AVISON YOUNG

2019 Q2

Retail Market Report

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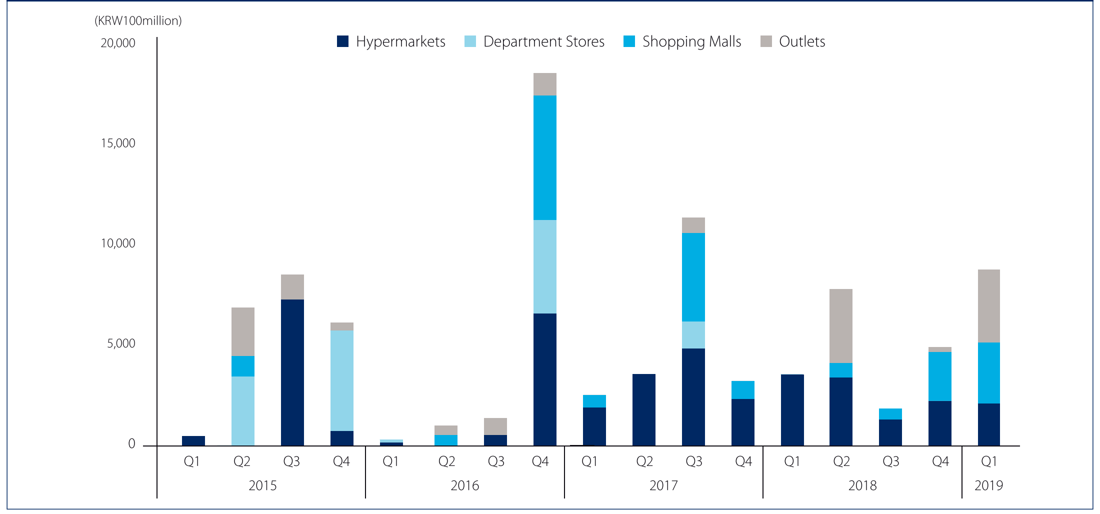
01 Large-Scale Commercial Facility Investment Market

The total transaction volume of large-scale commercial facilities in Q1 2019 reached KRW857.8 billion, the highest level in all similar Q1 transactions so far.

01-1. Trends in Transaction Size

※ Source : Avison Young Korea Research

Graph 1. Trends in Transaction Size

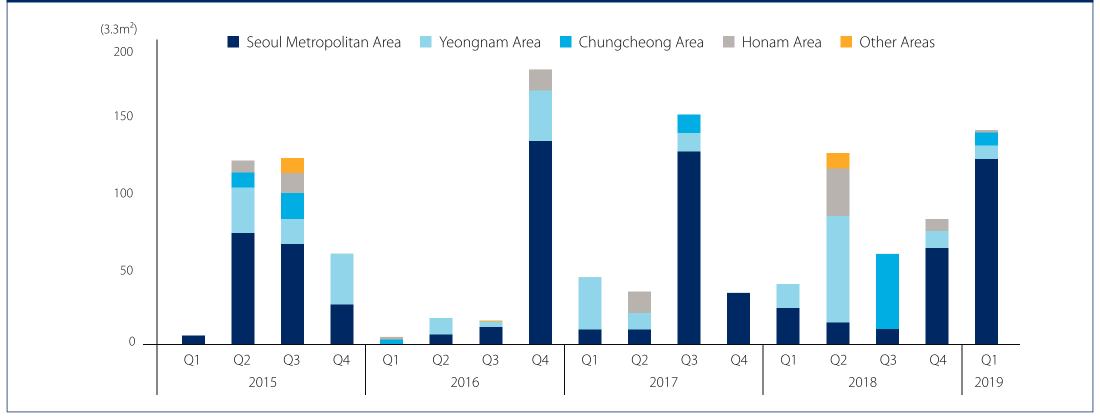


- The total transaction volume of large-scale commercial facilities in Q1 2019 reached KRW857.8 billion, the highest level in all similar Q1 transactions so far. While the trading volume of hypermarkets and shopping malls were KRW145.1 billion and KRW297.5 billion respectively, similar to the previous quarter, their transaction volume increased 77.9% from the previous quarter. This increase is due to the effect of large-scale outlets opening at the end of 2018. Specifically, 4 hypermarkets, 2 shopping malls, and 1 outlet were traded in Q1 2019.

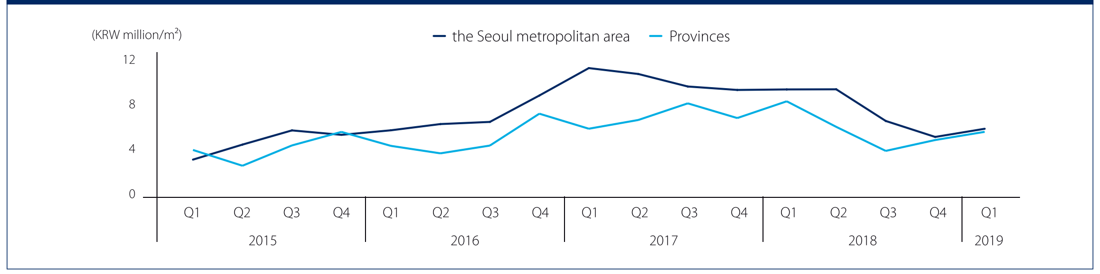
01-2. Transaction area by region and price per pyeong (3.3㎡)

※ Source : Avison Young Korea Research

Graph 2. Transaction area by region



Graph 3. Transaction area by price per pyeong(3.3㎡)

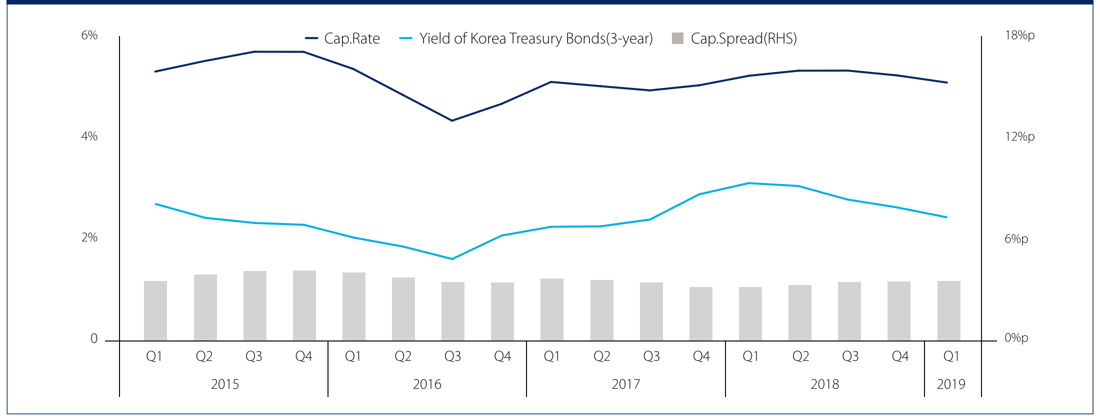


- There were 6 large-scale commercial facilities measuring 139,305 pyeong in Q1 2019: 4 of them were in the Seoul metropolitan area, 1 was in the Yeongnam area, 1 in Chungcheong area, and 1 in the Honam area. The trading of large outlets (50,000 pyeong) and shopping mall complexes (40,000 pyeong) in the Seoul metropolitan area increased the total trade in land and properties in Korea by 68% from Q4 2018.
The selling price per pyeong (3.3m2) was KRW6,594,000 for the Seoul metropolitan area, and KRW6,404,000 for the whole province.

01-3.
Trends in Capitalization Rate (Cap. Rate)

※ Source : Avison Young Korea Research

Graph 4. Trends in Capitalization Rate (Cap. Rate)

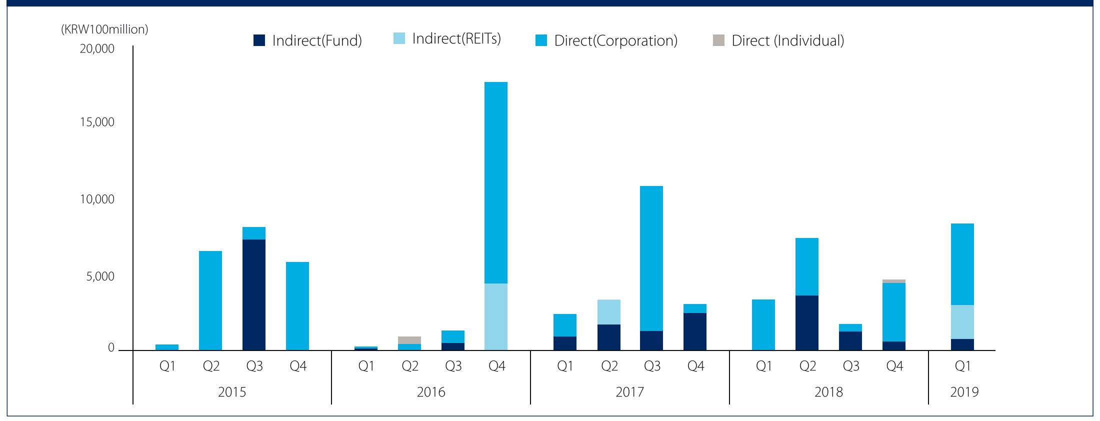


- In Q1 2019, the capitalization rate decreased by 0.11%p QoQ to reach 5.09%. This is slightly lower than 5.27% in Q3 2018, which was the highest level achieved in the past three years. However, considering that the 3-year Korea Treasury Bonds yield is 1.80%, the Cap Spread is relatively high at 3.29%p (and at a 0.02%p QoQ increase).

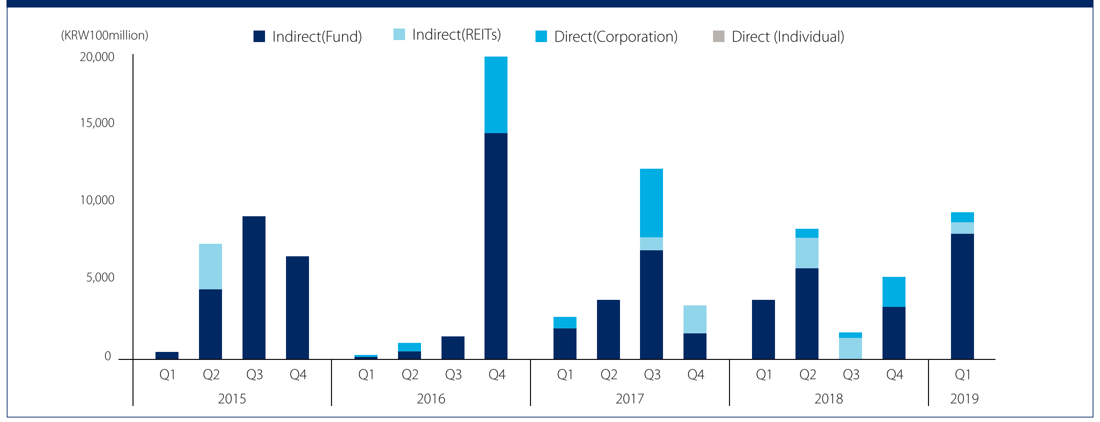
01-4.
Transaction Size by Buyers and Sellers

※ Source : Avison Young Korea Research

Graph 5. Transaction Size by Sellers



Graph 6. Transaction Size by Buyers



- Investments are made through indirect investment organizations such as REITs and funds, except for one hypermarket transaction that will be developed as an apartment complex. In particular, two hypermarkets located in the countryside and Hwaseong Shopping Mall in Gyeonggi Province were traded twice or more through indirect investment institutions. On the other hand, one hypermarket in Seoul and one outlet in Yongin were purchased from their respective corporations through funds. In the case of a shopping mall located in Daejeon, the asset was purchased by REITs through sale-leaseback.

01-5.
Transaction Cases by region

※ Source : Avison Young Korea Research

Name of Commercial Facilities	Address	Transaction Area (3.3㎡)	Transaction price (KRW100 million)	Price per 3.3㎡ (KRW 1,000)	Seller	Buyer
Dongtan Center Point Mall	Gyeonggi Hwaseong City	9,283	2,325	5,407	Mastern Investment Management	IGIS Asset Management
E Mart Goyang Doegi Branch	Gyeonggi Goyang City	43,002	600	6,464	E Mart	Woori Housing etc
Lotte Mart Gimhae Branch	Gyeongnam Gimhae City	9,025	564	6,249	KTB Asset Management	KORAMCO ASSET MANAGEMENT

Dongtan Center Point Mall

E Mart Goyang Doegi Branch

Lotte Mart Gimhae Branch

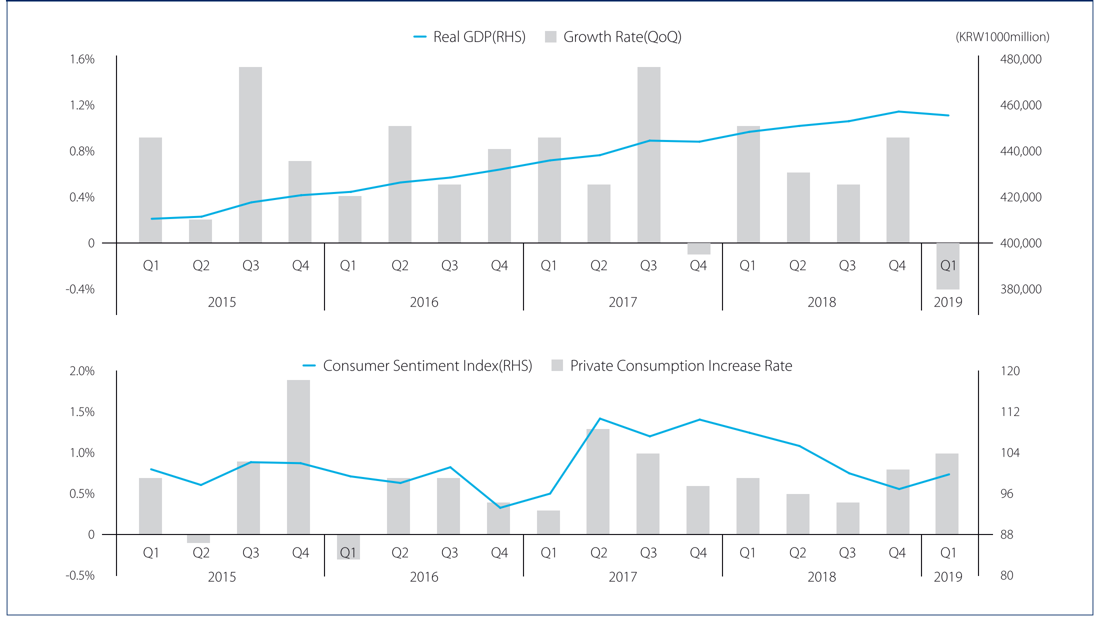
02 Large-Scale Commercial Facility Supply Market

As with the previous quarter, the closure of department stores and hypermarkets continued, and openings of new stores were concentrated in the Seoul metropolitan area.

02-1. Key Economic Indicators

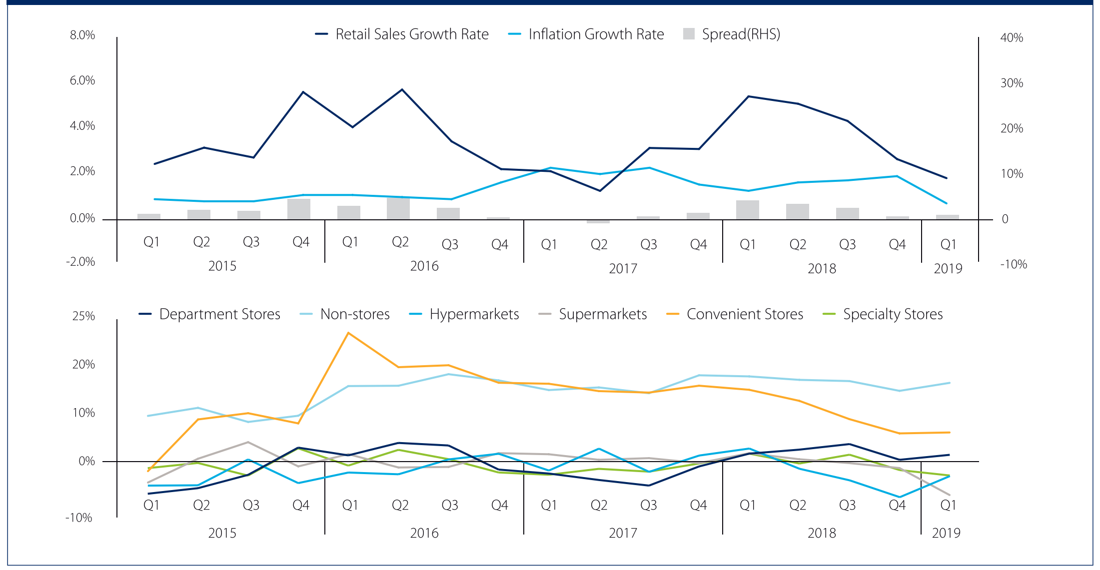
※ Source : Bank of Korea, Statistics Korea

Graph 1. Growth and Consumption



■ According to the Bank of Korea, real gross domestic product (GDP) grew by -0.4% QoQ. According to expenditure items, private consumption increased by 0.1% and government consumption increased by 0.4% QoQ. However, the overall growth is negative as construction investment decreased due to sluggish semiconductor exports and real estate policy. In the case of private consumption, consumption of services (medical), semi-durable goods (clothing) and others decreased, but consumption of durable goods (household appliances) increased. The Consumer Sentiment Index was 99.8, lower than the consensus forecast for consumption of 100; but it rose in the last four consecutive months This is due to the expectation of rising future wage levels caused by the minimum wage increase.

Graph 2. Consumer Price and Retail Sales

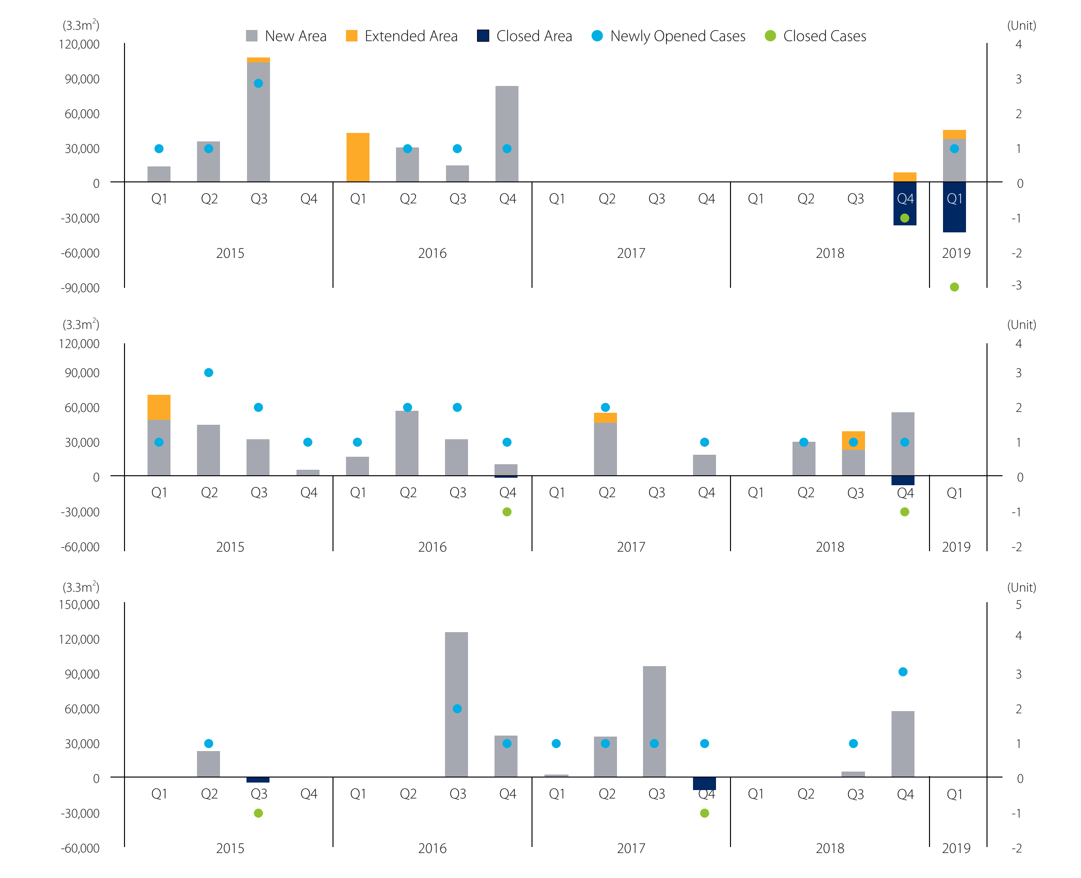


■ Due to the drop in international oil prices and the reduction in oil taxes, the inflation rate was 0% for the past three consecutive months. In Q1 2019, sales in domestic home appliances (durable goods) such as air purifiers and cosmetics (non-durable goods) drove growth in retail sales, but retail sales growth is still low compared to the second half of 2018. Total retail sales of non-stores continued to grow at a double-digit rate, while hypermarkets, supermarkets and specialty stores continued to grow negatively. Meanwhile, convenience stores have seen a sharp decline in growth since 2016. This appears to have been influenced by E-Mart 24, a latecomer to the saturated convenience store market.

02-2.
Supply Trends by Retail Types

※ Source : Avison Young Korea Research

Graph 3. Supply Trends by Department Stores / Outlets / Shopping Malls



Lotte Department Store Incheon Terminal is newly opened, after it closed 2 years ago in Q4 2016. However, Lotte Department Store Incheon Terminal may not be strictly classified as a newly opened store as the store is an extension of the same business, following its acquisition of the existing Shinsegae Department Store Incheon Branch. Due to fears that Lotte could end up holding a monopoly in the department store market in the Incheon area, the Fair Trade Commission has ordered the sale of Lotte Department Store Bupyeong and Incheon after the opening of Lotte Department Incheon Terminal. Lotte Department Store Bupyeong and Incheon has been closed and sold, and will be used as a shopping mall in the future. Lotte Department Store's Anyang Branch was closed because its commercial area overlapped with Lotte Department Store's Pyeongchon Branch. The Anyang Branch will now become the Enter Six shopping mall. Therefore, by the end of 2019, the total supply area of department stores will decrease. Meanwhile, NC Cheongju, scheduled to open in the first half of 2019, is expected to open in Q3 2019 due to conflicts with existing shopping mall tenants.

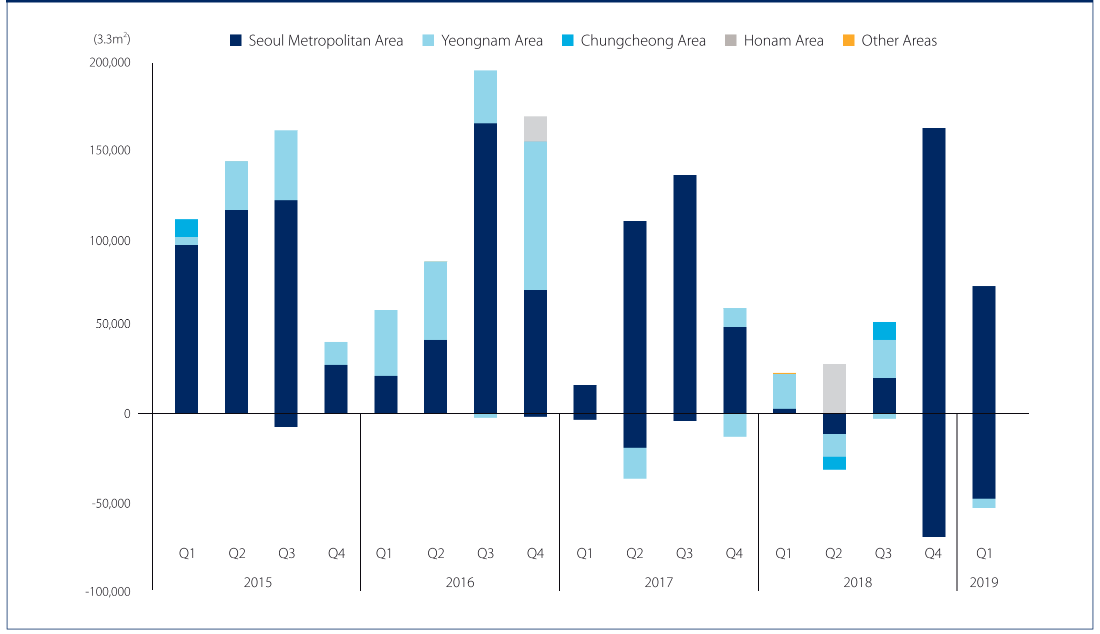
Graph 4. Supply Trends by Hypermarkets

The hypermarket industry is currently undergoing cleanup, new store openings and the renewal of sluggish sales stores. Branches of Wal-Mart (formerly Macro), Carrefour and others acquired in the past are closing down mainly because these branches have become obsolete and have a small sales footprint. The E-Mart Goyang Doegi store, which closed in Q1 2019, is also one of these former Macro stores. As most of these closed hypermarket sites are located in the old downtown area, they are provided with excellent traffic infrastructure. Thus, they are often developed as residential facilities such as apartments and officetels (i.e. dual-purpose buildings containing commercial and residential units). On the other hand, hypermarkets, which have had difficulties opening new stores due to restrictions on store openings, either opened stores (e.g. Lotte Mart, Icheon) in new residential districts or utilized existing store sites (e.g. Emart Traders, Wolgye).

02-3.
Supply Trend by Regions

※ Source : Avison Young Korea Research

Graph 5. Supply Trend by Regions

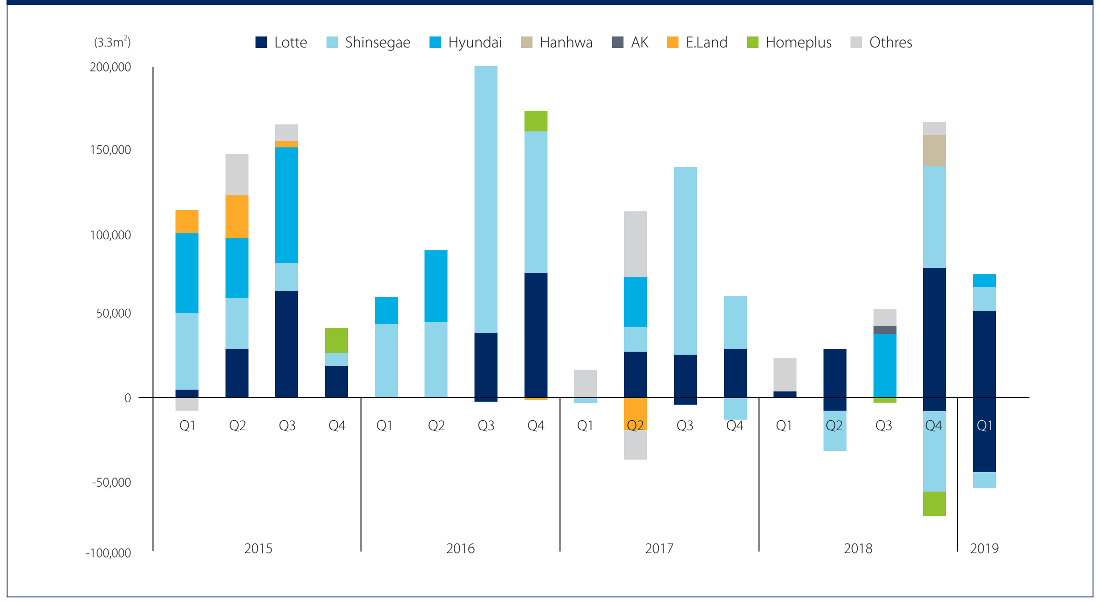


In Q1 2019, there were 4 new store openings, 1 store expansion, and 4 store closures. Except for the closure of Lotte Young Plaza Daegu, the opening of new stores, and the expansion and closure of stores centered in the Seoul metropolitan area.
The best example of this is Lotte Department Store Incheon Terminal, which opened in Q1 2019 at the previous site of Shinsegae Incheon. Following the trend of the previous quarter, Q1 2019 has seen large sales facilities opening (Lotte Mart Incheon Terminal) and closing (Lotte Department Store Incheon) in Incheon.

02-4.
Supply Trends by Companies

※ Source : Avison Young Korea Research

Graph 6. Supply Trends by Companies



Hyundai Department Store completed its expansion of Hyundai Premium Outlet Gimpo last year. In Q1 2019, Hyundai Department Store followed this up with the expansion of its Cheonho Branch. The Hyundai Department Store chain seems to be focused on renewing its existing stores rather than opening new ones. Lotte Shopping has been downsizing since 2018, as evidenced by the closure of its mini-department store El Cube, the Lotte Department Store Anyang Branch because it had another store in the same vicinity, and the regional city store Lotte Young Plaza Daegu (due to sluggish sales). Meanwhile, Shinsegae has opened a new E-Mart Traders at the existing E Mart Wolgok parking lot, and is creating a Shinsegae town that will consolidate all its distribution channels in one place.

03 Trends in Major Districts in Seoul

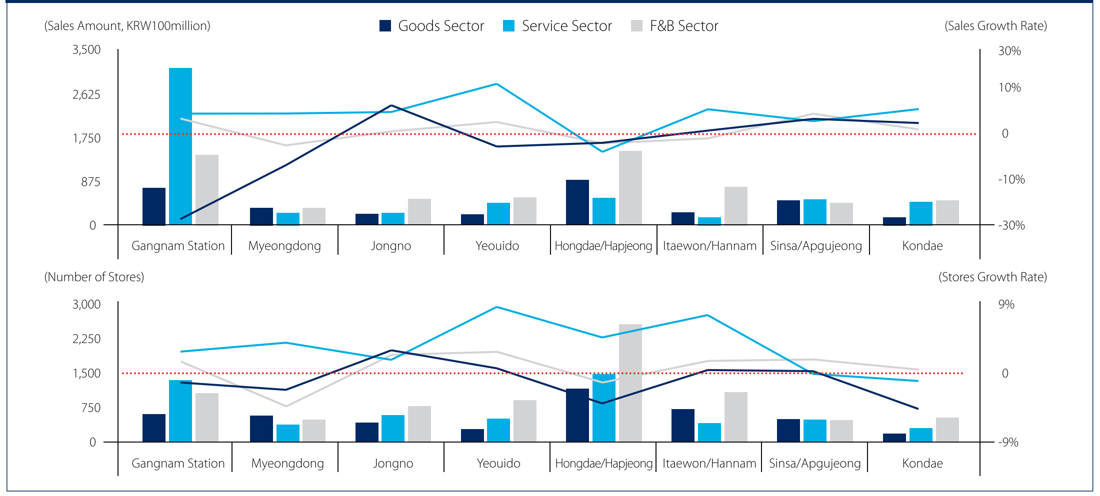
While sales growth is remarkable in the Yeouido, Sinsa/Apgujeong and Kondae districts, the downturn in the goods sector continued in the Gangnam Station and Myeongdong districts.

03-1-1. Sales and Store Growth by Retail Types

As of Q1 2019, YoY

※ Price per Use (KRW1000)
= Total Sales in districts/ Total Uses in districts

Graph 1. Sales and Store Growth by Retail Types



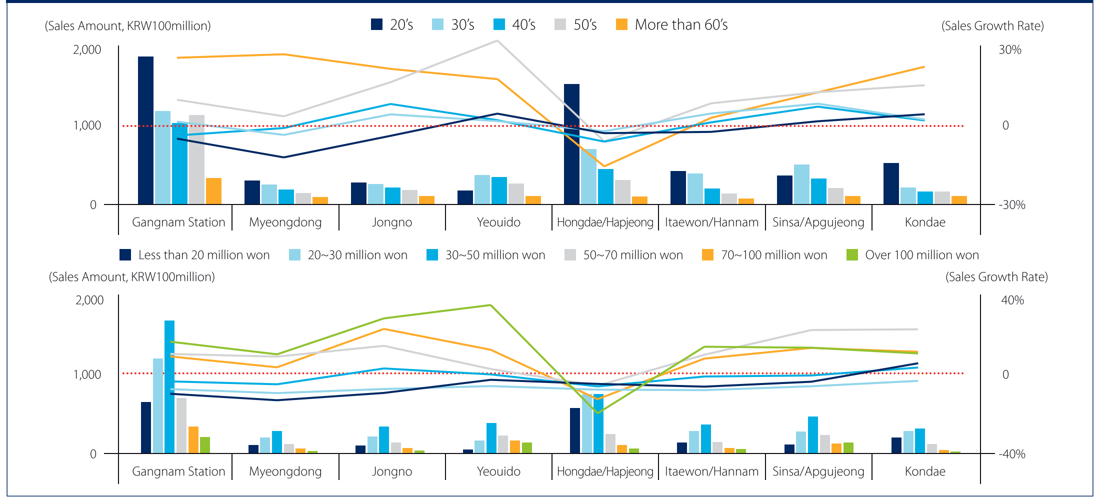
Districts	Gangnam Station	Myeongdong	Jongno	Yeouido	Hongdae/ Hapjeong	Itaewon/ Hannam	Sinsa/ Apgujeong	Kondae
Total Sales	-0.3%	-3.7%	+4.8%	+7.3%	-3.4%	+0.7%	+5.9%	+5.1%
Total No. of Stores	+1.2%	-1.7%	+2.0%	+3.8%	-0.5%	+2.0%	+0.4%	-1.2%
Price per Use	38.3(▲1.3)	26.3(▲0.2)	27.2(▲1.4)	27.8(▲0.6)	21.5(▼0.7)	27.3(▲0.3)	61.6(▲0.5)	23.9(▲0.6)
Goods	16.6(▼3.6)	24.9(▼1.4)	21.9(▲1.7)	18.9(▼1.5)	20.2(-)	20.1(▲0.1)	66.2(▲3.0)	11.1(▲0.2)
Services	140.6(▲5.0)	60.6(▲4.4)	44.6(▲4.0)	57.8(▲0.4)	33.4(▼5.1)	48.6(▲2.3)	187.9(▲5.5)	47.8(▲2.0)
F&B	19.9(▲0.8)	19.4(▲0.1)	25.3(▲0.6)	22.6(▲0.5)	19.7(▼0.5)	28.1(▲0.2)	33.3(▼0.3)	21.7(-)

- The sales figures of Seoul's major commercial districts in Q1 2019 showed different characteristics, depending on the retail types and districts. While sales growth is remarkable in Yeouido, Sinsa/Apgujeong and Kondae, sales in Myeongdong and Hongdae/Hapjeong fell by 3% YoY. The service sector also showed strong growth in terms of sales by sub-sector. The goods sector, however, has relatively slow sales growth. The sales and unit price of adult apparel, cosmetics, retail and others within the goods sector has noticeably decreased in the Gangnam Station and Myeongdong districts.

03-1-2. Consumer Characteristics

As of Q1 2019, YoY

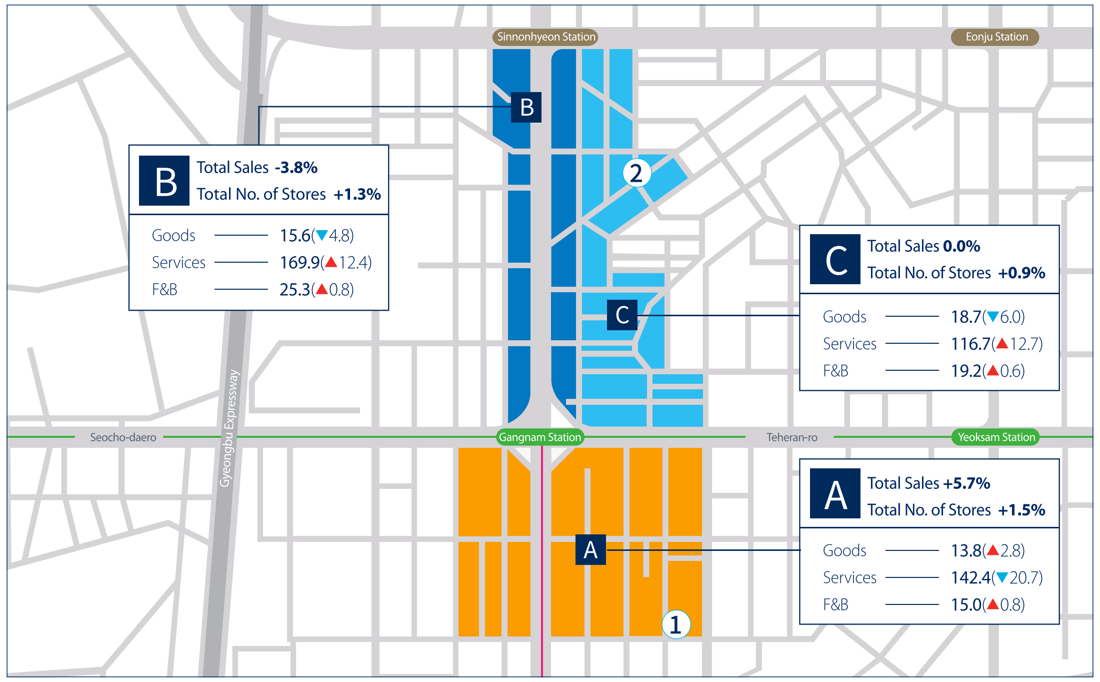
Graph 2. Sales breakdown by age/income level



- Although the main consumers in Seoul's major commercial districts are typically between 20 and 40 years old, consumer spending by consumers in their 50s, 60s and beyond has been increasing in most districts except Hongdae/Hapjeong.
  This is reflected in the fact that younger consumers prefer online shopping, while older consumers prefer offline shopping. Consumer spending by high-income earners in the Jongno and Yeouido districts has increased significantly, while Hongdae/Hapjeong experienced the greatest decrease in sales to consumers with incomes over KRW70 million. The consumer characteristics of each commercial district vary according to the individual district and the zones within them.

03-2. Gangnam Station District

As of Q1 2019, YoY



*Goods/Services/F&B Price per Use(KRW1000)

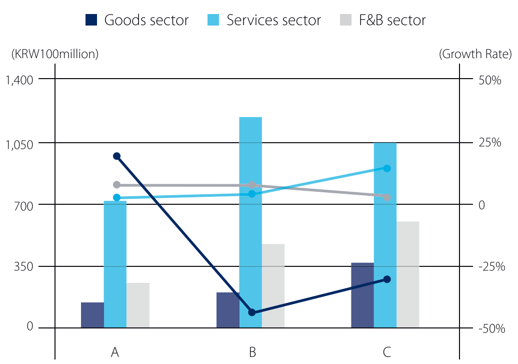
Major Transaction Cases for Neighborhood-Commercial Facilities

Category	Zone	Date	Site Area (3.3㎡)	Gross Floor Area (3.3㎡)	Number of Floor	Year of Completion	Total Transaction Amount (100Mil Won)	Tenant Types
①	A	Q2 2018	82	193	5/B1	1994	75	Goods, Services
②	C	Q3 2018	109	444	4/B3	2013	86	Services

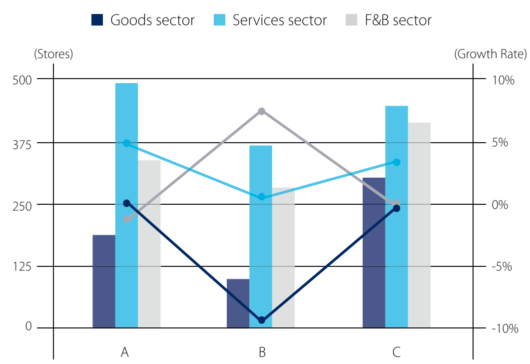
03-2-1. Sales and Stores by Retail Types

As of Q1 2019, YoY

Sales breakdown by Retail Types



No. of Stores by Retail Types

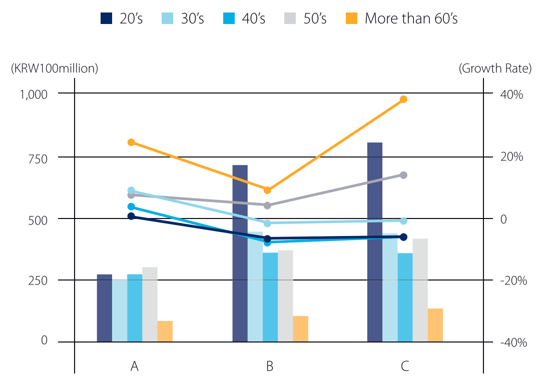


- Zone A, a dense office district, has a 5.7% increase in sales and a 1.5% increase in number of stores. Sales in stores of all retail types are on the rise, indicating that the market is growing.
- Sales in Zone B's goods sector declined by 44.9%, and the unit price for the goods sector fell by KRW4,800. Sales at adult apparel, retail, and cosmetics stores, which account for a large portion of sales at the goods sector, are stagnant.
- Sales in the goods sector in Zone C are sluggish. Sales of adult apparel and cosmetics decreased by 58% and 8% respectively, while sales of sporting goods increased by 12%.

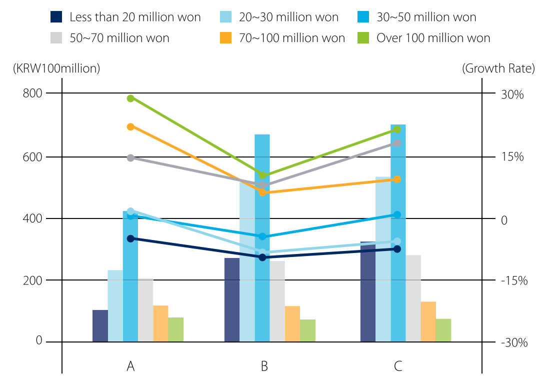
03-2-2. Consumer Characteristics

As of Q1 2019, YoY

Sales breakdown by age



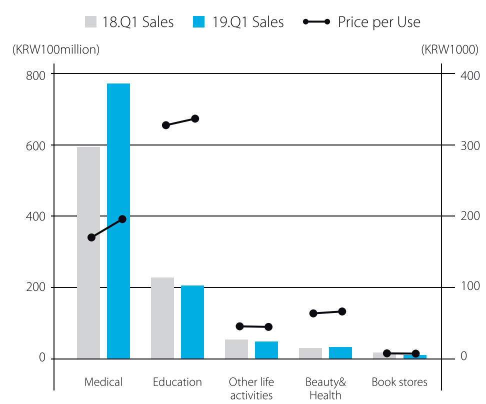
Sales breakdown by income level



- While the commercial environments of Zones B and C are youthful, and have consumers who are mostly in their 20s and 30s, a high proportion of sales in Zone A are made to consumers aged 40 and above. A recent development is the increase of consumers in their 50s and above shopping in all sub-districts of Gangnam Station.
- Sales to consumers with incomes of KRW50 million or more increased in all sub-districts of Gangnam Station. On the other hand, sales to consumers with an income level of less than KRW50 million either declined or slowed down. This indicates that consumption sales are polarized according to the income level of the consumers in the market.

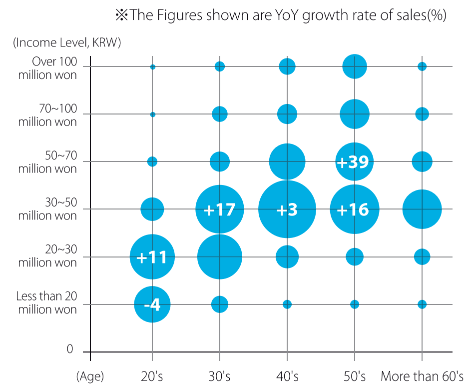
Service Sector Analysis for Zone C in Gangnam Station District

Service Sector Analysis for Zone C



Total Sales Amount of Consumers

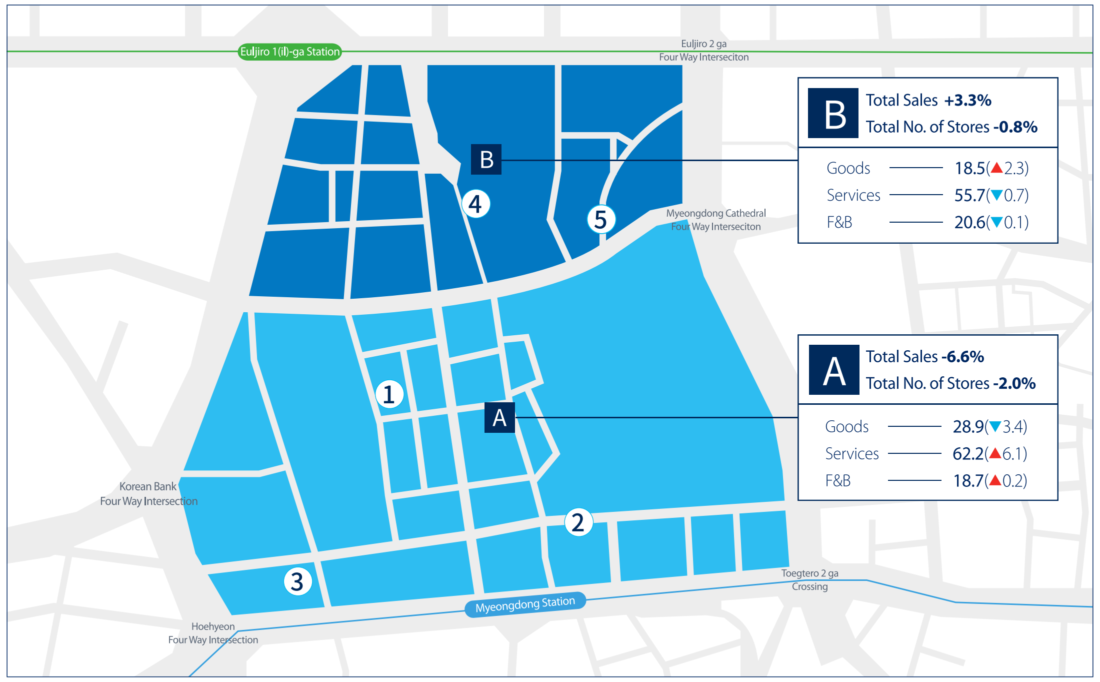
※The Figures shown are YoY growth rate of sales(%)



- Sales in Zone C's service sector grew 15.2% YoY. As of Q1 2019, the medical (69%) and education (18%) sub-sectors accounted for the major portion of sales in the service sector in Zone C.
- Sales in the medical sub-sector in the southern and northern sides of Zone C have shown a remarkable 29.8% YoY increase. The average unit price per medical treatment is KRW213,000, approximately 1.8 times higher than the total average in Zone C and 1.7 times higher than the average of medical sub-sector in Seoul's major districts. Zone C, in particular, has a higher proportion of plastic surgeons and dental clinics, which translates into high sales per capita vis-à-vis the other major districts in Seoul.
- While sales in the education sub-sector decreased by 9.9% YoY, its unit price increased by 3.5%. This indicates that the number of consumers in the education sub-sector has decreased, but the sales efficiency per consumer has increased.
- While consumers utilizing the service sector in Zone C are traditionally in their 20s and 30s, a high proportion of service sector consumers in the Gangnam Station district as a whole are in their 40s and 50s.

03-3. Myeongdong District

As of Q1 2019, YoY



*Goods/Services/F&B Price per Use(KRW1000)

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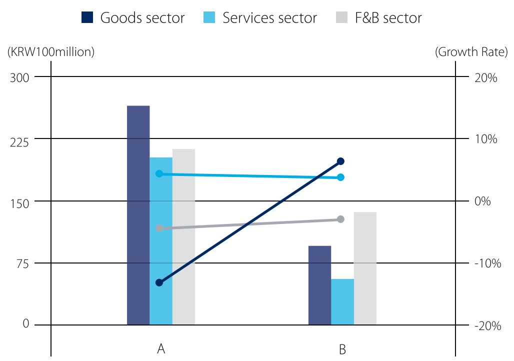
Category	Zone	Date	Site Area (3.3㎡)	Gross Floor Area (3.3㎡)	Number of Floor	Year of Completion	Total Transaction Amount (100Mil Won)	Tenant Types
①	A	Q3 2018	15	44	2	1957	49	F&B, Services
②	A	Q3 2018	109	353	4/B1	1936	300	F&B, Services
③	A	Q4 2018	24	15	6	1950	36	F&B, Services
④	B	Q4 2018	11	26	3	1969	35	F&B
⑤	B	Q4 2018	12	15	2	1958	12	Goods

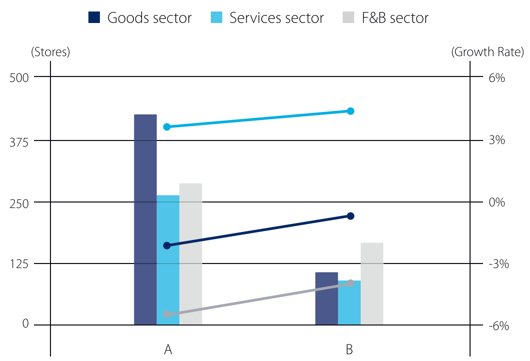
03-3-1. Sales and Stores by Retail Types

As of Q1 2019, YoY

Sales breakdown by Retail Types



No. of Stores by Retail Types

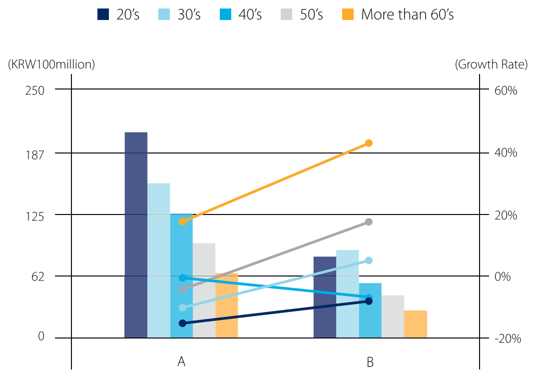


- Zone A traditionally enjoys high tourist traffic. Thus, most sales in Zone A are made to foreign tourists. However, its commercial sector is sluggish due to the recent decline in sales to domestic customers and the stagnation of the tourism market.
- Sales in the goods sector in Zone A declined 16.5% YoY and 29.1% QoQ respectively, indicating deteriorating sales. The sharpest drops are in adult apparel (-22.9% YoY) and cosmetics (-37.8% YoY), which account for the majority of goods sector sales. The number of stores in the goods sector in Zone A has also decreased.
- On the other hand, sales in Zone B increased by 3.3% due to the growth in sales of the goods and service sectors.
- Unlike Zone A, sales of cosmetics and beauty products have increased in Zone B.

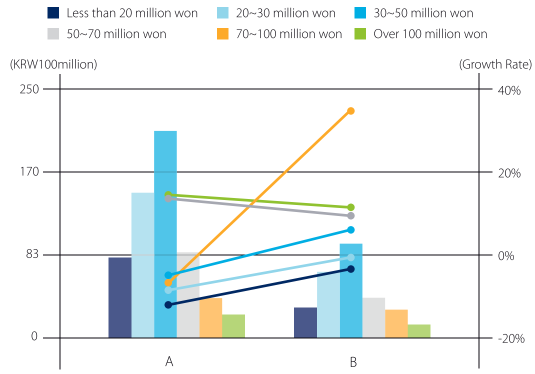
03-3-2. Consumer Characteristics

As of Q1 2019, YoY

Sales breakdown by age



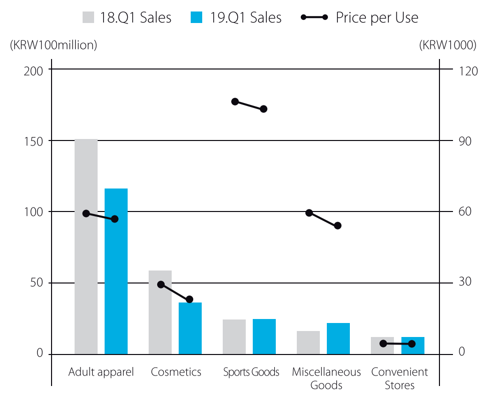
Sales breakdown by income level



- Sales in Zone A to all age groups, except those aged 60 and above, fell. Sales to consumers in their 20s and 30s declined most drastically, as sales to these groups fell by 14.7% and 9.7% respectively. The average age of consumers in Zone B is higher than that of Zone A. In Zone B, consumers in their 30s account for a large portion of sales, which increased by 5.7% YoY.
- The overall increase in sales in Zone B was influenced by the increase in consumer expenditure of high-income earners. Specifically, consumer spending by individuals earning between KRW70 million and KRW100 million increased by 35.9% YoY.

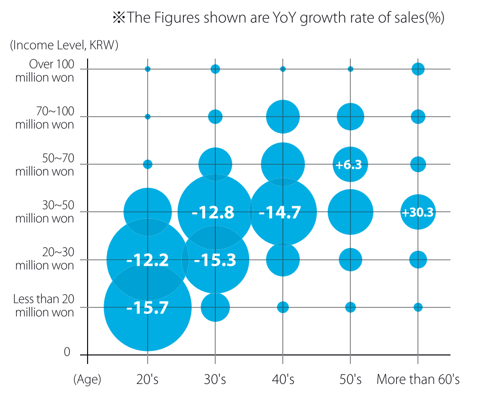
Goods Sector Analysis for Zone A in Myeongdong District

Goods Sector Analysis for Zone A



Total Sales Amount of Consumers

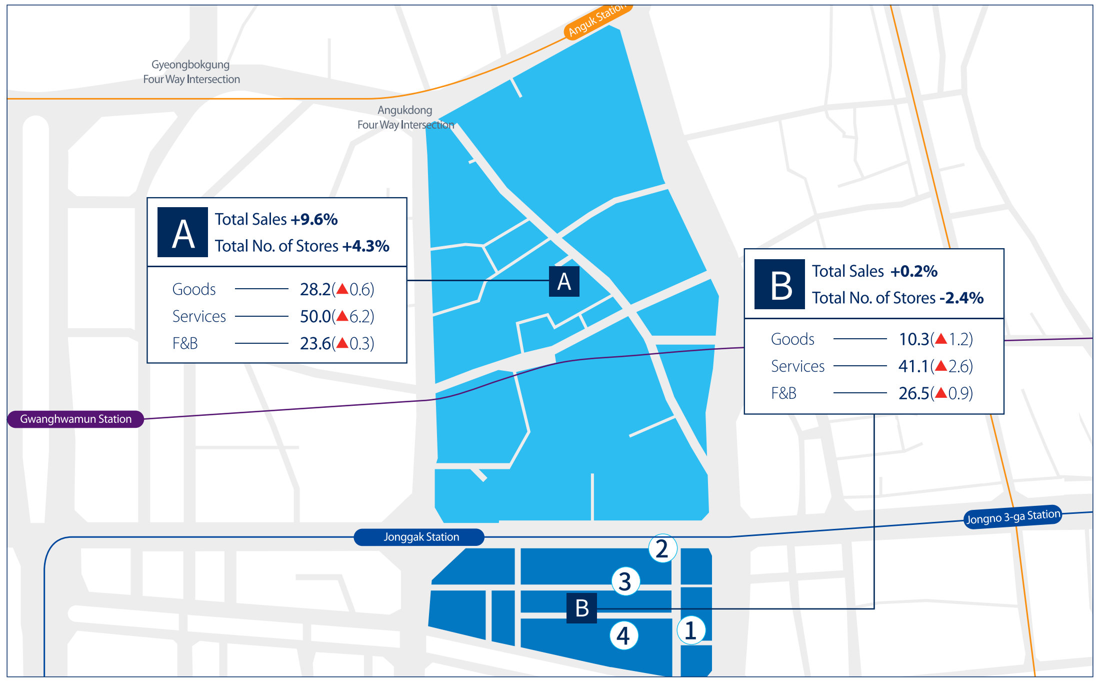
※The Figures shown are YoY growth rate of sales(%)



- Sales in Zone A's goods sector, specifically adult apparel and cosmetics, experienced the greatest slump. Adult apparel sales fell to a quarterly average of 12%, when compared to sales figures in Q4 2017. Sales in cosmetics also decreased by a quarterly average of 9%.
- However, there is an increase in the number of miscellaneous stores selling cost-effective products. The number of these stores has increased by 14% YoY. Sales in the miscellaneous goods sector increased by 32.2%, while its unit price per use decreased by 13.4%.
- The consumers of the goods sector in Zone A are mostly locals in their 20s and 30s. They generally have incomes of less than KRW50 million. Sales of goods to domestic customers in Zone A fell because of decreased consumer spending by people in their 20s and 30s.

03-4.
Jongno District

As of Q1 2019, YoY



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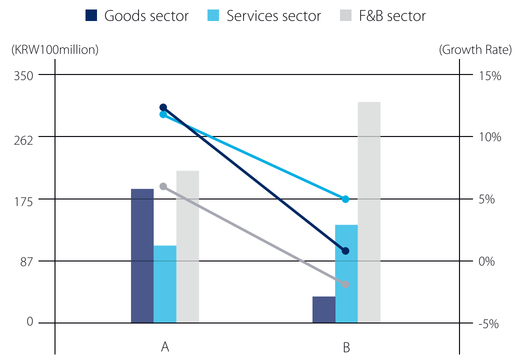
①	B	Q4 2018	19	40	3	1985	70	F&B
②	B	Q1 2019	41	236	5/B2	1971	77	F&B, Services
③	B	Q1 2019	24	141	7	1965	81	F&B, Services
④	B	Q1 2019	61	636	11/B1	1969	178	F&B, Services

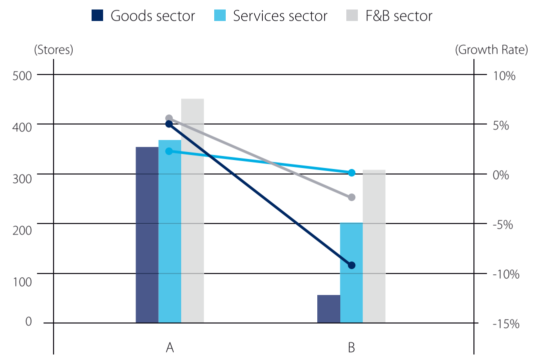
03-4-1.
Sales and Stores by Retail Types

As of Q1 2019, YoY

Sales breakdown by Retail Types



No. of Stores by Retail Types

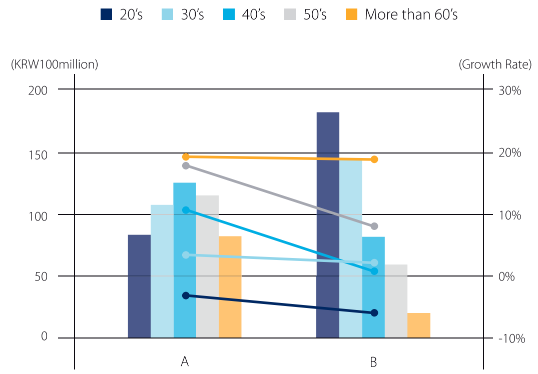


- Zone A is the location of the Insadong Culture District, Seoul's most famous street attraction. Most sales in Zone A are done by the goods, and food and beverage sectors. Both sales and number of stores in all sectors have increased since Q4 2018. This indicates that the commercial sector in Zone A is growing.
- Zone B is the center of the Jongno district, and is the location of the so-called Youth Street. The number of stores in all sectors has decreased in Zone B, resulting in the high vacancy rate in shopping malls here. Sales in the food and beverage sector have decreased dramatically, with general cuisine sales dropping by 13.4% and sales from pubs falling by 8.2%.

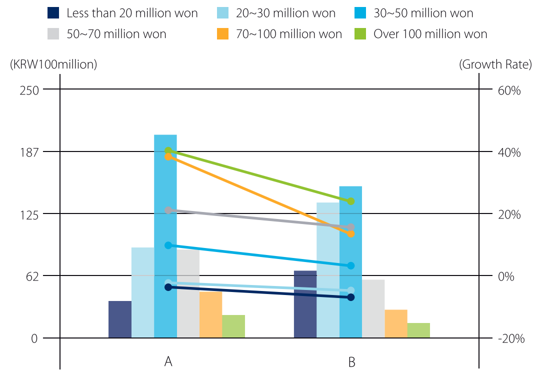
03-4-2.
Consumer Characteristics

As of Q1 2019, YoY

Sales breakdown by age



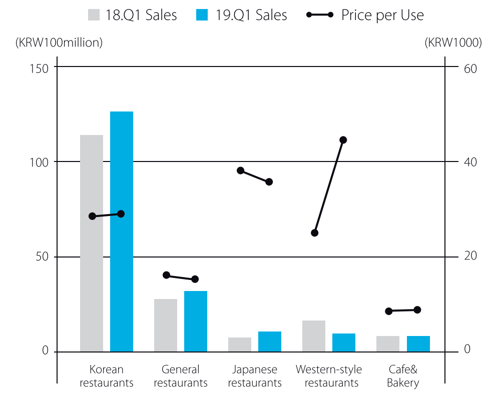
Sales breakdown by income level



- A high proportion of consumers in Zone A are in their 40s, while consumers in Zone B are mostly in their 20s. Sales to customers in their 20s in both Zones A (-3%) and B (-6%) have declined.
- Zone A's consumers have higher average incomes than Zone B's. Even so, consumer spending by people with incomes of less than KRW30 million has decreased in the Jongno district as a whole.

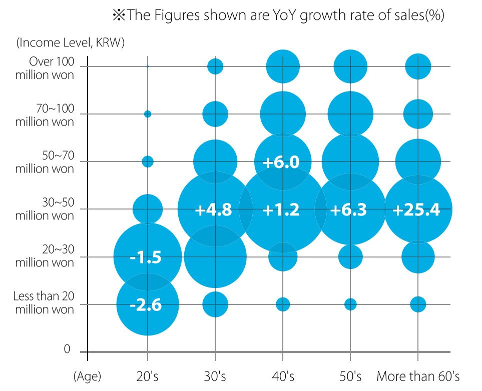
Analysis of the Food and Beverage Sector in Zone A in the Jongno District

F&B Sector Analysis for Zone A



Total Sales Amount of Consumers

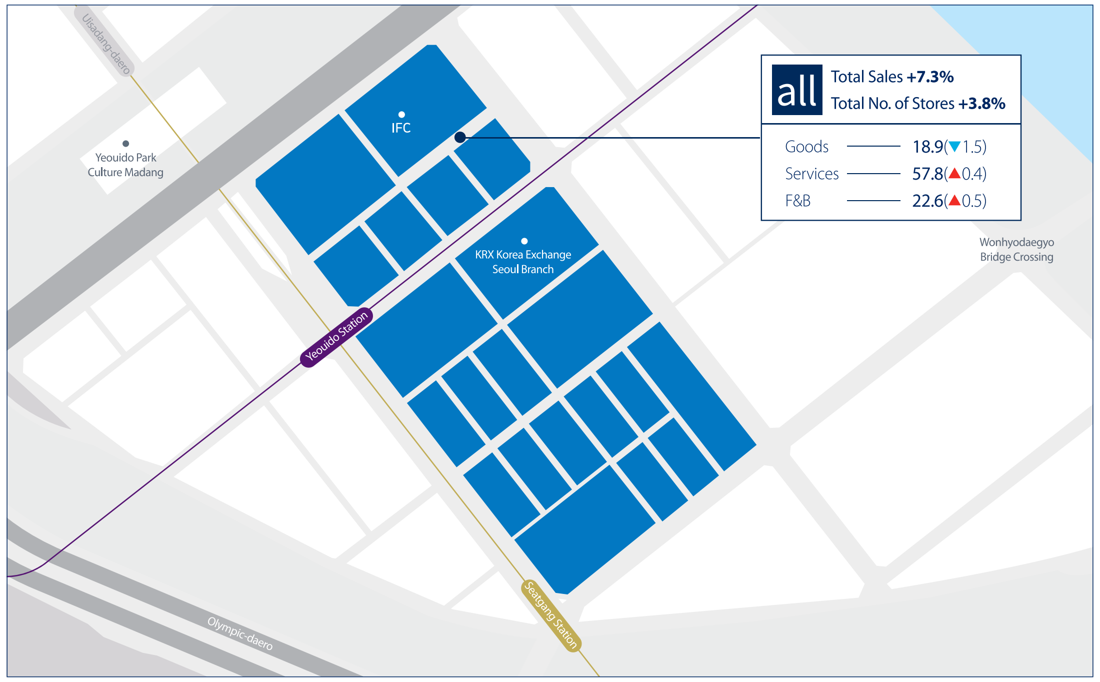
※The Figures shown are YoY growth rate of sales(%)



- Korean restaurants, including the restaurants located in the Insadong Culture District, have the highest proportion of sales in Zone A. Sales by Korean restaurants in Zone A increased by 10.7% YoY.
- Although the average price per unit of general and Japanese restaurants declined, these restaurants' sales rose by 14.7% and 42.0%, respectively. This upswing in sales suggests that an increasing number of consumers are choosing to patronize these restaurants.
- The unit price for each western restaurant increased sharply by 1.7 times, but their sales decreased to 40.8%. This suggests that their store operation strategies cannot adequately meet the demands of their target consumers.
- Consumers who use the food and beverage sector in Zone A are distributed evenly across all age groups. A high proportion of consumers in this sector have incomes ranging between KRW20 million and KRW50 million. Compared to the same period last year, sales to consumers in their 20s with incomes of less than KRW30 million decreased, while sales to consumers in their 30s and above with incomes of KRW30 million to KRW50 million increased.

03-5.
Yeouido District

As of Q1 2019, YoY



*Goods/Services/F&B Price per Use(KRW1000)

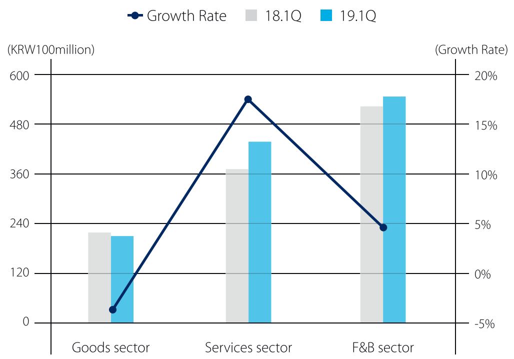
Major Transaction Cases for Neighborhood-Commercial Facilities

Category	Zone	Date	Site Area (3.3㎡)	Gross Floor Area (3.3㎡)	Number of Floor	Year of Completion	Total Transaction Amount (100Mil Won)	Tenant Types
N/A								

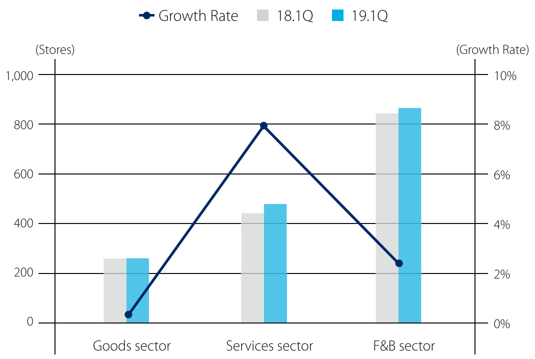
03-5-1.
Sales and Stores by Retail Types

As of Q1 2019, YoY

Sales breakdown by Retail Types



No. of Stores by Retail Types

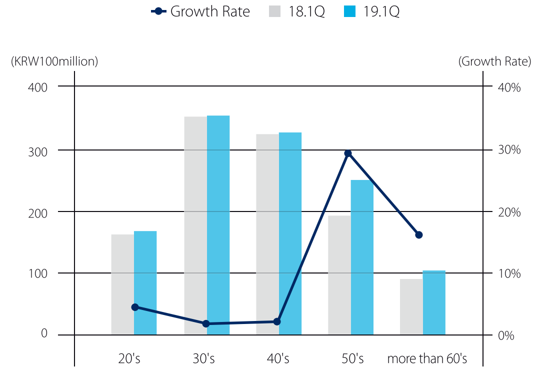


- In the Yeouido district, sales of the service, and food and beverage sectors rose 17.7% YoY and 4.5% YoY respectively, leading to a rise in total sales revenue. This indicates that the number of stores in all these sectors is growing, and that the overall commercial sectors are growing.
- In the service sector, healthcare services accounted for the largest portion of sales (49.1% as of Q1 2019), with the sales in this sub-sector growing by 15.3% YoY.
  There is also noticeable growth in the sales of sports services, which is closely related to the popularity of leisure sporting activities.
- In the goods sector, sales in adult apparel decreased by 18.9% YoY and 43.1% QoQ respectively, and the number of these stores decreased by 5.5%.

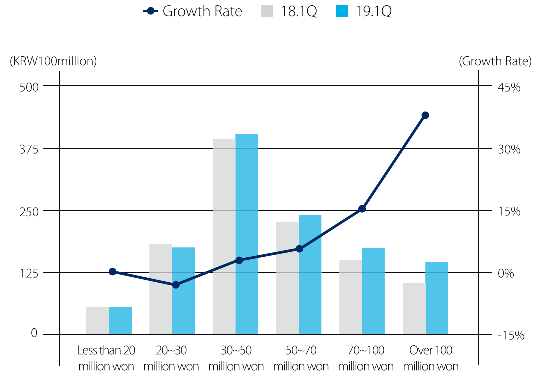
03-5-2.
Consumer Characteristics

As of Q1 2019, YoY

Sales breakdown by age



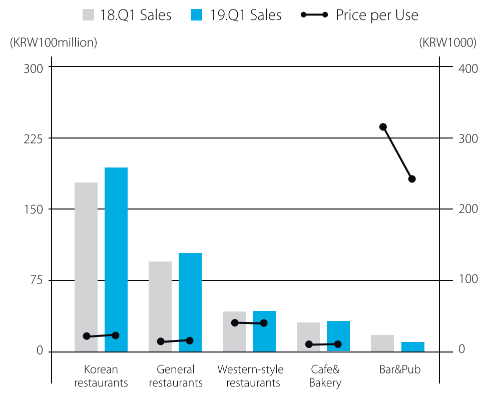
Sales breakdown by income level



- As the Yeouido district is mostly populated by office workers, its consumers are generally in their 30s, 40s, and beyond. The growth of consumer spending by people in their 50s is particularly high at 29.9%.
- In general, consumers with higher incomes tend to spend more. Since the office workers in this district are mostly high-income earners, the consumer expenditure here is high. As of Q1 2019, the Yeouido district's consumer expenditure has increased at a higher rate than in Q1 2018.

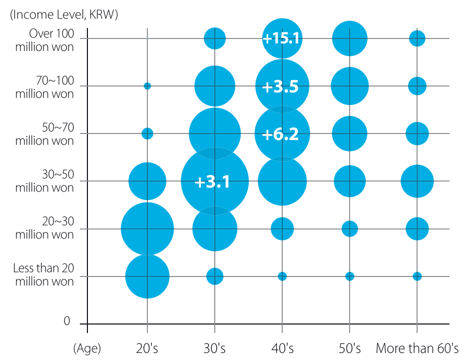
Analysis of the Food and Beverage Sector in the Yeouido District

F&B Sector Analysis



Total Sales Amount of Consumers

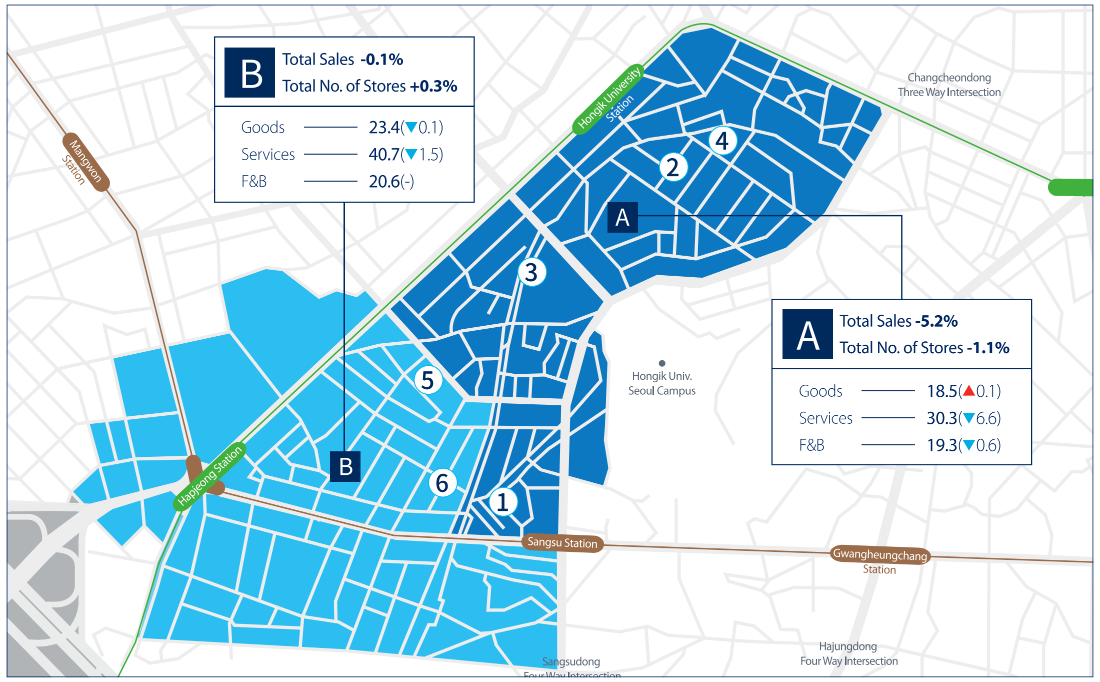
※The Figures shown are YoY growth rate of sales(%)



- Sales of Korean and general cuisine restaurants, which account for a large portion of sales in the food and beverage sector in Yeouido, rose by 8.9% and 9.4% YoY respectively. The increase of sales in the Yeouido district's food service sector can be attributed to the fact that its major consumers are people with high-incomes in their 30s and 40s.
- On the other hand, sales in pubs in Yeouido, which has more than 60 pubs, have decreased by about 40% YoY.
  This is because of recent drastic changes to work culture and social culture. The spread of individual leisure as a means of unwinding after work is now a widespread social phenomenon. It has resulted in less people going to pubs.
  Also, the working culture that used to emphasize after-work socialization and drinking at pubs as a means of bringing employees together is no longer as prominent. As a result, alcohol consumption, which can increase sales margins and customer prices at pubs, is gradually decreasing. Thus, the price per use of pubs has decreased to KRW94,000, which is about a 30% YoY drop.

03-6.
Hongdae/Hapjeong District

As of Q1 2019, YoY



*Goods/Services/F&B Price per Use(KRW1000)

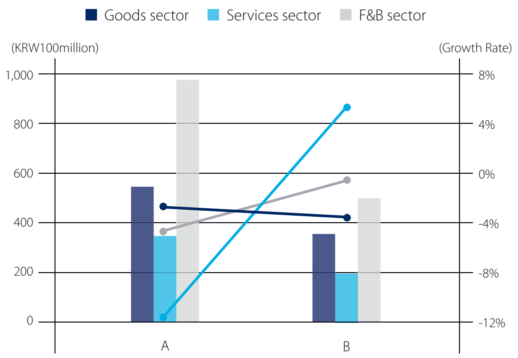
Major Transaction Cases for Neighborhood-Commercial Facilities

Category	Zone	Date	Site Area (3.3㎡)	Gross Floor Area (3.3㎡)	Number of Floor	Year of Completion	Total Transaction Amount (100Mil Won)	Tenant Types
①	A	Q4 2018	49	41	2	2015	20	F&B
②	A	Q4 2018	47	79	3/B1	1989	33	F&B, Services
③	A	Q4 2018	76	141	4	2009	55	F&B, Goods, Services
④	A	Q1 2019	49	134	4/B1	1997	21	F&B
⑤	B	Q4 2018	173	603	6/B2	2012	100	Services
⑥	B	Q4 2018	30	51	4	2010	18	F&B

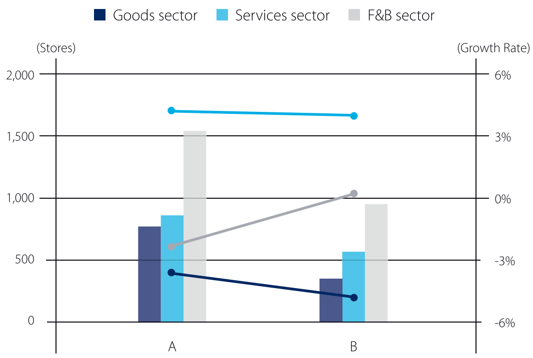
03-6-1.
Sales and Stores by Retail Types

As of Q1 2019, YoY

Sales breakdown by Retail Types



No. of Stores by Retail Types

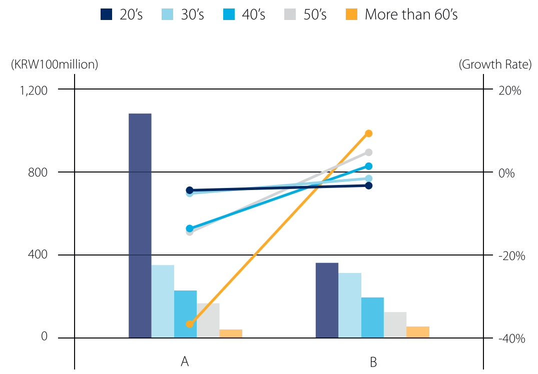


- The Hongdae/Hapjeong district can be divided into two zones. Zone A spans about 2km from the Hongik University entrance to Sangsoo Station. Zone B encompasses Hapjung Station and its immediate surroundings. Sales in Zone A, the traditional commercial area of the Hongdae/Hapjeong district, have decreased by 5.2% YoY due to the gentrification of the area and the expansion of commercial areas to nearby Yeonnamdong.
- Zone B is a relatively new commercial area. Its composition is different from Zone A, as the businesses here come from many different sectors. For instance, it has a high proportion of food retailers, especially shops selling general and Korean cuisine. Moreover, the service sector in Zone B has also shown a relatively high level of sales growth (+ 6% YoY) in recent years.

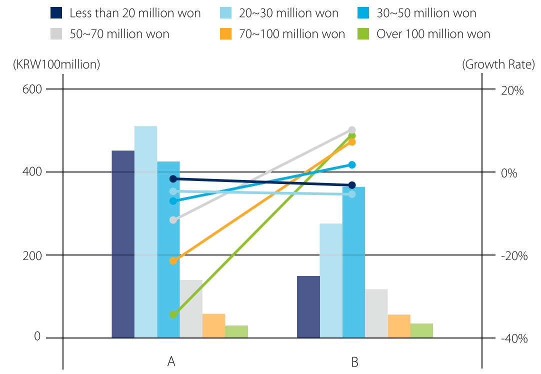
03-6-2.
Consumer Characteristics

As of Q1 2019, YoY

Sales breakdown by age



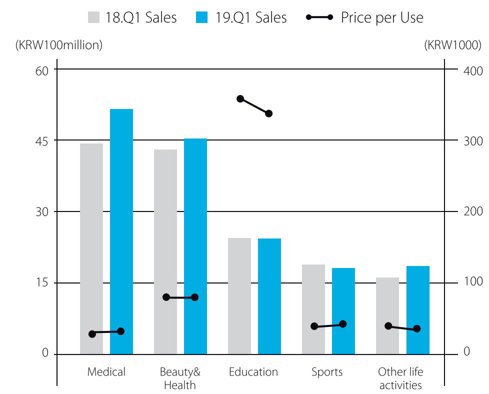
Sales breakdown by income level



- Unlike Zone A, in which sales are overwhelming made to consumers in their 20s, a high proportion of Zone B's sales go to consumers in their 30s and 40s. Additionally, 60% of sales in Zone A are made to people with annual incomes of less than KRW30 million, while consumers in Zone B have higher average incomes than consumers in Zone A.
- This trend is also reflected in the unit price level of the two zones. As a whole, the unit price of each sector in Zone B is higher than that of Zone A.

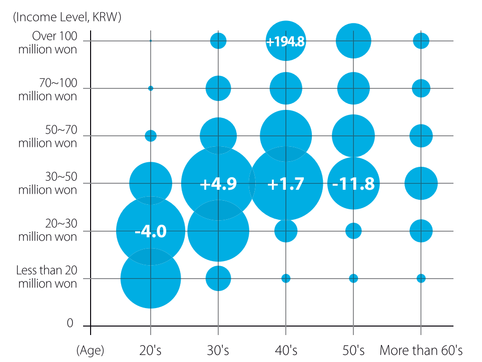
Analysis of the Service Sector in Zone B in the Hongdae/Hapjeong District

Service Sector Analysis for Zone B



Total Sales Amount of Consumers

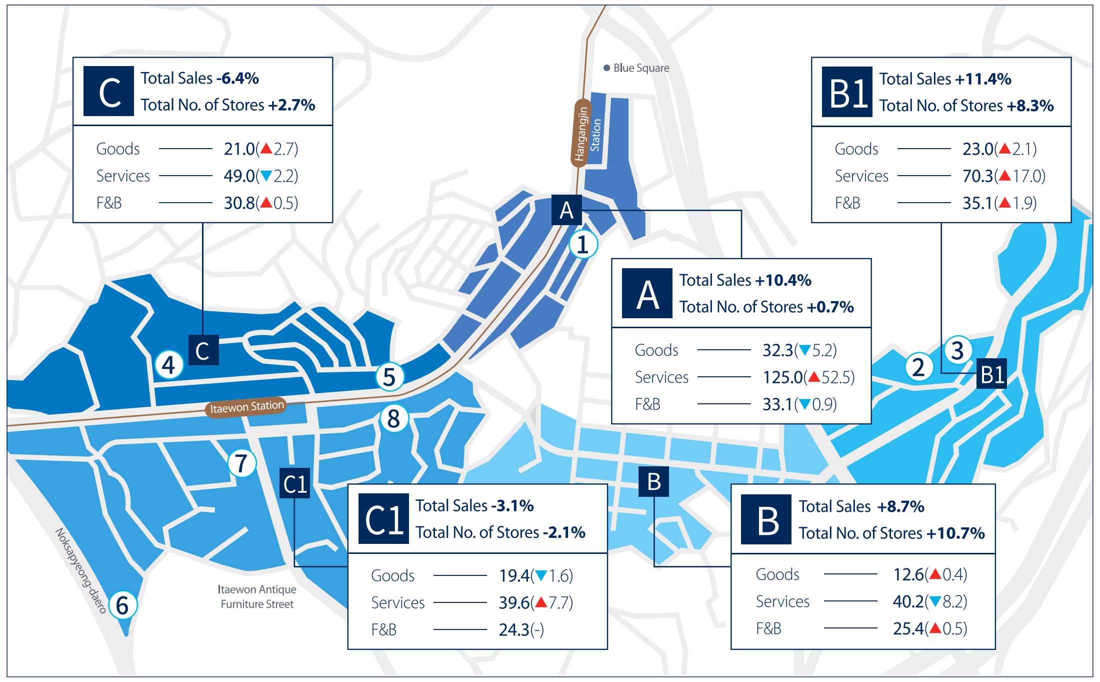
※The Figures shown are YoY growth rate of sales(%)



- The sales growth rate in the service sector in the Hongdae/Hapjeong district is increasing, most notably in the medical and cosmetics industries. Sales in the medical and cosmetics sub-sectors grew by 16.2% YoY and 5.4% YoY respectively.
- In contrast, sales growth in the education and sports-related sub-sectors, which account for the majority of sales in Zone B and other zones, stagnated. The unit price of the education industry decreased by 5.7% YoY.
- Sales consumption of the service sector by people in their 30s and 40s is high. Specifically, the consumption of consumers in their 40s with annual incomes of more than KRW100 million increased significantly by 194.8% YoY.

03-7. Itaewon/Hannam District

As of Q1 2019, YoY



*Goods/Services/F&B Price per Use(KRW1000)

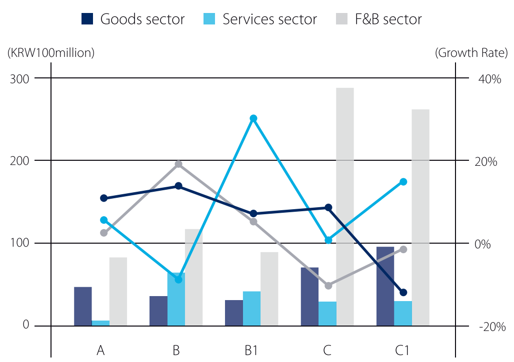
Major Transaction Cases for Neighborhood-Commercial Facilities

Category	Zone	Date	Site Area (3.3㎡)	Gross Floor Area (3.3㎡)	Number of Floor	Year of Completion	Total Transaction Amount (100Mil Won)	Tenant Types
①	A	Q4 2018	100	281	4/B1	1978	134	F&B
②	B1	Q4 2018	67	150	4/B1	1988	59	Goods
③	B1	Q4 2018	145	84	2/B1	1965	69	F&B
④	C	Q4 2018	32	53	4	2011	232	F&B
⑤	C	Q1 2019	22	70	4	1967	23	F&B
⑥	C1	Q4 2018	109	325	5/B1	1980	134	F&B, Services
⑦	C1	Q4 2018	63	31	1	1985	35	F&B
⑧	C1	Q1 2019	65	56	2	1962	39	F&B

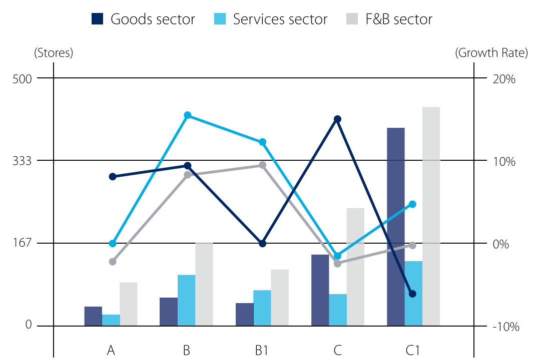
03-7-1. Sales and Stores by Retail Types

As of Q1 2019, YoY

Sales breakdown by Retail Types



No. of Stores by Retail Types

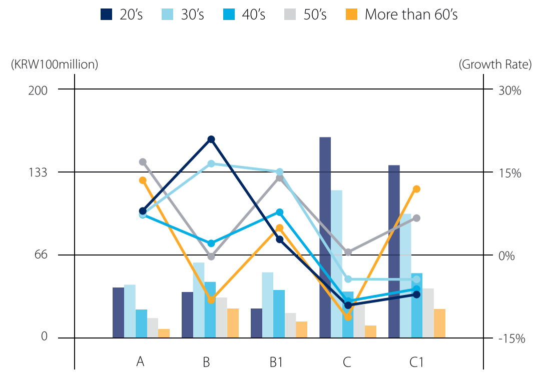


- Sales in Zones C and C1 of the Itaewon/Hannam district, which has many businesses from the food and beverage sector, are on the decline. In contrast, the number of stores in Zones A, B and B1 continues to grow.
- The service sector of Zone B1, which is located near high-class residential areas like the Hannamdong UN Village and Hannam The Hill, has had a significant service sector sales growth of 30.5%.

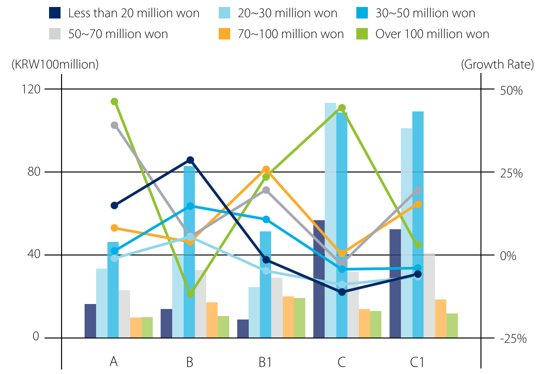
03-7-2. Consumer Characteristics

As of Q1 2019, YoY

Sales breakdown by age



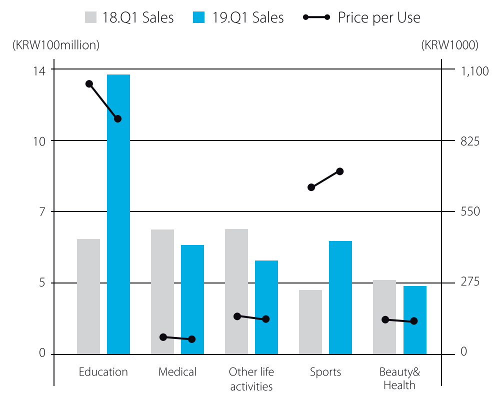
Sales breakdown by income level



- As the Itaewon/Hannam district spans a wide spatial area, it has different consumers in different sub-districts. Sales in Zones C and C1 mostly go to consumers in their 20s and 30s, while Zones B and B1 have consumers who are mostly in their 30s and 40s. The average age of consumers in Zone A, on the other hand, is between those in Zones C/C1 and B/B1.
- The consumption of consumers with high-incomes has increased in Zone B1, as many of these consumers have incomes of more than KRW50 million. Conversely, the consumption of consumers with low incomes has decreased in Zone B1. These changes in the characteristics of consumers are likely to affect the rate at which each sector's per unit price has increased in Zone B1.

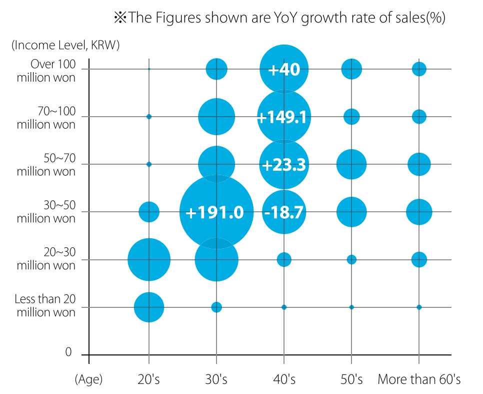
Analysis of the Service Sector in Zone B1 in the Hannam District

Service Sector Analysis for Zone B1



Total Sales Amount of Consumers

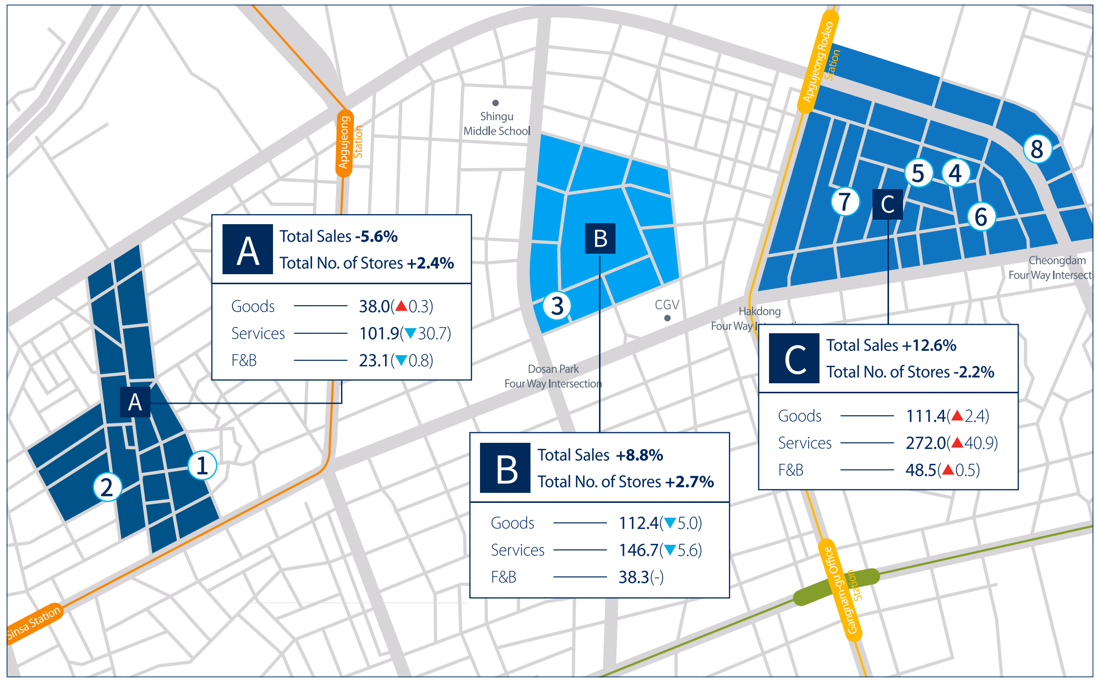
※The Figures shown are YoY growth rate of sales(%)



- Zone B1 is located near the high-class residential areas. This may account for the sharp increase (+ 142%) of sales in the education sub-sector in Q1 2019 vis-à-vis the same period last year. In addition to the high proportion of language schools targeting kindergartners in Zone B1, there is also a noticeable growth in private educational institutions maintaining high educational service costs.
- In addition, sales of the sports service sector increased by 76% YoY, and the unit price of each sector increased by about KRW61,000.
- Zone B1 has a high proportion of consumers in their 30s and 40s supporting infants and young children.
- Also, sales to high-income consumers in their 40s have increased significantly YoY. The increased consumption of these consumers has significantly impacted the sales growth in the education and sports services in Zone B1.

03-8.
Sinsa/Apgujeong District

As of Q1 2019, YoY



*Goods/Services/F&B Price per Use(KRW1000)

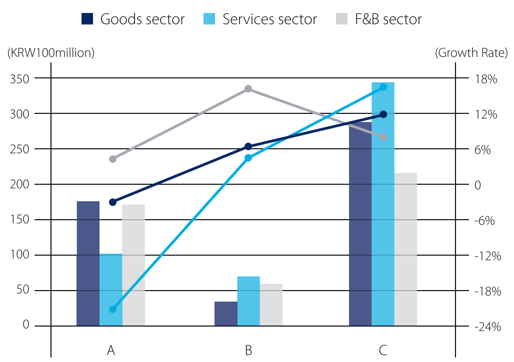
Major Transaction Cases for Neighborhood-Commercial Facilities

Category	Zone	Date	Site Area (3.3㎡)	Gross Floor Area (3.3㎡)	Number of Floor	Year of Completion	Total Transaction Amount (100Mil Won)	Tenant Types
①	A	Q4 2018	36	95	2/B1	1996	28	F&B
②	A	Q1 2019	54	96	2/B1	1975	45	F&B
③	B	Q1 2019	93	132	3/B1	2018	79	Goods
④	C	Q4 2018	81	61	2/B1	1978	79	F&B
⑤	C	Q1 2019	94	249	6/B1	2004	86	Services
⑥	C	Q1 2019	72	231	5/B1	1992	77	Goods, Services
⑦	C	Q1 2019	189	83	3	1995	90	Services
⑧	C	Q1 2019	109	302	6/B2	1996	133	Goods, Services

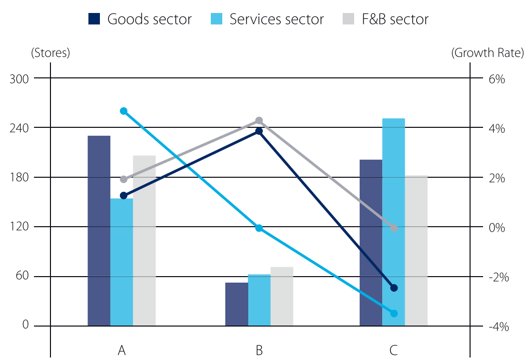
03-8-1.
Sales and Stores by Retail Types

As of Q1 2019, YoY

Sales breakdown by Retail Types



No. of Stores by Retail Types

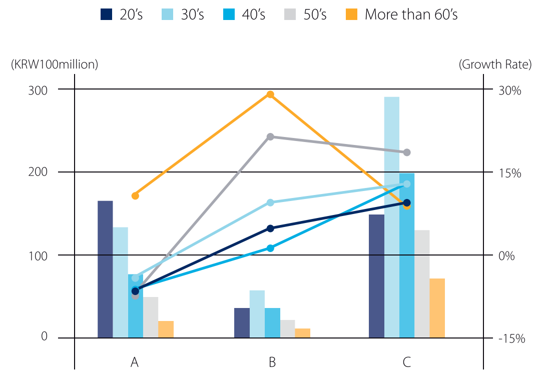


- The sales growth of the goods, and food and beverage sectors (including fashion, cafes, restaurants and others) in Zone A, as represented by the Garosu street market, is sluggish. This slump in sales growth is most apparent in medical services. The medical sub-sector, which makes up 56.5% of sales (as of Q1 2019) in the total service sector, decreased 36.1% YoY in this district.
- Overall sales in Zones B and C grew markedly in most sectors, including the food and beverages sector. This growth is most evident in Zone C, where the level of per-use unit price is rising in all sectors.

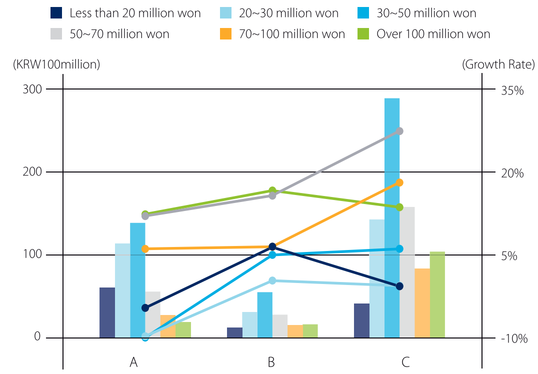
03-8-2.
Consumer Characteristics

As of Q1 2019, YoY

Sales breakdown by age



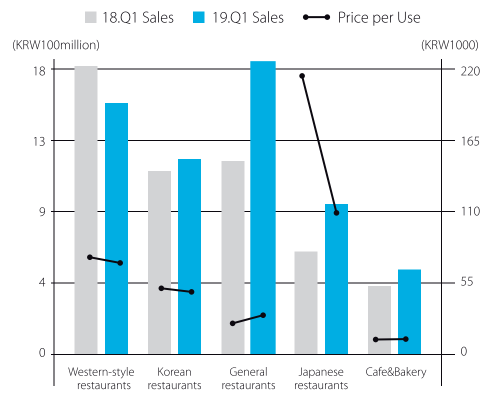
Sales breakdown by income level



- The Sinsa/Apgujeong district has the highest unit price per capita among the major commercial districts in Seoul. The average age and income of consumers in the Sinsa/Apgujeong district is relatively high.
- However, its sub-districts have different types of consumers. Zone A has a high proportion of consumers in their 20s. Recent sales in Zone A have declined for all ages, except those who are 60 and above.
- On the other hand, sales in Zones B and C have increased for all age groups. Additionally, there is a noticeable growth in consumer spending by people with incomes of more than KRW50 million.

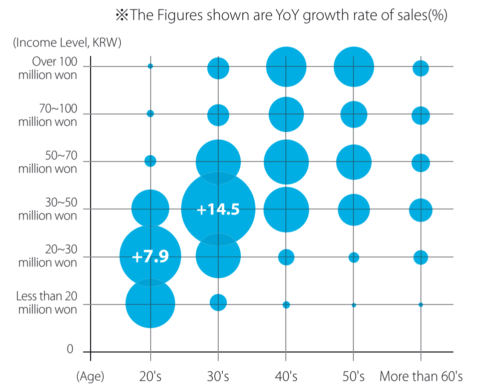
Analysis of the Food and Beverage Sector in Zone B in the Sinsa/Apgujeong District

F&B Sector Analysis for Zone B



Total Sales Amount of Consumers

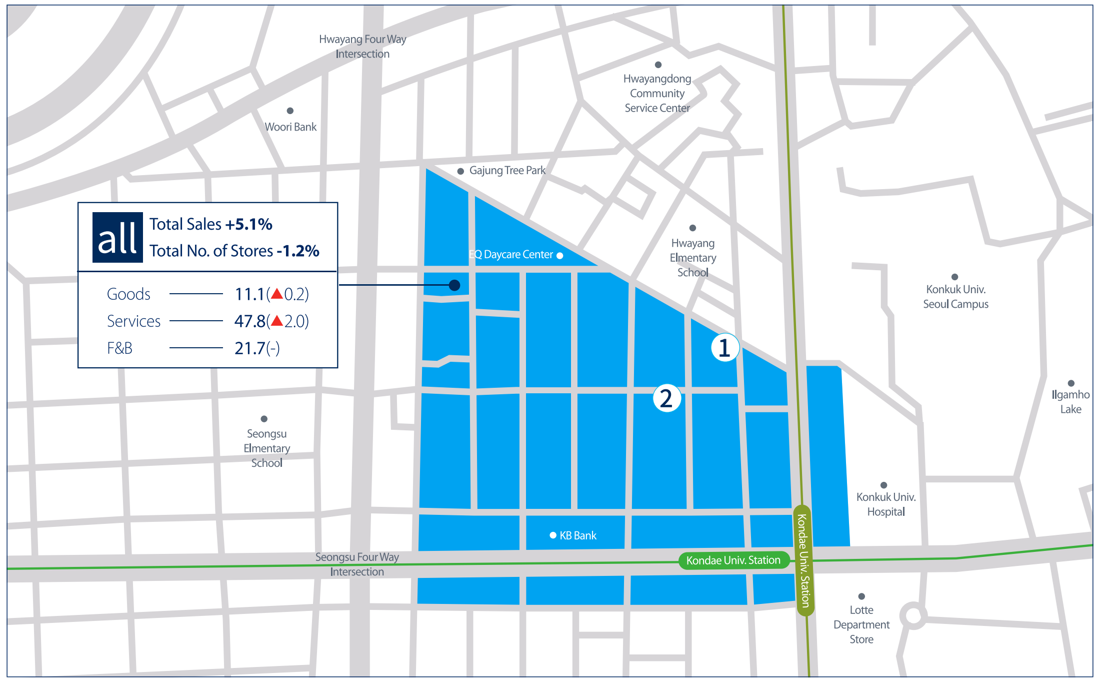
※The Figures shown are YoY growth rate of sales(%)



- Zone B, near Dosan Park, traditionally has many fine dining restaurants. However, recent figures indicate that the sales in casual dining restaurants (+ 50.2%), and cafes selling desserts and drinks (+ 23.7%) are increasing.
- As the number of consumers in their 20s and 30s patronizing food and beverage establishments in the Zone B is increasing, the unit price of Western, Korean and Japanese restaurants has decreased YoY.
- In particular, the unit price of Japanese restaurants in Zone B, which has many high-class Japanese restaurants, declined by about KRW107,000 YoY, while sales rose by about 46%. With the recent popularization of high quality Japanese dishes, there are more customers seeking out Japanese restaurants in the Dosan Park area.

03-9.
Kondae District

As of Q1 2019, YoY



*Goods/Services/F&B Price per Use(KRW1000)

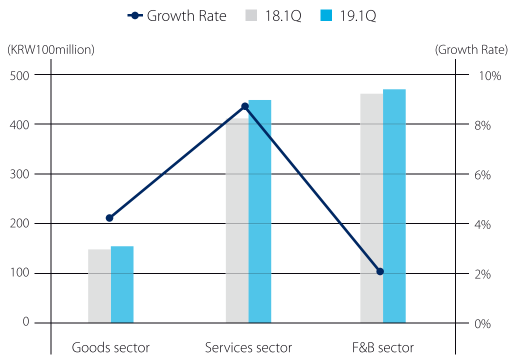
Major Transaction Cases for Neighborhood-Commercial Facilities

Category	Zone	Date	Site Area (3.3㎡)	Gross Floor Area (3.3㎡)	Number of Floor	Year of Completion	Total Transaction Amount (100Mil Won)	Tenant Types
①	all	Q4 2018	56	181	4/B1	1987	385	F&B
②	all	Q4 2018	52	134	6/B1	1999	330	F&B

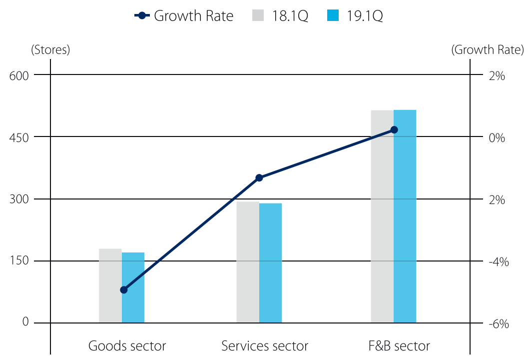
03-9-1.
Sales and Stores by Retail Types

As of Q1 2019, YoY

Sales breakdown by Retail Types



No. of Stores by Retail Types

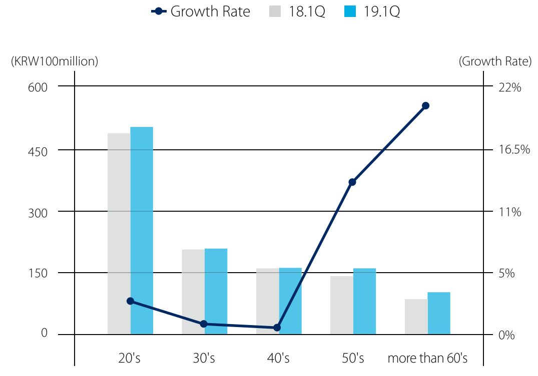


- In the Kondae district, sales in the goods, service, and food and beverage sectors showed a YoY increase, while the number of stores in the goods and service sectors decreased by 5.0% and 1.4% respectively.
- Within the goods sector, sales at convenience stores and adult apparel stores increased YoY, while sales at mom-and-pop stores, miscellaneous goods shops and cosmetics stores fell.
- In the food and beverage sector, the sales of general cuisine and Korean restaurants remained high, with the sales of each industry increasing by 3% from 2018.

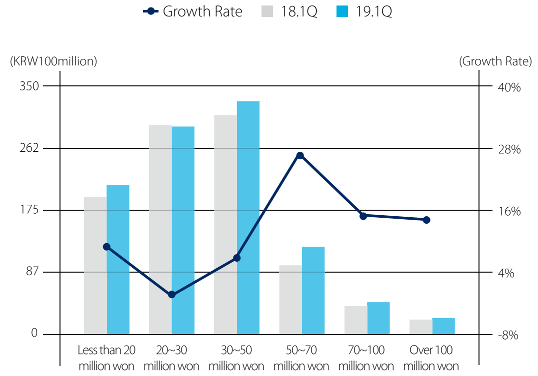
03-9-2.
Consumer Characteristics

As of Q1 2019, YoY

Sales breakdown by age



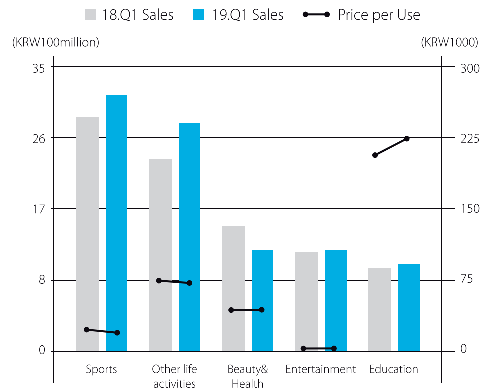
Sales breakdown by income level



- As the Kondae district is a university town, a high proportion of its consumers are people in their 20s with incomes of less than KRW50 million.
- Recently, expenditure by consumers in their 50s and 60s has increased in the Kondae district. Sales to consumers with incomes of more than KRW50 million are also increasing.
- Unlike the Hongdae district, which is also a university town, the Kondae district has shown that it can attract consumers from other age groups and not just people in their 20s.

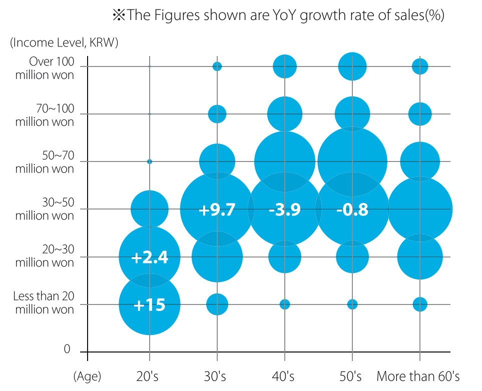
Analysis of the Service Sector in the Kondae District

Service Sector Analysis



Total Sales Amount of Consumers

※The Figures shown are YoY growth rate of sales(%)



- In the Kondae district, healthcare accounts for a large portion of the total sales of the service sector (78.3% as of Q1 2019). Sales in medical services rose by 10.5% YoY in this district. (As there is a large university hospital in Kondae, the volume of sales vis-à-vis the medical services may be skewed. Thus, the medical service will be excluded from the analysis of the service sector hereafter.)
- In the non-medical service sector, sales in the sports industry such as indoor leisure sports, billiards, leisure sports clubs and others grew by 9.1% YoY and 10.6% QoQ. Sales in education, which has a high price per unit at KRW228,000 within the service sector, increased by 4.8% YoY.
- Consumers with incomes ranging between KRW30 million and KRW50 million make up a high proportion of sales in the Kondae district's service sector. Specifically, service sector sales to consumers in their 30s increased YoY.

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