

Sales and Investment



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Savills plc
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Transaction volumes hit a recent high

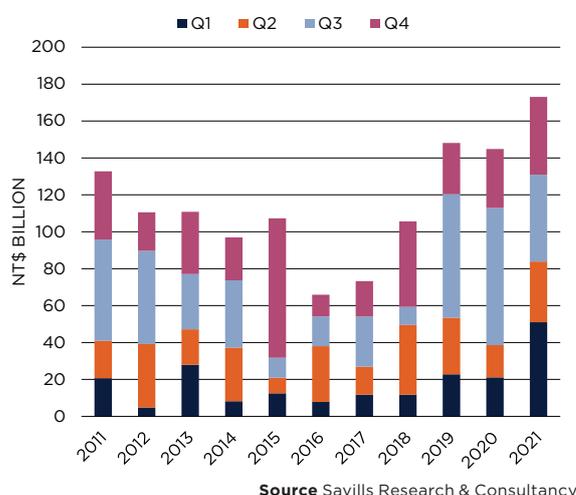
Expansion demand from the technology industry has driven transactions up by 60%.

- Taiwan’s GDP growth reached an 11 year high of 6.09% and listed companies witnessed average revenue growth of 12% in 2021.
- Total transaction volumes of commercial properties in 2021 increased by 19.5% YoY to NT\$173 billion, posting a record high.
- Industrial-office transactions dominated the market with sales doubling to NT\$52.4 billion due to the surging need for office and lab space from the technology industry.
- Investors, including insurance companies and REITs, continue to focus on the logistics and industrial-office sectors.
- Property cooling measures have had no significant impact, as land sales stood at the previous year’s level.
- Taichung, Taipei, and New Taipei City were the main focus areas for developers, and the 7th phase redevelopment zone was particularly popular.

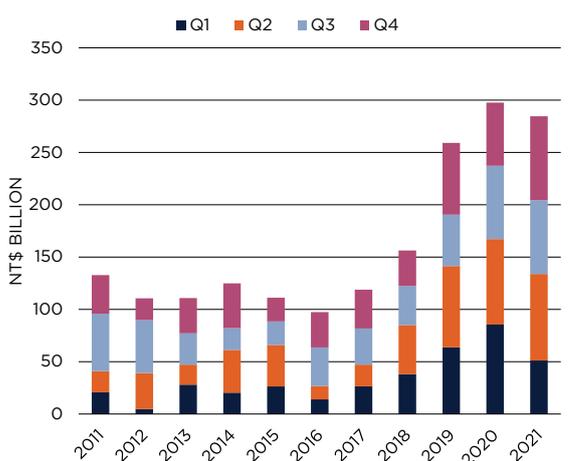
“The focus of the property market will shift to emerging technology hubs, as industrial clusters, the growth of a high-income population and strong consumer demand will bring opportunities to the retail, office and industrial-office sectors.”

ERIN TING, SAVILLS RESEARCH



GRAPH 1: Commercial Real Estate Transaction Volumes, 2011 to 2021

Source Savills Research & Consultancy

GRAPH 2: Land and Superficies Transaction Volumes, 2011 to 2021

Source Savills Research & Consultancy

COMMERCIAL PROPERTY MARKET OVERVIEW IN Q4/2021

Taiwan's GDP growth is expected to hit 6.09% in 2021, the highest number in 11 years and No.2 in Asia. Listed companies posted average annual revenue growth of 12.05%. Massive expansion from the technology and manufacturing sectors, including semiconductor supply chains, 5G, and renewable energy infrastructures, became the main driver of Taiwan's economy. In addition, the government rolled out the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" from 2019 to 2021 which attracted over 1,100 companies to invest a total of NT\$1.5 trillion in Taiwan. Another three-year extension of this plan is expected to bring in NT\$900 billion in investment and boost demand for commercial properties.

Total transaction volumes of commercial properties in Q4/2021 reached NT\$42.1 billion, up by 32.2% while annual volumes posted a record high of NT\$173 billion, up 19.5% YoY. Despite COVID-19 cases surging in mid-2021, there was no negative impact on buyer confidence which turned conservative in the previous year amid the first wave of the pandemic in 2020.

The 'tech war' between the US and China and the challenging business environment in China triggered a wave of reshoring activity from 2018. Demand for factory expansions gradually spread to the office and lab space sectors, which lead to industrial-office deals doubling to NT\$52.4 billion, dominating the commercial property pipeline. Notable transactions included MediaTek Inc. and affiliated companies acquiring three industrial-office deals, totaling 58,000 sq m,

for NT\$6 billion in Taipei City and Hsinchu County. Adata Technology Co. purchased 11 floors of a presale industrial-office project, for NT\$3.85 billion to upgrade their headquarters.

Insurance companies and REITs reinforce focus toward logistics and industrial-office sectors given the growth potential of the technology sector and stable income. Insurance companies deployed 40% of their acquisitions in the industrial property sector, despite investment momentum shrank significantly to NT\$40 billion this year. Shing Kong, Transglobe and Cathay Life showed a strong interest. Another notable deal is Millerful No.1 REIT, which purchased the newly completed headquarter of Dynapack International Technology in Taoyuan for NT\$4.5 billion with a sell and lease agreement which provided a yield of approximately 3% after they acquired an NT\$2.5 billion worth of logistics in two years ago.

Some technology companies turn to participating in development projects released by the government to secure large office space. Silicon Motion Technology Corp. plans to construct a 30,000 sq m office building in Taipei's Nankang district via an urban redevelopment project while Wistron Corporation will invest NT4.3 billion in a BOT project located in Neihu Technology Park which can provide over 70,000 sq m of office space in 2025. A joint venture of Compal Electronics and AcBel Polytech Inc. acquired T16 superficies land in Taipei's Beitou district for NT\$8.2 billion to develop their headquarters.

Deals for investment purposes accounted for 50% of the total, approximately NT\$85.7 billion in 2021, a decline of 8 ppts compared

TABLE 1: Major Economic Indicators, 2021

INDICATOR		COMMENTS
2022 GDP growth forecast	4.15%	2021 GDP growth: 6.09%
2022 CPI forecast (%)	1.61%	2021 CPI: 1.96%
2022 GDP per capita forecast (US\$)	US\$34,880	2021 GDP per capita: US\$32,787
US\$ exchange rate (December 2021)	NT\$27.76	2020 average: NT\$29.58
Export growth (% YoY) (January to December 2021)	+29.4% YoY	2020 export growth (% YoY): -4.9%
Unemployment rate (2021)	3.95%	2020 (%): 3.85%
Inbound tourist arrivals (January to November 2021)	130,487 (-90.38% YoY)	2020 inbound tourist arrivals: 1,377,861 (-88.4% YoY)
Benchmark interest rate (June 2021)	1.125%	March 2020: revised down by 0.25 ppt
Terms of mortgage (June 2021)	Rate (%)* = 1.4-1.7 LTV (%)* = 60-80	

Source Directorate-General of Budget, Accounting and Statistics, the Central Bank and Savills Research & Consultancy
*Real estate base rate and loan ratio may vary from investors' credit terms.

with 2020. Developers became the most important investors and mainly focused on en-bloc buildings, such as hyper malls, hotels, motels, and offices in major city areas.

The industrial property market has witnessed robust demand which grew by 23% YoY to NT\$142.3 billion in 2021 and increased by 70% compared with the first year of the US-China trade war in 2018. In terms of location, industrial properties in northern Taiwan were popular, especially factories in Taoyuan and industrial-offices in New Taipei City. Notable deals including Kinsus who purchased a Taoyuan factory for NT\$4.5 billion and Microsoft Taiwan who acquired a 23,000-sq m factory to establish a data center. Transglobe Life invested in an en-bloc industrial-office building in New Taipei City for NT\$4.1 billion, represented a nearly 3% yield. In the next few years, the trend of moving manufacturing lines southward will continue or even turn stronger after several leading technology companies have announced to expand in Tainan and Kaohsiung.

LAND MARKET OVERVIEW IN Q4/2021

Even though the government rolled out several rounds of measures to cool the residential market, including tightening credit control and raising the capital gains tax, the land market has remained strong, with transaction volumes posting NT\$8.01 billion in the last quarter of 2021. For 2021 as a whole land transactions totaled NT\$284.5 billion, slightly down by 4.4% YoY. The decline in land sales was attributed to the lack of large-sized superficies land released by the government.

The active residential market has encouraged developers to aggressively expand their landbanks. Land purchased by developers reached NT\$208 billion, rising 10 ppts compared with last year and accounting for 70% of total land sales. Adding en-bloc buildings acquired for redevelopment purposes, developers put NT\$255.3 billion into the property market in 2021 and surpassed NT\$200 billion three years in a row. In terms of location, opportunities in cities areas are their focus, which made Taichung

(NT\$69.9 billion), Taipei (NT\$58.2 billion) and New Taipei City (NT\$34.9 billion) list to be the most popular destinations. The 7th phase redevelopment zone was particularly popular with half of the deals in Taichung City clustered in this area.

In addition, development programs, such as redevelopment, superficies, and metro land joint development projects, received increasing interest from investors. One of the large redevelopment projects in Asia New Bay Area in Kaohsiung, with a land size of over 5.3 hectares in total, successfully attracted investors, including developers and insurance companies. This complex development project is expected to provide around 1 million sq m of space to the market with containing office, retail and residential.

Transit-oriented development is becoming a trend and several development projects related to metro and high-speed rail systems received a good market response. Ten hectares of commercial superficies land in front of Taoyuan high-speed rail station secured a potential

TABLE 2: Significant Commercial Real Estate Transactions, 2021

PROPERTY	LOCATION	TRANSACTION AMOUNT (NT\$ BILLION)	AREA (PING)	PROPERTY TYPE	BUYER
Far Eastern Sogo Dunhua Store	Taipei City	13	7,270	Retail	Huang Hsiang Investment
China Development Financial HQs	Taipei City	9.3	7,979	Office	Shin Kong Life Insurance
Raint Plaza	Hsinchu City	5.6	17,580	Retail & Industrial Office	Shin Kong Life Insurance
Dynapack International Technology HQs	Taoyuan City	4.5	17,734	Industrial Office	Millerful No.1 REITs
Wintek Corp Yngmei Factory	Taoyuan City	4.5	40,154	Factory	Kinsus Interconnect Technology

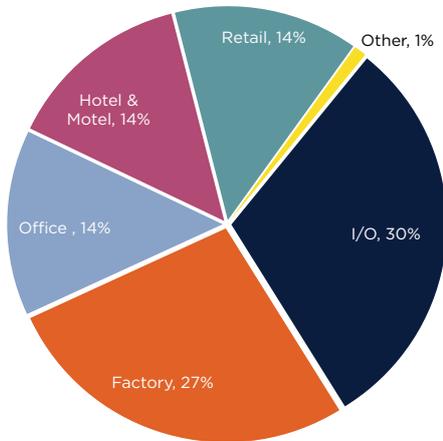
Source Savills Research & Consultancy

TABLE 3: Significant Land Transactions, 2021

PROPERTY	LOCATION	TRANSACTION AMOUNT (NT\$ BILLION)	AREA (PING)	BUYER
Residential land in Beitou district	Taipei City	11.3	2,459	Local developer
Commercial land in Xinzhuang district	New Taipei City	8.5	3,280	Highwealth Construction
T16 superficies land in Beitou district	Taipei City	8.2	13,587	Compal Electronic and AcBel Polytech Inc.
Commercial land in the 7th phase redevelopment zone	Taichung City	7.7	2,895	Huang Hsiang Construction
Commercial land in Xitun district	Taichung City	7.2	2,571	Individual

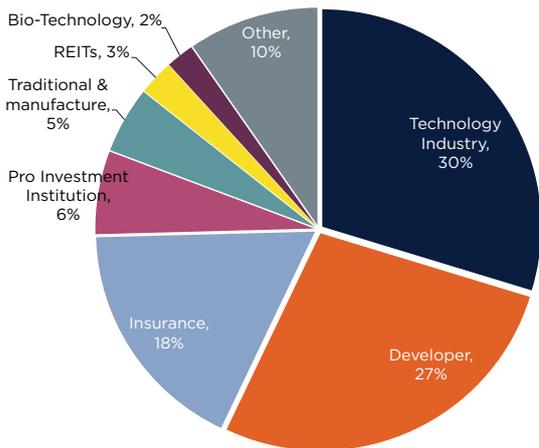
Source Savills Research & Consultancy

GRAPH 3: Significant Transactions by Property Type, 2021



Source Savills Research & Consultancy

GRAPH 4: Significant Transactions by Investor Type, 2021



Source Savills Research & Consultancy

investor who passed the first stage approval. This NT\$20 billion development project is going to release 330,000 sq m of commercial space and total investment of over NT\$20 billion. In the near term, we expect that developers will focus on metro joint development projects in Taichung, New Taipei, and Kaohsiung.

PREFERRED ASSET CLASSES AND LOCATIONS

The demand for office expansion from the technology industry witnessed a significant growth this year, resulting in industrial-office sales surging from a 5-year average of NT\$26.5 billion to NT\$52.5 billion in 2021 and Taipei, New Taipei City and Hsinchu areas benefited the most. Sales of factories declined slightly to NT\$46.6 billion but the number remained higher than the 5-year average. Taoyuan was especially favored accounting for half of the transacted volume, followed by New Taipei and Hsinchu.

Sales of offices remained slow totaling NT\$24.2 billion this year while the number of traded assets stayed low. End-users continued to search for offices and notable deals included Shin Kong Life acquiring an office building in Taipei CBD for NT\$9.28 billion and Mercuries Life Insurance purchased a newly completed office building in Neihu district for NT\$3.4 billion. In the near term, it is likely to see sales of offices gradually grow as several office projects constructed by developers will be completed.

INVESTOR PROFILE

Technology companies continued to be the most active buyers purchasing NT\$51.4 billion worth of commercial properties in 2021, up by 70% compared with last year.

The semiconductor and computer device industries showed the strongest demand, as TSMC, Entegris and Merck announced plans to build new factories in Taichung, Tainan and Kaohsiung. The enhanced trend of moving factories southward will further drive transactions of industrial property.

While banks are tightening credit for land, developers turned to purchase redundant buildings to join redevelopment projects which made them the second-largest buyers in the commercial property market. Developers are especially focused on major cities and their willingness to pay higher prices for en-bloc buildings is crowding out investors, who assess properties based on their income-generating ability.

OUTLOOK

As the technology industry will further expand its investment in Taiwan, the emerging industrial hubs will attract investor interest. As industrial clusters, the growth of a high-income population and strong consumer demand have driven residential prices up significantly, and the retail, office and industrial-office sectors will be the next to benefit. As for investment, rising inflation and a low-interest environment mean that prices and rents of commercial properties are set to rise in 2022.