

South Korea

2025 CRE OUTLOOK

**WE DIDN'T COME THIS
FAR, TO COME THIS FAR.**

DECEMBER, 2024



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01

CAPITAL MARKETS

TRANSACTION

1Q 2024 - 3Q 2024

Office

Seoul/ 50b KRW +



30

Total Properties Sold

7,992

Total Volume (Bn KRW)

Logistics

GSA/ 16.5K sqm +



23

Total Properties Sold

3,927

Total Volume (Bn KRW)

Hotel

Seoul/ 10b KRW +



7

Total Properties Sold

1,338

Total Volume (Bn KRW)

Retail

Seoul/ 10b KRW +



11

Total Properties Sold

823

Total Volume (Bn KRW)

Source: Cushman & Wakefield Research; Real Capital Analytics

NOTE: GSA includes Seoul, Gyeonggi, and Incheon

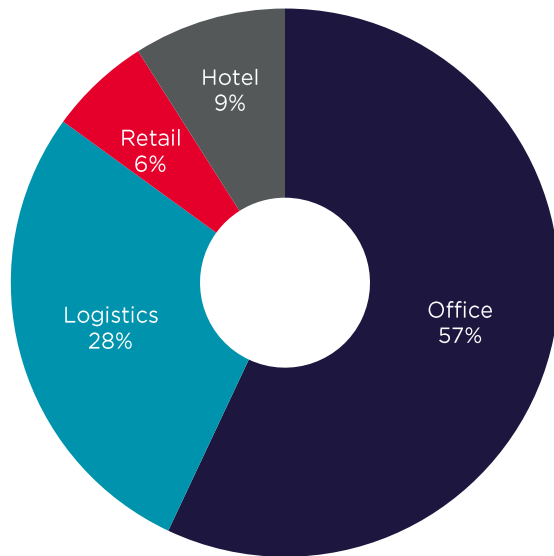
TRANSACTION

Sector-wise Breakdown of Percentage and Volume

Offices Dominate with Over 60% of Transactions

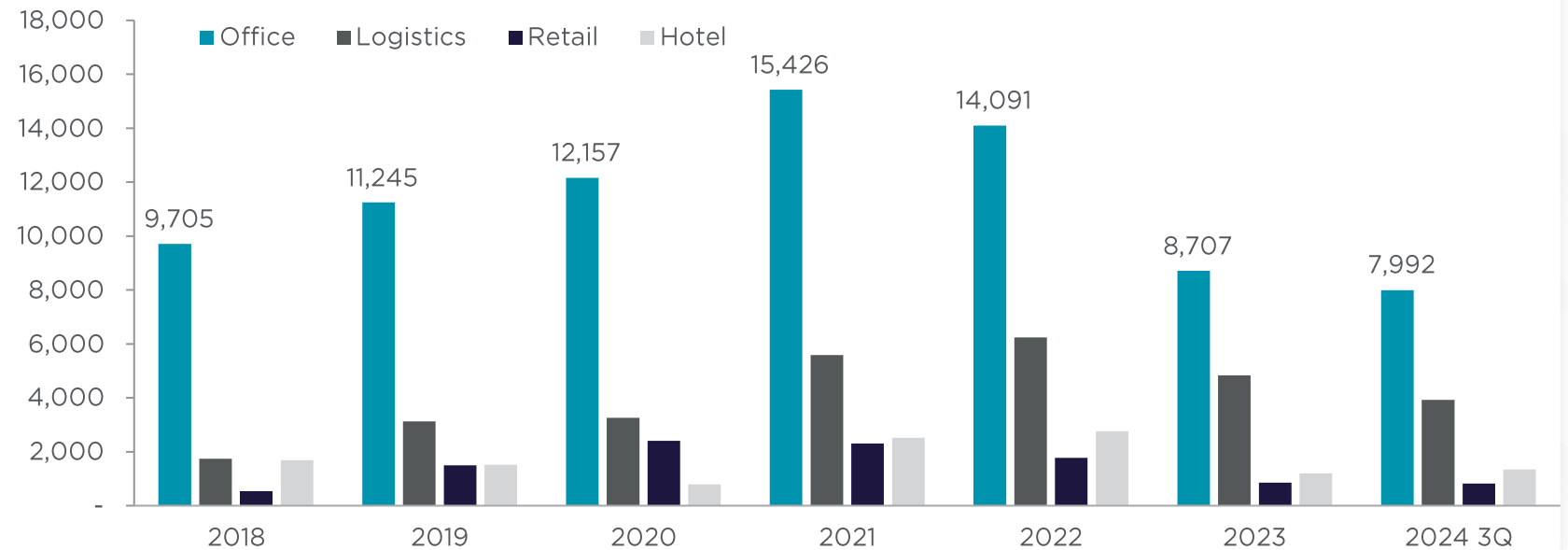
In South Korea's commercial real estate market, office transactions dominate, accounting for over 60% of total transaction volume. This is driven by stable rents from Grade A offices in Seoul, which minimize risks and make them attractive investment assets.

PERCENTAGE BY SECTOR (2024 YTD)



TRANSACTION VOLUME BY SECTOR

(Unit: Bn KRW)



Source: Cushman & Wakefield Research; Real Capital Analytics

Note: Offices over 50b KRW in Seoul / Logistics over 16.5 sqm in GSA / Hotels in five key regions including Seoul / Retail over 10 billion KRW in Seoul

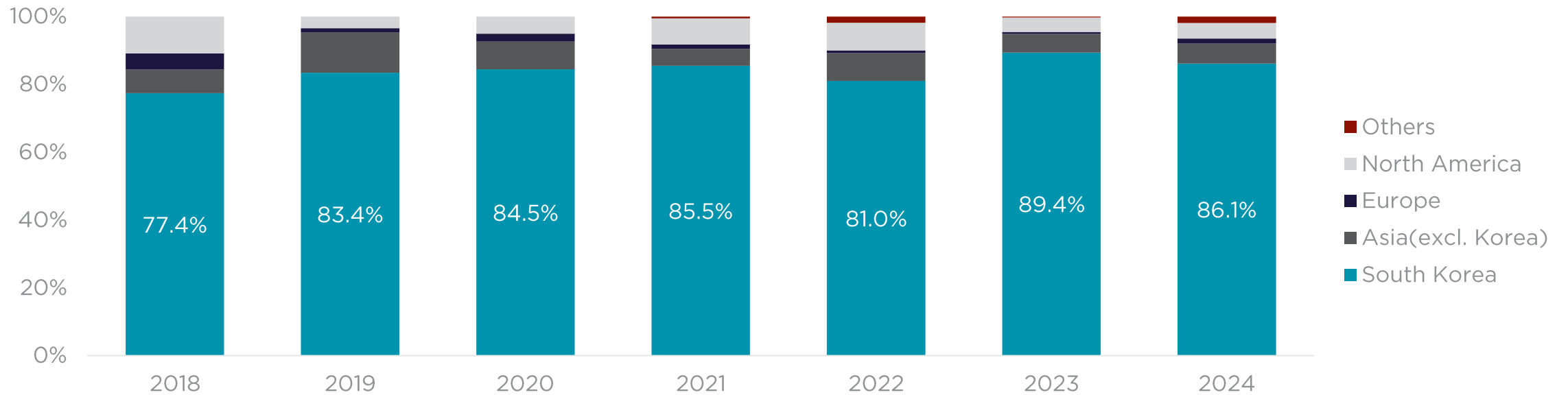
TRANSACTION

Nationalities of Buyers

Domestic Buyers Dominate

The commercial real estate market in South Korea is dominated by domestic buyers, who account for over 80% of total transactions. Domestic investors play a crucial role in both acquiring and disposing of assets.

PERCENTAGE BY BUYER NATIONALITY



Source: Real Capital Analytics

Note: Others include Arab and Australia

OFFICE

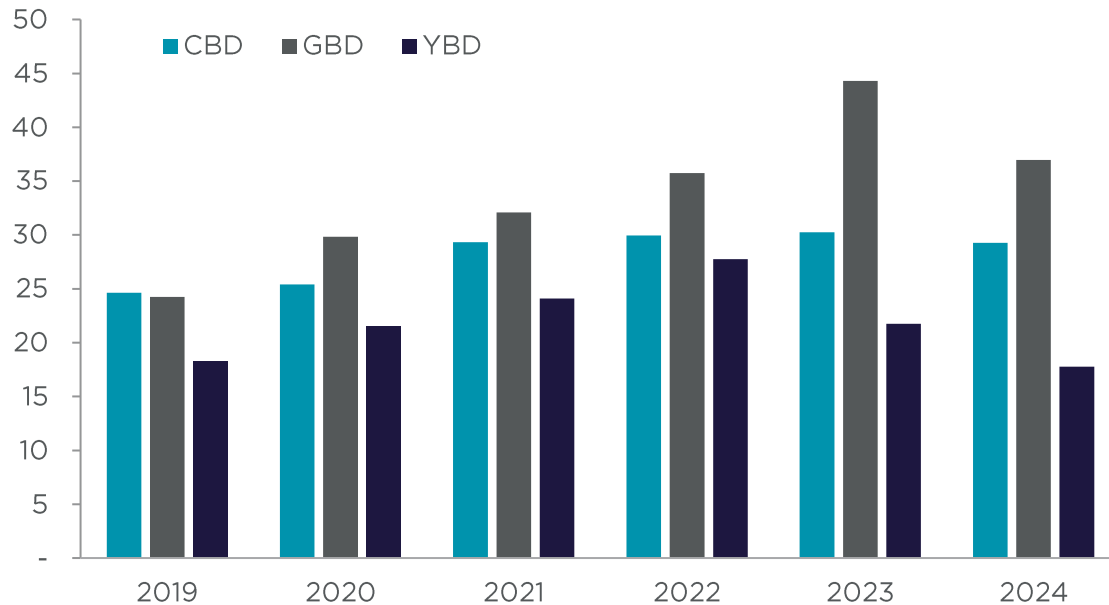
Price & Cap Rates

Stable Returns and GBD Dominant in Office Market

The office price per 3.3 square meters slightly declined in 2024 but remains strong in the GBD. Additionally, office cap rates have stayed in the low 4% range since 2023, creating a stable environment for investment returns.

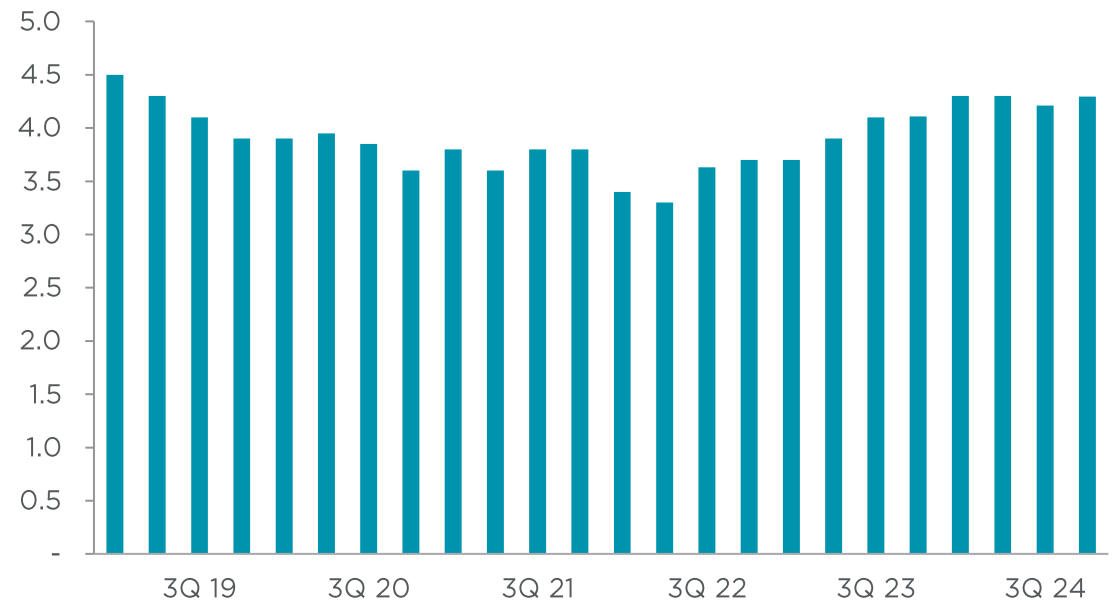
PRICE PER 3.3 SQM

(Unit: Mn KRW/3.3 SQM)



CAP RATES

(Unit: %)



Source: Cushman & Wakefield Research; Real Capital Analytics

LOGISTICS

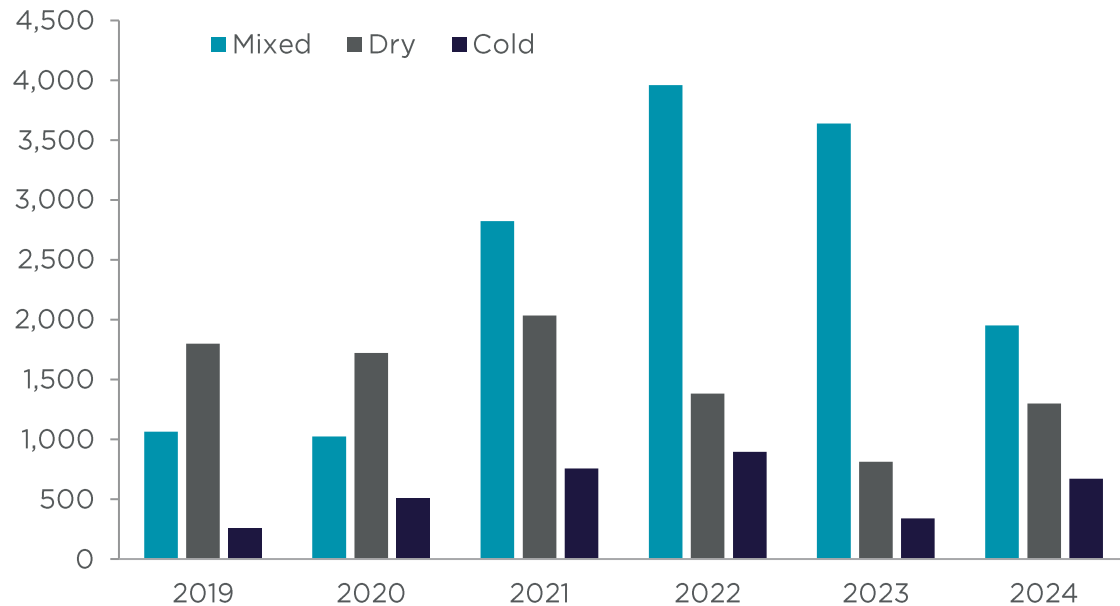
Price

Transaction Recovery with NPL and High-Quality Deals

The COVID-19-driven e-commerce boom resulted in an oversupply of logistics facilities, higher vacancy rates, and declining transaction volumes. Prices per 3.3 square meters are recovering, with recent activity focusing on high-quality centers and NPL deals. However, a noticeable gap in prices and preferences among centers remains.

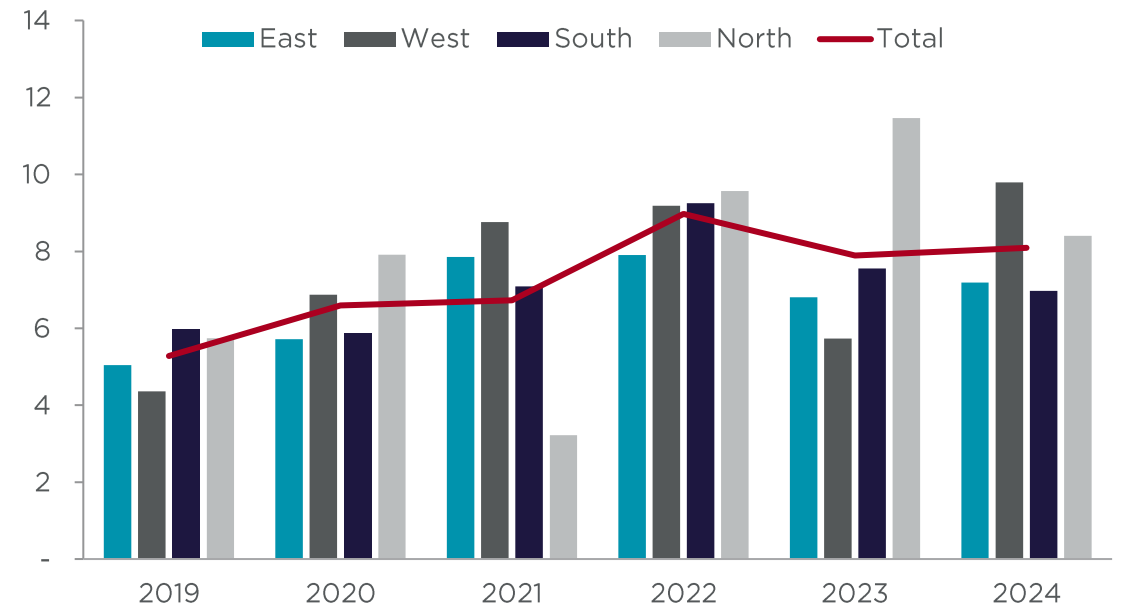
PRICE BY TYPE

(Unit: Bn KRW)



PRICE PER SQM BY SUBMARKET

(Unit: Mn KRW/ 3.3 SQM)



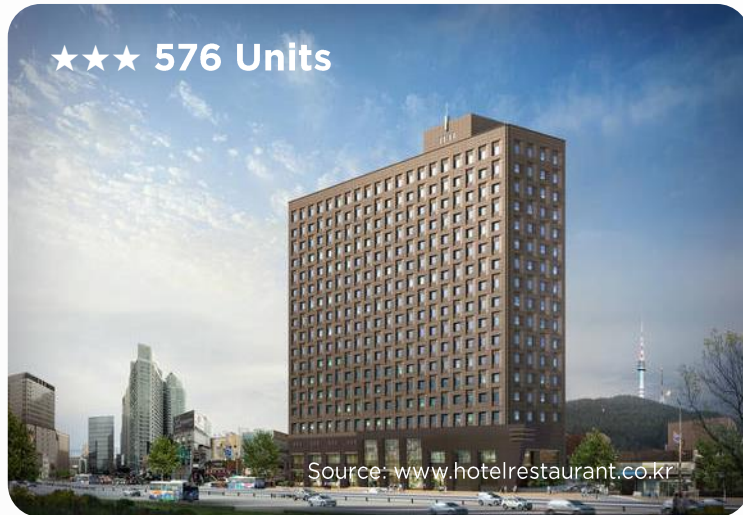
Source: Cushman & Wakefield Research; Real Capital Analytics

HOTEL

2024 Significant Sales

Hotel Transactions Return to Pre-COVID Levels

Driven by a surge in tourism, hotel transaction volumes have returned to pre-COVID levels. Unlike during the pandemic, when many transactions focused on repurposing, most hotels now retain their original use.



Tmark Grand Hotel Myeongdong

- Purpose: Hotel (current use)
- Price: 228b KRW
- Buyer: Angelo Gorden
- Seller: Hana Alternative AM



Prima Hotel Cheongdam

- Purpose: Hotel + Office (redevelopment)
- Price: 464b KRW
- Buyer: Shinsegae
- Seller: Hoju Construction



Conrad Hotel Yeouido

- Purpose: Hotel (current use)
- Price: 400b KRW
- Buyer: ARA Asset Management
- Seller: Brookfield AM

2025 Capital Markets Outlook



OFFICE

- Since 2H 2022, high interest rates have caused a downturn, but office transactions are expected to rebound in 2024, with cap rates stabilizing around 4%.
- Grade-A and mid-sized HQ buildings are projected to see continued demand through 2025, driven by SIs, corporate liquidity deals, and foreign value-add investors.



LOGISTICS

- The gap in demand between asset classes is expected to widen further.
- Transactions for prime logistics centers are projected to recover, while underperforming assets, including cold storage, face significant oversupply challenges, constraining normal market activity in the short term.



Retail/Hotel

- Retail and hotels are experiencing increased conversion-driven transactions in response to underperformance.
- Retail: Underperforming department stores and shopping malls with declining revenues are likely to be listed for sale, driven by redevelopment or adaptive reuse plans.
- Hotel: With tourist numbers fully recovering to pre-COVID levels, transactions for 3- to 4-star hotels in Seoul are expected to increase significantly.



02

OFFICE

SUPPLY

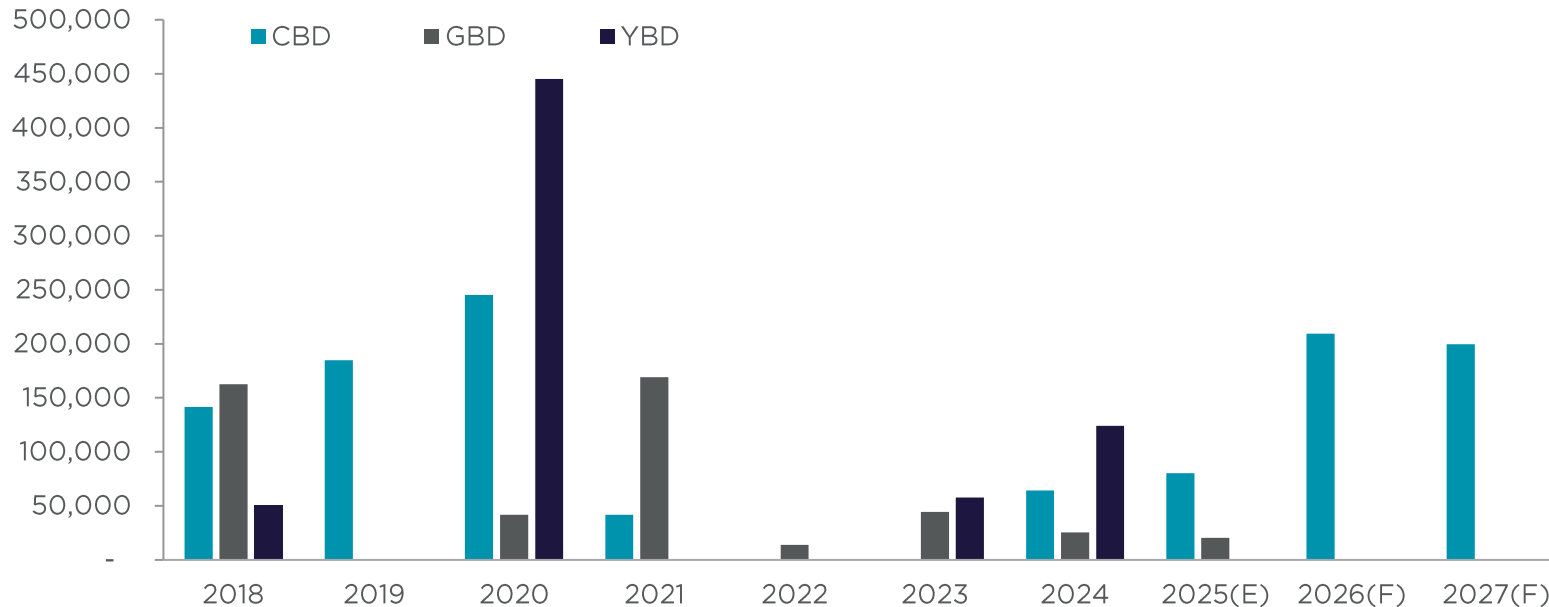
Main Business Districts

CBD Redevelopment to Boost Office Supply Starting 2026

While new supply in 2025 is limited in the main business district, it will still be insufficient to meet existing prime office demand. Significant redevelopment in the CBD is set to begin in 2026, anticipated to drive an increase in office supply.

NEW SUPPLY BY SUBMARKET

(Unit: SQM)



NEW SUPPLY LIST (2023-2024)

Sub-market	Building Name	Year Completed	Total Floor Area (sqm)
YBD	Anchor 1	2023	57,717
YBD	TP Tower	2024	123,905
CBD	Meritz	2024	30,209
CBD	Chungmuro 15	2024	19,940
GBD	Scale Tower	2023	44,451
GBD	Center Point Gangnam	2024	25,423

Source: Cushman & Wakefield Research

DEMAND

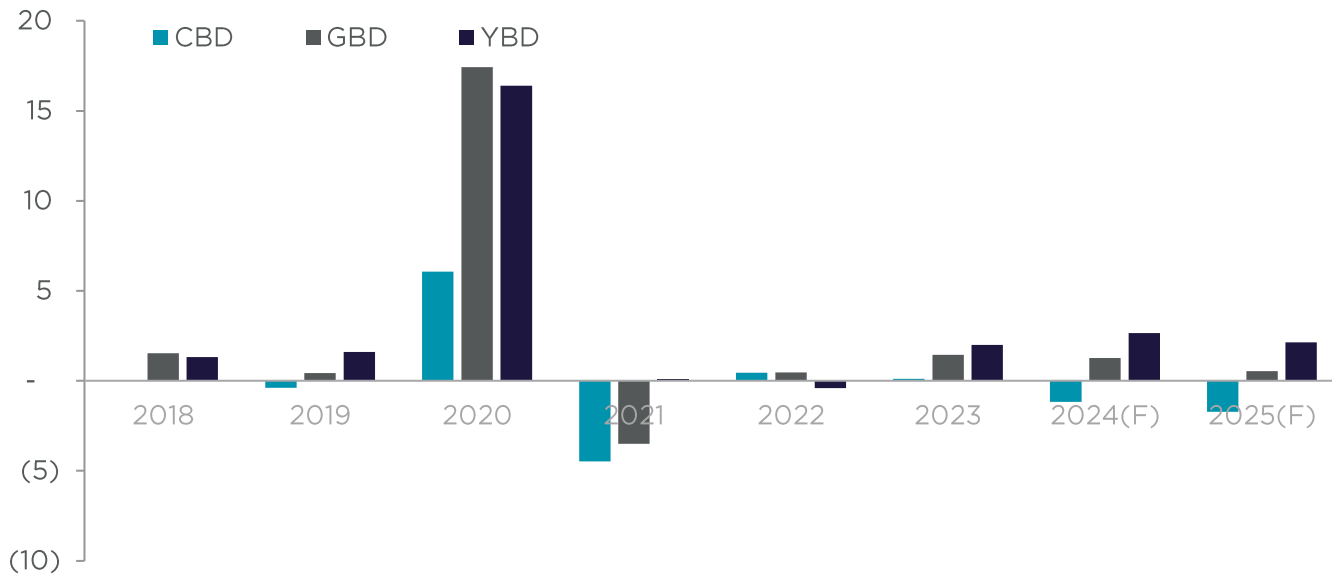
Employee Increase Rates

Rising Employee Numbers to Boost Tenant Demand

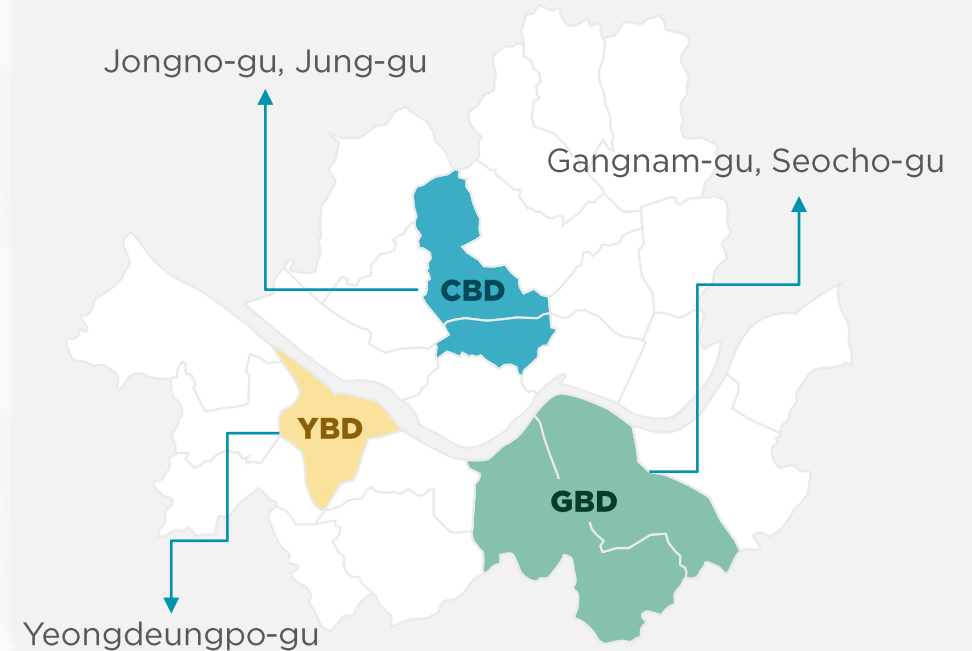
The increase or decrease in the number of employees by region serves as a key indicator for understanding changes in office population. Trend Analysis predicts an increase in the number of employees in the GBD and YBD by 2025, leading to an expansion in leasing demand within these districts.

NUMBER OF EMPLOYEES BY SUBMARKET

(Unit: %)



DEFINITION OF REGION FOR EMPLOYEES



Source: Cushman & Wakefield Research

RENT & VACANCY

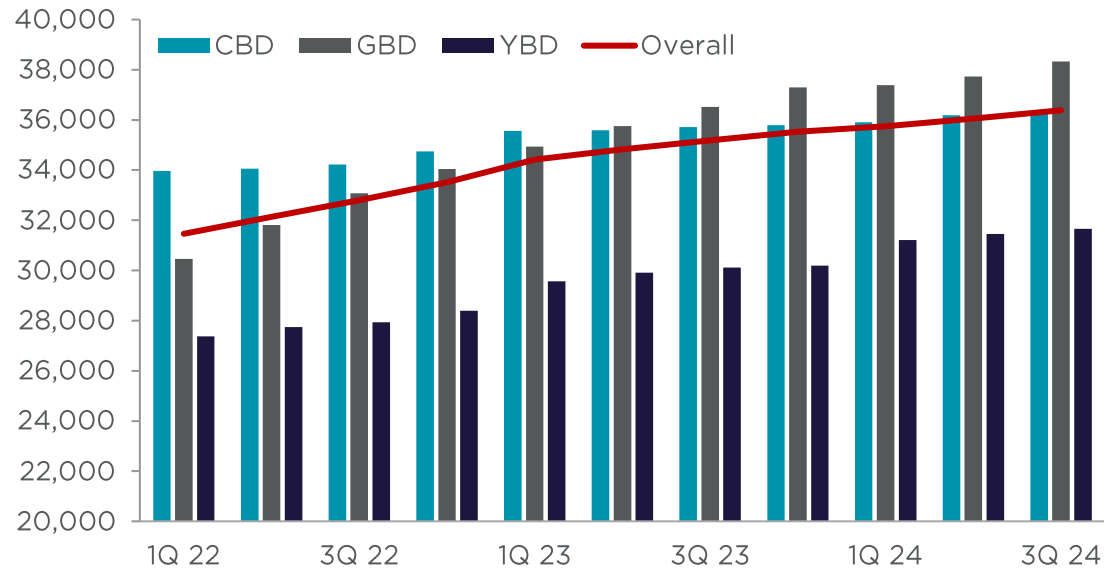
Main Business Districts

Low Vacancy and Record-high Rents

The vacancy rate in the main business districts remained low at approximately 3% in Q3 2024 due to limited office supply. This shortage has driven up rents, with office rents in Q3 2024 rising by 3.4% compared to the same period in 2023.

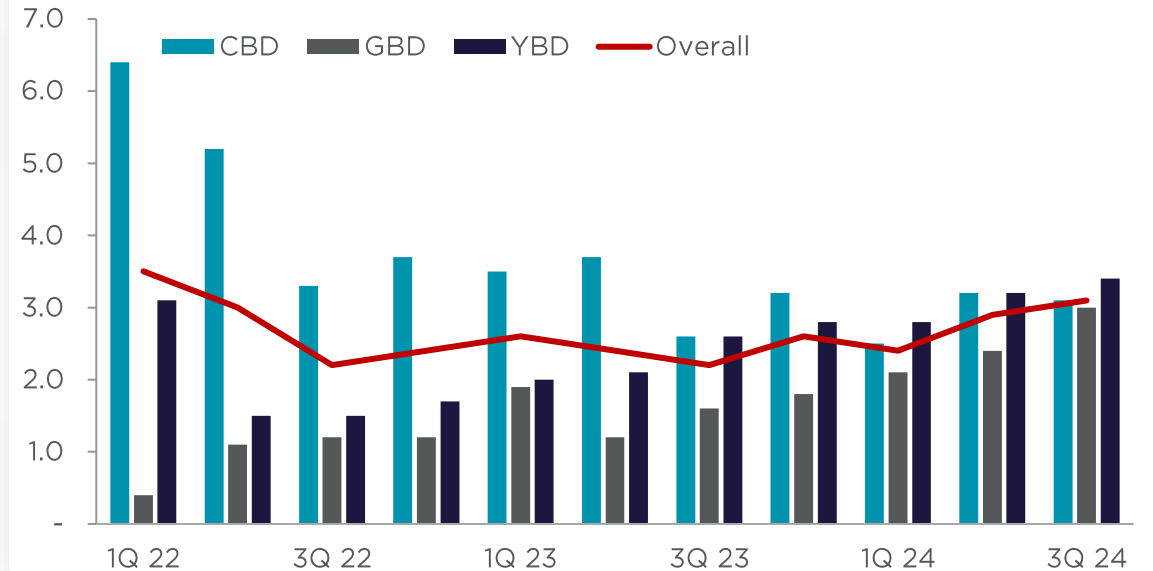
OFFICE RENT BY SUBMARKET

(Unit: KRW/SQM)



OFFICE VACANCY RATE BY SUBMARKET

(Unit: %)



Source: Cushman & Wakefield Research

2025 Office Outlook



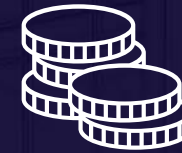
SUPPLY

- /// New office supply in the main business district is expected to remain limited in 2025, falling short of meeting the strong demand for prime office space.
- /// Magok is emerging as a key office district, attracting significant interest from major companies considering relocation.



DEMAND

- /// With the workforce in specific industries continuing to expand, the demand for office space is expected to grow in the future. However, Economic downturns and business challenges may slightly increase vacancies as some companies consider downsizing or relocation.
- /// The GBD is a strategic hub for IT-driven startups, drawing significant talent and investment. It has a well-diversified industrial base, encompassing finance, retail, services, and manufacturing sectors.



RENT

- /// Prime office rents have increased significantly, particularly in the GBD, which is expected to maintain its competitive positioning in the market.
- /// Overall rents continue to rise steadily due to inflation and a constrained supply.
- /// As major corporations located in main business districts begin to consider relocation due to soaring rents, there is a possibility that the rate of rent increases may slightly ease.



03

LOGISTICS

SUPPLY

Greater Seoul Areas

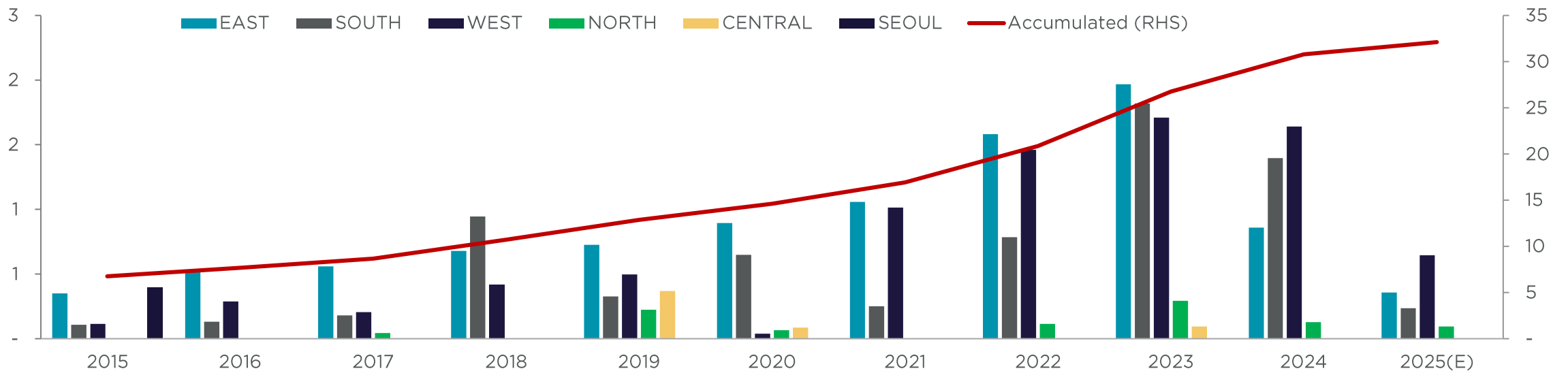
Oversupply in Logistics

The growth of e-commerce and the surge in parcel volumes during COVID-19 led to an oversupply of logistics in 2022 and 2023. This resulted in higher vacancy rates, increased supply risks, and a decline in permits and construction starts.

NEW SUPPLY BY SUBMARKET

(Unit: Mn SQM)

(Accumulated Unit: Mn SQM)



Source: Ministry of Land, Infrastructure and Transport; Cushman & Wakefield Research

SUPPLY & DEMAND FORECAST

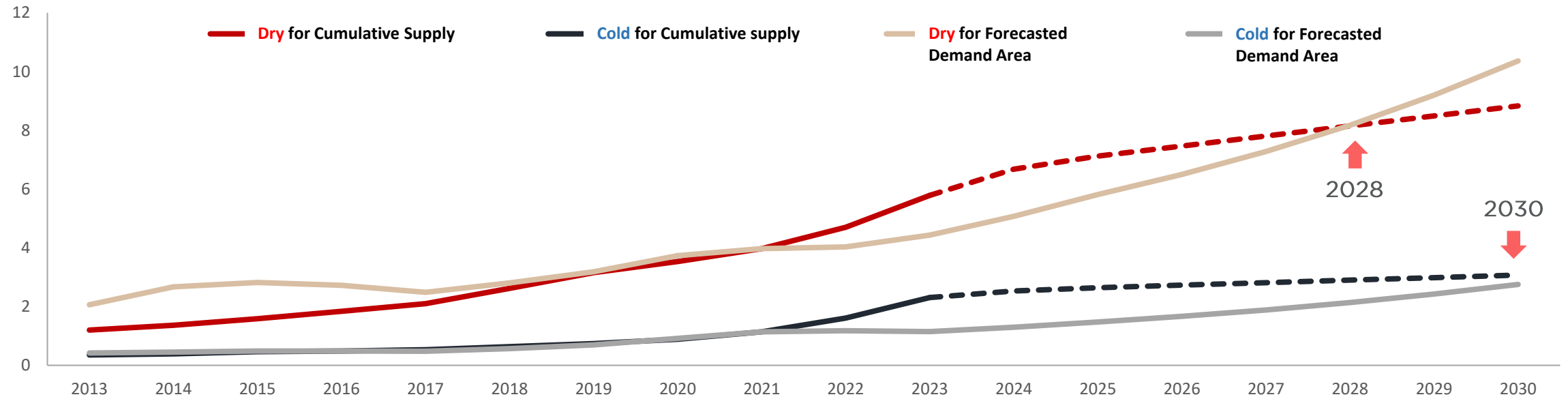
Greater Seoul Areas

Logistics Market Equilibrium Outlook

The supply-demand equilibrium for dry storage is projected to be achieved by 2028, while it may take longer for cold storage. However, increased participation from active market players could accelerate the timeline for achieving balance.

SUPPLY & DEMAND FORECAST BY TYPE

(Unit: 3.3 Mn SQM)



Source: Cushman & Wakefield Research

RENT & VACANCY

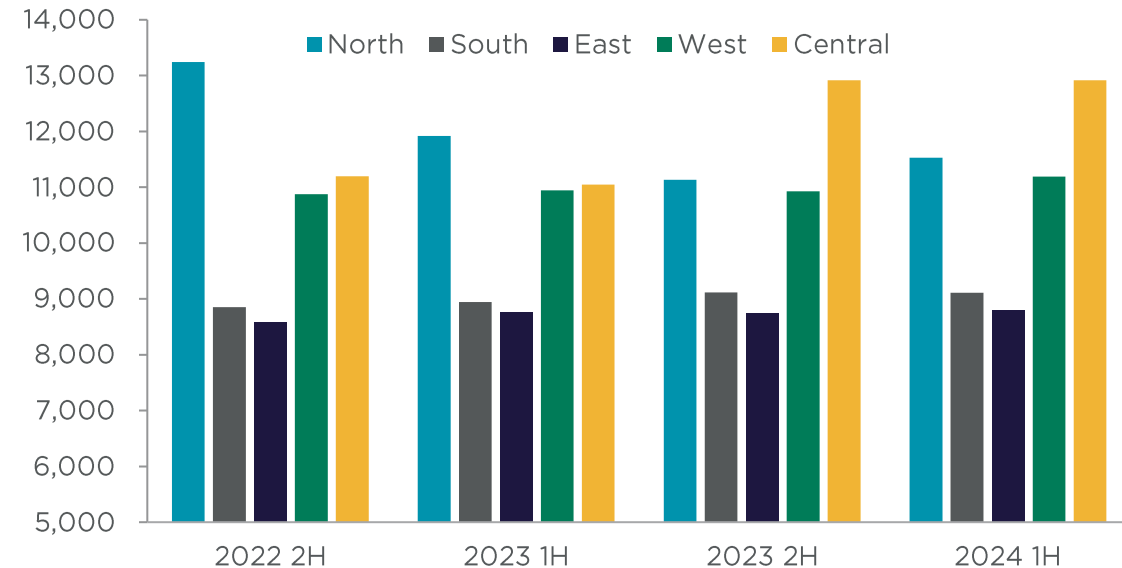
Greater Seoul Areas

Stagnant and Declining Rents Outside Central

Outside Central in GSA, rents are either declining or remaining stagnant, and effective rents, accounting for rent-free periods or TI, are expected to be even lower.

RENT BY LOCATION (DRY CENTER)

(Unit: KRW/sqm)



Source: Cushman & Wakefield Research

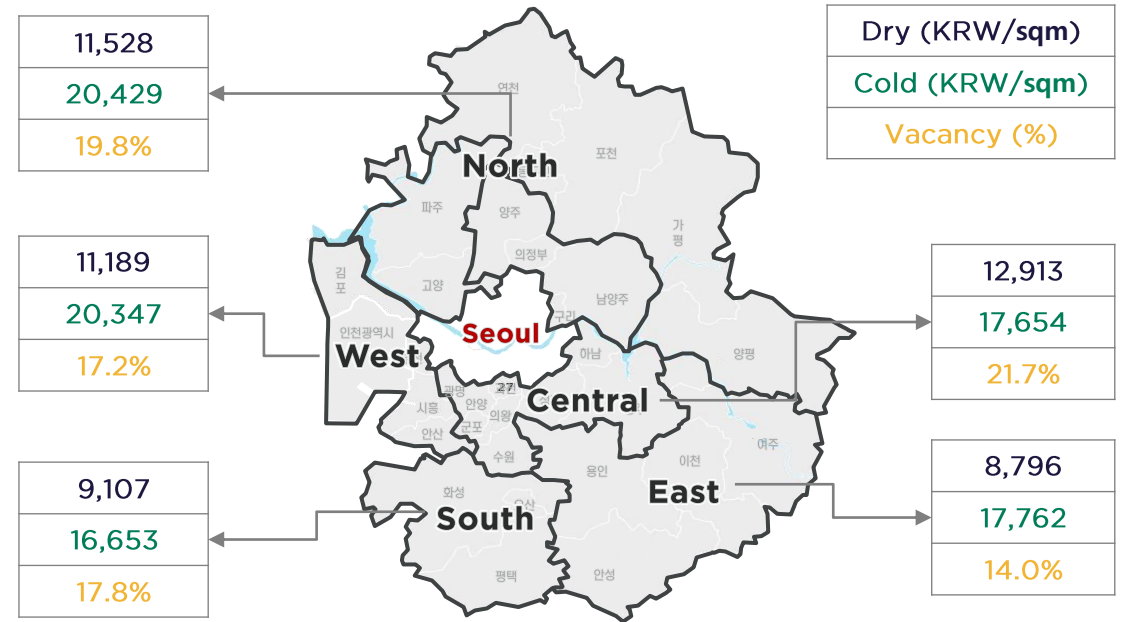
[Percentage of Logistics by Submarket]



Vacancy Rate at 18% on Average

The logistics in East and South, with excellent accessibility to Seoul and lower rents for dry storage, are showing relatively low vacancy rates.

RENT AND VACANCY BY SUBMARKET (2024)



2025 Logistics Outlook



SUPPLY

- /// The tenant-favored market is expected to persist until the oversupply challenges since 2021 are absorbed.
- /// Dry centers are projected to achieve a balance between supply and demand after 2028.
- /// In particular, the continued oversupply of cold storage and delays in construction may prompt some cold storage to transition to dry storage.



DEMAND

- /// Demand for logistics is expected to continue rising due to the growth of e-commerce and increasing parcel volumes, though the rate of growth is anticipated to moderate somewhat.
- /// To meet the demand for dry storage, the conversion of cold storage to dry storage is likely to become more common, especially in regions where securing tenants is feasible.



RENT & VACANCY

- /// As the tenant-favored market is expected to persist in the near term, rents in 2025 are likely to remain similar to current levels.
- /// In certain regions, vacancy rates may drop to the low 10% range due to increasing demand and the conversion of cold storage facilities to dry storage.



04

RETAIL

SUPPLY

New Supply

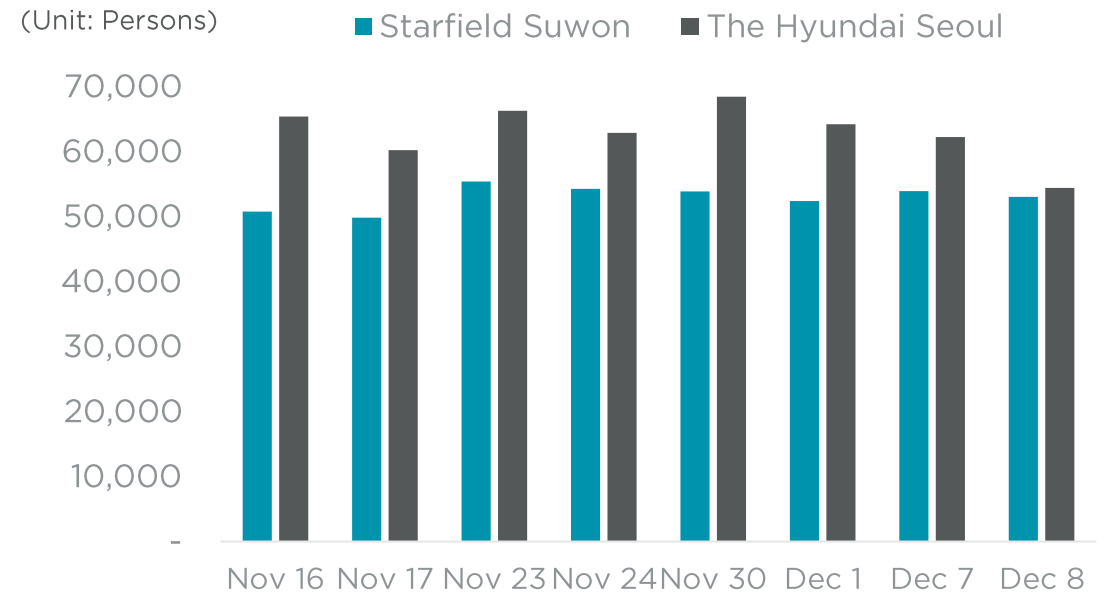
Starfield Suwon: Emerging as a Retail Icon in 2024

Starfield Suwon opened in 2024, meeting the demands of affluent customers and becoming a sought-after destination. Themed retail spaces such as The Hyundai Seoul, Shinsegae Daejeon, and Seongsu are driving increased foot traffic and sales.

STARFIELD SUWON (GRAND OPEN ON JANUARY 26, 2024)



FOOT TRAFFIC OF TRENDY RETAIL (WEEKENDS)



Source: Cushman & Wakefield Research; PUZZLE

DEMAND

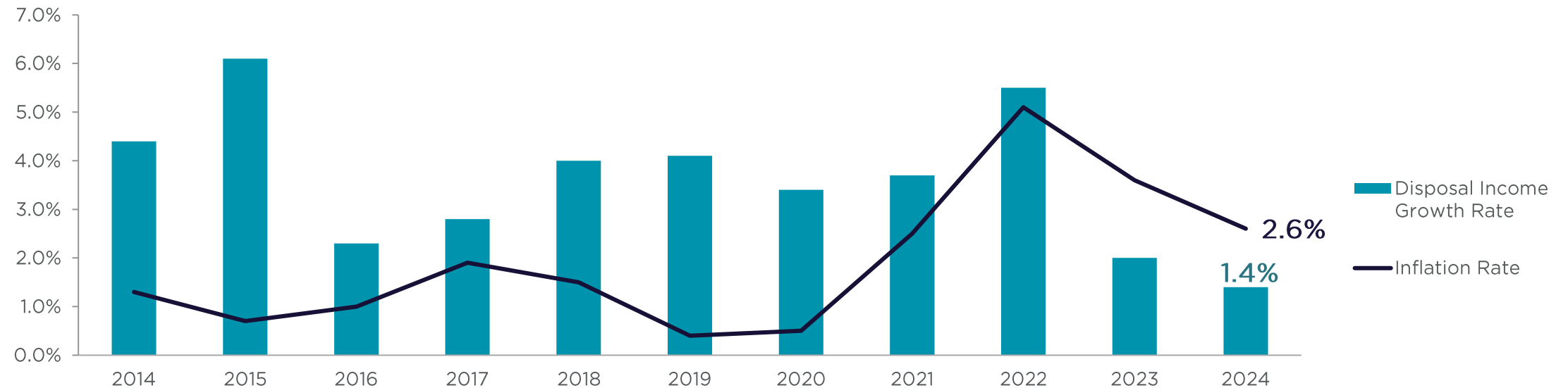
Disposal Income Growth and Inflation Rates

Rising Costs Outpace Income Growth since 2023

Since 2023, disposable income growth lagged behind the inflation rate, increasing household burdens as rising food prices have strained living costs and reduced consumer spending.

DISPOSAL INCOME GROWTH AND INFLATION RATES

(Unit: %)



Source: Statistics Korea

DEMAND

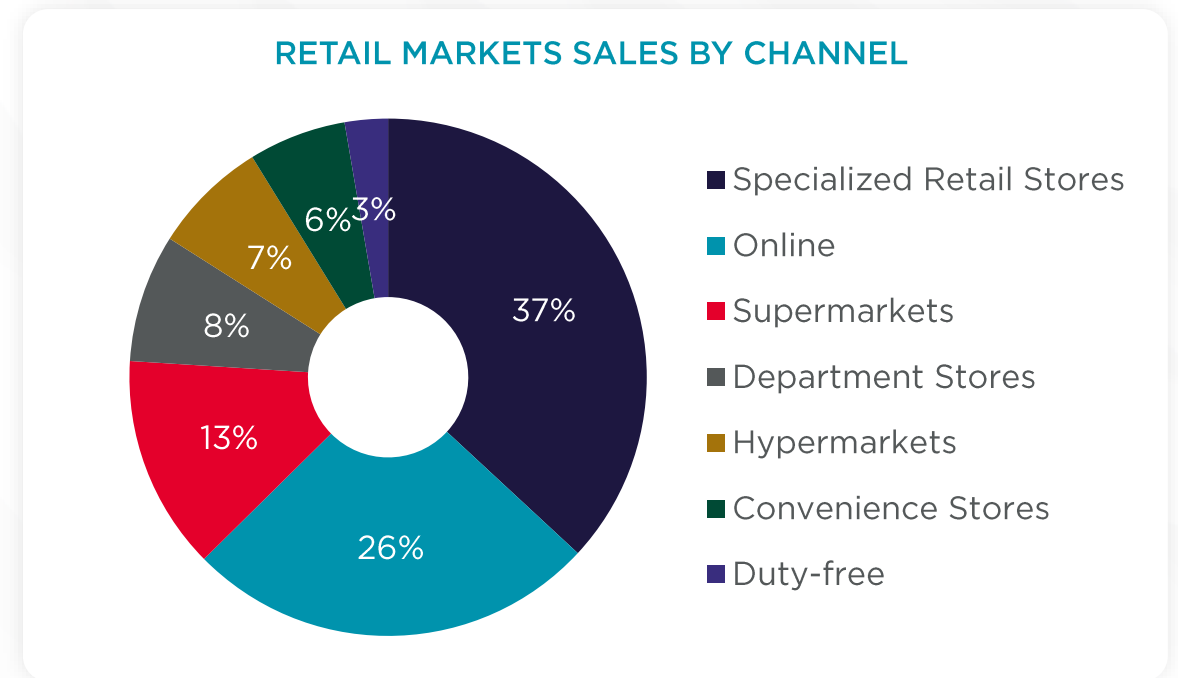
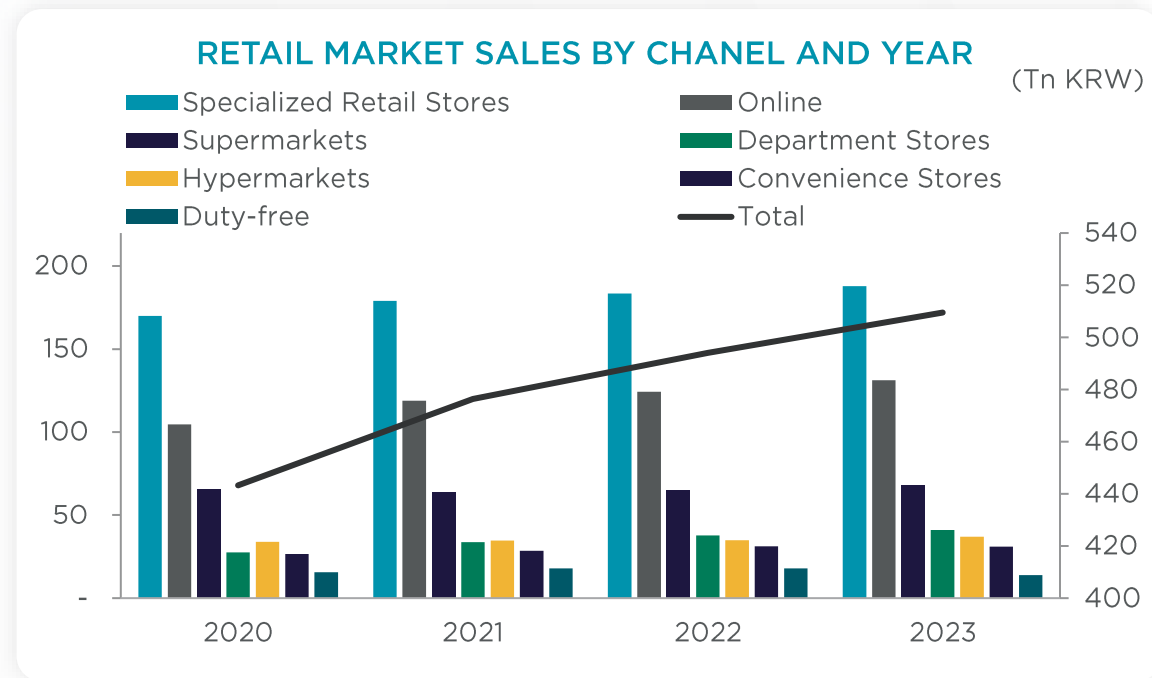
Market Sales by Channel

Retail Sales Growth

Domestic retail sales in 2023 totaled 509 trillion KRW, up 3.1% year-on-year. Department stores led the growth with an 8.4% rise, driven by strong demand for luxury and premium products.

Dominance in Specialized Stores & Online

Specialized retail stores accounted for 37% of sales, underscoring offline shopping's relevance. While online total sales grew to 25.7%, reflecting steady post-pandemic growth in contactless commerce.



Source: Statistics Korea; Cushman & Wakefield Research

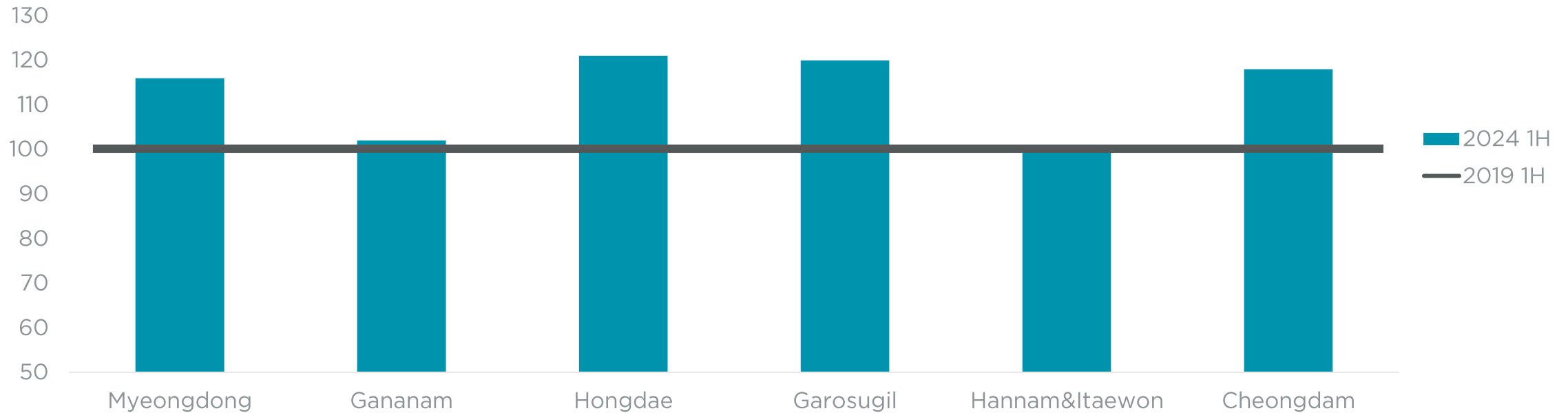
SALES

6 High Streets in Seoul

Seoul High Streets Sales Exceed Pre-Pandemic Levels

C&W's analysis of Seoul's six high streets in 1H 2024 shows that sales matched or exceeded 1H 2019 levels, with the medical sector experiencing growth across all streets despite varying levels of retail recovery.

SALES INDEX BY HIGH STREET



Source: Shinhan Credit Card Big Data; Cushman & Wakefield Research

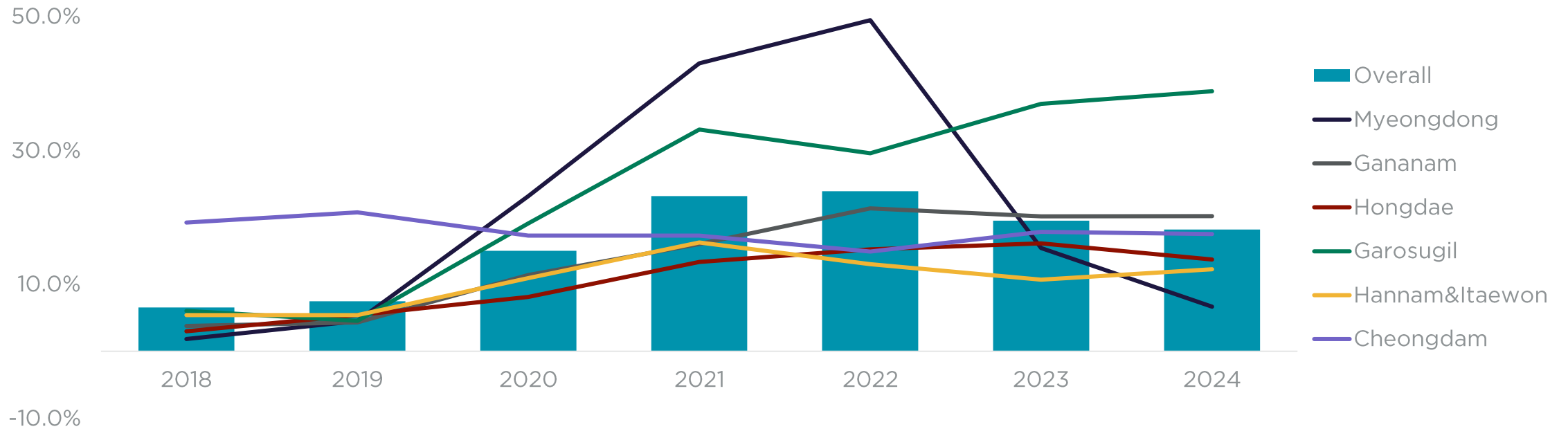
VACANCY

6 High Streets in Seoul

Seoul High Streets Recover

As of Q2 2024, vacancy rates fell to 18.3%, driven by an influx of foreign tourists in Myeongdong. All high streets in Seoul have returned to pre-COVID vacancy levels, except for Gangnam and Garosugil.

VACANCY RATES BY HIGH STREET



Source: Cushman & Wakefield Research

2025 Retail Outlook



SUPPLY

- Shopping malls, department stores, and high street shops are redefining customer engagement through experiential spaces, diverse content, and innovative pop-ups tailored to consumer needs, ensuring sustained relevance. Those failing to adapt risk declining traffic and loyalty.
- The rise of online shopping has led to weakened demand for some existing shopping malls. With rising development costs, developers are cautious about new projects, keeping supply limited.



DEMAND

- Recently, the growth in disposable income has fallen behind the inflation rate, intensifying the perception of rising living costs.
- Shopping malls, department stores, and Seoul's six major high streets are showing steady signs of recovery in sales performance.
- Facilities targeting luxury, youth, and foreign visitors are expected to experience sales growth, while local areas will likely decline, further widening the gap with major districts.



VACANCY

- Retail vacancy rates shift quickly with changes in high street dynamics.
- Seongsu has risen as a hotspot for pop-ups, while Dosan, adjacent to the Cheongdam, has risen as a prominent high street, contributing to the expansion of Cheongdam and a slight increase in its vacancy rate.
- High streets that meet consumer needs are expected to reduce vacancy rates and attract consumer interest.



05

HOTEL



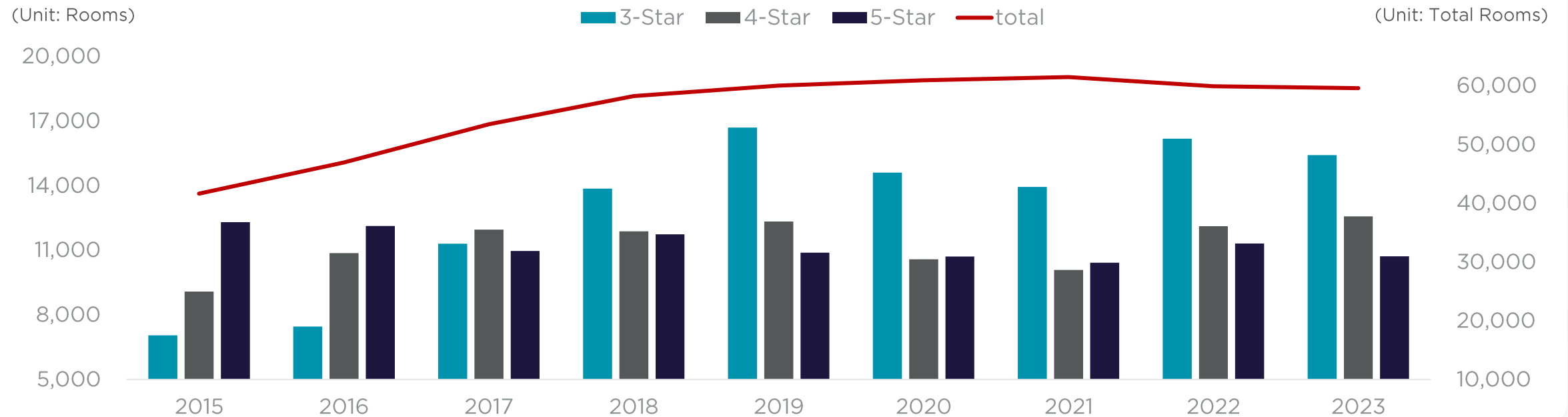
SUPPLY

The Number of Hotel Rooms in Seoul

Post-Endemic Room Shortage in Seoul

COVID-19 led to an 18% decline in 3- to 4-star hotel rooms during 2020 and 2021. Despite recovery efforts since 2022, room supply remained below pre-pandemic levels by 2023, resulting in a growing shortage in the post-endemic period.

HOTEL STOCK AND SUPPLY IN SEOUL



Source: Cushman & Wakefield Research; Hospitality Consulting; Korea Hotel Association

DEMAND

Total Guest Nights in Seoul

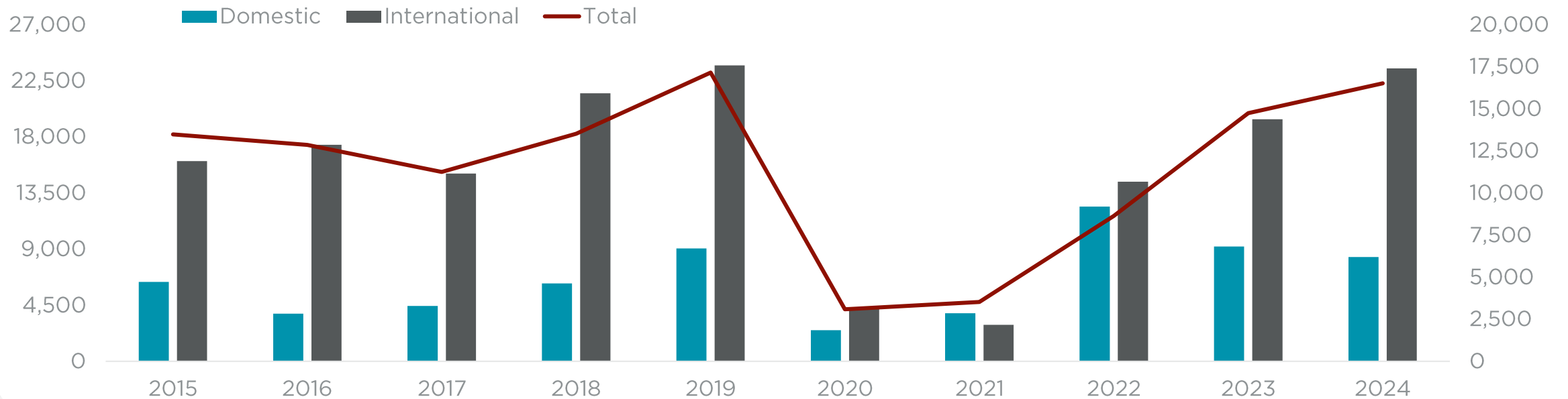
Tourist Demand for Accommodation in Seoul Exceeds Supply

In 2024, annual guest nights by domestic and international tourists reached 16.5 million, similar to 2019 levels. This surpasses room supply, indicating a shortage of hotel rooms for the growing number of visitors.

TOTAL GUEST NIGHTS

(Unit: K Nights)

(Unit: K Total Nights)



Source: Cushman & Wakefield Research; Hospitality Consulting; Korea Hotel Association

SALES

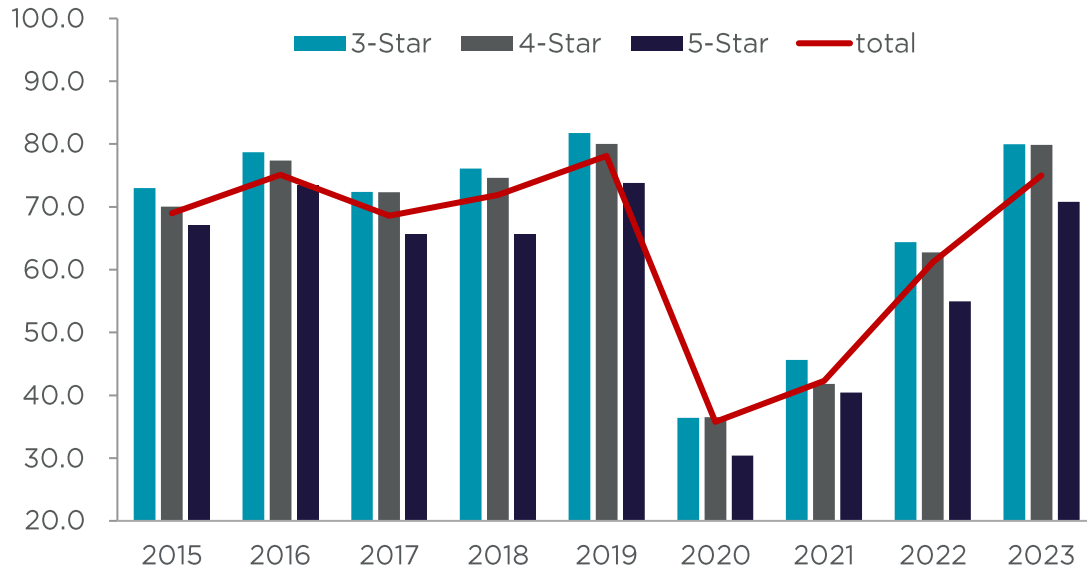
Seoul Hotel Occupancy and ADR

Record-High Occupancy Rates

In 2023, 3- to 4-star hotel occupancy reached 80%, exceeding pre-pandemic levels due to a worsening room shortage amid post-endemic recovery.

OCCUPANCY RATES (OCC)

(Unit: %)

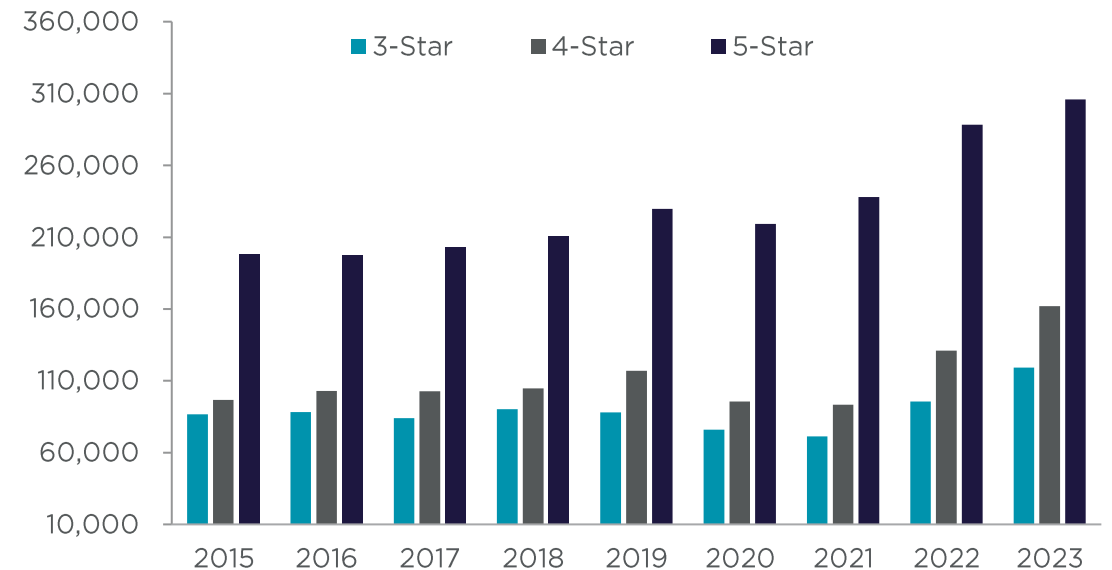


Room Shortage Drive ADR Surge

In 2023, the average daily rate for 3- to 4-star hotels in Seoul rose by approximately 25% year-over-year, driven by increasing demand and limited room supply.

AVERAGE DAILY RATE (ADR)

(Unit: KRW)



Source: Cushman & Wakefield Research; Hospitality Consulting; Korea Hotel Association

2025 Hotel Outlook



SUPPLY

- /// Tourist numbers in Seoul are rebounding to pre-pandemic levels, but a decline in inventory caused by COVID-19 constraints and property repurposing has led to an ongoing room shortage. This supply gap is expected to persist for the next 2-3 years.
- /// To address growing demand, 3- to 4-star hotels, with their lower costs and flexibility for repurposing, may experience modest growth in supply.



DEMAND

- /// Following the end of the COVID-19 pandemic, tourist numbers are quickly approaching pre-pandemic levels.
- /// The surge in tourism has led to a sharp increase in hotel demand; however, current inventory and new developments remain insufficient to meet the surge in peak season demand.
- /// This shortage of hotel rooms is expected to persist through 2025.



OCC & ADR

- /// With occupancy rates at Seoul's five-star hotels nearing 70%, operators are enhancing performance by raising the Average Daily Rate (ADR).
- /// The ongoing supply-demand imbalance, projected to persist through 2025, makes further increases in ADR likely.



06

ENDING

2025 OUTLOOK BY SECTOR

Executive Summary

Office



- Offices are highly sought after for investment due to their stable rental income and returns.
- The GBD continues to see robust demand, supported by its favorable environment for IT and startups.
- Amid rising rents, major corporations are considering relocating to emerging areas like Magok, which could moderate rental growth in key business districts.

Logistics



- Rising interest in prime centers from international investors contrasts with ongoing NPL transactions for distressed assets, further widening price disparities.
- Prolonged oversupply through 2023 is delaying market equilibrium, with more cold storage being converted to dry storage.
- Rental rates will vary significantly by asset quality and location until the market stabilizes

Hotel



- The surge in tourism has increased hotel demand, intensifying the ongoing shortage of room inventory and new supply during peak seasons.
- Improved performance, driven by higher OCC and ADR, is likely to boost transactions in Seoul's 3- to 4-star hotels by 2025.

Retail



- Revenue disparities are evident across facilities and districts.
- Retail stores targeting luxury and younger consumers are thriving, while those offering experiences, such as pop-ups, are experiencing sales growth.
- Underperforming assets may face repurposing, and rising inflation could reduce spending in both general and neighborhood retail.

MACROECONOMICS

CRE Market Impacts



PRESIDENT

Trump Impact

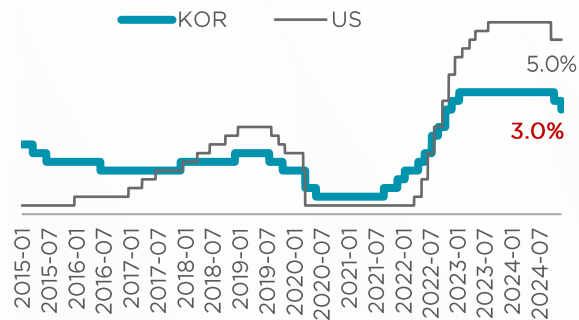
- The Trump administration, taking office in 2025, is expected to impose universal tariffs and continue its trade war with China.
- South Korea's semiconductor industry may benefit from U.S. pressure on Chinese exports, while sectors such as electric vehicles could face export challenges due to higher costs.

+	-
Semiconductors, shipbuilding, etc.	Electric vehicles, Processed foods, Renewable energy, AI, etc.



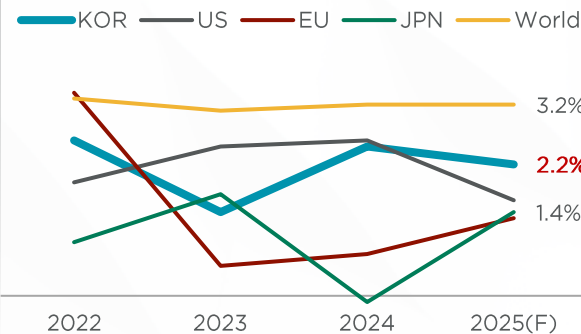
Base Rates

- In 2024, real estate transactions surged as anticipated rate cuts in the U.S. and South Korea were factored in.
- The 2025 market outlook will hinge on future rate cut expectations.



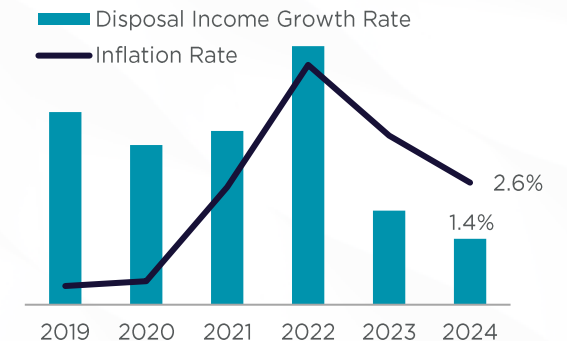
GDP Growth Rates

- South Korea's 2025 economic growth is projected at 2.2%, similar to 2024, driven by strong export performance that varies by sector and exceeds the growth of many other countries.



Inflation Rates

- Although South Korea's inflation rate is stabilizing, domestic consumption is expected to remain subdued until inflation falls below the growth rate of disposable income.



Source: OECD economic outlook; Bank of Korea; Statistics Korea



Suki Kim
SENIOR MANAGER / HEAD OF RESEARCH
SUKI.KIM@CUSHWAKE.COM

Jin So
MANAGER
JIN.SO@CUSHWAKE.COM

Chloe Kwon
ASSISTANT MANAGER
CHLOE.KWON@CUSHWAKE.COM

Madison Lee
AGENT
MADISON.LEE@CUSHWAKE.COM



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