



4,749,174*
Median HH Income

YoY
Chg

12-Mo.
Forecast

71,481
Population Growth

4.1%
Unemployment Rate

Source: KOSIS, STATISTICS KOREA, BANK OF KOREA
* Based on 4 person household

S. KOREA ECONOMIC INDICATORS Q2 2020

-1.3%
GDP Growth

104.87
Consumer Price
Index

81.8
Business Survey
Index(BSI)

Source: BEA, Census Bureau

Economic Overview

A recent OECD report forecasts 2020 GDP growth for South Korea at -1.2%, down 3.2 pp from the previous quarter, with the COVID-19 outbreak dealing a heavy blow to the economy. Government stimulus measures, such as the emergency disaster support fund, are helping to nurture a recovery in consumption. However, with the economy highly dependent on overseas markets and supply chains, and with the pandemic globally active, the country is still in a recession. A recovery is expected in the second half of 2020 as major economies such as the U.S. and EU are restored, but will take longer than earlier hoped-for.

Leasing Activity Curtailed but Vacancy Remains Relatively Stable

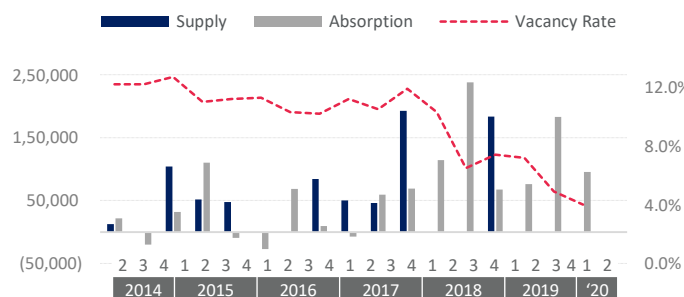
Office market leasing activity was curtailed in Q2 by the impact of COVID-19, with transactions dropping 20% y-o-y. However, with limited supply, average vacancy for Grade A office properties rose only slightly from Q1 to record 4.09% at the end of Q2.

In the CBD submarket the vacancy rate was at 6.15% for Q2, stable q-o-q. Key transactions in the quarter included UBS and Credit Suisse relocating to Centropolis, while CJ Feed&Care and Hankook Capital signed leases for substantial areas at Eulji Twin Tower. However, with SKT scheduled to depart their 11,778 sq m space at Pine Avenue B, the CBD vacancy rate will come under pressure in Q3. At GBD the vacancy rate was 1.72%, again similar q-o-q. With the relocation of BKL to CentroPolis, Viva Republica and Inzisoft / Mobile Leader took substantial resulting space at the KIIP Center. Leasing expansion activities by some sectors, such as technology, were relatively less affected by the pandemic. However, KAKAO IX relocated from Parnas Tower to IZ Tower, while Nike reduced their area at Gangnam Finance Center. YBD submarket maintained overall vacancy at 4.69%. Vacancy did open at FKI Tower and One IFC, with the relocation of Hanwha Engineering & Construction to Hanwha Janggyo Building in the CBD and the move of LG Hausys to Magok district. However, VI Group and SMG-KAIST MBA signed leases at Three IFC and One IFC. Hyundai AM and Korea Investment Management also took substantial space at FKI Tower.

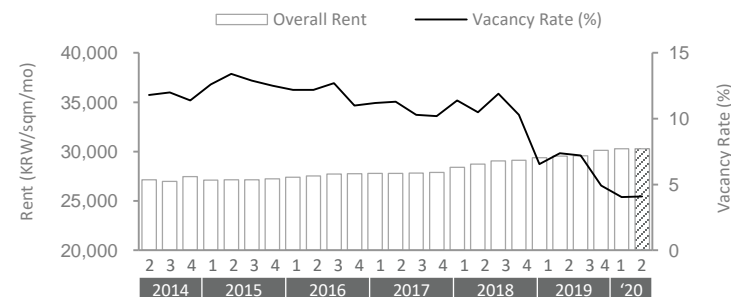
Outlook

New supply scheduled for the second half of this year, combined with weakened leasing activities due to the persistent effects of the pandemic, are expected to weigh on the office market in 2H. Starting with Parc 1, new prime office projects, including HJ Tower and Gateway Tower, are scheduled for each major office district. The new supply is expected to drive up vacancy rates, with leasing activities still constrained by business challenges and changing views of office space. In the pandemic period many companies updated their policies to implement more flexible work systems, such as working from home or shortened hours. The number of companies implementing such flexible systems for the first time has been growing, as the benefits of non-face-to-face working, such as productivity and convenience, have become clearer. Examples include SKT, which operates four offices in each different districts from which employees may choose to work, for an easier commute. NHN operates a work from home 'Office Free System' for three days a week. These changes in the way companies work focus more on the efficient use of existing office space. However, demand for expanded space or relocation is still present for sectors seeing new opportunities arising from the pandemic, such as technology firms. Therefore, we expect to see divergence in leasing activities, by business sectors and district, in the second half of the year.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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 (KRW)* |
|---------------------|------------------|---------------------|----------------------|---|----------------------------------|-------------------|--------------------------------|
| CBD | 3,033,086 | 186,666 | 6.15% | 2,278 | 65,796 | 228,728 | 35,255 |
| GBD | 2,963,612 | 51,044 | 1.72% | -8,416 | -9,308 | 212,296 | 28,884 |
| YBD | 1,318,134 | 61,774 | 4.69% | -1,858 | 553 | 529,419 | 24,965 |
| SEOUL TOTALS | 7,314,832 | 299,483 | 4.09% | -3,788 | 57,041 | 970,443 | 30,275 |
| Pangyo | 600,526 | 0 | 0.0% | - | - | - | 17,173 |

*Rental rates do not reflect full service asking

KEY LEASE TRANSACTIONS Q2 2020

| PROPERTY | SUBMARKET | TENANT | SQM | TYPE |
|------------------|-----------|---|-------|-------------|
| Centropolis | CBD | UBS | 2,195 | Relocation |
| Centropolis | CBD | Credit Suisse | 4,067 | Relocation |
| Eulji Twin Tower | CBD | CJ Feed&Care | 3,627 | Relocation |
| Eulji Twin Tower | CBD | Hankook Capital | 3,627 | Relocation |
| KIIP Center | GBD | Viva Republica | 9,917 | Relocation |
| One IFC | YBD | SMG - KAIST MBA | 3,062 | New Leasing |
| One IFC | YBD | SMG | 3,062 | New Leasing |
| Three IFC | YBD | VI Investment + Banker Street AM (VI Group) | 3,355 | Relocation |

*Renewals not included in leasing statistics

Philip Jin

Head of Research, Seoul

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

cushmanwakefield.com

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.

©2020 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.