

# Investment



## Terms and Definitions

### Price Index

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.

### Class

Class A : GFA above 33,058㎡  
 Class B : GFA from 9,917㎡ to 33,058㎡  
 Class C : GFA below 9,917㎡

### District

CBD : Central Business District  
 GBD : Gangnam Business District  
 YBD : Yeouido Business District  
 Others : The rest district other than three major districts

### Unit

1 pyeong(py): 3.3058㎡



## Market Overview

In the 4Q 2018, the transaction volume of the Seoul office increased by KRW 1.8 trillion. It has reached a total of KRW 4.4 trillion, which is a 29% increase from KRW 3.4 trillion in the 4Q 2016 that recorded the highest transaction volume. This is due to the transaction of Centropolis, Belle-essence Hotel Redevelopment, which has a transaction volume of more than KRW 1 trillion.

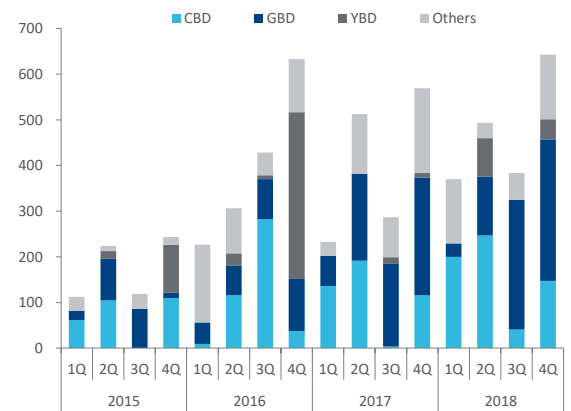
The Seoul Office Transaction Volume, which was traded in 2018, is KRW 11.9 trillion. This is the largest figure we have ever seen as it rose by 43% when compared to 8.4 trillion KRW in 2016.

### Transaction Trend

The Seoul office price index for the 4Q is 354. This is higher than the previous quarter by 0.9% (increased by 13.7% Y-o-Y). This is mainly due to the relatively high office prices traded in the CBD and GBD in the current quarter.

The Seoul Cap. Rate for the 4Q is 4.7% and it shows that the Cap. Spread is 0.2%p higher than the previous quarter as 2.8%p higher than the 3-year Treasury yield. This causes the

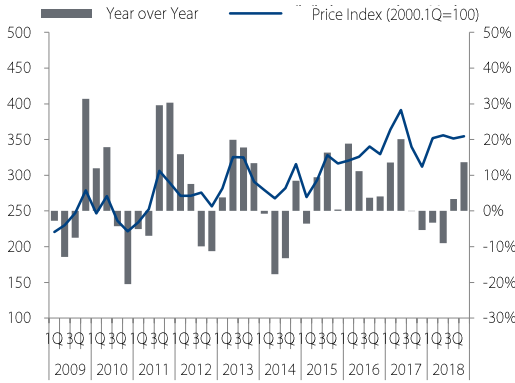
**Graph 1. Transaction Volume (KRW 1billion)**



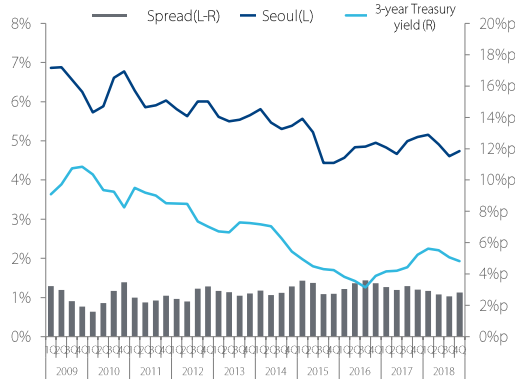
expansion of the Cap. Spread due to decline by 0.1%p in the 3-year Treasury yield in this quarter and rise in Cap. Rate for GBD and YBD.

The Cap. Rate for each district is 4.1% for CBD, 4.9% for GBD, 4.8% for YBD and 5.6% for Others. The Cap. Rate for CBD and Others decreased by 0.5%p and 0.1%p while the Cap. Rate for GBD and YBD increased by 0.5%p and 0.4%p respectively.

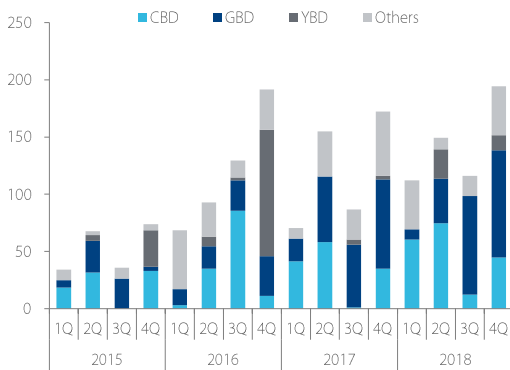
**Graph 2. Price Index**



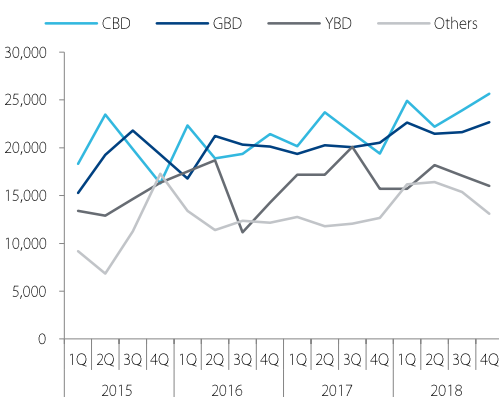
**Graph 3. Cap. Rate**



**Graph 4. Transaction Area(1,000 Pyeong)**



**Graph 5. Unit Price(KRW1,000/Pyeong)**



**Major Transaction**

In the 4Q, there were transactions of 23 office buildings (27 buildings including BBD), which is 642,713m<sup>2</sup>(194,420pyeong) in total. CBD and GBD led transaction volume growth with the transaction of Centropolis (135,538m<sup>2</sup>) and Belle-essence Hotel Redevelopment (238,000m<sup>2</sup>) respectively.

The unit price for each district is KRW 25.6million per pyeong for CBD, KRW 22.7 million per pyeong for GBD, KRW 16.0 million per pyeong for YBD, and KRW 13.0 million per pyeong for the others.

The CBD Transaction Market, which had only one Samil Building in the 3Q, had 3 transactions in the 4Q amounting at KRW 1.2 trillion (587% Q-o-Q). The offices that were traded in this quarter were Centropolis, Daeil Building and Seojin Building. In the case of Centropolis, it is the second largest trading volume in CBD following Gran Seoul, which is located on the opposite side. Meanwhile, the Daeil Building, which was sold to DGB Asset Management, remodeled last year, trading at KRW 26.3 million per pyeong in 2017. When compared to the year's completion (completed in 1970) of this building, the trading volume is relatively high.

The GBD office transaction volume for the current quarter was KRW 2.4 trillion, an increase of 9% (KRW 0.2 trillion) from the previous quarter. This is the largest transaction volume for the GBD quarter. This is strongly influenced by the Belle-essence Hotel Redevelopment (KRW 27.3 million per pyeong), which deals with approximately KRW 2.0 trillion. Furthermore, the transactions KG Tower, Park Building, and Isu Chemical Building which were traded in the form of REITs and Funds, have also affected the largest ever transaction volume for the GBD.

YBD, which did not have any transaction deals in the 3Q, had one trade deal with HP office building in the 4Q. The transaction volume was KRW 212.2 billion. The HP Building which was acquired by CBRE GI for KRW 190.0 billion in 2012, achieved a capital gain of KRW 22.2 billion over the course of 6 years.

The Others Transaction Volume increased by 203% to KRW 0.5 trillion from the previous quarter, the total transaction of 8 offices. From a sizing aspect, the trade deals show even distribution by having 2 trade deals for Grade A, 3 trade deals for Grade B and 3 trade deals for Grade C buildings. Among the trading deals, Yongsan the Prime was traded at KRW 0.1 trillion in 2014. Samsung Life Insurance Hapjeong Building achieved a capital gain of KRW 13.0 billion within three years after its purchase in 2016.

**Table 1.** Top Sale Transactions

District	Property Name	GFA(㎡)	Transaction Price (KRW 1billion)	Unit Price per Pyeong (KRW 1,000)	Seller / Buyer
CBD	Centropolis	134,394	1,122.1	27,601	Apple Tree PFV / LB Asset Management
	Seojin Building	4,377	30.5	23,043	Hyundai Green Food / Samsung Medical Foundation
	Daeil Building	8,886	70.8	26,337	Daeil Industries / DGB Asset Management
	Euro Building	3,217	29.0	29,805	Euro Trading / Seokchun Foundation
	Starting Building	3,312	29.3	29,241	Individual / Individual
	Belle-essence Hotel Redevelopment	238,768	(E) 2,000.0	(E) 27,690	McKin 237 PFV/ IGIS Asset Management
	Park Building	17,256	85.0	16,284	Geo Builder, Spectra, Samyang Chemical / Hanwha Asset Management
GBD	APP209 Tower	6,003	40.0	22,022	Solji / Individual
	Hwagyoung Building	4,631	29.5	21,062	Individual / One International
	KG Tower	12,764	94.6	24,500	KOTITI Test & Research Institute / Koramco REITs & Trust
	Yeoksam 688	7,200	45.5	20,889	Jinyoung Trading / Truck Welfare Foundation
	Isu Chemical Building	12,185	60.0	16,279	Isu Chemical / IGIS Asset Management
YBD	HP Building	43,835	212.1	16,000	CBRE GI Asset Management / IGIS Asset Management
	KT Jungrang Building	10,046	27.1	8,917	KT AMC / I home, Individual
	Samsung Fire & Marine Insurance Hapjeong Buildng	14,281	63.0	14,583	Ryukyung PSG Asset Management / GRE Partners Asset Management
Others	Yongsan the Prime	39,008	140.3	11,891	Koramco REITs & Trust / Shinhan Alpha REITs
	Samsung Life Insurance Dangsan Building	27,994	108.0	12,754	Samsung Life Insurance / MDM
	Digital Dream Tower	38,076	150.8	13,093	Mastern Investment Management / Nomura-Rifa Asset Management



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