

Retail

Market Facts

97.3

2023 CCSI decreased by 1.7%, y-o-y

1.4%

2023 Korea Economic Growth Rate decreased by 1.3%p, y-o-y

508 billion won

2023 retail store transaction volume decreased by 87.8%, y-o-y

29,000 py

2023 retail store completion volume decreased by 81.4%, y-o-y

6 Closures

2023 retail store closure cases decreased by 1 case, y-o-y

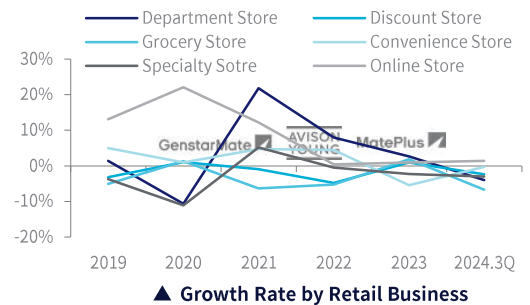
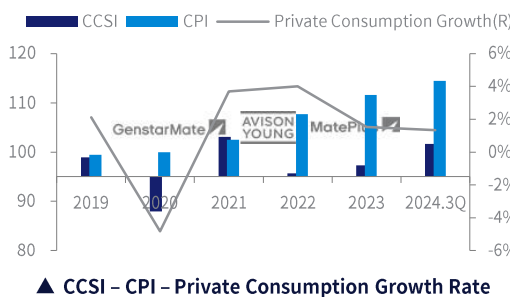
Domestic Consumption

In 2023, South Korea's economic growth rate declined by 1.3%p year-on-year, recording 1.4%. This marks a continued downturn since the strong rebound in 2021. The Bank of Korea adjusted its economic growth forecast for the year downward to 2.2%, citing increasing challenges in global trade conditions.

The Consumer Price Index (CPI) for 3Q 2024 was 114.4, with the decline in petroleum prices contributing to overall price stability. Except for agricultural products affected by extreme heatwaves, inflation remained relatively contained. However, delays in domestic recovery, particularly in the construction sector, negatively impacted economic sentiment. As a result, the Consumer Sentiment Index (CSI) for September 2024 fell by 0.8%p from the previous month to 100, continuing a two-month decline since July's 104.

Retail sales in 2023 were impacted by prolonged high inflation and interest rates. Department stores, which recorded the highest growth rate of 8.0% last year, saw their growth slow to 2.7%. Discount stores, after experiencing negative growth in 2022, rebounded to 0.9% due to policy changes like the shift of mandatory closing days to weekdays in some regions and ongoing structural improvements by major retailers.

Convenience stores and online stores, which had achieved peak growth during the pandemic, have continued to decline since 2021, recording rates of -5.4% and 1.0%, respectively. While consumer prices have recently stabilized, cumulative cost-of-living increases and intensified competition in the market are expected to hinder a dramatic recovery in the retail sector in the near future.

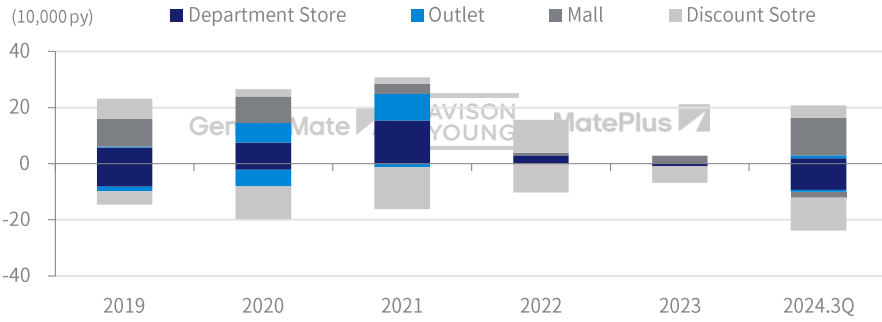


Source: KOSIS, BOK

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Supply Market

New Supply by Retail Business



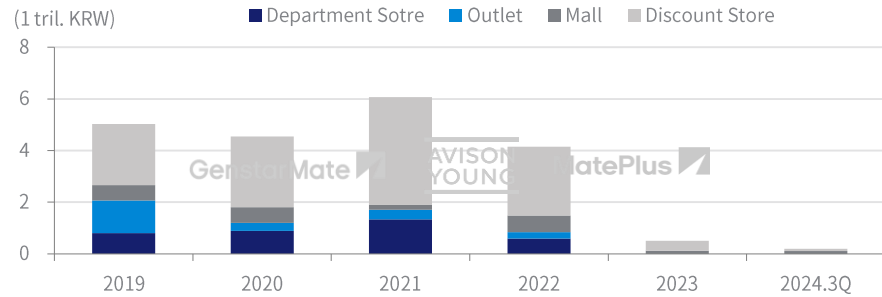
Source: GenstarMate Research

Major Store Renewal Cases (2023~3Q 2024)

Previous Store Name	Current Store Name	Business	Address	Open Date
E-MartKintex	The Town Mall Kintex	Mall	Goyang-si, Gyeonggi	2023.3Q
LotteMall/Department StoreSuwon	Time Villas Suwon	Mall	Suwon-si, Gyeonggi	2024.2Q
Hyundai Department Store Busan	Connect Hyundai Busan	Department Store	Dong-gu, Busan	2024.3Q
E-MartJukjeon	StarfieldMarket Jukjeon	Discount Store	Yongin-si, Gyeonggi	2024.3Q

Investment Market

Transaction Volume by Retail Business



Source: GenstarMate Research

Transaction Volume by Purpose



Source: GenstarMate Research

Major Transaction Cases (2023~3Q 2024)

Chain & Location	Business	Address	Price (0.1 bil. KRW)	Date	Seller	Buyer
Homeplus Naedang	Discount Store	Seo-gu, Daegu	630	2023.3Q	Homeplus	Hyewoo
Homeplus Gwangju Gyerim	Discount Store	Dong-gu, Gwangju	473	2023.4Q	Homeplus	JUNGWON HOUSINGDEVELOPMENT
Homeplus Suncheon Pungdeok	Discount Store	Suncheon, Jeollanam-do	400	2024.1Q	Homeplus	The First Intension
Enter 6 Park Avenue Hanyang Univ.	Mall	Seongdong-gu, Seoul	1,112	2024.3Q	POSCO Eco & Challenge	GRE Seoul Forest The Sharp PFV
Homeplus Bucheon Sosa	Discount Store	Bucheon-si, Gyeonggi	415	2024.3Q	Homeplus	FIRSTC&D

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Due to continued weak performance, offline retailers have limited new store openings, resulting in only 1 new supply case in 2023 and seven by the end of 3Q 2024. The supply area for 3Q 2024 reached 208,000 py, returning to average levels, mainly due to store closures and reopening as remodeled facilities.

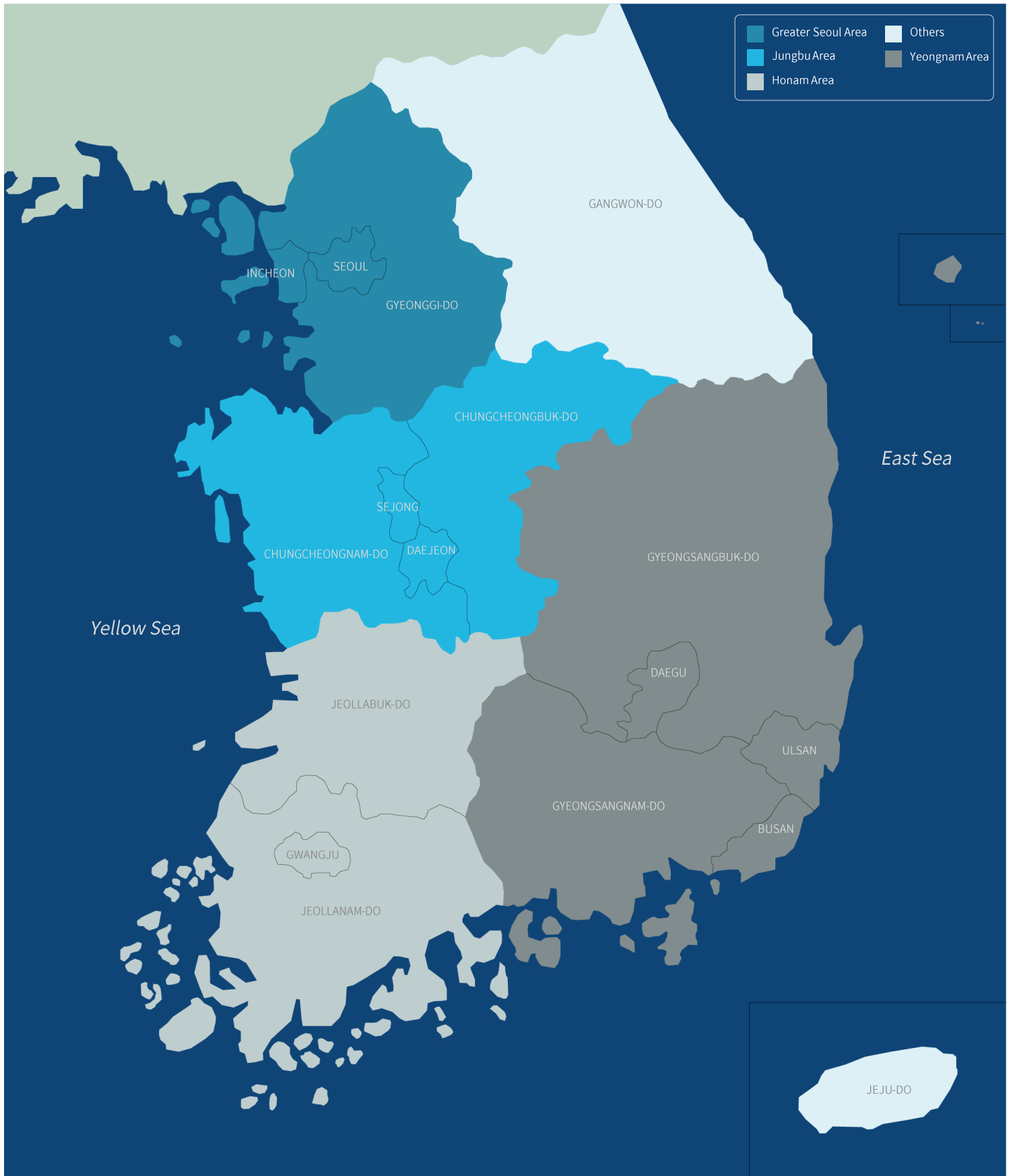
As of 3Q 2024, discount stores saw the highest closure cases, with 8 cases reported. Many retailers are reportedly closing stores and selling them to improve operational efficiency.

Conversely, shopping malls recorded 130,000 py of new supply in 1Q 2024, led by Starfield Suwon. Department stores and malls, unlike discount stores, continue to plan large projects, such as The Hyundai Gwangju and Starfield Village Sindorim. Amid economic slowdowns, consumption has polarized between cost-effectiveness and premium segments, favoring malls and department stores with cultural and experiential offerings.

In 2023, 4 large retail facility transactions occurred, with total volume declining 87.8% year-on-year to 508 billion KRW. As of 3Q 2024, the transaction volume stood at 193.6 billion KRW, mainly for redevelopment into residential or office spaces. Notable 2023 transactions include Homeplus Naedang and Gwangju Gyerim stores sold to local firms. The Naedang store is negotiating closure, while the Gwangju Gyerim store will be demolished in late 2024 for a residential project.

By 3Q 2024, 2 discount stores and 1 mall transaction were reported, including 2 Homeplus stores (Suncheon Pungdeok and Bucheon Sosa) acquired by First C&D.Co. and Enter-6 Park Avenue Hanyang University branch, set for office purpose conversion.

Major retailers, such as Lotte Department Store and Homeplus, are selling properties to secure liquidity. However, slow recovery in the retail investment market is expected due to dwindling redevelopment opportunities and ongoing economic uncertainties.



GenstarMate:

Publisher	Jinwon Choi, CEO
Publication	16, Euljiro 5-gil, Jung-gu, Seoul
Registration Date	2021.02.24

Editor	GenstarMate Real Estate Institute
Registration No.	서울중,바00230
Publication Date	2024.12.30

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