. Forecast |
|---|---|---|
| **-2.9%** GDP Growth | -0.8 % | ▲ |
| **-11.2 %** Secondary Sector Growth | -4.5 % | N/A |
| **2.6%** CPI Growth | 2.6 % | ▼ |

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

## Vacancy Rate in Xihu Section Rises Slightly, Remains at Low Level

The vacancy rate in Xihu Section rose by 0.4 percentage points q-o-q in Q2, reaching 3.4%.This was primarily due to some tenants surrendering leases and the absence of any new supply. In Wende Section, vacancy also increased, edging up 0.3 percentage points q-o-q to record 5.8%. In Jiuzong Section, a new lease of approximately 810 pings at the Lian Hong Technology Building by a home living business pulled vacancy down 0.6 percentage points q-o-q to record 12.9%.

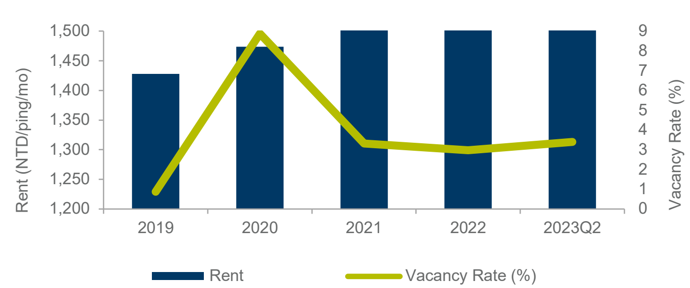
## Rental Levels and Capital Values Remain Constant

Rental levels remained constant q-o-q in Q2. The average rent in 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 Jiuzong Section was at NT$995 per ping per month. Capital values in each Section also remained unchanged in the quarter. Xihu was at NT$610,000-760,000 per ping, with Wende at NT$470,000-550,000, and Jiuzong at NT$440,000-530,000. There were no significant market transactions concluded in the quarter.

## Limited New Supply, Demand Expected to Remain Conservative, Rental Levels Stable

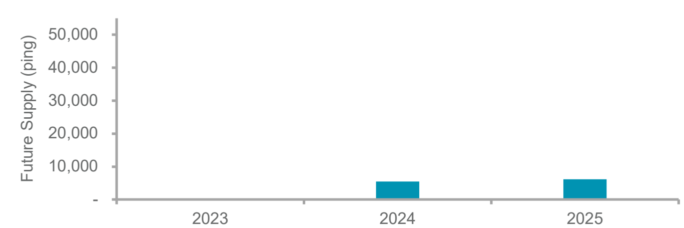
Xihu and Wende Sections are both scheduled for limited new supply expansion in the short-term. Coupled with conservative demand, vacancy rates are expected to remain low with rental trends also remaining stable. In Jiuzong section, despite a continued increase in supply and relatively greater pressure to dispose of vacant spaces, rental levels are also expected to remain stable.

### RENT & VACANCY RATE (XIHU SECTION)




*Source: Cushman & Wakefield Research*

### FUTURE SUPPLY




*Source: Cushman & Wakefield Research*

MARKETBEAT

# TAIPEI

Industrial-Office Q2 2023

| SECTION | VACANCY RATE | UNDER CONSTRUCTION (PING) | I/O RENT | | |
|---|---|---|---|---|---|
| | | | NTD/PING/MO | USD/SF/MO | EUR/SF/MO |
| Xihu | 3.4% | - | 1,535 | US$1.40 | € 1.30 |
| Wende | 5.8% | - | 1,100 | US$1.01 | € 0.93 |
| Jiuzong | 12.9% | - | 995 | US$0.91 | € 0.84 |

*1 USD = 30.7374TWD; 1 EUR= 33.2563TWD as of Jun. 15, 2023*

## KEY LEASING TRANSACTIONS Q2 2023

| PROPERTY | SECTION | TENANT INDUSTRIAL CLASSIFICATION | PING | LEASE TYPE |
|---|---|---|---|---|
| SIT Technology Building | Xihu | International Trade | 250 | Expansion |
| Asia Plaza C | Wende | Biotechnology | 380 | New Lease |
| Loyal Chemical Building | Wende | IT Software | 270 | Expansion |
| Lian hong Technology Building | Jiuzong | Manufacture of Furniture | 810 | 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 | - | 6,200 | 2025 |

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### About Cushman & Wakefield

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MARKETBEAT

# TAIPEI

## Retail Q2 2023

| | 12- Mo. Forecast |
|---|---|
| **10,800** Average Rent (NTD/PING/MO) | – |
| **1.9%** Rental Growth Rate (QOQ) | – |
| **10.5%** Vacancy Rate | ▼ |

*Source:Cushman & Wakefield*

### TAIWAN ECONOMICS INDICATORS Q1 2023

| | YoY Chg | 12-Mo Forecast |
|---|---|---|
| **-2.9%** GDP Growth | ▼ | ▲ |
| **2.6%** CPI Growth | ▼ | ▼ |
| **11.9%** Cumulative Sales of General Merchandise | ▲ | N/A |

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

### Consumer Sentiment and Spending Momentum Rising

Consumer sentiment is strengthening and boosting consumption with the gradual return to pre-pandemic lifestyles. Retail sales revenues at general merchandise stores grew 11.9% from January to May 2023. A strong Mother's Day shopping period boosted department store sales by 22.4% y-o-y. Convenience store sales grew 9.7% y-o-y. In contrast, sales revenues from the stay-at-home economy weakened. Supermarkets and hypermarkets, which had benefited through the pandemic, endured sales revenue drops of 2.1% and 0.9% y-o-y respectively in the second half of the year, as consumer bases returned to normal levels. In other retail sectors, revenues grew notably at 45.6% y-o-y, rebounding from the low base of the pandemic period, as the resumption of cross-border travel boosted revenue in the duty-free sector and contributed to sales growth.

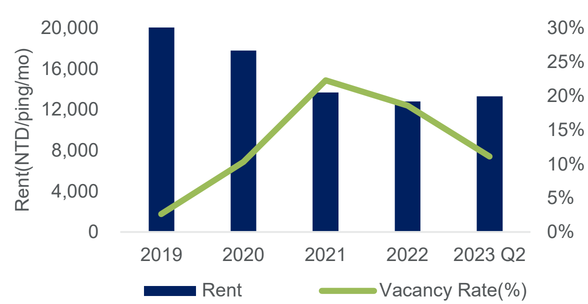
### Brand Expansion Confidence Grows, Accelerating Retail Hub Recovery

Vacancy rates in key retail areas have gradually fallen since the easing of pandemic control policies and the lifting of border restrictions. In the Ximen retail hub, the vacancy rate has now dropped for four consecutive quarters to 11.1%, supported by expansion from several chain brands into the business district. In the Zhongxiao district, slightly higher vacancy has remained more stubborn, holding at 13.8% despite many new business move-ins. And in Zhongshan-Nanjing the commercial environment has remained stable. Several brands have relocated within the district, with the vacancy rate rising modestly by 1.4 percentage points q-o-q to record 5.3%.

### First Store Benefits Spurring Mall Development

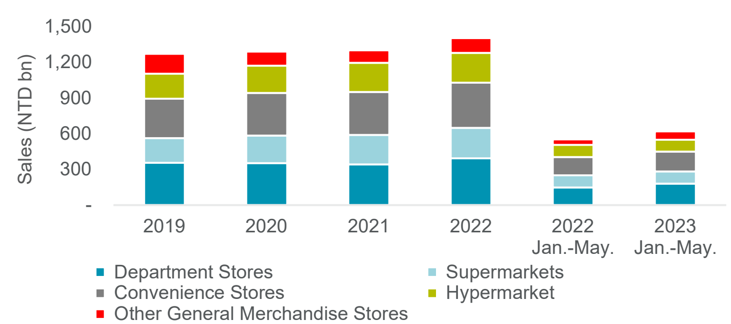
JUT Group's NOKE mall project, with seven above-ground floors and three underground levels, opened its doors in Q2 with a retail area of approximately 6,500 pings. The mall is positioned as a retail destination offering a selection of lifestyles, art, and tastes. The mall has introduced a total of 17 new and exclusive brands to create new market segments and generate attention. The new opening has created a new growth point for consumption in the surrounding area and is regarded as a successful example of the power of first stores in attracting consumers to malls.

### 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 2023


### PRIMARY RETAIL VACANCY AND AVERAGE RENTS IN Q2 2023

| RETAIL HUB | VACANCY RATE | RETAIL RANGE (NTD/PING/MO) | RENTAIL RANGE (USD/SF/MO) | 12- MONTH OUTLOOK |
|---|---|---|---|---|
| Zhongxiao | 13.8% | 8,000~11,000 | 7.3~10.1 | ▬ |
| Zhongshan/Nanjing | 5.3% | 7,000~11,000 | 6.4~10.1 | ▬ |
| Ximen | 11.1% | 9,000~14,000 | 8.2~12.8 | ▲ |

*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 = 30.7374 NTD as of June 15, 2023*

### SIGNIFICANT OPENINGS IN Q2 2023

| RETAIL HUB | LOCATION | TENENT | SIZE (Ping) |
|---|---|---|---|
| Zhongshan/Nanjing | Nanjing W. Rd. | PEACH JOHN | 85 |
| Ximen | Emei St. | LUSH | 30 |
| Ximen | Hanzhong St. | ONE BOY | 20 |
| Ximen | Sec. 2, Wuchang St. | Gong Cha | 20 |
| Zhongxiao | Sec. 4, Zhongxiao E. Rd. | VTEX | 50 |
| Zhongxiao | Sec. 4, Zhongxiao E. Rd. | a la sha | 40 |

### 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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# TAIWAN

## Capital Markets Q2 2023

| | YoY Chg |
|---|---|
| **66.2 B** YTD Investment Volume (NTD) | 7.0% |
| **52.2 B** Q2 Investment Volume (NTD) | 88.9% |
| **38** Q2 Deals | 22.6% |

**ECONOMIC INDICATORS Q1 2023**

| | YoY Chg | 12-Mo. Forecast |
|---|---|---|
| **-2.9%** GDP growth | ▼ | ▲ |
| **2.6%** CPI growth | ▼ | ▼ |
| **3.0%** Prime Leading Loan Rate | ▲ | N/A |

*Source: Ministry of the Interior, Moody's Analytics*

### Shin Kong No.1 REIT Liquidation Sales Boost Market

The investment market recorded total transaction volume of NT$52.22 billion in Q2, marking growth of 88.9% on the same period last year, and offsetting the fall in transaction volume seen in Q1. Cumulative transaction volume for the first half of 2023 was up 7.0% on the 1H 2022 volume. The major transactions completed in Q2 were from the Shin Kong No.1 REIT liquidation sale of six income-generating buildings. These properties, known for their stable rental income, attracted investment-oriented buyers. The total consideration for the six buildings was at NT$30.7 billion, accounting for 58.8% of Q2 total transaction volume. Of the six transactions, the largest deal was Sino Horizon Holdings Limited's acquisition of the Howard Jasper Villa Taipei condotel for NT$11.68 billion. The second-largest was Chin Di Yuan Industrial's acquisition of the Shin Kong Zhongshan Building for NT$7.21 billion. The remaining four Shin Kong No.1 REIT liquidation sale transactions comprised Shin Kong Mitsukoshi (Tainan Store), Shin Kong International Commercial Building, Taiwan Securities Financial Building, and Shin Kong Xinyi Plaza.

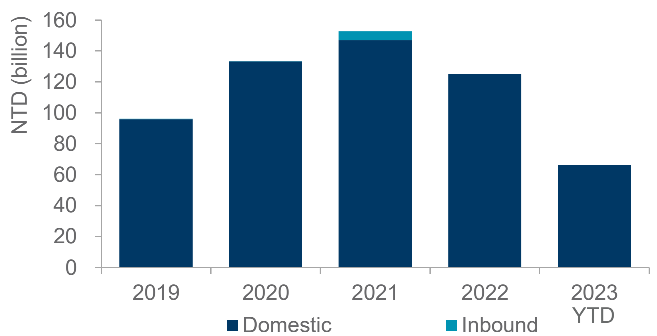
### Sharp Decline in Industrial Land Transactions, Amid Cooler Market for Land Sales

Total land transaction volume in Q2 increased by 22.69% q-o-q to record NT$20.04 billion. However, a sharp decline in industrial land transactions meant total Q2 performance was still down by 39.41% y-o-y. It is evident that the government's cooling measures in the real estate market have led developers to slow their pace of land acquisition, resulting in a subdued atmosphere in the land market. The highest-priced land transaction in Q2 was Da-Li Development's acquisition of residential land in Hsinchu City for NT$2.62 billion. Following closely behind was Farglory-Land Development's acquisition of land in Sanmin District, Kaohsiung City, for NT$2.56 billion, which is planned for future residential development.

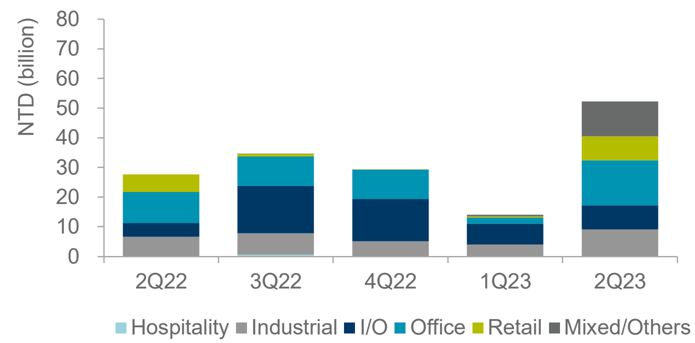
### Market Absorbs Impact of REIT Liquidation, Returns to Cautious Outlook

The successful Shin Kong No.1 REIT liquidation sales indicate abundant investment market funds. However, the specter of interest rate hikes persists, and investors remain cautious, reflected in low bidding and low premium rates at auctions. Looking ahead to the second half, we expect buyers to maintain a prudent outlook in selecting investment-worthy properties, leading to a possibly significant drop-off in transaction volume.

**INVESTMENT VOLUME BY CAPITAL SOURCE**




**INVESTMENT VOLUME BY SECTOR**



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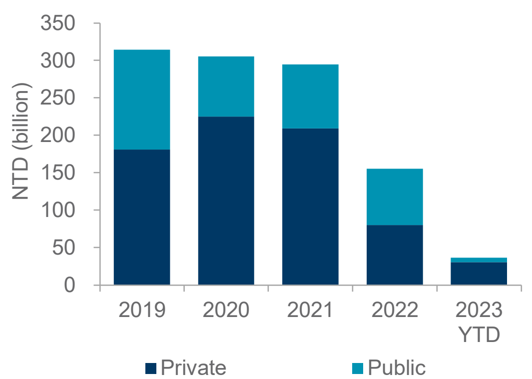
# TAIWAN

Capital Markets Q2 2023

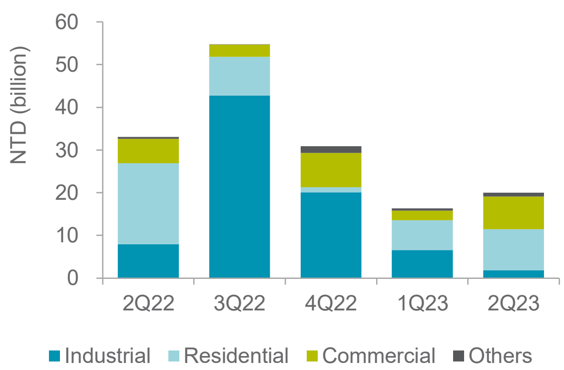
## KEY SALE TRANSACTIONS

| PROPERTY | LOCATION | SECTOR | PRICE (NTD BN) | VENDOR | PURCHASER | DEAL TYPE |
|---|---|---|---|---|---|---|
| Howard Jasper Villa Taipei | Shilin Dist., Taipei City | Ohers | 11.7 | Shin Kong No.1 REIT | Sino Horizon Holdings Limited | Investment |
| Shin Kong Life Zhongshan Building | Zhongshan Dist., Taipei City | Office | 7.2 | Shin Kong No.1 REIT | Chin Di Yuan Industrial | Investment |
| Shin Kong Mitsukoshi (Tainan Store) | West Central Dist., Tainan City | Retail | 4.4 | Shin Kong No.1 REIT | Millerful No.1 REIT | Investment |
| Shin Kong International Commercial Building | Songshan Dist., Taipei City | Office | 3.0 | Shin Kong No.1 REIT | ABICO Group | Investment |
| Factory in Tanzi Dist., Taichung City | Tanzi Dist., Taichung City | Industrial | 2.8 | Siliconware Precision Industries | ASE Technology Holding | Self-used |
| Taiwan Securities Financial Building | Zhongshan Dist., Taipei City | Office | 2.4 | Shin Kong No.1 REIT | National Credit Card Center of R.O.C | Self-used |
| Shin Kong Xinyi Plaza | Xinyi Dist., Taipei City | Retail | 2.0 | Shin Kong No.1 REIT | Leeche International | Investment |
| Factory in Pingzhen Dist., Taoyuan City | Pingzhen Dist., Taoyuan City | Industrial | 1.8 | Jvan An International | Kenmec Group | Self-used |

### Land Transactions Volume by Supply Source




### Land Transactions Volume by Land Use





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