



Total office take-up rises by 70% in 2021

Leasing inquiries rebounded at the end of Q4/2021, but corporates remain cautious about spending.

- Given the completion of three new office buildings, total take-up reached 16,371 ping in Q4/2021 versus 24,700 ping over 2021 as a whole.
- Ninety percent of take-up in 2021 came from pre-lettings and pre-sale activity.
- The overall vacancy rate increased slightly by 0.2 percentage points (ppts) to 2.9% in Q4/2022 and rents stood at NT\$2,999/ping, up 0.3% QoQ and 1.3% YoY.
- Corporates remain cautious on spending which meant that offices ranging between NT\$2,000 and NT\$3,000 per ping have been popular, despite the fact that broader economic growth has been outstanding.
- International coworking brands have adjusted their strategies to set up new co-working spaces in tech clusters to catch demand from the fast-growing sector.

“In 2022, office rents are expected to increase faster than in 2021 due to the strong economy and limited new supply coupled with a low vacancy environment.”

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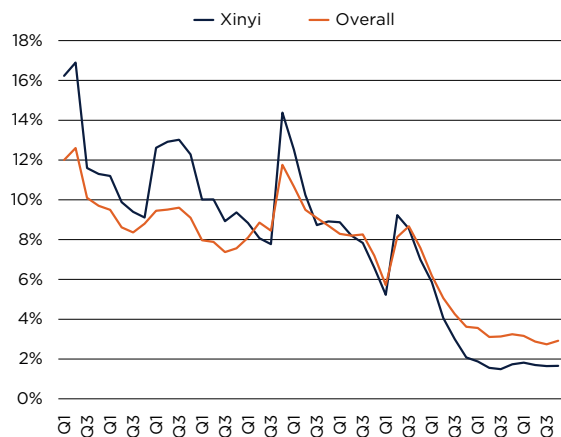
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TABLE 1: Grade A Office Vacancy Rates by Submarket, Q4/2021

DISTRICT	VACANCY RATE (%)	QOQ CHANGE (%)	YOY CHANGE (%)
Xinyi	1.7%	0.0%	-0.1%
Dunhua North	5.0%	-0.9%	-0.6%
Dunhua South	0.8%	0.0%	0.0%
Non-core	4.7%	2.1%	-1.2%
Taipei Overall	2.9%	0.2%	-0.3%

Source Savills Research & Consultancy

GRAPH 1: Grade A Office Vacancy Rates, Q1/2011 to Q4/2021

Source Savills Research & Consultancy

TABLE 2: Grade A Office Rent by Submarket, Q4/2021

DISTRICT	RENT (NT\$ PER PING PER MONTH)	QOQ CHANGE (%)	YOY CHANGE (%)
Xinyi	\$3,609	0.7%	1.5%
Dunhua North	\$2,519	0.8%	1.0%
Dunhua South	\$2,526	0.3%	0.3%
Non-core	\$2,315	0.1%	0.9%
Taipei Overall	\$2,999	0.3%	0.8%

Source Savills Research & Consultancy

MARKET OVERVIEW

Taiwan's economy has performed strongly, and the 2021 GDP growth rate is expected to reach 6.09%, a new high in 11 years. However, business activity declined due to the accelerating COVID-19 pandemic in the middle of the year which caused the total number of companies in Taipei to shrink by 1.6%, approximately equal to 2,771 firms. The retail, manufacturing, and construction sectors were hit hardest, as the number of finance, science and technology and electricity supply companies grew. On the other hand, the stable unemployment rate in Taipei City, which increased to 4.1% in December reflected a stable business environment.

Total take-up in the fourth quarter of 2021 reached 16,371 ping due to the completion of Fubon Liaoning Building and the near completion of E.SUN Financial Holding's new headquarters. Total take-up in 2021 increased by 70% to 24,700 ping over the year as a whole, which is higher than the decade average. Ninety percent of take-up in 2021 came from pre-letting and pre-sale activity committed several years ago, and less than 2,000 ping of take-up was concluded which reflects only a moderate recovery in office leasing activity. It's worth noting that office leasing inquiries bounced back at the end of Q4/2021 after the pandemic situation improved. However, most of the corporates adopted a conservative attitude to spending, which meant that demand for prime offices declined, and offices in non-core and emerging areas, with rents ranging between NT\$2,000 and NT\$3,000 per ping, were popular.

While WFH became more common globally, most local finance companies are maintaining their physical office space. The demand for working environment upgrades is stable. A notable case is Standard Chartered Bank who took up seven floors of the new completed Fubon Liaoning Building (approximately 4,400 ping) with

the remaining 60% of space occupied by Fubon Insurance and Fubon Financial Holdings. In addition, Morgan Stanley who have been in Dunhua S. district for over 20 years, announced a move into 83F of Taipei 101 building in Q2/2022 taking up 700 ping of space.

International coworking brands, such as WeWork, JustCo, and Regus, who expanded their presence aggressively in Taipei City three years ago, adjusted their strategy to focus more on tech clusters to capture strong demand from the technology industry. Regus opened a new office in Neihu Technology Park and JustCo launched a new 1,000 ping space in the Xinzhu High-speed rail station area to serve clients in Xinzhu technology park. Meanwhile, Regus closed one of its locations in Dunhua N. district and Kafun closed its operation in Taiwan with vacant spaces occupied by clinics and technology companies.

SUPPLY

Three new Grade A office buildings, including Fubon Liaoning Building, E.SUN Financial Holding's new headquarters, and Transglobal Hope Square, added 23,000 ping of space to the market this year, driving the total stock to 715,000 ping, up by 3%. This is the first time that new supply has exceeded 20,000 ping since 2018. However, newly released space did not impact rents and vacancy as most were sold to owner-occupiers or leased prior to completion.

In 2022, the supply remains low with only one Grade A office building expected to complete. The Taipei Dome project expects to release 11,000 ping of office space and will be one of three projects in the market, comprising a five star hotel and Grade A office.

VACANCY

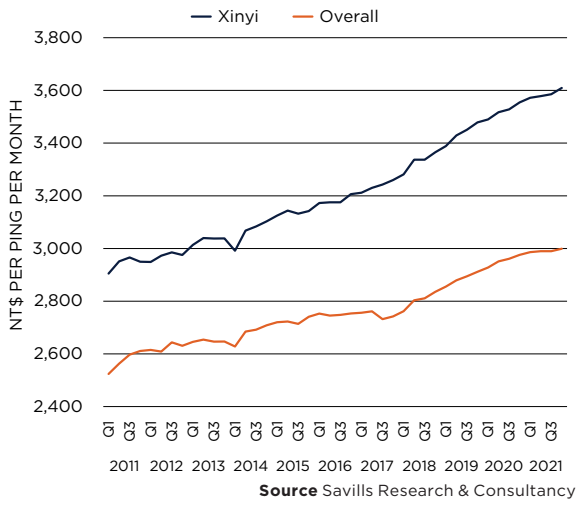
Overall vacancy stood at 2.9% in Q4/2021, up 0.2 ppts QoQ and declining 0.3 ppts YoY. In general, vacancy hovered at a low level with 85% of buildings posting an occupancy

TABLE 3: Major Leasing Transactions, Q4/2021

DATE	BUILDING	SUBMARKET	SIZE (PING) INC PARKING	RENT (NT\$ PER MONTH INC PARKING)	AVERAGE RENT (NT\$ PER PING PER MONTH INC PARKING)
Oct	14/F, Taipei Financial Center	Dunhua N.	143	435,283	3,045
Oct	28/F, Nanshan Plaza	Xinyi	462	2,010,353	4,350
Oct	56/F, Taipei 101	Xinyi	482	2,026,962	4,200
Nov	Shin Kong Xinyi Financial Center	Xinyi	148	607,166	4,095

Source Savills Research & Consultancy

GRAPH 2: Grade A Office Rents, Q1/2011 to Q4/2021



rate of over 95%. Non-core areas recorded a significant increase in the vacancy rate, climbing by 2.1 ppts to 4.7% given that additional office space of 3,000 ping was released to the market after ShinKong Life Insurance relocated to a recently purchased Grade B office building.

RENTS

Average rents increased slightly to NT\$2,999/ping in Q4, up 0.3% QoQ and 1.3% YoY. Rents in Dunhua N. district grew relatively fast due to the completion of a new office building and rents increased by 0.8% QoQ to NT\$2,519/ping. Xinyi district continued outperforming other areas even though the growth of rents slowed compared with pre-pandemic levels. However, some office buildings with rents which used to average NT\$3,500/ping are challenging NT\$4,000/ping.

OUTLOOK

The impact of the COVID-19 pandemic is gradually weakening with the rising vaccination coverage and several countries announce fewer restrictions. Demand in the office leasing market is expected to recover in the coming year while Taiwan’s economy will be driven by the technology industry. Looking ahead, rents are expected to increase faster than they did in 2021 due to limited new supply coupled with a low vacancy environment. Meanwhile, some landlords will start to offer incentives to long-term leases or large tenants to prepare for the next wave of new supply in two years time.