

1.2 %
Rental Growth, QoQ

YoY Chg	12-Mo. Forecast
▲	▼

2.6 %
Vacancy Rate

YoY Chg	12-Mo. Forecast
▼	▲

4,520 sqm
Net Absorption

YoY Chg	12-Mo. Forecast
▼	▲

Source: Cushman & Wakefield Research

S. KOREA ECONOMIC INDICATORS Q2 2023

0.9 %
GDP Growth

YoY Chg	12-Mo. Forecast
▼	▼

2.7 %
CPI Growth

YoY Chg	12-Mo. Forecast
▼	▲

2.7 %
Unemployment

YoY Chg	12-Mo. Forecast
▼	—

Source: Korean Statistical Information Service, Bank Of Korea

Economic Overview

The Bank of Korea revised down its 2023 domestic growth forecast to 1.4%, 0.2 pp lower than the February forecast, in its Economic Outlook Report issued in May. This is 1.2 pp lower than the 2.6% growth rate in 2022, as a decline in mass exports and sluggish IT exports limited the recovery of economic growth in the second quarter. The GDP growth rate is forecast to moderately increase in the second half of the year, but the recovery pace will be slower than previously expected. In June, consumer price inflation rose to 2.7% y-o-y, which is the first time it has hit the 2% mark in 21 months, maintaining the overall trend of decreasing inflation.

Vacancy Stable, Rent and Maintenance Fees Rapidly Increasing

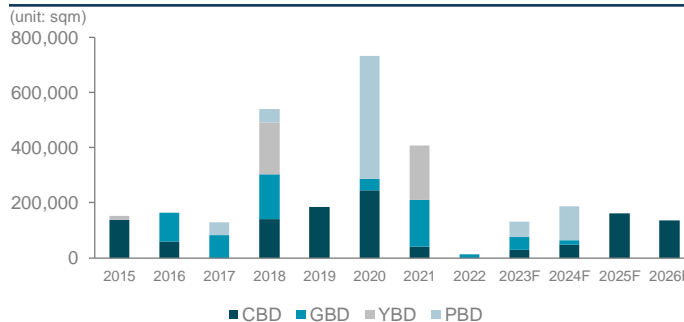
Overall Grade A office vacancy in Q2 remained steady at 2.6%, unchanged q-o-q. The average monthly rental level has continued to rise, now at KRW 34,828 per sq m, an increase of 1.2% y-o-y and 8.4% q-o-q. During the same period, management fees also climbed to record KRW13,314 per sq m, up 0.5% q-o-q and 3.5% y-o-y. With the lack of new supply and tight vacancy expected to continue for the foreseeable future, occupancy costs are rising rapidly. Some firms facing lease renewals are expected to downsize or relocate to mitigate the burden of current occupancy costs.

The vacancy rate in CBD submarket rose to 3.7%, the highest among major districts. Notable transactions in the quarter included Korea Medical Dispute Mediation, Korea Inclusive Finance Agency and Arbitration Agency, and MPC Plus, all moving to the T Tower building. Sony Semiconductor Solutions completed a contract at Seoul Square, while Yido Capital Management signed at Taepyeongro Building. Boram Group and Hana Card renewed their leases at the Taepyeongro Building and Center Place, respectively.

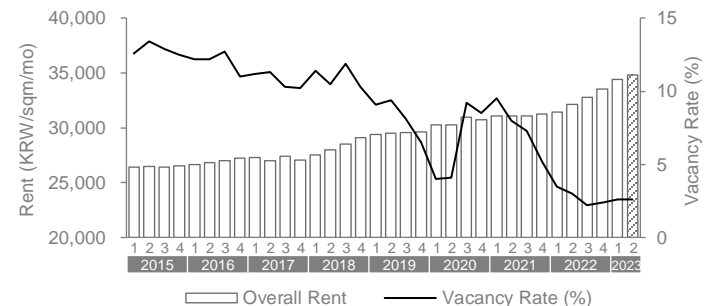
The GBD vacancy rate fell 0.7 pp q-o-q to 1.2%. Vacancy in the submarket had temporarily risen following the completion of Scale Tower in Q1, but Hyundai Motor Company's full-building lease reversed the movement. Remaining vacancy at Gangnam Finance Center was also eliminated when Hyundai Securities completed its lease agreement.

At YBD, vacancy moved up 0.8 pp q-o-q to record 2.8%, the fastest rise among major areas. However, IT firms experiencing growth since the pandemic are increasingly relocating to YBD, with Salesforce and T-Order signing leases at Parc.1 Tower 2 (NH Financial Tower). Korea Investment Value Asset Management also signed a lease at Hyundai Securities Building. There is some vacancy at Anchor 1 and TP Tower, scheduled for completion in 2H 2023, but overall YBD vacancy is expected to trend down due to sustained interest from occupiers.

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	-6,378	44	571,733	35,582
GBD	3,764,102	1.2	26,163	2,129	1,123,618	35,749
YBD	1,853,446	2.8	-15,265	-20,200	361,875	29,916
SEOUL TOTALS	9,919,490	2.6	4,520	-18,026	2,057,226	34,828
Pangyo	797,664	0.0	0.0	0.0	0.0	20,814

*Rental rates do not reflect full service asking

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
T Tower	CBD	Korea Medical Dispute Mediation and Arbitration Agency	4,876	Relocation
T Tower	CBD	Korea Inclusive Finance Agency	3,251	Expansion
T Tower	CBD	MPC Plus	4,876	Relocation
Seoul Square	CBD	SONY Semiconductor Solutions	1,555	Expansion
Taeyeongro Building	CBD	YIDO Capital Management	1,537	Relocation
KCCI	CBD	Dholic Commerce	2,140	Relocation
Scale Tower	GBD	Hyundai Motor Company	43,063	Relocation
Gangnam Finance Center	GBD	Hyundai Motor Securities	891	Expansion
Parc.1 Tower 2 (NH Financial Tower)	YBD	Salesforce	3,566	Relocation
Parc.1 Tower 2 (NH Financial Tower)	YBD	T order	3,200	Relocation
Hyundai Motor Securities Building	YBD	Korea Investment Value Asset Management	2,814	Relocation
Three IFC	YBD	Milbank Korea	921	Relocation

Source: Cushman & Wakefield Research

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