Logistics Real Estate Series Report
Logistics Center Tenant Analysis by Region

Logistics Tenant Profile

Icheon

CUSHMAN & WAKEFIELD

‘Icheon’ can maintain reputation as a logistics hub?

Icheon has played an important role as a distribution logistics hub not only for the metropolitan area, but for the entire country.

For e-commerce logistics, many logistics bases were supplied in Icheon.

However, Icheon's status as an e-commerce logistics city has been called into question.

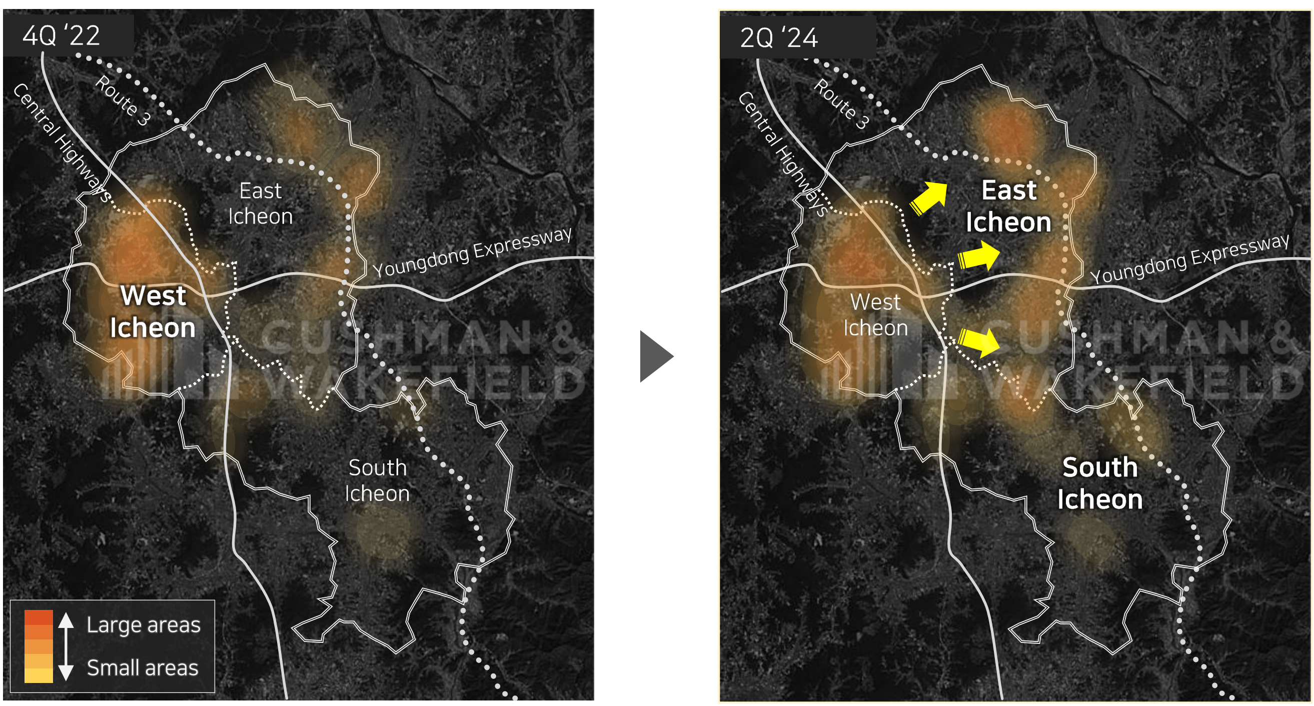
How ‘Icheon city' will change?

How will the supply in Icheon change?

A. Supply Status of Logistics Centers

- **The Icheon area is experiencing a surge from 1,138k py to 1,581k py (as of 2Q'24), resulting in increased vacancies and decreased effective rents.**
- Due to the lack of new development sites, **the supply of distribution centers has expanded to outlying areas, especially near the National Highway 3 and Yeongdong Expressway,** which have excellent transportation convenience.

Supply trends[1]



Area[2]	Number of centers			Supply Area (unit: 1,000 py)		
	Dec.'22(A)	Jun.'24(B)	B-A	Dec.'22(A)	Jun.'24(B)	B-A
West	55	61	+6	680	742	+61
East	28	47	+19	354	616	+262
South	10	19	+9	104	224	+120
Total	93	127	+34	1,139	1,581	+443

Note1: Scale of 5,000 py+ in Icheon, as of June 2024

Note2: West (Majang, Hobeop, East(Bubal, Daewal, Baeksa, Moga), South(Sulsung, Janghowon, Moga)

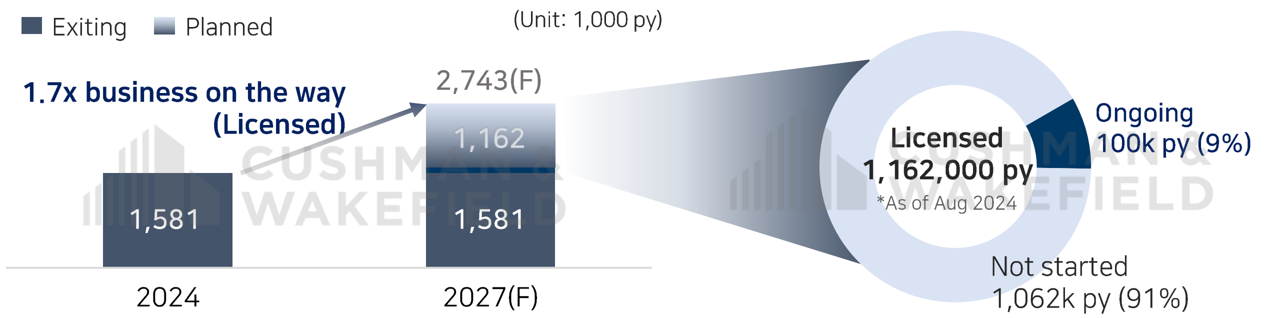
Source: C&W Research

How will the supply in Icheon change?

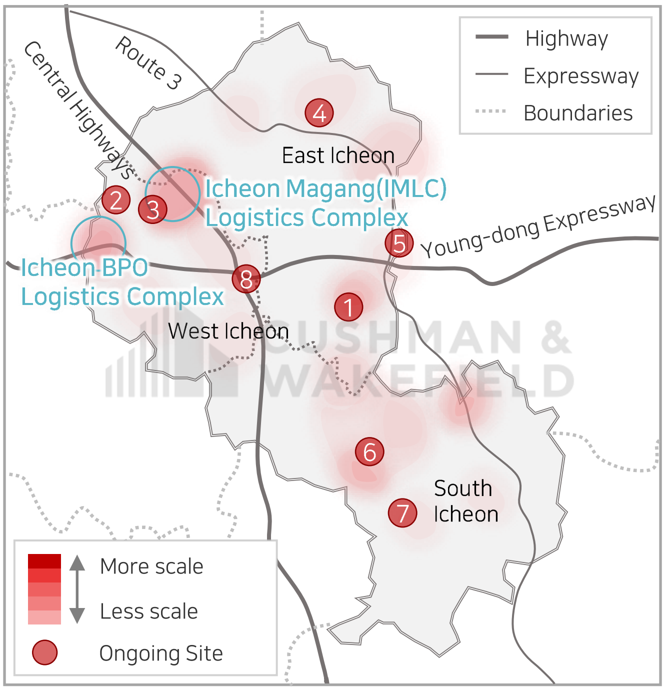
A. Supply Status of Logistics Centers

- **1,162k py (About 70% of the existing supply) has been approved** and is ready for development, but **only about 9% has actually been started due to deteriorating business conditions**, and the remaining projects are expected to be delayed or canceled.
- New supply is planned **in the highly competitive West Icheon area, with some developments in the East and South Icheon areas with good transportation access.**

New Supply Trend[3]



Major new Supplies



* Ongoing Sites

No	Name	GFA(py)
1	Shinu Logis VII chogi-ri	13,042
2	KLP Icheon	12,590
3	Sangwoo Jangam-ri	10,789
4	Equalbase Icheon Baeksa	12,049
5	BR logistics VIII Gasan-ri	12,892
6	Jangcheon-ri GNR	10,969
7	Iljuk logistics Hangjuk-ri	12,467
8	Hobeop Anpyung-ri	15,000

* Planned Logistics Complex

Icheon BPO Complex
- Site Area : 42,813 py
- GFA: 31,575 py (3 Buildings)
- Nov '23 Licensed, Holding (as of Aug. '24)

Icheon Majang Logistics Complex
- Site Area: 90,296 py
- GFA: 177,704 py (3 Buildings)
- May '24 Licensed, Holding (as of Aug. '24)

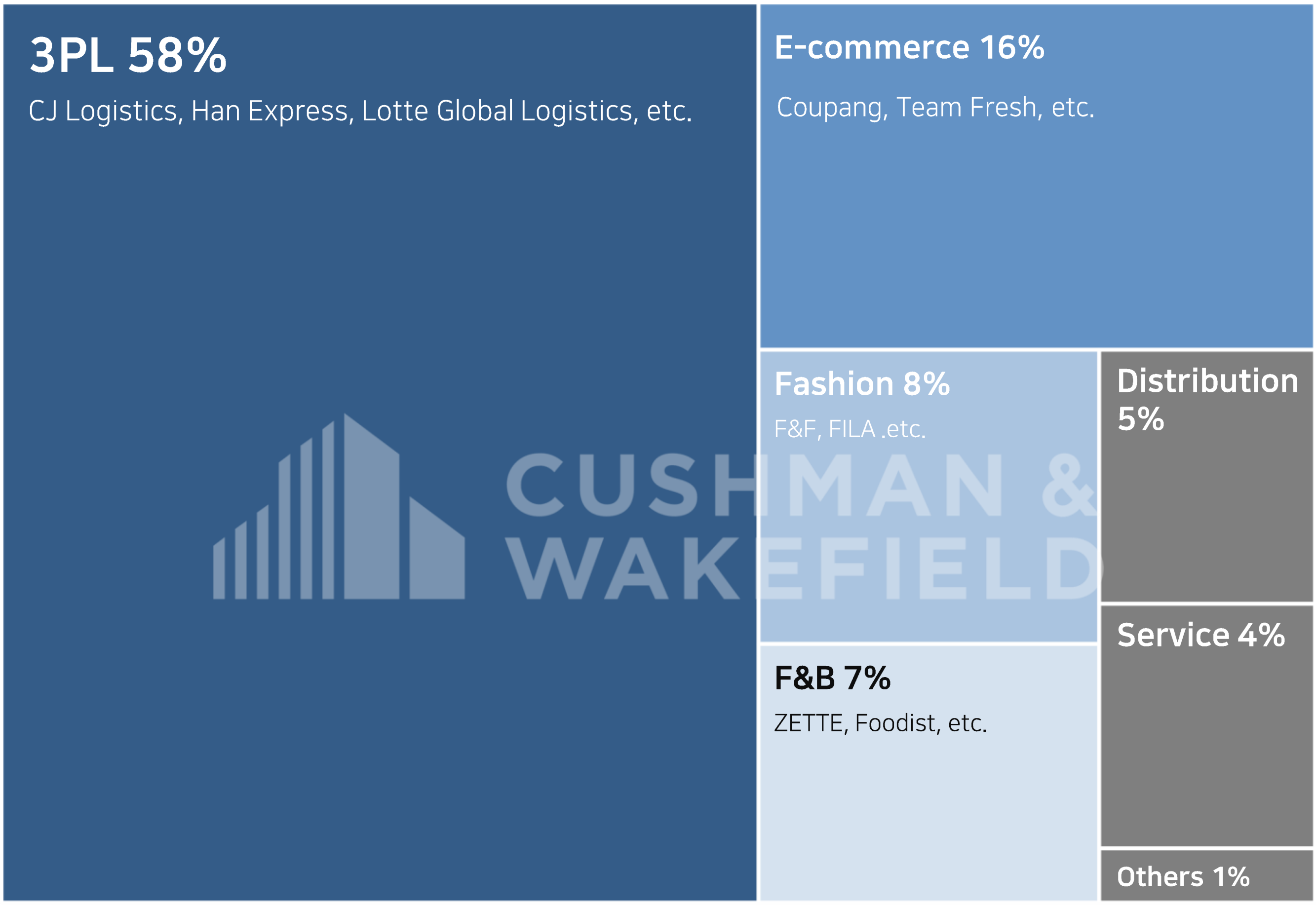
Note3: Scale of 5,000 py+ in Icheon, as of June 2024
Source: C&W Research

Who is the primary tenant?

B. Tenant Industry Sector Proportions (by GFA)

- **3PL logistics companies occupy the largest area (about 58%),** followed **by e-commerce, fashion, and F&B**.
- It is home to **distribution logistics hubs** such as CJ Logistics and Han Express, **e-commerce fulfillment centers** such as Coupang and Team Fresh, and **fashion logistics centers** such as F&F and FILA, and **low-temperature logistics hubs** for F&B companies such as food distribution logistics companies JETTE and Foodist.

Tenant Proportion[4]

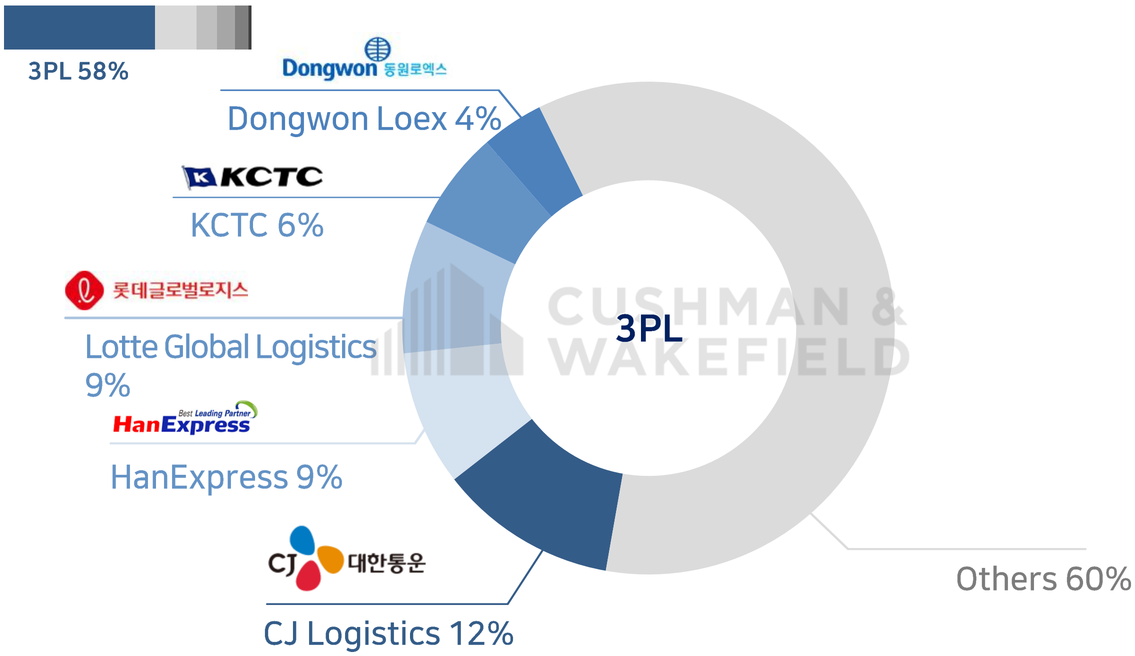


Note4: Scale of 5,000 py+ in Icheon, as of August 2024
Source: C&W Research

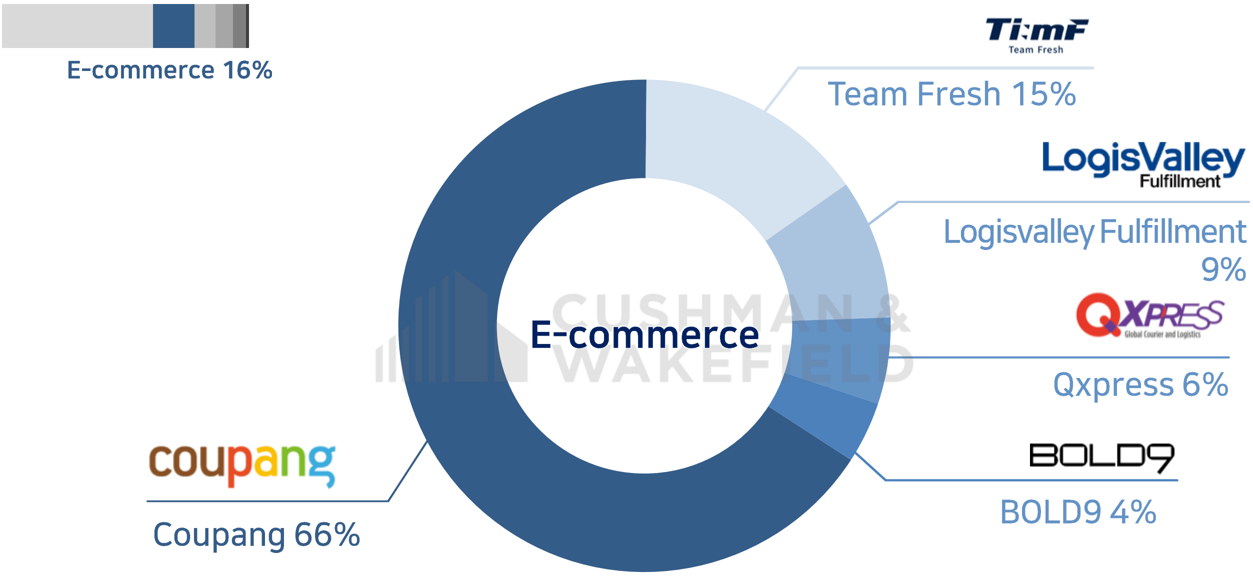
Who is the primary tenant?

B. Tenant Industry Sector Proportions (by GFA)

Proportion of 3PL logistics companies



Proportion of E-commerce companies

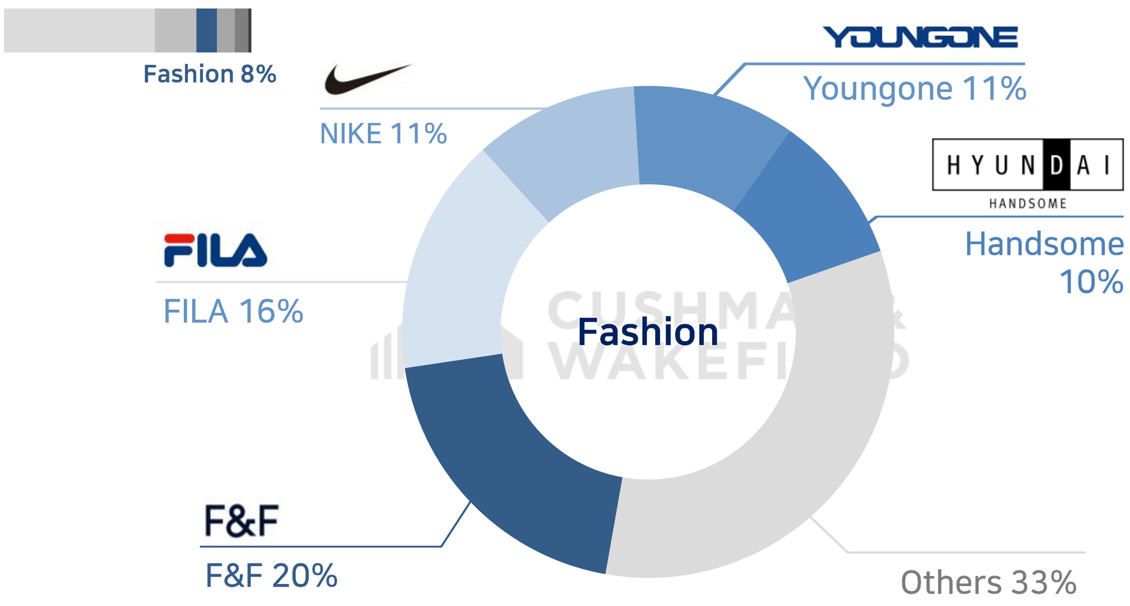


Source: C&W Research

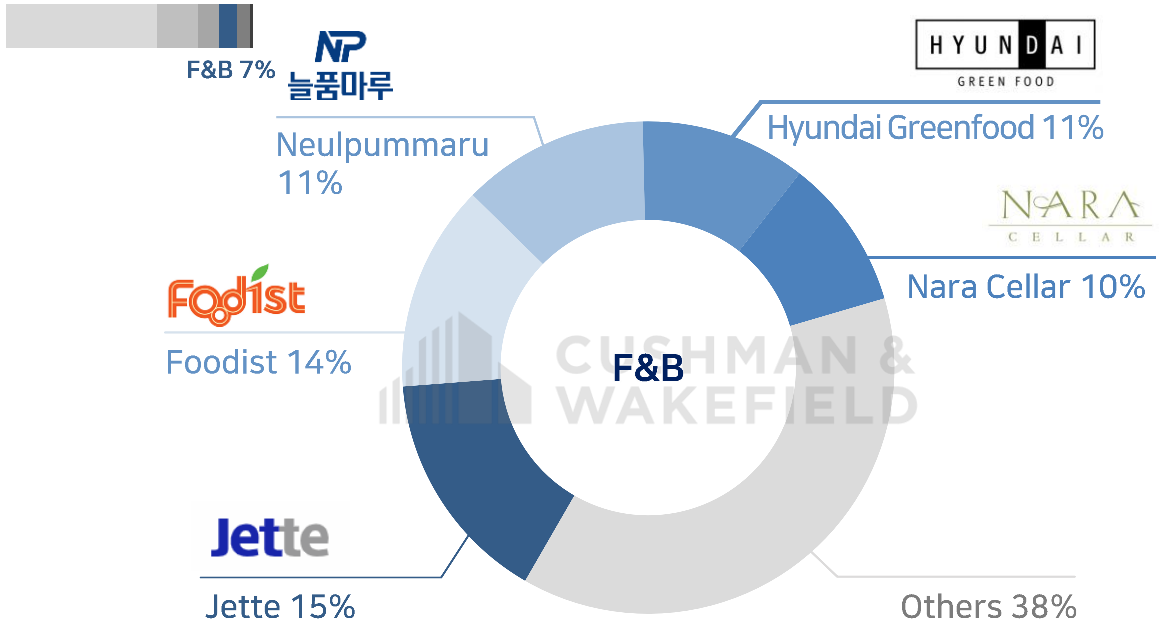
Who is the primary tenant?

B. Tenant Industry Sector Proportions (by GFA)

Proportion of fashion companies



Proportion of F&B companies



Source: C&W Research

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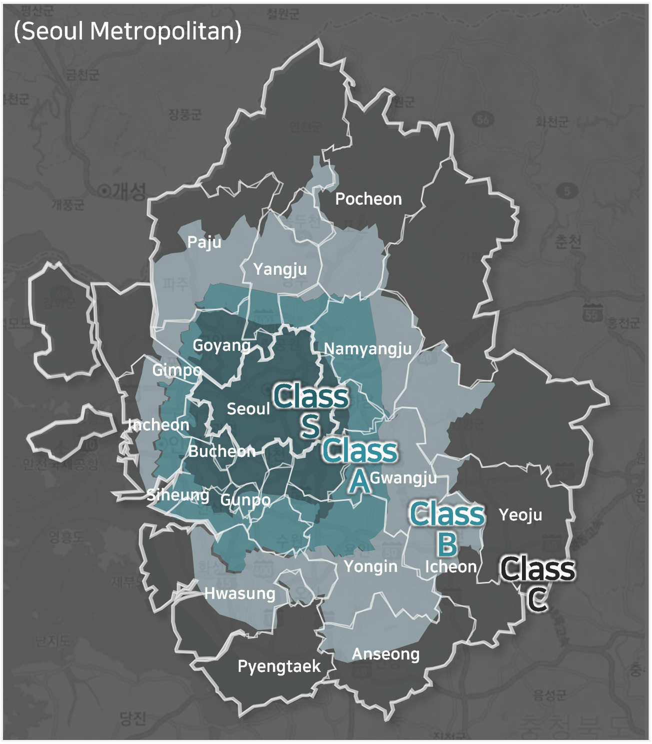
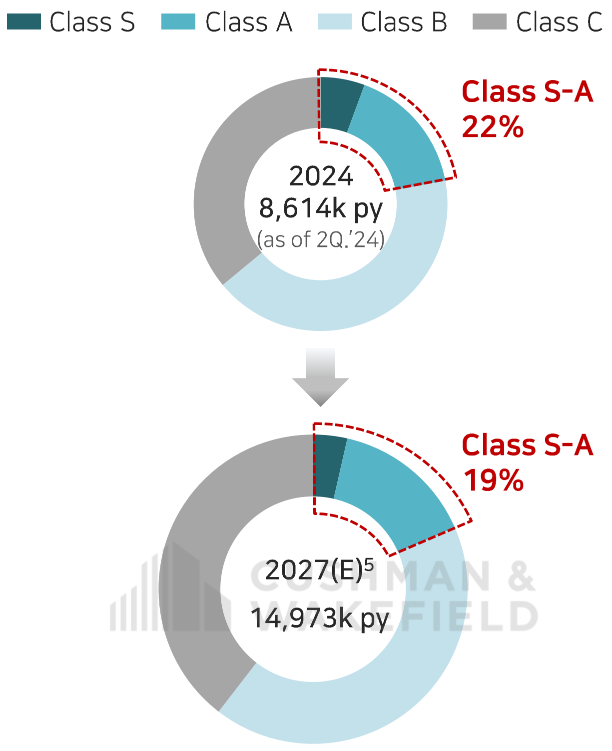
Over Supply ? No center where we need

C. Unbalance Supply vs Demand

- While the logistics real estate market is oversupplied, **areas with last-mile delivery are undersupplied with warehouses.**
- Warehouses in high-demand, accessible Class S and Class A areas account for only 22% of the total supply of warehouses, **leaving a shortage of logistics infrastructure in urban centers where e-commerce logistics demand is growing rapidly**.

Demand Accessibility Rating





* Supply statue by grade

(unit: 1,000 py)

Class	2024	%	2027(E)[5]	%	+/-	%
S	485	5.6%	533	3.6%	48	-2.1%
A	1,414	16.4%	2,234	14.9%	820	-1.5%
B	3,615	42.0%	6,287	42.0%	2,673	0.0%
C	3,101	36.0%	5,920	39.5%	2,819	3.5%
Total	8,614	100.0%	14,973	100.0%	6,359	42.5%

Note5: Total Existing + Planned (as of 2Q'24)

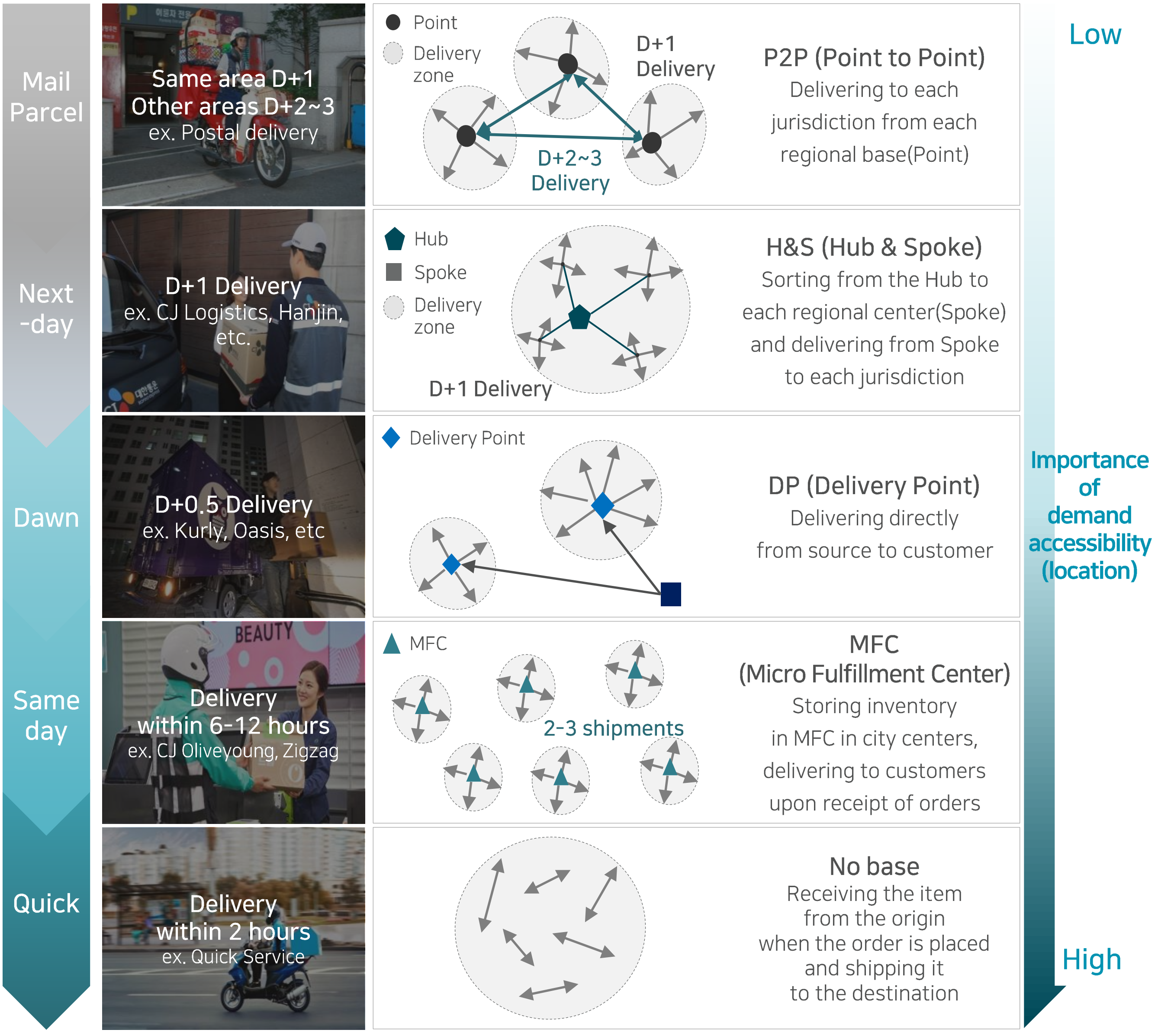
Source: C&W Research

Over Supply ? No center where we need

C. Unbalance Supply vs Demand

- **Many retail logistics companies are focusing on diversifying their delivery services,** on-demand services including same-day, fast and holiday delivery.
- **Strives to have urban logistics bases** that can **reduce delivery costs** through multi-trip shipping and provide **fast delivery services.**

Changes in On-demand service



Source: C&W Research

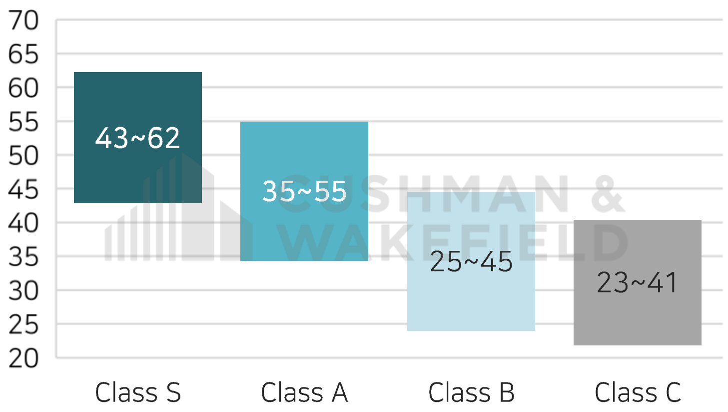
Over Supply ? No center where we need

C. Unbalance Supply vs Demand

- **Warehouse rents are increasingly differentiated to urban centers.** Class C in the outskirts from 23K to 41K won/py, while Class S in the city range from 43K to 62K won/ py.
- Due to the recent deterioration in business conditions, only 19% of new permits in the metropolitan area have started construction on average, but **the 36% start rate for warehouse development in Class S and A areas,** where rents have remained stable, is much higher than in Class B and C areas.

Rent by class[6]

(Unit: KRW 1,000/py, for dry center)



*Rent Examples (unit: KRW/py, Dry)

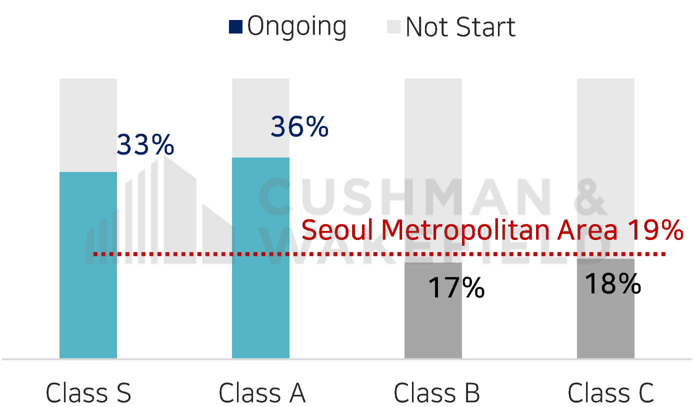
S	Seoul 62,000	Anyang 60,000
A	Namyangju 50,000	Siheung 42,000
B	Osan 36,000	Icheon 31,000
C	Ansung 35,000	Yeju 28,000

Note6: For logistics centers with a GFA of 5,000+ py built after 2015

Rate of building start[7]

(Unit: centers)

Class	Uncompleted after license approval		
	Total	Ongoing	Not start
S	3 (100%)	1 (33%)	2 (67%)
A	25 (100%)	9 (36%)	16 (64%)
B	133 (100%)	23 (17%)	110 (83%)
C	151 (100%)	27 (18%)	124 (82%)
Total	312	60 (19%)	252 (81%)



Note7: Construction start rates of uncompleted centers after license approval
Source: C&W Research

Many logistics bases are concentrated in Icheon for its cheap land and convenient transportation.

However, e-commerce logistics centers require a location that is easy to recruit large workforce, enables multi-trip delivery to deliver goods to customers quickly.

As e-commerce logistics base becomes increasingly diversified and sophisticated, it will be interesting to see if Icheon can maintain its competitiveness as a logistics location.

'Cushman & Wakefield' supports successful logistics real estate development projects by providing optimal solutions to the changing environment.

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Logistics Leasing	• Leasing Advisory • Logistics Center Marketing • Logistics Center Due Diligence Representation
Acquisition & Disposition	• Disposition/Acquisition Advisory • BUILD-TO-SUIT(BTS) Advisory • Logistics Development Advisory