MARKETBEAT

SEOUL

Office Q1 2024

	YoY Chg	12-Mo. Forecast
0.6 % Rental Growth, QoQ	▼	—
2.4 % Vacancy Rate	▼	▲
156,537 sqm Net Absorption	▲	▼

Source: Cushman & Wakefield Research

S. KOREA ECONOMIC INDICATORS Q1 2024

	YoY Chg	12-Mo. Forecast
2.2 % GDP Growth, YoY	▲	—
3.1 % CPI Growth , YoY	▼	▼
3.0 % Unemployment	▲	—

Source: Korean Statistical Information Service, Bank Of Korea

Economic Overview

The OECD forecasts 2024 global economic growth of 2.9%, and South Korea growth of 2.2%. The KOR economy has seen a sluggish recovery in domestic demand, attributed to weak private consumption and declining investment due to high interest rates. However, a rebound in the semiconductor industry is spurring a recovery in exports. The global economy is on a moderate growth path, but geopolitical uncertainties persists.

Supply and Demand

Overall Grade A office vacancy in Q1 fell by 0.2 pp q-o-q to 2.4%, driven by strong leasing activity in the CBD submarket, where vacancy dropped by 0.7 pp q-o-q, offsetting the previous quarter's 0.6 pp rise. CBD was the only district to see a fall in vacancy. Overall Grade A rents climbed by 0.6% q-o-q, with significant increases at several properties in YBD following the completion of the prime TP Tower.

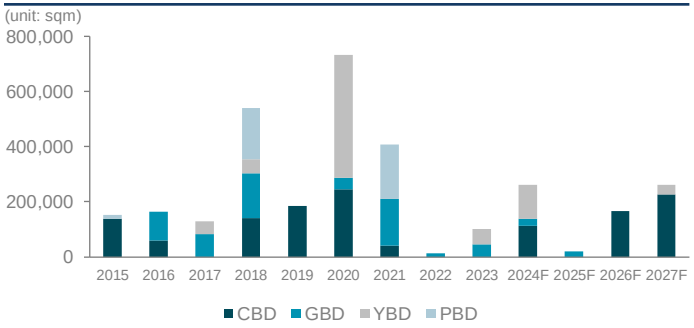
The CBD vacancy rate dropped to 2.5% in Q1, supported by several large lease agreements. Notably, Korea Zinc secured more than 15,000 sq m at Gran Seoul Tower 1, while Lotte Card and Metanet MCC completed leases at Taepyeongno Building and City Center Tower, respectively. Tetra Pak signed leases at CenterOne West, and KOHI at Jongno Place.

The GBD submarket vacancy rate rose by 0.3 pp q-o-q to reach 2.1%, surpassing the 2% mark for the first time after fluctuating between 0% and 2% since Q2 2021. The quarter was characterized by retail company activity. AliExpress leased Parnastar Tower, while Shinsegae International completed a deal at Samsung Life Insurance Daechi Tower. With Centerpoint Gangnam now slated to serve as the F&F headquarters rather than entering as new supply, we can expect tenants seeking space in the GBD to encounter continued challenges.

The YBD vacancy rate was unchanged q-o-q at 2.8% in Q1. Despite the completion of TP Tower this quarter, its boost to availability was minimal, with all but two floors delivered under pre-lease agreements. Several financial firms, including Shinhan Securities and Kiwoom Securities, are expected to move in. Additionally, CVC Asia Pacific at Three IFC and Daeryun Lawfirm at Parc.1 Tower 1 have signed leases.

Korea Seven, a CBD tenant, signed a new lease at East Central Tower in Gangdong-gu in the quarter. Rent hikes and lack of availability in major districts are prompting firms to increasingly seek to relocate to alternative areas. In 2H 2024, new prime office projects are expected to be supplied in the Magok District, making it a new option for tenants seeking expansive space and a favorable working environment.

NEW SUPPLY



OVERALL VACANCY & ASKING RENT

MARKETBEAT

SEOUL

Office Q1 2024

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 / Month)*
CBD	4,301,942	2.5	32,210	32,210	1,261,112	35,912
GBD	3,764,102	2.1	-12,385	-12,385	1,101,274	37,386
YBD	2,052,832	2.8	136,712	136,712	48,915	31,211
SEOUL TOTALS	**10,118,875**	**2.4**	**156,537**	**156,537**	**2,411,301**	**35,749**
Pangyo	797,664	0.0	0	0	0	21,067

**Rental rates do not reflect full service asking*

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
Gran Seoul Tower 1	CBD	Korea Zinc	15,880	Relocation
City Center Tower	CBD	Metanet MCC	4,140	Relocation
Taepyeongno Building	CBD	Lotte Card	4,800	Relocation
Jongno Place	CBD	KOHI	4,120	Relocation
CenterOne (West)	CBD	Tetra Pak South Korea	1,330	Relocation
Samsung Life Insurance Daechi Tower	GBD	Shinsegae International	4,630	Expansion
Parnas Tower	GBD	AliExpress	1,620	Relocation
Dongil Tower	GBD	Genoray	2,360	Relocation
TP Tower	YBD	Woori Investment Bank	9,730	Relocation
Two IFC	YBD	Presto Research Korea	480	New Corporation
Three IFC	YBD	CVC Capital Partners	930	Relocation
Parc.1 Tower 1	YBD	Daeryun Lawfirm	3,430	Relocation

Source: Cushman & Wakefield Research

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