

2.2 %
Rental Growth, QoQ
YoY
Chg12-Mo.
Forecast
2.4 %
Vacancy Rate

-23,536 sqm
Net Absorption

Source: Cushman & Wakefield Research

**S. KOREA ECONOMIC INDICATORS
Q4 2022**
3.1 %
GDP Growth

5.0 %
CPI Growth

3.0 %
Unemployment

Source: Korean Statistical Information Service, Bank Of Korea

Economic Overview

Global economic institutions now forecast the global economic growth rate to be at 1%–2% in 2023, a downward revision from the previous year. With concerns for the global economy mounting, the OECD has also forecast South Korea's economic growth rate for 2023 at 1.8%, down 0.9% pp from the previous year. According to the Bank of Korea, private consumption has continued to recover, fueled by pent-up demand, although the pace of recovery is now expected to weaken due to rising interest rates and consequent declining buying power. In addition, facility investment is expected to slightly shrink because of external uncertainties.

Halt To Fall In Overall Vacancy

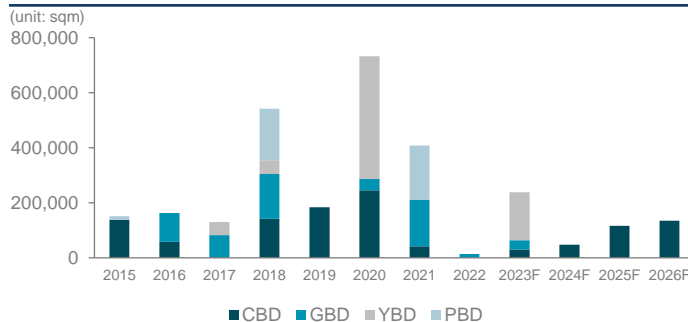
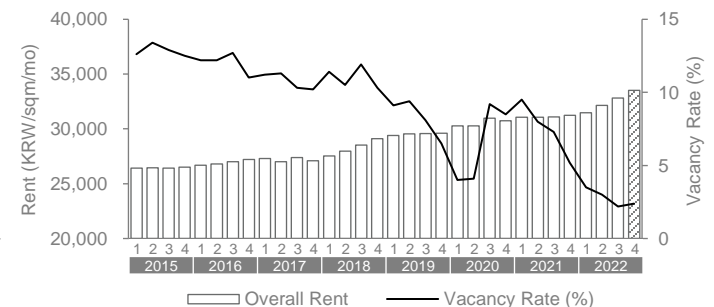
The overall Grade A office vacancy rate rose 0.2% pp from the previous quarter to reach 2.4%, the first increase following six consecutive quarters of decline. The overall office rental level also rose 2.2% pp q-o-q, with rising rents in GBD now extending to YBD and CBD rental growth.

The vacancy rate in CBD submarket climbed 0.4% pp q-o-q to 3.7%. The Concordian building cleared all vacancy through a lease with Binggrae. Notable leasing activities at CBD also included Audi Korea moving to Youngpoong Building, Korea Airlines to Hanwha Life Insurance Taeyeongro, and GroupM Korea to the KDB Life Insurance Tower.

The vacancy rate in the GBD district remained unchanged q-o-q at 1.2%. Dongil Tower completed a contract signing with South Cape. Majesta City Tower 1 signed lease contracts with NTB Korea, while Keungil Tower signed with TEC. Scale Up Center will also move into the Korea Science and Technology Center.

At YBD submarket, vacancy edged up 0.2 pp q-o-q to reach 1.7%. Notable major leases at YBD were transacted around Parc1, with Raon Secure taking two floors of Parc.1. Meanwhile, Parc.1 Tower 2 (NH Financial Tower) was contracted to Fursys and Apple Korea. In addition, Kuehne+Nagel is ready to move into the Hana Financial Investment Building. New supply comprising the TP Tower and Anchor One is scheduled for YBD submarket in Q4 2023. However, TP Tower is known to have completed pre-leasing activity and the overall impact of the incoming supply on the YBD market is expected to be limited.

The overall Seoul office market vacancy rate is expected to rise slightly in 2023, with some firms having difficulty securing venture capital investment and burdened by rent hikes. We also expect rents to rise slightly reflecting inflation, but the increase will be in a limited range.

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	4,301,942	3.7	-16,149	124,692	1,166,542	34,763
GBD	3,714,704	1.2	-3,250	-27,921	610,025	34,047
YBD	1,853,446	1.7	-4,138	96,832	362,293	28,492
SEOUL TOTALS	9,870,092	2.4	-23,536	193,603	2,138,860	33,532
Pangyo	797,664	0.0	0.0	0.0	0.0	19,617

*Rental rates do not reflect full service asking

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
Concordian	CBD	Binggrae	6,590	Relocation
Hanwha Life Insurance Taeyeongro	CBD	Korean Airlines	6,025	Extension
Youngpoong Building	CBD	Audi Korea	4,431	Relocation
Wise Tower	CBD	Shinhan Financial Group	3,080	Relocation
KDB Life Tower	CBD	GroupM Korea	5,326	Relocation
Dongil Tower	GBD	South Cape	6,687	Relocation
Majesta City Tower 1	GBD	NTB Korea	2,016	Relocation
Keungil Tower	GBD	TEC	1,250	Relocation
Korea Science and Technology Center	GBD	Seoul Startup Hub Scale Up Center	2,746	Relocation
Parc.1 Tower 2 (NH Financial Tower)	YBD	Raon Secure	6,399	Relocation
Parc.1 Tower 1	YBD	Fursys	1,660	Relocation
Hana Financial Investment Building	YBD	Kuehne + Nagel	2,940	Relocation
Pangyo Digital Center	PBD	DB HiTek	2,590	Relocation

Source: Cushman & Wakefield Research

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