MARKET IN MINUTES
Savills Research

Office

New supply dampens rental growth

Substantial new supply and intensified competition in emerging areas is generating a challenging leasing environment.

- The low unemployment rate and the growth of the technology industry have fuelled demand for office space. Companies looking to upgrade their workspace are especially likely to favour buildings in the same district.
- Even though leasing activity slowed in Q3/2025, the average rent for Grade A office buildings increased slightly by 0.5% QoQ to NT$3,250 per ping, with stronger rental growth seen in the Dunhua N. and non-core districts.
- The vacancy rate in the Grade A office market remained stable at 6.8% in Q3/2025, down 0.2 ppts YoY, as no new buildings were completed this quarter. Most market activity involved relocations within the same district.
- Four new buildings totalling 36,000 ping will be completed in Q4/2025, pushing the overall vacancy rate to 8.4%. Vacancies in non-core and Dunhua N. districts are expected to surge.
- Despite a strong economic performance, companies remain cautious about increasing their operating expense budgets. To enhance management and cost efficiency, tenants prefer to expand office space within the same building.

"Given significant new supply, landlords of existing Grade A office buildings will focus on renewal strategies creating a favourable leasing market for anchor tenants, as well as tenants with long-term commitments."

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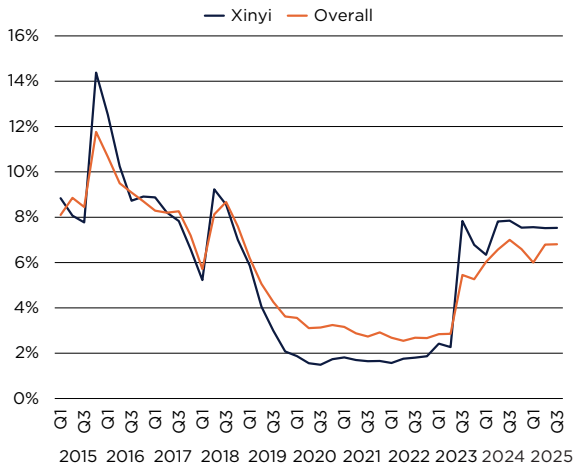
TABLE 1: Grade A Office Vacancy Rates by Submarket, Q3/2025

DISTRICT	VACANCY RATE (%)	QOQ CHANGE (PPTS)	YOY CHANGE (PPTS)
Xinyi	7.5%	0.0%	-0.3%
Dunhua North	9.0%	0.2%	3.1%
Dunhua South	3.3%	-0.3%	-0.7%
Non-core	4.6%	0.1%	-3.8%
Taipei Overall	6.8%	0.0%	-0.2%

Source Savills Research & Consultancy

GRAPH 1: Grade A Office Vacancy Rates, Q1/2015 to Q3/2025



Source Savills Research & Consultancy

TABLE 2: Grade A Office Rent by Submarket, Q3/2025

DISTRICT	RENT (NT$ PER PING PER MONTH)	QOQ CHANGE (%)	YOY CHANGE (%)
Xinyi	$3,880	0.6%	1.2%
Dunhua North	$2,676	0.7%	4.2%
Dunhua South	$2,671	0.3%	1.2%
Non-core	$2,617	0.7%	2.1%
Taipei Overall	$3,250	0.5%	1.6%

Source Savills Research & Consultancy

MARKET OVERVIEW

As the thriving AI industry has bolstered Taiwan's export performance, 2025's GDP forecast has risen to 4.45%. The unemployment rate remained at 3.38% in September, a 25-year low. Furthermore, according to Taiwan Stock Exchange (TWSE) data, the revenue of listed companies reached an historical high, increasing by 14.84% YoY.

While the economy and revenue have exceeded forecasts, global economic and geopolitical volatility continue to influence corporate decisions. Although corporations' willingness to relocate has increased compared to 1H/2025, conservative budget planning and slow progress has led to reduced take-up volumes and a deceleration in leasing momentum in Q3/2025. Leasing demand was driven by foreign corporations, including relocations from Grade B to Grade A office buildings or expansions within their current Grade A office buildings.

As no new buildings were completed this quarter, the vacancy rate remained flat from the previous quarter, holding steady at 6.8%. The average rent for Grade A offices continued to see gradual growth, rising 0.5% QoQ to NT$3,250 per ping. The increase was primarily concentrated in the Dunhua N. and non-core districts, especially in Kindom Minquan Commerce Building and Huang Hsiang Taipei Plaza.

Notable leasing activity was concentrated in newly completed Grade A buildings. In Xinyi District, both Taipei 101 and Cathay Landmark recorded expansion demand from existing tenants in the renewable energy and e-commerce sectors. At Fubon A25 Building, one and a half floors, totaling approximately 915 ping, were leased at NT$4,000 per ping per month. Additionally, an international freight forwarding company relocated from the Dunhua North district to occupy 405 ping of office space in the Shin Kong Manhattan Building. In the same district, two units in Taipei Financial Center, ranging between 140 and 160 ping, were leased at rents reaching NT$3,100 per ping.

As vacancy levels increased, newly completed buildings experienced longer absorption periods, taking over a year to reach 50% occupancy. Kindom Minquan Commerce Building in Dunhua N. district was completed in Q2/2025. While the landlord occupied two floors as its new headquarters, an international sportswear brand leased 556 ping (half a floor) for relocation purposes at NT$3,600 per ping, around 35% above the district's average rental level.

The occupancy rate of Huang Hsiang Taipei Plaza in non-core districts has been reaching 50% since it was completed in 2024. Key tenants include Japanese companies and small to medium companies upgrading from surrounding Grade B and C office buildings, indicating strong upgrade demand in the area.

In addition to substantial new buildings in the pipeline in Taipei CBD, new supply in the Nangang District drove significant office leasing activity. Several leading tech companies relocated their headquarters here from Neihu Technology Park and New Taipei City, including NVIDIA, Acer Group, and Line Pay. Currently, Nangang district primarily attracts tenants seeking office space consolidation or large corporations seeking a balance between office-grade and cost-effectiveness.

SUPPLY

Taipei now has 76 Grade A office buildings totalling 807,000 ping. Four new office buildings will be completed in Q4/2025, mainly concentrated in the Dunhua N. and non-core districts. Among these, two buildings will release nearly 20,000 pings into the leasing market, while the remaining two are designated for owner-occupiers and for sale, respectively.

Construction labor shortages continue to delay several office building projects which were supposed to be completed this year. As a result, six Grade A office buildings totaling 74,000 ping are expected to be launched in 2026, marking the highest volume in the past 20 years. Among that, 23,000 ping are designated for owner-occupation, and 51,000 ping will be released to the leasing market, which will put pressure on landlords.

In the past few years, the government provided a floor area ratio incentive to encourage the reconstruction of old buildings which has lead to a redevelopment trend in the office market. As this policy approaches its expiration next year, the government is revising the law which mainly focuses on residential environment improvement and the amended law will no longer apply to single owned office buildings. Therefore, a slowdown of old office building reconstruction will help to stabilize the Grade A office market.

VACANCY

The overall Grade A office vacancy rate remained stable at 6.8% this quarter. Dunhua N. and Xinyi districts recorded the highest vacancy rates at 8.7% and 7.5%, respectively. The vacant space in the Dunhua N. district is mainly concentrated in the Kindom Minquan Commerce Building, while the vacant space in Xinyi District is primarily found in buildings completed within the last two years.

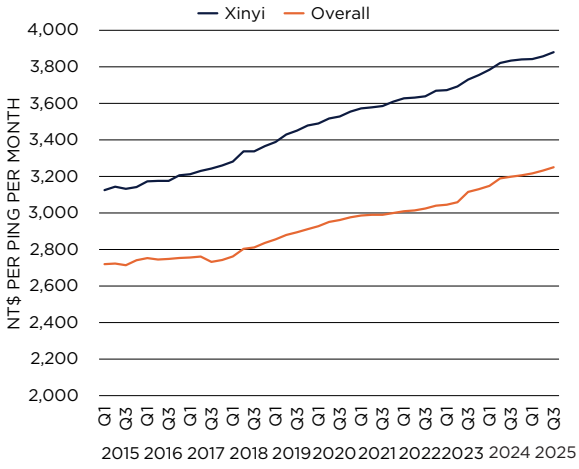
Over the next five years, the market will face a massive supply exceeding 50,000 ping every year. The vacancy rate will surpass 10% starting next year and continue to climb. New

TABLE 3: Major Leasing Transactions, Q3/2025

DATE	BUILDING	SUBMARKET	SIZE (PING) INC PARKING)	RENT (NT$ PER MONTH INC PARKING)	AVERAGE RENT (NT$ PER PING PER MONTH INC PARKING)
Jul	35/F, Cathay Landmark Plaza	Xinyi	89.4	425,000	4,735
Aug	5/F, Hua Nan Commercial Bank Corporate Plaza	Xinyi	153.3	600,173	3,914
Aug	17/F, Huang Hsiang Taipei Square	Non-core	109.5	422,000	3,854
Aug	8/F, Shin Kong Xinyi Financial Center	Xinyi	84.9	322,848	3,800
Sep	8/F, Kindom Minquan Commerce Building	Dunhua-North	935.8	3,462,000	3,700

Source Savills Research & Consultancy

GRAPH 2: Grade A Office Rents, Q1/2015 to Q3/2025



Source Savills Research & Consultancy

buildings will feel pressure to improve their occupancy, while existing buildings will face the challenge of retaining tenants.

RENT

Grade A office rents rose 0.5% QoQ and 1.6% YoY to NT$3,250 per ping this quarter. While average rents are up, rental growth momentum varies by district. In Xinyi, rent increases for existing buildings have slowed as new supply approaches. To maintain high occupancy, some landlords are offering attractive renewal terms to retain major tenants. This contrasts with trends observed in other districts.

New buildings outside Xinyi District benefit from lower rents than those within Xinyi. In these areas, the leasing strategy for new buildings focuses on setting achievable rents higher than those of existing buildings, thereby elevating the average rental level.

Dunhua N. and non-core districts led rental growth this quarter, with achievable rents for new buildings significantly higher than the average rent. For example, Kindom Minquan Commerce Building has achieved a 30% higher rent than the average. Besides, several upcoming buildings in non-core districts have launched pre-leasing campaigns, with asking prices reaching NT$3,600 per ping, which is expected to lift rental levels in the area.

OUTLOOK

Given the challenge of significant new supply, landlords of existing Grade A office buildings will focus on renewal strategies which has created a favourable leasing environment for anchor tenants, large-scale corporations, as well as tenants with long-term commitments. As the quality of Grade A office buildings improves, new buildings will prioritize amenities, such as shared conference rooms and free collaboration space, to maximize space efficiency from a tenants perspective and optimize the user experience.