CUSHMAN & WAKEFIELD

2024 SEOUL HIGH STREET RETAIL

2024 OCT

Better never settles

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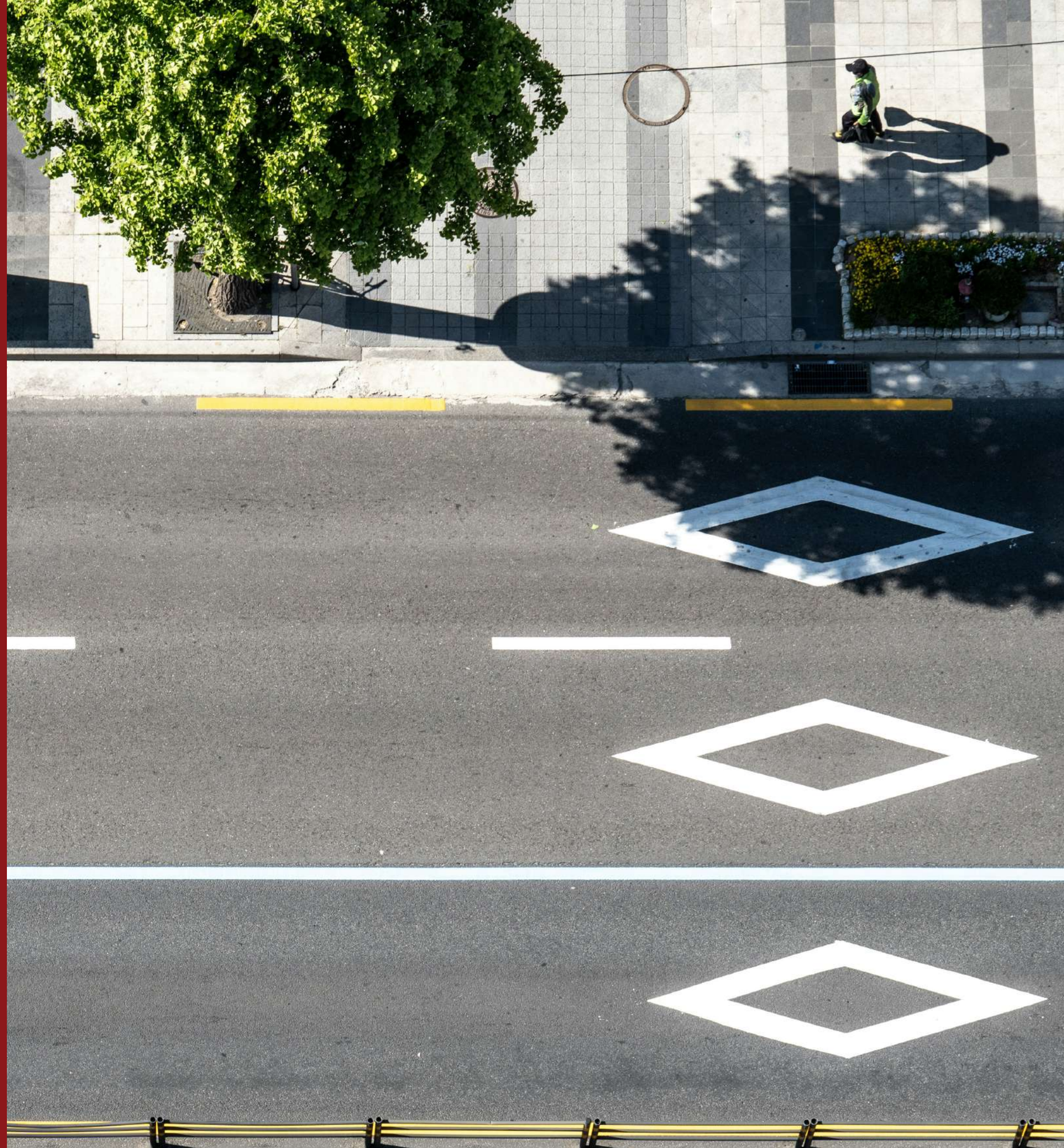


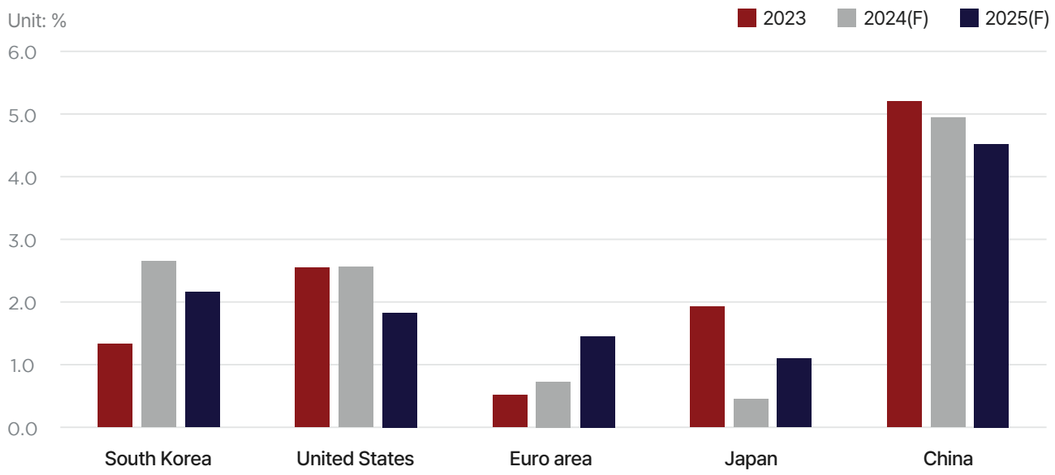
1. MARKET OVERVIEW

Economic Overview

The global economy is set for stable growth in 2024, with the OECD now forecasting a 3.1% rise in GDP, climbing to 3.2% in 2025. In the U.S. the economy is expected to grow by 2.6% for the full-year 2024, bolstered by strong consumer spending, while Europe and Japan are likely to face relatively more subdued growth. China is projected to reach a growth rate of 4.9%, driven by domestic demand and the government's stimulus measures, with South Korea forecast at 2.4%.

In September, the U.S. Federal Reserve enacted its first rate cut in four years, by 0.5 percentage points, dropping the benchmark interest rate into the 4.75% to 5% range. The Fed made the decision to reduce borrowing costs in order to stimulate consumer spending, particularly benefiting the retail sector. However, external uncertainties remain, including expected economic slowdowns in the U.S. and China and continuing geopolitical risks in the Middle East.

GDP Growth Rate by Country

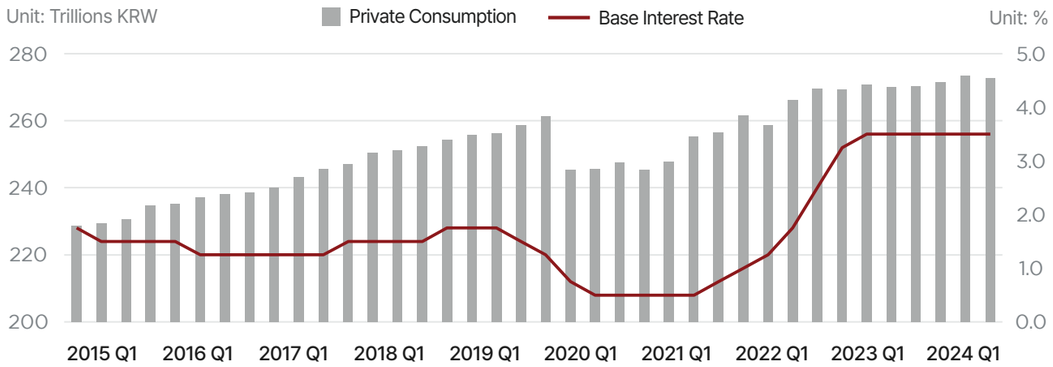


Source: OECD

The South Korean economy has been experiencing a slowdown in growth primarily due to weak domestic demand, despite a rise in exports, exerting a drag on overall economic recovery. The current account surplus has remained in positive territory, thanks to improved semiconductor exports, but private consumption has contracted in the wake of high interest rates, in turn resulting in lower growth, particularly in goods consumption. Falling oil prices and weak domestic demand have cooled consumer inflation, while job growth in the service sector has also decelerated.

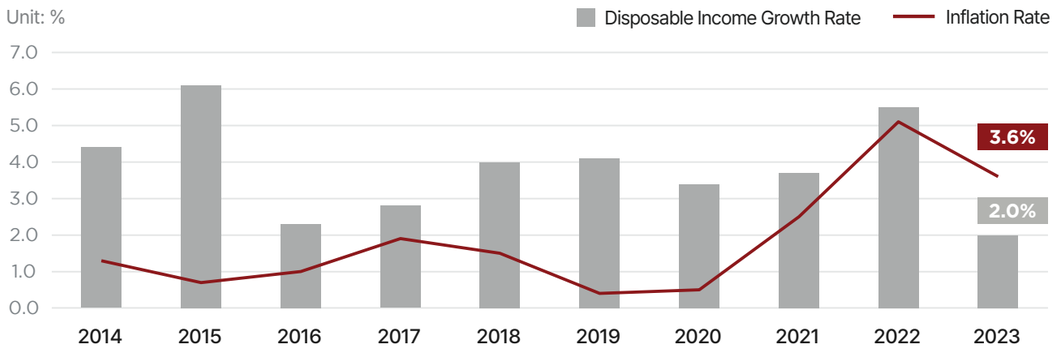
In 2023, disposable income growth (2.0%) fell below the overall inflation rate (3.6%), exacerbating the economic burden on households. Rising food prices have further strained the cost of living, diminishing purchasing power and in turn weakening consumer spending. Economic growth is expected to weaken slightly to 2.2% in 2025, influenced by global economic conditions and ongoing domestic recovery challenges.

South Korea's Base Interest Rate and Private Consumption



Source: Bank of Korea

Disposable Income Growth Rate and Inflation Rate



Source: Statistics Korea

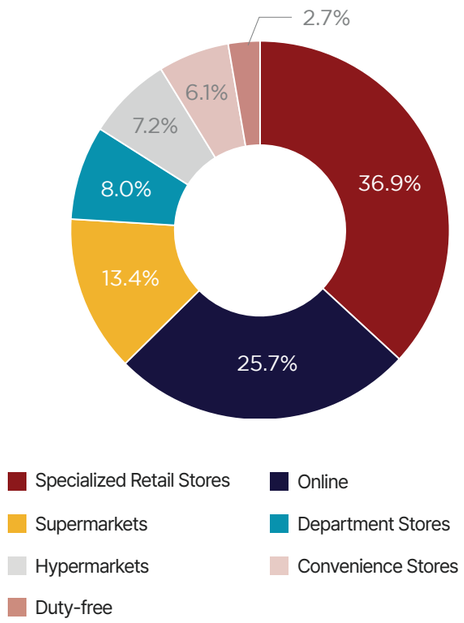
Retail Market Overview

Domestic retail market sales reached KRW509 trillion in 2023, up from KRW494 trillion in 2022, marking a stable annual increase of 3.1%. The growth on the previous year's performance is particularly significant given the evidence of a consumption slowdown, prompted by high inflation and interest rates.

As of 2023, specialized retail stores dominated the market with a 36.9% share of sales, underscoring the continued importance of offline shopping. Online sales followed at 25.7%, demonstrating steady growth in contactless commerce even in the post-pandemic landscape.

Department stores experienced the most notable growth among distribution channels, achieving an 8.4% increase in sales, driven by strong demand for luxury and premium market products. In contrast, duty-free shops faced challenges, with sales falling more than 20% due to the high won exchange rate coupled with a sluggish recovery of inbound China tourist numbers, the key duty-free shopper group.

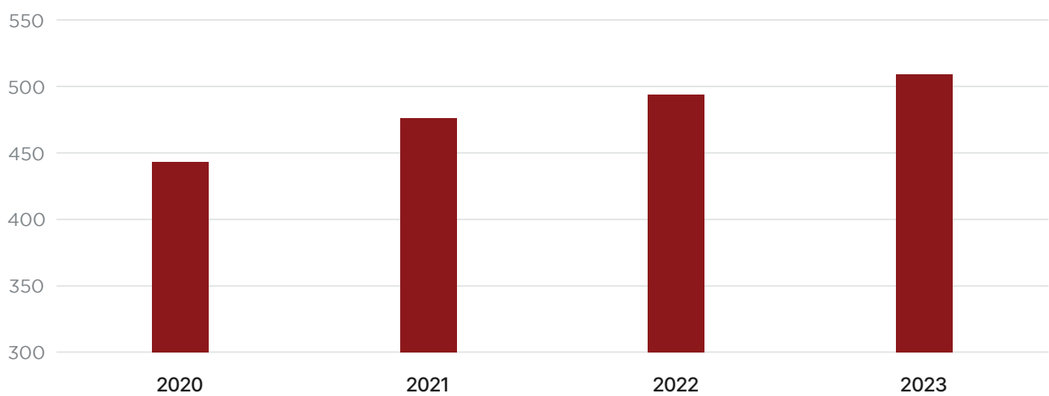
Retail Market Sales by Channel



Source: Statistics Korea, Cushman & Wakefield

Retail Market Salse in South Korea

Unit: Trillions KRW



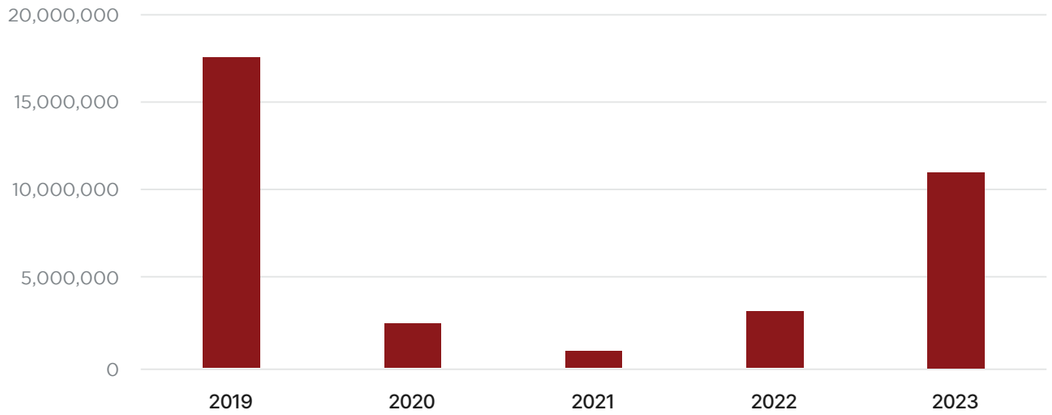
Source: Statistics Korea, Cushman & Wakefield

Tourism

After a sharp decline due to the pandemic, foreign tourist arrivals into South Korea rebounded strongly in 2023 to reach 60% of the pre-pandemic 2019 level. Japan led the way with 2.3 million inbound visitors, followed by China with 2 million and the United States with 1.1 million. Historically, tourists from China have been crucial to South Korea's retail industry, but their numbers have fallen drastically to just 30% of the 2019 figure, posing serious challenges for the domestic market.

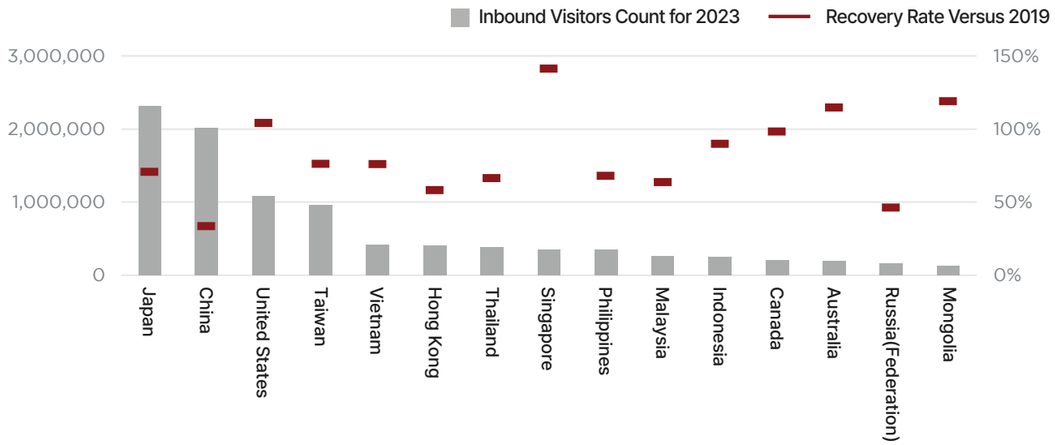
In 1H 2024, foreign arrivals surged to approximately 7.7 million. This is more than 90% of the number recorded in the same period in 2019, indicating that the impact of the pandemic has now nearly fully faded. As well, the number of tourists traveling independently is gradually rising, in contrast to the dominance of group tourism seen in the past. This shift is driven by a growing preference for travel that reflects personal tastes and preferences. As this trend continues, it will be essential for the retail market to better meet the wants and needs of individual travelers.

Foreign Visitor Arrivals



Source: Korea Tourism Organization

Inbound Visitors and Tourist Recovery Rate by Country

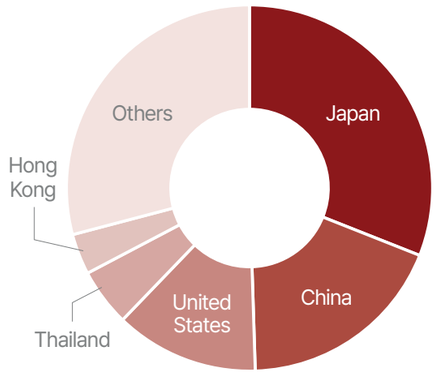


Source: Korea Tourism Organization

Key Takeaways

South Korea's Booming Medical Tourism

Foreign Patients in 2023



605,768

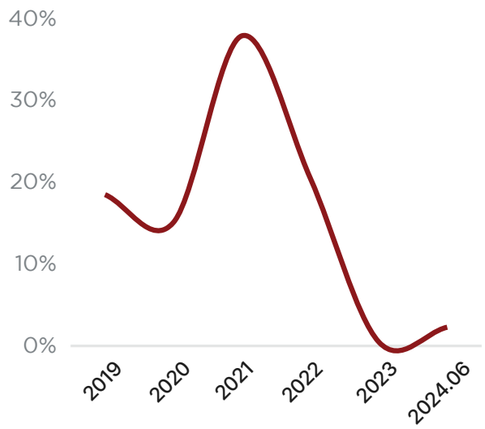
240% Growth Compared to 2022

- Global interest generated by the "Korean Wave" combined with advanced medical services have continued to attract international visitors, resulting in the highest number of foreign medical and beauty tourists on record.
- More than half of foreign medical tourists in 2023 sought treatment in dermatology and cosmetic surgery.
- The most-visited area for international medical tourists is Seoul's Gangnam district, known as the mecca of medical services.

Source: Korea Health Industry Development Institute

Sluggish Luxury Market Growth

Luxury Market Growth in Korea



- The global luxury products market is now seeing slower growth, with a corresponding decline in domestic department store luxury goods sales.
- The luxury sector thrived during the pandemic, but inflation and the transition to the post-pandemic phase have slowed its momentum.
- Economic and social factors, including the weaker yen, have led to a shift in Korean consumer spending towards overseas markets.

Source: South Korean Ministry of Trade, Industry and Energy

Active Brand Expansion into International Markets

Outbound

Matin Kim
XEXYMIX
TAMBURINS
GENTLE MONSTER
Mardi Mercredi

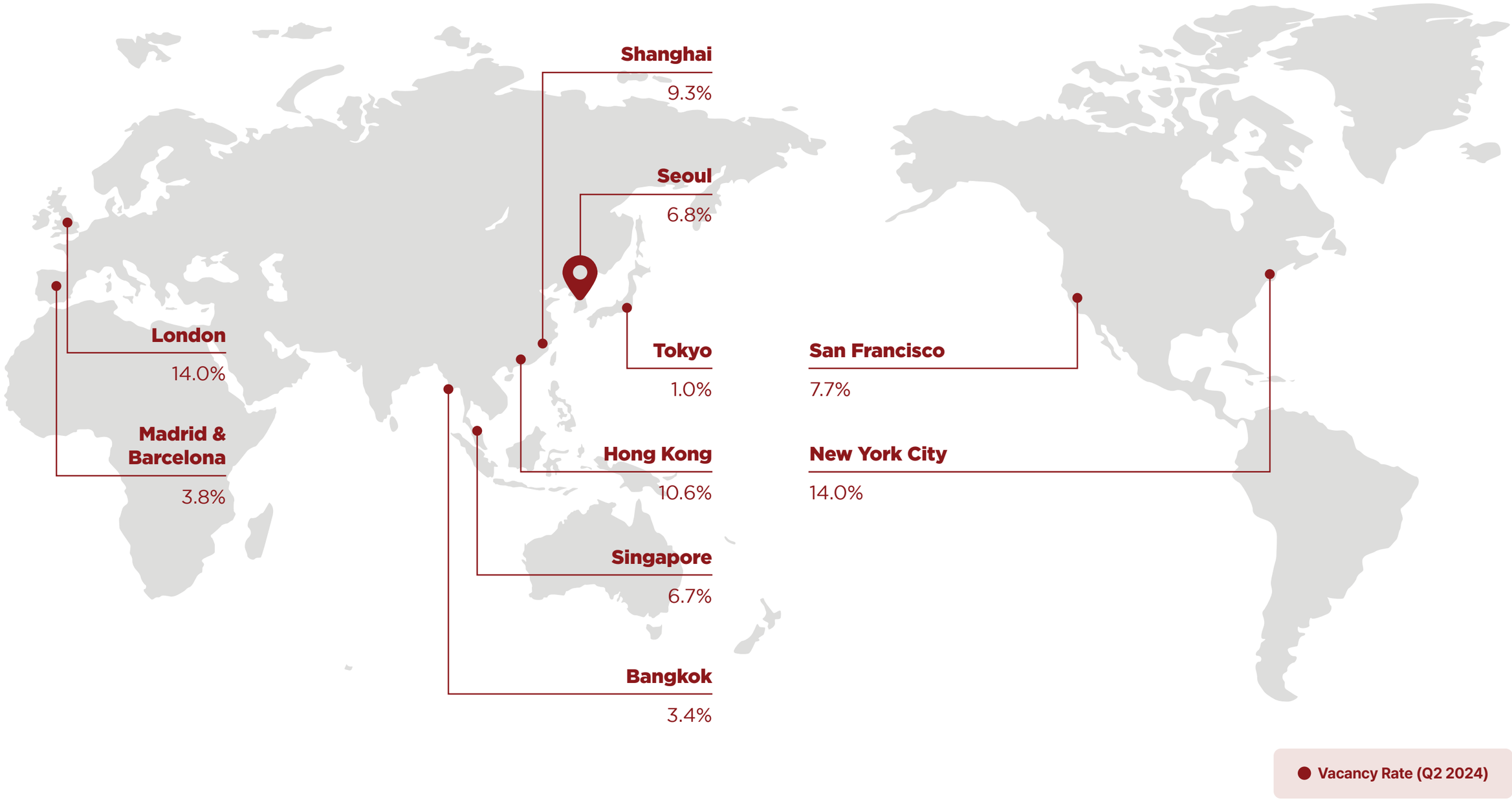
Inbound

1910 BACHA COFFEE
Supreme
KITH
FIVE GUYS
Tim Hortons

- Domestic and foreign brands' global expansion was generally curtailed by COVID-19, but these players are now actively moving forward.
- Within South Korea, the continuing K-Content boom has prompted growing numbers of domestic fashion and beauty brands to seize opportunities to expand internationally.

2. SEOUL HIGH STREET

High Streets in Global Cities



Source: Cushman & Wakefield, LDC

2. SEOUL HIGH STREET

High Streets Seoul

Vacancy Rate			
	2023	2024	Y-o-Y
Myeongdong	14.5%	6.8%	-7.6%
Gangnam	19.2%	20.0%	0.8%
Hongdae	15.9%	14.4%	-1.5%
Garosu-gil	36.5%	39.4%	2.9%
Hannam · Itaewon	9.9%	11.5%	1.7%
Cheongdam	16.3%	17.4%	1.1%

Source: Cushman & Wakefield

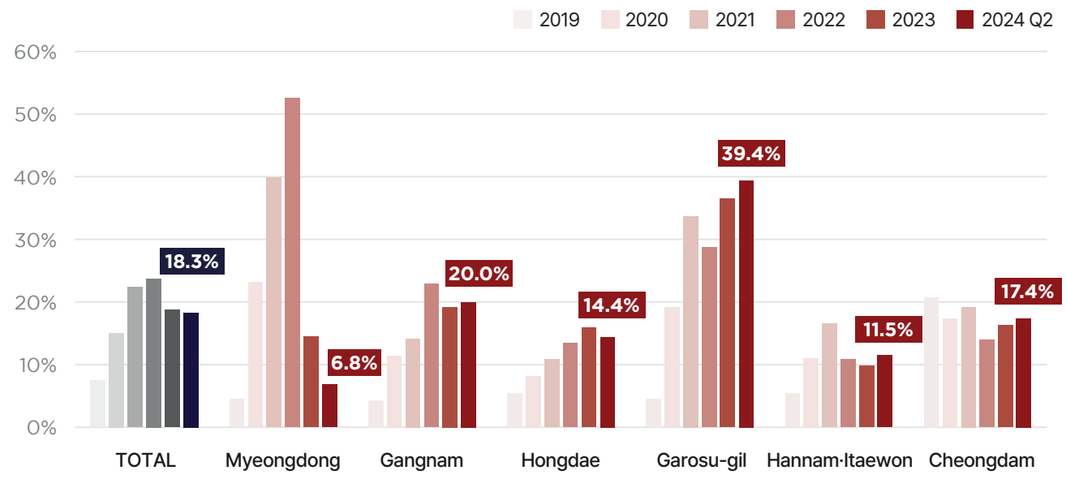
Seoul's High Streets: Steady Recovery as Myeongdong Thrives

Compared to the rapid recovery seen in 2023, the Seoul retail market exhibited a more moderate performance gain in 2024. Overall retail high street vacancy in Q2 2024 fell by 0.4 percentage points y-o-y to record 18.3%. The major retail districts that experienced sharp rises in vacancy at the onset of the pandemic commenced a recovery in 2023. The Myeongdong retail hub saw a notable fall in vacancy through 2024, driven by an influx of foreign tourists.

However, not all districts are recovering at the same pace in the post-pandemic period. Garosu-gil saw a slight rise in vacancy in both 2023 and 2024. As consumer foot traffic has shifted to areas such as Hannam, Seongsu, and Dosan Park, Garosu-gil's overall retail vibrancy has dimmed somewhat. The area's main retail street continues to struggle with vacancy, although the side street, Serosu-gil, remains relatively stable with ongoing leasing activities.

The Cheongdam area has also seen a slight rise in vacancy, but this is expected to be temporary as several new brands are set to open. The area remains in high demand and is favored by luxury brands, ensuring market stability.

Seoul High Street Vacancy Rate



Source: Cushman & Wakefield

Foreign Tourist Visit Count by High Street

Source: Korea Tourism Organization, Cushman & Wakefield

Myeongdong: The Leading Destination for Foreign Tourists

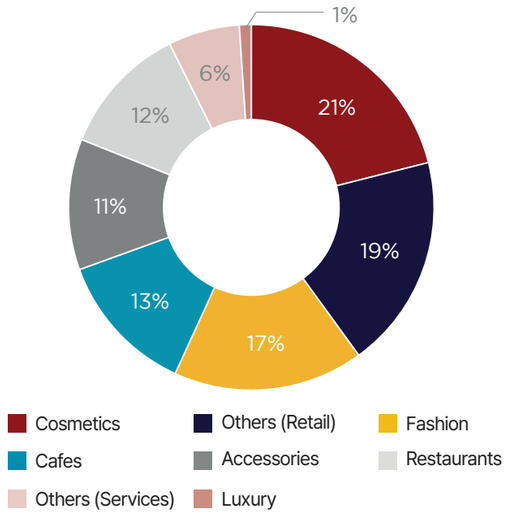
The Myeongdong area stands out as the most-visited commercial district for foreign tourists. Data from the Korea Tourism Organization shows that the number of foreign visitors to Myeongdong in 2023 was approximately double that of the Hongdae area and up by a factor of around ten on other retail high street areas. Tourists are drawn to Myeongdong for its attractions as well as for its concentration of major hotels, leading to a significant influx of international visitors. Myeongdong has experienced more than an eightfold increase in visitors compared to 2022. The Hongdae retail area ranks second for incoming tourists, attracting foreign visitors at around half the level of Myeongdong. Incoming tourists grew by more than seven times y-o-y. Seoul's other retail districts attract fewer visitors than Myeongdong and Hongdae, but all recorded growth of foreign arrivals of around five times y-o-y. As the tourism trend shifts from group travel to individual touring, flagship stores of domestic fashion and beauty brands, pop-up stores, and popular F&B venues have seen a surge of visitors.

Trends in New Store Openings on Seoul's High Streets

For the period from 2H 2023 to 1H 2024, Myeongdong recorded the highest number of new store openings among Seoul's retail high streets. Heavily reliant on foreign tourists, Myeongdong was hardest hit by the pandemic. However, the return of global brands and the filling of small area vacancies with cosmetics and accessory stores have driven the area's resurgence. Hongdae and Hannam·Itaewon also saw a notable number of new store openings. These retail districts remained generally stable during the pandemic, resulting in fewer available rental spaces. Our market analysis indicates that many existing store closures were replaced by new brands. The cosmetics sector accounted for the largest share of new store openings, especially in Myeongdong, and rising to represent approximately 21% of total stores. The surge was driven by a sustained influx of international tourists combined with rising interest in the K-Beauty segment. The Myeongdong area has emerged as a key hub for K-Beauty retail destinations, including the must-visit Olive Young brand, significantly revitalizing the area.

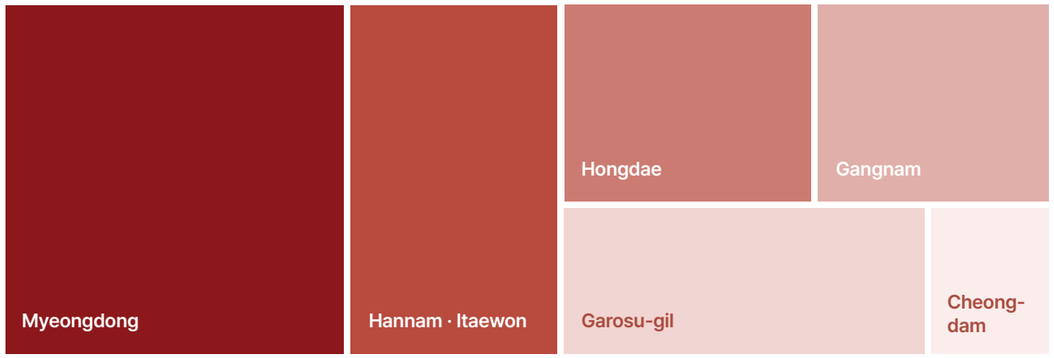
The garment and fashion accessory sectors have also been active in new store openings. Many fashion brands that remained cautious during the pandemic period are now aggressively growing in the Myeongdong, Hongdae, and Hannam-Itaewon districts. In the F&B sector, cafes have outpaced more formal restaurants in new store openings, reflecting Seoul's expanding popular coffeeholic culture and the rise of unique cafe concepts across multiple retail districts.

Breakdown of New Store Categories



Source: Cushman & Wakefield

Comparison of New Store Openings (2023 2H – 2024 1H)



note: Based on first-floor stores within the main streets

Source: Cushman & Wakefield

New Store Openings (1H 2023 - 1H 2024)

Market	Tenant	SQM	Category	Open
Myeongdong	Lululemon	730	Sports	2024
Myeongdong	Musinsa Standard	1,260	Fashion	2024
Gangnam	Apple	1,590	Electronic	2023
Gangnam	Five Guys	620	F&B	2023
Hongdae	Musinsa Standard	1,500	Fashion	2023
Hongdae	Olive Young	990	Beauty	2024
Garosu-gil	Line Friends Square	350	Lifestyle	2023
Garosu-gil	Polène	250	Fashion	2024
Hannam·Itaewon	Hunter	440	Fashion	2023
Hannam·Itaewon	Tamburins	580	Beauty	2024
Cheongdam	Bacha Coffee	380	F&B	2024
Cheongdam	Audemars Piguet	940	Luxury	2024

Musinsa Standard Myeongdong

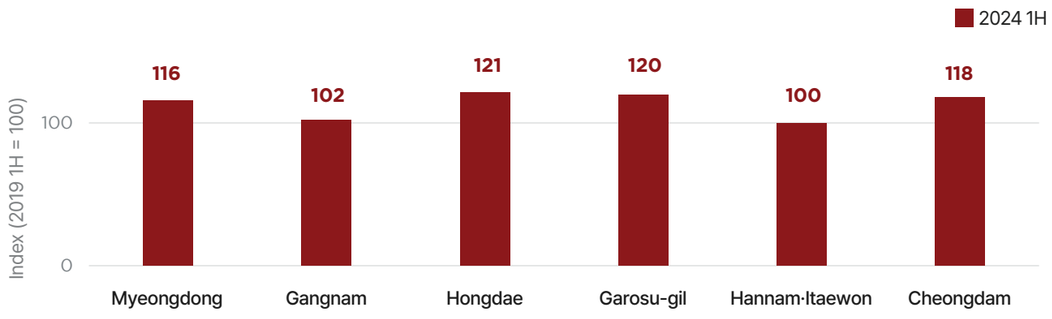
Apple Gangnam

Sales Recovery: All Six Major Districts Have Now Bounced Back From the Pandemic

Cushman & Wakefield's analysis of credit card sales data for Seoul's six major retail districts in 1H 2024 reveals that sales in all districts for 1H 2024 matched or surpassed the pre-pandemic levels from 1H 2019. Notably, and while the recovery across retail sectors varied by district, the medical category sector saw rising sales across all districts.

The Myeongdong retail district, which saw sales recover to around 70% of the pre=pandemic level last year, has now experienced a significant increase in sales this year, driven by the return of international tourists. Medical and hospitality sector sales have more than doubled from pre-pandemic levels. In Gangnam, the medical sector remains the dominant occupier, accounting for the largest share of overall sales. Medical sales are the only sector that have risen compared to pre-pandemic figures, offsetting declines in other sectors. The Garosu-gil district has seen a y-o-y increase in sales despite a recent rise in vacancy rates. Conversely, Cheongdam has experienced a decline due to the impacts of the post pandemic phase, economic slowdowns, and fragmented consumer channels.

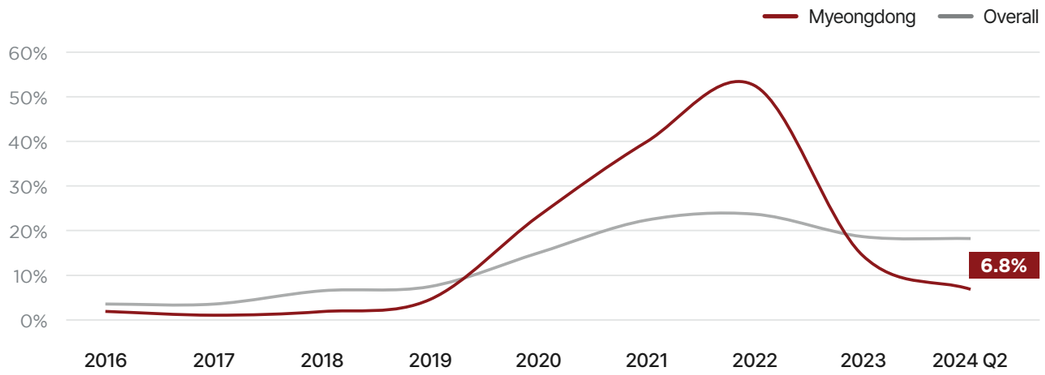
Sales Rebound After the COVID-19 Pandemic



Source: Credit Card Providers, Cushman & Wakefield

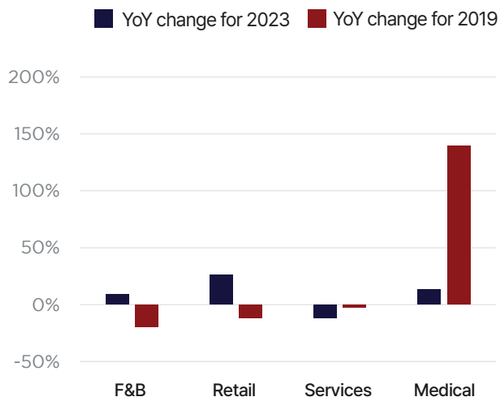
Myeongdong

Vacancy Rate



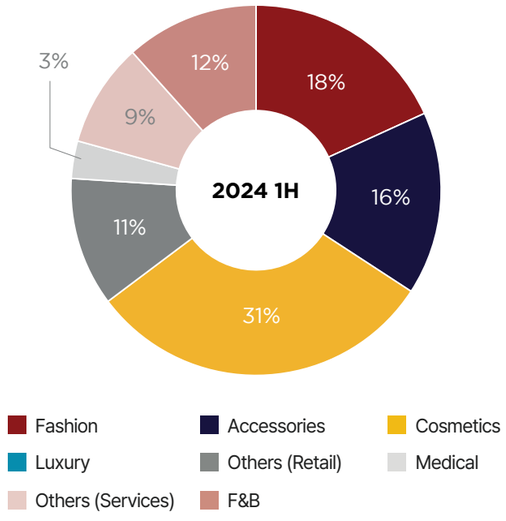
Source: Cushman & Wakefield

Sales Growth Rate by Industry



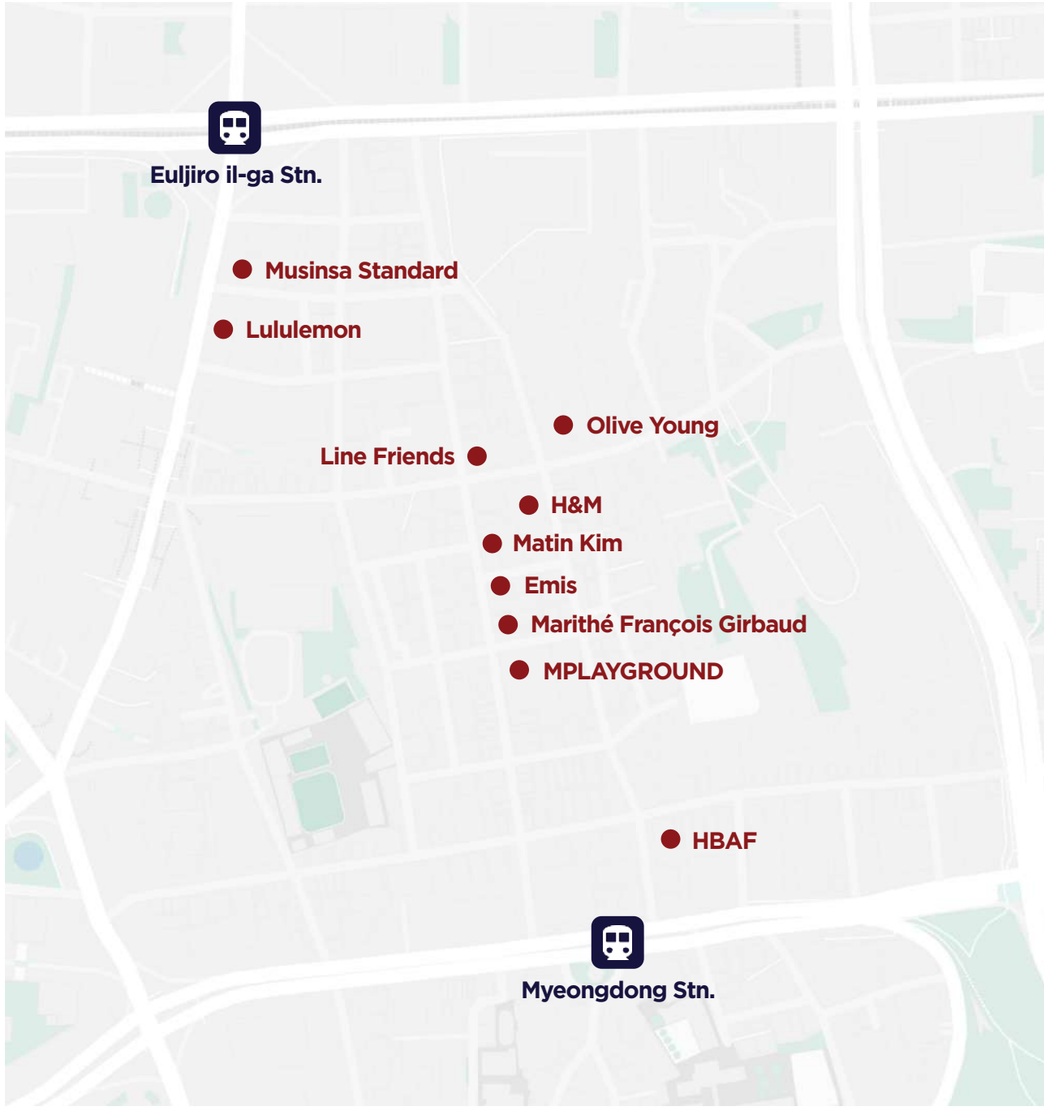
Source: Credit Card Provider, Cushman & Wakefield

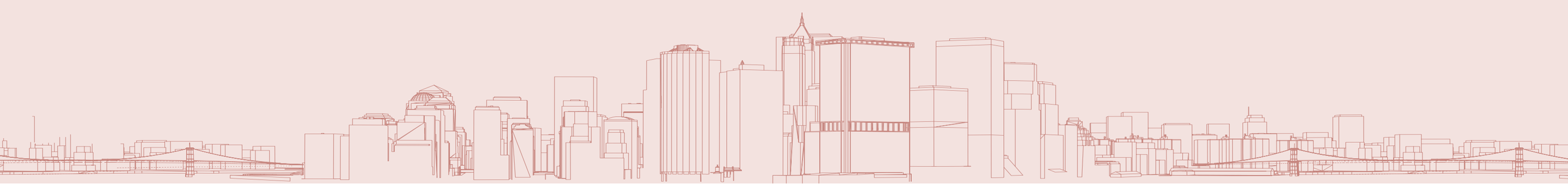
Tenant Category Breakdown



Source: Cushman & Wakefield

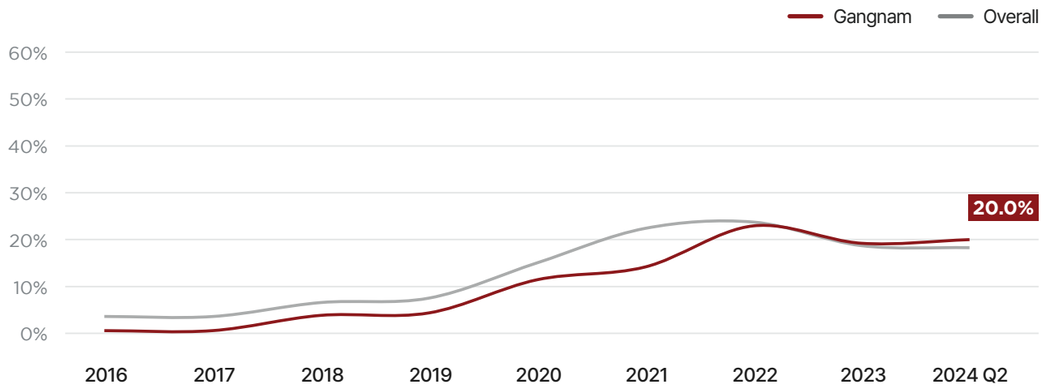
New Store Openings





Gangnam

Vacancy Rate



Source: Cushman & Wakefield

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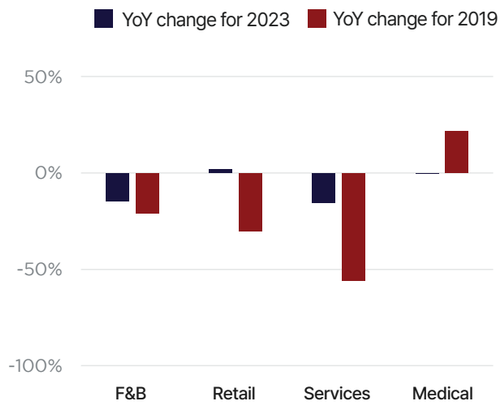

Source: Credit Card Provider, Cushman & Wakefield

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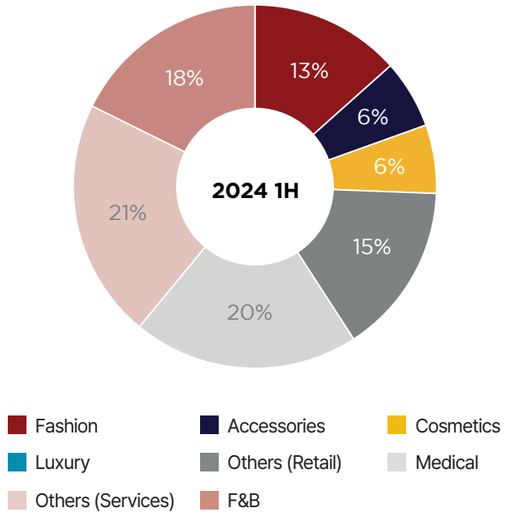
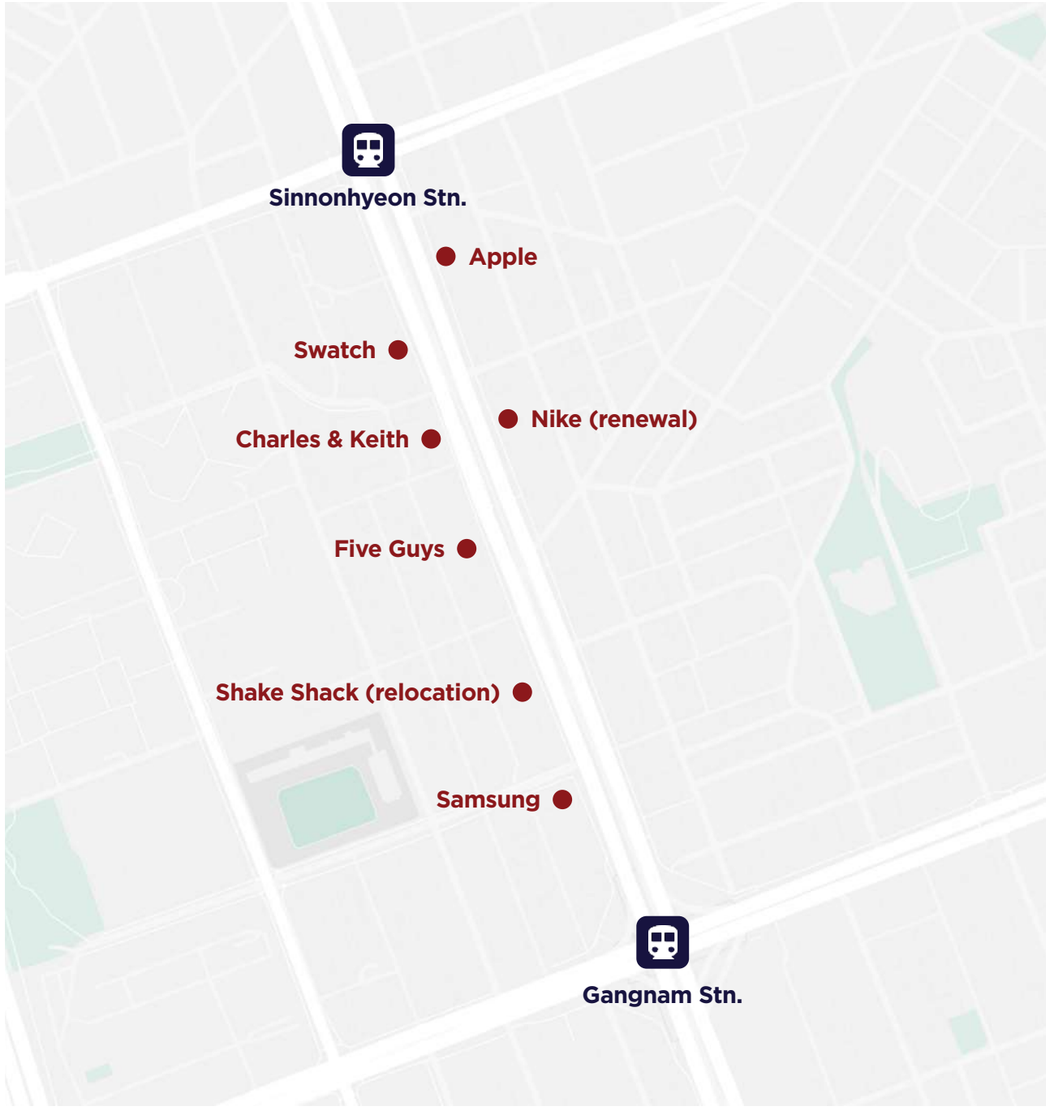


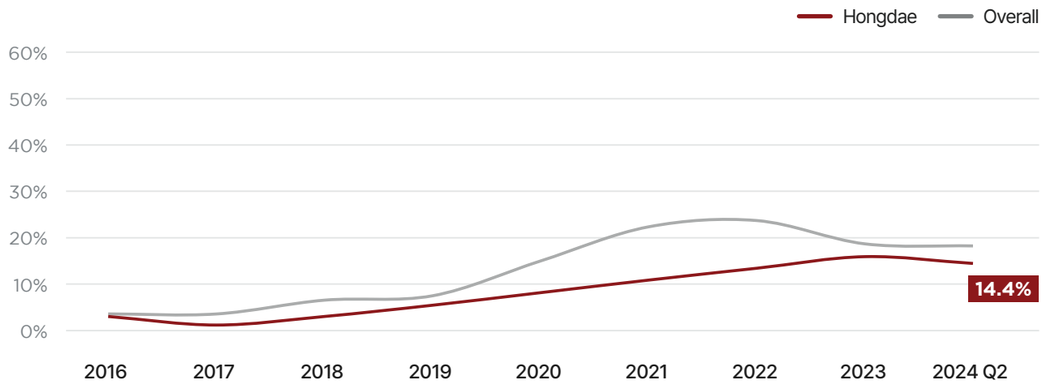
Source: Cushman & Wakefield

New Store Openings



Hongdae

Vacancy Rate



Source: Cushman & Wakefield

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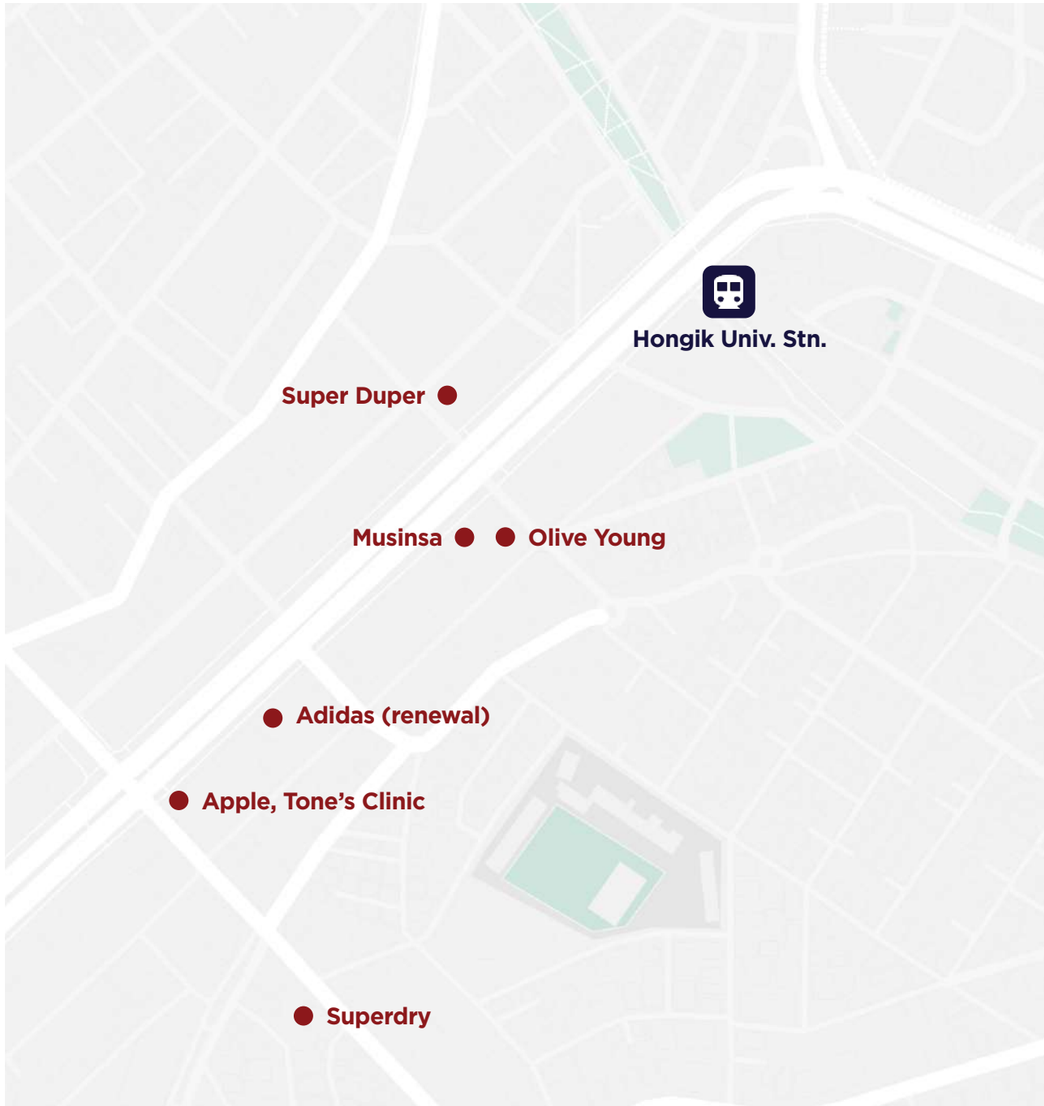

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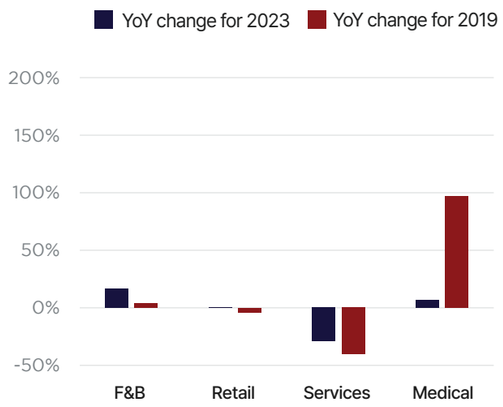

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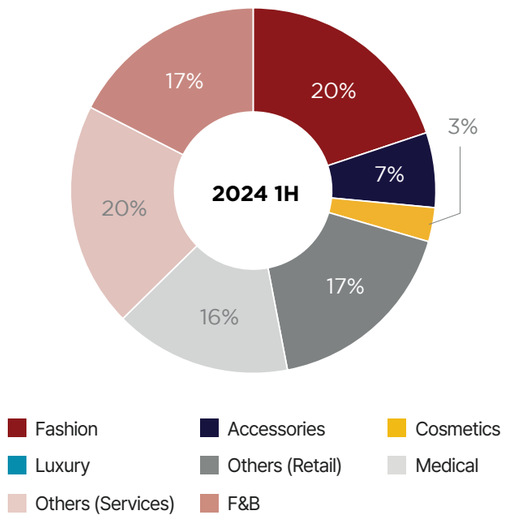

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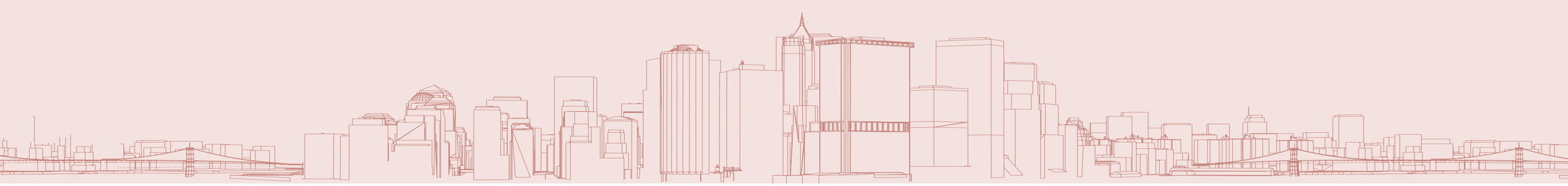
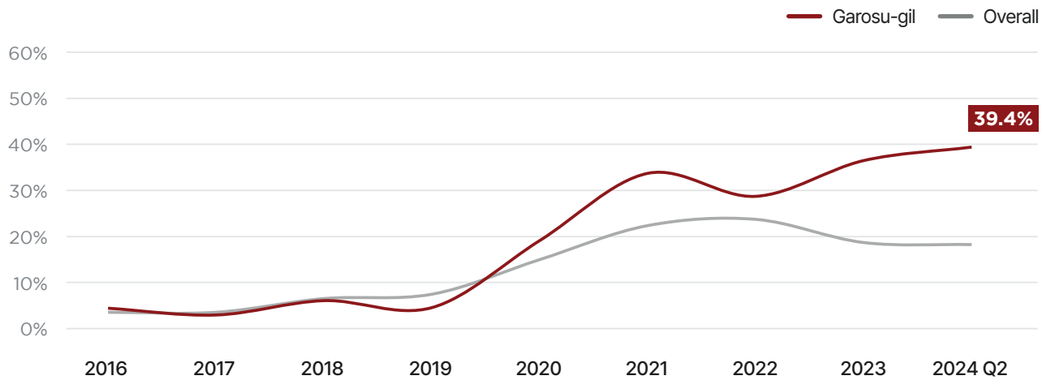


Garosu-gil

Vacancy Rate



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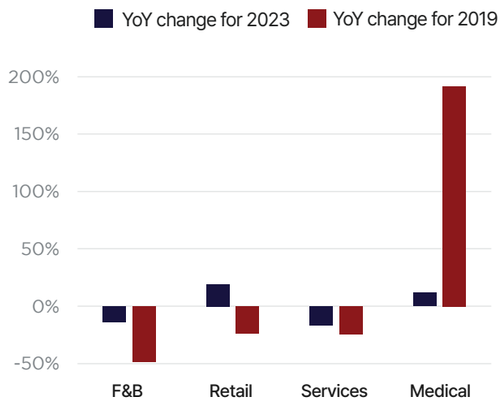

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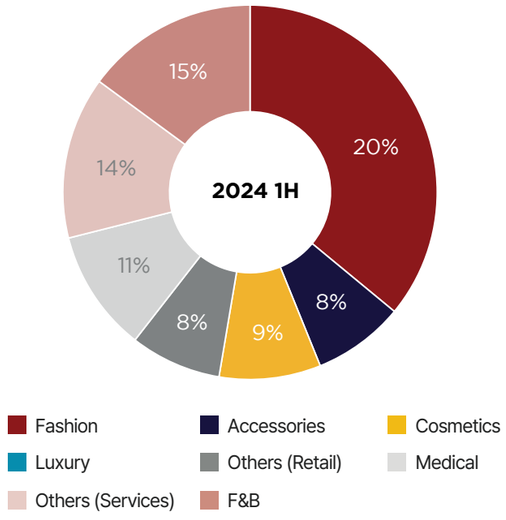

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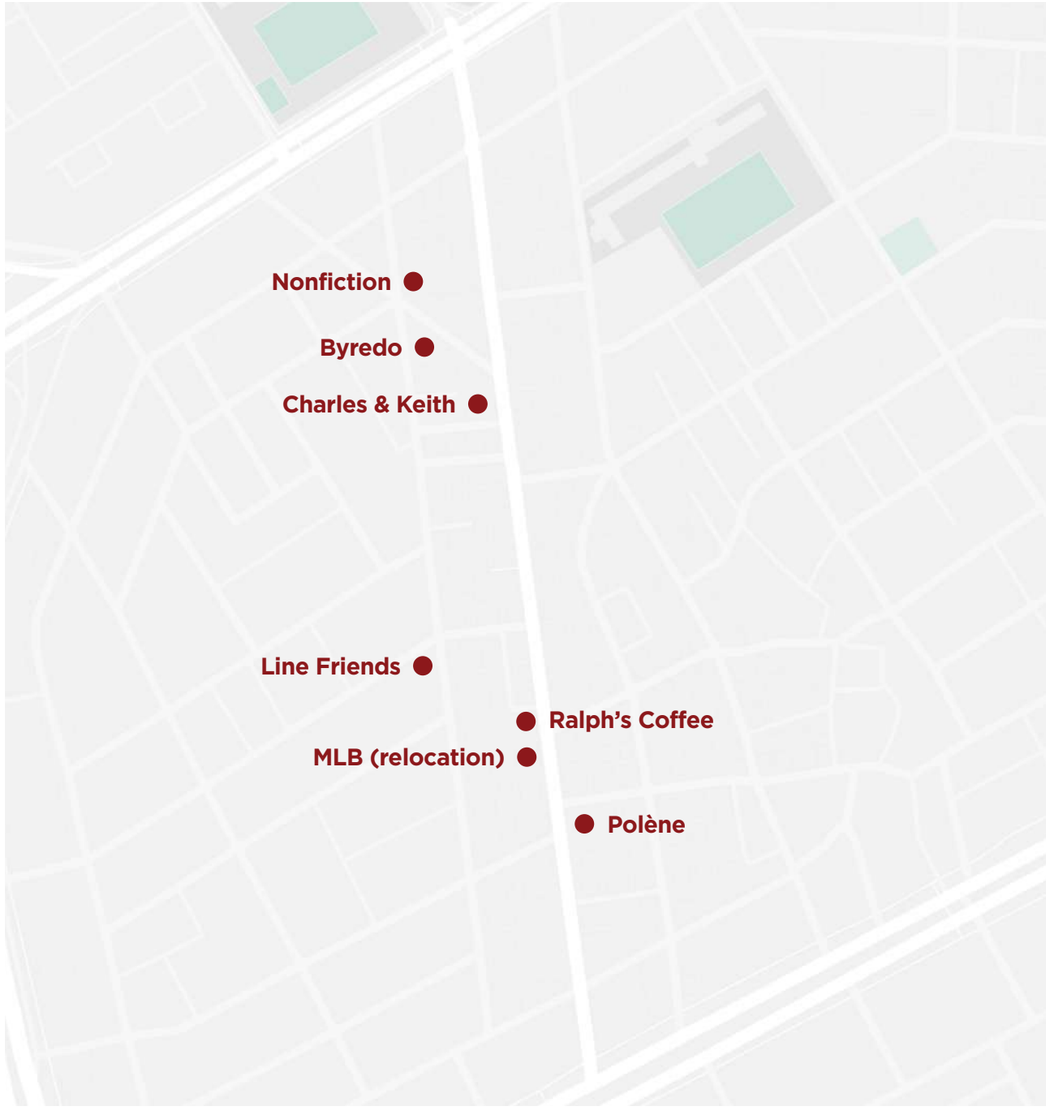
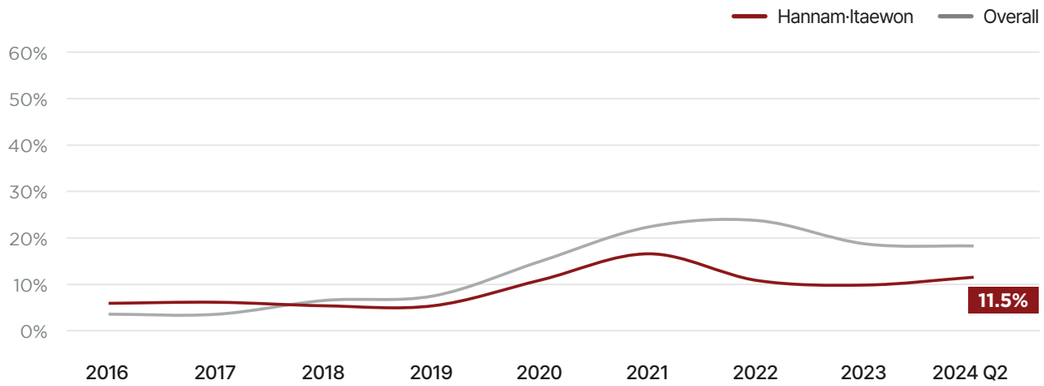


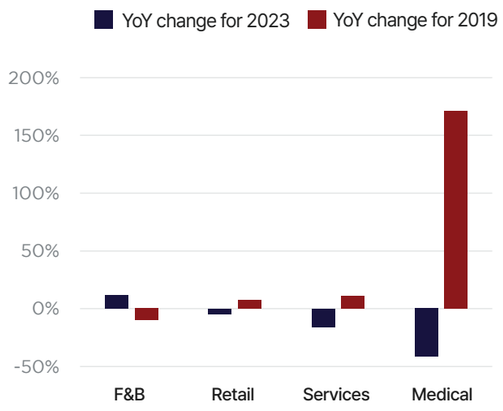
Hannam·Itaewon

Vacancy Rate



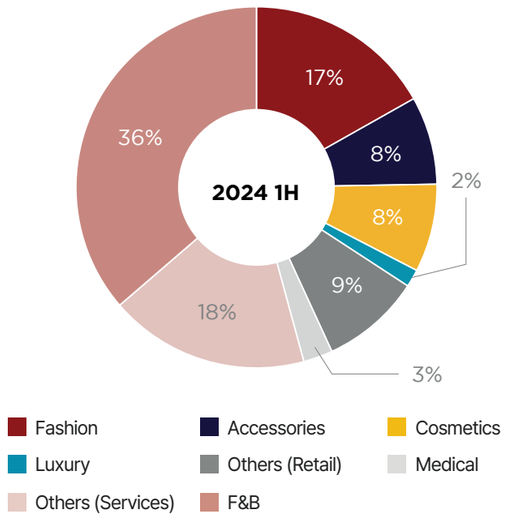
Source: Cushman & Wakefield

Sales Growth Rate by Industry



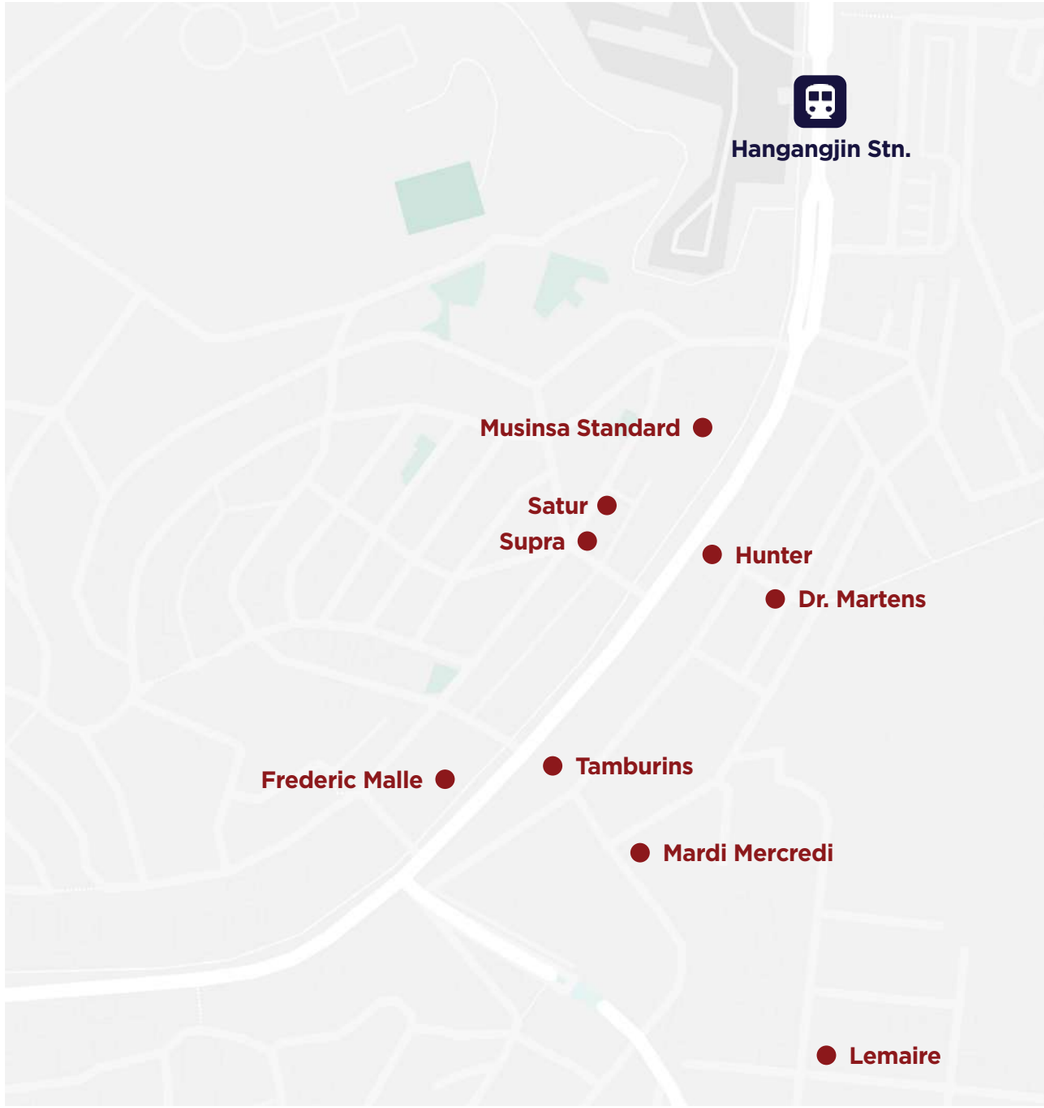
Source: Credit Card Provider, Cushman & Wakefield

Tenant Category Breakdown



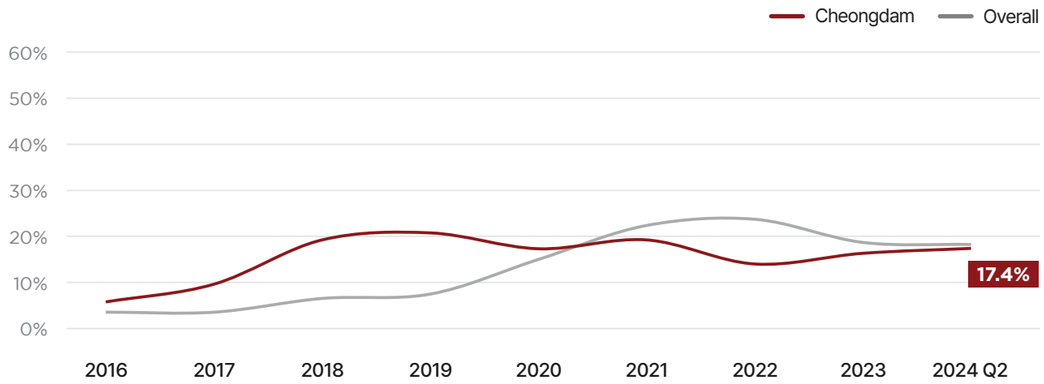
Source: Cushman & Wakefield

New Store Openings



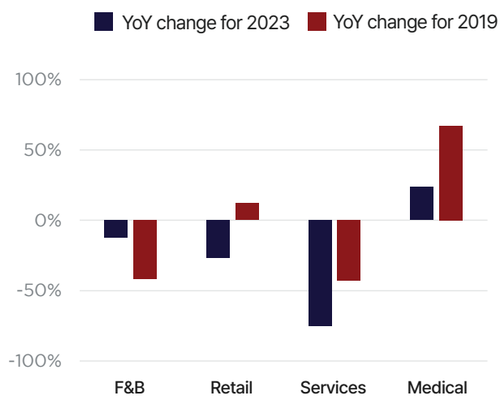
Cheongdam

Vacancy Rate



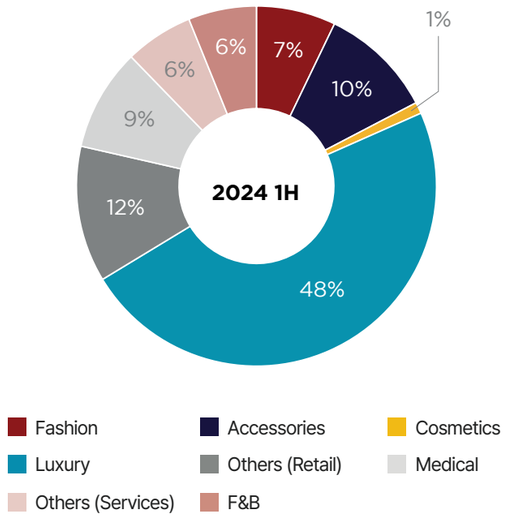
Source: Cushman & Wakefield

Sales Growth Rate by Industry



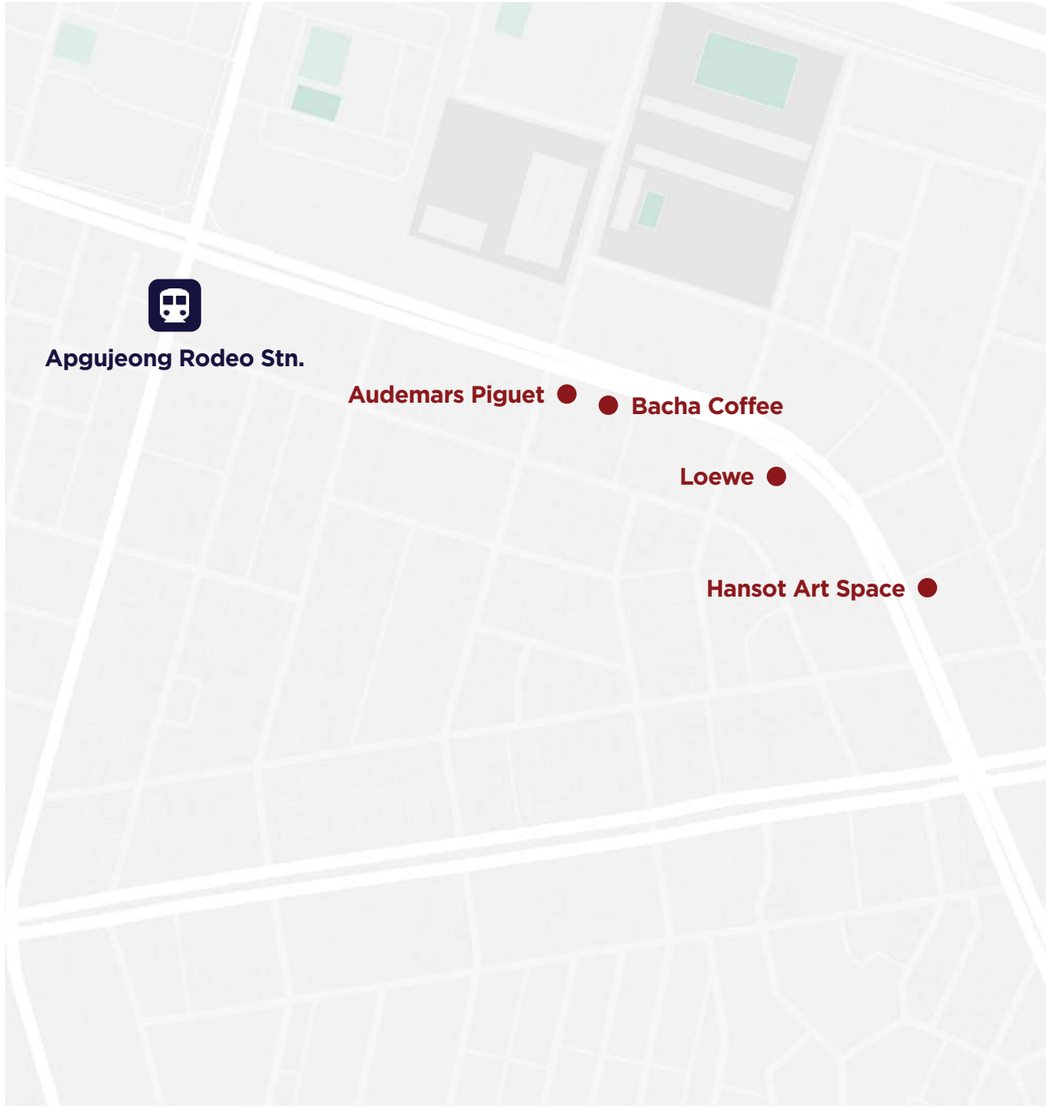
Source: Credit Card Provider, Cushman & Wakefield

Tenant Category Breakdown



Source: Cushman & Wakefield

New Store Openings



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