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CHANGING NEIHU AND NANGANG

The new hot spot!

Summary & Recommendations

Neihu and Nangang districts are located on the fringe of Taipei City. With stable industrial development and accessibility, demand for land and office space are increasing.

Neihu Technology Park has a liquid en-bloc sales market. We recommend an efficient building management plan, executed by a single owner, to further the likelihood of increasing rents and capital values.

Strong demand in Wende and Xihu sections drove the vacancy rate down to 3.6%. Occupiers looking for large spaces should consider Jiuzong and Tanmei sections.

The emerging commercial cluster, easy transportation access and the lower rental cost in Nangang are main drivers of office demand.

Annual production value over NTD5 trillion

Neihu Technology Park (NTP) and Nanagang Business Park (NBP) are two technology clusters in Taipei City. With the 6,305 companies, the annual production value is over NTD5 trillion, and 50% is generated by the information technology industry.

Mature infrastructure attracts enterprises moving eastward to Nangang

Nangang District is the hub of transportation and industrial development in eastern Taipei. With active investment from the public and private sectors, commercial development is continuing; we expect a new commercial cluster will be formed in Nangang.

- > Over the past decade, real estate transaction volumes were active in NTP and NBP. Between 2011 and H1 2019, the transaction amount of commercial properties reached NTD166.4 billion (USD5.3 billion), accounting for 33% of Taipei's total. Land sales in the same period were NTD72.7 billion (USD2.3 billion), around 20% of Taipei's total.
- > NTP developed over 30 years, with industrial-office being the main use. A strong demand for office was seen in Wende and Xihu sections, with vacancy rate of 3.6% in Q2 2019. New supply over the next two years is limited in these areas, with demand extending out to Jiuzong and Tanmei sections.
- > Connected by high speed, conventional and subway rail, Nangang is a transit hub in eastern Taipei. The well-planned infrastructure and rezoning of idle industrial lands drove the commercial development in recent years. As Taipei expands eastward, we expect Nangang to be a new hot spot, and over 250,000 ping (825,000 sq m) of new supply is scheduled to be released between 2020 to 2026.

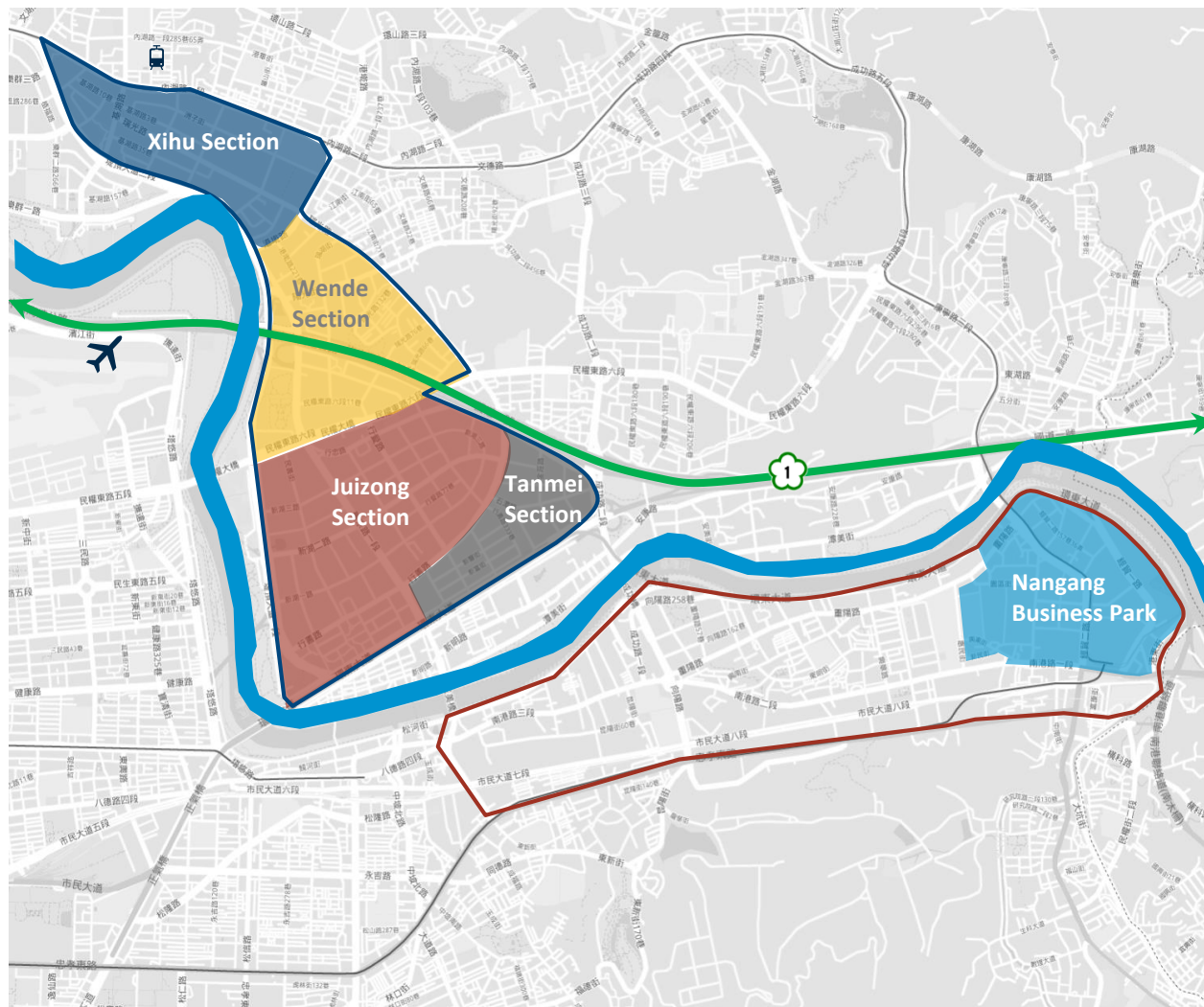
NTP extends southward

NTP, part of Neihu district, used to cover Wende and Xihu sections, and has been an important hub for headquarters and R&D centers. With the mature development in these two areas, the fringes of NTP has extended out to Jiuzong and Tanmei sections, attracting more investments from technology and related industries.

Cluster effect, transportation, and lower rent are main drivers

Taipei's average rent of Premium and Grade A buildings was NTD2,757 per ping per month, which is 40% higher than the average of the same level buildings in Neihu and Nangang.

The northern industrial corridor in Taiwan is connected by national highways No.1 and No. 3. Neihu Technology Park and Nangang Business Park are both located along Highway No.1 in Taipei City. As land and office supply are becoming scarce in Taipei's CBD, these two districts are becoming new alternatives for large space occupiers in Taipei, with the advantage of the transportation accessibility and infrastructure.



Source: Google Maps, Colliers International.

Neihu Technology Park

- > Raw land supply in Wende and Xihu sections is limited with a total office stock of 838,000 ping (2,765,400 sq m). The vacancy rate declined to 3.6% in Q2 2019, lower than Taipei's CBD. The average rent is NTD1,300 per ping (USD12.6 sq m) per month.
- > The land use in Juizong and Tanmei sections used to focus on warehouse and logistics. Currently, we have seen more enterprises and developers constructing high-spec industrial office buildings here.

Nangang District

- > Office buildings are centered in NBP, with a total supply of 195,000 ping (643,500 sq m). The rent ranges between NTD1,200 to 2,000 per ping (USD11.6 to 19.4 per sq m) per month, and the vacancy rate is around 5%.
- > The well-planned infrastructure and transportation system raised the commercial development potential. CTBC Financial Holding, Philips and 3M have already headquartered here.

Neihu and Nangang see active transactions

Neihu District

A mature technology cluster with a 30 year history of development

From 2011 to 2017, the number of companies in NTP grew from 4,211 to 5,959, and the annual production value¹ increased from NTD3.5 trillion (USD111.8 billion) to NTD5.0 trillion (USD159.7 billion). Within NTP, Wende and Xihu sections are important centers of light manufacturing, information technology and communications products in Taipei, with a correspondingly strong office demand. The strong demand for office space has extended south to Juizong and Tanmei sections. Enterprises have started to acquire headquarters, notably Formosa Plastic Group’s purchase of the T-CBD development for NTD18.7 billion (USD597.4 million) in 2018.

NTP has been favored by investors and owner-occupiers as it has stable rents and capital values and a liquid en-bloc sales market. The market was active between 2011 and H1 2019, with a transaction amount of NTD150 billion (USD4.8 billion), contributing 30% to Taipei’s total, much higher than other districts.

Nangang District

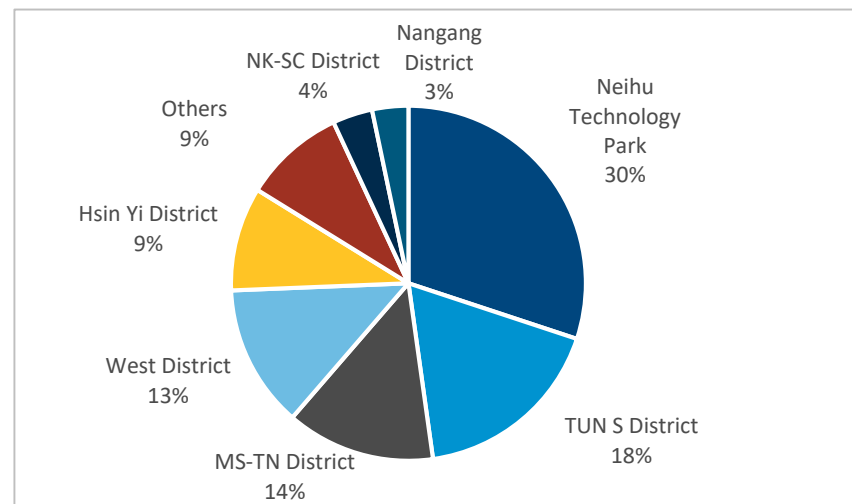
A newly-developed area with a high potential to turn into a new business cluster in eastern Taipei

In recent years, the unused industrial lands in Nangang district have been rezoned for commercial and residential uses. Positioned as the *gateway of eastern Taipei*, the government has invested in public projects including a business park, exhibition center, various transit links, music center and a bio-tech research center, further attracting commercial development from the private sector. Different from NTP, Nangang is a emerging area, with a more active land transaction market. Between 2011 and H1 2019, the land sales volume accounted NTD34 billion (USD1.1 billion), 9% of Taipei’s total.

The development of an office cluster has attracted retail and hotel operators, such as China Trust mall, City Link Nangang, Courtyard and Royal hotels, which has further created a new business corridor in Nangang District. Enjoying good accessibility and mature commercial services, we expect Nangang District to be a new destination for occupier relocation.

¹Department of Economic Development, Taipei City Government

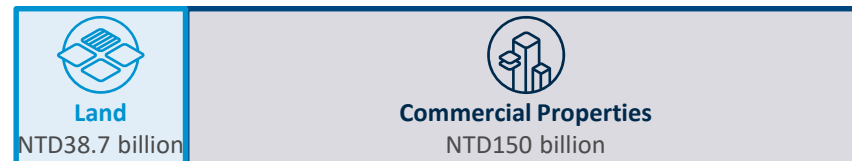
Transaction distribution of Taipei’s CBD (2011 to 2019 H1)



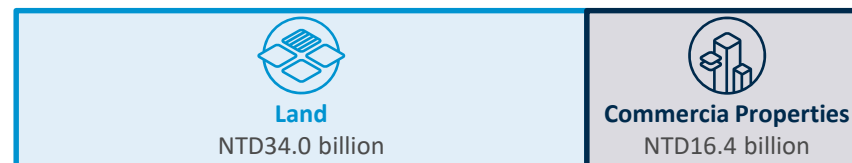
Source: Market Observation Post System, Colliers International. Note: Ming Sheng-Tunhwa North, MS-TN; Tunhwa-South, TUN-S; Nan King-Song Chiang, NK-SC.

Proportions of transaction by type, Neihu and Nangang (2011 to 2019 H1)

Neihu Technology Park **NTD18.8 billion**



Nangang District **NTD50.4 billion**



Source: Market Observation Post System, Colliers International

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