

TAIWAN

Cushman & Wakefield

Global Cities Retail Guide

Over the past few years, Taiwan has seen stable and sustainable economic growth. Growth momentum is expected to continue as a result of the improved relationship with Mainland China.

Taiwan is a developed market with a population of more than 23 million and a GDP per capita of US\$24,827 (as of 2018). In addition, retail turnover (of department stores, supermarkets or convenience stores and retail formats) has also increased and thus created more demand for retail property.

With a mere three hours (on average) flying time to seven major cities in the Western Pacific, Taiwan is the hub of the Asia-Pacific Region. The island is close to the global economic powerhouse, China, both geographically and culturally, and is dubbed the gateway to China.

The number of inbound visitors to Taiwan reached 11.1 million in 2018, which increased by 3.05% y-o-y. Chinese visitors account for the highest proportion of visitors in Taiwan, though numbers of visitors decreased by 1.35% y-o-y due to political factors. Japanese visitors increased to 1.97 million and showed a growth rate of 3.70% y-o-y.

Given the visa-free entry and landing visa privilege, Taiwan is an ideal travel destination for many different nationalities, such as USA, UK, Far East nations and several European countries. Tourism receipts in Taiwan in 2017 totalled US\$12.3billion. The consumption ability of these tourists generates retail market development.

These developments have the potential to help bolster retail sales – particularly for retailers of high-end or aspirational brands to which visitors are likely to be attracted. In addition to a well-rounded legal framework, Taiwan also offers an environment that is conducive to foreign retailers. Many international retailers are interested in exploring the Taiwan market.



TAIWAN OVERVIEW

TAIWAN

ECONOMIC OVERVIEW

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2018	2019F	2020F	2021F	2022F
GDP growth	2.6	1.5	1.7	1.8	2.1
Consumer spending	2.0	1.7	2.3	2.4	2.3
Industrial production	3.6	0.5	3.0	3.1	2.9
Investment	2.1	2.7	2.9	3.5	3.5
Unemployment rate (%)	3.7	3.7	3.7	3.6	3.5
Inflation	1.4	0.8	1.2	1.4	1.3
US\$/ Euro (average)	35.6	34.6	34.9	35.8	36.2
Interest rates 3-month (%)	30.2	30.3	29.3	29.0	28.9
Interest rates 10-year (%)	1.4	1.4	1.4	1.6	1.7

ECONOMIC BREAKDOWN

Population	23.6 Million (2018F)
GDP (nominal)	\$589.4 Billion (2018F)
Public Sector Balance	-0.5% of GDP (2018F)
Public Sector Debt	30.3% of GDP (2018F)
Current Account Balance	11.6% of GDP (2018F)
Parliament	Legislators from mainly two political parties - KMT and DDP
Head Of State	Tsai Ing-wen
Prime Minister	Su Tseng-chang
Election Date	January 2020

RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

TAIWAN	2018F	2019F	2020F	2021F	2022F
Retail Volume*	2.1%	2.8%	2.7%	2.3%	2.3%

NOTE: *annual % growth rate unless otherwise indicated. Figures are based on local currency and real terms. E estimate F forecast.

SOURCE: Oxford Economics

CITY	POPULATION (JUN 2019)
New Taipei City	4.00 million
Taichung City	2.81 million
Kaohsiung City	2.77 million
Taipei City	2.66 million
Taoyuan City	2.24 million
Tainan City	1.88 million

Sources: Department of Household Registration, Ministry of Interior



TAIWAN LARGEST CITIES

TAIWAN

RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Pxmart, Simple Mart, Taiwan Fresh Supermarket and a.mart

MAJOR INTERNATIONAL FOOD RETAILERS

RT-Mart, Carrefour, Wellcome, Costco, City'super and JASONS Market Place

MAJOR DOMESTIC NON-FOOD RETAILERS

Shin Kong Mitsukoshi, Far Eastern Sogo, Far Eastern, Breeze Center and Eslite

INTERNATIONAL RETAILERS IN TAIWAN (Selection)

Apple, IKEA, Decathlon, Chanel, Hermes, Louis Vuitton, Burberry, GAP, ZARA, UNIQLO, H&M

FOOD AND BEVERAGE OPERATORS

Din Tai Fung, McDonald's, MOS Burger, Starbucks, Cha for tea, TRIPODKING, Sharetea, Chun Shui Tang, Wubaochun

TYPICAL HOURS

SUNDAY-THURSDAY	FRIDAY-SATURDAY
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11:00-21:30

11:00-22:00

NEW ENTRANTS TO MARKET

Matsumoto Kiyoshi

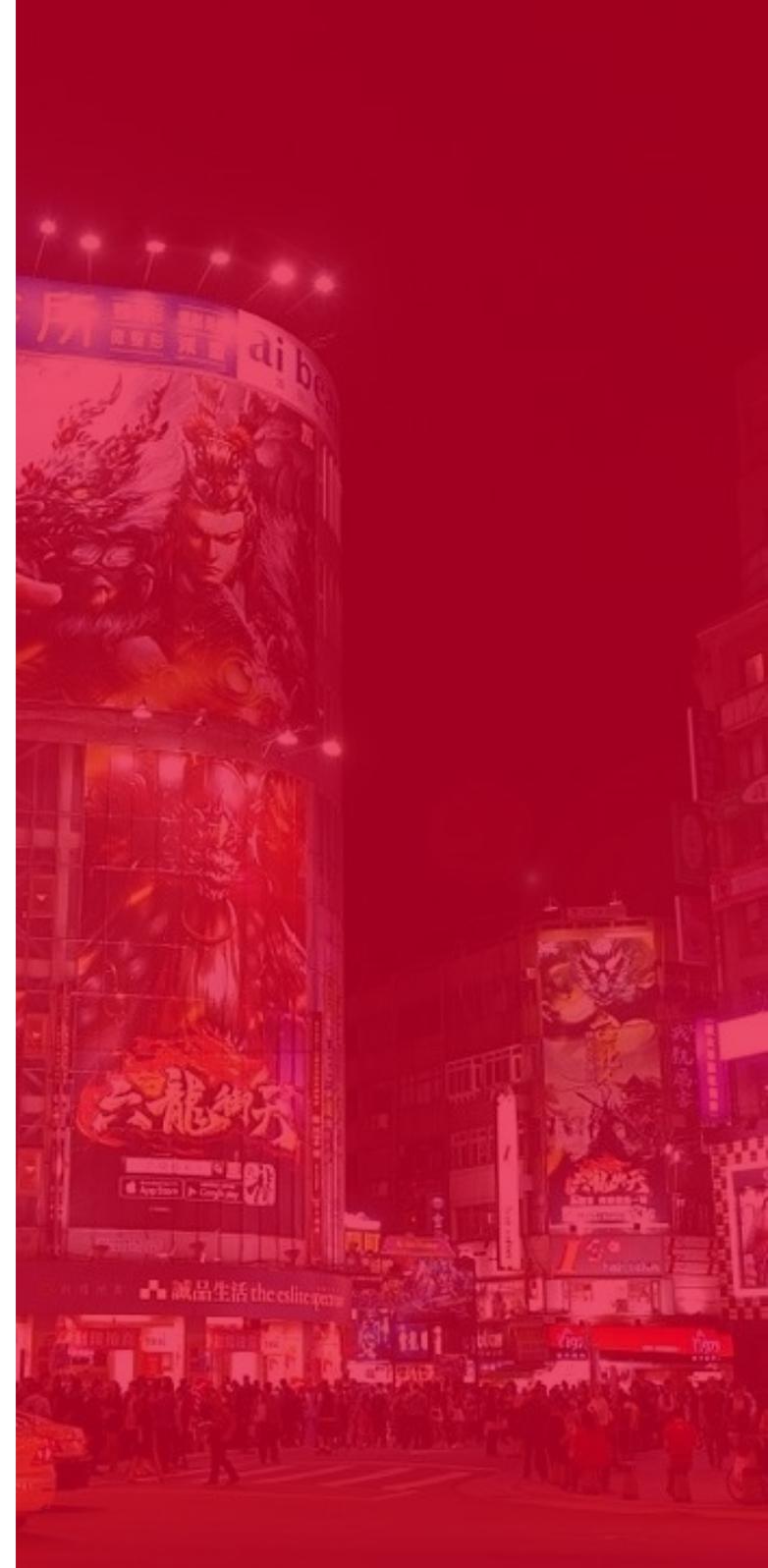
K.UNO

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Fred Segal

Sapporo Drug Store

MLB KOREA



TAIWAN

RETAIL SCENE

The major operators in Taiwanese retailing are generally multi-sector and often mixed goods retailers, with a number of major groups combining department stores with grocery retailing. While every city has a few of its own department stores, there are two major chains in Taiwan, with at least one store in each major city.

Shin Kong Mitsukoshi, probably the most popular department store chain in Taiwan, is a joint venture between the Mitsui Company in Japan and the Shin Kong Group Taiwan. Far East Sogo Department Store and FE21 (both owned by Far East Group in Taiwan) also have branches in major cities.

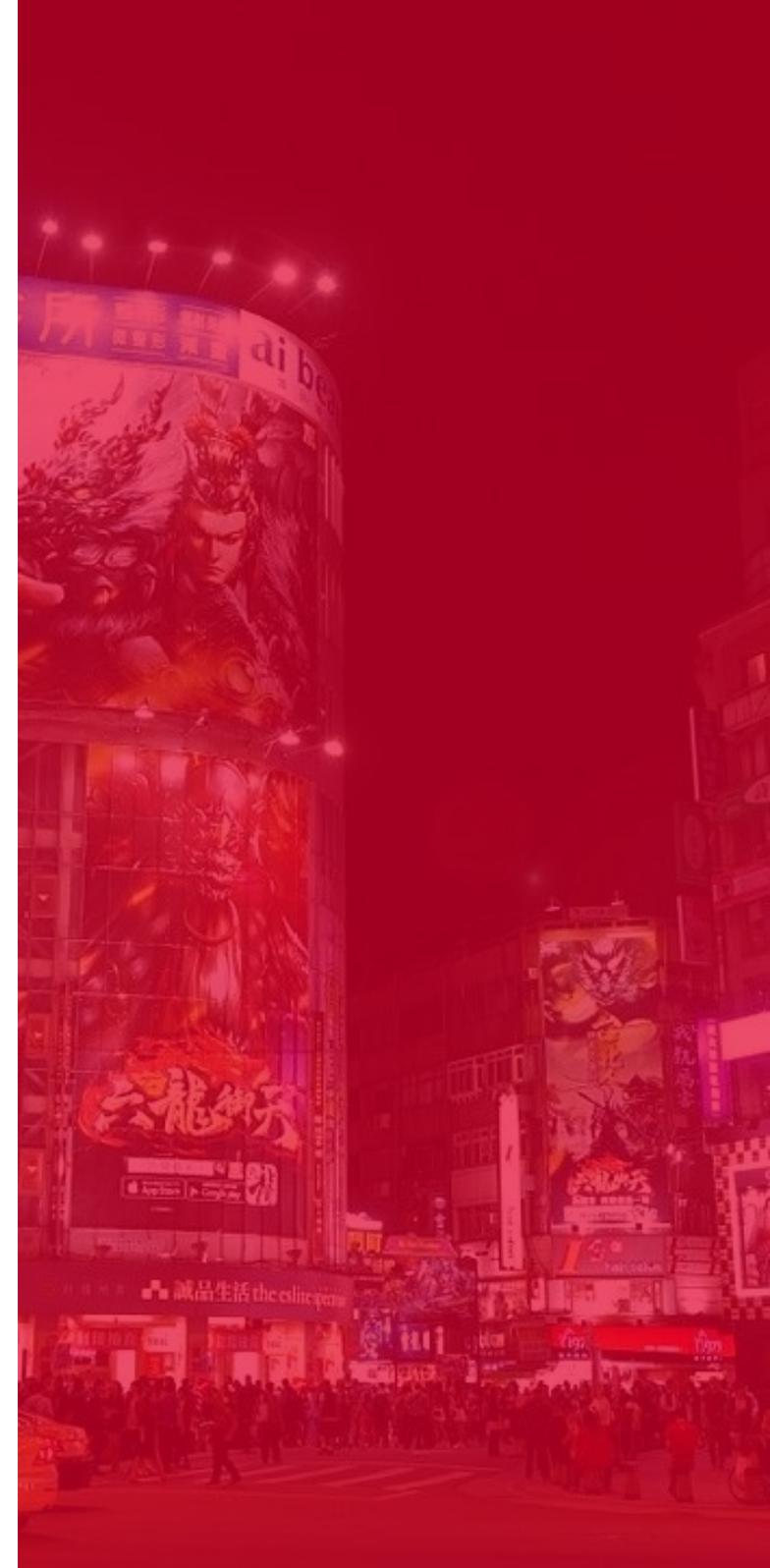
Fast fashion brands had blew up in the past years. However, most brands have faced challenge on sales growth. The phenomenon is similar to those with sports-leisure offers. However, health & beauty care brands tend to expand in major retail hubs, and have become the more influential retailers in department stores, shopping malls, and high streets.

Food culture plays an essential role in Taiwan, and hectic lifestyles make food-and-beverage outlets located in shopping malls and department stores even more popular. More and more people go to department stores or malls for dining rather than shopping – many department store operators view the F&B sector as a 'rising star'. Accompanied by increasing visitors and strong sales growth in department stores, many F&B operators, such as Din Tai Fung, have enjoyed growth and are planning to expand their operation further.

Another notable retail trend is the transformation of e-commerce practices. Nowadays, having only virtual platforms is insufficient for e-commerce companies to meet their distribution requirements. In response to this, a number of companies in Taiwan are tapping into bricks-and-mortar and bring excitement to consumers with their shopping experiences, as well as their products. From clicks to bricks, Hoi!, a joint venture of HOLA and Taobao, has opened a physical store and has perceived that an offline presence gives them the opportunity to reinforce their brand image.

In Taiwan, it takes about four to six weeks for a foreign company to set up a limited company or a branch office. A limited company set up by foreign investors is regarded as a domestic company and can enjoy the same right of acquiring real estate as a Taiwanese company, without restrictions of the Principle of Reciprocity.

All in all, with an increasing number of tourists, and a streamlined procedure for setting up a limited company or a branch office, Taiwan has ascended as an increasingly attractive place for multinationals to have a retail presence.



TAIWAN

SHOPPING CENTERS

TOP TEN SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
Miramar Entertainment Park	Taipei	97,000	2004
Taipei 101	Taipei	95,300	2004
Uni-President Department Store	Taipei	80,800	2010
Q Square	Taipei	73,400	2009
Dayeh Takashimaya	Taipei	64,200	1994
Far East Sogo - Fuxing	Taipei	64,100	2006
Breeze Nan Shan	Taipei	59,500	2019
Shin Kong Mitsukoshi - XinYi A8	Taipei	58,300	2002
CITYLINK- Nangang	Taipei	54,200	2014
Shin Kong Mitsukoshi - XinYi A11	Taipei	52,900	1997

TAIWAN

KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	COMMENT
Lease Terms	A typical lease is about 2 to 3 years. However, some brand name retailers may ask for a 5-year lease with an option to renew for another 3 to 5 years. The majority of shopping centers in Taipei charge “base rent” or “percentage rent”, whichever is higher. Break options are negotiated separately with landlords.
Rental Payment	Usually, rents are paid monthly or quarterly in advance by wire transfer or cash. Some landlords request tenants to pay 12 postdated checks in the beginning of each leasing year and the landlord would cash one check every leasing month.
Rent Review	Usually only available in long-term lease (more than five years) and occur every 3-5 years.
Service Charges, Repairs and Insurance	The tenant is responsible for fees incurred by internal matters or common parts, while the landlord is responsible for external or structural matters. The landlord insures the building. Utilities charges in the common area are shared by all tenants by lease area. Moreover, in shopping malls, tenants need to pay the building management fee and marketing or advertising fee regularly.
Property Taxes and other costs	Usually, local property taxes, including Land Value Tax and Building Tax, are borne by the landlord. As for the tenant, the VAT payable on rent is 5%, which is a deductible item when the tenant files and reports its sales tax every 2 months to the local tax bureau.
Disposal of a Lease	Subletting rights are negotiated separately with landlords. The right to assign the lease to a third party is rarely granted.
Valuation Methods	N/A
Legislation	Section 5 (leasing) of General Provisions of Obligation of Civil Law.

WENDY HSEUH

Valuation & Advisory | Research
Cushman & Wakefield Taiwan
wendy.hj.hseuh@cushwake.com

WHAT'S NEXT

REDEFINING THE LANGUAGE OF
RETAIL & LEISURE



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