MARKETBEAT

SEOUL

Office Q1 2020

	YoY Chg	12-Mo. Forecast
4,749,174원* Median HH Income	▲	▲
71,481명 Population Growth	▲	▲
4.1% Unemployment Rate	▼	▲

Source: KOSIS , STATISTICS KOREA, BANK OF KOREA

** Based on 4 person household*

S. KOREA ECONOMIC INDICATORS Q1 2020

	YoY Chg	12-Mo. Forecast
2.0% GDP Growth	▼	▼
105.5 Consumer Price Index	▲	▲
56 Business Survey Index(BSI)	▼	▲

Source: BEA, Census Bureau

ECONOMIC OVERVIEW

As the Covid-19 virus started to spread throughout the globe in 2020 Q1, it is making a great impact to the economy. The decrease in consumption activity caused by Covid-19 led to the decrease in domestic demand, causing a negative impact on businesses throughout the country. In addition, due to the domestic economy's high degree of dependence on foreign countries, the suspension of overseas factories has had a major impact on the economy. As a result, the OECD recently adjusted its 2020 GDP forecast for Korea from 2.3 to 2.0. During this economic downturn, the Bank of Korea announced the supply of unlimited liquidity, but it is highly likely that the demand for office leasing will decrease due to the financial difficulties that many companies are facing.

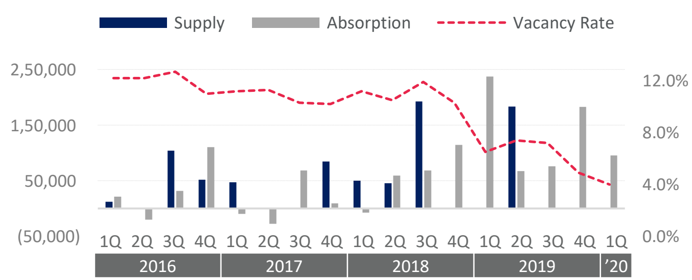
SUPPLY OR DEMAND: The vacancy rate was fell in 2020 Q1, However the vacancy rate expects to be increased due to Covid-19

The average vacancy rate of A grade Office Building in 2020 Q1 was 4.04%, showing a pattern of consistent decline. Despite the spread of Covid-19 slowing down the leasing market during 2020 Q1, most of the leasing contracts were completed during the beginning of the year, therefore it did not make a significant impact to the vacancy rate. However, as Covid-19 will have a direct impact in 2020 Q2, it is being forecasted that it will negatively affect the vacancy rate. Following on from the previous quarter, during 2020 Q1, CBD was at the center of major leasing activities within the city. Specifically, the relocation of big investment companies stood out the most. Deutsche Securities (4,511sqm) and Macquarie Securities (5,815sqm), who had been leasing in Yeongpung Building and Hanwha Chemical Building respectively for a long period, have decided to relocate to Centropolis. In addition, to celebrate MBK Partners´ acquisition of Lotte Card, they signed a lease contract for 'Concordian Building'. As a result, Centropolis and Concordian building achieved high occupancy rates, which led to the vacancy rate of CBD to drop by 2.09%, the largest drop between the districts in the city, recording a vacancy rate of 6.23%. The vacancy rate of GBD is similar to the previous quarter (1.58%), maintaining the lowest vacancy rate within the office market. GBD is expected to see an increase in vacancy rate due to the relocation of the law firm BKL and Doosan Bundang Centre. YBD district has recorded a vacancy rate of 4.26% in 2020 Q1, showing a pattern of continuous decline. The YBD vacancy rate was able to stabilize due to IFC recording a single digit vacancy rate. Although the vacancy rate in Seoul's major office districts has stabilized, the outbreak of Covid-19, alongside the addition of office supply by SG Tower (125,373sqm), Park One (213,954sqm), and Post Tower (69,103sqm) in 2020 2H, the increase in vacancy rate is seen to be inevitable.

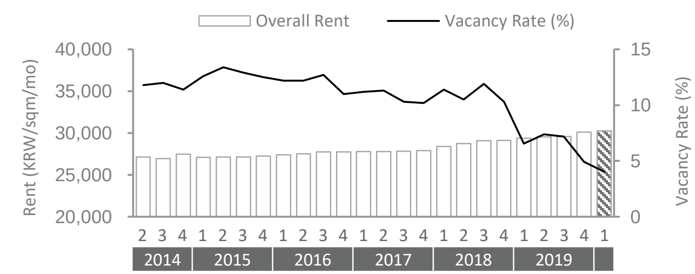
PRICING: The Face rent was increased by around 1% YoY

The average face rent of A grade Office Building in 2020 Q1 was 97,114 won / pyeong. By region, the face rent of Pangyo district rose 2.6% YoY, recording the highest increase rate, followed by GBD (1.39%), YBD (0.74%) and CBD (0.42%). It is seen that the market that leans favorably towards the landlords show a higher increase rate.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Source: C&W Research

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MARKET STATISTICS (A GRADE BUILDING)

SUBMARKET	INVENTORY (SQM)	DIRECT VACANT (SQM)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SQM)	YTD OVERALL NET ABSORPTION (SQM)	UNDER CNSTR (SQM)	OVERALL AVG ASKING RENT (KRW)*
CBD	3,033,086	188,944	6.23%	63,517.41	63,517.41	228,728	35,228
GBD	2,963,612	46,836	1.58%	-891.51	-891.51	212,296	28,854
YBD	1,318,134	59,916	4.55%	2,410.39	2,410.39	529,419	24,965
SEOUL TOTALS	**7,314,832**	**488,664**	**4.04%**	**65,036.29**	**65,036.29**	**970,443**	**30,273**
Pangyo	600,526	0	0.0%	-	-	-	17,743

Rental rates do not reflect full service asking

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
State Tower Namsan	CBD	Starbucks	7,174	Relocation
Condordian	CBD	Lotte Card	19,839	Relocation
Condordian	CBD	Serve One	6,097	Relocation
Signature Tower	CBD	Skechers	2,807	Relocation
GT Tower	GBD	Zigbang	3,774	Relocation

**Renewals not included in leasing statistics*

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