

\$3,974*
Median HH Income



31,402ppl
Population Growth



3.1%
Unemployment Rate



Source: KOSIS, STATISTICS KOREA, BANK OF KOREA
*four-households

SOUTH KOREA ECONOMIC INDICATORS Q3 2019

2.0%
GDP Growth



105.2
Consumer Price Index(CPI)



76
Business Survey Index(BSI)



Source: KOSIS, BANK OF KOREA, Ministry of the interior and Safety

ECONOMIC REVIEW

The global economy has continued to decline since H2 of 2018, with low growth and low prices. In the case of Korea, despite the government's expansion of welfare spending to improve income distribution and active job creation, private consumption's growth has been sluggish due to both internal and external economic slumps and worsening consumer sentiment. In addition, the threat of trade disputes still lingers, despite the first-phase agreement of the U.S.-China trade war, and the prospects for a slowdown remain. Due to these uncertainties, the capital that has lost its source of investment is heading for real estate, and attention is focusing on the impact on the office leasing market in Seoul.

SUPPLY OR DEMAND: First Demand-Driven Market since 2010 - Closing with single digit vacancy rate

The average vacancy rate of grade A office buildings in Seoul was 6.5% in Q4 of 2019, down 1.6% from Q3. It closed in 2019 with the lowest vacancy rate of the past decade. This was mainly due to the active demanding for renting around CBD. In particular, the vacancy of newly completed office buildings within CBD decreased significantly last year and this year. 'Seoul City Hall' rented the entire 'City square' which was newly completed in Q2 of 2019 to bring together structure of the annex that was scattered in small and medium-sized buildings. Also, large companies such as SSG.com(14,314 m²), BAE, KIM & LEE (39,973m²), SK C&C(8,724 m²) have signed new leases in 'Centropolis'. As a result, CBD pushed its vacancy rate down to 8.2% in Q4 of 2019 by a large margin.

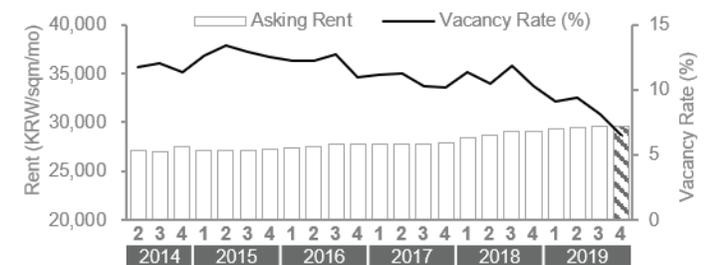
GBD'S vacancy rate rose 0.8% to 2.9% in Q4 of 2019. Although the increase was small compared to Q3, GBD's vacancy rate has continued to decrease since Q3 of 2018 and ended its 2019 with a value lower than the natural vacancy rate (5.0%) due to its high demand in the IT industry and shared offices. The vacancy rate of YBD, which has been showing a sharp decrease since Q1 of 2018, continued its' downward trend in 2019. YBD's vacancy rate in Q4 of 2019 was 8.4%, similar to that of Q3. In particular, this year was a monumental year for IFC as it was the first time that vacancy rates recorded a single digit since the building was completed in 2011. The aggressive rental marketing by the tenants for the large supply scheduled for next year was mainly effective. Lastly for Pangyo, they recorded a 0% vacancy rate in Q4 based on the steady demand for leasing by the IT industry.

Strong demand is expected to continue, but a rise in vacancy rates seems inevitable as a large supply of 884,222m² is scheduled for 2020. The vacancy rate is expected to rise as of the second half of this year, especially because supply is concentrated for then.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Q4 MARKET STATISTICS (A GRADE BUILDING)

SUBMARKET	INVENTORY (SQM)	DIRECT VACANT (SQM)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SQM)	YTD OVERALL NET ABSORPTION (SQM)	UNDER CNSTR (SQM)	OVERALL AVG ASKING RENT (USD)*
CBD	3,485,971	285,554	8.2%	147,808	315,146	228,728	28.24
GBD	2,514,435	72,540	2.9%	-20,309	70,849	212,296	24.93
YBD	1,562,248	130,570	8.4%	-4,455	56,108	529,419	20.45
SEOUL TOTALS	7,562,653	488,664	6.5%	124,033	442,175	970,443	25.51
Pangyo	600,526	0	0.0%	-	1,884	-	14.79

*Rental rates do not reflect full service asking

PRICING: Asking Rents ,YOY increase was around 1 percent

The average nominal rent of grade A office buildings in Q4 was 29,617 KRW/m² increased by 1.7 percent YoY. Nominal rental prices continued to rise this year, by slightly higher than the 0.7 percent inflation rate. CBD stood at 32,792 KRW/m², up about 1.1 percent YoY. The average GBD's rent in Q4 rose about 1.7percent to 28,940 KRW/m² YoY, the highest gain among major areas. This is because the low vacancy rate and continued demand for rent are favorable conditions for higher rent. The average YBD's rent in Q4 rose about 1.1percent to 23,746 won/ m² YoY.

Philip.Jin

Head of Research, Seoul

+82 2 3708 8817 / Philip.Jin@cushwake.com

cushmanwakefield.com

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
City square	CBD	Seoul Metropolitan Govn't	38,255	Relocation
Centropolis	CBD	BAE, KIM & LEE (law firm)	39,973	Relocation
Centropolis	CBD	SSG.com	14,314	Relocation
Centropolis	CBD	SK C&C	8,724	Relocation
Concordian Building	CBD	Just Co.	6,553	New Leasing
Eulji Twin Tower	CBD	Twosome Place HQ	2,380	Relocation
Jongno Tower	CBD	Meritz Fire Insurance	5,408	Relocation

*Renewals not included in leasing statistics

KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
City Square	CBD	Seoul Metropolitan Govn't	38,255	Hangang Asset Management
Eulji Twin Tower	CBD	BC Card/Daewoo ENC.	145,378	KT AMC

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.