NO.1 PROPTECH RSQUARE

2023
Q 3

MARKET **REAL** REPORT

OFFICE

RSQUARE

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2023 H1 MARKET **REAL** REPORT **OFFICE**

Rental Market

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01 Seoul Office Market

Q3 2023 Seoul Office Market Snapshot

CBD

Items	Q3 2023	Growth rate (QoQ)
New Supply	8,712 pyeong (28,800 sqm)	▲ ***8,712 pyeong (28,800 sqm)***
Vacancy Rate Including Newly Built	2.9%	▼ ***0.3%p***
NOC	261,033 won	▲ ***1.0%***
Transaction Volume 100 million won	KRW 9,805 billion	▼ ***KRW 5,552 billion***

GBD

Items	Q3 2023	Growth rate (QoQ)
New Supply	7,336 pyeong (28,800 sqm)	▲ ***2,898 pyeong (28,800 sqm)***
Vacancy Rate Including Newly Built	1.8%	▲ ***0.3%p***
NOC	269,939 won	▲ ***1.2%***
Transaction Volume 100 million won	KRW 2,186 billion	▼ ***KRW 2,110 billion***

YBD

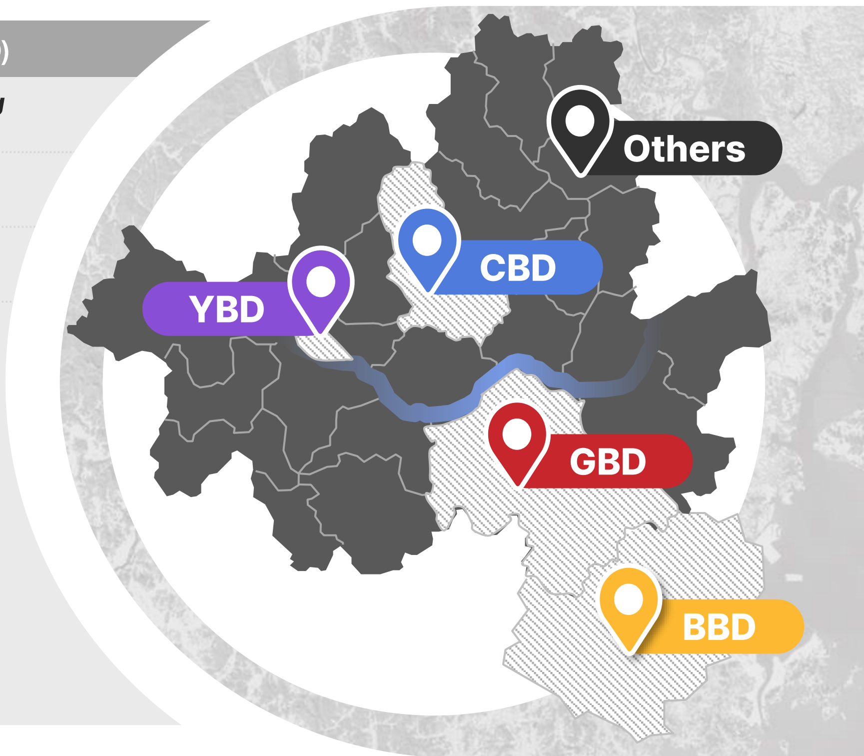
Items	Q3 2023	Growth rate (QoQ)
New Supply	14,580 pyeong (28,800 sqm)	▲ ***14,580 pyeong (28,800 sqm)***
Vacancy Rate Including Newly Built	1.4%	▼ ***0.1%p***
NOC	257,518 won	▲ ***0.9%***
Transaction Volume 100 million won	-	▼ ***KRW 2,450 billion***

Seoul Others

Items	Q3 2023	Growth rate (QoQ)
New Supply	77,405 pyeong (28,800 sqm)	▲ ***46,972 pyeong (28,800 sqm)***
Vacancy Rate Including Newly Built	2.4%	▲ ***0.2%p***
NOC	185,387 won	▲ ***0.7%***
Transaction Volume 100 million won	KRW 6,902 billion	▲ ***KRW 3,610 billion***

BBD

Items	Q3 2023	Growth rate (QoQ)
New Supply	-	▼ ***53,165 pyeong (28,800 sqm)***
Vacancy Rate Including Newly Built	1.9%	▲ ***0.2%p***
NOC	211,591 won	▲ ***0.8%***
Transaction Volume 100 million won	KRW 7,047 billion	▼ ***KRW 1,097 billion***



01 Seoul Office Market

Seoul Office Rental Market Overview

In the third quarter of 2023, amid a subdued atmosphere in the rental market, vacancy rates and rental levels were maintained as before.

- The rental market in the third quarter of 2023 continued to show low vacancy rates and a stable increase in rents, with a reduced fluctuation. The lack of groundbreaking rental and discount conditions that could be decisive factors for leasing decisions during the current quarter led to a cautious attitude among businesses, making them observe the market situation and hold back from making final decisions. While visible rental contracts decreased compared to the previous quarter, there were numerous deals under negotiation, making the movements in the next quarter and the year-end to early next year noteworthy.
- In the third quarter of 2023, the average vacancy rate for office buildings in Seoul was 2.2%, showing a marginal difference of approximately 0.05%p compared to the previous quarter. The new supply of assets in this quarter was mostly for self-use purposes rather than third-party leasing, having a minimal impact on the rental market. In the CBD region, "Shinsegae Namsan" (8,711 pyeong), intended for self-use by the Shinsegae Group, and in the GBD region, "Cheongdam-dong Dongshin Building" (5,927 pyeong), intended for self-use by Dongduk Women's University, have been supplied. In emerging business districts where development is active, such as Godeok-dong in Gangdong-gu (12,000 pyeong) and Magok-dong in Gangseo-gu (16,000 pyeong), newly supplied areas are provided as assets for R&D or corporate headquarters. Due to the absence of new supply in major regions (CBD, GBD, and YBD), vacancy rates in major regions showed changes of less than 0.5%p, maintaining previous levels.
- In the third quarter of 2023, the average nominal rent for Seoul offices was 90,000 won, and NOC was 242,000 won. These figures increased by 0.9% and 1.0%, respectively, compared to the previous quarter, and on a year-on-year basis, they rose by 9.3% and 8.4%, respectively. With the exception of small-scale units, nominal rents for the entire scale are showing a similar increase of approximately 8-9% year-on-year, indicating a consistent upward trend in rents over the past year.

The YBD region is the only major region experiencing the supply of prime-grade office space, exhibiting a vibrant trend.

- Prime office space in the YBD region experienced an increase in supply, showing a vibrant trend. Notably, Brighten Yoido Office Tower "Anchor 1" (17,765 pyeong) was completed in the current quarter, and "TP Tower" (42,885 pyeong) on the former Teachers' Pension site is scheduled for completion next year. Both assets have secured leases with premium tenants even before completion. For "Anchor 1," tenants such as Yuanta Securities, LG Uplus, and Korea Securities Finance Corporation have confirmed leases, taking up over 60% of the entire assets.
- During this quarter, prime office spaces in the YBD region witnessed significant lease contracts, including "Park One Tower 2," where consulting firm "EY Hanyoung" leased approximately 1,900 pyeong. The leasing activity also extended to "Yoido Gwangbok Center," where "Shinhan Investment Securities" leased approximately 1,300 pyeong, and "IFC 1," where "Shinhan Investment Securities," "KCGI Asset Management," and "KCGI Alternative Investment Management" leased an additional 1,300 pyeong.

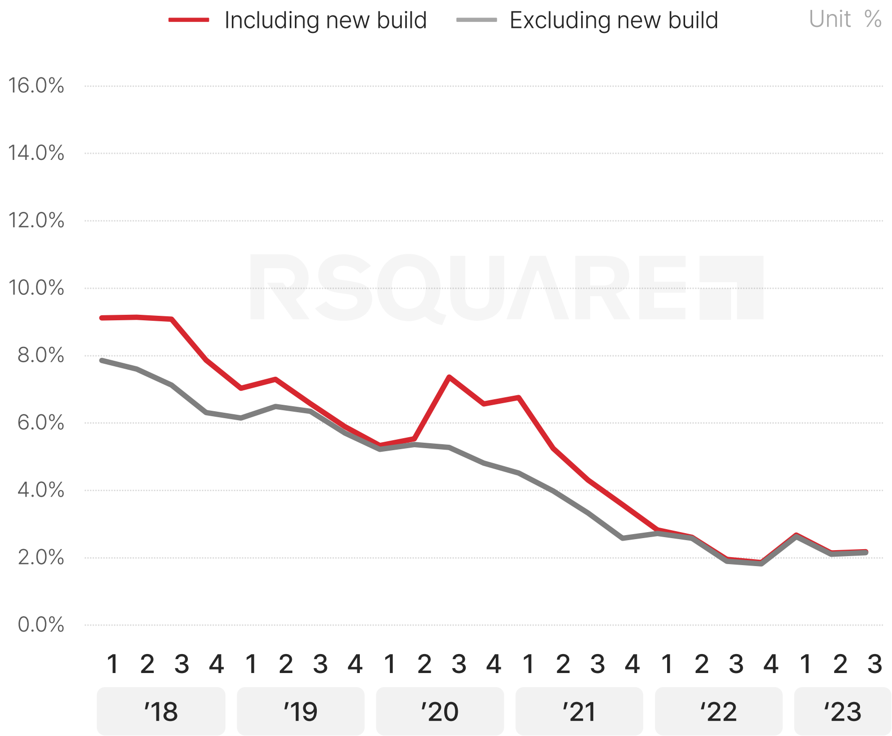
Due to a lack of high-quality large-area spaces, companies are diversifying their strategies to secure vacant spaces.

- Large corporations and financial institutions with low sensitivity to economic conditions are facing intense competition for the lease of core assets due to the absence of new supply. Various strategies for securing vacant spaces are observed based on the business situation and utilization purposes of each company.
- For example, "Yuanta Securities" hoped to stay in the existing CBD location but, due to the absence of a large area, relocated to YBD for the first time in 20 years, leasing the upper part of "Anchor One" in the third quarter. "Hanwha Systems" signed a lease agreement for four floors of "Pine Avenue A Building." Large enterprise S secured prime building spaces near the expiration of existing lease contracts, accepting double rental payments and preemptively occupying the properties.
- Limited vacancies and increased relocation costs have led many companies to renew their contracts while tolerating higher rental levels. "Tongyang Life" in "Gran Seoul" actively considered bidding for K Square City but ultimately decided to stay. "OK Financial Group" of "Seoul Chamber of Commerce and Industry" is currently holding discussions with the landlord regarding the level of renewal and has put relocation considerations on hold. In the previous quarter, "T-money" in "Seoul City Tower" also chose to stay in its existing leased space.
- Some mid-sized and larger companies with financial backing are participating in transactions as strategic investors (SIs) to secure vacant spaces. In this quarter, "Tower 8," acquired by Mirae Asset Management, had the Credit Union participating as an SI for the construction of its headquarters. In the last quarter, transactions for Scale Tower (Hyundai Motor), Dahong Building (Fila Holdings), Hansol Education Building (Hansol Education), and Hyundai Card Building 1 (Hyundai Card) were cases based on strategic investments driven by demand for headquarters buildings.

01 Seoul Office Market

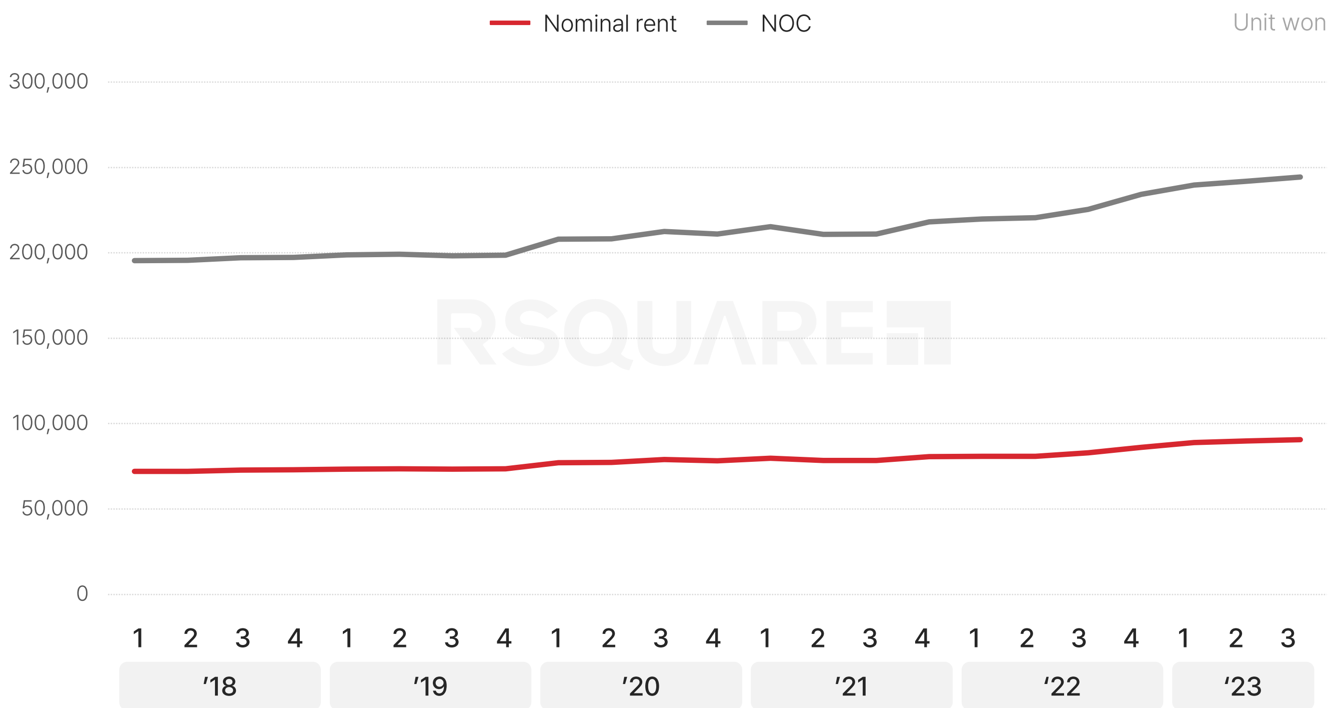
Seoul Office Rental Market Overview

Trend of Seoul Overall Average Vacancy Rates



Including new build	Vacancy Rate (%)	Change (QoQ, %p)
All	2.2	-
Extra Large	1.1	▲ 0.1
Large	1.6	▼ 0.1
Mid- to large-size	3.3	-
Medium	2.7	▼ 0.1
Small	4.4	▲ 0.5

Trend of Seoul Overall Average Vacancy Rates



CBD

01 Rental Office Market

CBD Rental trend

CHECK 1 Maintained low rental rates and low vacancy rates below the natural rate

- In the third quarter of 2023, the CBD vacancy rate recorded 2.9%, a 0.5%p decrease compared to the previous quarter. The vacancy rate temporarily increased due to tenant exits caused by the remodeling of large-scale buildings in the Seoul Station area in the first quarter, but it is recovering to previous levels.
- In the third quarter of 2023, the average nominal rent in the CBD was 104,000 won per pyeong, showing a 0.88% increase compared to the previous quarter. Given that the average rent increase rate was in the 4% range in the first quarter compared to the previous quarter, it showed a slight deceleration in the rate of increase.

CHECK 2 Sustained demand centered on prime offices

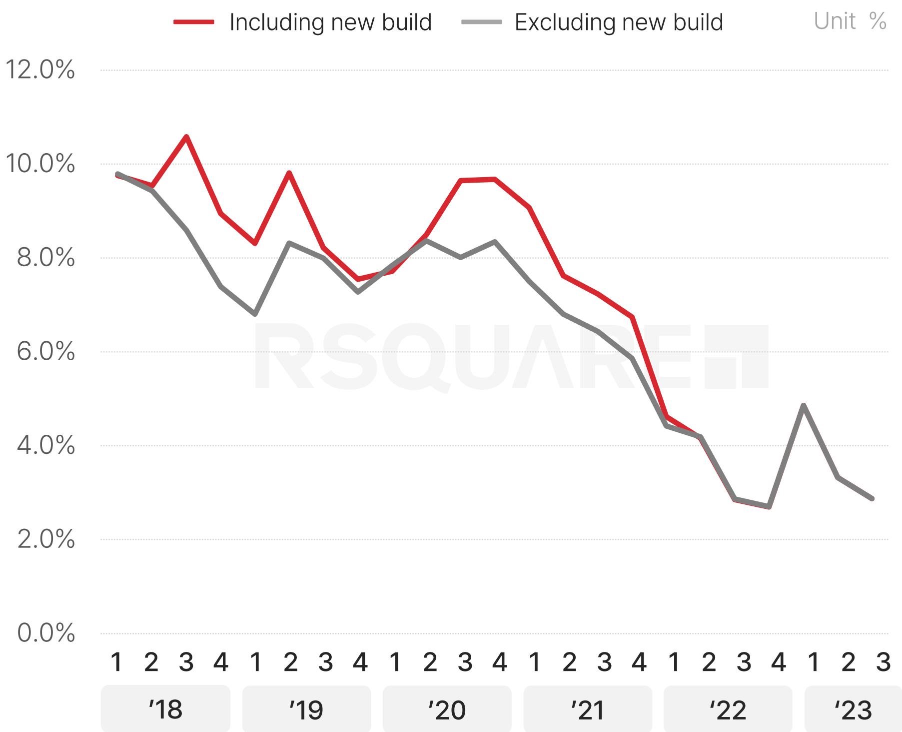
- In the current quarter, the CBD region, with a high proportion of large assets and a preference for prime tenants such as major corporations and foreign companies, continued to witness prominent leasing agreements focused on prime assets.
- The public institutions "Korean Artists Welfare Foundation" and "Arts Korea Lab" (project of the Ministry of Culture, Sports, and Tourism and the Arts Management Support Center) leased spaces in Seoul Square and Twin Tree Building A, respectively. Additionally, foreign companies such as "Equis Energy Korea" (a global investment firm based in Singapore) and "Volkswagen Korea" signed leasing agreements for Post Tower (Myeongdong) and Youngpoong Building (Seorin-dong), respectively. In the case of "Volkswagen Korea," it relocated from the GBD-located "Shinyoung Building" to the CBD region.
- Despite the shortage of vacancies and increased relocation costs (interior costs, commissions, etc.), many prime office tenants in the CBD renewed their leases, indicating their willingness to renegotiate, even with higher rental conditions. "Tongyang Life" at "Gran Seoul" decided to stay, while "OK Financial Group" of "Seoul Chamber of Commerce and Industry" is reportedly in the negotiation stage but positively considering renewal. The future direction of the leasing market is likely to be determined based on the renegotiation and leasing outcomes of major assets within the region.

CBD Office Major Lease Cases in Q3 2023

Tenant Name	Building Name	Detailed District	Floor Area (pyeong)
Equis Energy Korea	Post Tower (Myeongdong)	Myeongdong	390
Mom's Touch & Company	New Choyang Building	CBD	668
Korean Artists Welfare Foundation	Seoul Square	Seoul Station	484
S-Core	Seoul City Tower	Seoul Station	600
Volkswagen Korea	Youngpoong Building, Seorin-dong	CBD	1040

01 Rental Office Market

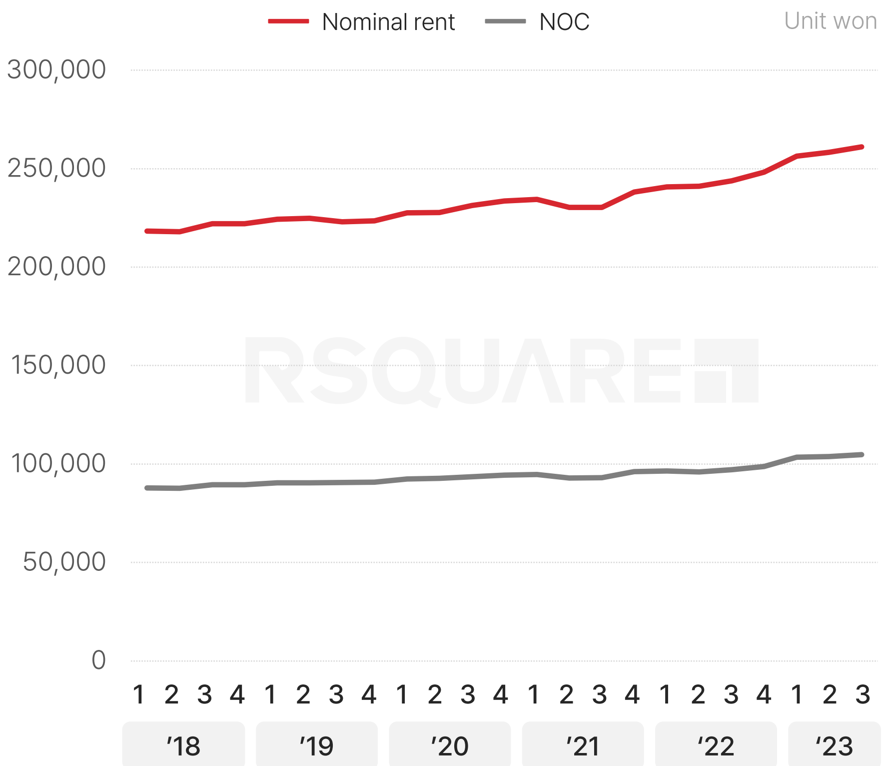
CBD Office Average Vacancy Rate



Including new build

	Vacancy Rate (%)	Change (QoQ, %p)
All	2.9	▼ 0.5
Extra Large	2.3	▲ 0.3
Large	1.6	▼ 0.7
Mid- to large-size	5.2	▼ 1.3
Medium	3.7	▼ 1.1
Small	5.2	▲ 0.1

CBD Office Lease Rates



Amount	Rate of change	Rate of change
Won/ pyeong	QoQ	YoY
261033	▲ ***1.02%***	▲ ***7.02%***

Amount	Rate of change	Rate of change
Won/ pyeong	QoQ	YoY
104776	▲ ***0.88%***	▲ ***7.83%***

GBD

01 Rental Office Market

GBD Rental trend

CHECK 1 The average vacancy rate in GBD offices has slightly increased, but it still remains in the low 1% range.

- The Q3 2023 GBD average vacancy rate recorded a 0.3%p increase compared to the previous quarter, reaching 1.8%. Observations indicate a 0.4%p increase in vacancy rates for small offices and a 0.5%p increase for medium-sized offices. This is interpreted as a result of the reduction and premature termination of leasing areas by small- and medium-sized enterprises in the GBD region, leading to vacant areas in the range of 100-200 pyeong. The vacancy rate for large offices increased by 0.5%p, influenced by "Volkswagen Korea" relocating to "Youngpoong Building Seorin" in CBD, resulting in approximately 1,000 pyeong of vacant space.
- In Q3 2023, GBD witnessed the completion of "DY Building" (1,904 pyeong), "Dongshin Building Cheongdam" (1,793 pyeong), and "316 Tower" (3,638 pyeong), with limited new supply focusing on small- and medium-sized areas.

CHECK 2 Among the major business districts, the most significant increase in rent compared to the same period last year

- In Q3 2023, the average nominal rent in GBD increased to 100,000 won per pyeong, marking an approximately 1.13% rise compared to the previous quarter. Maintaining a similar growth rate to the previous quarter (1.63%), it demonstrated the highest rent increase (QoQ) among the major districts.
- A notable case includes the "Law Office of YK," which expanded its lease space by moving from the existing "Woorim Building Seocho" to the vicinity of Gangnam Station, signing a lease contract for 1,330 pyeong.

CHECK 3 Despite the deteriorating business condition of small- and medium-sized tech companies, the leasing market maintains stability.

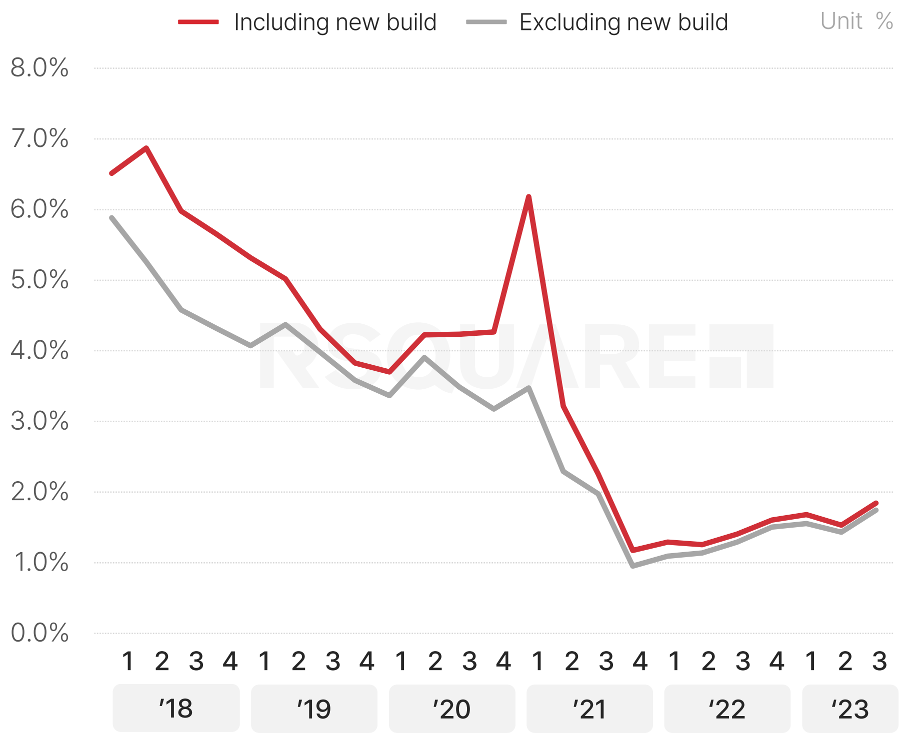
- Ongoing cases of lease termination and early termination are consistently observed as the paying capacity of small startup companies decreases significantly due to rent hikes and economic downturn. A consulting-related startup that was occupying K Square Gangnam 2 has decided to return the entire office space through early termination and is actively seeking a successor tenant for the downsized office. Especially in GBD, where there is a high proportion of tech ventures leasing space in small buildings and offices ranging from 100 to 300 pyeong, the risk of vacancies is expanding.
- However, potential vacancies in small areas have not yet been reflected in vacancy rate figures. This is explained by the immediate absorption of vacancies through the coordination of exits and subsequent tenants. LINE Games at AP Tower opted for early termination to reduce leased space, and two other tech companies (including a medical-related AI company) divided and leased the vacated space. Despite concerns about a slowdown in leasing demand, the strong preference of tech companies for the Gangnam region indicates that the leasing market remains stable.

GBD Office Major Lease Cases in Q3 2023

Tenant Name	Building Name	Detailed District	Floor Area (pyeong)
Law Office of YK	Inchun Foundation Building	GBD	1330
Z Enterprise	WeWork Building	GBD	280
T-on Network	Hanseok Tower	GBD	230

01 Rental Office Market

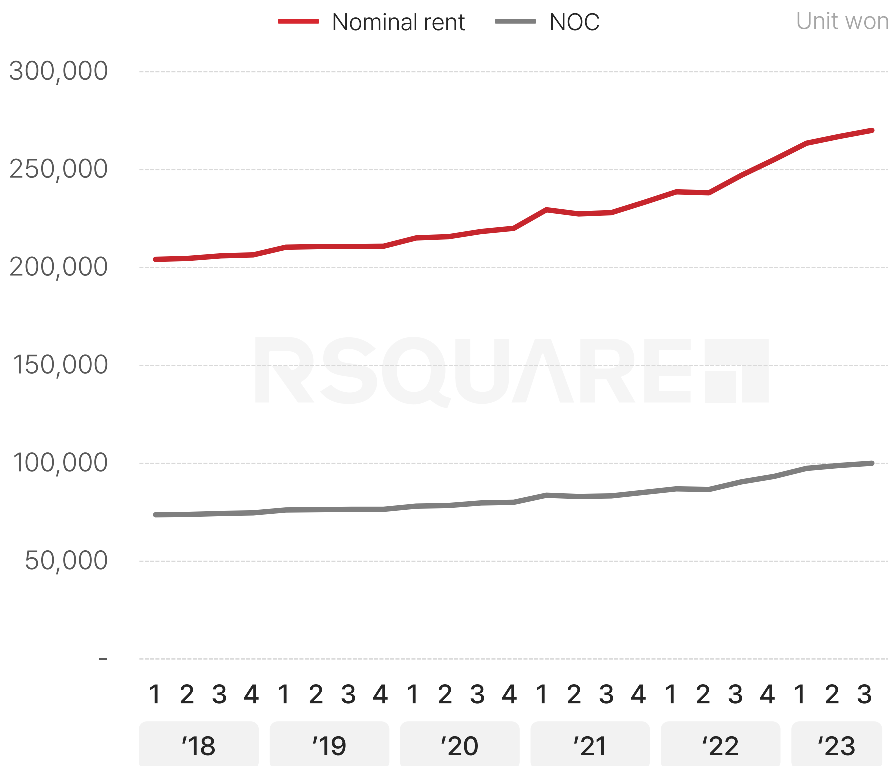
GBD Office Average Vacancy Rate



Including new build

	Vacancy Rate (%)	Change (QoQ, %p)
All	1.8	▲ 0.3
Extra Large	0.1	-
Large	1.3	▲ 0.5
Mid- to large-size	3.5	▲ 0.2
Medium	1.8	▲ 0.5
Small	3.6	▲ 0.4

GBD Office Lease Rates



Amount	Rate of change	Rate of change
Won/ pyeong	QoQ	YoY
269939	▲ 1.15%	▲ 9.25%

Amount	Rate of change	Rate of change
Won/ pyeong	QoQ	YoY
100038	▲ 1.13%	▲ 10.42%


YBD
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01 Rental Office Market

YBD Rental trend

CHECK 1 The overall leasing market is vibrant with successive cases of pre-leasing before the completion of newly supplied assets.

- The YBD region is showing the most active leasing market atmosphere among major districts, with consecutive lease contracts for large areas, including pre-leasing of newly supplied assets.
- "Anchor 1," with a total floor area of 17,000 square meters, supplied in the third quarter of 2023, had pre-leased the entire floors to excellent tenants before completion. Yuanta Securities completed the pre-leasing and moved its headquarters to the upper floors, and LG Uplus and Korea Securities Finance Corporation also confirmed their leases. Next year's supply, TP Tower, is also expected to maintain a stable leasing market in the YBD region as many financial companies have completed pre-leasing.
- In addition to this, following numerous cases of relocation from other areas to YBD, such as Kakao and HMM, in recent times, significant contract cases were observed in YBD this quarter as well. Shinhan Investment Securities leased space in "Yoido Gwangbok Center," and "KCGI Asset Management" and "KCGI Alternative Investment Management" expanded their leased space in "IFC 1." Furthermore, consulting company "EY Hanyoung" relieved a significant portion of the vacancy in the area by expanding and relocating to "Park One Tower 2."

CHECK 2 Seoul's YBD records the lowest vacancy rate and the highest NOC increase (YoY) among major districts

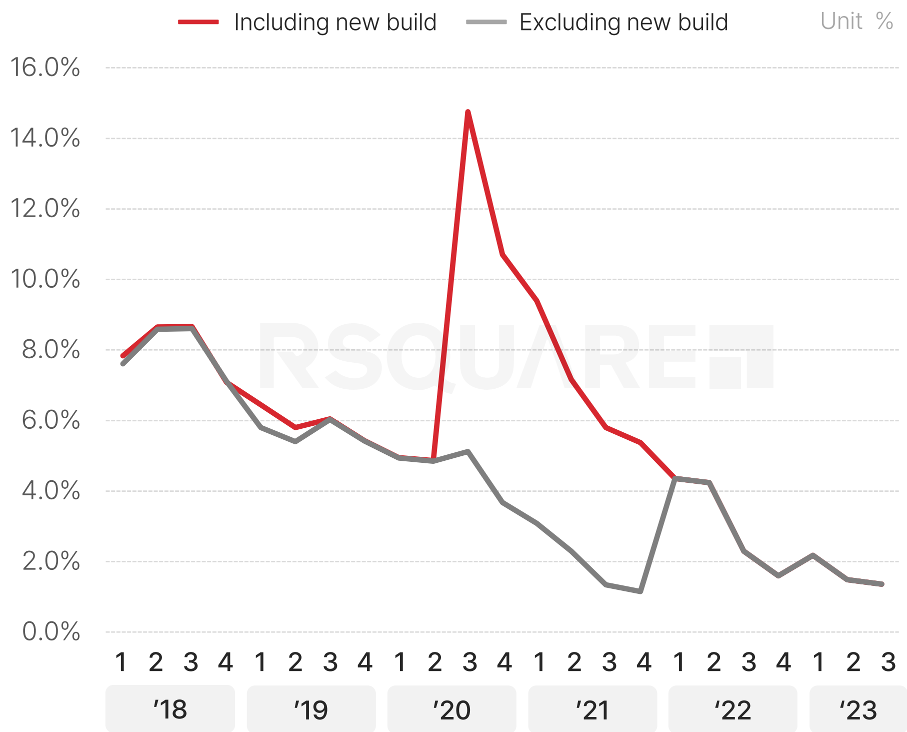
- In Q3 2023, the average office vacancy rate in the YBD region was 1.4%, showing a decrease of 0.1%p compared to the previous quarter. YBD displayed a lower vacancy rate than the GBD region's average vacancy rate (1.5%), making it the district with the lowest vacancy rate among major regions in Seoul. In a situation where large vacancies are scarce in other districts, the YBD region's new assets and reasonable rental levels turned out to have absorbed a significant portion of the previous demand.
- Looking at different scales, nominal lease rates for large and extra-large assets increased by 0.87% and 1.38%, respectively, contributing to the overall districts' increase. On the other hand, medium-large and medium-sized offices, which recently showed the largest increase in lease rates over the past year, experienced a slight adjustment, decreasing by 0.33% and 0.50%, respectively.

YBD Office Major Lease Cases in Q3 2023

Tenant Name	Building Name	Detailed District	Floor Area (pyeong)
EY Hanyoung	Park One Tower 2	YBD	980
Shinhan Investment Securities	Yoido Gwangbok Building	YBD	640
KCGI Asset Management and KCGI Alternative Investment Management	IFC1	YBD	513

01 Rental Office Market

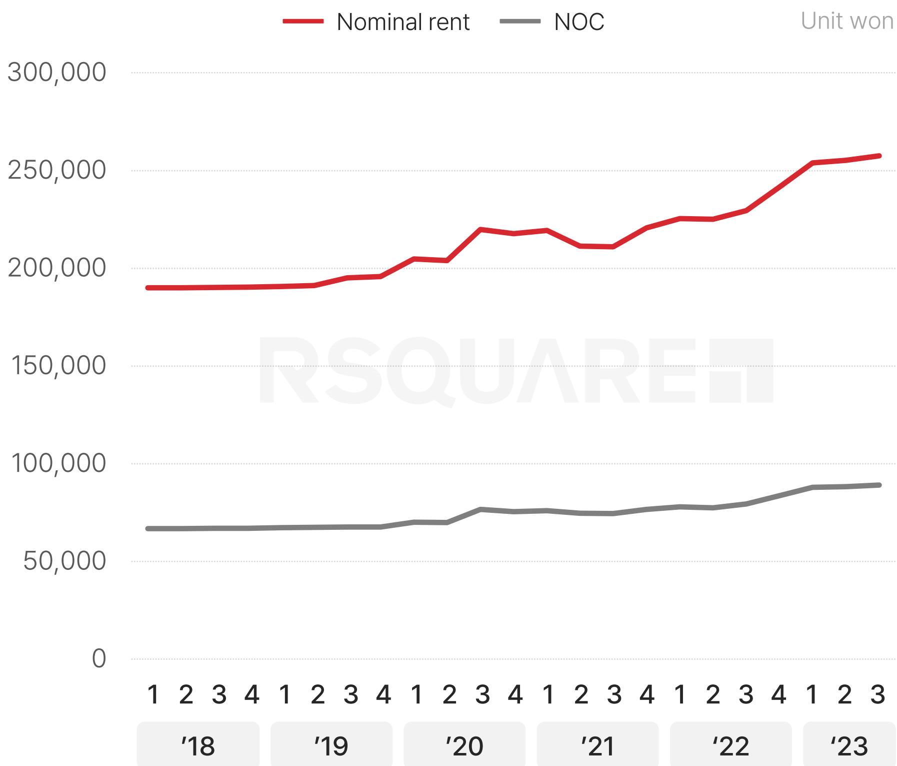
YBD Office Average Vacancy Rate



Including new build

	Vacancy Rate (%)	Change (QoQ, %p)
All	1.4	▼ 0.1
Extra Large	1.2	-
Large	0.7	▼ 0.7
Mid- to large-size	1.8	▲ 0.2
Medium	1.2	▼ 0.7
Small	5.7	▲ 1.7

YBD Office Lease Rates



Amount	Rate of change	Rate of change
Won/ pyeong	QoQ	YoY
257518	▲ 0.91%	▲ 12.15%

Amount	Rate of change	Rate of change
Won/ pyeong	QoQ	YoY
89056	▲ 0.78%	▲ 12.10%

BBD

01 Rental Office Market

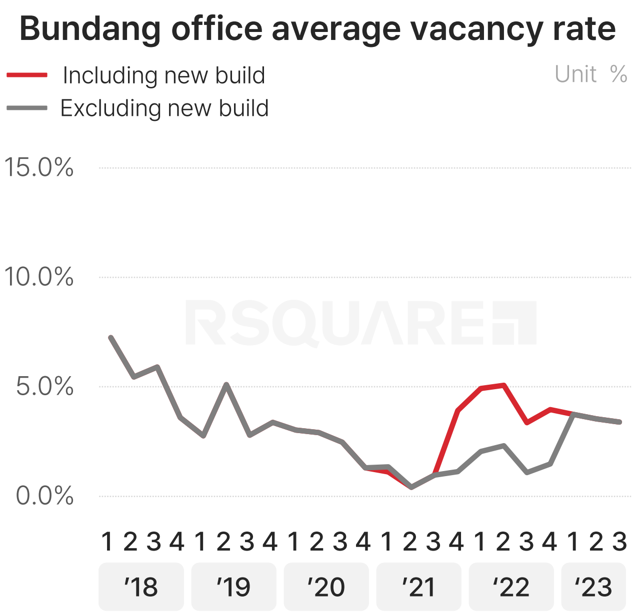
BBD Rental trend

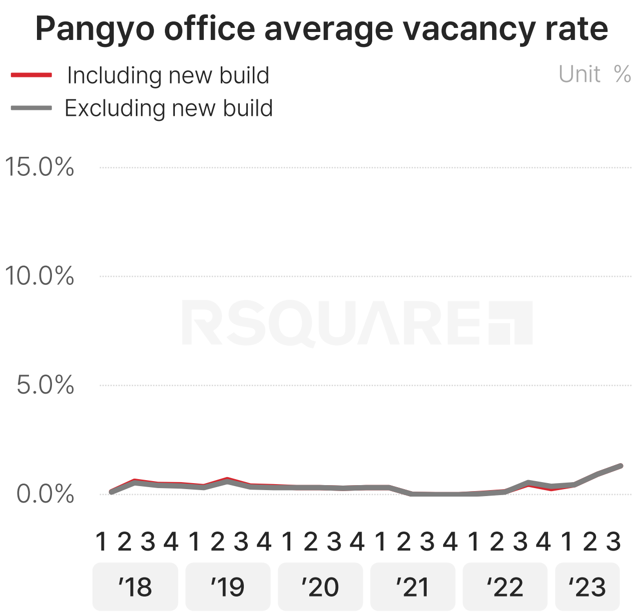
CHECK 1 The average vacancy rate in the Pangyo region has slightly increased, but it still remains the lowest among all districts.

- In Q3 2023, the overall average office vacancy rate for the BBD region was 1.9%.
- Looking at specific areas, Bundang recorded a vacancy rate of 3.4%, a decrease of 0.1%p compared to the previous quarter. "TmaxTibero," a tech company specializing in databases, leased space in "Bundang M Tower," and in "KT&G Bundang," the manufacturing company "Continental Automotive Korea" became a tenant.
- Pangyo's vacancy rate in Q3 2023 remained the lowest among Seoul and Bundang, at 1.3%. In the same quarter, "Hyundai Motor" became the anchor tenant for the "Software Dream Center," a property scheduled for supply in the second phase of the Pangyo Techno Valley, leasing an area of about 5,000 pyeong (16,500 sqm).

CHECK 2 Pangyo region records the highest year-on-year increase in rent.

- In Q2 2023, the average NOC in Bundang and Pangyo within the BBD region was estimated at 198,000 won and 217,000 won, respectively. The Pangyo region exhibited an increase of around 15% in rent compared to the same period last year, marking the highest year-on-year rent increase among all districts.



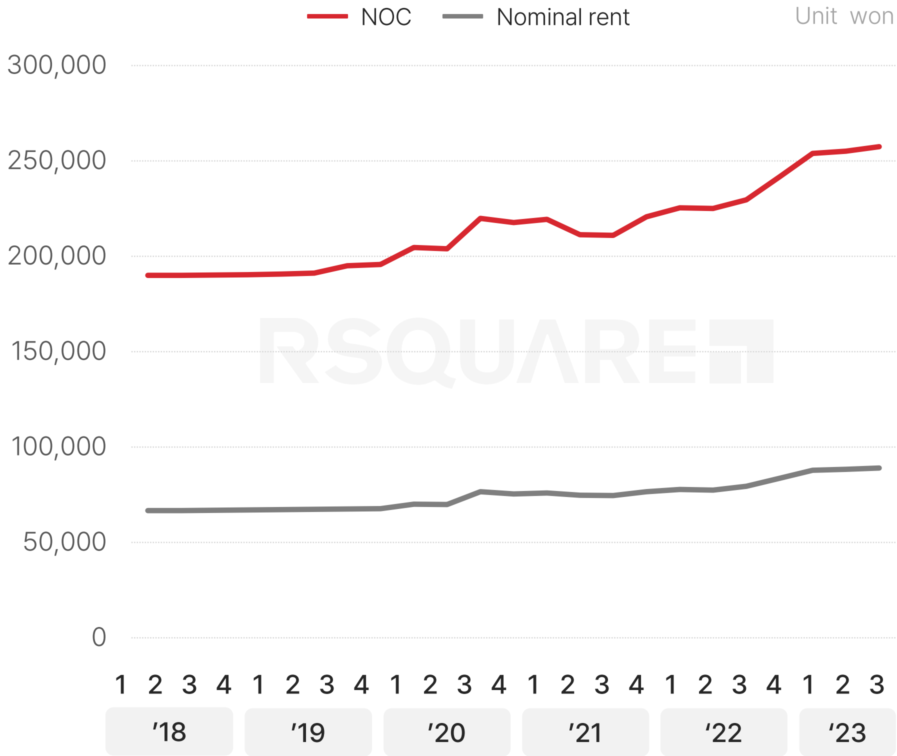


BBD Office Major Lease Cases in Q3 2023

Tenant Name	Building Name	Detailed District	Floor Area (pyeong)
Hyundai Motor	Software Dream Center	Pangyo Phase 2	2388
TmaxTibero	Bundang M Tower	BBD	595
Continental Automotive Korea	KT&G Bundang	BBD	536

01 Rental Office Market

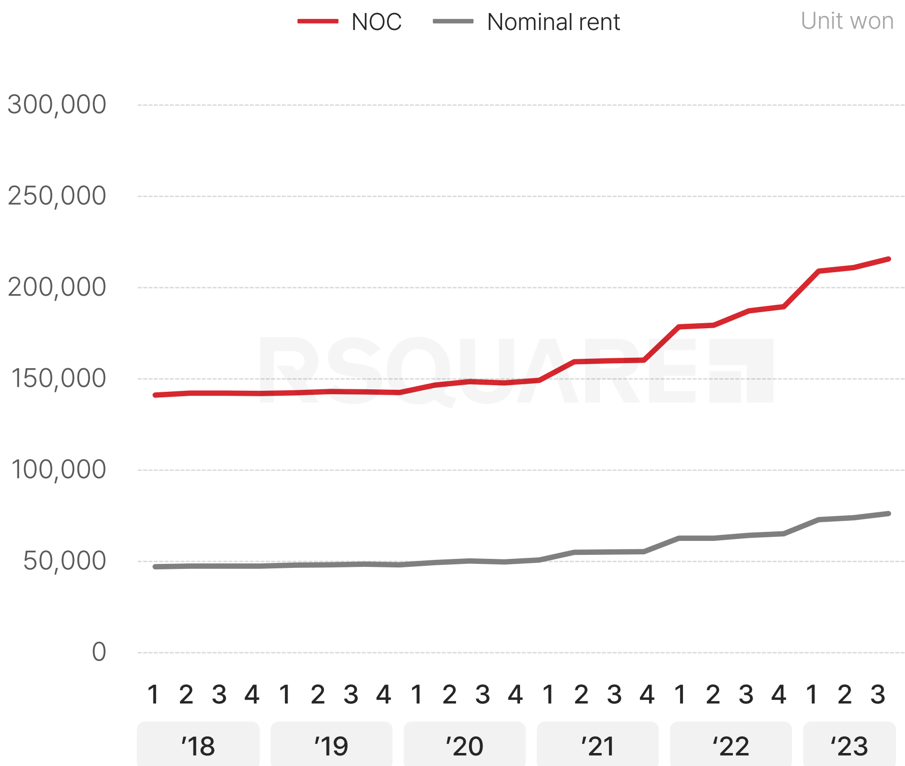
Bundang Rent



Amount	Rate of change	Rate of change
Won/ pyeong	QoQ	YoY
198023	▲ *0.72%*	▲ *6.18%*

Amount	Rate of change	Rate of change
Won/ pyeong	QoQ	YoY
65653	▲ *0.35%*	▲ *5.93%*

Pangyo Rent



Amount	Rate of change	Rate of change
Won/ pyeong	QoQ	YoY
217384	▲ *0.80%*	▲ *14.68%*

Amount	Rate of change	Rate of change
Won/ pyeong	QoQ	YoY
76230	▼ *0.07%*	▲ *16.88%*

Seoul Others

01 Rental Office Market

Other Districts in Seoul | Rental trend

CHECK 1 Maintaining low vacancy rates and continuous rent increase in other regions

- In Q3 2023, the average vacancy rate in other regions of Seoul recorded 2.4%, a slight increase of 0.2%p compared to the previous quarter, maintaining a low vacancy rate level around 2% for the eighth consecutive quarter.
- The average rent showed a modest increase compared to the previous quarter, continuing the upward trend since 2018.

CHECK 2 Despite a significant influx of new office spaces in other regions in the third quarter of 2023, the available leasing area remains limited.

- The new supply in other regions during this period amounted to 77,405 pyeong, representing 72% of the total supply in Seoul. However, most of these spaces were provided for R&D centers and corporate headquarters, resulting in a limited increase in the actual leasable area.
- Notable developments include "DM Square" (10,350 pyeong) in Gangdong-gu, "Donghae Building" (1,688 pyeong), "CG Invites Magok R&D Center" (7,399 pyeong) in Gangseo-gu, and "S-OIL Magok TS&D Center" (8,567 pyeong) again in Gangseo-gu, and "BYC Building" (3,831 pyeong) in Yeongdeungpo-gu. All of these were constructed for the owners' internal use, contributing to the scarcity of available external spaces.
- In Chang-dong, Dobong-gu, "Seed Cube" (43,418 pyeong) marked the first achievement in the development of the northeastern region of Seoul. Additionally, the leasing area of "Bomun 243" (2,149 pyeong) in Seongsu-dong, Seongdong-gu, was newly supplied.

CHECK 3 Expansion of corporate relocation in emerging regions for future industries (Magok District, Gwacheon Knowledge Information Town, etc.)

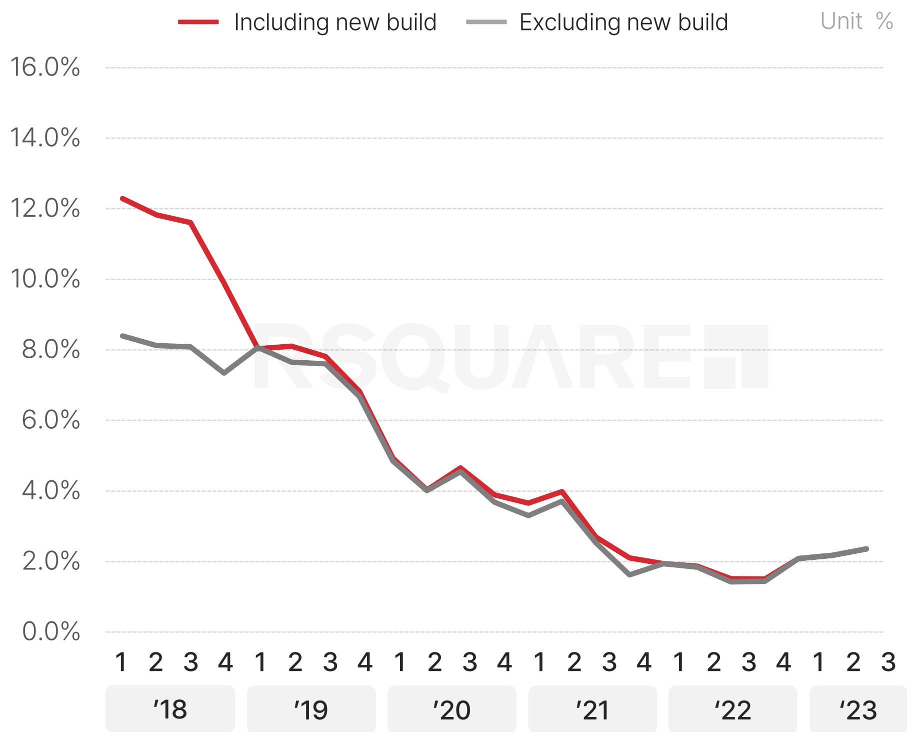
- Emerging regions, such as the Magok District and Gwacheon Knowledge Information Town, have witnessed a series of plans and cases of relocation by important industries like IT, electric, electronics, pharmaceuticals, and new materials.
- In Gwacheon Knowledge Information Town, major game development company "Pearl Abyss" completed the construction of its new headquarters and moved in. Other notable relocations, including game developer "Netmarble" and several pharmaceutical/biotech companies (Ahn-Gook Pharmaceutical, Kwang Dong Pharmaceutical, Huons Research Center), are scheduled for the coming year. As companies move their headquarters to emerging regions, there is a possibility of increased vacancy rates in the existing business districts due to tenant exits. "Optrontec," which was leasing space in the Pangyo Silicon Park within the first phase of Pangyo, is planning to relocate to the Gwacheon Knowledge Information Town as part of its headquarters construction project.

Office Leasing Highlights in Other Regions of Seoul in Q3 2023

Tenant Name	Building Name	Detailed District	Floor Area (pyeong)
Connect Wave	DR Post Tower #6	Gasan	673
Dshare	Bomun 243	Seongsu	387
Ubase	Dcube City	Shindorim	348
Meritz Fire	Sigma Tower	Jamshil	351

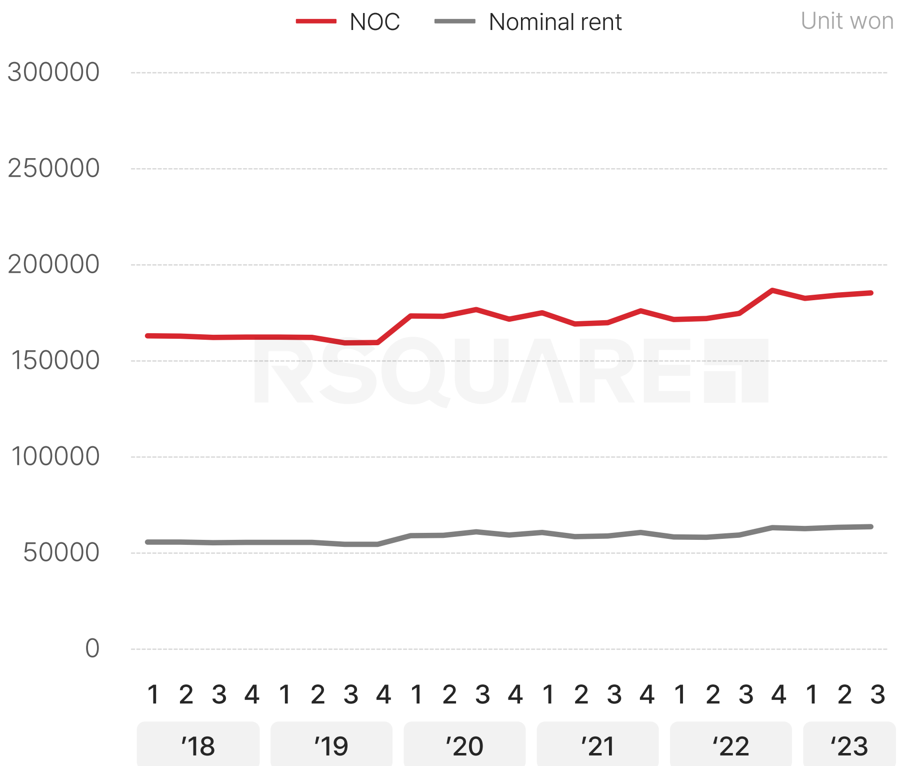
01 Rental Office Market

Average vacancy rate in other regions of Seoul



Including new build	Vacancy Rate (%)	Change (QoQ, %p)
All	2.4	▲ 0.2
Extra Large	0.6	-
Large	2.5	▲ 0.3
Mid- to large-size	2.4	▲ 0.2
Medium	4.5	▼ 0.3
Small	5.1	▲ 0.6

Average rent in other regions of Seoul



Amount	Rate of change	Rate of change
Won/ pyeong	QoQ	YoY
185387	▲ ***0.66%***	▲ ***6.08%***

Amount	Rate of change	Rate of change
Won/ pyeong	QoQ	YoY
63711	▲ ***0.57%***	▲ ***7.42%***

Investment Market

Office Investment Market

02 Office Investment Market

Overview of the Office Investment Market in Seoul and Bundang

’23 Transaction volume decreased slightly in Q3

- In Q3 2023, the office transaction volume in Seoul and Bundang was recorded at 2.6 trillion won. This represents a decrease of 23.3% compared to the previous quarter and down 33.9% compared to the same quarter last year. The total transaction area for this quarter was 99,000 pyeong, a decrease of approximately 22% from the previous quarter.
- In the CBD region, Mirae Asset Management successfully acquired "Tower 8," and Korean Air purchased 8,557 pyeong of "Korean Air Building," excluding the 14th floor. This transaction is a special related-party transaction conducted by Hanjin KAL, the previous owner, to liquidate assets for the purpose of repaying debts ahead of the merger of Korean Air and Asiana Air.
- Although several office properties were available on the market in the GBD region, only "WeWork Building" and "KG Tower" (income securities transaction) concluded transactions this quarter.
- In other regions, three transactions involved large-scale assets of around 10,000 pyeong each, including "Galwol Office" (HJ Heavy Industries' Yongsan office) in Yongsan-gu, "Yongsan The Prime Tower," and "Lotte Home Shopping Yangpyeong" in Yeongdeungpo-gu.

Office transaction volume in 2023 is expected to be the lowest level in the past five years.

- The transaction volume until Q3 2023 was 7.1 trillion won. The average transaction volume in the Seoul and Bundang office markets over the past five years has been 14.3 trillion won, consistently exceeding 10 trillion won since 2018. Considering the ongoing transactions in the market, the year-end office transaction volume is predicted to be around 10 trillion won, the lowest level in the past five years.
- In the fourth quarter, the deals for "Musinsa Campus E1 Building" by Mastern Investment Management and "Majesta City Tower 1" by Koramco have been confirmed for closing. Additionally, prime properties such as "Arc Place" (GBD), "Golden Tower" (GBD), "Centerpoint Gangnam" (GBD), "Daeshin 343" (CBD), among others, are waiting in the market. This has drawn attention to the future investment market prospects.

Despite challenges in the investment market, numerous large-scale office transactions were successfully concluded.

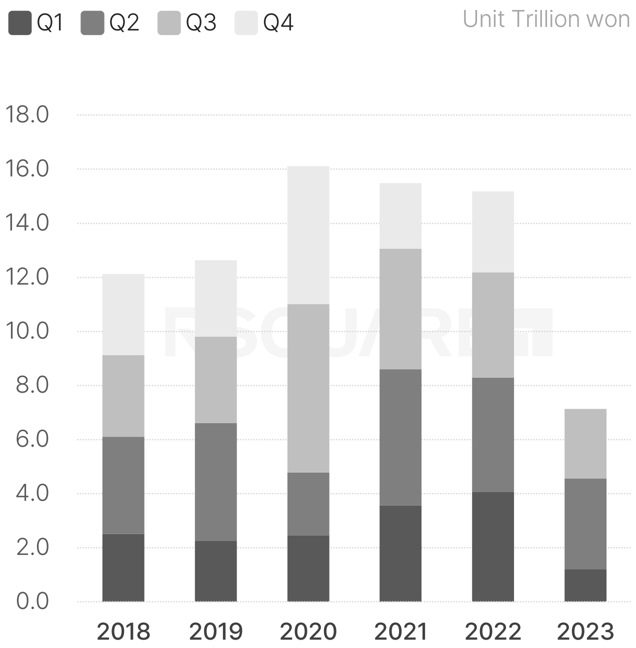
- Liquidity shortages and concerns about rising interest rates persist in the investment market. Nevertheless, investor preferences for high-quality safe assets continue. Among the transaction amounts in Q3 2023, large-scale office assets accounted for approximately 66%.
- Following the successful completion of the "Concordian Building" deal in the first half, deals for "Tower 8" (Mirae Asset Management), "Yongsan The Prime Tower" (IGIS Asset Management), and "Pangyo Techwin Tower" (GIC, income securities transaction) were successfully closed this quarter. The trend of focusing on large-scale assets in transactions is observed, contributing to expectations for improvement in the office transaction environment.

Active participation of strategic investors (SIs) in the acquisition of corporate headquarters by medium-sized companies.

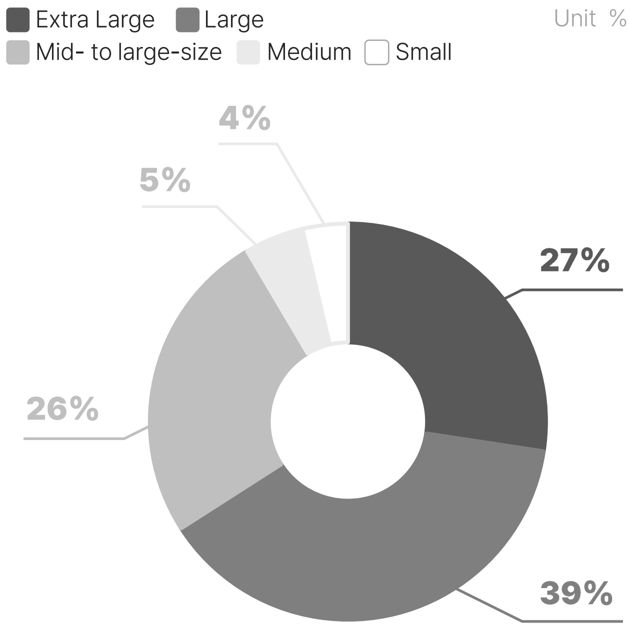
- Despite the challenging conditions in leasing desirable office spaces due to low vacancy rates and increased rents, medium-sized companies with available cash reserves are participating as strategic investors (SIs) to secure large spaces (corporate headquarters). Since medium-sized companies find it challenging to operate real estate-related teams like large corporations, creating a mutually beneficial structure with fund managers who face difficulties in finding investors due to market illiquidity becomes possible.
- In the first half, deals utilizing the investment of strategic investors (SIs) were observed in transactions such as "Scale Tower (Hyundai Motor)," "Dahong Building" (Fila Holdings)," and "Hansol Education Building" (Hansol Education). In the current quarter, "Credit Union" successfully closed a deal by participating as a strategic investor (SI) for "Tower 8" to secure its headquarters.
- "F&F," initially selected as the preferred negotiating partner for "Majesta City Tower 1" in Seocho but later withdrew, is actively expressing interest in bidding for available properties such as "Arc Place" and "Centerpoint Gangnam" within GBD. "Tongyang Life" also participated as a strategic investor (SI) in the "K Square City" property in Q3 2023, indicating consideration for utilizing the property for its headquarters.

02 Office Investment Market

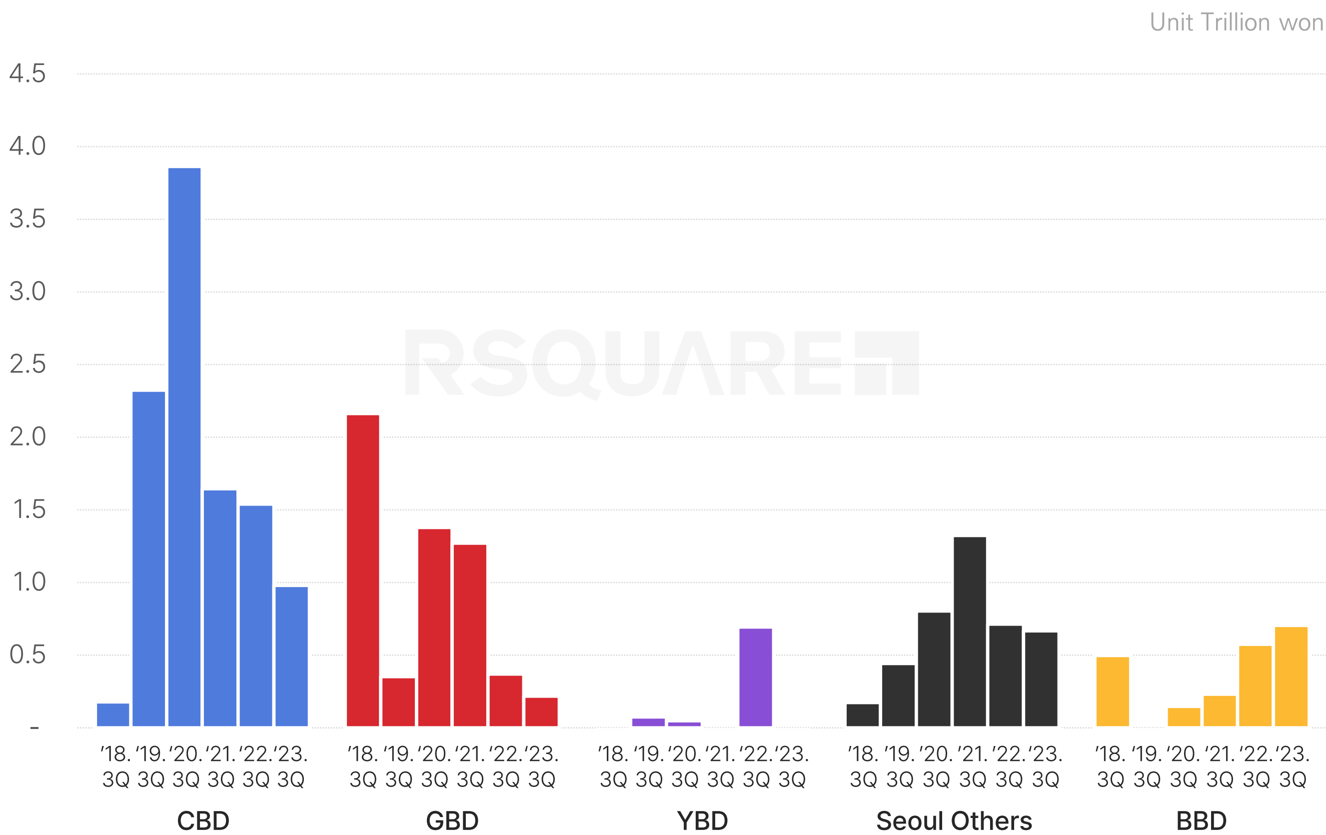
Quarterly Transaction Volume Trend



Transaction amount composition by size
Q3 2023



Transaction volume trend by district (year-on-year)

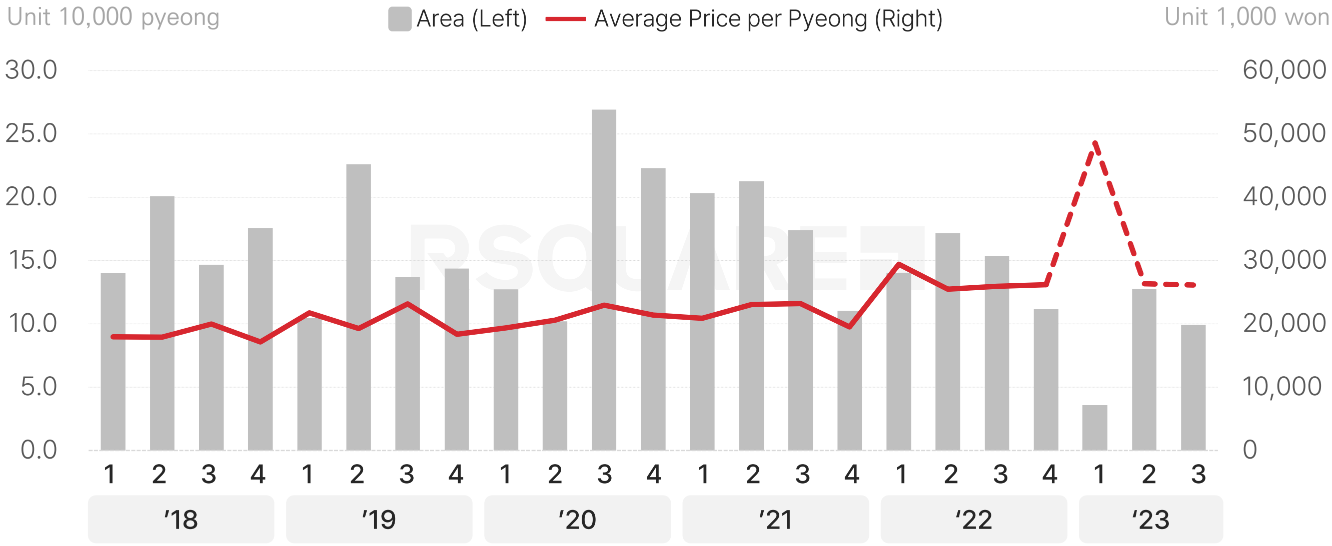


02 Office Investment Market

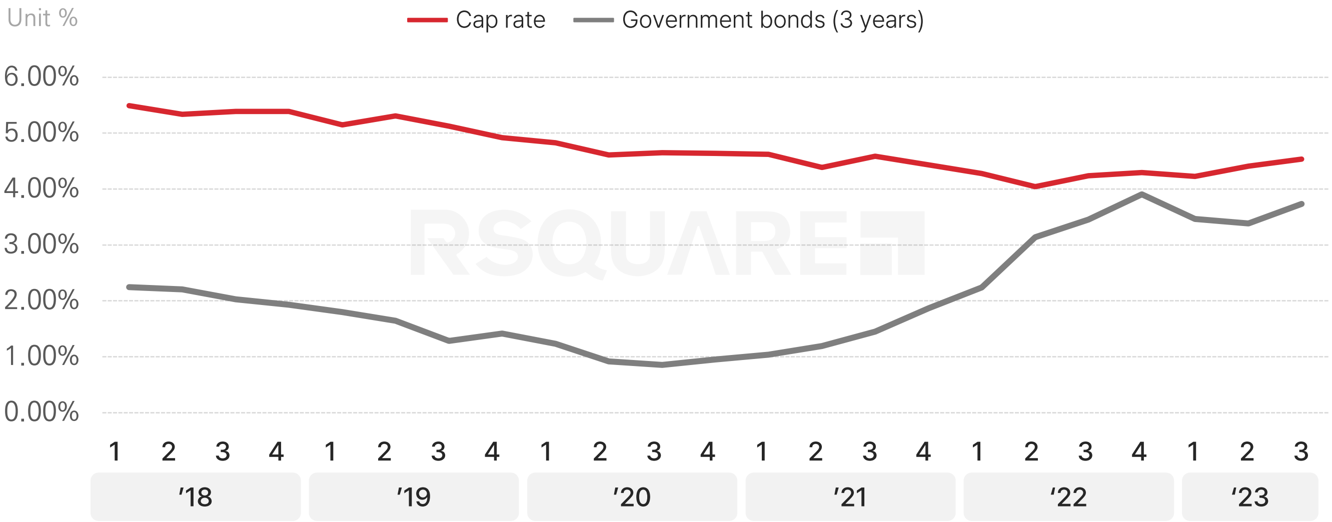
Average office asset transaction price per pyeong shows slight decrease and stability compared to the previous peak

- In Q3 2023, the average office transaction price per pyeong in Seoul and Bundang was 26.12 million won. This represents approximately 89% of the price per pyeong during the previous peak from late 2021 to early 2022 (about 29.4 million won) and a 0.76% decrease compared to the same period last year.
  * The average transaction price per pyeong in Q1 2023 was excluded from the interpretation due to anomalies resulting from full equity purchases, development purposes, and pre-purchase transactions.
- Notable transactions in the quarter include "Tower 8" (32.7 million won/pyeong), "WeWork Building" (34.12 million won/pyeong), and "Korean Air Seosomun Headquarters" (32.48 million won/pyeong), all recording high prices per pyeong. The transaction of "Korean Air Seosomun Headquarters" in this quarter was for investment purposes, anticipating the use of the building and future value appreciation. Similarly, "Lotte Home Shopping Yangpyeong Headquarters" in Yeongdeungpo-gu was also traded at 14.84 million won/pyeong for the same purpose by Woori Home Shopping (Lotte Home Shopping).
- Cap rate continues to rise since Q2 2023. The tightening difference in expected prices between sellers and buyers, influenced by the high-interest rate environment, has led to a relatively adjusted upward trend in office transaction prices. This is likely due to the continuous rise in NOC levels.

Transaction Area and Average Transaction Price per Pyeong Trend



Transaction Area and Average Transaction Price per Pyeong Trend



02 Office Investment Market

Q3 2023 Seoul and Bundang Region Office Major Transaction Cases

Building Name	Region	Gross Floor Area (pyeong)	Transaction Amount (KRW billion)	Price per pyeong (10,000 won)	Buyer	Seller	Note
Yongsan The Prime Tower	Others	11800	2384	2020	IGIS Asset Management	Shinhan REITs Management	
Galwol Office HJ Heavy Industries Yongsan Headquarters	Others	9616	2260	2350	Korea Land Trust	Koramco Asset Trust	
Lotte Home Shopping Yangpyeong Headquarters	Others	13739	2039	1484	Woori Home Shopping (Lotte Home Shopping)	Lotte Holdings Lotte Wellfood	
KG Tower	GBD	3861	1236	3201	Koramco Asset Trust	Koramco Asset Trust	Income Securities
WeWork Building	GBD	2784	950	3412	Auroom	Individual	
Tower8	CBD	15625	5490	3721	Mirae Asset Global Investments	DWS Asset Management	
Korean Air Seosomun Headquarters	CBD	8557	2642	3248	Korean Air	Hanjin KAL	
Citibank Center	CBD	5975	1673	2800	Keppel Investment Management	CapitalLand Investment Management	Income Securities
Pangyo Techwin Tower	BBD	59664	7047	2620	Singapore Investment Authority (GIC)	Naver	Income Securities


Yongsan The Prime


Galwol Office


Lotte Home Shopping


KG Tower


Kia Motors


WeWork Building


Tower8


Korean Air Building


Citibank Center


Pangyo Techwin Tower

Major offices to be sold

Building Name	Region	Gross Floor Area (pyeong)	Seller	Note
Seohyun Building Bundang	BBD	5275	Vestas Asset Management	
Anam Tower	GBD	13,335 (4,537)	Hanwha Asset Management	Ownership
Majesta City 1	GBD	14091	Koramco Asset Trust	
Golden Tower	GBD	12245	Koramco Asset Trust	
Arc Place	GBD	18974	Blackstone	
JW Tower	GBD	9009	Koramco Asset Management	
Gangnam Finance Plaza	GBD	7314	Mastern Investment Management	
Tower 730	Jamshil	24420	Hyundai Investment Asset Management	
Samsung SDS Tower	Jamshil	30110	KB Asset Management	
Musinsa Campus E1 Headquarters	Seongsu	3186	Mastern Investment Management	

Research Design

Research Design	Seoul and Bundang
Research Target	Buildings with an area of 1,000 pyeong or more (954 buildings)

Office building definition

Buildings with more than 50% of the total floor area used as offices, excluding parking areas (does not include officetel among business facilities)

Office area criteria

Considered when "office," "finance," "bank," or "research center" keywords are included in the floor-use keyword in the publicly provided building register data

Office size classification

Extra Large	Gross floor area of 20,000 pyeong or more (66,116 sqm or more)
Large	Gross floor area of 10,000 pyeong or more and less than 20,000 pyeong 33,058 to 66,116 sqm
Mid- to large-size	Gross floor area of 5,000 pyeong or more and less than 10,000 pyeong 16,529 to 33,058 sqm
Medium	Gross floor area of 3,000 pyeong or more and less than 5,000 pyeong 9,917 to 16,529 sqm
Small	Gross floor area of less than 3,000 pyeong (less than 9,917 sqm)

Survey Frequency

Quarter

Survey Items

Rental Market
Security deposit, rent, management fees, vacant area and tenant movement

Investment Market
Transaction cases

Survey Methods

Telephone survey
Door-to-Door survey
Lease Information
Public Data
MOLIT

NO.1 PROPTECH
RSQUARE

Investor Advisory Division Big Data Consulting

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