

0.8 %
Rental Growth, QoQ

YoY Chg ▲ 12-Mo. Forecast ▲

5.2 %
Vacancy Rate

YoY Chg ▼ 12-Mo. Forecast ▼

130,428 sqm
Net Absorption

YoY Chg ▲ 12-Mo. Forecast ▲

Source: Cushman & Wakefield Research

S. KOREA ECONOMIC INDICATORS Q4 2021

0.3%
GDP Growth

YoY Chg ▼ 12-Mo. Forecast ▼

3.7%
CPI Growth

YoY Chg ▲ 12-Mo. Forecast ▼

3.5%
Unemployment

YoY Chg ▼ 12-Mo. Forecast ▼

Source: 통계청, 한국은행

Economic Overview

According to the Bank of Korea's November economic forecast report, the domestic economy is expected to maintain its growth trajectory, with a recovery in consumption, solid IT demand, and expansion of investment in new growth industries, while exports and investment remain healthy. Economic growth in 2022 is expected to be at 3.0%, 1.0 pp lower than for 2021. The consumer price inflation rate recorded 3.7% in December.

Overall Vacancy Continues to Fall

Overall Grade A office vacancy fell for the fifth consecutive quarter in Q4, dropping 2.1 pp q-o-q to record 5.2%. Rapid growth in the IT sector, coupled with the trend of expanding office spaces to raise employee productivity, means the scheduled supply through the next three years will be insufficient to meet demand. The Seoul office market is shifting from tenant-favorable to landlord-favorable, with the overall vacancy rate expected to continue trending down in the near-term.

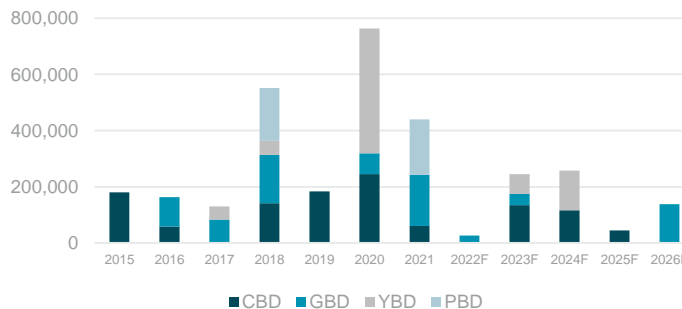
In the CBD submarket, the average vacancy rate fell 1.3 pp q-o-q to record 8.6%. Many tenants signed expansion leases in the quarter for business development and to maximize work efficiencies. Daesang Group moved its headquarters to Jongno Place for the first time in 48 years. CBD vacancy was taken up, with transactions including Jipyeong LLC to Grand Central, Siemens to D Tower Gwanghwamun, and Pfizer Korea Pharmaceutical to the State Tower Namsan building.

The GBD submarket average vacancy rate fell 1.0 pp q-o-q to record 0.6%. GBD has experienced strong demand from tech companies, and this is expected to maintain the current ultra-low vacancy rate. Shinsa Square, newly supplied in Q3, closed all vacancies after signing a contract with CJ Cheil Jedang. Notable transactions in the quarter included Kering Group to Luchen Tower, Lunit to K-Square Gangnam 2, and Fresheasy to Samsung Life Insurance Daechi Tower.

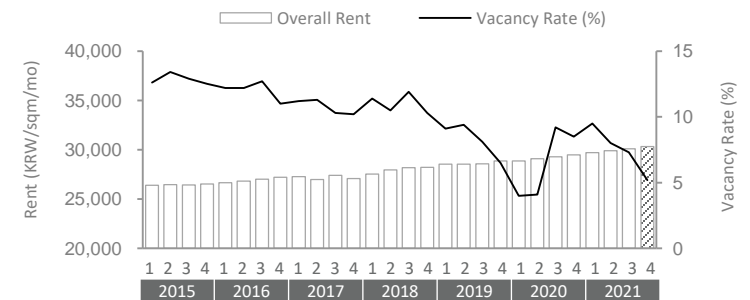
YBD submarket saw the steepest fall in vacancy, dropping 3.1 pp to 7.3%. YBD has taken spill-over demand from GBD, and prime properties, having filled relatively long-term vacancies, are leading the drop in overall vacancy. NH Finance Tower (Parc.1 Tower 2) signed lease contracts with tenants including Kakao Bank and Korea Investment Management, while Parc.1 Tower 1 signed with Coinone.

In PBD submarket, Tech One Pangyo (Alpha Dome 6-2BL, GFA 197,138 sqm) entered the market in Q4. Pre-leasing activities by Naver's affiliates contained the impact of the new supply on vacancy, and the average PBD vacancy rate remained at 0.0%.

NEW SUPPLY



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS (A GRADE BUILDING)

SUBMARKET	INVENTORY (SQM)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SQM)	YTD OVERALL NET ABSORPTION (SQM)	UNDER CNSTR (SQM)	OVERALL AVG ASKING RENT (KRW)*
CBD	3,329,939	8.6%	43,602	80,679	502,878	33,783
GBD	3,303,339	0.6%	33,360	285,370	634,824	30,027
YBD	1,765,105	7.3%	53,466	217,787	362,293	27,202
SEOUL TOTALS	8,398,383	5.2%	130,428	583,836	1,499,995	30,337
Pangyo	797,664	0.0%	197,138	197,138	-	18,886

*Rental rates do not reflect full service asking

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
Grand Central	CBD	Jipyong LLC	12,594	Relocation
D Tower Gwanghwamun	CBD	Simens	6,648	Relocation
Jongno Place	CBD	Daesang Group	25,713	Relocation
State Tower Namsan	CBD	Pfizer Korea Pharmaceutical	5,703	Relocation
Sinsa Square	GBD	CJ Cheil Jedang	3,060	Relocation
K-square Gangnam 2	GBD	Lunit	5,521	Relocation
Samsung Life Insurance Daechi Tower	GBD	Fresheasy	6,884	Relocation
Luchen Tower	GBD	Kering Group	1,206	Relocation
NH Finance Tower (Parc.1 Tower 2)	YBD	Korea Investment Management	3,322	Relocation
NH Finance Tower (Parc.1 Tower 2)	YBD	Kakao Bank	9,965	Relocation
Parc.1 Tower 1	YBD	Coinone	7,063	Relocation

Source: Cushman & Wakefield Research

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