



Quick Stats

8.0%

Overall vacancy rate down 80 basis points quarter-over-quarter

63,062 sq. m

Gross floor area of buildings completed in this third quarter

₩22,770/sq. m

Average rental rate up 2.5% in the last 12 months

₩3.0 trillion

Total office sales volume during the third quarter of 2019

₩6.0 million/sq. m

Average sale price during the third quarter of 2019

Market Overview

Following the second quarter of the most significant transaction volume ever, Seoul's office market remained positive during the third quarter of 2019. As Class A buildings in the CBD market such as Booyoung Eulji building, City Square were traded, the overall transaction volume in this quarter reached ₩3.0 trillion, which is the largest volume among the past 3Q transaction records. Office leasing market remains also positive, with vacancy rates dropping 80 basis points (bps) quarter-over-quarter to 8.0%.

Supply and Vacancy

As vacancy rates decreased in all submarkets, Seoul's vacancy rate decreased 80bps to 8.0% quarter-over-quarter. In particular, the reduction of Seoul's overall vacancy rate led by prime and class A office in CBD and Others market.

The vacancy rate of CBD had risen due to the supply of class A buildings(Eulji Twin Tower, City Square) last quarter. However, during the third quarter, decreased 70 bps to 11.6% quarter-over-quarter without new supply; other class A offices attracted new tenants in Concodian(Hyundai Construction & Engineering) and Centropolis(Netflix Korea).

In the GBD market, where vacancy space is being occupied mainly in the Teheranro area, recorded 4.5%, the lowest rate since 2013, as tenants such as co-working operators and information service industries moving in the market while only one class C building was newly supplied.

In the YBD market, as the effect of Prime office buildings such as Three IFC(Meritz Securities), FKI Tower(Teachers Pension), the vacancy rate showed a slight decrease, ending at 6.6%, 10bps decrease quarter-over-quarter.

Despite new supply of class B buildings (Daebang Building, H Tower), vacancy rate in the Others market decreased 50 bps from the previous quarter to 8.6%. The major leasing activities which are led by large conglomerates were Citi Bank(Young City S tower) and FRL Korea(Lotte World Tower).

In the fourth quarter, new buildings will be supplied mainly in the Others market such as Yongsan Trade Center and Joongang Group Building; the overall vacancy rate in Seoul is expected to drop slightly due to the relocation of large tenants who had expanded their rent area.

Rental Rates

Most of the markets in this quarter, the rental rates showed similar levels to the previous quarter.

However, since the vacancy rate remains low across all markets in Seoul and the period of seasonal rent increases begins in 4Q, rent and CAM fee may increase.

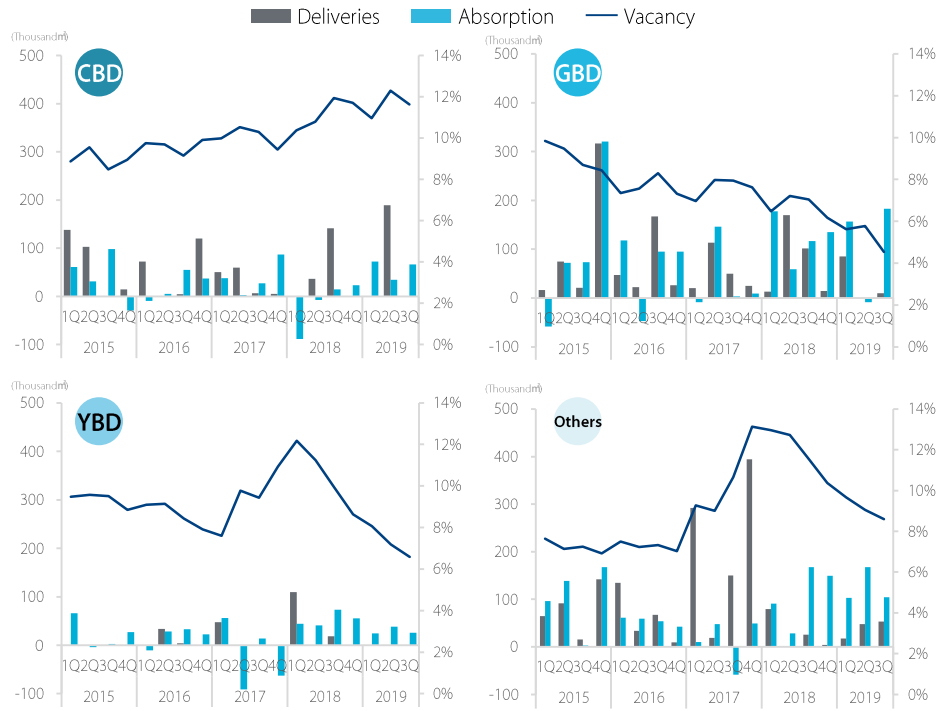
Investment Sales

The total transaction volume in Seoul was at ₩3.0 trillion, which was increased by 17.6% year-over-year and was the most significant volume ever that happened in the third quarters of all time. This is due to the substantial transaction cases, which had a vast transaction volume of more than ₩200 billion, respectively, in CBD. Although the vacancy rate for the CBD market is relatively high compared to the other business districts, there is much demand for corporate office buildings and investments. However, in GBD, which has the lowest vacancy rate and considerably high investment demand, decreased in transaction volume as few offices are on the transaction market for sale.

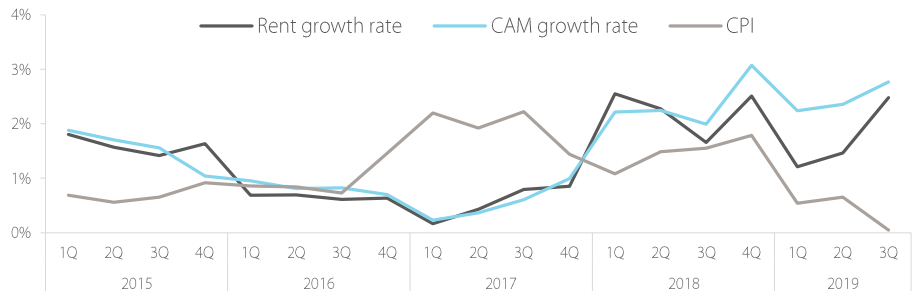
The overall unit price of the Seoul office market was at ₩6.0 million per sq. m, which was increased by 5% quarter-over-quarter. This was due to the increase in the average sale prices of CBD(Booyoung Eulji building, Woori Finance Namsan tower)and Others(Taeyoung building, DMCC building), which of traded offices at a high price are mainly for the corporate office building.

As of the third quarter of 2019, the annual accumulated transaction volume in Seoul was at ₩9.8 trillion, which is close to 81% of 2018 when recorded an enormous annual transaction volume ever. It is expected that the transaction volume of 2019 will be similar to 2018 since there are still a few buildings such as Twin City Namsan, NH Investment&Securities building, Times square in the process of transaction in the CBD, YBD and Others market next quarter.

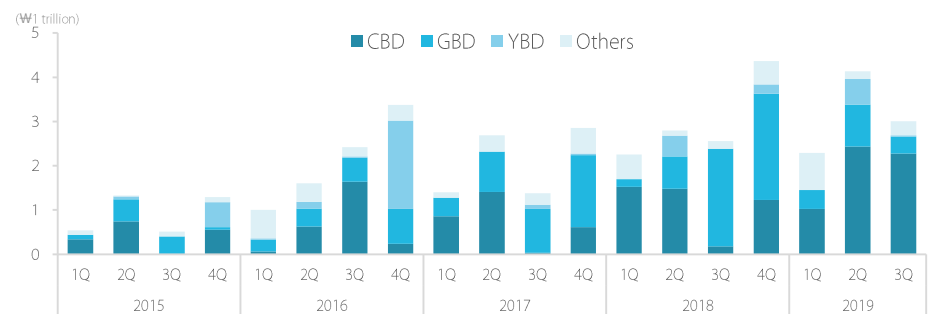
Absorption, Deliveries & Vacancy



Monthly 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(sq. m)
	Total	Prime	Class A	Class B1	Total	Prime	Class A	Class B1	Total	Prime	Class A	Class B1	
Gwanghwamun-Sinmunro	13.2%	2.4%	18.1%	7.7%	25,329	25,920	29,309	18,515	10,216	9,760	11,487	8,118	-
Namdaemun	10.3%	7.8%	11.0%	13.7%	27,513	30,729	26,251	22,630	11,906	12,709	11,626	10,861	-
Eulgiro	9.8%	12.9%	6.9%	8.9%	29,411	31,801	33,115	25,646	12,267	12,850	13,560	11,524	-
Jongno	13.5%	18.7%	11.4%	4.0%	34,055	41,066	32,202	20,679	13,122	14,569	13,068	10,110	-
The rest of CBD	13.4%	21.1%	13.2%	6.4%	20,185	24,042	23,636	16,897	10,214	10,800	11,370	9,813	-
CBD	11.6%	13.2%	11.8%	8.3%	28,280	33,692	28,861	21,785	11,842	13,078	12,199	10,395	-
Teheranro	3.7%	1.0%	4.4%	3.0%	26,305	32,019	26,041	23,989	11,003	12,281	11,122	10,606	-
Gangnamdaero	4.3%	2.6%	4.7%	3.1%	24,277	32,577	24,759	24,160	10,332	13,530	10,254	10,179	-
The rest of GBD	6.1%	1.9%	4.9%	8.2%	18,267	16,473	20,346	18,730	8,797	9,042	9,494	8,965	9,786
GBD	4.5%	1.4%	4.6%	5.0%	23,413	29,432	24,077	22,068	10,186	11,897	10,454	9,922	9,786
West Yeouido	7.0%	1.3%	5.5%	7.9%	13,717	18,755	17,555	13,483	7,067	6,050	9,569	6,962	-
Stock Exchange District	9.7%	8.0%	12.3%		25,740	30,103	21,689		11,908	12,929	11,045		-
East Yeouido	4.5%	4.8%	6.1%	2.7%	21,111	27,270	18,323	16,913	10,094	12,285	8,818	8,734	-
YBD	6.6%	5.7%	9.5%	4.7%	21,185	27,714	20,130	15,638	10,099	12,079	10,134	8,075	-
Mapo	3.6%		1.3%	4.0%	13,911		14,683	13,905	7,887		9,133	7,834	-
Jamsil-Songpa	8.4%	7.5%	12.8%	3.4%	20,550	25,062	17,990	15,418	9,378	10,787	8,842	8,143	-
Yongsan	2.7%	2.7%	5.9%	0.8%	23,834	30,664	15,388	15,909	10,024	11,075	8,606	8,660	-
Sangam	11.5%	10.0%	13.4%	4.8%	12,562	13,581	12,035	11,830	7,785	8,179	7,572	7,562	-
The rest of Others	9.9%	16.7%	10.8%	8.3%	15,188	14,728	16,404	16,159	8,260	8,813	9,188	8,557	53,275
Others	8.6%	9.4%	11.1%	6.2%	16,423	21,112	15,225	15,245	8,515	9,789	8,630	8,274	53,275
Total Market	8.0%	8.3%	9.1%	6.2%	22,770	28,751	23,006	19,279	10,238	11,878	10,532	9,362	63,062

Major Third Quarter Leases

Tenant	Property	Type	Submarket	Rent Area(sq. m)
WeWork	Sehan 889 Tower	New Lease	GBD	21,000
Hyundai Autoever	Luchen Tower	New Lease	GBD	18,000
Soram Hospital	Peyto Place	New Lease	GBD	12,000
Hyundai Engineering&Construction	Concodian	New Lease	CBD	12,000
City Bank	Young City S Tower	Expansion	Others	11,000

Major Third Quarter Transactions

Property	Sub market	Buyer	Seller	Area(sq. m)	Transaction Volume	Price(/sq. m)
Woori Finance Namsan Tower	CBD	Pebblestone AMC	Woori Bank	33,023	₩219.8 billion	₩6.7 million
City Square	CBD	DB Asset Management	Hangang Asset Management	38,251	₩292.7 billion	₩7.7 million
SK Networks Myungdong Bldg.	CBD	Base Myungdong Co., Ltd.	IGIS AMC	37,327	₩408.5 billion	₩10.9 million
Hana Finance Myungdong Bldg.	CBD	Hana Bank	Booyoung Housing	74,834	₩901.0 billion	₩12.0 million
DMCC Bldg.	Others	DMCC PFV	Joongang Property	49,546	₩169.0 billion	₩3.4 million
Booyoung Eulji Bldg.*	CBD	Booyoung Housing	Douzone Bizon Co., Ltd.	54,654	₩456.2 billion	₩8.3 million
Taeyoung Bldg.	Others	Saengbo Real Estate Trust	Kukje Asset Management	33,079	₩149.1 billion	₩4.5 million
Centerpoint Seocho*	GBD	Mastern Investment Management	K-Reits Investment Management	33,276	₩132.0 billion	₩4.0 million

* Market due diligence by Avison Young Research



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