

Office(Seoul)



Quick Stats

8.2%

Overall vacancy rate increased by 1.0%p q-o-q

530,940 sqm

Gross floor area of buildings completed in the third quarter

₩23,189/sqm

Average rental rate increased by 1.7% in the past 12 months

₩5.2 trillion

Total office transaction volume increased by 192.3% q-o-q

₩6.4 million /sqm

Average unit sale price increased by 4.5% q-o-q

Market Overview

The overall transaction volume reached 5.2 trillion KRW, up 192.3% KRW q-o-q, and up 66.7% y-o-y. The overall vacancy rate of Seoul in the third quarter is 8.2%, up 1.0%p q-o-q due to the vacancy increase in YBD. However, the rise in the vacancy rate is mainly influenced by new prime offices that were completed in YBD this quarter. Excluding new supply in YBD, the vacancy rate is 5.8%, down 0.6%p q-o-q. YBD stock increased 10.2% q-o-q, due to the completion of Parc.1 Tower 1 (225,000 sqm), Parc.1 Tower 2 (162,000 sqm) and KB Kookmin Bank HQ (68,000 sqm).

Supply and Vacancy

The overall supply in Seoul in the third quarter is 530,940 sqm, which is the largest area supplied since 2012 2Q. New offices were completed across all business districts in Seoul. YBD added three prime offices Parc.1 Tower 1 (225,000 sqm), Parc.1 Tower 2(162,000sqm) and KB Kookmin Bank HQ (68,000sqm). CBD added one class A office, Samil Building (35,000 sqm) which has been remodeled.

The overall vacancy rate in Seoul reached 8.2%, up 1%p q-o-q due to the vacancy rate increase in YBD influenced largely by the prime offices that were added to YBD this quarter. The vacancy rate excluding new buildings in fact dropped slightly q-o-q.

The vacancy rate in CBD is 10.7%, down 0.1%p q-o-q. However, the vacancy rate excluding new buildings is 8.3%, down 0.1%p q-o-q. The vacancy rate dropped despite new office supply due to new tenants relocating to prime (Standard Chartered Bank Head Office, Eulji Twin Tower) and class B2 offices. There will be no new supply in the 4Q.

GBD's vacancy rate is 3.9%, down 1.0%p q-o-q

and the vacancy rate excluding new buildings is 3.7%, down 1.1%p q-o-q. There were four new offices supplied to GBD, including Donggung Richwell(18,000sqm), and The Pinnacle Yeoksam(14,000 sqm), but their effect on the vacancy rate was minimal. Teheranro submarket had the largest—2.0%p—vacancy drop q-o-q. GBD will add several offices including HJ Tower(42,000 sqm) to its stock in 4Q, but their effect on the vacancy rate is expected to be minimal.

YBD's 3Q stock increased 10.2% q-o-q, driving up the vacancy rate to 15.3%, up 9.9%p q-o-q. However, the vacancy rate excluding new buildings recorded 5.0%, down 0.3%p q-o-q. YBD will add another prime office, Post Tower(73,000 sqm) to its stock in the East Yeouido submarket next quarter.

The vacancy rate in 'Others' district recorded 5.9%, down 0.6%p q-o-q, recording the lowest vacancy rate since 3Q 2014. The net absorption area continuously recorded positive since 4Q 2017 due to a boost in occupancy rate in prime and class B1 offices. 'Others' district will add two prime offices and several other classes to its stock in 4Q.

Rental Rates

The monthly rent in the Seoul office market is KRW 253,000 per sqm, up 0.1% q-o-q and up 1.7% y-o-y. CAM fee remained constant q-o-q, and up 1.6% y-o-y. However, as seasonal rent adjustments begin in 4Q, rent is expected to rise next quarter. The YBD market had the highest rise, 0.7% q-o-q, thanks to some prime and class A buildings. GBD's rent increase was 0.2% q-o-q, mostly pushed by class A offices.

Investment Sales

The total transaction volume of office buildings in Seoul is 5.2 trillion KRW, up 3.4 trillion KRW(192.3%) q-o-q. This quarter, the Seoul market reached its largest quarter transaction volume in history.

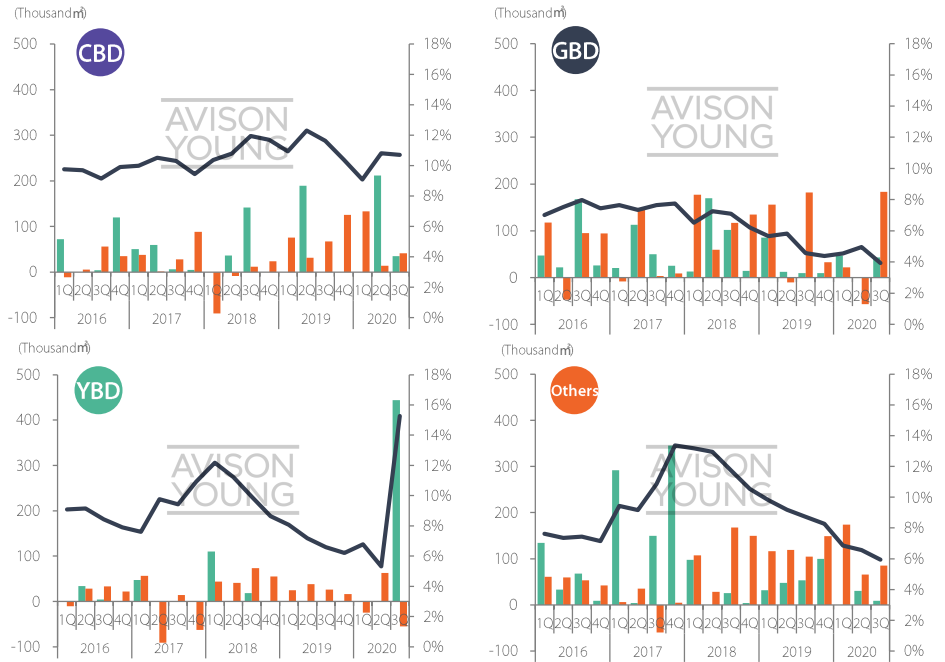
70% of the transaction volume came from CBD where mostly prime offices were sold. GBD also recorded 1.4 trillion KRW transaction volume, up 28.3% q-o-q. However, transaction volume in Others was 424 billion KRW, down 342 billion KRW q-o-q. As for major transactions, in CBD, PineTree Investment & Management acquired SG Tower at 939.3 billion KRW. Mastern Investment Management bought Centre Point Donuimun at 655.8 billion KRW. In GBD, Korea Real Estate Investment & Trust acquired Hyundai Marine & Fire Insurance building at 360.5 billion KRW.

Transaction unit price per sqm recorded 6.5 million KRW, up 284,000 KRW (4.5%) q-o-q. GBD's unit price per sqm recorded 8.4 million KRW followed by CBD which recorded 8.0 million KRW. Hyundai Marine & Fire Insurance building's unit price reached 10.3 million KRW per sqm, the highest unit price in the history of the Seoul office investment market.

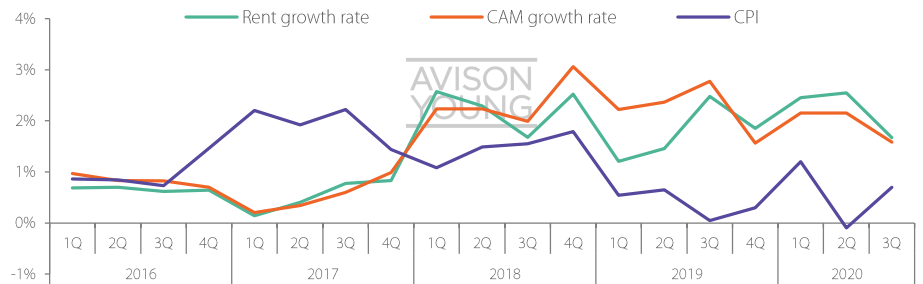
The bullish outlook for the market continues and there are numerous buildings scheduled for transactions in the 4Q. The list includes prime offices such as Yeoksam WeWork Tower, Parc.1 Tower 2, Nonhyun Doosan E&C HQ, and the Pinnacle Gangnam.

The cap rate of the Seoul office recorded 4.1% down 0.1%p q-o-q. Cap Spread remained at 3.3%p which is the same as last quarter.

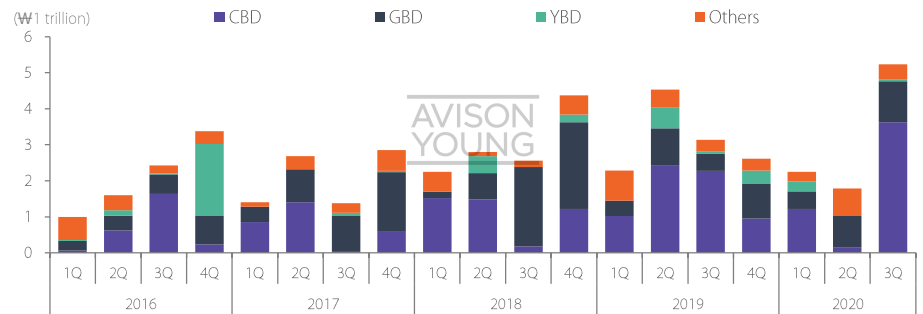
Absorption, Completions & Vacancy



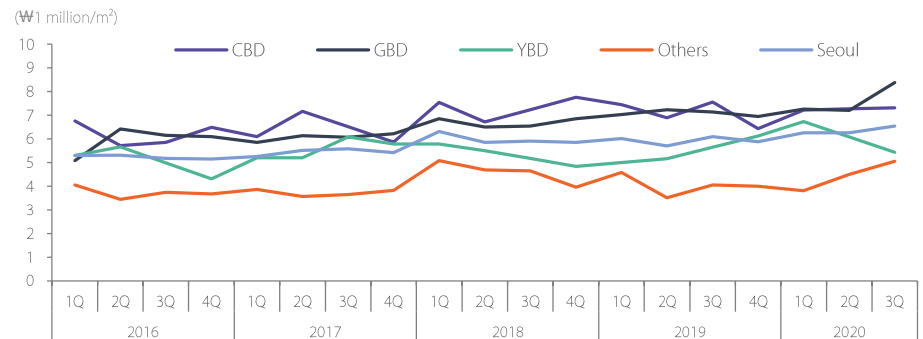
Quarterly Rent and CAM



Transaction Volume



Average Sale Prices



Market by the numbers

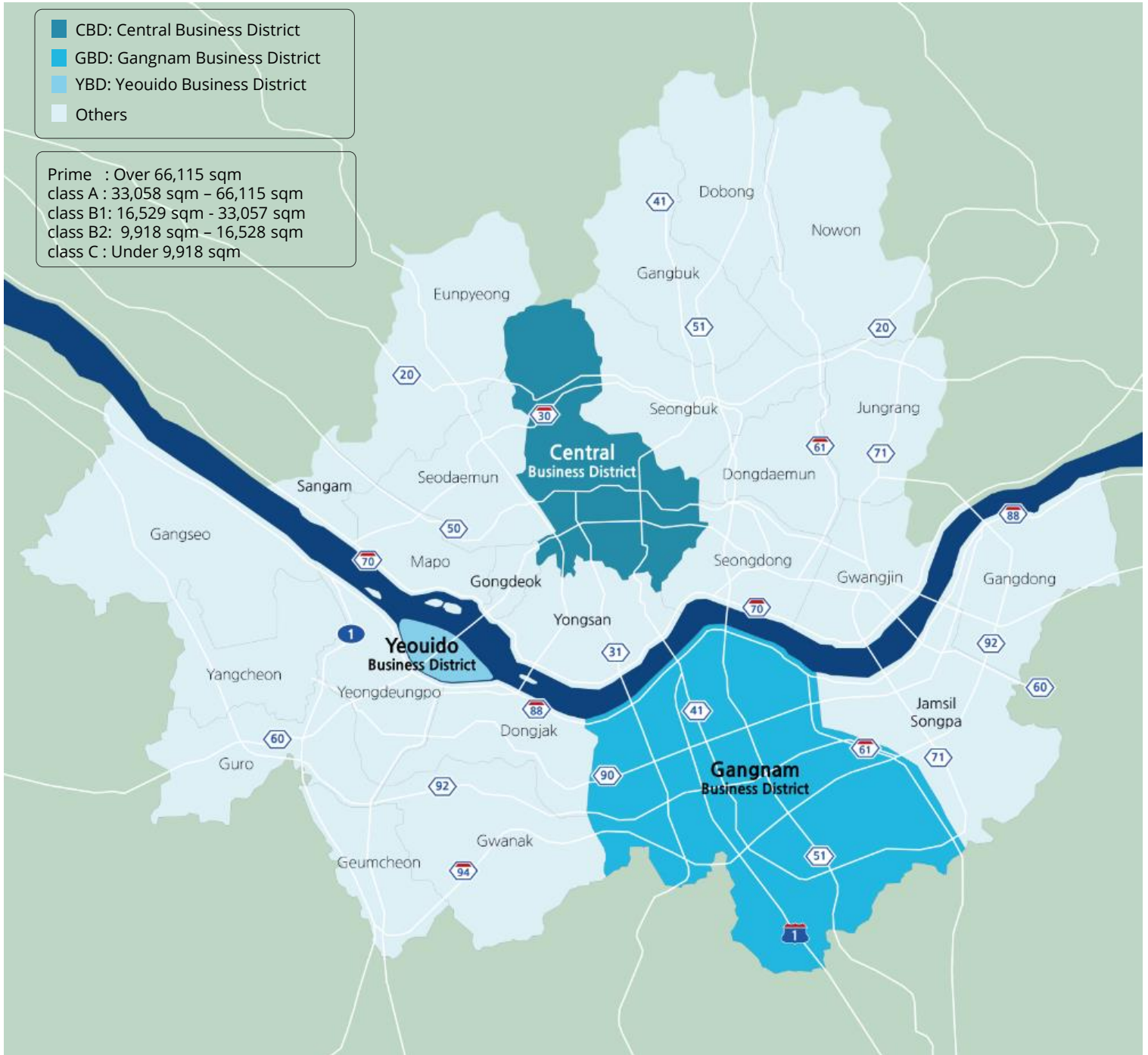
BY SUBMARKET	Vacancy Rate				Monthly Rent(W/sqm)				CAM(W/sqm)				Quarterly New Completion (sqm)
	Total	Prime	Class A	Class B1	Total	Prime	Class A	Class B1	Total	Prime	Class A	Class B1	
Gwanghwamun-Sinmunro	14.0%	38.2%	5.2%	4.6%	25,443	26,305	29,467	18,515	10,266	9,914	11,565	8,118	
Namdaemun	12.5%	16.1%	8.8%	12.0%	27,995	30,729	27,214	22,902	12,108	12,733	11,974	11,151	
Eulgiro	9.6%	9.0%	12.1%	7.0%	29,542	33,114	32,503	25,497	12,390	13,190	13,561	11,663	
Jongno	9.0%	10.6%	10.0%	2.7%	34,590	41,818	32,465	21,038	13,340	14,821	13,281	10,283	35,012
The rest of CBD	8.3%	3.0%	12.9%	5.5%	22,043	28,903	24,249	16,897	10,613	12,092	11,420	9,822	
CBD	10.7%	13.7%	9.5%	6.4%	28,707	34,226	29,270	21,748	12,010	13,250	12,385	10,491	35,012
Teheranro	4.6%	0.9%	5.7%	3.2%	27,019	32,781	27,045	24,240	11,203	12,453	11,300	10,748	32,625
Gangnamdaero	1.7%	2.1%	1.6%	1.7%	24,438	32,741	25,078	23,938	10,485	13,694	10,349	10,587	
The rest of GBD	4.2%	0.2%	2.6%	8.0%	18,554	16,564	21,010	18,902	8,964	9,042	9,806	9,170	10,530
GBD	3.9%	1.0%	3.9%	4.7%	23,907	29,997	24,846	22,211	10,373	12,038	10,661	10,137	43,155
West Yeouido	6.0%	1.0%	2.9%	9.6%	13,820	18,800	17,555	13,759	7,277	6,050	9,569	7,544	
Stock Exchange District	6.6%	4.8%	8.9%		26,797	31,581	22,346		12,190	13,190	11,367		
East Yeouido	22.2%	37.5%	1.5%	2.5%	21,250	27,322	18,343	17,376	10,109	12,242	8,946	8,806	443,857
YBD	15.3%	26.0%	5.8%	5.1%	21,607	28,302	20,505	16,037	10,235	12,154	10,359	8,339	443,857
Mapo	3.7%		0.8%	4.7%	14,157		14,683	14,247	8,165		9,217	8,219	
Yongsan	1.7%	0.4%	1.9%	4.8%	23,840	30,664	15,429	15,909	10,044	11,075	8,606	8,660	
Jamsil-Songpa	2.6%	2.3%	1.5%	3.4%	20,886	25,062	16,814	18,149	9,578	10,787	8,507	9,349	8,916
Sangam	9.2%	7.6%	10.1%	9.6%	12,640	13,581	12,142	11,892	7,818	8,238	7,516	7,829	
The rest of Others	7.5%	11.1%	4.2%	8.2%	15,312	14,971	17,063	15,809	8,319	8,894	9,377	8,505	
Others	5.9%	5.2%	5.2%	6.8%	16,597	21,173	15,395	15,461	8,617	9,822	8,671	8,498	8,916
Total Market	8.2%	12.1%	6.3%	5.9%	23,188	29,237	23,650	19,277	10,403	12,004	10,747	9,514	530,940

Major Third Quarter Leases

Tenant	Property	Type	Submarket	Rent Area(sqkm)
Eugene Savings Bank	Haesung1 Building	New Lease	GBD	11,570
Subsidiary of Kakao	EG Building	New Lease	GBD	8,595
Subsidiary of Toss	Korea Intellectual Property Service Center	New Lease	GBD	6,612
CJ Biological Resources	Eulji Twin Tower East	New Lease	CBD	3,306
Social News	Kbiz Small and Medium Sized Company DMC Tower	New Lease	Others	5,950

Major Third Quarter Transactions

Property	Market	Buyer	Seller	Area(sqkm)	Transaction Volume	Price/sqkm
SG Tower	CBD	PineTree Investment & Management	PTSG PFV	125,372	939.3 billion ₩	₩ 7.5 million
Centre Point Donuimun	CBD	Mastern Investment Management	Gate Tower AMC	86,225	655.8 billion ₩	₩ 7.6 million
CJ Cheiljedang Center	CBD	IGIS Asset Management	ARA Korea	80,387	583.6 billion ₩	₩ 7.3 million
Hyundai Marine & Fire Insurance Gangnam	GBD	KOREIT	Hyundai Marine & Fire Insurance	34,985	360.5 billion ₩	₩ 10.3 million
WeWork Building	GBD	Hana Alternative Asset Management	KTB Asset Management	20,126	167.4 billion ₩	₩ 8.3 million
D-Cube City(office)	Others	Keppel Investment Management	JR AMC	42,390	178 billion ₩	₩ 4.2 million



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