

# Office (Seoul)



## Quick Stats

7.4%

Overall vacancy rate decreased by  
60 basis points q-o-q

103,588 sq. m

Gross floor area of buildings  
completed in the fourth quarter

₩22,840/sq. m

Average rental rate increased by  
1.9%  
in the past 12 months

₩2.5 trillion

Total office sales volume  
during the fourth quarter of 2019

₩5.9 million/sq. m

Average unit sale price  
during the fourth quarter of 2019

## Market Overview

The total transaction volume in the 4Q stood at KRW 2.5 trillion, which is down 20.2% q-o-q. Nonetheless, the gross transaction volume in 2019 from 1Q to 4Q, is the largest ever, as the annual transaction volume has reached KRW 12.5 trillion, trumping last year's record level of KRW 12.0 trillion. The vacancy rate in Seoul was 7.4%, down 60 basis points(bps) from the previous quarter. Seoul's overall vacancy reached the 7% mark for the first time since 4Q 2013. The total inventory increased in 4Q.

## Supply and Vacancy

The vacancy rate in Seoul was 7.4%, down by 60bps from the previous quarter, as the vacancy rate fell in all markets, especially in CBD.

The CBD vacancy rate fell 120bps to 10.4% q-o-q due to moving of headquarters such as Douzone ICT group, Yido and Twosome Place headquarters and expansion of existing tenants.

GBD had a class C office building completed as it had in the previous quarter. Financial and insurance sector companies such as Kyobo Securities, Samsung Securities, and Prudential Life Insurance were major tenants who moved into GBD or expanded their leasing space in the area. FastFive opened a new branch in Oksan building leading to a slightly decreased vacancy rate of 4.4%. FastFive and TEC opened new branches in GBD this quarter. Moreover, FastFive is scheduled to open another branch in 1Q 2020, confirming that shared offices are

contributing to decreasing vacancy rates in GBD.

YBD vacancy reached 6.2%, down 40bps q-o-q, due to new leasing contracts at class B1 and above offices such as Yeouido Financial Tower, Three IFC, and FKI Tower. YBD did not have any new office completion for five consecutive quarters.

Others' vacancy rate was 8.1%, down 50bps q-o-q. In particular, after the transaction of Mapo Taeyoung Building, the former tenant is in the process of moving to a nearby office, and the office space will be occupied by SK affiliates. There were new completions in Others market, and they came in various sizes including Yongsan Trade Center (63,000 sq.m) and Jungang Holdings headquarters (37,000 sq.m). However, no new completions are expected next quarter.

## Rental Rates

In 4Q, rent and CAM fees remained at similar levels as the previous quarter. The rent and CAM fees increased by 0.2% and 0.1% respectively. However, in 1Q we expect to see higher rent increases in comparison to 4Q.

## Investment Sales

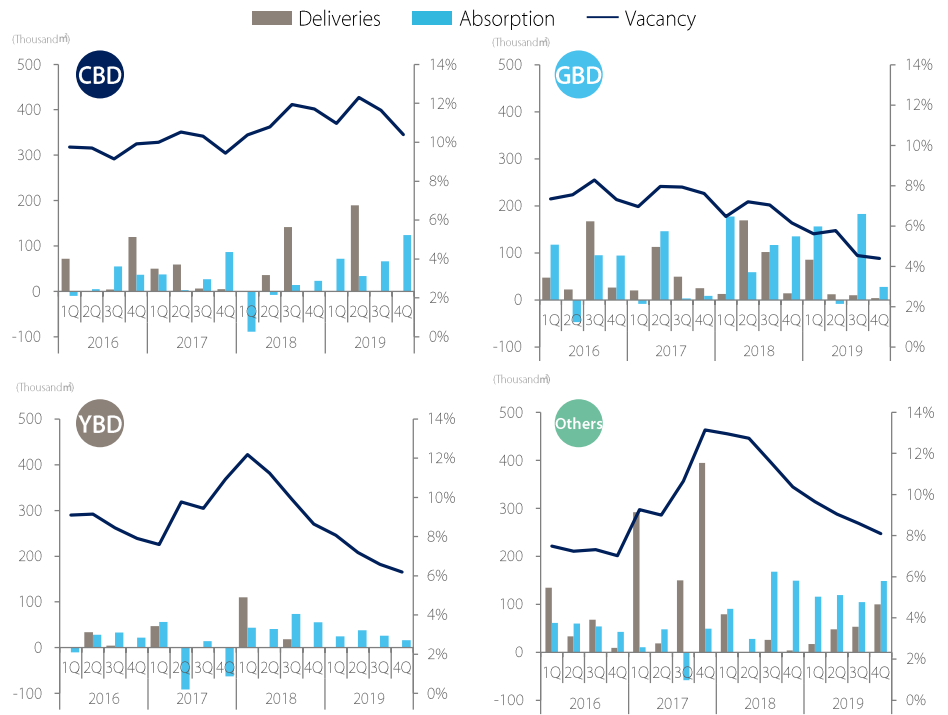
Seoul office transactions in the 4Q stood at KRW 2.5 trillion which is down 20.2% quarter-over-quarter. Nonetheless, the annual transaction volume in 2019 from 1Q to 4Q, is KRW 12.5 trillion which is the highest ever. This year, the transaction volume has reached a 4% increase from last year's record level of KRW 12.0 trillion.

Transaction volume spread evenly throughout the past four quarters, with more than KRW 2 trillion each quarter. In 4Q, GBD and YBD's transaction volume respectively increased 81% and 588% quarter-over-quarter. On the other hand, CBD, which reached a market size of KRW 2 trillion in 2Q and 3Q, stooped down to KRW 951.6 billion in 4Q.

The average unit price of Seoul fell to KRW 5.9 million per sq.m, down KRW 231,000 (3.8%) from the previous quarter. This is due to the fall in average unit price in CBD, GBD, and Others. The cause of the decrease was that office transactions consisted of strata title offices in CBD, and class B and C offices in GBD mainly.

The transaction volume is expected to remain stable in 2020, as there is a number of office transactions scheduled in 2020. Avison Young Seoul Office is currently advising transaction of Samsung Life Yeouido Building and Parc.1 Tower 2. The transaction of Twin City Namsan, and Namsan Square is also scheduled for next year.

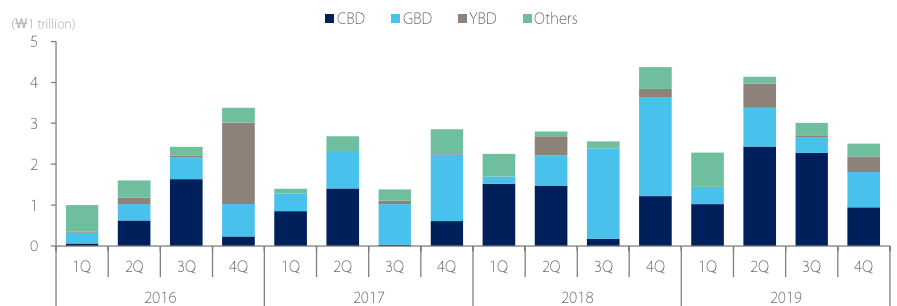
## Absorption, Deliveries & Vacancy



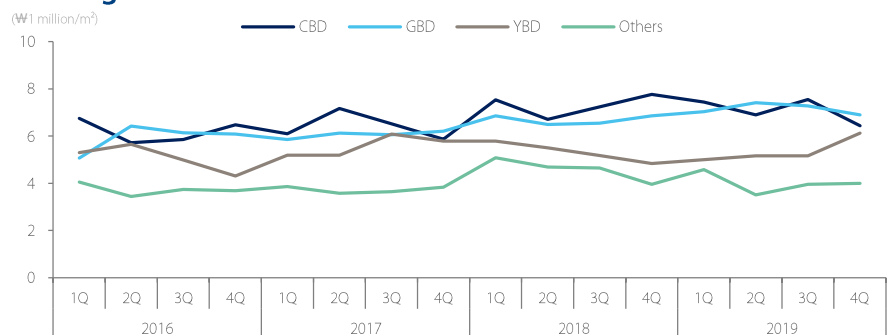
## Quarterly Rent and CAM



## Transaction Volume



## Average Sale Prices



## Markets By The Numbers

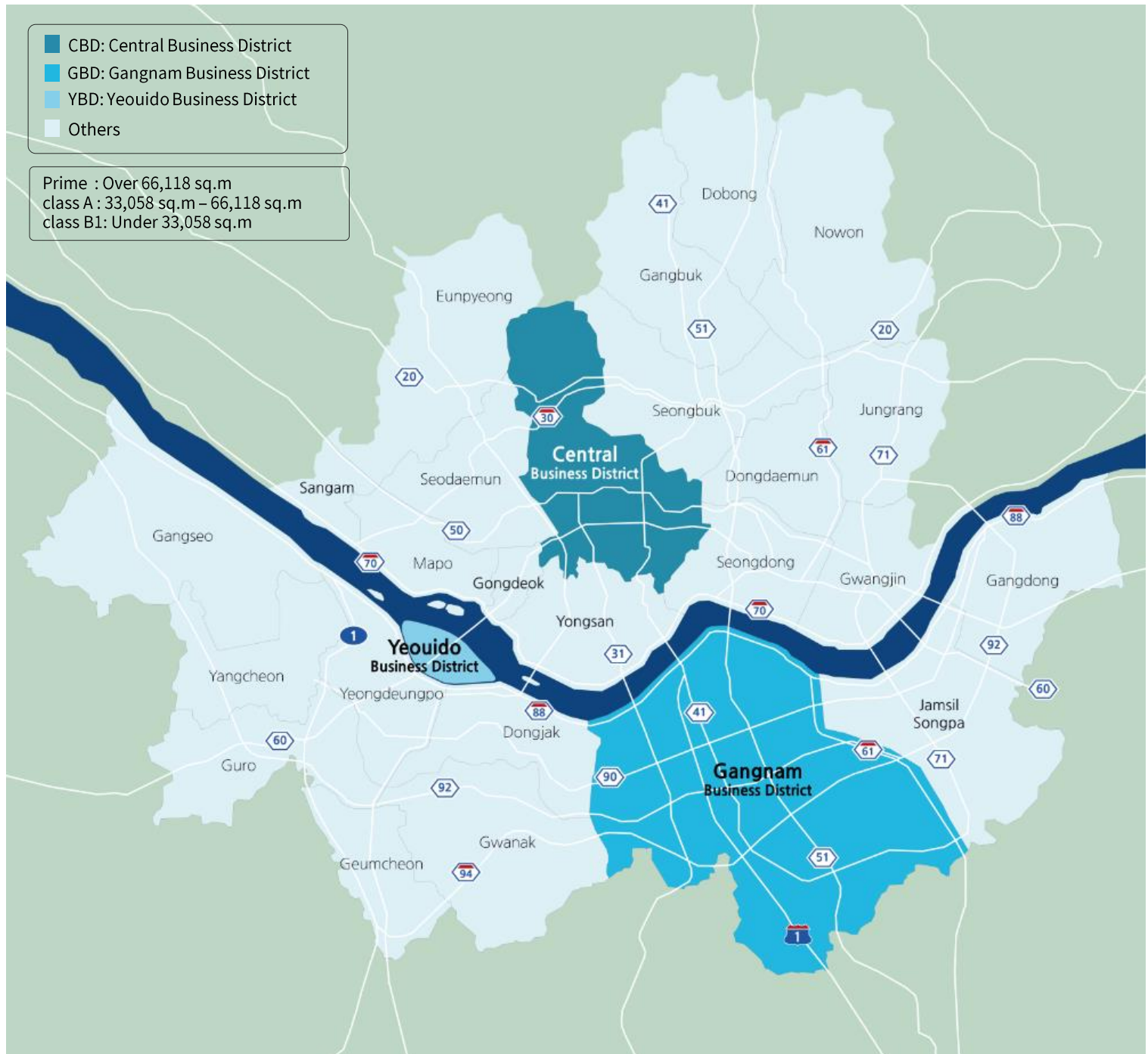
BY SUBMARKET	Vacancy Rate				Monthly Rent(₩/sq. m)				CAM(₩/sq. m)				Quarterly New Completion <sup>(sq. m)</sup>
	Total	Prime	Class A	Class B1	Total	Prime	Class A	Class B1	Total	Prime	Class A	Class B1	
Gwanghwamun-Sinmunro	12.2%	2.6%	16.8%	7.2%	25,425	26,305	29,375	18,515	10,229	9,837	11,487	8,118	
Namdaemun	9.2%	5.6%	10.8%	13.7%	27,683	30,729	26,674	22,630	11,974	12,709	11,793	10,861	
Eulgiro	8.3%	11.4%	2.6%	9.1%	29,415	31,801	33,115	25,646	12,268	12,850	13,560	11,524	
Jongno	12.7%	18.9%	9.1%	2.3%	33,999	41,066	31,967	20,679	13,122	14,569	13,068	10,110	
The rest of CBD	11.5%	15.8%	12.6%	3.0%	20,247	24,643	23,636	16,897	10,242	11,070	11,370	9,813	
<b>CBD</b>	<b>10.4%</b>	<b>11.8%</b>	<b>10.2%</b>	<b>7.4%</b>	<b>28,334</b>	<b>33,735</b>	<b>28,968</b>	<b>21,785</b>	<b>11,865</b>	<b>13,092</b>	<b>12,250</b>	<b>10,395</b>	
Teheranro	3.6%	1.1%	4.3%	3.1%	26,410	32,019	26,189	24,055	11,027	12,281	11,144	10,631	
Gangnamdaero	3.5%	2.9%	2.9%	3.3%	24,370	32,577	25,034	24,160	10,359	13,530	10,333	10,179	
The rest of GBD	6.2%	1.9%	5.1%	9.4%	18,288	16,473	20,407	18,739	8,813	9,042	9,520	8,991	4,012
<b>GBD</b>	<b>4.4%</b>	<b>1.5%</b>	<b>4.2%</b>	<b>5.5%</b>	<b>23,484</b>	<b>29,432</b>	<b>24,225</b>	<b>22,101</b>	<b>10,207</b>	<b>11,896</b>	<b>10,489</b>	<b>9,943</b>	<b>4,012</b>
West Yeouido	6.3%	1.3%	4.0%	7.6%	13,717	18,755	17,555	13,483	7,067	6,050	9,569	6,962	
Stock Exchange District	8.5%	6.3%	11.6%		26,067	30,674	21,773		11,934	12,929	11,101		
East Yeouido	4.8%	5.6%	5.6%	2.3%	21,199	27,270	18,323	17,309	10,097	12,285	8,818	8,751	
<b>YBD</b>	<b>6.2%</b>	<b>5.6%</b>	<b>8.8%</b>	<b>4.4%</b>	<b>21,330</b>	<b>27,927</b>	<b>20,177</b>	<b>15,886</b>	<b>10,109</b>	<b>12,079</b>	<b>10,165</b>	<b>8,085</b>	
Mapo	2.5%		1.0%	2.7%	13,911		14,683	13,905	7,887		9,133	7,834	
Jamsil-Songpa	7.8%	7.7%	10.8%	3.5%	20,553	25,062	18,001	15,418	9,405	10,787	8,945	8,143	
Yongsan	2.5%	2.7%	4.5%	0.8%	23,834	30,664	15,388	15,909	10,024	11,075	8,606	8,660	62,859
Sangam	11.1%	7.8%	13.8%	6.8%	12,562	13,581	12,035	11,830	7,785	8,179	7,572	7,562	36,717
The rest of Others	9.6%	15.4%	9.6%	9.0%	15,223	14,728	16,424	16,159	8,267	8,813	9,188	8,557	
<b>Others</b>	<b>8.1%</b>	<b>8.7%</b>	<b>10.3%</b>	<b>6.4%</b>	<b>16,442</b>	<b>21,112</b>	<b>15,236</b>	<b>15,245</b>	<b>9,789</b>	<b>9,789</b>	<b>8,646</b>	<b>8,274</b>	<b>99,576</b>
<b>Total Market</b>	<b>7.4%</b>	<b>7.6%</b>	<b>8.2%</b>	<b>6.1%</b>	<b>22,835</b>	<b>28,807</b>	<b>23,096</b>	<b>19,316</b>	<b>10,256</b>	<b>11,883</b>	<b>10,567</b>	<b>9,370</b>	<b>103,588</b>

## Major Fourth Quarter Leases

Tenant	Property	Type	Submarket	Rent Area(sq. m)
Douzone ICT group	Douzone Eulji Tower	New Lease	CBD	19,800
Green Cross Laboratories	Eulji Twin Tower(East)	New Lease	CBD	7,300
Meritz Fire & Marine Insurance	Jongro Tower	New Lease	CBD	5,300
FastFive	Oksan Building	New Lease	GBD	6,000
Samsung Life Insurance	Yeouido Finance Tower	New Lease	YBD	4,000

## Major Fourth Quarter Transactions

Property	Market	Buyer	Seller	Area(sq. m)	Transaction Volume	Price(/sq. m)
AK Tower (Including the hotel)	CBD	KB Asset Management	AKC&C	60,500	₩ 399.2 billion	₩ 6.6 million
HSBC Building	CBD	Pebblestone AMC	Pebblestone AMC	24,800	₩ 150.0 billion	₩ 6.0 million
Anam Tower (Fl. 3~7)	GBD	Hanwha Asset Management	Ascendas Asset Management	15,000	₩ 93.2 billion	₩ 6.2 million
3000Tower	GBD	Bluecom	Very Good Leisure	10,800	₩ 83.0 billion	₩ 7.7 million
NH Investment&Securities	YBD	Master Investment Management	NH Investment&Securities	45,500	₩ 254.9 billion	₩ 5.6 million
Meritz F&M Insurance Yeouido Center	YBD	Vestas Investment Management	Meritz Fire&Marine Insurance	18,000	₩ 120.0 billion	₩ 6.7 million



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For more information, contact:

**Injoon Choi**  
 Managing Director / Principal  
 82.2.3775.7204  
 injoon.choi@avisonyoung.com

**Myeonghan Yu**  
 Head of Research  
 82.2.3775.7236  
 myeonghan.yu@avisonyoung.com

**Kijun Kim** 82.2.3775.7265  
 kj.kim@avisonyoung.com  
**Inkoo Park** 82.2.3775.7269  
 inkoo.park@avisonyoung.com

**Yuseon Jeong** 82.2.3775.7261  
 ys.jeong@avisonyoung.com  
**Jiyoung Sohn** 82.2.3775.7259  
 jy.sohn@avisonyoung.com

**Jiheee Baek** 82.2.3775.7224  
 jihee.baek@avisonyoung.com  
**Taeyeon Kim** 82.2.3775.7271  
 ty.kim@avisonyoung.com

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