

**4.1%**  
Cap Rate

YoY  
Chg



12-Mo.  
Forecast



**2 Tn**

Total Volume (KRW)



**8**

Total Properties Sold



**388,410 sqm**

Total SQM



**2,718**

Capital Value (10K KRW / 3.3m<sup>2</sup>)



### Quarterly Transaction Volume Down 35% y-o-y to KRW2.0 Trillion, Capitalization Rates Steadily Rise

Transaction activity in Q3 2023 predominantly involved assets that had experienced selling challenges due to the high interest rate environment seen since Q2 2022. Eight office building transactions closed in Seoul and Bundang in Q3, with a total transaction volume of approximately KRW2.0 trillion, down 35% y-o-y. In the CBD submarket, Tower 8 was sold by DWS Asset Management to Mirae Asset Global Investments for KRW549 billion, in a deal closed with the participation of the NACUFOK as a strategic investor (SI). In the Others submarket, Yongsan The Prime Tower was sold by Shinhan REITs Management to IGIS Asset Management for KRW238.4 billion. The deal is significant as the first sale of assets held by a domestic listed REITs.

Office capitalization rates climbed by 0.2 pp from Q2, reaching 4.1%, and continuing the upward trend in the second half of the year. Office asset values have declined as the difference between sellers' and buyers' pricing expectations has further narrowed. The Seoul Grade A office average transaction price per pyeong fell approximately 10% q-o-q in Q3, leading to a rise in the office market capitalization rate due to the higher interest rates.

### Growth in Share Deals and Corporate Investments to Establish HQs

The number of transactions conducted in the form of share deals has grown. In the third quarter, Capitaland Investment Management changed its initial asset deal with Citibank Center to a share deal and sold it to Keppel Investment Management for KRW167.3 billion. GIC also completed the purchase of a 45.08% stake in Pangyo Tech 1 Tower, owned by Naver, for approximately KRW230 billion. In the current high interest rate environment institutional investors are curtailing their activity due to reduced market liquidity. There is also growing market demand for large-sized and high-quality rental spaces, and more companies are actively engaging to secure headquarters spaces. Two major deals this year have been Hyundai Motor's investment in Scale Tower, and Nexon's participation with Autoway Tower, and we can expect similar moves to continue for a while. However, the full-year 2023 overall transaction volume is still forecast to drop significantly y-o-y. This is due to a potential further interest rate hike by the US Federal Reserve by the end of this year, and the increase in the net issuance size of domestic bank bonds, which is expected to keep real estate loan interest rates high for the foreseeable future.

### S. KOREA ECONOMIC INDICATORS Q3 2023

**0.9%**

GDP Growth



**3.7%**

CPI Growth



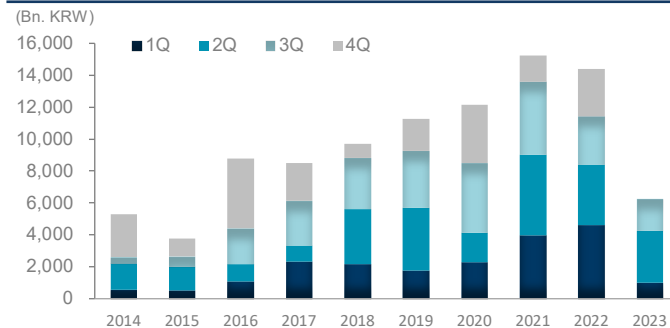
**2.3%**

Unemployment Rate



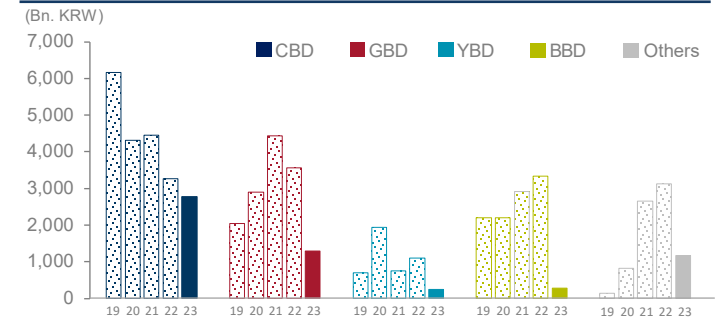
Source: KOSIS, Bank of Korea

### TOTAL OFFICE INVESTMENT VOLUME(YOY)



Source: Cushman & Wakefield Korea Research

### OFFICE INVESTMENT VOLUME BY SUBMARKET



### Q3 2023 INVESTMENT ACTIVITY

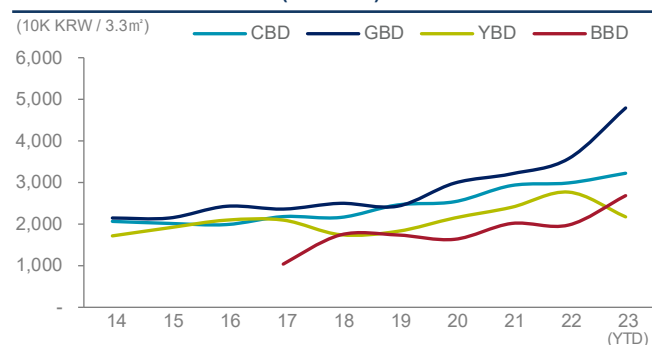
SUBMARKET	PROPERTIES SOLD	TRANSACTION VOLUME (Bn. KRW)	SQM	10K KRW/3.3㎡
CBD	3	981	98,475	3,514
GBD	2	219	21,969	-
YBD	-	-	-	-
OTHERS	2	452	70,796	2,020
BBD/Pangyo	1	318	197,171	2,620
<b>TOTAL</b>	<b>8</b>	<b>1,981</b>	<b>388,410</b>	<b>2,718</b>

### Q3 2023 SIGNIFICANT SALES

PROPERTY NAME	SUBMARKET	BUYER	SELLER	SQM	PRICE (Mn. KRW)	10K KRW/3.3㎡
Tower 8	CBD	Mirae Asset Global Investments	DWS Asset Management	51,653	549,000	3,514
KAL Building	CBD	Korean Air	Hanjin KAL	27,071	264,230	3,227
Citibank Center	CBD	Keppel Investment Management	CapitalLand Investment Management	19,751	167,287	2,800
Youngsan The Prime Tower	Others	IGIS Asset Management	Shinhan REITs Management	39,009	238,370	2,020
HJ Shipbuilding & Construction HQ	Others	KOREIT	Koramco	31,787	226,000	2,350
Pangyo Tech1 Tower	Pangyo	GIC	Mirae Asset Global Investments	197,171	704,690	2,620

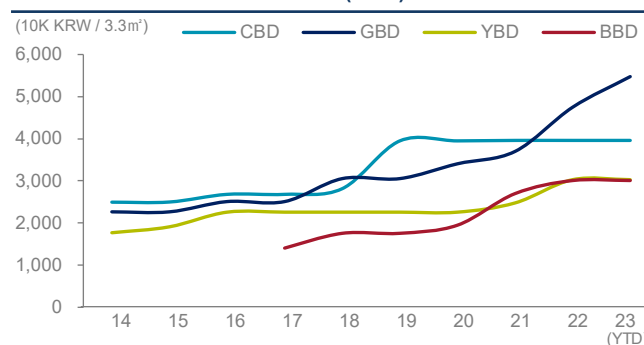
Source: Real Capital Analytics, Cushman & Wakefield Research

### CAPITAL VALUE TREND (Grade A)



Source: Cushman & Wakefield Korea Research

### THE HIGHEST PRICE PER UNIT (3.3㎡) BY SUBMARKET



#### YK Son

Head of Capital Markets Group, Seoul  
+82 3708 8823 / [yk.son@cushwake.com](mailto:yk.son@cushwake.com)

#### Sorim Jie

Director, Capital Markets Group, Seoul  
+82 3708 8823 / [sorim.jie@cushwake.com](mailto:sorim.jie@cushwake.com)

#### Hena Park

Head of Business Development Services, Seoul  
+82 2 3708 8883 / [hena.park@cushwake.com](mailto:hena.park@cushwake.com)

#### Jinwoo Jung, PhD

Head of Research, Seoul  
+82 10 2751 2390 / [jinwoo.jung@cushwake.com](mailto:jinwoo.jung@cushwake.com)

#### Jin So

Assistant Research Manager, Seoul  
+82 10 9186 1816 / [jin.so@cushwake.com](mailto:jin.so@cushwake.com)

### [cushmanwakefield.com](http://cushmanwakefield.com)

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