MARKETBEAT

SEOUL

Office Q3 2020

	YoY Chg	12-Mo. Forecast
KRW4,749,174 Median HH Income*	▲	▲
71,481 Population Growth	▲	▲
4.1% Unemployment Rate	▼	▲

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

S. KOREA ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
-2.7% GDP Growth	▼	▲
106.20 Consumer Price Index	▼	▲
64 Business Survey Index(BSI)	▼	▲

Source: BEA, Census Bureau

Economic Overview

As COVID-19 reappeared around the Seoul metropolitan region, the pandemic again impacted the domestic economy, halting the partial recovery from April. According to the Bank of Korea, the Business Survey Index for September 2020 recorded a figure of 64, down 2.0 pp from the previous quarter. This was the first fall for five months, following improvements since April. However, exports in September rose 7.7% y-o-y, illustrating recovering international economies. With the pandemic not yet fully contained, the economic recovery is expected to be more drawn-out than previously hoped for.

New Supply Drives up Overall Vacancy

Average Grade A office vacancy rose to 9.2% in Q3, up 5.1pp from Q2, as new supply was concentrated in the second half of the year. In the CBD submarket, the vacancy rate reached 10.3%, up 5.1 pp from Q2. New projects SG Tower and Centerpoint Donuimun launched in the quarter, contributing to vacancy pressure. However, there was notable leasing take-up at Centerpoint Donuimun by Daelim Industrial, who relocated their HQ from Susong-Dong Building and D-Tower.

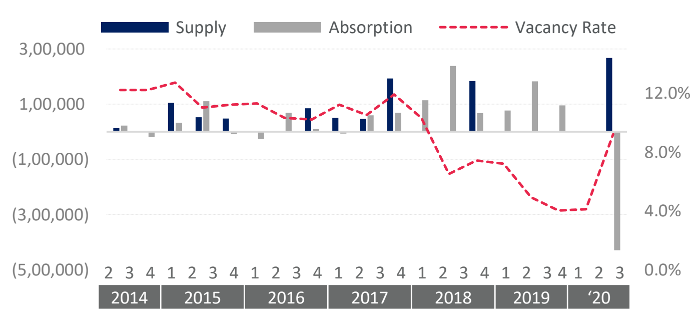
At GBD, the vacancy rate remained stable q-o-q at 1.5%. Key transactions in the quarter included Spoon Radio and Nexon Korea taking space at T412, while 111%, a mobile game company, relocated to Gangnam Finance Center. Some sectors, such as IT, , which were relatively got benefit form Covid-19, were active in leasing. However, new prime projects, including HJ Tower and Center Field, are expected to again drive up vacancy.

In YBD overall vacancy jumped to 20.6%, up 15.9 pp from Q2. The spike was attributable to the completion of the mega-sized Parc One project, with relatively limited Grade A stock in YBD compared to other submarkets. However, NH Investment Securities signed a lease contract for 17 floor s at Park One Tower 2, while Eugene and its affiliates, and Rainist, known as Bank Salad, signed two floors each to offset some increase in vacancy rates.

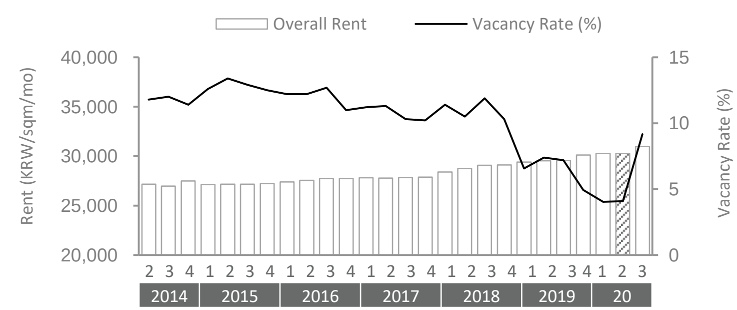
Pricing

The average face rent of Grade A office buildings in 2020 Q3 was 102,407won/pyeong. Compared to the previous year, the rate of rent increase by area was 0.1% in CBD, 1.6% in GBD and 4.7% in YBD. The high rate of rent increase in YBD is due to new supply of Park One, and excluding Park One, the rate of increase rent was 0.8%.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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SEOUL

Office Q3 2020

CUSHMAN & WAKEFIELD

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	3,252,358	335,810	10.3%	-149,145	-83,349	-83,349	35,293
GBD	3,022,381	46,472	1.5%	5,593	-3,715	-3,715	29,360
YBD	1,696,001	349,018	20.6%	-287,245	-286,692	-286,692	26,205
SEOUL TOTALS	**7,970,740**	**731,300**	**9.2%**	**-430,797**	**-373,756**	**-373,756**	**30,978**
Pangyo	600,526	0	0.0%	-	-	-	17,173

Rental rates do not reflect full service asking

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
SC Bank HQ	CBD	Polaris shipping	2,995	Relocation
Centropolis	CBD	Valentino	1,427	Relocation
Posco Tower Yeoksam	GBD	Toyota Financial Service Korea	1,465	Relocation
Gangnam Finance Center	GBD	111%	2,279	Relocation
T412	GBD	Spoon Radio	2,931	Relocation
T412	GBD	Nexon Korea	3,663	New Leasing
Parc One	YBD	Rainist	7,380	Relocation
IFC	YBD	Presto AM	837	Relocation

Renewals not included in leasing statistics

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