

YoY Chg 12-Mo. Forecast

KRW4,876,290*
Median HH Income

41,090
Population Growth

4.9%
Unemployment Rate

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

S. KOREA ECONOMIC INDICATORS Q1 2021

YoY Chg 12-Mo. Forecast

1.2%
GDP Growth

107.16
Consumer Price Index

83
Business Survey Index(BSI)

Source: Bank of Korea b

Economic Overview

According to the Bank of Korea, the manufacturing industry's Business Survey Index (BSI) rose 7 points from the previous quarter to 89 in March 2021. This is the highest since July 2011, reflecting expectations for an economic recovery as the COVID-19 vaccine has become a reality. Signs of economic recovery are emerging in many areas. Exports rose 11.1% y-o-y in the three months from December to February, and the International Monetary Fund (IMF) raised Korea's economic growth forecast for 2021 to 3.6% up 0.5 points from 3.1%.

Overall Vacancy Rises on New Supply

Overall Grade A office vacancy rose to 9.4% in 1Q, up 0.9 pp from the previous quarter. The rise was primarily attributed to new supply within the GBD submarket. Unlike the same period of the previous year when leasing activities were reduced due to Covid-19, active leasing activities in GBD and YBD have been followed, offsetting the increase in the average vacancy rate due to new supply.

In the CBD submarket, the vacancy rate was at 9.6%, stable q-o-q. Among the major rental deals, some national corporations such as Fourth Industrial Revolution and PACST signed leases for areas at the Gwanghwamun Kyobo Building due to the remodeling of the KT West building located nearby.

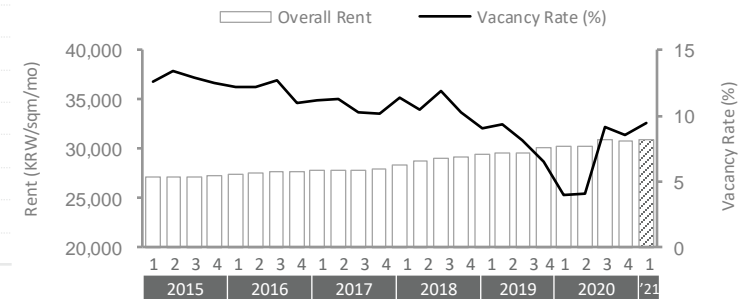
The average vacancy rate at the GBD submarket rose 4.9 pp to 6.5% in response to the completion of the Center Field project at 239,252 sq m, the highest vacancy since Q3 2018. However, Center Field came to the market with a signed lease contract with online game developer Krafton, and vacancy now is expected to fall due to high lease demand in the GBD. In addition, Gangnam Kyobo Tower, which saw vacancy rise following the relocation of Doosan Heavy Industries & Construction, has partially offset the rise by signing new lease contracts with tenants such as Daangn Market and Bulgari.

In YBD submarket the vacancy rate fell 3.6 pp q-o-q to 14.4%. Following the previous quarter, the vacancy reduction was the largest among major office districts in the city. Due to the high vacancy compared to other districts, the Landlord offer potential tenants to competitive lease conditions, leading to active leasing activities. Major transaction was the leasing deal by Hi Investment & Securities with KTB Building for areas that occurred when KTB Investment & Securities moved to Yeouido Post Office Tower. In addition, The Parc One Tower 2 also signed lease contracts with tenants including Cape Investment & Securities and Gene One Life Science, leading to a drop in vacancy.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS (A GRADE BUILDING)

| SUBMARKET | INVENTORY (SQM) | DIRECT VACANT (SQM) | OVERALL VACANCY RATE | CURRENT QTR NET ABSORPTION (SQM) | OVERALL NET ABSORPTION (SQM) | YTD OVERALL NET ABSORPTION (SQM) | UNDER CNSTR (SQM) | OVERALL AVG ASKING RENT (KRW)* |
|---------------------|------------------|---------------------|----------------------|----------------------------------|------------------------------|----------------------------------|-------------------|--------------------------------|
| CBD | 3,287,369 | 315,682 | 9.6% | 6,937 | 6,937 | 6,937 | 553,291 | 35,542 |
| GBD | 3,303,341 | 213,807 | 6.5% | 74,558 | 74,558 | 74,558 | 913,956 | 29,549 |
| YBD | 1,765,112 | 253,683 | 14.4% | 63,550 | 63,550 | 63,550 | 361,875 | 25,876 |
| SEOUL TOTALS | 8,355,822 | 783,172 | 9.4% | 145,045 | 145,045 | 145,045 | 1,829,122 | 31,066 |
| Pangyo | 600,526 | 0 | 0.0% | - | - | - | - | 17,173 |

*Rental rates do not reflect full service asking

KEY LEASE TRANSACTIONS Q1 2021

| PROPERTY | SUBMARKET | TENANT | SQM | TYPE |
|----------------------------|-----------|------------------------------|----------|------------|
| Gwanghwamun Kyobo Building | CBD | 4th industrial revolution | 1,207.5 | Relocation |
| Gwanghwamun Kyobo Building | CBD | PACST | 1,366.3 | Relocation |
| Grand Central | CBD | Pumpkin Square | 675.9 | Relocation |
| Gangnam Kyobo Tower | GBD | Gaangn Market | 9,600.0 | Relocation |
| Gangnam Kyobo Tower | GBD | Bulgari Korea | 2,391.3 | Relocation |
| Parc One Tower 2 | YBD | CAPE Investment & Securities | 7,571.1 | Relocation |
| Parc One Tower 2 | YBD | GeneOne Life Science | 2,748.4 | Relocation |
| KTB Building | YBD | Hi Investment&Securities | 16,835.8 | Relocation |

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