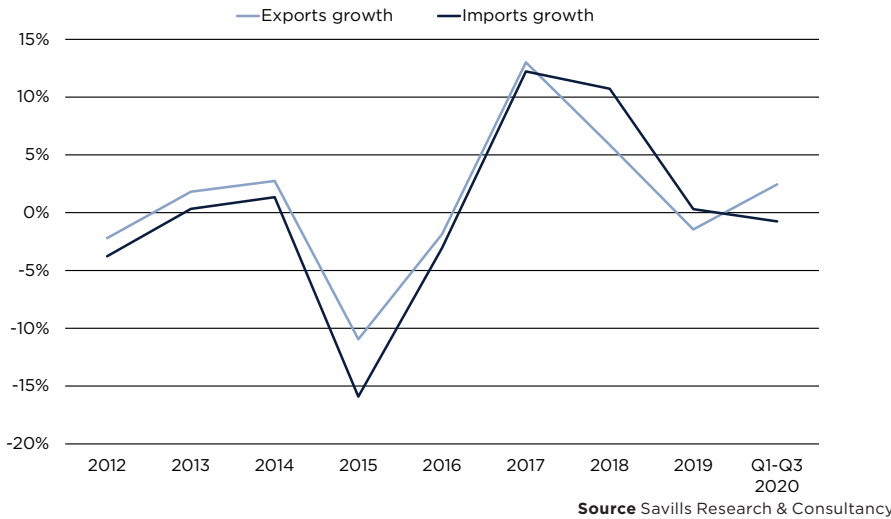


Taiwan Industrial

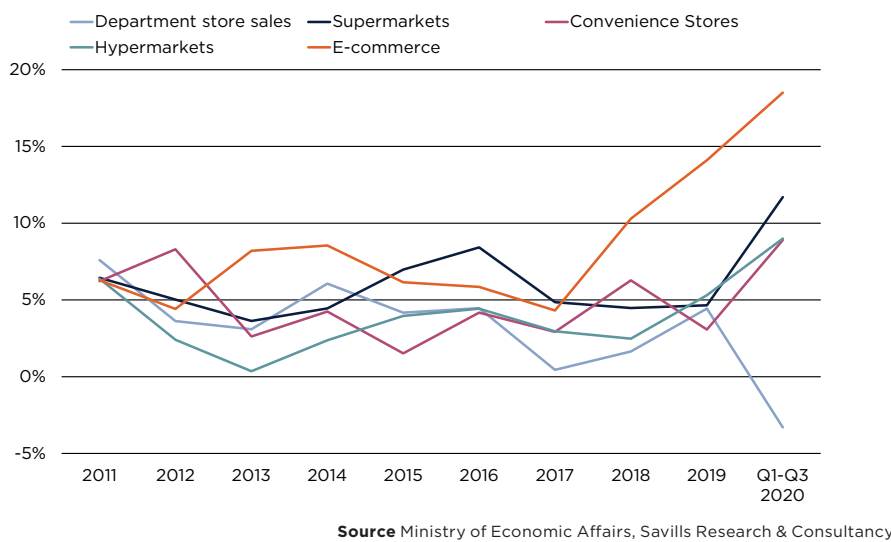


Industrial property sees strong demand

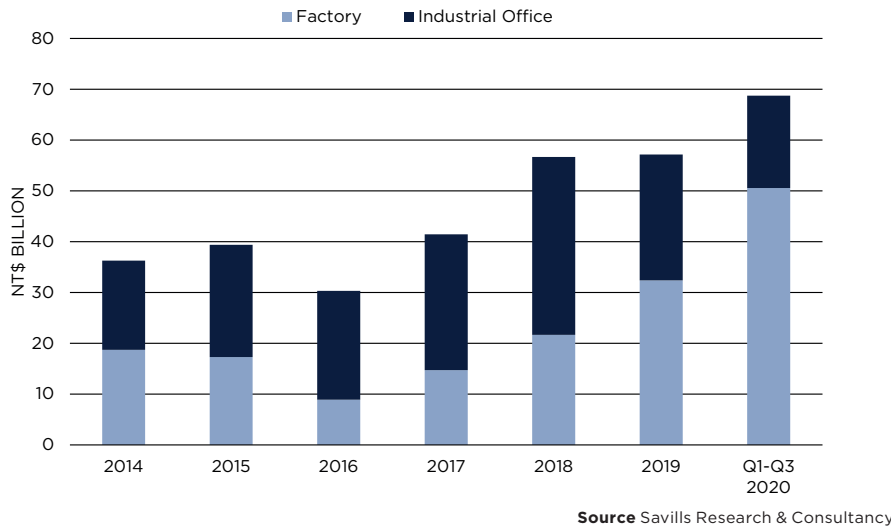
GRAPH 1: Taiwan's Exports And Imports Growth, 2012 to September 2020



GRAPH 2: Retail Sales Growth Rate By Sector, 2011 to September 2020



GRAPH 3: Transaction Volume In Industrial Property Sectors, 2014 to September 2020



GOVERNMENT'S POLICY ATTRACTS TAIWANESE FIRMS BACK HOME

The trade war between China and the US has pushed Taiwan's tech and manufacturing companies to rethink their supply chain strategies which used to rely heavily on China. Taiwan's tech industry saw a large wave of offshoring to China from 2000, especially the electronic component and computer sectors, resulting in four of China's top 10 companies exporting to the US originating from Taiwan, including Foxconn, Quanta, Pegatron, and Compal Electronics. As the trade war tensions have escalated, Taiwanese companies are considering relocating production lines to Southeast Asia and Taiwan in order to diversify their manufacturing base.

At the same time, the Taiwan government has been rolling out a series of policies and incentives to encourage companies to move back, such as the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan". Until November 2020, 205 companies had committed to investing a total of NT\$789 billion in plant construction, the development of manufacturing facilities, R&D and land acquisitions. In general, 5% to 10% of the total amount committed could be allocated for factory acquisitions and boost demand for industrial land as well as factories. Companies especially prefer industrial parks and technology parks in northern Taiwan which offer comprehensive utilities and infrastructure. Taoyuan City is the first priority area for reshoring companies given easy access to the international airport, manufacturing cluster benefits and a location close to downtown which helps with recruitment.

THE RAPID GROWTH OF E-COMMERCE

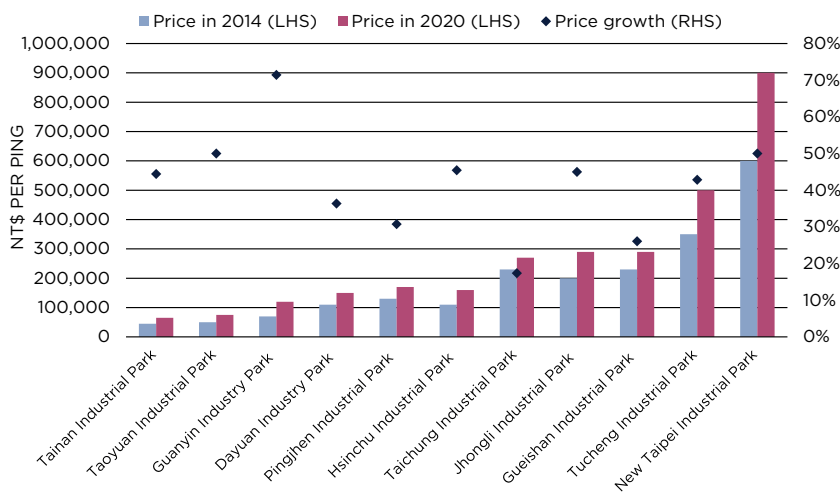
The development of the local e-commerce market has been relatively slow, with annual sales in 2019 accounting for 7.5% of total retail sales, equal to approximately NT\$287.3 billion. At the same time, the share of online retail penetration worldwide reached 14%, according to Statista, which reflects the large potential of Taiwan's e-commerce market.

In common with elsewhere, the outbreak of COVID-19 has sped up the growth of online shopping. Online sales posted a 18.5% spike with the penetration rate climbing to 8.6%, while retail sales in the first three quarters of 2020 declined by 0.6%. As the

speed of shipping is key to earning customer loyalty, large local e-commerce operators, including Momo and PChome are actively setting up regional distribution centers. Momo, which recorded total sales of NT\$50 billion in 2019 is planning to expand its warehouse space to approximately 400,000 sq m consisting of three regional distribution centers in the north, middle and south of Taiwan and 30 satellite warehouses. PChome, the second largest e-commerce

The US/China trade and tech war has created a unique position for Taiwan’s tech industry which will in turn boost demand for industrial property.

GRAPH 4: Industrial Land Price In Selected Industrial Park and Price Growth, 2014 vs 2020



Source Savills Research & Consultancy

operator (2019 sales: NT\$38.8 billion), leased a 150,000 sq m warehouse in Taoyuan City last year which meant that their warehouse capacity reached the same size as Momo.

The demand for fast delivery and efficient inventory management is boosting the need for modern logistics, and has also caught the attention of investors, especially local insurance companies and REITs who see logistics as a resilient asset class with a better rental yield usually 0.5 to 1 percentage point higher than offices.

THE INDUSTRIAL PROPERTY MARKET REMAINS ACTIVE

The US-China trade and tech war is creating new opportunities for the local tech and software industries. The trade war began back in 2018, and end-users from the technology sector continue to expand their domestic capacity. Industrial property has dominated the local commercial property

TABLE 1: Significant Industrial Property Transaction In 2020

DATE	PROPERTY	LOCATION	PRICE	GFA	BUYER	USAGE
March	Factory in Tucheng Industrial Park	New Taipei City	NT\$3.8 bil/ US\$126 mil	Land: 16,949 sq m Building: 9,392 sq m	Individual and local developer	Factory
July	Factory in Tucheng Industrial Park	New Taipei City	NT\$6.14 bil/ US\$205 mil	Land: 31,432 sq m Building: 31,280 sq m	Chong Hong Construction	Factory
August	Optimax Technology Tainan Factory	Tainan City	NT\$3.65 bil/ US\$122 mil	Building: 178,395 sq m	Taiwan Semiconductor Manufacturing	Factory
August	HannStar Display Tainan Factory	Tainan City	NT\$4.84 bil/ US\$161 bil	Building: 296,495 sq m	Taiwan Semiconductor Manufacturing	Factory

Source Savills Research & Consultancy

market, accounting for over 50% of market share in two consecutive years.

Even though lockdown brought a lot of global economic activity to a halt, business and society operated as usual in Taiwan given successful local containment measures early on in the pandemic. Taiwan's exports increased by 2.4% in the first three quarters of 2020 which is mainly attributable to the growing demand for semiconductors, computers as well as the implementation of 5G. A total of NT\$68 billion worth of factories and industrial offices were transacted in the first three quarters of 2020, accounting for 62% of total sales and up 70% compared with last year. Several big-ticket deals were closed in the middle and south of Taiwan, three by TSMC, a leading semiconductor company

which contributed 4.46% of Taiwan's GDP in 2019, who acquired three factories in the Tainan Science Park for NT\$9.35 billion in mid-August (approximately 518,000 sq m). Following the tech firm's move, we expected the shift in TSMC's supply chain to boost industrial demand in southern Taiwan and will build Tainan as another tech hub.

World tech giants have also expanded their investment in Taiwan. This August, Google invested another NT\$3.6 billion to acquire a large piece of industrial land in central Taiwan in order to establish their third data center in the country with another two located in Changhua and Tainan, respectively. Following Google, Microsoft announced its first Azure data center region in Taiwan this October.

INDUSTRIAL LAND PRICES INCREASE BY 3% IN 2020

Industrial land prices have increased steadily over the past five years owing to the strong demand from local end-users. Although the global economic outlook is gloomy, we believe that the average industrial land price could rise by 3% in 2020, especially in traditionally cheaper areas. As land prices in New Taipei City and Taoyuan have increased significantly, tech corporates have had to modify their factory expansion plans to focus on more affordable areas, such as industrial parks in middle and southern Taiwan. We reason that industrial land in those areas is expected to witness stronger price growth in the near future.



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