

Industrial-Office Q4 2020

XIHU SECTION

12-Mo. Forecast

1,470
Average Rent (NTD/PING/MO) ▲

2.1%
Rent Growth Rate (QQQ) ▲

8.9%
Vacancy Rate ▼

Source: Cushman & Wakefield Research

New Project Completion Prompts Temporary Vacancy Rise in Xihu Section Temporary

In Xihu Section the completion of the Honhui Sparkle Square project prompted a temporary vacancy rise, as, with the exception of Building B, which has been occupied by ITRI as an incubation center, new tenants for the project have yet to move in. As a result, Xihu vacancy edged up 7.5 percentage points q-o-q to reach 8.9% at the end of Q4. In Wende Section some I/O units were released into the market, prompting vacancy to rise 0.5 percentage points q-o-q to reach 6.4%. In Jiuzhong Section a 530-ping space taken at the Wei Mon Industry Building helped the vacancy rate to drop down to 15.4%.

New Supply Drives Rental Level Growth

Rental levels in Xihu Section grew 2.1% q-o-q to average NT\$1,470 per ping per month. The increase was predominantly due to the release of the Honhui Sparkle Square project into the market, with the new property's relatively high rental level pulling up neighboring I/O project rents in Xihu. Rents in Wende and Jiuzhong Sections remained stable at NT\$1,000 and NT\$940 per ping per month respectively in Q4. Capital values in each section also remained steady: Xihu at NT\$560,000-680,000 per ping, Wende at NT\$420,000-480,000, and Jiuzhong at NT\$400,000-450,000. A notable transaction was First Life Insurance's acquisition of 400 pings on the 5th floor of the Tokyo Enterprise Headquarters in Xihu Section for NT\$304 million, equating to an average of NT\$620,000 per ping.

Rental Level Growth in Xihu Section Likely Ahead

Tenants are expected to move into the Honhui Sparkle Square project in 2021 and the available I/O spaces are expected to fill up quickly. The rental level in Xihu Section may see growth in the year ahead. New supply expected to be released into the I/O market in Jiuzong Section may prompt a rise in vacancy, while the rental level in Jiuzong Section is expected to remain steady in 2021.

TAIWAN ECONOMIC INDICATORS Q3 2020

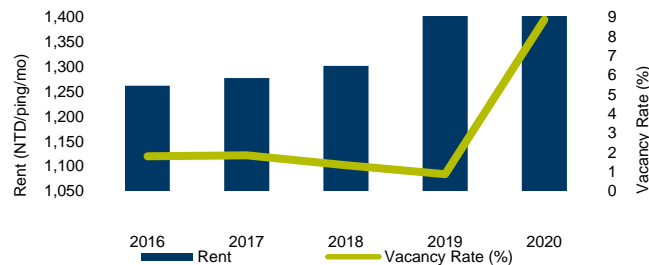
3.9% GDP Growth
Q2 2020: **0.4%** ▲
12-Mo. Forecast

5.8% Secondary Sector Growth
Q2 2020: **3.8%** ▲
12-Mo. Forecast: N/A

-0.5% CPI Growth
Q2 2020: **-1.0%** ▲
12-Mo. Forecast

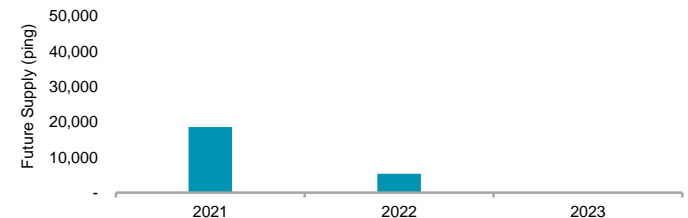
Source: Directorate-General of Budget, Accounting and Statistics, Oxford Economics
Note: Growth figure is y-o-y growth

RENT & VACANCY RATE (XIHU SECTION)



Source: Cushman & Wakefield Research

FUTURE SUPPLY



Source: Cushman & Wakefield Research

SECTION	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (PING)	I/O RENT		
			NTD/PING/MO	USD/SF/MO	EUR/SF/MO
Xihu	8.9%	-	1,470	US\$1.45	€ 1.22
Wende	6.4%	-	1,000	US\$0.99	€ 0.83
Jiuzong	15.4%	23,900	940	US\$0.93	€ 0.78

¹ USD = 28.4780TWD; 1 EUR = 33.8663TWD as of Nov. 25, 2020

KEY LEASING TRANSACTIONS Q4 2020

PROPERTY	SECTION	TENANT INDUSTRIAL CLASSIFICATION	PING	LEASE TYPE
Tokoyo Enterprise Headquarters	Xihu	Software Design Services	170	Expansion
Loyal Chemical Bldg.	Wende	Investment consulting	160	Expansion
Wei Mon Industry Building	Jiuzong	Retail	530	New Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SECTION	MAJOR TENANT	PING	COMPLETION DATE
Chonghong New Generation	Jiuzong	-	5,800	2021
Shanyuan Chuangke Building	Jiuzong	-	5,300	2021
Lianhong Technology Building	Jiuzong	-	4,100	2021
Fuqing Xingshan Enterprise Building	Jiuzong	-	3,400	2021
CMP Building	Jiuzong	-	5,300	2022

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