

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
4.1% Cap Rate	▲	▬
3.9T Total Volume (KRW)	▲	▲
10 Total Properties Sold	▲	▲
490,810 Total SQM	▲	▲
3,187 Capital Value (10KRW/3.3m ²)	▬	▬

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
2.3% South Korea GDP Growth	▲	▼
1.6% South Korea CPI Growth	▼	▲
1.9% South Korea Unemployment Rate	▼	▲
3.0% South Korea 10-Yr Treasury Yield	▼	▬

Source: Statistics Korea, Bank of Korea

ECONOMIC OVERVIEW

The office transaction market, which has been under pressure due to rising inflation and prolonged high interest rates following the COVID-19 period, is gradually recovering. With the U.S. lowering its benchmark interest rate in September 2024, expectations for a reduction in Korea's benchmark interest rate are growing. These changes are positively impacting the office market. In particular, transaction prices have remained stable in key business districts, and cap rates have remained steady at around 4%, attracting renewed investor interest.

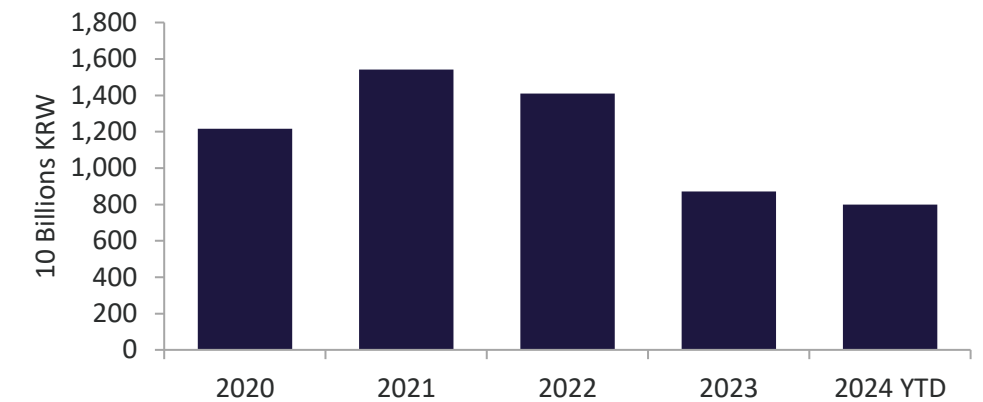
DEMAND

Ten office transactions were completed in Seoul and Bundang in Q3 2024, including three deals each in the CBD and GBD submarkets and one each in YBD and BBD. Five real estate transactions aiming to secure corporate cash flow were identified, comprising the Hana Financial Gangnam Office Building, Hanwha Building, Taeyoung Building, Samsung Fire Pangyo Building, and Hansem Sangam Office. These asset owners sold the properties but remained as tenants through sale-and-leaseback deals, in turn investing in REITs to ensure stable leasing of the office building. Foreign investors also pursued value-add opportunities by acquiring prime offices and mid-sized corporate buildings in the quarter. Singapore-based CapitaLand acquired Golden Tower in GBD, while U.S.-based Hines made a preferred equity investment in Hansem Sangam Office.

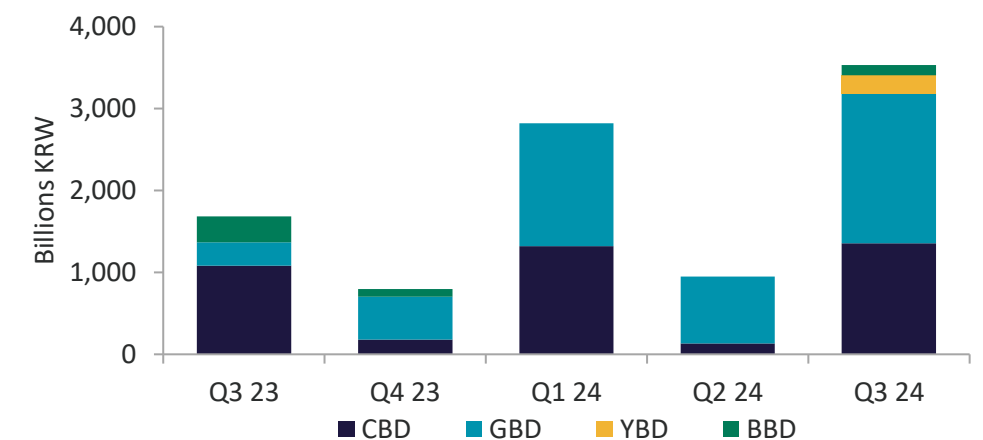
PRICING

Total office property transaction volume in Seoul and Bundang in Q3 2024 was approximately KRW3.9 trillion, with GBD and CBD taking a combined 80% share. Cumulative year-to-date transaction volume through Q3 2024 reached KRW8.0 trillion, up 17% from Q3 2023. The Q3 transaction volume climbed 68% from Q2, signalling a recovering market. Large-scale transactions are currently underway in the CBD, including Namsan Square, The Exchange Seoul, D Tower, Seoul Finance Center, Crescendo, and Pacific Tower. These deals are expected to drive activity in the office transaction market in Q4 2024 and 1H 2025.

TOTAL OFFICE INVESTMENT VOLUME

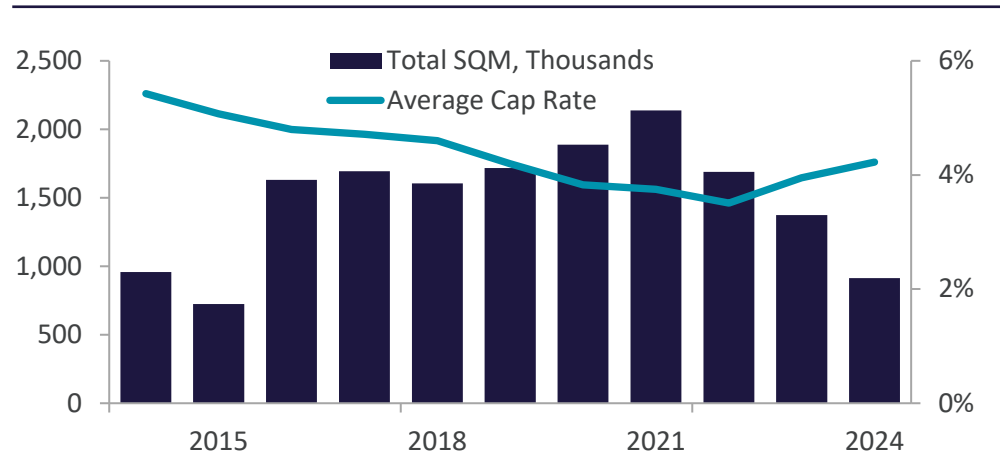


OFFICE INVESTMENT VOLUME BY SUBMARKET

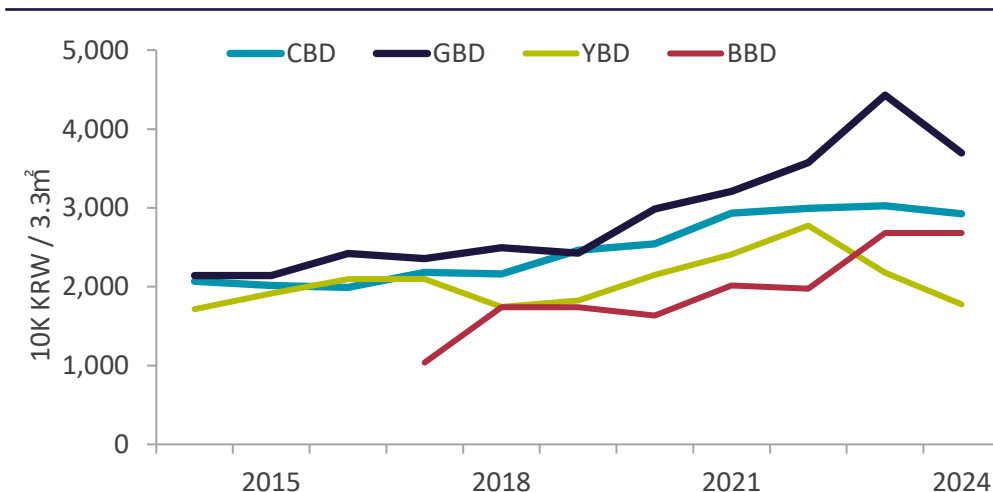


Source: Real Capital Analytics, Cushman & Wakefield Research

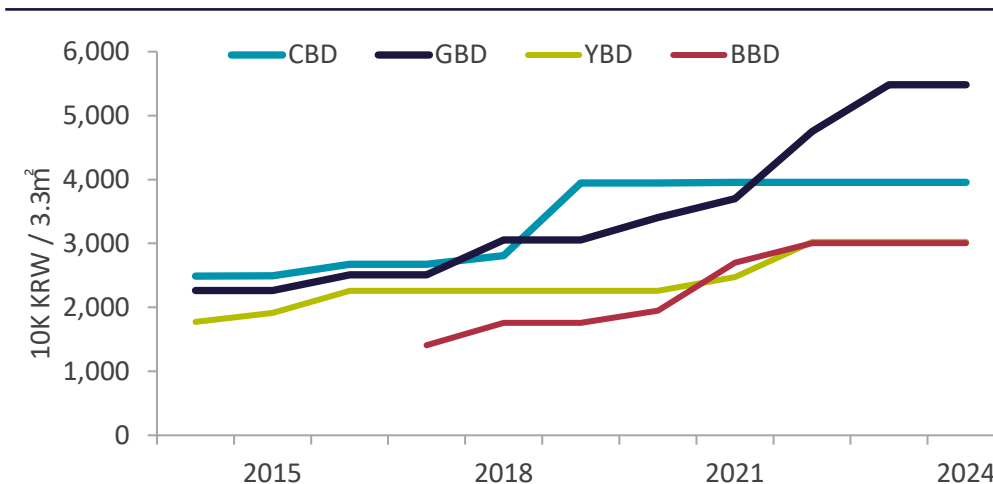
TOTAL SQM AND CAP RATES



CAPITAL VALUE PER UNIT (GRADE A)



THE HIGHEST PRICE PER UNIT (GRADE A)



STABLE CAP RATES: GROWING APPEAL OF GRADE A OFFICES

Office asset cap rates averaged 4.1% in Q3 2024. The cap rates, which were recognized for their investment stability during the pandemic and drove transaction activity in the mid 3% range, have now stabilized in the low 4% range since 2022. Alongside cap rates stabilization, office transaction volumes are also returning to pre-COVID levels. Cap rates tend to be lower than the average for Grade A offices, which continue to command high rents. Both City Square and The Asset completed transactions in Q3 at lower-than-average cap rates, in the high 3% range. These properties are located in key business districts and have stable tenants, which is likely reflected in their cap rates. These buildings offer attractive terms for investors due to their low risk and high rent.

WIDENING PRICE DISPARITY: GBD LEADS TRANSACTION PRICES

The average transaction price per 3.3 sqm in the Seoul office market in Q3 was KRW31.87 million, with GBD leading at KRW39.67 million per 3.3 sqm. The price gap between GBD and CBD exceeded KRW10 million, showing that Gangnam office transactions remain strong. There is also a significant gap between office prices in the GBD and CBD and those outside these districts. Two transactions were completed in Q3 outside the prime business districts, with transaction prices at around KRW16 million per 3.3 sqm, approximately 40% of the GBD price. The highest-priced deal this quarter was The Asset in GBD, closing at KRW45 million per 3.3 sqm, driven by strong investor demand, excellent access, and blue-chip tenants.

OFFICE MARKET INSIGHTS: TOP TRANSACTION PRICES

The highest-priced office transactions per 3.3 sqm show clear submarket variation, maintaining the price levels recorded between 2021 and 2023. In GBD, Scale Tower, which sold for KRW54.8 million per 3.3 sqm in 2023, remains the highest-priced office. This is attributed to the lack of new supply in the GBD, with Hyundai Motor joining as a strategic investor (SI), taking a 50% stake in the property with an aggressive offer. The highest price in the CBD was at SK Seorin Building, which closed in 2021, at around KRW40 million per 3.3 sqm, but this is still low when compared to the two highest-priced buildings in Gangnam, the A+ Asset Tower at KRW47 million and The Asset at KRW45 million. Peak office transaction prices in YBD and BBD are expected to remain in the low KRW30 million per 3.3 sqm range seen since 2022, with a pricing deficit of more than KRW20 million from GBD and more than KRW10 million from CBD. Grade A offices in Gangnam are expected to continue to maintain their current peak price levels.

OUTLOOK

- Office cap rates have remained in the low 4% range since 2023, supporting the market environment for stable investment returns. In addition, U.S. Federal Reserve rate cuts have boosted expectations of lower domestic interest rates.
- In Q3 2024, a total of 10 office transactions were completed with transaction volume of approximately KRW3.9 trillion. GBD and CBD accounted for 80% of the total volume, confirming investors' continued preference.
- In GBD, Grade A office transaction prices remain high due to stable rent and strong investment demand. The highest price per 3.3 sqm in Q3 2024 exceeded KRW50 million, with The Asset in Gangnam transacting at KRW45 million, the highest of the quarter. These deals confirm the strong value of Gangnam, which is expected to remain robust.
- Current office listings, demand, and investor interest remain focused on large-scale office buildings and mid-sized corporate properties, fostering a bifurcation in transaction volumes compared to other asset classes.

Source: Cushman & Wakefield Korea Research

INVESTMENT ACTIVITY

SUBMARKET	PROPERTIES SOLD	SALES VOLUME (Bn. KRW)	SQM	Mn. KRW/3.3m ²
CBD	3	1,355	206,473	21.70
GBD	3	1,827	146,127	41.33
YBD	1	225	41,859	17.78
BBD(Pangyo Included)	1	126	8,231	50.55
OTHERS	2	425	88,119	15.93
TOTAL	10	3,958	490,809	-

SIGNIFICANT SALES

PROPERTY NAME	SUBMARKET	BUYER	SELLER	SQM	PURCHASE PRICE (Mn. KRW)	PRICE / UNIT (Mn. KRW/3.3m ²)
Hanwha Building	CBD	Hanwha REITs	Hanwha Life Insurance	153,124	808,000	17.44
City Square	CBD	Shinhan REITs Management	Hangang Asset Management	38,251	428,123	37.00
Fastfive	CBD	Shinhan REITs Management	K-REITs Investment Management	15,098	119,260	26.11
The Asset	GBD	Samsung SRA Asset Management	Koramco	81,117	1,104,200	45.00
Golden Tower	GBD	CapitaLand Investment	Koramco	40,480	440,800	36.00
Hana Financial Gangnam Building	GBD	Hana Asset Trust	Hana Alternative Assets Management	24,530	282,000	38.00
Taeyoung Building	YBD	D&D Investment	Taeyoung E&C	41,859	225,135	17.78
Samsung Fire Pangyo Building	BBD	Samsung FN REITs	Samsung Fire&Marine Insurance	8,231	125,870	50.55

Sources: Real Capital Analytics, Cushman & Wakefield Research Closed transactions over 50 billion KRW

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