TAIPEI OFFICE MARKETBEAT

OCTOBER 2019

CUSHMAN & WAKEFIELD
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2,580 AVERAGE RENT (NTD/PING/MO)

0% RENT GROWTH RATE (QOQ)

5.4% VACANCY RATE

WHAT'S NEXT

HIGHLIGHTS

Overall vacancy rate continues to drop

The market's overall vacancy rate declined 0.6 percentage points q-o-q to 5.4% in Q3, marking the lowest vacancy rate of the past 10 years. Compared with prior vacancy rates for each submarket, Dunbei / Minsheng led the way with a drop of 1.4 percentage points q-o-q, followed by West with a decrease of 0.7 percentage points, q-o-q. In the Dunbei / Minsheng submarket, relocation of tenants from buildings in urban renewal programs was a major driver of leasing activity in the quarter, with the new location spot remaining in the same submarket with a leasing area of 100-200 pings. Accumulative absorption amounted to 35,800 pings for the past three quarters. The professional services sector was the most notable source of occupier demand, taking up 23% of total leasing area. The co-working space ranked second, accounting for 22% of leasing area, including WeWork and JustCo, with international co-working space operators pursuing positive expansion strategies in Taiwan.

Landlords dominate rental levels

Average rent for Grade A office space remained stable in Q3, as per the past half year, and continuing to reflect a shortage of supply. The average rent was NT$2,580 per ping per month in Q3. Compared to the previous two quarters, leasing activity was infrequent, again due to a lack of supply. The majority of tenants chose to renew their contract and accept a higher rent when the contract expires.

Future new supply is lacking

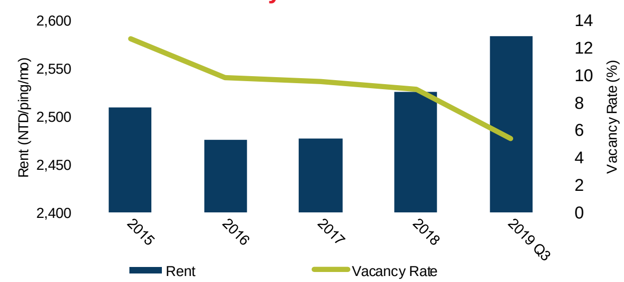
In the leasing market of the past three quarters the key driver of absorption of new supply has been demand for large area headquarters premises. However, in Q4 the office market is expected to be lacking in leasable area, and hence we expect to see a drop in both leasing activity and absorption. As well, the average leasing area will drop into a medium or small-sized classification.

Economic Indicators

	Q1 2019	Q2 2019	One Year Forecast
GDP Growth	1.8%	2.4%	▼
Service Sector GDP Growth	2.2%	2.5%	N/A
CPI Growth	0.3%	0.8%	▲
Unemployment Rate (Jun)	3.7%	3.7%	N/A

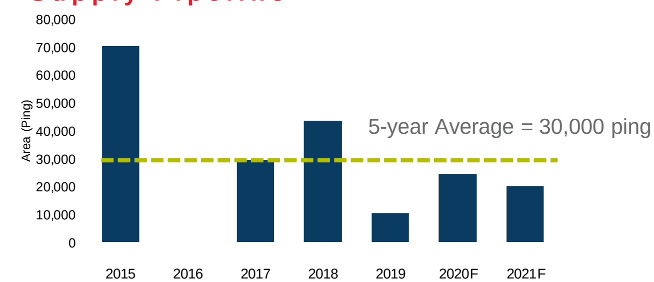
Source: Ministry of the Interior, Oxford Economics   Note: Growth figure is y-o-y growth

Rent & Vacancy Rate



Source: Cushman & Wakefield Research

Supply Pipeline



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SUBMARKET	INVENTORY (Ping)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (Ping)	GRADE A RENT		
				NTD/Ping/MO	USD/SF/MO	EUR/SF/MO
Western	40,200	0.8%	0	2,100	US$1.88	€1.70
Nanjing/Songjiang	36,600	5.3%	8,000	2,030	US$1.82	€1.64
Dunbei/Minsheng	207,400	7.1%	25,300	2,360	US$2.11	€1.91
Dunnan	103,700	8.0%	0	2,360	US$2.11	€1.91
Xinyi	343,800	4.1%	0	3,170	US$2.84	€2.57
Taipei City	**731,700**	**5.4%**	**33,300**	**2,580**	**US$2.31**	**€2.09**

1 USD = 31.3742 TWD; 1 EUR = 34.7210 TWD as of Aug 23, 2019

Key Leasing Transactions Q3 2019

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Nanshan Plaza	Xinyi	Pfizer's Pharmaceutical Co.	1,380	New Lease
Nanshan Plaza	Xinyi	Amazon Taiwan	1,060	Expansion
Nanshan Plaza	Xinyi	Chanel	750	Expansion
Nanshan Plaza	Xinyi	Genie Networks	370	New Lease
Hung Kuo Building	Dunbei/Minsheng	Philippines Financial Bank	320	Relocation
Exchange Square No.2	Xinyi	NetApp Taiwan	270	Expansion
Cathay Landmark	Xinyi	China Steel Corporation	190	Expansion
Cathay Landmark	Xinyi	BCOW Technology	180	New Lease
Cathay Landmark	Xinyi	Sonruan Financial Adviser	180	New Lease

Significant Projects Under Construction

PROPERTY	SUBMARKET	MAJOR TENANT	PING	COMPLETION DATE
Yuanta Life New Headquarters	Nanjing/Songjiang	Yuanta Group	8,000	2020
China Life Headquarters	Dunbei/Minsheng	China Life/China Development Financial	16,600	2020
Taipei Dome	Xinyi	-	11,400	2021
E.SUN Second Headquarters	Dunbei/Minsheng	E.SUN Financial	8,700	2021

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