

YoY Chg      12-Mo. Forecast

**1.0 %**  
Rental Growth, QoQ



**2.6 %**  
Vacancy Rate



**-37,925 sqm**  
Net Absorption



Source: Cushman & Wakefield Research

### S. KOREA ECONOMIC INDICATORS Q4 2023

YoY Chg      12-Mo. Forecast

**1.4 %**  
GDP Growth



**3.2 %**  
CPI Growth



**3.3 %**  
Unemployment



Source: Korean Statistical Information Service, Bank Of Korea

### Economic Overview

The BOK expects South Korea's GDP growth rate to reach 1.4% in H2 2023, driven by rising exports. The upwards trend is expected to continue in 2024, fueled by exports and equipment investment, although the BOK GDP growth forecast is now at 2.1%, down from 2.2%, due to lower consumption and construction investment. Factors including global monetary policy changes, oil price fluctuations, China's economy and geopolitical conflicts add to the uncertainty.

### Supply and Demand

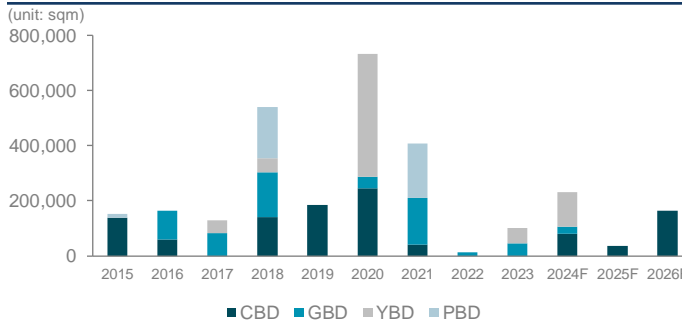
Overall Grade A office vacancy in Q4 rose 0.4 pp q-o-q to record 2.6%. The vacancy rate increased slightly in all submarkets, with a significant rise in the CBD submarket leading the overall vacancy rate. The average monthly rental level rose 1.0% q-o-q and 6.0% y-o-y, while management fees also climbed 0.9% q-o-q and 3.2% y-o-y. Office tenants are currently experiencing an increase in occupancy costs. With the rapid decline in work-from-home, coupled with strong demand for high-quality office space, the vacancy rate has now been at around the 2% level for six consecutive quarters. With limited new supply, corporate demand for prime office space will remain strong and rents are expected to rise further this year.

The vacancy rate in the CBD submarket rate rose 0.6 pp q-o-q to a record 3.2%. Some vacancies that occurred in Q4 2023 are expected to be leased in Q1 2024, which will reduce the vacancy rate in the next quarter. The quarter saw expansion activity at prime office properties, such as Shin & Kim LLC's lease for one floor at D Tower Gwanghwamun, and Lotte Card's lease at Concordian. In addition, the Korean Artists Welfare Foundation, the Korea Disability Arts & Culture Center, and Byda signed leases at Seoul Square, eliminating much of the building's vacancy.

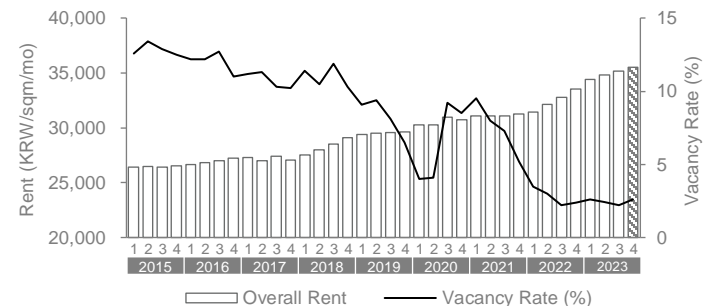
The GBD submarket vacancy rate rose 0.2 pp q-o-q to 1.8% in Q4. Despite skyrocketing rents, demand from corporate tenants for the preferred GBD location has remained strong. As a result, the GBD vacancy rate has remained under 2%, the lowest of all submarkets. Zespri International Korea and Nota signed new lease contracts at Parnas Tower in the quarter. Appier Korea also signed a lease at T412, while LBox took space at KAIT Tower. Although the Centerpoint Gangnam project is scheduled for completion in Q3 2024, commercially available leasing space is expected to be limited. As a result, tenants will have a harder time finding large spaces in the GBD submarket in the near-term.

At YBD, vacancy moved up 0.2 pp q-o-q to reach 2.8%. Daeryun Law Firm and Oil Hub Korea signed leases at FKI Tower, and KMI has signed for the lower floor at the Hi Investment & Securities Building. TP Tower, which is scheduled for completion in Q1 2024, has already secured leases for more than 90% of its space. Consequently, its impact on overall vacancy in the YBD submarket is predicted to be limited.

### 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	3.2	-27,530	18,455	370,203	35,792
GBD	3,764,102	1.8	-7,322	-19,608	513,630	37,296
YBD	1,911,163	2.8	-3,073	36,943	141,669	30,189
<b>SEOUL TOTALS</b>	<b>9,977,206</b>	<b>2.6</b>	<b>-37,925</b>	<b>35,791</b>	<b>1,025,502</b>	<b>35,527</b>
Pangyo	797,664	0.0	0	0	0	20,814

\*Rental rates do not reflect full service asking

## KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
D Tower Gwanghwamun	CBD	Shin & Kim LLC	2,131	Expansion
Seoul Square	CBD	Korean Artists Welfare Foundation	2,879	Relocation
Seoul Square	CBD	Byda	1,284	Relocation
Seoul Square	CBD	Korea Disability Arts & Culture Center	873	Relocation
Concordian	CBD	Lotte Card	2,190	Expansion
T412	GBD	Appier Korea	1,465	Relocation
KAIT Tower	GBD	LBox	1,828	Relocation
Parnas Tower	GBD	Nota	992	Relocation
Parnas Tower	GBD	Zespri International Korea	763	Relocation
FKI	YBD	Daeryun Law Firm	1,602	New Branch
FKI	YBD	Oil Hub Korea	957	Relocation
Hana Securities Building	YBD	Buysell Standards	738	Relocation
Hi Investment & Securities Building	YBD	Korea Medical Institute	1,208	Relocation

Source: Cushman & Wakefield Research

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