

MARKET FUNDAMENTALS

	YOY Chg	Outlook
3.5T Total Volume (KRW)	▼	▬
21 Total Properties Sold	▼	▲
4.1% Office Cap Rate	▬	▬
279,368 Office Total SQM	▼	▲
30.78 Office Capital Value (Mn. KRW/3.3m ² , Grade A)	▼	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.2% South Korea GDP Growth	▲	▼
2.1% South Korea CPI Growth	▼	▲
3.1% South Korea Unemployment Rate	▼	▬
2.8% South Korea 10-Yr Treasury Yield	▬	▬

Source: Statistics Korea, Bank of Korea

ECONOMIC OVERVIEW

The Bank of Korea lowered its base rate to 2.75% in February 2025, following a previous cut in 1H 2024. This has brought senior mortgage rates for office assets down to the low 4% range, reinvigorating investor sentiment. According to Trading Economics, Korea’s base rate is expected to remain in the mid-2% range throughout the year, with potential for further cuts under the government’s inflation control and economic stimulus measures.

OVERALL CRE MARKET TRANSACTIONS

A total of 21 major commercial real estate transactions that met sector-specific thresholds were recorded in Q1 2025, amounting to investment volume of KRW3.5 trillion. This reflects a fall of 21% y-o-y and 34% q-o-q, primarily due to a slowdown in the office sector in both transaction count and investment volume.

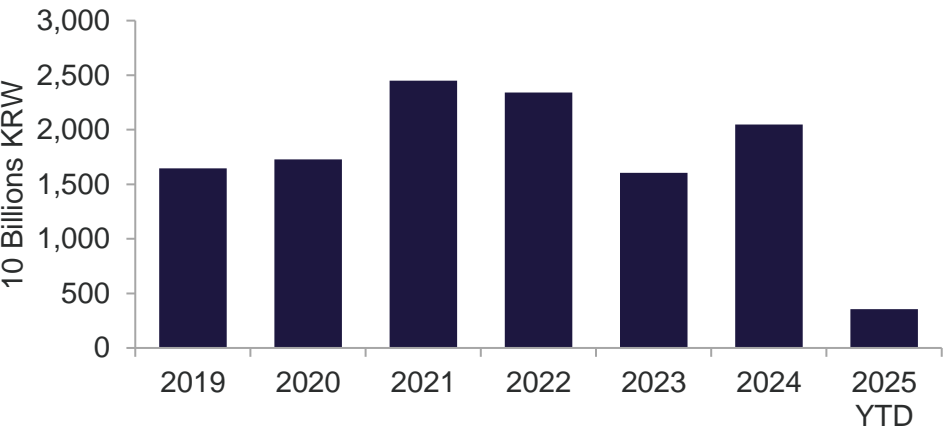
The office sector remained the largest by volume, accounting for KRW1.92 trillion across eight deals, or approximately 54% of total CRE transactions. The market had shown strong recovery throughout 2024, but transaction activity slowed in Q1 2025 due to a limited supply of tradable assets and widening bid-ask spreads. Many of the office deals that closed in 2024 had been delayed from previous quarters due to high interest rates, leading to fewer listings available in this quarter. Additional deal failures stemming from pricing disagreements further contributed to the decline. Transactions were largely concentrated in smaller properties at under 20,000 sq m, resulting in a 38% y-o-y drop in total office sector volume. Nevertheless, expectations of further interest rate cuts are fueling cautious optimism, and several pending deals may help stabilize annual activity at near the 2024 level.

Following the office sector, logistics centers recorded the second-highest transaction volume in Q1, totaling approximately KRW1.31 trillion across six deals. This represents a rise of 65% y-o-y and 75% q-o-q.

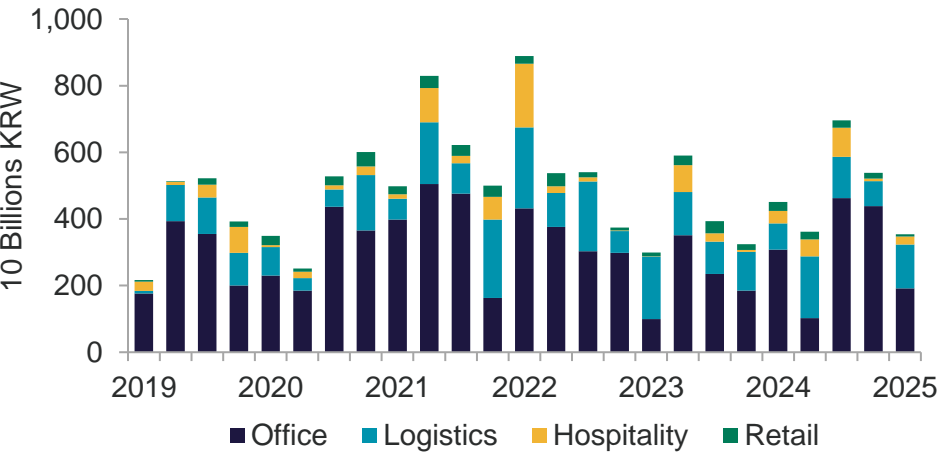
The hospitality sector saw two transactions totaling KRW241.7 billion in Q1. After several years of limited activity and conversions during the pandemic, hotel investment has resumed, supported by the rebound in international tourism. Following 12 notable hotel deals in 2024, transaction momentum carried over into Q1 2025.

Despite persistent inflation and subdued domestic consumption, retail transactions remained resilient in areas with strong foot traffic and tenant sales. Two deals each in Seongsu and Apgujeong districts highlighted sustained investor interest in Seoul’s major high streets, where both demand and revenue fundamentals remain solid.

TOTAL INVESTMENT VOLUME

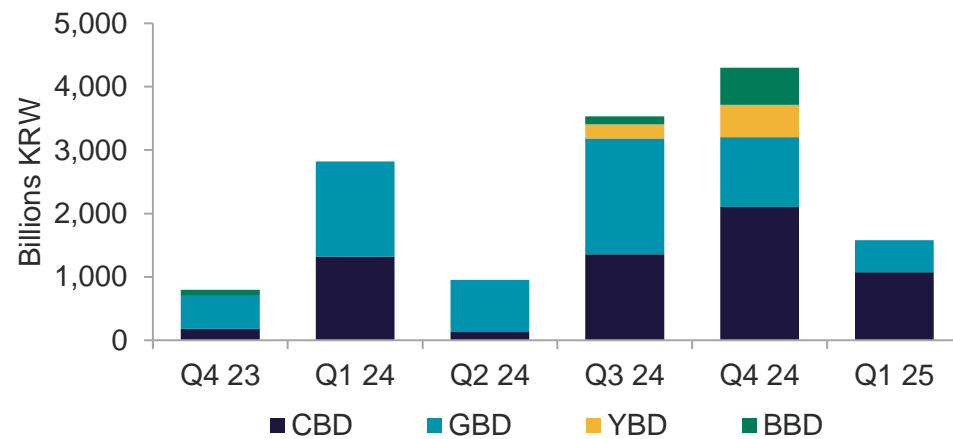


INVESTMENT VOLUME BY SECTOR

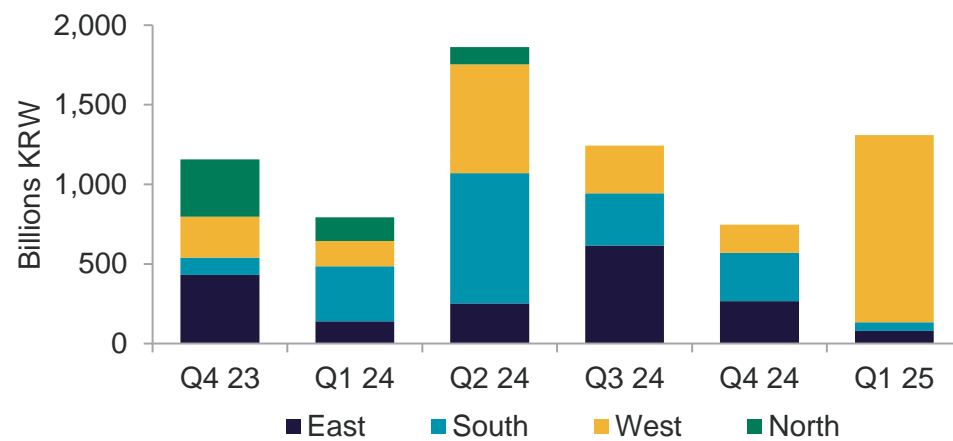


Source: Real Capital Analytics, Cushman & Wakefield Research

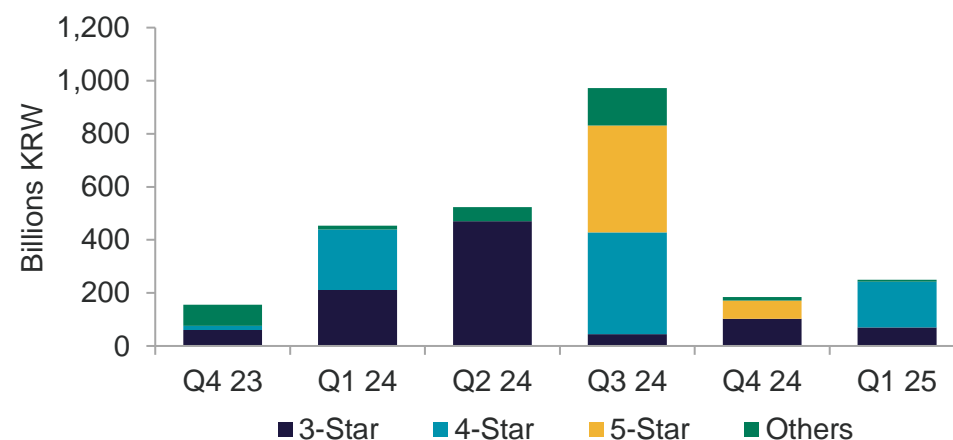
OFFICE INVESTMENT VOLUME BY SUBMARKET



LOGISTICS INVESTMENT VOLUME BY SUBMARKET



HOSPITALITY INVESTMENT VOLUME



Source: Cushman & Wakefield Korea Research

OFFICE: RISING SI AND SHARE DEAL ACTIVITY

Strategic investor (SI) activity remained notable in Q1 2025, accompanied by continued interest in share deals from foreign investors seeking acquisition tax savings. Seoul N Square attracted SI tenants such as the Korea Financial Telecommunications & Clearings Institute and Seoul Money Brokerage Services, while Crystal Square was acquired via common shares by Leadcorp and SillaJen, which plan to use the asset as their new headquarters. G Valley Biz Plaza, a landmark mixed-use complex in Guro consisting of office, hotel (Lotte City Hotel), and retail (GS) facilities, was also transacted through a share deal by IGIS Asset Management, with reinvestment. Singapore's GIC joined as an equity investor, while Bain Capital replaced the fund beneficiary.

The average Grade A office transaction price in Q1 stood at KRW30.78 million per 3.3 sq m, with growing price gaps across submarkets. The GBD submarket led at KRW41.21 million, followed by the CBD at KRW30.46 million. Notable transactions included Gangnam 363 Tower, which recorded the quarter's highest price at KRW44.38 million per 3.3 sq m. In the CBD, Crystal Square, a mid-sized building completed in 2021, was sold for KRW37.09 million, the highest recorded in the district.

LOGISTICS: REGAINING STABILITY

Three logistics transactions were completed in Incheon (West) during Q1 2025. After a period of price corrections driven by oversupply, investor sentiment, particularly among domestic asset managers, has begun to rebound, with growing interest in dry and mixed-use logistics centers. In the Greater Seoul Area, these asset types traded in a stable price range of approximately KRW5–KRW6 million per 3.3 sqm, signaling a more balanced market environment. Foreign institutional investors also remained active in Korea's logistics sector. Notably, Brookfield Asset Management acquired the SNK Complex Logistics Center in Seoknam-dong, Incheon for KRW245 billion. The deal, executed entirely with equity capital, underscores Brookfield's ongoing commitment to expanding its presence in Korea and reflects its value-add strategy centered on leasing dry space to tenants.

ACTIVE HOSPITALITY AND RETAIL TRANSACTIONS IN KEY HIGH STREETS

Two hotel asset transactions were recorded in Q1 2025, one each in the 4-star and 3-star categories. The 4-star Four Points by Sheraton Joseon Seoul Station was sold for around KRW500 million per room, with the deal closely following the Nine Tree Hotel Myeongdong, which changed hands at KRW520 million per room in Q4 2024. The second asset traded in Q1 was the 3-star Lotte City Hotel, housed within G Valley Biz Plaza in Guro.

In the retail sector, investor interest remains strong in Seongsu, now firmly established as a major high street destination in Seoul. A property on Yeonmujang-gil, with a land area of 354 sq m, was sold for KRW25 billion, supporting the outlook for sustained investment momentum in the area.

OUTLOOK

- With expected base rate cuts, the office investment market may gradually recover, driven by ongoing SI activity and foreign interest in tax-efficient share deals. However, pricing gaps may widen depending on asset size, age, and location.
- Investment in logistics assets is expected to diversify based on asset characteristics. Logistics remains attractive to investors due to stable rental incomes. As interest rates continue to decline, value-add opportunities in dry and mixed-use logistics are gaining traction.
- The hospitality sector is regaining momentum, driven by the return of international tourists. Interest is particularly rising in 3- to 4-star hotels located in prime areas with strong accessibility to transportation and tourist attractions.
- Retail transactions remain focused on Seoul's core high street areas, where tenant demand and sales performance remain strong, despite continued pressure from sluggish domestic consumption.
- Investors are also actively exploring alternative sectors such as data centers, living sectors, and R&D assets for portfolio diversification. However, a long-term perspective is essential, given that these assets are still in the early stages of investment in the Korean market.

SIGNIFICANT SALES

PROPERTY TYPE	PROPERTY NAME	SUBMARKET	BUYER	SELLER	SQM	PURCHASE PRICE (Mn. KRW)	PRICE / UNIT (Mn. KRW/3.3m ²)
Office	Namsan Square	CBD	HDC Asset Management	KKR, IGIS	75,243	580,500	25.49
Office	Seoul N Square	CBD	KFTC, SMBS	GRE Partners	16,367	154,500	31.19
Office	Jeongan Building	CBD	UAMCO	Eden Asset Management	15,755	130,000	27.26
Office	Crystal Square	CBD	Leadcorp, SillaJen, LB	Standard Life	18,423	206,800	37.09
Office	Gangnam 363 Tower	GBD	Harmony Partners	TPG Angelo Gordon, Star Road	11,414	153,300	44.38
Office	Gangnam Finance FPlaza	GBD	Gravity, ISU Chemical	Master'n	24,179	278,430	38.05
Logistics	Icheon Hooeok-ri Logistics	EAST	IGIS	GF Logis	44,730	80,000	5.91
Logistics	Megawise Cheongna	WEST	LX Pantos	Bomi Construction	142,853	225,000	5.21
Logistics	Incheon Seoknam-dong SNK	WEST	Brookfield Asset Management	SNK Logistics	148,238	245,037	5.46
Logistics	Incheon Hang-dong Dream Logistics	WEST	Koramco REITs & Trust	Dream Remicon	133,310	230,000	5.70
Hospitality	Four Points by Sheraton Josun (4-star)	Seoul Station	KB Asset Management	Macquarie Asset Management	19,916 (342 Rooms)	172,000	503 (per room)
Retail	Building in Yeonmujang-gil	Seongsu	Humble Rumble Inc.	Yeonmujang Inc.	354 (Land)	25,000	70.62 (Land)
Mixed-use Building	G Valley Biz Plaza	Others (Guro)	IGIS, GIC (Share)	IGIS	99,338	416,000	13.84

Sources: Real Capital Analytics, Cushman & Wakefield Research
Note: office deals over 50bn KRW, logistics assets over 165,000 sqm in Greater Seoul, and hospitality and retail assets located in Seoul’s major areas (including shopping malls)

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