MARKETBEAT

TAIPEI

Office Q2 2024

CUSHMAN & WAKEFIELD 戴德梁行

	12-Mo. Forecast
2,770 Average Rent (NTD/PING/MO)	▬
1.5% Rental Growth Rate (QOQ)	▬
7.7% Vacancy Rate	▬

Source: Cushman & Wakefield Research

TAIWAN ECONOMIC INDICATORS Q1 2024

	Q4 2023	12-Mo. Forecast
6.6% GDP Growth	4.8%	▼
6.2% Service Sector GDP Growth	6.6%	N/A
2.3% CPI Growth	2.9%	▼
3.4% Unemployment Rate (March)	3.3%	N/A

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

Four New Grade A Completions in Q2, Western Submarket Office Stock Boosted by Nearly 50%

The Taipei Grade A office market saw four new project completions in Q2 2024. Two are in the Western submarket: the SCSB Headquarters and the Central Plaza. The former will be fully occupied by Shanghai Commercial Bank for self-use, while the latter will be partially self-used by Huang Hsiang Construction, with the remainder available for lease. The additional two projects are in the Nanjing/Songjiang submarket: the Cathay Songjiang Building and the Yuanta Songjiang Jinxing Building, both fully available for lease. The total new supply in Q2 was approximately 30,300 pings, with 22,500 pings in the Western submarket, boosting the submarket's stock from 46,800 to 69,300 pings, a rise of nearly 50%.

The Q2 overall average vacancy rate rose to 7.7%, up 2.3 percentage points q-o-q. The Western and Nanjing/Songjiang submarkets saw vacancy rates climb by 19.3 and 15.2 percentage points, respectively, due to new supply and pending occupancy. Other submarkets saw slight declines.

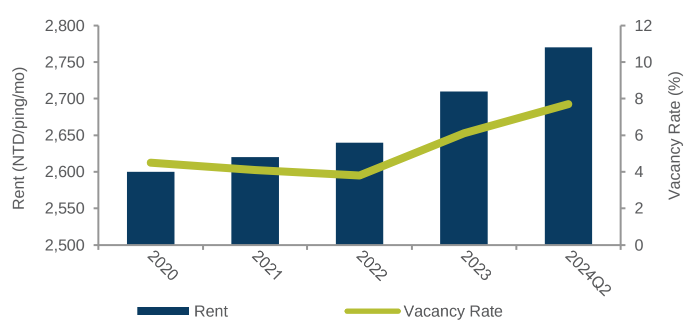
Value Creation in Established Areas

Scarce land, limited available supply, and stable demand have kept older office market areas in balance, with gradual rental level growth. However, the Taipei West Gateway Project is driving urban renewal and MRT joint development, which will significantly uplift regional rental rates. Citywide overall rents rose by 1.5% in Q2, averaging NT$2,770 per ping per month. Xinyi submarket commands the highest rent at NT$3,440 per ping per month. New supply pushed rents in the Western and Nanjing/Songjiang to NT$2,610 and NT$2,420 per ping per month, up by 14% and 12% respectively, making the Western submarket the city's second-highest rental area.

Upcoming Premium Offices Across Submarkets to Promote Balanced Development

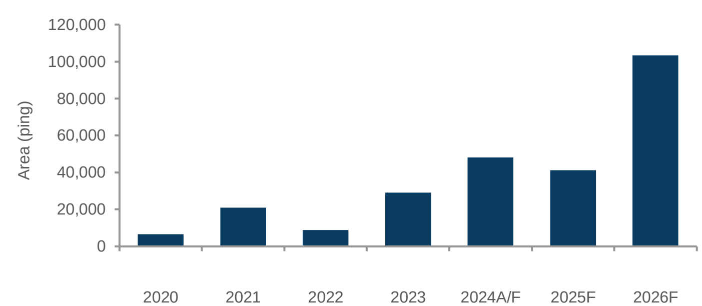
The Taipei Grade A office market is scheduled to introduce approximately 170,000 pings of new supply by the end of 2026. Unlike the previous concentration in Xinyi, these incoming projects will be distributed across major submarkets. Driven by ESG trends, rising construction costs, and higher base interest rates, the new supply is expected to elevate submarket rental rates, fostering balanced development and providing occupiers with greater choices.

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	69,300	20.7%	0	2,610	US$2.26	€ 2.11
Nanjing/Songjiang	48,900	17.0%	0	2,420	US$2.10	€ 1.96
Dunbei/Minsheng	232,400	5.6%	53,800	2,410	US$2.09	€ 1.95
Dunnan	95,100	1.3%	39,600	2,460	US$2.13	€ 1.99
Xinyi	372,900	7.1%	76,900	3,440	US$2.99	€ 2.78
Taipei City	818,600	7.7%	170,300	2,770	US$2.40	€ 2.24

1 USD = 32.3895 TWD; 1 EUR = 34.7493 TWD as of June 18, 2024

KEY LEASING TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Hung Tai Financial Plaza	Dunbei/Minsheng	Coupang	840	New Lease
Shin Kong Zhongshan Bldg.	Western	United Link	430	Relocation
Fubon A25	Xinyi	Hermeneutic Investments	310	New Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	PING	COMPLETION DATE
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
Homax Landmark	Dunnan	-	15,600	2026
Fubon Insurance Building	Dunnan	Fubon Insurance	10,300	2026
Tatung Building	Dunbei/Minsheng	-	12,500	2026
Core Pacific Plaza	Xinyi	-	65,000	2026

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About Cushman & Wakefield

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TAIPEI

Industrial-Office Q2 2024

XIHU SECTION	12-Mo. Forecast
1,540 Average Rent (NTD/PING/MO)	–
0% Rent Growth Rate (QOQ)	–
3.5% Vacancy Rate	–

Source: Cushman & Wakefield Research

TAIWAN ECONOMIC INDICATORS Q1 2024

	Q4 2023	12-Mo. Forecast
6.6% GDP Growth	4.8 %	▼
6.0% Secondary Sector Growth	-0.5 %	N/A
2.3% CPI Growth	2.9 %	▼

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

NHTP Vacancy Rate Declines Slightly

The vacancy rate in Xihu Section fell by 0.1 percentage points q-o-q in Q2 2024 to record 3.5%, mainly due to absorption of 210 pings by the IT software sector at Darwin Technology Center. Some tenants terminated their leases in Wende Section, leading to a 0.2 percentage point rise in vacancy q-o-q to reach 6.3%. In Jiuzong Section the vacancy rate dropped 0.6 percentage points q-o-q to 11.7%, with the primary absorption from a medical wholesale enterprise expanding by 310 pings at Ten Fu Technology Center and an IT software firm taking up 310 pings at the Solomon Technology Corp. Building.

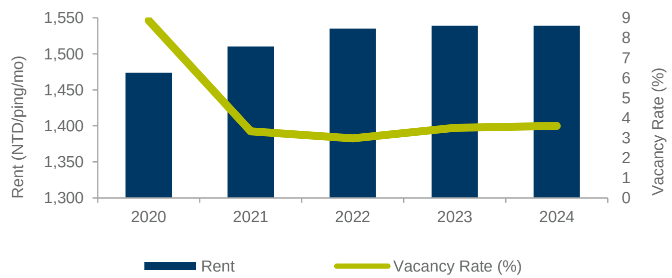
Rental Levels Stay Consistent, Capital Values Experience Modest Increase

Overall rental levels remained stable in Q2. 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$630,000–770,000 per ping, Wende Section at NT$470,000–560,000 per ping, and Jiuzong Section at NT$440,000–540,000 per ping. The most significant market deal in Q2 involved Wistron and Wiwynn investing NT$0.856 billion and NT$1.228 billion, respectively, to acquire 60-year superficies rights in Tanmei Section from Taipei City Government, averaging NT$472,900 per ping.

Technology Industry Supports Demand

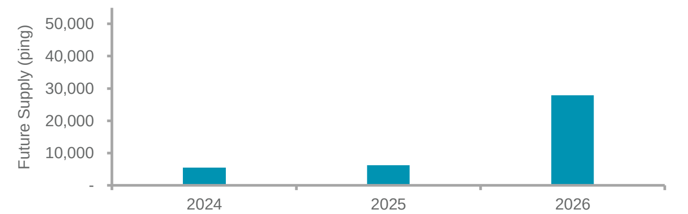
The NHTP is benefitting from AI trends, with technology-related industries expected to continue requiring I/O expansion or reserving space for production lines into the future. However, limited supply in the Xihu Section keeps the vacancy rate low with stable rents. Two I/O buildings transacted in Q1 in the Wende Section will be used by Delta Electronics, and it is expected that the original tenants will gradually relocate to surrounding I/O buildings, further absorbing the vacancy. Meanwhile, in the Jiuzong Section, the continued rise in new completed buildings scheduled in the coming years means there is still pressure on absorption, and rental rates are expected to remain steady.

RENT & VACANCY RATE (XIHU SECTION)



Source: Cushman & Wakefield Research

FUTURE SUPPLY



Source: Cushman & Wakefield Research

MARKETBEAT

TAIPEI

Industrial-Office Q2 2024

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SECTION	VACANCY RATE	UNDER CONSTRUCTION (PING)	I/O RENT		
			NTD/PING/MO	USD/SF/MO	EUR/SF/MO
Xihu	3.5%	5,400	1,540	US$1.34	€ 1.25
Wende	6.3%	-	1,100	US$0.95	€ 0.89
Jiuzong	11.7%	34,100	1,000	US$0.87	€ 0.81

1 USD = 32.3895TWD; 1 EUR= 34.7493TWD as of Jun. 18, 2024

KEY LEASING TRANSACTIONS Q2 2024

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
Darwin Technology Center	Xihu	IT Software	210	Relocation
Golden Silicon Valley No.9 Commerce square	Jiuzong	Wholesale of Mechanical Goods	130	Expansion
Ten Fu Technology Center	Jiuzong	Wholesale of Mechanical Goods	310	Expansion
Solomon Technology Corp. Building	Jiuzong	IT Software	310	Expansion

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
Kuo Yang Intercontinental Headquarter	Jiuzong	-	8,400	2026
Wistron Taipei Digital Content Innovation Center	Jiuzong	Wistron Corporation	19,500	2026

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TAIPEI

Retail Q2 2024

	12- Mo. Forecast
11,800 Average Rent (NTD/PING/MO)	–
2.6% Rental Growth Rate (QOQ)	–
5.8% Vacancy Rate	▼

Source:Cushman & Wakefield

TAIWAN ECONOMICS INDICATORS Q1 2024

	YoY Chg	12-Mo Forecast
6.6% GDP Growth	▲	▼
2.3% CPI Growth	▼	▼
4.1% Cumulative Sales of General Merchandise	▲	N/A

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

Retail Revenues Maintain Steady Growth

Statistics for the January to April 2024 period show a 4.2% year-on-year rise in general merchandise stores' total sales revenues. Although this quarter's retail sales benefited from the Mother's Day celebrations, the number of public holiday this year was less than in 2023, resulting in quite modest revenue increases for department stores and hypermarkets, which grew by 2.6% and 1.3% y-o-y, respectively. Convenience stores saw a 5.9% y-o-y increase in revenue, driven by holiday promotions and seasonal product launches. Supermarkets experienced a 4.6% y-o-y rise in revenue. Other retail categories benefited from the return of outbound travelers to pre-pandemic levels and inbound travelers reaching 70% of pre-pandemic numbers and continuing to grow positively, resulting in sustained growth for duty-free stores with a 9.1% y-o-y boost in revenue.

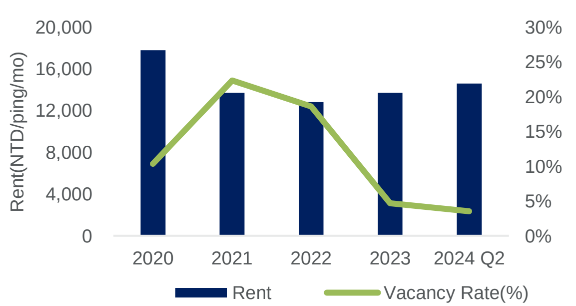
Ximen and Zhongshan/Nanjing Vacancy Rates Drop to Pre-Pandemic Lows

The Ximen commercial district continued its prior-quarter momentum in Q2, with smaller independent brands following the trend, resulting in the vacancy rate dropping for the eighth consecutive quarter to record 3.5%. The Zhongshan/Nanjing commercial district's vacancy rate also fell to pre-pandemic level lows, with even long-term vacant stores now successfully leased, bringing the district's vacancy rate down to 3.3%. The Zhongxiao commercial district saw diverse changes this quarter, with notable jewelry, clothing, and lifestyle retail brands returning. However, some retailers are still undergoing renovation with move-ins due next quarter, in turn prompting a slight uptick in the vacancy rate to 12.3%.

Taipei Dome Activities Expected to Boost Crowds in Surrounding Commercial Districts

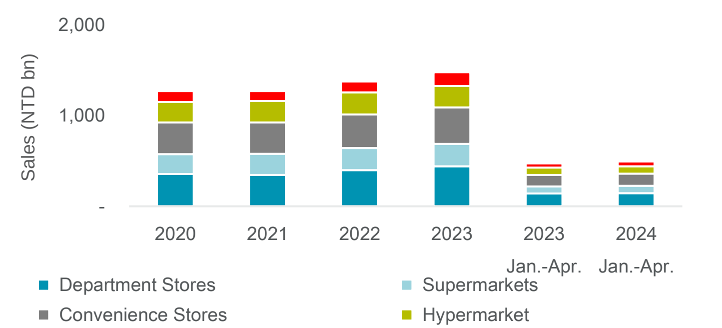
Since hosting its first event late last year, the Taipei Dome has regularly attracted large crowds with the Chinese Professional Baseball League (CPBL) regular season games starting at the end of March this year. Additionally, this quarter saw the opening of the first phase of the Far Eastern Garden City's complex shopping mall, featuring the Gourmet Park project offering numerous dining options. Future phases of the development are expected to further boost business activity in the surrounding 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 Q2 2024

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PRIMARY RETAIL VACANCY AND AVERAGE RENTS IN Q2 2024

RETAIL HUB	VACANCY RATE	RETAIL RANGE (NTD/PING/MO)	RENTAIL RANGE (USD/SF/MO)	12- MONTH OUTLOOK
Zhongxiao	12.3%	8,000~11,000	6.9~9.5	▬
Zhongshan/Nanjing	3.3%	7,200~12,200	6.2~10.6	▲
Ximen	3.5%	9,400~15,400	8.2~13.4	▲

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 = 32.3895 NTD as of June 18, 2024

SIGNIFICANT OPENINGS IN Q2 2024

RETAIL HUB	LOCATION	TENENT	SIZE (Ping)
Zhongshan/Nanjing	Sec. 1, Nanjing E. Rd.	Komeda's Coffee	50
Zhongshan/Nanjing	Sec. 1, Zhongshan N. Rd.	JVV Development Ltd.	247
Ximen	Emei St.	RHINOSHIELD	-
Zhongxiao	Sec. 4, Zhongxiao E. Rd.	Dignity D.	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 Garden City	Xinyi District, Taipei City	2024	42,000

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Capital Markets Q2 2024

CUSHMAN & WAKEFIELD 戴德梁行

	YoY Chg
53.1 B YTD Investment Volume (NTD)	-19.8%
29.1 B Q2 Investment Volume (NTD)	-44.2%
56 Q2 Deals	47.4%

ECONOMIC INDICATORS Q1 2024

	YoY Chg	12-Mo. Forecast
6.6% GDP growth	▲	▼
2.3% CPI growth	▼	▼
3.1% Prime Leading Loan Rate	▲	N/A

Source: Ministry of the Interior, Moody's Analytics

Investment Market Dominated by Industry Demand, Self-Use Buyers Remain Mainstay of Transactions

Taiwan commercial real estate investment volume reached NT$29.1 billion in Q2 2024. The Q2 performance was up 21.4% from Q1, with overall market trends continuing. The largest transaction in the quarter was a NT$2.99 billion purchase of an office building in Xinzhuang Dist., New Taipei City, by a natural person from Shin Ruenn Development. The second was a NT$2.33 billion acquisition, through foreclosure, of an I/O building in Wugu Industrial Park, New Taipei City, by IGS. The third-ranked deal was a NT$1.68 billion purchase of a factory in Hsinchu Science Park by Sigurd UTC Corp.

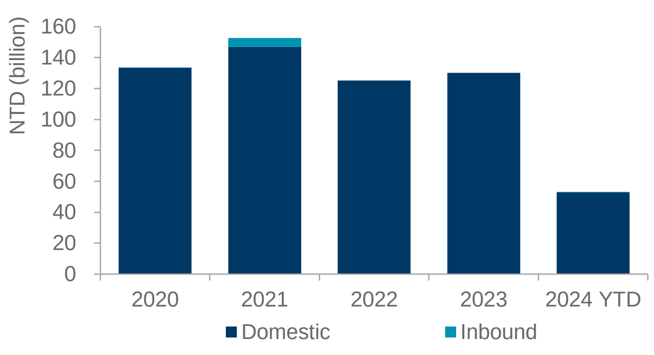
Developers' Land Purchase Drive Due to Robust Residential Market

The land market saw NT$39.0 billion in transactions in Q2 2024, reaching NT$102.7 billion for the 1H 2024 period, up 164% y-o-y. The residential market flourished under the "Loan of Housing Subsidies for the Youth" policy, with transferred buildings in the six municipalities reaching an 11-year high, spurring developers to target land with potential for residential development. Residential land accounted for as much as 52% of total land market transaction volume in Q2. The top transaction value was I-HWA Industrial's purchase of industrial land in Wugu Dist., New Taipei City for NT$31.2 billion. The second-placed deal was by Hiyes International, acquiring partial ownership of land and buildings in the prime area of Xindian Dist., New Taipei City, for NT$2.75 billion. The property was originally a private vocational school, with a focus on its redevelopment potential. The third-ranked deal was Huaku Development's purchase of residential land in Beitou Dist., Taipei City for NT$1.8 billion.

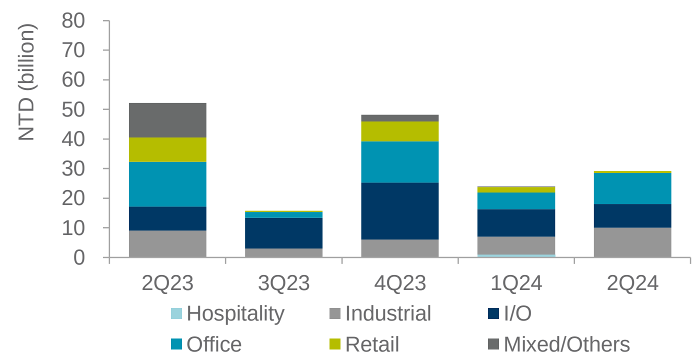
Abundant Market Funds and Strong Corporate Momentum

Taiwan's stock market has reached new highs, with a growing focus on AI and semiconductor industries, resulting in ample market liquidity. However, investment returns remain low. We anticipate that enterprise self-use demands will continue to drive capital market transactions in 2H 2024. The residential market also performed well in 1H 2024, driven by strong demand for owner-occupied housing, leading to supply shortages. Developers are expected to maintain focus on residential land acquisition in the 2H period. The central bank did not adjust interest rates this quarter but implemented new credit controls to tighten market liquidity. Nevertheless, the cooling effect on the market is expected to be limited, sustaining a similar investment atmosphere as seen in the first half of the year.

INVESTMENT VOLUME BY CAPITAL SOURCE



INVESTMENT VOLUME BY SECTOR



MARKETBEAT

TAIWAN

Capital Markets Q2 2024

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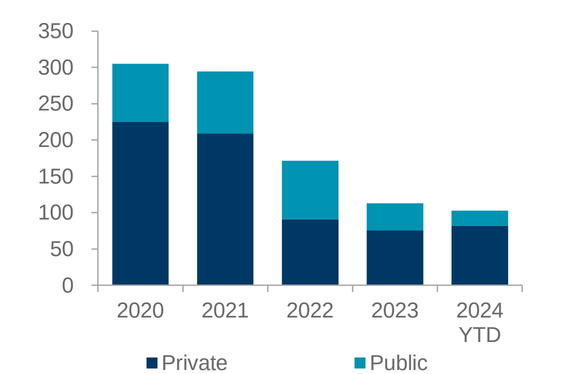
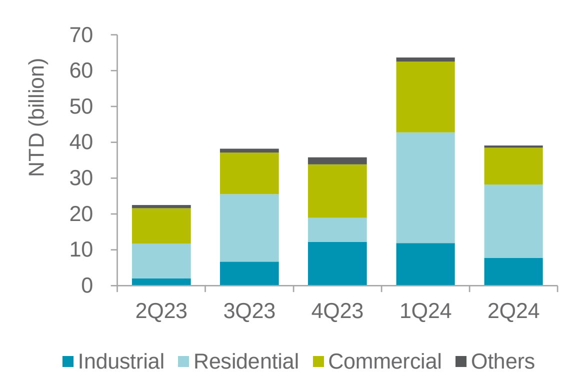
KEY SALE TRANSACTIONS

PROPERTY	LOCATION	SECTOR	PRICE (NTD BN)	VENDOR	PURCHASER	DEAL TYPE
Office in Xinzhuang Dist., New Taipei City	Xinzhuang Dist., New Taipei City	Office	2.99	Shin Ruenn Development Co., Ltd	Personal	Investment
I/O Building in Wugu Dist., New Taipei City	Wugu Dist., New Taipei City	I-O Building	2.33	Court (TFASC)	International Games System Co., Ltd (IGS)	Self-used
Factory in Hsinchu Science Park	Hsinchu City	Industrial	1.68	Resonac HD Taiwan Co., Ltd.	Sigurd UTC Corp.	Self-used
Factory in Liuying Dist., Tainan City	Liuying Dist., Tainan City	Industrial	1.46	Gloria Material Technology Corp.	S-TECH CORP.	Self-used
Factory in Hukou Township, Hsinchu County	Hukou Township, Hsinchu County	Industrial	1.40	Grobest Group.	SANYANG MOTOR CO., LTD.	Self-used

Land Transactions Volume by Supply Source



Land Transactions Volume by Land Use



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