

2.6 %

Rental Growth, QoQ



2.6 %

Vacancy Rate



-22,546 sqm

Net Absorption



Source: Cushman & Wakefield Research

S. KOREA ECONOMIC INDICATORS Q1 2023

1.3 %

GDP Growth



4.2 %

CPI Growth



2.9 %

Unemployment



Source: Korean Statistical Information Service, Bank Of Korea

Economic Overview

The global economy is now in a slump due to the conflict in Ukraine, high prices, and widespread belt-tightening. The OECD forecasts global economic growth at 2.6% and South Korea at 1.6% this year. The BOK predicts that the domestic economy will continue its sluggish growth in 1H 2023 and gradually recover from 2H. Private consumption is expected to recover slowly due to falling real purchasing power and the rising burden of debt payment, while facility investment will trend downwards due to the global economic slowdown and greater financial costs.

Vacancy Rises Slightly, Rental Level Steadily Grows

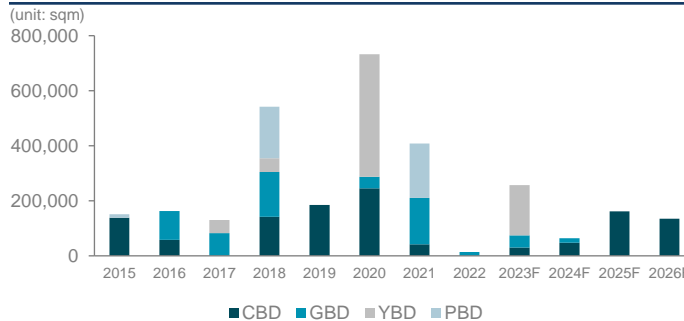
Overall Grade A office vacancy in Q1 rose 0.2 pp q-o-q to 2.6%, continuing a slight rise for the second consecutive quarter. Rent rose 2.6% q-o-q and 9.4% y-o-y, steadily increasing due to inflation and low vacancy. Despite concerns that the economic downturn will slow corporate expansion or cause tenant exits, the office market maintains solid fundamentals. With limited supply this year, the vacancy rate is expected to remain flat, with the current landlord-favorable market expected to continue.

The vacancy rate in CBD submarket fell 0.2 pp to 3.5%. The submarket was the only major district to see a fall in vacancy, with several relocation and expansion contracts completed. Notable transactions included Nonfiction's move to D Tower Gwanghwamun, and Volkswagen Financial Services to Kyowon Naewei Building. Lotte Shopping completed a contract at Myeongdong N Building, while BKR signed at Gwanghwamun G Tower and Carrot General Insurance at Pine Avenue. With no significant new supply scheduled this year, CBD vacancy is expected to remain stable.

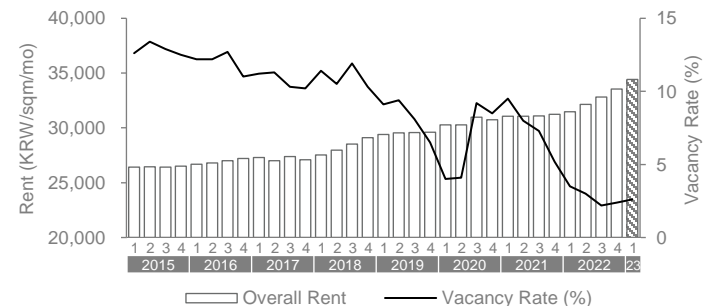
GBD's vacancy rate rose 0.7 pp q-o-q to record 1.9%. The completion of Tiger 318 Building (tentative name, GFA 49,398 sqm) led to a rise in the vacancy rate, but this is expected to stabilize soon due to limited availability. Nexon Games completed a lease at Majestar City Tower 1, while Yanolja and Galderma Korea signed at Dongil Tower. PolyESC signed at Charmzone Building, and Mulz Korea relocated to Cheongdam Square.

At YBD, vacancy moved up 0.3 pp q-o-q to record 2.0%. The Executive Center signed a contract at Hana Securities Building, and Shinhan Fund Partners moved into Hyundai Motor Securities Building. Approximately 200,000 sqm of new supply is scheduled in 2H, including Anchor 1 and TP Tower (Teachers' Pension Yeouido HQ). Vacancy risk is expected to be low, as Yuanta Securities completed a pre-leasing contract at Anchor 1, while other tenants are preparing for contracts in TP Tower and the remaining area of Anchor 1.

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	3.5	6,423	6,423	571,733	35,564
GBD	3,764,102	1.9	-24,034	-24,034	1,074,220	34,938
YBD	1,853,446	2.0	-4,935	-4,935	361,875	29,565
SEOUL TOTALS	9,919,490	2.6	-22,546	-22,546	2,007,828	34,415
Pangyo	797,664	0.0	0.0	0.0	0.0	20,373

*Rental rates do not reflect full service asking

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
D Tower Gwanghwamun	CBD	Nonfiction	2,090	Relocation
Kyowon Naewei Building	CBD	Volkswagen Financial Services	2,120	Relocation
Myeongdong N Building	CBD	Lotte Shopping	1,500	Expansion
Pine Avenue B	CBD	Carrot General Insurance	1,470	Expansion
Gwanghwamun G Tower	CBD	BKR (BurgerKing)	3,870	Expansion
Charmzone Building	GBD	PolyESC	3,440	Relocation
Majestai City Tower 1	GBD	Nexon Games	5,830	Relocation
Cheongdam Square	GBD	Merz Korea	2,980	Relocation
Dongil Tower	GBD	Yanolja	4,870	Expansion
Dongil Tower	GBD	Galderma Korea	1,660	Relocation
Anchor 1	YBD	Yuanta Securities Korea	23,020	Relocation
Hana Securities Building	YBD	The Executive Centre (TEC)	2,940	Relocation
Hyundai Motor Securities Building	PBD	Shinhan Fund Partners	5,590	Relocation

Source: Cushman & Wakefield Research

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