MARKETBEAT

TAIPEI

Office Q4 2023

	12-Mo. Forecast
2,710 Average Rent (NTD/PING/MO)	–
1.5% Rental Growth Rate (QOQ)	–
6.1% Vacancy Rate	–

Source: Cushman & Wakefield Research

TAIWAN ECONOMIC INDICATORS Q3 2023

	Q2 2023	12-Mo. Forecast
2.3% GDP Growth	1.4%	▼
5.1% Service Sector GDP Growth	5.7%	N/A
2.5% CPI Growth	2.0%	▼
3.5% Unemployment Rate (September)	3.5%	N/A

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

Overall Office Vacancy Rate Rises as Fubon A25 Completes in Xinyi Submarket

The Fubon A25 project in Xinyi submarket launched in Q4, adding 29,100 pings of new supply to the Grade A office market. While Fubon Group have taken around one-third of the space for internal use, the balance available for external leasing prompted the overall vacancy rate to rise by 2.1 points to record 6.1%. Among the submarkets, Xinyi saw the biggest vacancy rise at 5.4 percentage points, followed by Nanjing/Songjiang with a rise of just 0.4 percentage points, while other submarkets experienced falls in vacancy rates. Additionally, the completion of the Huang Hsiang Taiwan Motor North Station Building in Western has been postponed to Q1 2024, introducing 14,200 pings of space to the market for full external leasing.

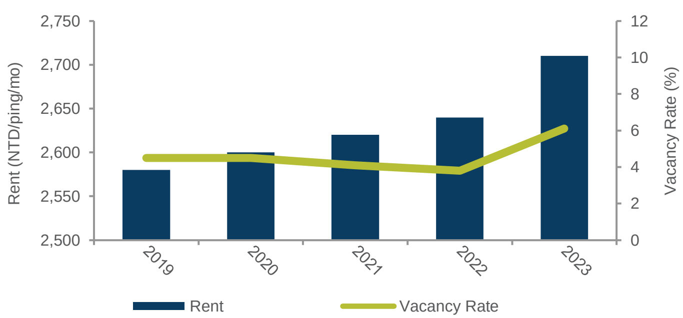
Xinyi Submarket Rental Level Continues Upward Trend

The completion of Fubon A25 contributed to a rise in rents at both new and existing buildings in Xinyi submarket. The overall average Grade A office rental level rose at 1.5% in Q4 to record NT$2,710 per ping per month. Xinyi submarket led the way with a rental level of NT$3,420 per ping per month, followed by Dunnan submarket at NT$2,440 per ping per month.

Fierce Competition in Recruiting New-Gen Talent, Businesses Leveraging Premium Office Spaces

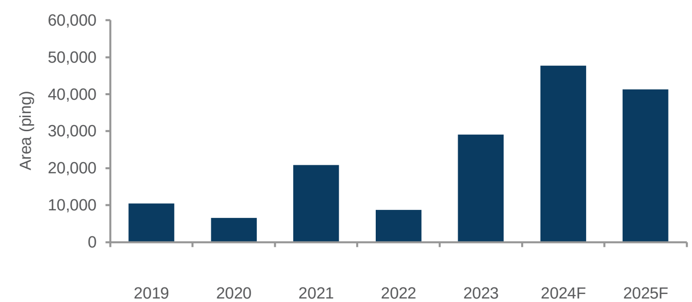
The pandemic-induced economic and digital transformations have reshaped work dynamics significantly. In a low birth rate context, recruiting the new generation is a growing challenge due to preferences for remote work, work-life balance, and versatile career paths. Businesses are strategically selecting office locations with a focus on not only transportation accessibility but also on flexible, smart communal spaces and amenities. This trend emphasizes a human-centric approach, fostering employee well-being, creating adaptable and friendly work environments, and aligning with the ESG sustainable development trend to meet the demands of the new generation of employees.

RENT & VACANCY RATE



Source: Cushman & Wakefield Research

SUPPLY PIPELINE



Source: Cushman & Wakefield Research

MARKETBEAT

TAIPEI

Office Q4 2023

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SUBMARKET	INVENTORY (PING)	VACANCY RATE	UNDER CONSTRUCTION (PING)	GRADE A RENT		
				NTD/PING/MO	US$/SF/MO	EUR/SF/MO
Western	46,800	1.5%	22,100	2,250	US$2.02	€ 1.84
Nanjing/Songjiang	41,200	1.8%	0	2,150	US$1.93	€ 1.76
Dunbei/Minsheng	232,400	6.2%	41,300	2,390	US$2.15	€ 1.95
Dunnan	95,100	1.7%	13,700	2,440	US$2.19	€ 2.00
Xinyi	372,900	8.3%	11,900	3,420	US$3.07	€ 2.80
Taipei City	788,400	6.1%	89,000	2,710	US$2.43	€ 2.22

1 USD = 31.2889 TWD; 1 EUR = 34.3734 TWD as of December 15, 2023

KEY LEASING TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Shin Kong Life Tower	Western	Microbio Group	1,690	Relocation
Shin Kong Life Tower	Western	Himax Technologies	800	Relocation
Nanshan Dunnan Building	Dunbei/Minsheng	MSIG Mingtai Insurance	410	Expansion
CEC Dunnan Building	Dunnan	Bausch + Lomb	400	In-house Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	PING	COMPLETION DATE
Huang Hsiang Taiwan Motor North Station Building	Western	-	14,200	2024
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

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TAIPEI

Industrial-Office Q4 2023

XIHU SECTION

	12-Mo. Forecast
1,540 Average Rent (NTD/PING/MO)	–
0.1% Rent Growth Rate (QOQ)	–
3.5% Vacancy Rate	▲

Source: Cushman & Wakefield Research

TAIWAN ECONOMIC INDICATORS Q3 2023

	Q2 2023	12-Mo. Forecast
2.3% GDP Growth	1.4 %	▼
-4.9 % Secondary Sector Growth	-9.0 %	N/A
2.5% CPI Growth	2.0 %	▼

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

NHTP Vacancy Rate Rises Modestly

Partial lease terminations seen in Q4 led to new vacancies opening in Xihu, Wende, and Jiuzong Sections. Xihu Section experienced a 0.6 percentage point rise in vacancy q-o-q to reach 3.5%, Wende Section edged up 0.1 percentage point q-o-q to record 6.4%, and Jiuzong Section saw a 0.2 percentage point rise in vacancy to 12.2%.

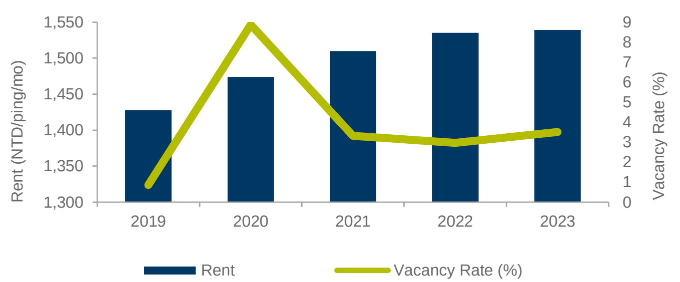
Rental Levels and Capital Values Remain Steady

Overall rental levels remained stable in Q4. The average rent in Xihu Section was at NT$1,540 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$1,000 per ping per month. Capital values also showed a stable pattern, with Xihu Section averaging around NT$620,000-760,000 per ping, Wende Section at NT$470,000-550,000 per ping, and Jiuzong Section at NT$440,000-530,000 per ping. The significant market transaction in the quarter was the whole-building acquisition by Shuttle Inc. of a pre-sale industrial office property in Tanmei Section for NT$2.35 billion, with an average price of approximately NT$720,000 per ping.

Life Insurance Sector Investment Slows, Manufacturing Industries Focus on Self-Use Properties

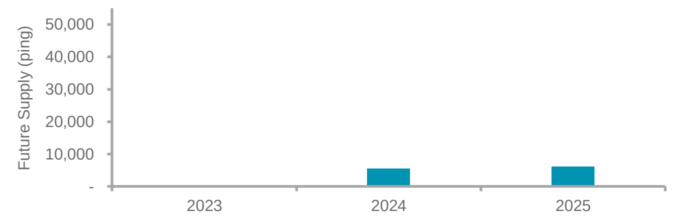
In a year of diminishing pandemic concerns, life insurance companies have slowed their investment pace due to inflation and the high interest rate environment. However, the many semiconductor and systems businesses located within NHTP are expected to benefit from the rising trend of AI development work. Anticipating ongoing transitions and strategic adjustments, these manufacturing sectors are increasingly acquiring pre-sale whole-building properties for self-use, while we can expect to see rental levels to remain flat.

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	I/O RENT USD/SF/MO	I/O RENT EUR/SF/MO
Xihu	3.5%	5,400	1,540	US$1.38	€ 1.26
Wende	6.4%	-	1,100	US$0.99	€ 0.90
Jiuzong	12.2%	6,200	1,000	US$0.90	€ 0.82

1 USD = 31.2889TWD; 1 EUR= 34.3734TWD as of Dec. 15, 2023

KEY LEASING TRANSACTIONS Q4 2023

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
NASA Technology Building	Xihu	IT Software	420	Expansion
Wallstreet Technology Headquarters	Xihu	Other Consultancy	130	Expansion
Washington Technology Center	Wende	IT Software	300	Expansion
Loyal Chemical Building	Wende	IT Software	200	Expansion
Lian Hong Technology Building	Jiuzong	Manufacture of Furniture	330	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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MARKETBEAT

TAIPEI

Retail Q4 2023

	12- Mo. Forecast
11,200 Average Rent (NTD/PING/MO)	—
2.8% Rental Growth Rate (QOQ)	—
7.2% Vacancy Rate	▼

Source:Cushman & Wakefield

TAIWAN ECONOMICS INDICATORS Q3 2023

	YoY Chg	12-Mo Forecast
2.3% GDP Growth	▼	▲
2.5% CPI Growth	▼	▼
9.9% Cumulative Sales of General Merchandise	▲	N/A

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

Consumer Enthusiasm Continues to Strengthen, Driving Record-High Retail Revenues

General merchandise stores' total revenues for January to November 2023 grew by 9.9% y-o-y to reach NT$1.4 trillion, setting a record high for the 11-month period. Department stores recorded a revenue increase of 15.5% y-o-y in the period, benefiting from the boost of the annual sales period together with new mall openings. Convenience stores and supermarkets saw revenue rises of 8.1% y-o-y and 1.2% y-o-y respectively. On the other hand, hypermarket sales revenue slipped by 1.7% y-o-y. In other retail sectors, primarily duty-free shops, revenue through the year to date rose by 39.7% y-o-y on the back of a sustained revival in cross-border tourism.

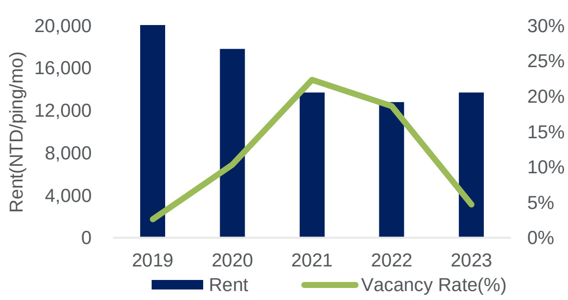
Ximen Retail Hub Vacancy Falls Below 5% for First Time Since the Pandemic

Both ends of the Zhongxiao retail hub witnessed grand openings in Q4 in the shape of the Shin Kong Mitsukoshi Diamond Towers and the Taipei Dome. However, the retail hub's commercial activities are yet to reach maturity, leading to just a slight drop in the vacancy rate to 13.4%. The Zhongshan commercial district has shown resilience amid the pandemic, with a standout investment transaction featuring a rental yield of 3.5%, solidifying the district as a key indicator for storefront investment returns in Taipei City. The Zhongshan vacancy rate in Q4 remained unchanged from the previous quarter at 5.3%. The Ximen retail hub vacancy rate continued its downward trend in Q4 to record 4.7%, setting its lowest vacancy rate among premier commercial districts in Taipei for four years.

Large-Scale Mall Projects Set to Enter The Market, Promising a Revival of Zhongxiao Commercial District

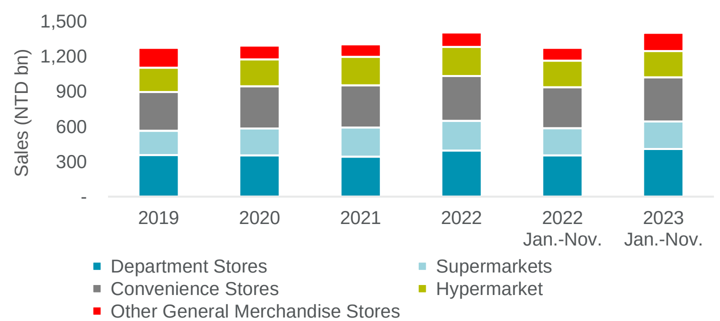
Nearly 80,000 pings of quality new space will enter the Taipei retail market in 2024, with the opening of Mitsui Shopping Park LaLaport Nangang in Nangang District and the Far Eastern SOGO CITY in Xinyi District expected to bring new dynamics to the city's retail environment. Far Eastern SOGO CITY is also anticipated to enhance synergies between Zhongxiao and Xinyi commercial districts, in turn accelerating the revitalization of the Zhongxiao commercial district.

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 Q4 2023

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PRIMARY RETAIL VACANCY AND AVERAGE RENTS IN Q4 2023

RETAIL HUB	VACANCY RATE	RETAIL RANGE (NTD/PING/MO)	RENTAIL RANGE (USD/SF/MO)	12- MONTH OUTLOOK
Zhongxiao	13.4%	8,000~11,000	7.2~9.9	▬
Zhongshan/Nanjing	5.3%	7,000~12,000	6.3~10.8	▬
Ximen	4.7%	9,000~15,000	8.1~13.5	▲

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 = 31.2889 NTD as of December 15, 2023

SIGNIFICANT OPENINGS IN Q4 2023

RETAIL HUB	LOCATION	TENENT	SIZE (Ping)
Zhongshan/Nanjing	Sec. 2, Zhongshan N. Rd.	Tifana Japan Selection	25
Ximen	Sec. 2, Wuchang St.	Jin Wu Men Massage	80
Ximen	Chengdu Rd.	Sunmerry	25
Zhongxiao	Sec. 4, Zhongxiao E. Rd.	Agete	40

SIGNIFICANT RETAIL PROJECTS - UNDER CONSTRUCTION/DECORATION

PROJECT	LOCATION	EXPECTED COMPLETION	GFA (Ping)
Mitsui Shopping Park LaLaport (Nangang)	Nangang District, Taipei City	2024	47,000
Far Eastern SOGO CITY	Xinyi District, Taipei City	2024	42,000

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MARKETBEAT

TAIWAN

Capital Markets Q4 2023

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	YoY Chg
130.2 B YTD Investment Volume (NTD)	4.0%
48.2 B Q4 Investment Volume (NTD)	67.4%
32 Q4 Deals	-8.6%

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
2.3% GDP growth	▼	▼
2.5% CPI growth	▼	▼
3.1% Prime Leading Loan Rate	▲	N/A

Source: Ministry of the Interior, Moody's Analytics

Significant Deals Propel Total 2023 Transaction Volume Beyond 2022 Level

Taiwan investment market volume surged in Q4 to hit NT$48.2 billion, up 205.9% from the prior quarter. Key transactions included Kee Tai Properties' sale of the Kee Tai Zhongxiao Building for NT$12.5 billion and Hon Hai Technology Group's (Foxconn) acquisition of BES Cloudverse AI Park for NT$7.6 billion. Uni-President's NT$4.9 billion stake purchase in Uni-President International Tower was the third largest deal.

Reviewing the 2023 capital market, initial forecasts predicted a contraction in total transaction volume. However, the successful Shin Kong No.1 REITs liquidation in the 1H period, coupled with other significant transactions, propelled 2023 total volume past the 2022 level of NT$125.8 billion to reach NT$130.2 billion. Investment transactions in 2023 have been somewhat concentrated in a few large deals, indicating that the market still shows some resilience. By transaction asset type, office building transactions, representing stable income, saw a 30% decline in investment volume y-o-y, highlighting that major investors, particularly life insurance companies, have been constrained by lower returns amid rising interest rates.

Land Market Weakens, Developers Shift to More Diverse Development

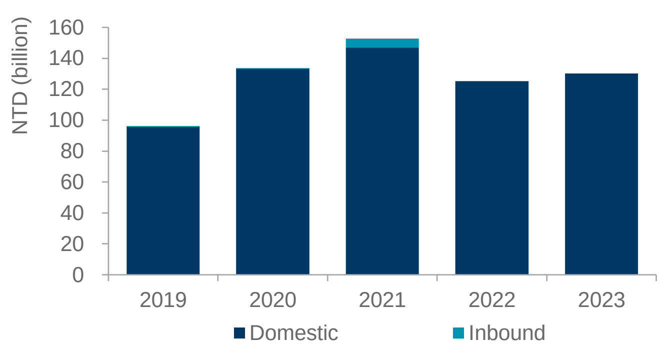
Land market transactions remained sluggish in Q4, totaling NT$35.8 billion, down 6.26% q-o-q. The largest deal was Cathay Life Insurance's acquisition of an industrial zone in Taichung for NT$3.3 billion. In the second-largest deal, Hontai Life Insurance sold an industrial plot in Taipei's Nangang District for NT$3.0 billion, while Fu Yu Construction secured a commercial land plot in Taichung for NT$2.7 billion as the third-largest transaction.

Full-year 2023 land transaction volume dropped to a six-year low at NT$112.9 billion. Government regulations have led developers to diversify acquisition channels, including urban renewal, joint ventures, and metro-related developments. This has eased the pressure on land inventory while sustaining development operational energy.

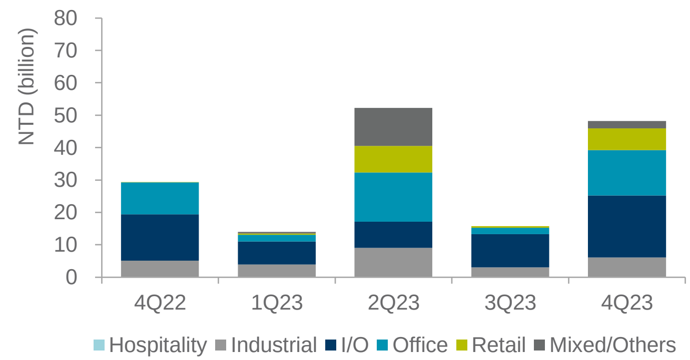
Future Outlook: Navigating Through Capital Market Challenges

As we enter 2024, there is optimism for economic recovery in Taiwan. However, whether major funds will significantly return to the investment market still depends on interest rate fluctuations and the direction of economic policies post-presidential election, making these the crucial factors dictating future capital momentum.

INVESTMENT VOLUME BY CAPITAL SOURCE



INVESTMENT VOLUME BY SECTOR



MARKETBEAT

TAIWAN

Capital Markets Q4 2023

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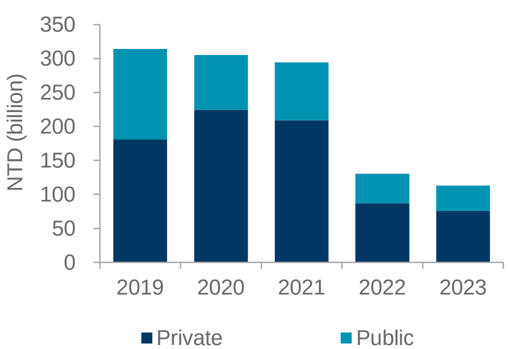
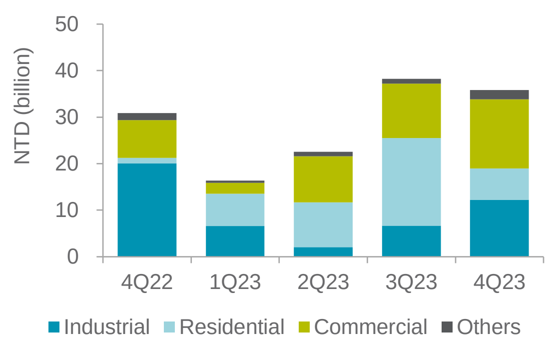
KEY SALE TRANSACTIONS

PROPERTY	LOCATION	SECTOR	PRICE (NTD BN)	VENDOR	PURCHASER	DEAL TYPE
Kee Tai Zhongxiao Building	Zhongzheng Dist., Taipei City	Office	12.5	Kee Tai Properties	Personal	Investment
BES Cloudverse AI Park	Tucheng Dist., New Taipei City	I/O Building	7.6	BES Engineering	Hon Hai Technology Group (Foxconn)	Self-used
Uni-President International Tower	Xinyi Dist., Taipei City	Retail	4.9	Tainan Spinning	Uni-President	Self-used
Pre-sale I/O building in Neihu Dist., Taipei City	Neihu Dist., Taipei City	I/O Building	2.4	Long Yuan holding	Shuttle	Self-used
Futai Business Hotel	East Dist., Hsinchu City	Mix used	2.3	Personal	Yea Shin international development	Investment

Land Transactions Volume by Supply Source



Land Transactions Volume by Land Use



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