

1.0 %

Rental Growth, QoQ

YoY Chg

12-Mo. Forecast



2.2 %

Vacancy Rate



77,544 sqm

Net Absorption



Source: Cushman & Wakefield Research

Economic Overview

With the recent improvement in the Korean economy faltering, the BOK now forecasts domestic growth at 1.4% for 2023 and 2.2% for 2024. Stronger performance may be possible, coming from the rebound in the IT economy and the influx of Chinese tourists, but external uncertainties remain, including continued monetary tightening in the U.S., rising oil prices, and geopolitical risks in the Middle East.

Supply and Demand

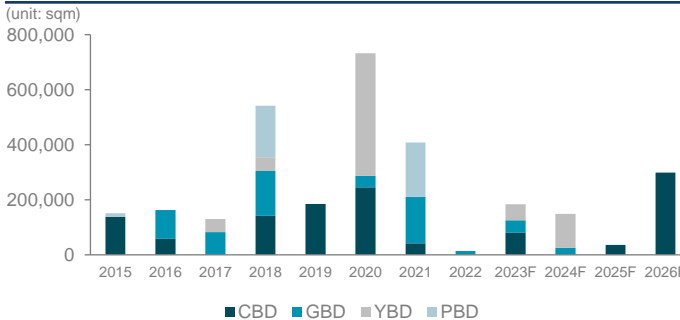
Overall Grade A office vacancy in Q3 fell 0.2 pp q-o-q to record 2.2%. The vacancy rate fell in the CBD submarket, where no new supply combined with several new lease contracts, but rose slightly in the GBD and YBD submarkets. The average monthly rental level rose 1.0% q-o-q, with increases now moderating after a year of high growth due to low vacancy and high inflation.

The vacancy rate in the CBD submarket fell 1.1 pp q-o-q to 2.6%, now the same level as at YBD, prompting the fall in the overall market vacancy rate. The quarter saw relatively large-scale leasing activity, such as Hanwha Systems' contract for four floors at Pine Avenue Building A, and SMCORE completing leases at Seoul City Tower, which is undergoing phased remodeling. KCCI Building cleared all remaining vacancy as Access World Korea relocated, while Preed Life and Daeryun Law Firm signed at KDB Life Tower. Woori Bank and Yongyong Tech completed lease agreements at the renovated Myeongdong N Building, filling significant vacant space.

The GBD vacancy rate rose 0.4 pp q-o-q to record 1.6%. Some tenants reduced office spaces or relocated, but larger-sized vacancy remains sparse. Alvogen Korea relocated to GT Tower, while Fadu signed an expansion contract at The Pinnacle Gangnam. Nau IB Capital completed its relocation to the area, from Golden Tower to Glass Tower, and Sparkplus opened a new branch in COEX, leasing the space formerly occupied by Lotte Duty Free. Next year, Baekam Building and Centerpoint Gangnam, which are under reconstruction, are expected to come on stream, making GBD submarket a viable option for tenants seeking large spaces amid the extremely tight supply.

At YBD, vacancy moved up 0.5 pp q-o-q to reach 2.6%. The completion of Anchor 1 in the quarter contributed to the rise, but the impact was mitigated as Yuanta Securities, LG Uplus, and Korea Securities Finance Corp. completed lease agreements. In addition, EY Han Young signed a lease for the upper floors of Parc.1 Tower 2 (NH Finance Tower), which had been vacant for a long period. KCGI Asset Management moved into One IFC, while Hyundai Securities signed an expansion contract for the remaining space at Hyundai Securities Building. Timefolio Asset Management has decided to move into TP Tower, which is scheduled to be delivered in the first quarter of 2024.

NEW SUPPLY



OVERALL VACANCY & ASKING RENT



S. KOREA ECONOMIC INDICATORS Q3 2023



Source: Korean Statistical Information Service, Bank Of Korea

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	2.6	45,941	45,986	635,627	35,720
GBD	3,764,102	1.6	-14,416	-12,287	513,630	36,517
YBD	1,911,163	2.6	46,018	-17,700	141,669	30,116
SEOUL TOTALS	9,977,206	2.2	77,544	15,999	1,290,926	35,181
Pangyo	797,664	0.0	0	0	0	20,814

*Rental rates do not reflect full service asking

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
KDB Life Tower	CBD	Daeryun Law Firm	2,670	New Branch
Myeongdong N Building	CBD	Yongyong Tech	2,540	Relocation
Myeongdong N Building	CBD	Woori Bank	19,020	Expansion
KCCI Building	CBD	Access World Korea	2,940	Relocation
Seoul City Tower	CBD	SMCore	3,980	Relocation
Pine Avinue A	CBD	Hanhwa Systems	9,910	Expansion
GT Tower	GBD	Alvogen Korea	2,220	Relocation
InterContinental Seoul COEX	GBD	Sparkplus COEX	7,420	New Branch
Glass Tower	GBD	Nau IB Capital	2,070	Relocation
The Pinnacle Gangnam	GBD	Fadu	840	Expansion
One IFC	YBD	KCGI Asset Management	3,060	Relocation
Parc.1 Tower 2 (NH Finance Tower)	YBD	EY Han Young	6,280	Relocation
Anchor 1	YBD	Korea Securities Finance Corp.	4,190	Relocation

Source: Cushman & Wakefield Research

YJ Choi

Head of Occupier Service, Seoul

+82 2 3708 8845 / yj.choi@cushwake.com

Ray Kim

Head of Leasing Marketing Advisory, Seoul

+82 10 6201 2954 / ray.kim@cushwake.com

Hena Park

Head of Business Development Services, Seoul

+82 2 3708 8883 / hena.park@cushwake.com

Jinwoo Jung, PhD

Head of Research, Seoul

+82 10 2751 2390 / jinwoo.jung@cushwake.com

Jin So

Assistant Research Manager, Seoul

+82 10 9186 1816 / jin.so@cushwake.com

cushmanwakefield.com

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