SEOUL OFFICE

MARKETBEAT

September 2019

CUSHMAN & WAKEFIELD

1.7% RENT GROWTH (YOY)

8.1% VACANCY RATE (3Q)

183,633sqm NEW COMPLETIONS (YTD)

WHAT'S NEXT

HIGHLIGHTS

Economic Review

The economy is in overall recession due to deteriorating domestic and foreign economic conditions, including widespread concerns over a global economic slowdown, uncertainties in trade disputes between the U.S. and China, and the removal of South Korea from Japan's export whitelist. The recession appears set to be prolonged, with the private sector unresponsive to the government's efforts to expand fiscal spending. We note the impact of this continuous economic downturn on the office building leasing market.

Average vacancy rate in Seoul continuously dropping since 2018 Q3.

The average vacancy rate of grade A office buildings in Seoul was 8.1% in Q3 of 2019, down 1.3 percentage points (pp) from the previous quarter. The decline has continued since Q3 of 2018. This was mainly due to Hyundai and affiliates of other conglomerates relocating, while no additional supply is scheduled for delivery for the second half of the year.

Major districts' office vacancy rate fell slightly from the previous quarter

The vacancy rate in Seoul's major districts dropped compared to the previous quarter. (CBD: ▼1.3pp, GBD: ▼1.4pp, YBD: ▼1.2pp). CBD pushed its vacancy rate down to 12.4% by securing a tenant with huge occupancy in Concordian building in Shinmun-ro. In GBD, availability continued to tighten with high demand and low supply, recording a vacancy rate of just 2.1%. YBD recorded 8.1%, continuing its move downwards since reaching single digits.

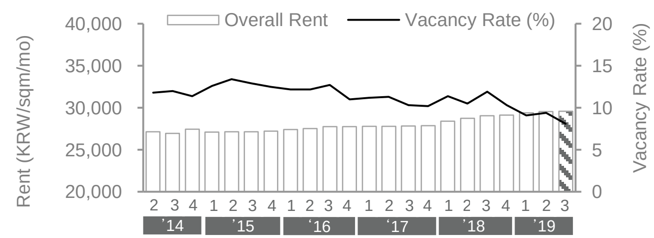
Vacancies in the Pangyo district are now non-existent due to continuing high demand from IT companies. The office leasing market is expected to be less active in Q4, as there is no new Grade A supply scheduled and companies are usually inactive in relocating during this period.

ECONOMIC INDICATORS

	2019.1Q	2019. 2Q	6-Month Forecast
GDP Growth	1.7%	2.0%	▲
CPI Growth	0.4%	0.7%	▲
Unemployment	4.5%	4.1%	▼

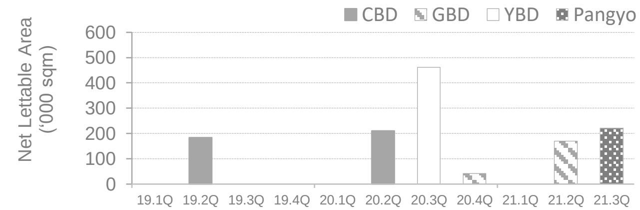
Source: Bank of Korea, Statistics Korea / Note: Y-o-Y

SEOUL GRADE A OVERALL RENT / VACANCY RATE



Source: C&W Research

GRADE A OVERALL SUPPLY PIPELINE



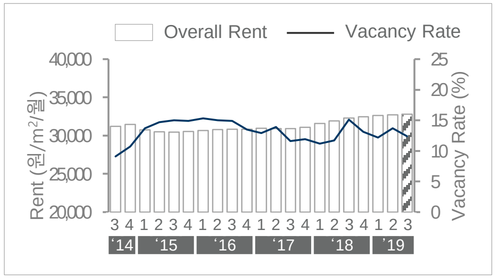
Source: C&W Research

A Cushman & Wakefield Research Publication
www.cushmanwakefield.com

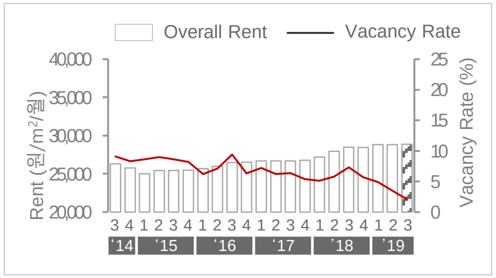
SEOUL OFFICE MARKETBEAT SEPTEMBER 2019

SEOUL GRADE A OVERALL RENT / VACANCY RATE (BY DISTRICT)

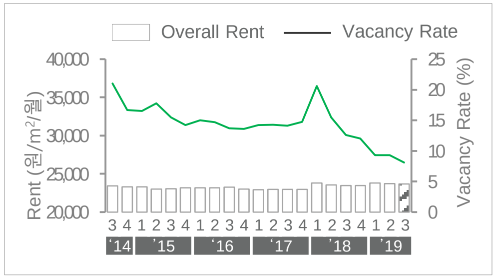
CBD



GBD



YBD



Source: C&W Research

CBD

CBD's vacancy rate decreased 1.3 pp to 12.4% in Q3 2019. The rate rose slightly after the completion of Eulji Twin Tower and City Square (formerly Seosomun 5 District) in the first half of the year, but then dropped back in Q3 with the Hyundai Construction and Engineering TF team leasing seven floors (13,093sq.m.) in Concordian building, after Kumho Asiana affiliates moved to Centropolis. Major relocation cases during the quarter include a contract by Yido Construction to lease two floors in City Square and a contract by IT company Aveva Korea (1,650sq.m.) in Ceter1 building. In addition, World Taekwondo (1,712sq.m.) moved into Booyoung Taepyeong Building. On the other hand, the overseas shared office brand Regus closed their branch in the Standard Chartered Bank main building.

Due to the limited office building supply plan in Q4, new availability is expected to be reduced to office buildings completed in the recent two years until the first quarter of 2020

GBD

GBD's vacancy rate decreased 1.4pp to 2.1% in 3Q 2019. Samsung Securities contracted three floors (2,808sq.m.) in Gangnam N Tower, Hyundai Motor expanded with two floors (7,901 sq.m.) in Autoway Tower and contracted three floors (6,685 sq.m.) in Luchen Tower, all leading the vacancy rate to drop.

Major relocation cases during the quarter included contracts by shared office brand TEC (2,018sq.m.) to lease Gangnam Finance Center and KB Securities (1,518sq.m.) to lease Textile Center.

Monthly average rent increased by about 1.3% YoY to KRW28,862/ sq.m./month.

The vacancy rate in GBD is expected to remain tight due to sustained demand and limited supply on the horizon.

YBD

YBD's vacancy rate decreased 1.2pp to 8.1% in Q3 2019. The vacancy rate has fallen sharply since Q2 2018 and is now at its lowest since the completion of IFC in 2012, reflecting strong demand for YBD from the finance sector and particularly new asset management companies.

Monthly average rent increased approximately 0.9% YoY to KRW23,677/ sq.m./month.

Vacancy rates in YBD are expected to drop in Q4 of 2019 due to high demands from new asset management companies as well as landlords' engagement in competitive marketing (e.g. incentive offerings) targeting leaseholders in anticipation of large office buildings opening in 2020.

Pangyo

Vacancies at Pangyo effectively became 0.0% with an IT company leasing the Hyundai Department office building. Pangyo, which has continued to experience an ultra-tight vacancy rate since 2018, has again absorbed the all the remaining stock amid high demand from IT companies.

The monthly average rent increased by about 3.4% YoY to KRW17,798/sq.m./month. With continued leasing demand, rental growth is expected to remain on a gradual uptrend.

A Cushman & Wakefield Research Publication

www.cushmanwakefield.com

SEOUL OFFICE MARKETBEAT SEPTEMBER 2019

Philip Jin
Senior Manager
Research, Seoul, Korea
6F Seoul Finance Center
136, Sejong-daero, Jung-gu
Seoul, 100-768, Korea
Tel: +82 2 318 8322
Fax: +82 2 318 8323
Philip.jin@cushwake.com

SUBMARKET	INVENTORY (Sq.m.)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION* (Sq.m.)	GRADE A NET FACE RENT**		
				KRW/Sq.m./MO	US$/Sq.m./MO	EUR/Sq.m./MO
CBD	3,485,971	12.4%	531,981	32,792	US$27.36	€24.96
GBD(Gangnam)	2,514,435	2.1%	350,117	28,862	US$24.08	€21.96
YBD(Yeouido)	1,562,248	8.1%	661,820	23,677	US$19.75	€18.02
SEOUL GRADE A TOTAL	**7,562,653**	**8.1%**	**1,543,918**	**29,576**	**US$24.67**	**€22.51**
Pangyo	600,526	0.0%	220,338	17,798	US$14.85	€13.54

**2019~2023 **Rental Rates: Face Rent Average*
Exchange Rate as at September 2019: 1USD = KRW1,201,1€ = KRW 1,312

KEY LEASING TRANSACTION Q3 2019

PROPERTY	SUBMARKET	TENANT	SQ.M.	LEASE TYPE
Concordian building	CBD	Hyundai Engineering & Construction TF	13,094	New Leasing
City Square	CBD	Yido Construction	3,561	Relocation
Booyoung Taepyeong building	CBD	World Taekwondo	1,712	Relocation
Gangnam N tower	GBD	Samsung Securities	4,592	Relocation
Luchen tower	GBD	Hyundai Motor Company	6,685	Relocation
Gangnam Finance center	GBD	TEC	2,018	New Leasing
SK Securities building	YBD	Alpha Asset Management	824	Relocation

SIGNIFICANT PROJECTS PLANNED / UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ.M.	COMPLETION DATE
Donuimun 3 District (Gate Tower)	CBD	-	84,823	2020.2Q
Namdaemun Urban Renewal District	CBD	-	125,367	2020.2Q
Park 1	YBD	-	393,305	2020.3Q
Korea post	YBD	-	68,431	2020.4Q
HJ tower	GBD	-	41,706	2020.4Q

A Cushman & Wakefield Research Publication

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of $8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

www.cushmanwakefield.com