

# Seoul (INVESTMENT)



## Market Facts

### DISTRICT

CBD : Central Business District  
 GBD : Gangnam Business District  
 YBD : Yeouido Business District  
 Others : Other Business District

### CLASS

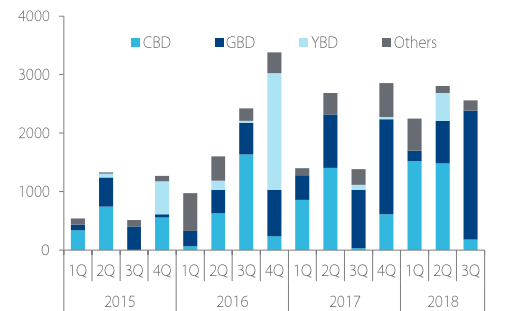
class A : GFA above 33,058 m2  
 class B : GFA  
           from 9,917-33,058 m2  
 class C : GFA below 9,917 m2

## Market Overview

The Seoul office transaction volume ended the third quarter with KRW 2.5 trillion, decreased by KRW 0.2 trillion compared to last quarter. However, the record increased by 85.1% compared to a year ago and it's the biggest transaction ever that happened in the past any third quarters, just like the previous quarter. As a result, the total amount of transaction volume, up until the third quarter of 2018 is KRW 7.6 trillion (KRW 8.9 trillion when BBD included) showing 91% of the biggest transaction volume ever that occurred in 2016.

Although there was an upturn in GBD, the overall unit price of Seoul decreased by 1.1% q-o-q, recording KRW 19,349, due to the drop in the Others. Certainly the biggest transaction volume is expected this year since there are still few buildings

such as HP Building(Deal Closed in 3/10), Centro Polis, Center Place –all of which Avison Young Korea has arranged the sales-in the process of being sold.

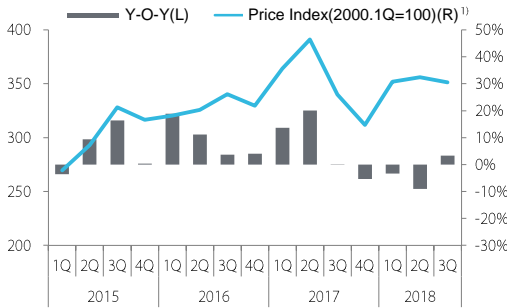


Graph 1. Investment Volume (KRW billion)

## Transaction Trend

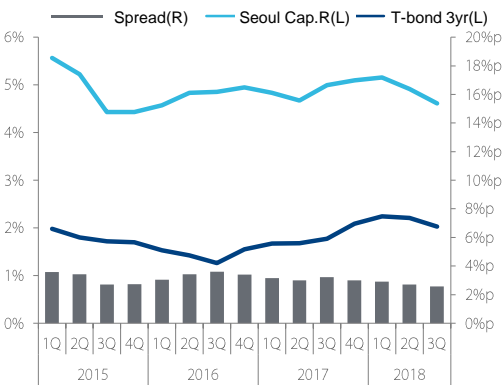
The Seoul office price index for the for the third quarter is 351, higher than the previous quarter by 3.4%(increased by 9% y-o-y), due to the fact that the transactions in Others were concluded at relatively low prices.

**Graph 2. Price Index**

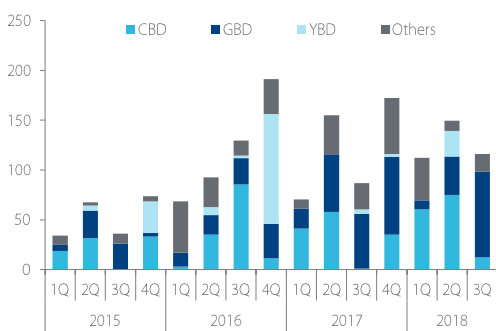


1) Avison Young Korea has been producing Seoul Office Price index since the second quarter of 2009 for the first time in Korea. The Index is based on a Hedonic Price Model that has been in use for a long time in domestic and overseas academia and research institutes.

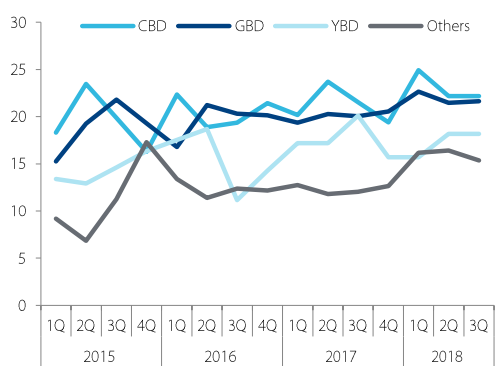
**Graph 3. Cap. Rate**



**Graph 4. Transaction Area (Unit: Thousand Pyeong)**



**Graph 5. Unit Price (Unit: KRW Thousand / Pyeong)**



The Seoul Cap. Rate for the third quarter is 4.6% showing 2.6%p higher than the 3-year bond yield but the Cap. Spread is 0.1%p lower than the previous quarter. Although the treasury bond rate decreased by 0.2%p, the CBD's Cap. Rate drop exceeded 0.2%p, resulting in the total decrease of the Cap. Spread.

The Cap. Rate for each district is 4.9% for CBD, 4.4% for GBD, 4.1% for YBD and 5.8% for Others. The Cap. Rate for CBD decreased by 0.1% while the Cap. Rate for GBD and Others increased by 0.2%p and 0.4%p respectively.

**Major Transaction**

In the third quarter, there were transactions of 20 office buildings(31 buildings including BBD), which is 383,157m<sup>2</sup>(115,905 pyeong) in total. Among them, 13 are GBD, which is 284,112m<sup>2</sup>(85,947 pyeong), taking up 74% of total transaction area.

In second quarter, there was one transaction in CBD with the volume of KRW 0.2 trillion when there was 5 with KRW 1.5 trillion transaction volume in the previous quarter. The transacted Samil Building was designed by a famous architect, Jung Up Kim, and built in 1970s. The building not only reflects the Korea's industrialization but also used to keep the record as the tallest building before the 63 building was built.

In the case of CBD, the office transaction volume recorded KRW 2.2 trillion, which is a 203% increase compared to the last quarter, thanks to the class A office's remarkable transactions. Among the transacted buildings, Gangnam P Tower and Platinum Tower closed through the Share Deal method. Gangnam N Tower and Samsung C&T Seocho Building recorded the highest unit price ever, at the time of transaction.

The transaction volume in the Others was KRW 0.2 trillion, showing 44.5% increase compared to the last quarter. There were six office buildings transacted. class B buildings, YP Center and Dragonfly DMC Tower were transacted at KRW 44.1 billion and KRW 43.5 billion respectively but their unit prices were relatively low with KRW 6.8 million, KRW 7.3 million. On the other hand, Donga Building and KT Gongreung Building, which are both class C, were transacted at comparatively high unit price, KRW 12.9 million, KRW 22.5 million respectively. This was due to the Value-add plan.

Table 1. Major Transactions

District	Building Name	GFA (m <sup>2</sup> )	Transaction Price (KRW billion)	Unit Price (KRW thousand)	Seller / Buyer
CBD	Samil Building	40,836	178.0	14,409	Small Rock Investment / IGIS Asset Management
GBD	Gangnam P Tower	44,129	318.0	23,822	Koramco REITs & Trust / Koramco REITs & Trust
	Platinum Tower	31,835	(e)214.0	(e)22,222	Mirae Asset Management / Mirae Asset Management
	Gangnam N Tower	51,127	452.5	29,258	Yeoksam PFV / KB Real Estate Trust
	Gangnam Finance Plaza	24,179	183.0	25,022	Pebble Stone Asset Management / Mastern Investment Management
	Samsung C&T Seocho Building	81,117	748.4	30,500	Samsung C&T / Koramco REITs & Trust
	Narae Building	13,974	78.5	18,572	JS Asset Management / Pebble Stone Asset Management
	Harim International Building	14,235	67.0	15,561	Private / K Asset Management
Others	YP Center	21,527	44.1	6,722	ARA Korea / Bon IF
	KT Gongreung Building	7,445	50.6	22,474	KT AMC / Correctional Mutual Aid Association
	Dragonfly DMC Tower	19,742	43.5	7,284	Dragonfly / E-Sang Networks
	Donghwa Building	35,269	13.8	12,923	Seoul Hyundai Technical College / Koramco Asset Management



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