



Quick Stats

8.5%

Overall vacancy down 60 basis points quarter-over-quarter

102,627 m²

Gross floor area of buildings completed in this first quarter

22,687 ₩/m²

Rental rate up 2.4% in the last 12 months

₩ 2.8 trillion

Total office sales volume during the first quarter of 2019

₩ 6.5 million

Price per m² of the office sales during the first quarter of 2019

Market Overview

Seoul's office market remained positive at the beginning of 2019. In spite of the supply of new buildings such as Hoban Park Tower 1 and KD Tower, there was a 0.6%p drop quarter over quarter in the vacancy rate. Investors spent 2.8 trillion KRW in the first quarter of 2019, which is decreased by 52% compared to last quarter. However, it recorded the second largest transaction volume among the past 1Q transaction records, just below that of 1Q of 2018

Supply and Vacancy

The Seoul office market's positive trend at the end of 2018 continued in the first quarter of 2019. The vacancy rate for the Seoul market dropped 60 basis points quarter over quarter to 8.5% due to the lowering vacancy rate in all submarkets. The vacancy rate in Seoul has been falling for 9 consecutive months since July of 2018.

The CBD market saw a decrease in the first quarter of 70 basis points and ended with a 11.0% vacancy rate, thanks to relocation from other districts and advance of such co-working operators as Justco and Sparkplus into the CBD market.

Despite the supply of new buildings such as Hoban Park Tower 1 and Peyto Place, the GBD market recorded 5.6%, which is a 0.5%p drop from the previous quarter. This is because of steady demands from IT companies and global corporations in and outside GBD.

The vacancy rate for the YBD market dropped by 0.6%p quarter over quarter, recording at 8.1% as new tenants moved into some Prime Class buildings which are solving the vacancy issues through aggressively leasing marketing.

In Others, which covers the rest districts except three major business districts in Seoul, the vacancy rate amounted to 9.7% with a 0.7%p drop from the last quarter, thanks to new tenants moving into the buildings in Songpa-Jamsil area that were newly supplied in last two years. Net absorption of Others was positive for the six straight quarters since the fourth quarter of 2017.

As there are some new Class A office buildings such as Summit Towers scheduled to be supplied in the next quarter, knock-on effects are expected in the vacancy rate for the following quarter due to relocation of tenants.

Rental Rates

The monthly rent in the Seoul office market rose up to 2.4% year over year to KRW 22,687 per square meter in the first quarter which is the seasonal adjustment period of lease terms. The office rents rose in all grades, in particular, the YBD market had the highest rise thanks to some Prime Class buildings. The office rent in the new quarter is expected to stay similar to the first quarter as the usual rent adjustment period has passed.

Meanwhile, the CAM fee for the Seoul office market amounted to KRW 10,188 per m^2 , which is a 2.6% increase from the last first quarter.

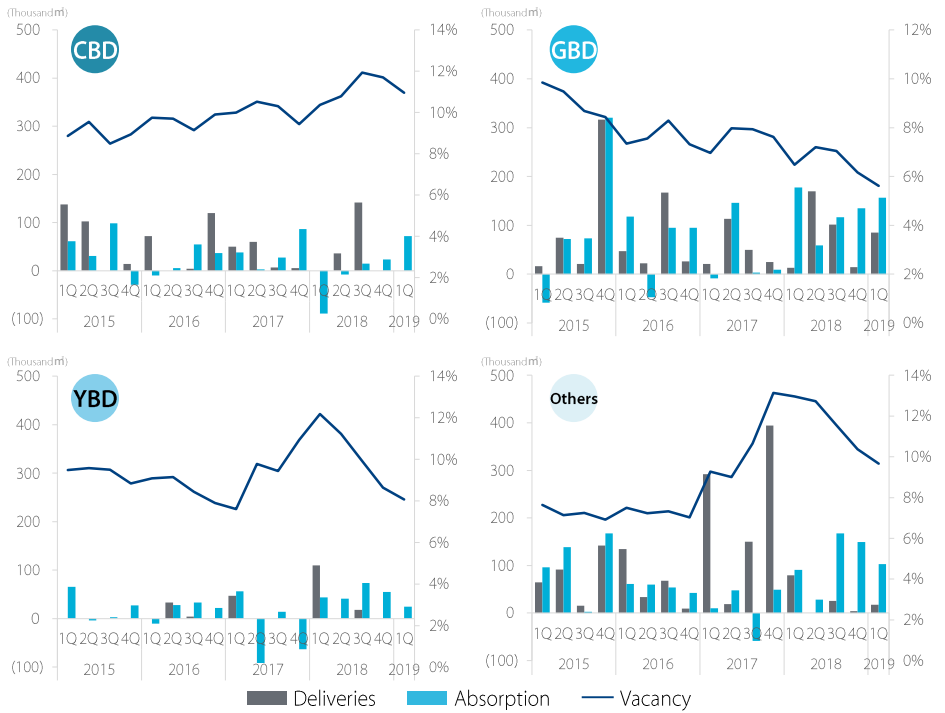
Investment Sales

The Seoul office transaction volume ended the first quarter with KRW 2.8 trillion, which was decreased by 52% compared to the last quarter. There were few transactions in the first quarter but Seoul Square and Samsung SDS West Tower was transacted at approximately KRW 1 trillion and KRW 0.6 trillion, respectively, which recorded the second highest transaction price among the past 1Q records, just below the record of 2018.

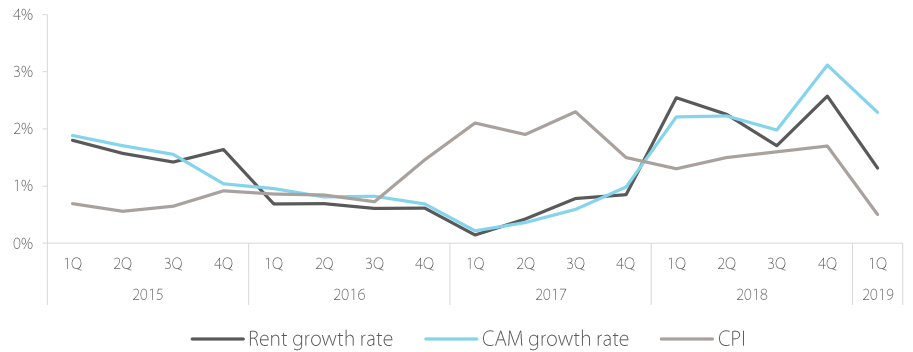
The overall unit price of Seoul office market was increased by KRW 6.5 million per square meter. The unit price spiked mainly due to Samsung SDS West Tower in the Others market, which was transacted at a comparatively high unit price, KRW 6.9 million per m^2 . On the other hand, the unit price in three major districts in Seoul office market slightly went down from the previous quarter.

There would be a bullish mood in CBD investment market for the next quarter since there are still a few buildings such as State Tower Namsan, Summit Tower and Seosomun District 5 in the process of being sold in the CBD market.

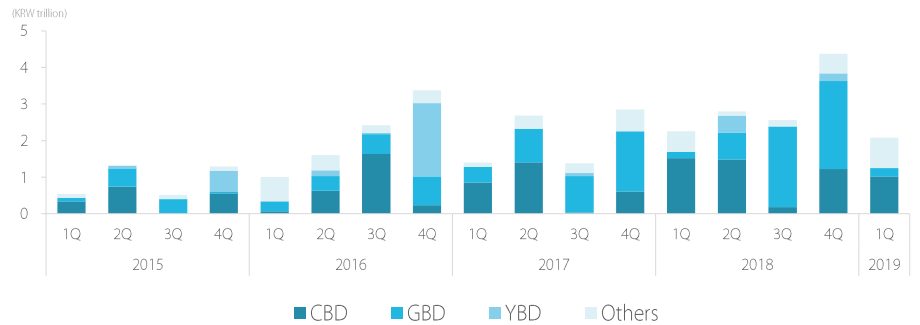
Absorption, Deliveries & Vacancy



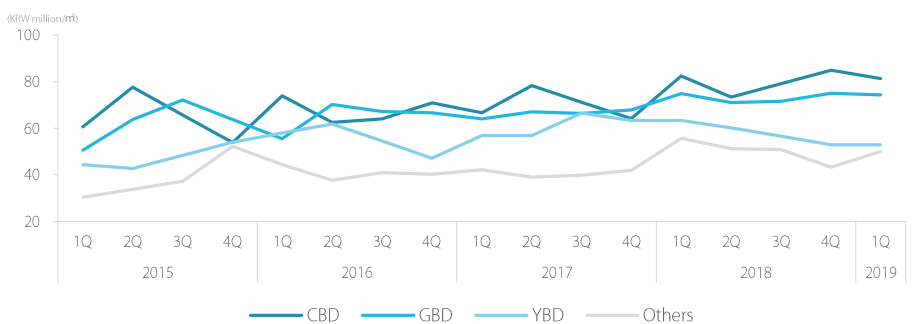
Monthly Rent and CAM



Transaction Volume



Unit Price



Market By The Numbers

BY SUBMARKET	Vacancy Rate				Monthly Rent(₩/㎡)				CAM(₩/㎡)				Quarterly New Completion(㎡)
	Total	Prime	Class A	Class B1	Total	Prime	Class A	Class B1	Total	Prime	Class A	Class B1	
Gwanghwamun-Sinmunro	11.4%	1.9%	17.3%	4.6%	25,218	25,919	29,207	18,465	10,186	9,760	11,438	8,068	-
Namdaemun	8.5%	8.1%	5.5%	12.3%	27,438	30,686	26,192	22,402	11,894	12,709	11,574	10,919	-
Eulgiro	10.9%	15.8%	7.1%	8.3%	29,546	32,209	33,035	25,646	12,239	12,779	13,560	11,524	-
Jongno	14.1%	19.7%	11.5%	4.2%	33,871	41,066	31,426	20,679	13,066	14,535	12,903	10,110	-
The rest of CBD	10.3%	0.0%	15.6%	1.9%	20,050	23,255	23,460	16,862	10,095	10,449	11,125	9,885	-
CBD	11.0%	13.2%	10.4%	6.8%	28,240	33,770	28,667	21,795	11,804	13,035	12,116	10,417	-
Teheranro	5.8%	1.5%	8.3%	6.9%	26,092	31,824	25,586	23,939	10,919	12,197	10,983	10,581	5,907
Gangnamdaero	4.4%	1.5%	4.1%	5.9%	24,263	32,577	24,718	24,160	10,263	13,530	10,052	10,179	-
The rest of GBD	6.0%	2.7%	4.9%	8.6%	18,241	16,926	20,296	18,506	8,776	9,042	9,469	8,915	79,442
GBD	5.6%	1.7%	6.4%	7.3%	23,299	29,375	23,857	21,922	10,125	11,838	10,346	9,880	85,348
West Yeuido	6.4%	1.3%	5.5%	7.9%	13,763	18,755	17,555	13,630	7,083	6,050	9,569	7,016	-
Stock Exchange District	13.8%	13.9%	14.6%	-	25,712	30,102	21,630	-	11,880	12,929	10,986	-	-
East Yeuido	5.2%	6.4%	6.8%	2.2%	20,933	26,905	18,323	16,913	9,906	11,949	8,818	8,724	-
YBD	8.1%	8.9%	11.0%	4.4%	21,049	27,511	20,097	15,620	9,980	11,892	10,101	8,051	-
Mapo	4.9%	-	7.9%	4.0%	13,903	-	14,683	13,905	7,883	-	9,133	7,834	-
Jamsil-Songpa	4.0%	2.7%	11.4%	1.7%	23,834	30,664	15,388	15,909	10,024	11,075	8,606	8,660	-
Yongsan	6.9%	9.0%	3.6%	4.6%	20,529	25,062	17,908	15,418	9,378	10,787	8,842	8,143	-
Sangam	12.5%	10.5%	14.4%	8.7%	12,479	13,581	11,887	11,830	7,785	8,179	7,572	7,562	-
The rest of Others	11.9%	23.8%	12.3%	10.7%	15,149	14,728	16,404	16,090	8,255	8,813	9,297	8,457	17,278
Others	9.7%	11.8%	11.3%	7.8%	16,383	21,112	15,169	15,219	8,511	9,789	8,679	8,224	17,278
Total Market	8.5%	9.5%	9.4%	7.0%	22,687	28,727	22,860	19,198	10,188	11,814	10,478	9,326	102,627

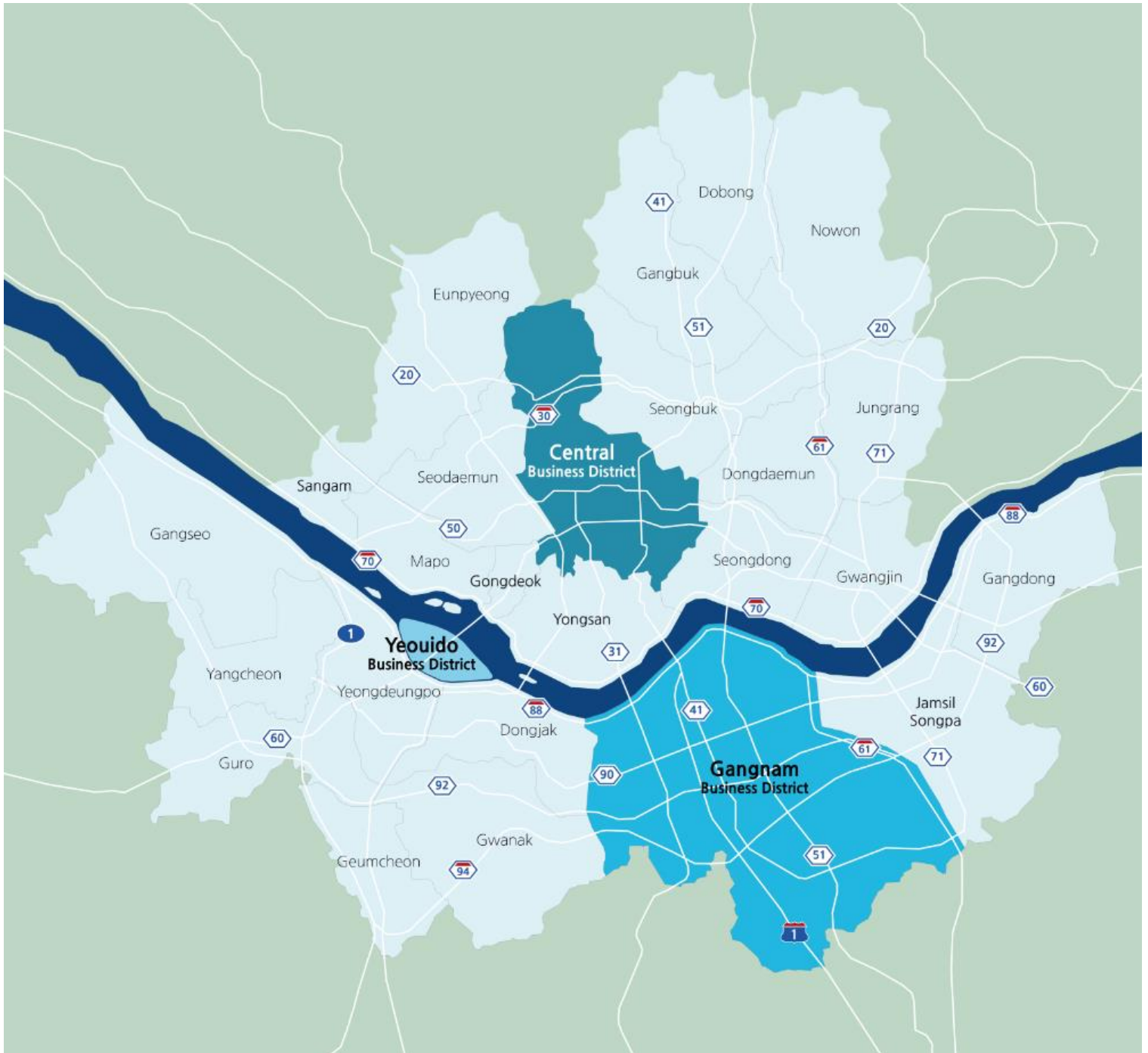
Select First Quarter Leases

Tenant	Property	Type	Submarket	Rent Area(㎡)
SKT	Centro Polis	New Lease	CBD	8,700
Hyundai Engineering	Samhwan Building	New Lease	CBD	8,500
Justco	Seoul Finance Center	New Lease	CBD	9,000
Big Hit Entertainment	MDM Tower	New Lease	GBD	16,300
Mirae Asset Life Insurance	GT Tower	New Lease	GBD	9,300
Shinsegae International	Cheongdam Square	New Lease	GBD	8,700
TSK Corporation	Songpa Nonghyup Building	New Lease	Others	9,800

Select First Quarter Sales

Property	Buyer	Seller	Total ㎡	Sale Price	Price/㎡
Seoul Square	CBD ARA Korea Asset Management	K-REITs & Partners	132,793	₩ 988.2 billion	₩ 7.4 million
Milliore Dongdaemun*	CBD JB Asset Management	Koramco Asset Management	5,245	₩ 25 billion	₩ 4.8 million
Wework Tower	GBD Mastern Investment Management	Mastern Investment Management	19,646	₩ 146.6 billion	₩ 7.5 million
Cheongnam Building	GBD NH Nonghyup REITs Management	Shindonga E&C	6,967	₩ 32 billion	₩ 4.6 million
Imseong Building	GBD Boryung Medians	Richmond Asset Management	6,524	₩ 23.7 billion	₩ 3.6 million
Samsung SDS West Tower	Others Ryukyung PSG Asset Management	Samsung SRA Asset Management	99,597	₩ 628 billion	₩ 6.3 million
Hanjin HI&C Building	Others Koramco REITs and Trust	Vestas Asset Management	31,787	₩ 161.8 billion	₩ 5.1 million

*Transaction handled by Avison Young



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