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# STABLE LEASING MARKET DESPITE NEW SUPPLY

## Insights/recommendations

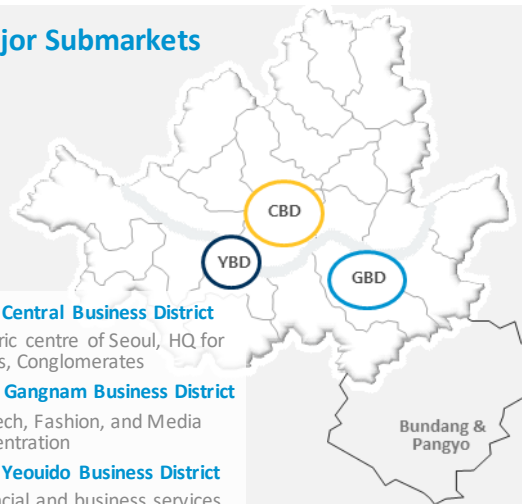
- > Expansion demand will probably decrease due to the uncertain economic conditions. Comparing to 2020, the amount of new supply coming online in 2021 is expected to be limited so we expect the Seoul office vacancy rate to stabilize.
- > We recommend occupiers looking for space in the GBD area consider newly available space as large companies relocate out of Gangnam.
- > We recommend tenants to proactively negotiate for leasing benefits in the YBD. With quality buildings offering tenants benefits like rent-free periods, demand was active as financial sector tenants moved their headquarters to new buildings in the YBD.

## Q4 2020 highlights

- > Despite new supply in the YBD and several major corporations moving out of the CBD, average vacancy decreased only slightly in Q4 2020 due mainly to financial tenants relocating to large-scale office buildings, and the continuous expansion of tech tenants.

	Q4 2020	Full Year 2021	2021-25 Annual Average	QOQ / End Q4	YOY / End 2021	Annual Avg Growth 2020-25 / End 2025
<b>Demand</b>	59,950 sq m	84,748 sq m	115,052 sq m	0.3%	1.1%	1.3%
<b>Rent</b>	KRW 29,884	KRW 30,213	KRW 31,450			
<b>Supply</b>	110,810 sq m	208,580 sq m	121,824 sq m	-0.7pps	0.4pps	0.5pps
<b>Vacancy</b>	9.9%	10.3%	9.5%			

## Major Submarkets

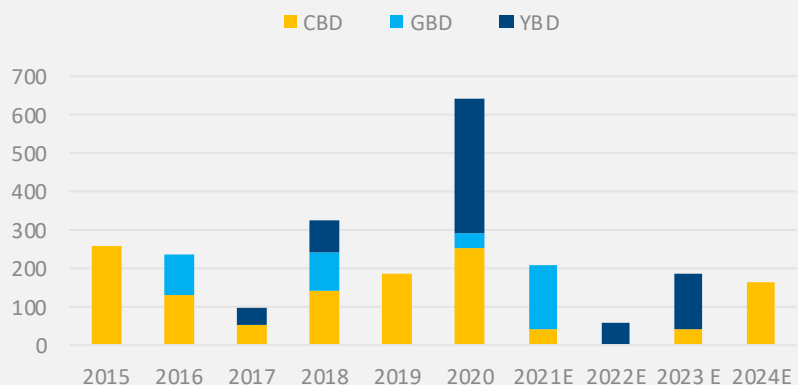


## Average rents and vacancy rates by submarket

	Q4 2020 Average rents (KRW per sq m per month)	QOQ rent change (%)	Q4 2020 vacancy rate (%)	QOQ vacancy change (pp)
CBD	33,078	0.8	11.3	1.2
GBD	29,059	0.8	4.0	0.1
YBD	24,872	-0.6	15.3	-5.5
Overall	29,884	0.3	9.9	-0.7

Source: Colliers International. Note: This table shows aggregate figures for the Seoul CBD, GBD (Gangnam Business District) and YBD (Yeouido Business District). Rents are face rents excluding management charges. USD1 to KRW 1,198 at the end of Q2 2020. 1 sq m = 10.76 sq ft

## Grade A supply forecast ('000 sq metres)



Source: Colliers International

## Grade A expected supply

Submarket	Property	Area (sqm)	Completion	Note
CBD	K Square City (Citibank Headquarters)	39,625	Q1 2021	Renovation
	Bongnae District 1	40,410	2023	Redevelop
	Gongpyeong 15,16 district	116,020	2024	Redevelop
	Euljiro 3-ga 12 District	45,025	2024	Redevelop
GBD	Center Field Building (Renaissance redevelopment)	168,956	Q1 2021	
	Hyundai Motor Co. Building	N/A	2026	
	KB Financial Tower	67,683	Q4 2020	
YBD	Post tower	69,103	Q4 2020	
	MBC site	57,000	2022	Redevelop
	TP Tower (Teachers' Pension Tower Development)	142,087	2023	

Source: Colliers International

## Despite some companies reducing their footprint, we expect vacancy to rise only slightly as new supply decreases

## CBD

- > K-Square City (formerly the Citi Bank building) is scheduled to open in 2021 after remodeling. Hyundai E&C's Task Force organization's departure from the Concordian Building may temporarily increase vacancy in H1 2021. However, with the scheduled decrease in supply over next three years, we expect the vacancy rate will gradually flatten out. However, long term the CBD vacancy rate may rise once again following the planned consolidation of Hana Financial Group to Incheon city in 2023 and the redevelopment of offices around the Seoul Station, Seodaemun and Euljiro areas.

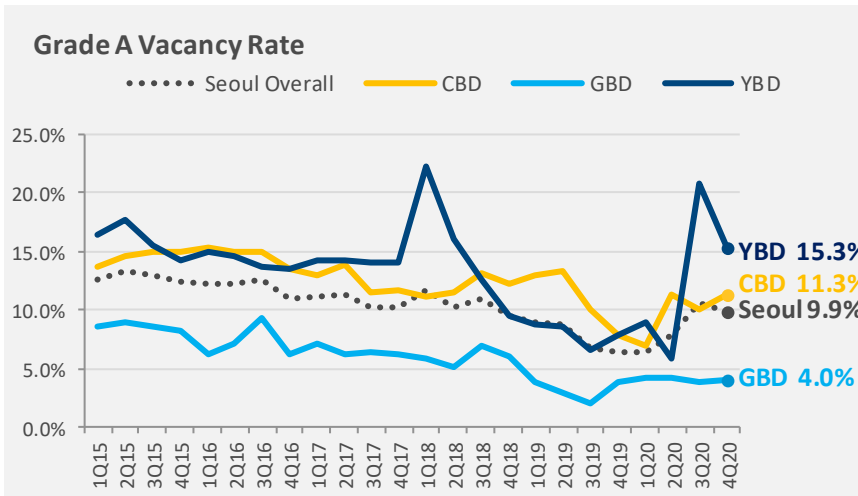
## GBD

- > Doosan Heavy Industries & Construction in Gangnam Kyobo Tower and Samsung Fire & Marine Insurance in Samsung C&T Seocho office building are planning to relocate in 2021. We think this will temporarily increase the vacancy rate as these major companies move offices, around the same time the Centerfield Building (Renaissance redevelopment) is completed. However, in 2021, we expect the tech industry will continue to lease more space, moderating any vacancy increase.

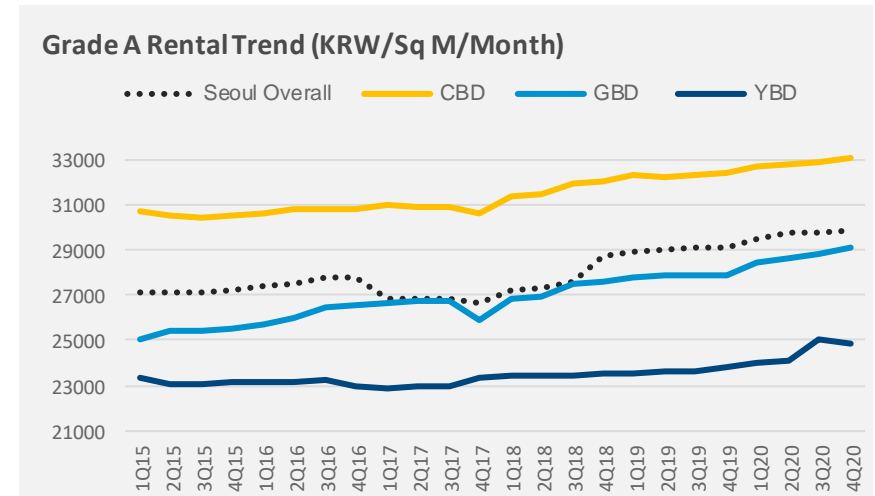
## YBD

- > In 2021, we expect the financial sector will actively move to new buildings coming online. We view that the YBD vacancy rate will gradually decrease even after large-scale office relocations are completed as new supply in Yeouido is expected to decrease until the Yeouido MBC development (2022) and Teachers' Pension office buildings (2023) are completed. When the reconstruction of TP Tower is completed, we expect Teachers' Pension, currently leasing space in the FKI building, to lease space in TP Tower, with the remainder being leased out to other tenants.



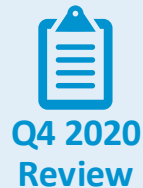


Source: Colliers International



Source: Colliers International

**Despite new supply in Yeouido, vacancy decreased led by large-scale office relocation demand**



- CBD** > Despite the departure of major companies from the CBD, vacancy increased only slightly as major companies moved from lower grade CBD options to large-scale Grade A office buildings in the area. Dongbu E&C, originally located in KDB Life Tower, moved their office to Gangnam Koreit Tower. WeWork decided to withdraw five of their 10 floors in Daishin Finance Center. In addition, as DL E&C moved to the Center Point Donuimun Building near Seodaemun Station, vacant space occurred in D Tower and KCCI Building due to their departure. Meanwhile, Daewoo Shipbuilding & Marine Engineering (DSME) leased four floors at the newly built Grand Central Tower (formerly SG Tower) near Seoul Station.
- GBD** > Leasing activity in the Gangnam area continued to be active as it is preferred by IT tenants. Dongbu E&C relocated to Koreit Tower, taking all the remaining space there, while Market Kurly, a leading Korean e-commerce company, leased five floors in the Hankook Tire building. Global tech tenants such as Amazon and Facebook pre-leased space in the Centerfield Building, which is scheduled to be completed in Q1 2021.
- YBD** > Despite the new supply provided by KB Bank's office building and the Yeouido Post Tower, vacancy in Q4 2020 decreased by more than 5 percentage points QOQ due to the financial sector actively relocating. KB Financial Group's consolidation into their new owned building left some of their former space vacant. There is no vacant space in the Yeouido Post Tower as their aggressive marketing attracted major securities companies such as KTB Investment & Securities, Cape Securities, and eBest Investment & Securities, to fill the building. In addition, YBD prime office vacancy decreased significantly as LG Chem leased a significant portion, eight floors, of the newly built Park One Tower 1.

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