

Quick Stats

₩97 trillion

E-commerce transaction volume including omni-channels increased by 18% y-o-y

₩1.9 trillion

Greater Seoul's logistics center transaction volume increased by 54% y-o-y

₩5.5 million

Unit sale price Greater Seoul's mixed logistics center increased by 22% y-o-y

6.37%

Greater Seoul's logistics center's Cap.Rate dropped by 24bps y-o-y

1.8 million m²

New completion in Greater Seoul increased by 74% y-o-y

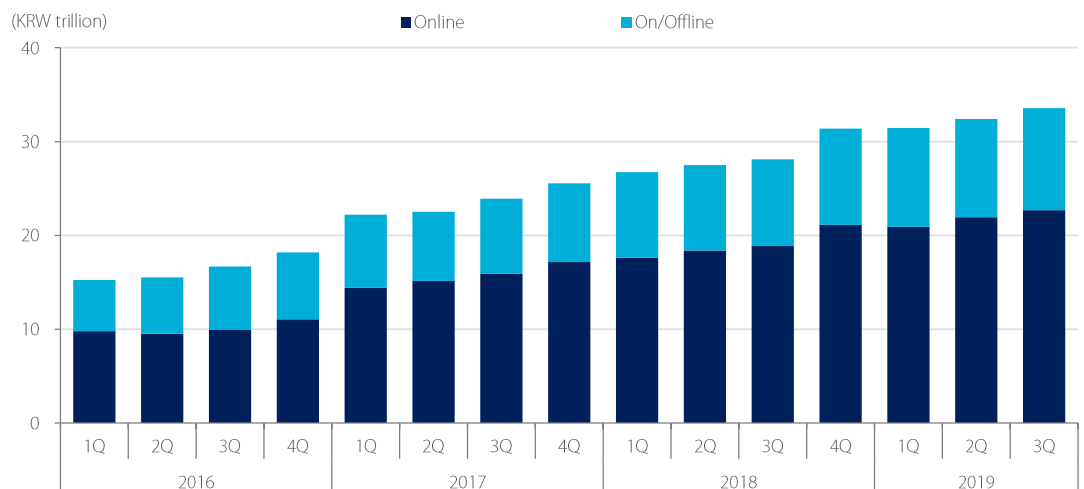
Market Overview

As e-commerce market sales continues to grow, investment in logistics centers is also on the rise. In particular, the transaction volume of cold storage logistics centers is expanding as fresh food product delivery increases. As a result, many logistics centers that have recently been completed or are nearing completion have cold storage capacities as well. However, it is expected that local governments will show a conservative stance on construction permits to build new logistics centers due to civilian complaints.

E-commerce Trend

According to Statistics Korea, online shopping transaction volume, including omni-channels from the 1 to 3Q of 2019, reached ₩97 trillion. If the 4Q is taken into account, which includes year-end shopping specials seasons such as the Korea Sale Festa in November and Christmas in December, the volume of online shopping transactions in 2019 is expected to surpass last year's ₩113 trillion.

In particular, the volume of online transactions of fresh food delivery has also increased significantly. The major national retailers such as E-Mart and Lotte Mart are also expected to begin early morning delivery of fresh food produce and expanding their delivery area further from the previous one.



Source : Statistics Korea

Investment

The transaction volume of logistics centers in the Greater Seoul (which includes Seoul, Gyeonggi Province, Incheon Metropolitan City, and Cheonan City), from the 1Q to 3Q of 2019 is about ₩1.9 trillion, up 54 percent from the previous year's record high of ₩1.2 trillion. Given the large-scale deals scheduled for the 4Q, the total annual transaction volume is expected to reach ₩2.6 trillion.

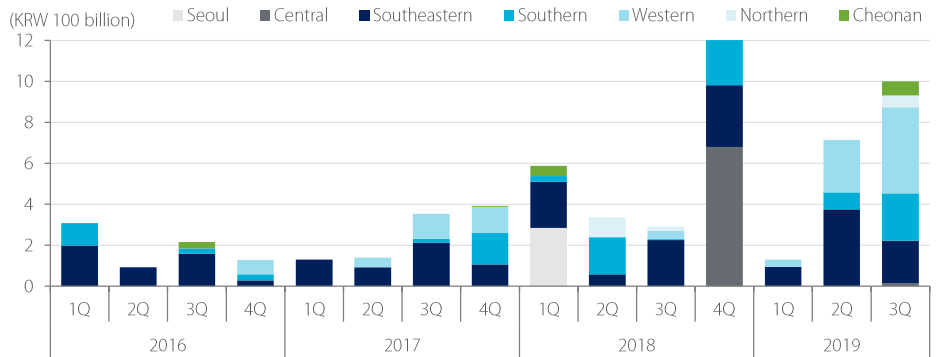
In particular, this year, the Western Market had three large transactions worth more than ₩100 billion, accounting for about 40 percent of the total volume of transactions in the Greater Seoul. Among them, Logis Valley Ansan Logistics Center and CBRE GI Gimpo Logistics Center were acquired by CBRE Global Investors Asset Management through the pre-purchase method before completion.

A significant increase in the transaction volume of cold storage center for investment purposes has been observed by 3Q 2019. Nuveen Real Estate entered the Korean market and conducted its first investment in CoreLogis Namyangju Logistics Center. In addition, JWL Logistics Center and Coupang Anseong Fresh Logistics Center were also transacted. Moreover, Homeplus Anseong Fresh Logistics Center and Osan Lotte Global Logistics Center are also expected to be closed in 4Q 2019.

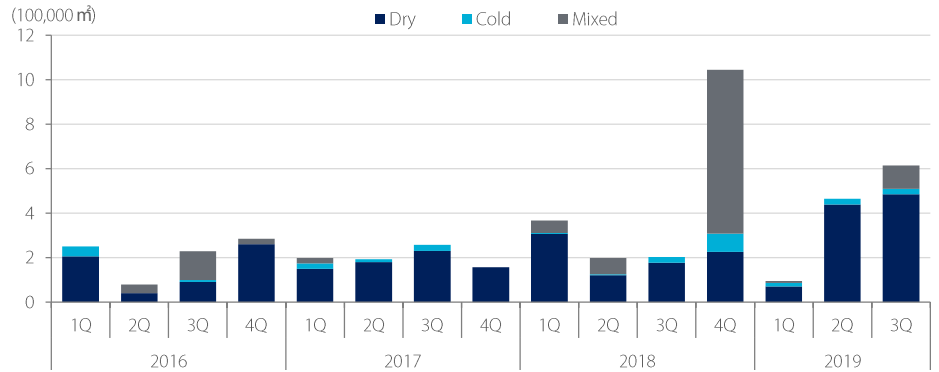
The recent transactions indicate that there were relatively more cases of transactions of aged class C logistics centers rather than newly built Prime or class A logistics centers. As a result, Cap. Rate is relatively high due to low unit transaction price. However, there have been a few cases of cold storage logistics center, which are highly preferred by investors, where the Cap. Rate dropped to a 5% level.

Meanwhile, some investors used aged logistics centers to minimize civil complaints regarding construction and to facilitate permit procedures. The Yongin Namsa Logistics Center and Icheon Majang Logistics Center are set to demolish class C logistics centers and rebuild them into Prime logistics centers. In addition, value-add investment is gaining popularity with investors rather than the traditional "develop & manage" method. Investors are increasingly purchasing logistics center along with empty lot nearby to expand existing logistics centers.

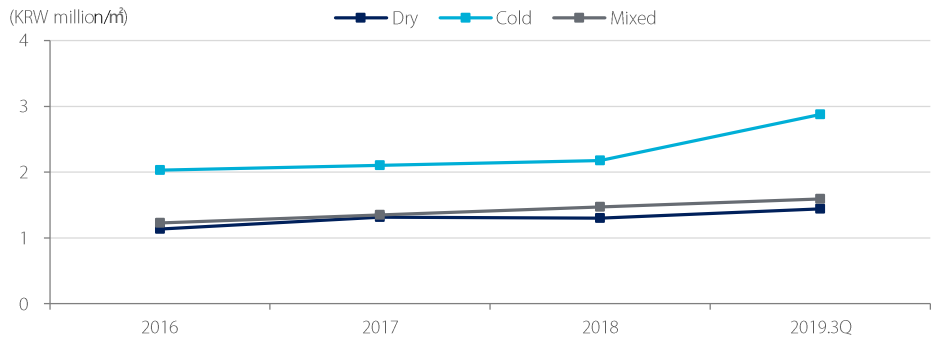
Transaction volume



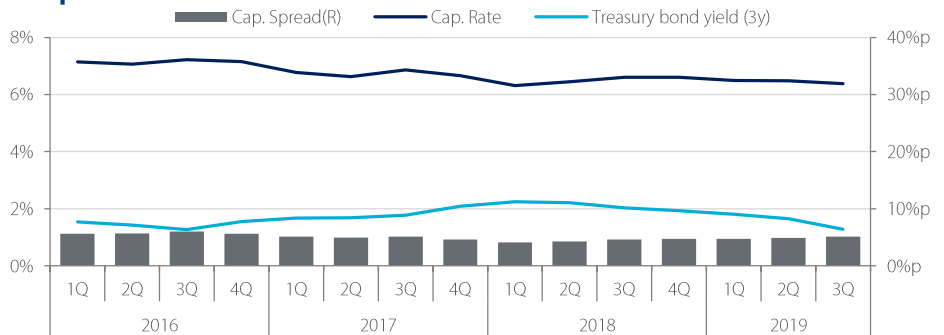
Transaction area by type



Average unit sale price by type



Capitalization rate

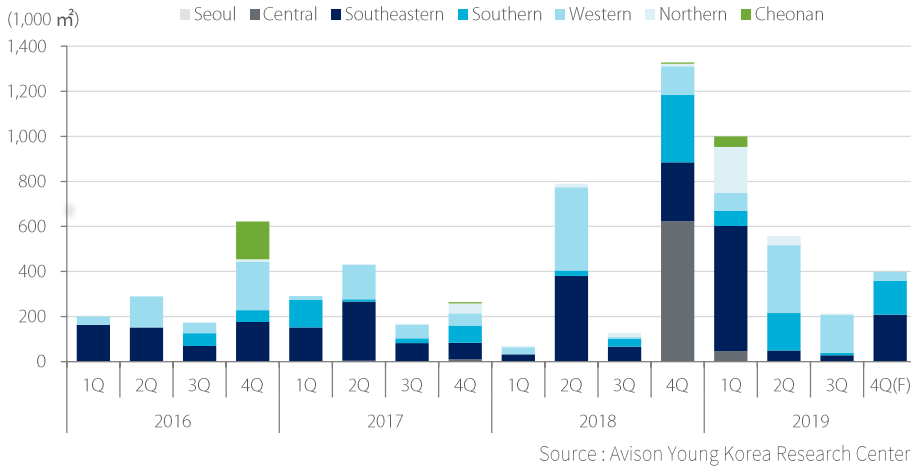


Significant Sale Transactions

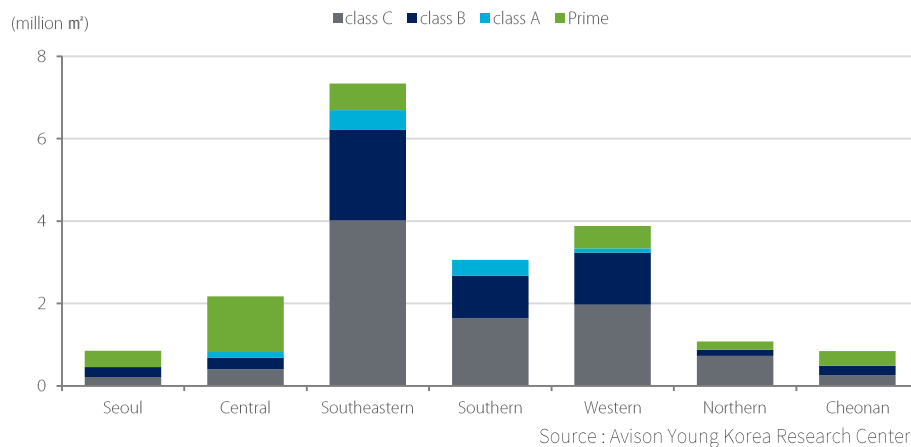
Property	Market	Area(m²)	Transaction Volume	Price/㎡	Buyer / Seller
JWL Logistics Center	Southeastern	69,000	₩100.7 billion	₩1.5 million	JWL / ADF Asset Management
Mercedes-Benz Auto Parts Center		33,000	₩86.0 billion	₩2.6 million	Pan Asia Logistics / LB Asset Management
Logis Valley Ansan Center	Western	239,000	₩420.0 billion	₩1.8 million	Whumad / CBRE Global Investment Management
Skybox Logistics Center 1·2		61,000	₩135.1 billion	₩2.2 million	Westwood PFV / IGIS Asset Management

Source : Avison Young Korea Research Center

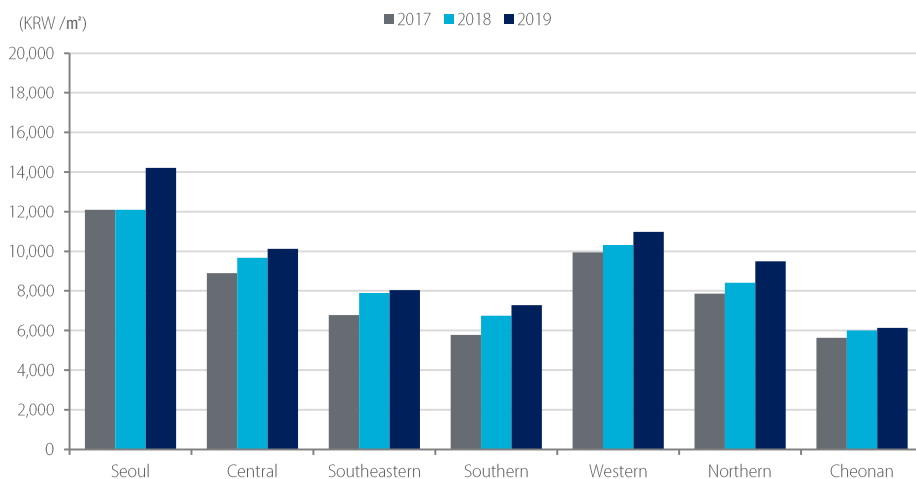
New completions



Inventory by Market



Asking rents of dry storage by Market



Significant New Completions

Property	Market	Submarket	Location	GFA(m²)	Completion
CJ Yanggi Logistics Center	Southeastern	Cheoin · Majang · Hobeop	Yongin-si, Gyeonggi-do	350,000	2019.1Q
Logis Valley Ansan Center	Western	Ansan · Siheung	Ansan-si, Gyeonggi-do	239,000	2019.2Q
Goyang Logistics Park	Northern	Goyang · Paju	Goyang-si, Gyeonggi-do	200,000	2019.1Q
BLK Pyeongtaek Logistics Center	Southern	Hwaseong · Pyeongtaek	Pyeongtaek-si, Gyeonggi-do	123,000	2019.2Q

Source : Avison Young Korea Research Center

Supply & Leasing Market

From the 1Q to 3Q of 2019, the new completion of logistics centers in Greater Seoul stood at about 1.8 million sq.m. This new supply is up 11.7 percent compared to the average yearly supply in the past three years. In the 4Q of 2018, Hwaseong Dongtan Logistics Complex (Block A and B, 628,000m²), which is occupied by online shopping malls such as Coupang, eBay Korea, and Interpark in the Central Market accounted for 26.9% of the new supply in 2018.

Recently, the local government's permit regulations on logistics centers have been tightened. In particular, Wonsam-myeon and Baekam-myeon areas in Yongin, where SK Hynix's semiconductor cluster will be constructed, was designated as 'Areas Subject to Permission of Land Transaction'. Under these regulations, small-scale development will be replaced by large-scale fulfillment center development.

As of 3Q 2019, 7.3 million sq.m, or about 38.2 percent of the total inventory of logistics centers in the Greater Seoul, was supplied to the Southeastern Market, which has great access to highways and relatively low rental rates compared to other areas. Thus, development demand is continuously concentrated in the Southeastern Market. 3.9 million sq.m was supplied to Western Markets, meeting airport and seaport logistics demand. 3.1 million sq.m was supplied to Southern Market, which is easy to reach areas outside Greater Seoul.

Rental rates for the dry (room-temperature) logistics center in the Greater Seoul rose about 3.1 percent to about ₩8,600 per sq.m compared to the previous year. Proximity to Seoul Market yields higher rents. Rental rates also hinged on accessibility to the highway IC, age and the storey of the logistic centers.

Central Market

The Central Market, including Osan, Dongtan and Suwon was relatively short of large logistics centers, with an average annual supply of 23,000m² from 2013 to 2017. In particular, the average age of the logistics centers in the Central Market is 13 years or more, far higher than that of other markets. The Central Market has aged, small to medium-sized logistics centers. However, Hwaseong Dongtan Logistics Complex (Block A and B), which is about 622,000 sq.m, was completed in 4Q 2018. This is the first Prime logistic center to be supplied since the completion of Lotte Global Logistics Center in 2012. In 2019, there was no new completion other than the GS Home Shopping Logistics Center in Gunpo. There will be no Prime completion cases other than the Hwaseong Dongtan Logistics Complex (Block C) in 2020.

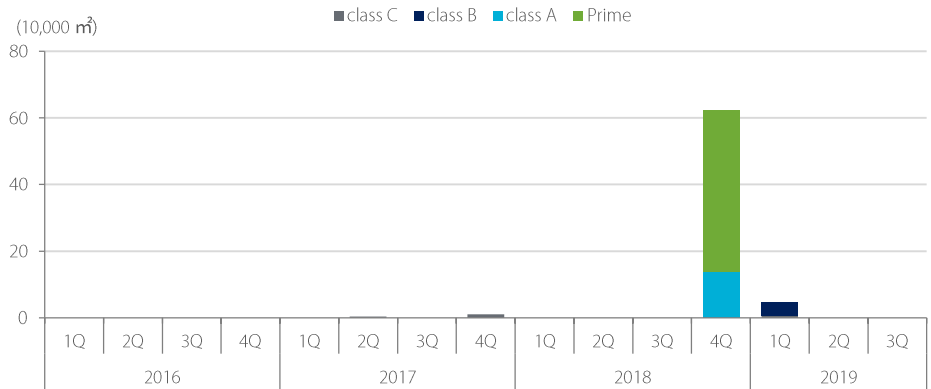
Rental rates in Gunpo, Anyang and Suwon regions, which are close to Seoul, were observed to be on the steady rise, with rents rising by ₩1,100 per sq.m, landing them at ₩11,000 per sq.m in 2019. The average rent in the Dongtan and Osan was similar to that of last year. The Hwaseong Dongtan Logistics Complex was completed last year; however, the asking rents are similar to the average local rent, and no significant rent increase has been confirmed.

Southeastern Market

The Southeastern Market has the most extensive inventory of logistics centers compared to other markets due to its proximity to highways. In 2019, about 840,000 sq.m was completed, up 13.3 percent from last year. In particular, the completion of CJ Yangji Logistics Center, which is about 350,000m², was completed in the 1Q of 2019, and many other class A and B logistics centers owned by logistics companies such as KCTC and Dakonet were completed. In addition, the supply of logistics centers in the Southeastern Market is expected to continue as class B logistics centers, including Namsa Logistics Center are expected to be completed.

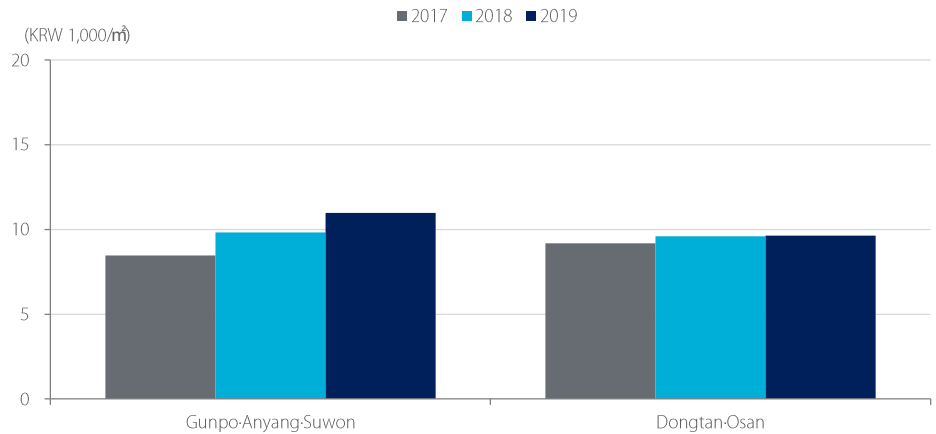
The average rental rates in the Southeastern Market rose about 4.7 percent y-o-y. In particular, rental rates in Giheung and Suji were relatively high. Conversely, the Icheon and Yeosu areas had lower rental rates due to the large supply of logistics centers and low land price. Tenants and logistics companies highly demand these areas due to reasonable rental rates and easy access to highways.

New supply in Central Market

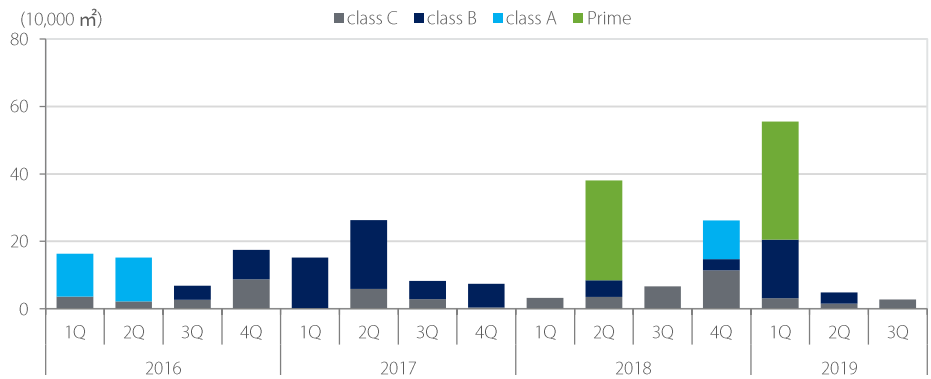


Source : Avison Young Korea Research Center

Asking rent of dry storage in Central Market

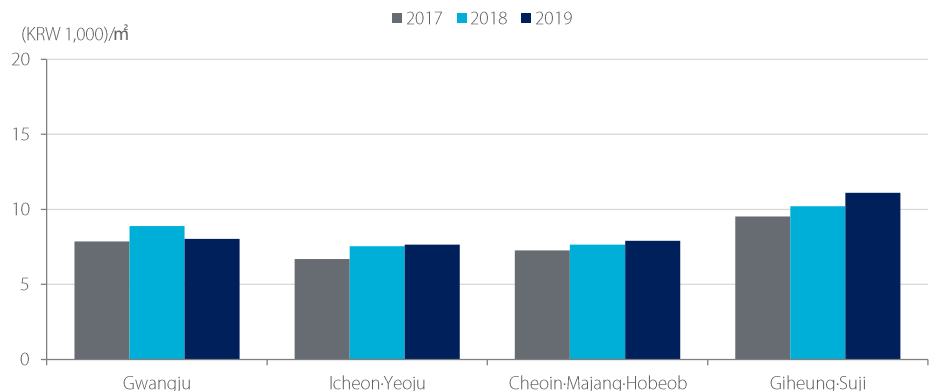


New supply in Southeastern Market

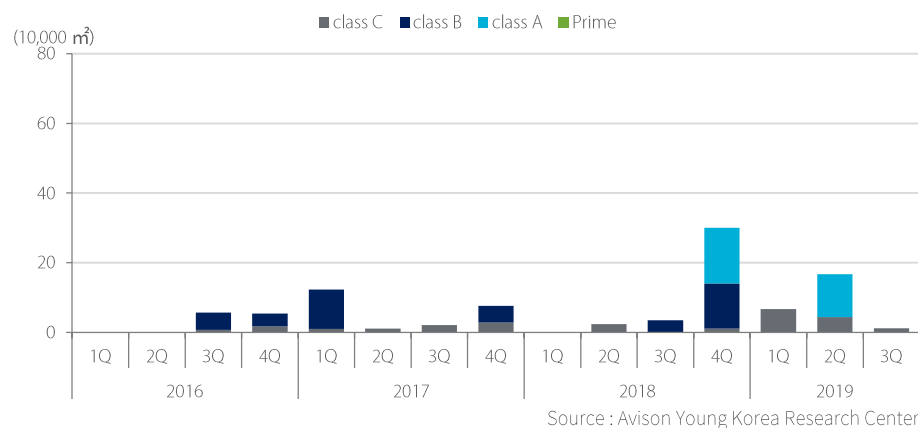


Source : Avison Young Korea Research Center

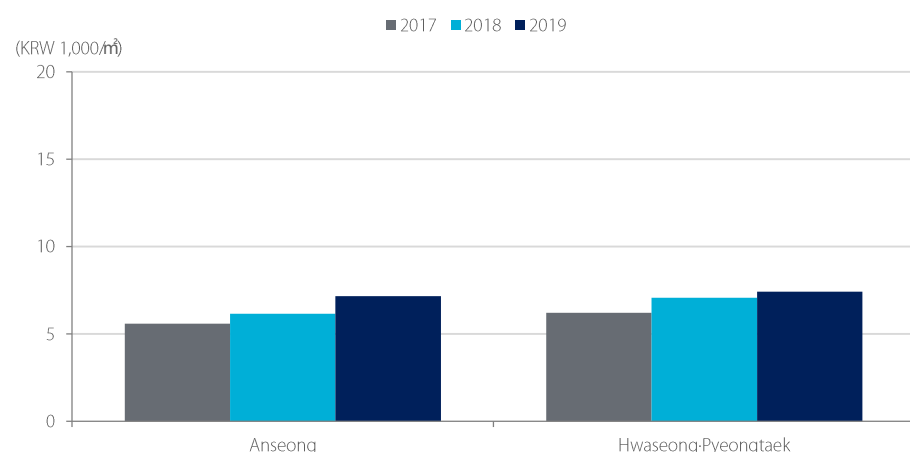
Asking rent of dry storage in Southeastern Market



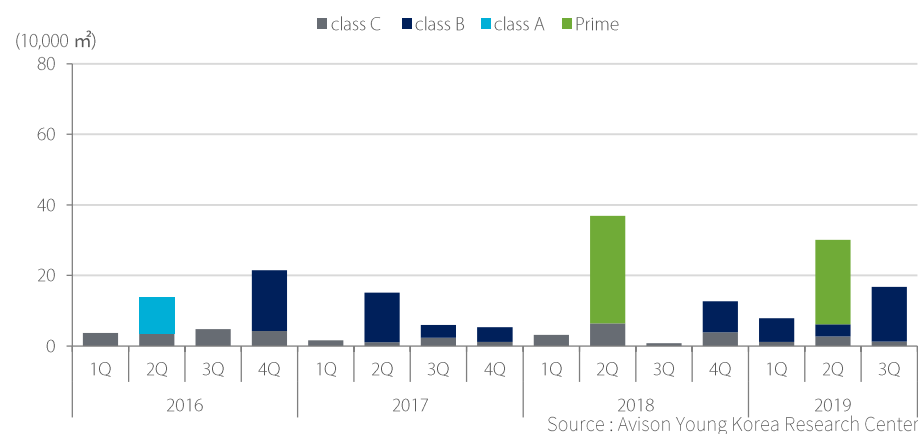
New supply in Southern Market



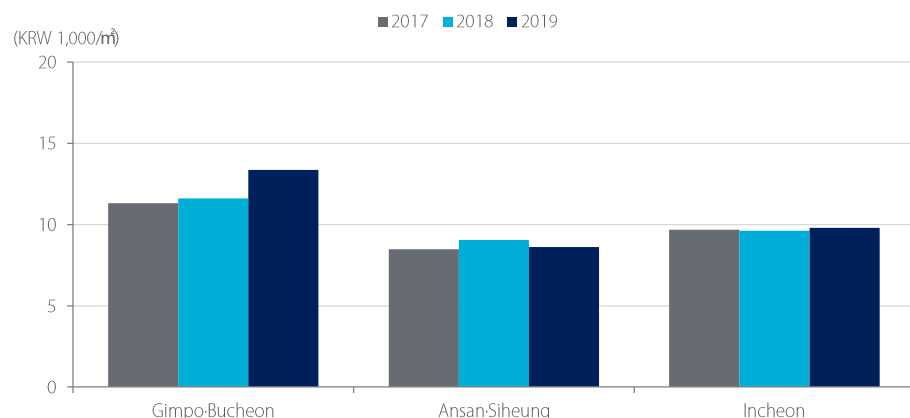
Asking rent of dry storage in Southern Market



New supply in Western Market



Asking rent of dry storage in Western Market



Southern Market

Logistics centers in the southern part of the Greater Seoul has an average GFA of about 17,000sq.m, and the Market has a dense concentration of class C logistics centers. Class C logistics centers have been steadily supplied, providing an average of about 185,000sq.m of new supply per year for five years from 2013 to 2017. There was only one supply case of class A logistics center with 99,000 sq.m or more until 3Q 2018. However, a class A cold storage logistics center was completed in 4Q 2018 so that the total GFA supplied in 2018 was over 350,000sq.m. Additional supply of logistics center was spotted at an industrial complex near Pyeongtaek Port in the 2Q of 2019.

However, the Southern Market has the lowest rental rate since it is far from Seoul. However, due to its proximity to Pyeongtaek Port and Gyeongbu Expressway, the average monthly rental rate has risen 7.9 percent y-o-y to ₩7,200 per sq.m, which is higher than the average increase rate in the Greater Seoul.

Western Market

The Western Market includes highly developable land such as Incheon, Gimpo and Ansan, and the supply of logistics centers is also high. The average annual supply volume exceeded 400,000 sq.m for three years since 2016. A Prime logistics center (GFA 305,000sq.m) was supplied to Ojeong-dong in Bucheon in the 2Q of 2018. In particular, Incheon, Gimpo, and Bucheon are highly preferred by trading companies due to their proximity to airports and seaports. The proportion of new logistics centers in the Western Market is relatively high compared to other regions.

Rental rates in the Western Market ranks second after Seoul Market, and the rate of increase was high at 6.4 percent y-o-y due to the continued completion of new logistics centers, such as Gimpo and Incheon terminal logistics complexes.

Northern Market

Due to insufficient road infrastructure and relatively low population density, there were many aged class C logistics centers in the Northern Market. However, this year, a Prime logistics center was supplied for the first time. Goyang Logistics Park, where Coupang occupied all of its 200,000sq.m of GFA, is serving as a mega logistics center, meeting logistics demands of neighboring new towns such as Ilsan, Samsung, Jichuk, and Changneung New Town. Goyang Logistics Park set a higher rental rate than that of nearby logistics centers. In addition, a hike in rental rates from a class B center located in Paju, caused the rental rate to increase to ₩9,500 per sq.m in 2019.

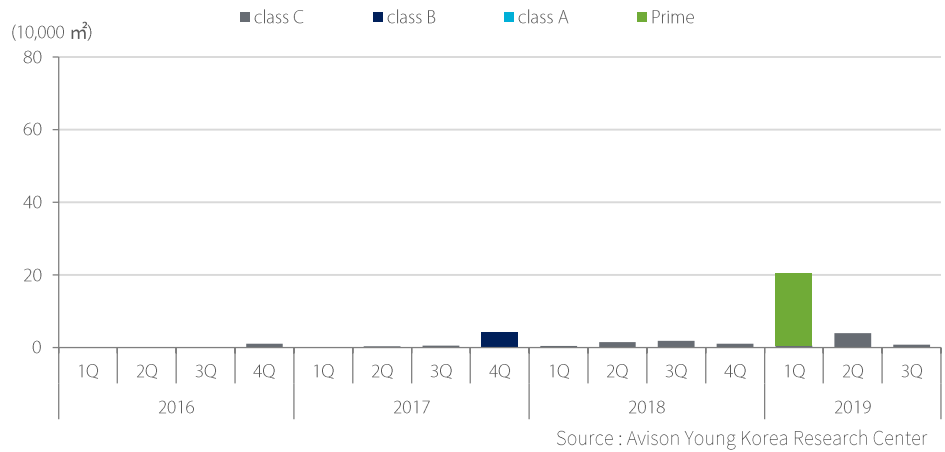
Cheonan Market

The Cheonan Market did not have any remarkable supply for the past two years, and this trend continued into 2019. However, the supply increased slightly due to the completion of the Samyang Company's Pungsae Logistics Center directly across from E-Land Retail Cheonan Logistics Center, which was completed in 2016 at the Pungsae General Industrial Complex. In addition, completion of the Tonymoly Logistics Center near Bukchon IC led to a slight bump in supply in the area. In terms of rental rates, most logistics centers raised the rent to about ₩6,000 per sq.m, up about 2 percent from 2018.

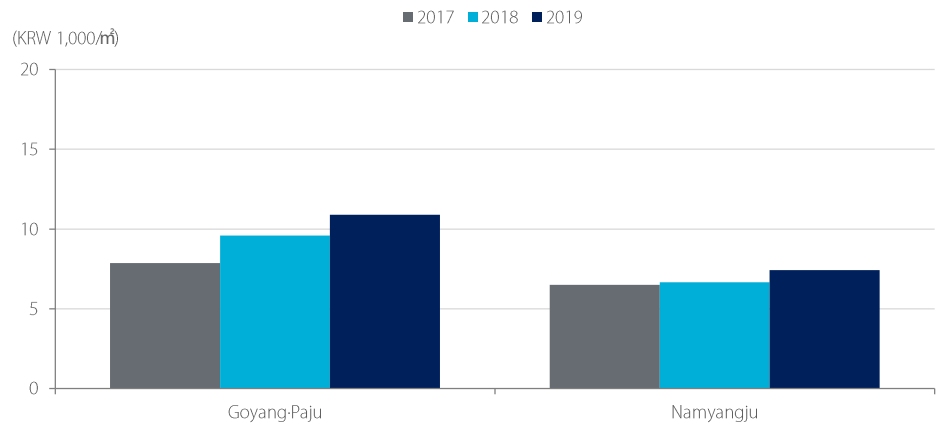
Seoul Market

There was no remarkable supply in Seoul Market since the completion of the Seoul Complex with a GFA of 400,000sq.m in 2015. However, Joseon Welding's logistics center (20,000sq.m) is expected to be completed next year in Dangsang-dong despite conflicts with residents in the early stages of construction. The rental rate for the dry logistics center in Seoul Market this year was around ₩14,000 per sq.m, the highest level in the Greater Seoul, as the Seoul Integrated logistics complex in Jangji-dong increased the rental rate.

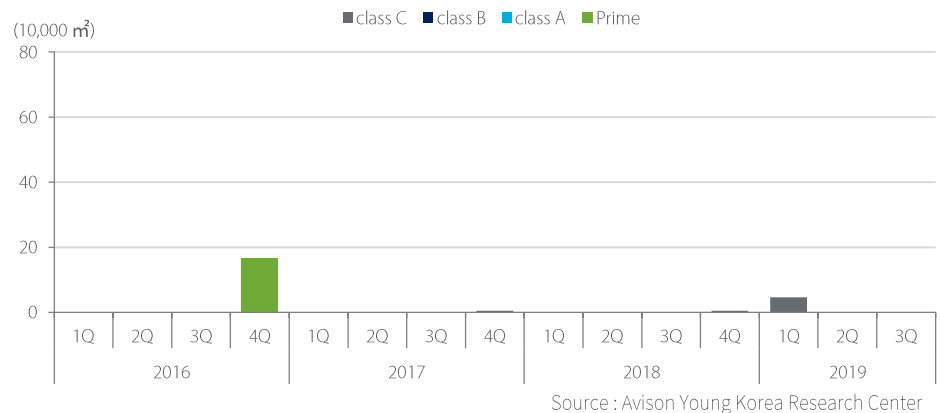
New supply in Northern Market



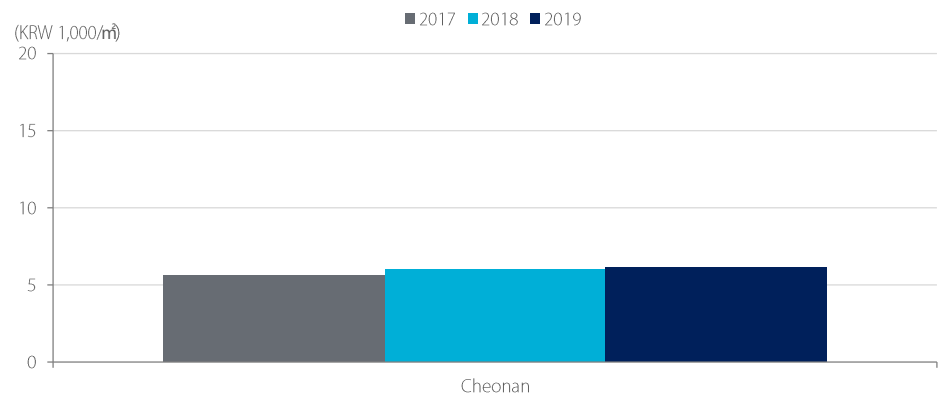
Asking rent of dry storage in Northern Market

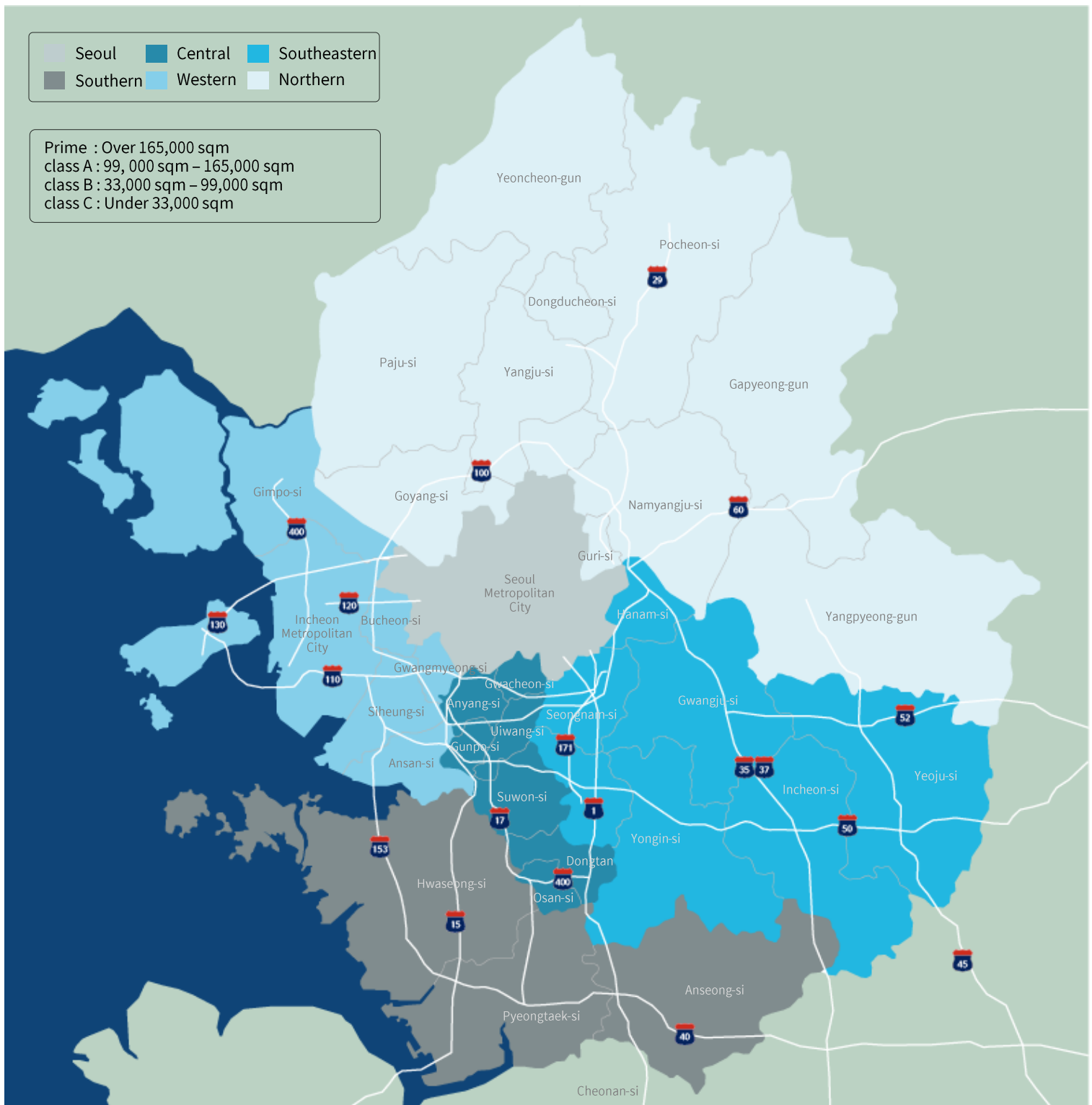


New supply in Cheonan Market



Asking rent of dry storage in Cheonan Market





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