

**2024
SEONGSU
OFFICE
MARKET
REPORT**



Feb. 2024

Seongsu Business District Overview










SEONGSU HISTORY

Distinctive Emerging Business District Seongsu

Seongsu has become a unique emerging business zone due to the recent addition of new office spaces. These spaces have attracted fashion, content and IT companies, as well as large enterprises that focus on trendiness and customer accessibility. With the anticipation of many new supply plans, Seongsu's status as a leading business hub in Seoul is solidifying.

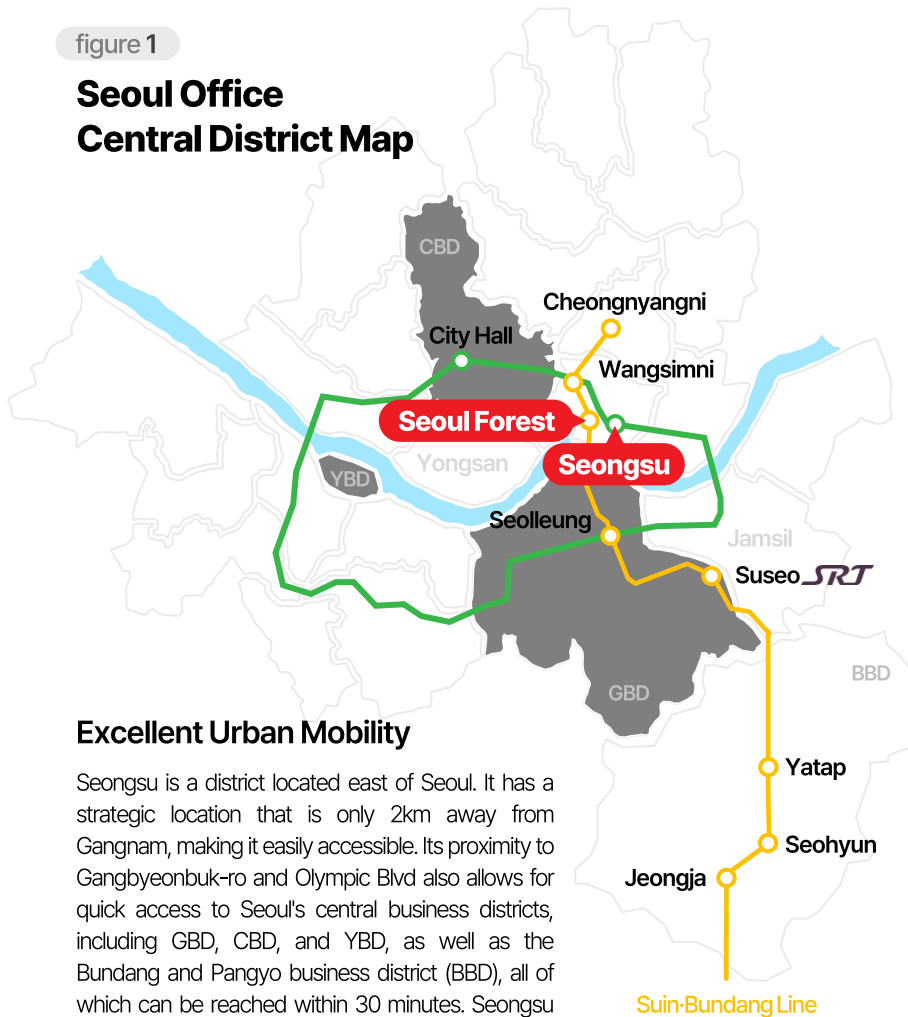


2005	2011	2012	2018	2020	2022
<p>Seoul Forest Opening</p> <p>The opening of Seoul Forest in 2005 led to a radical transformation of the urban landscape with the establishment of district unit plan focused on the surrounding areas.</p> 	<p>Galleria Forêt & Atelier Street</p> <p>Following the construction of Galleria Forêt, a small alley commercial district (Atelier Street) formed to the north of Seoul Forest.</p>  <p>Daelim Warehouse</p> <p>The renovation of old factories / warehouses into retro-themed cafes and curated shops established a unique business district in Seongsu.</p> 	<p>Seoul Forest Station Opening</p> <p>Improved transportation accessibility with the opening of the subway station</p>	<p>Corner Series Development</p> <p>Hong Kong-based developer Star-Property acquired three sites in Seongsu, initiating the development of Corner Series (19-25-50). (Completed in 2021-22)</p>  <p>Perception Shift to High-End Residential Area</p> <p>Trimage (2017) Acro Seoul Forest (2020)</p> 	<p>D-Tower Seoul Forest</p> <p>Seongsu, traditionally supplied with small office/knowledge industry centers, saw the introduction of over 33,000m2 of large office space. Notably occupied by SM, Hyundai Mobis, Socar, elevating Seongsu's business district.</p> 	<p>Unique Business District Formation of Seongsu</p> <p>Seongsu, with a substantial young foot traffic, has witnessed the creation of diverse retail spaces and pop-up/flagship stores.</p> <ul style="list-style-type: none"> Jjagmachi (2014) Onion (2016) S-Factory (2017) Blue Bottle (2019) IKEA Lab (2020) Chanel (2021) Dior Seongsu (2022) Burberry (2023) 

Seongsu Business District Highlights

figure 1

Seoul Office Central District Map



Excellent Urban Mobility

Seongsu is a district located east of Seoul. It has a strategic location that is only 2km away from Gangnam, making it easily accessible. Its proximity to Gangbyeonbuk-ro and Olympic Blvd also allows for quick access to Seoul's central business districts, including GBD, CBD, and YBD, as well as the Bundang and Pangyo business district (BBD), all of which can be reached within 30 minutes. Seongsu has excellent access to the CBD, BBD, and GBD. The primary subway stations in Seongsu are Seongsu Station and Seoul Forest Station. Seongsu Station is conveniently connected to Line 2, which runs through the center of Seoul. Seoul Forest Station is located 4 stops (8 minutes) away from Seolleung Station, which is on Line 2 and Suinbundang Line, located in Gangnam.



"Korea's Brooklyn" Unique Atmosphere of Seongsu

Seongsu district seamlessly blends residential, business, and retail sectors. Recent developments, including D-Tower Seoul Forest, have introduced numerous offices, complemented by upscale residences centered around Seoul Forest. The area is witnessing a surge in the population of the trend-sensitive 2030 generation, drawn by unique and trendy retail stores.

Seongsu, with its distinctive concept and local identity (Korea's Brooklyn), is a business district with high demand, particularly in sectors prioritizing trendiness and customer accessibility (fashion, entertainment, content, and IT).



Potential Value Appreciation with Numerous Development Plans Nearby

Seongsu has several luxury residence such as Galleria Forêt and Acro Seoul Forest. Seongsu is also expecting a development of a large-scale luxury residential town along the Han River. The upcoming GFC (Global Future Complex), a global IT business complex on the Sampo RMC site, adds to the region's potential. Ongoing development plans, including the revitalization of the Dongbu Gansundoro Expressway and spatial management, are expected to continually enhance the residential, business, cultural, and transportation environments. With various upcoming projects and the recent elevation of the office landscape, Seongsu is poised to strengthen its competitiveness in terms of infrastructure and become a primary cultural and business hub in Seoul.

Seongsu Office Market Trends



Supply Trend

figure 2

Cumulative Supply Trend of Seongsu Office

GFA over 3,300m²

Seongsu Office Cumulative Supply Trend

Seongsu has witnessed a substantial cumulative supply of office facilities, totaling 600,000 m², inclusive of knowledge industry centers. In the 2010s, the supply of knowledge industry centers experienced significant growth, playing a leading role in Seongsu's office supply market. However, since 2020, with the successive supply such as 'D-Tower Seoul Forest,' 'Corner Series,' 'Starlit Seongsu,' 'Musinsa Campus' (N1-E1,2), and 'Noudit Seoul Forest,' Seongsu has rapidly emerged as a key office district in Seoul, experiencing substantial growth.

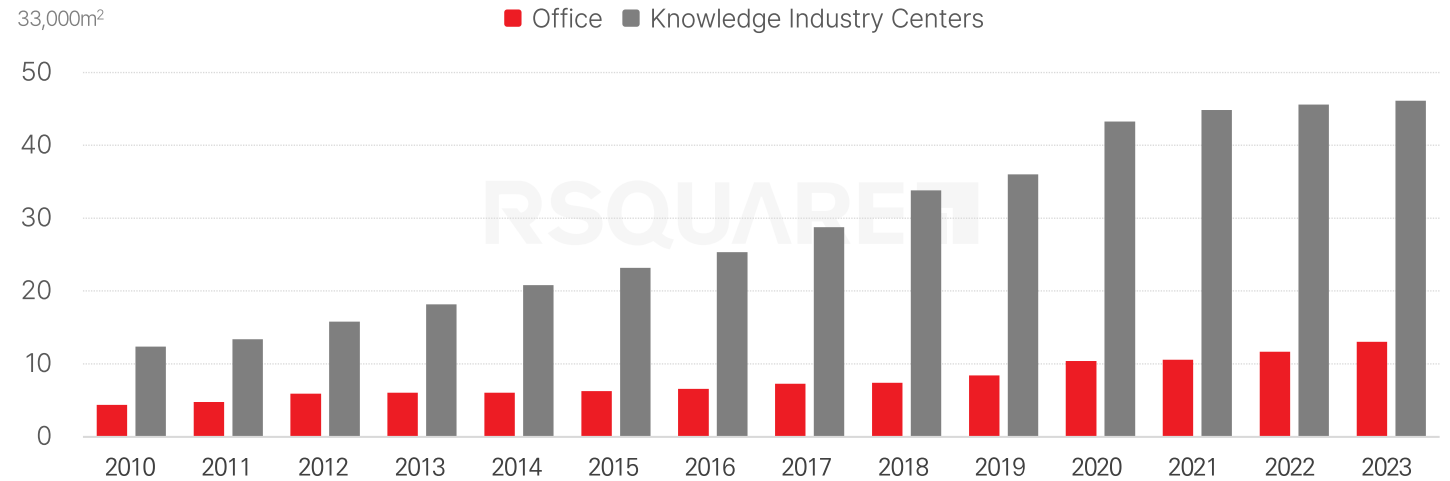


figure 3

Primary Offices in Seongsu Area



Supply Outlook

figure 4

Office/Knowledge Industry Center Supply Outlook in Seongsu

Over the next four years, approximately 200,000m² of office facilities, including knowledge industry centers, will be completed in the Seongsu area. Notably, around two-thirds of this supply is expected to concentrate on office building developments. Factorial Seongsu' and 'Gentle Monster Headquarters are expected to be completed in 2024, while in 2027, a massive office space (approximately 65,000m², with 75% leased to Krafton) is anticipated on the Seongsu E-Mart site. Considering these developments, especially the shift towards larger office spaces, Seongsu, a small and medium-sized office market, is anticipated to further solidify its position and reputation in the market.

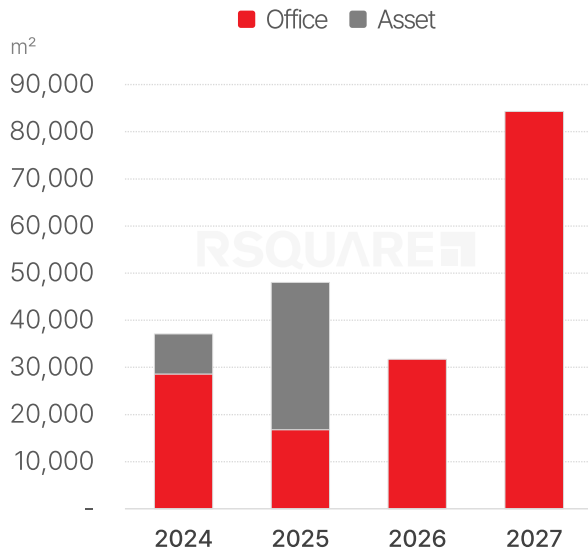


figure 5

Upcoming Primary Office Supply in Seongsu

2027



GM Korea Site Office
 Location 278-3, Seongsu-dong 2-ga
 GFA (m²) 60,555
 Building Scope B6/18F
 Note Benepose

2027



Seongsu-dong K-PJOECT Complex Facility
 Location 333-16, Seongsu-dong 2-ga
 GFA (m²) 217,707
 Building Scope B8/17F
 Note Mirae Asset Global Investments (SI : Crafton)

2026



Samwon PFV Office
 Location 279, Seongsu-dong 2-ga
 GFA (m²) 33,957
 Building Scope B7/11F
 Note Mastern (Pre-purchase)

2024

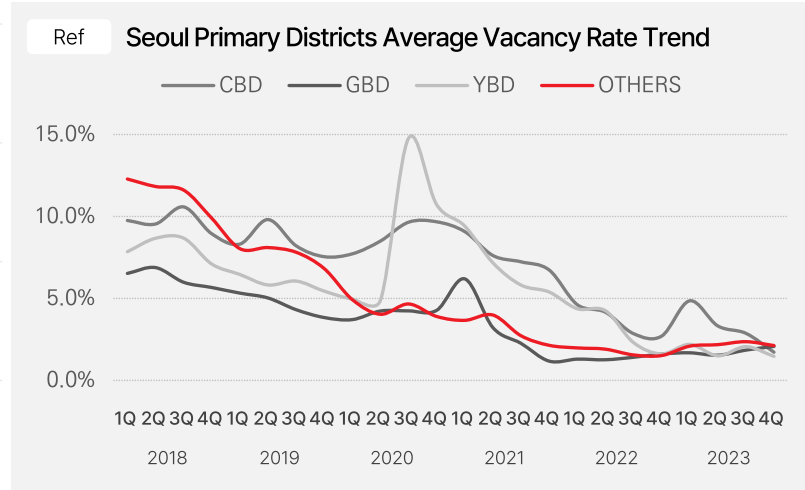
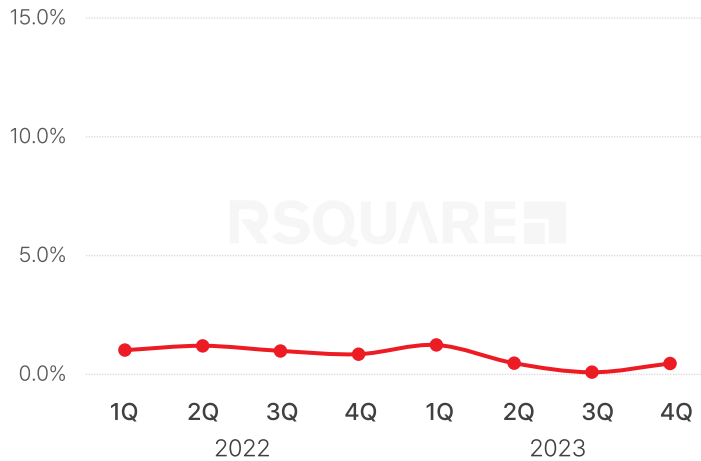


Factorial Seongsu
 Location 314-11, Seongsu-dong 2-ga
 GFA (m²) 21,077
 Building Scope B5/10F
 Note Igis Asset Management

Vacancy & Rents

figure 6

Seongsu Primary Office Average Vacancy Rate Trend

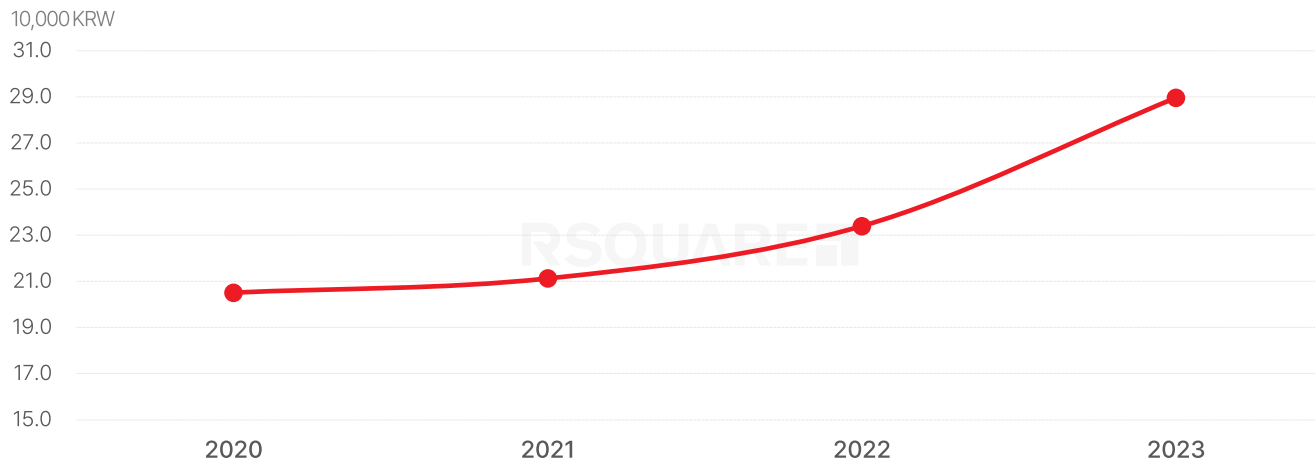


Vacancy Rate for Main Offices in Seongsu

The leading offices in the Seongsu area consistently record an average vacancy rate approaching '0,' indicating a strong demand for leasing. Central business districts(CBD, GBD, YBD) that maintain consistently low vacancy rates amid a supply shortage, Seongsu stands out with an exceptionally low vacancy rate. While Seongsu initially evolved as a Sub-district of GBD, it has now grown into a distinctive and unique emerging business zone with its own atmosphere and culture, attracting the demand of creative companies seeking differentiation from traditional business districts.

figure 7

Seongsu Primary Office E.NOC Trend



*E.NOC 산정식 = {(보증금*3%)/12+임대료*(12-RF)/12+관리비}/전용률

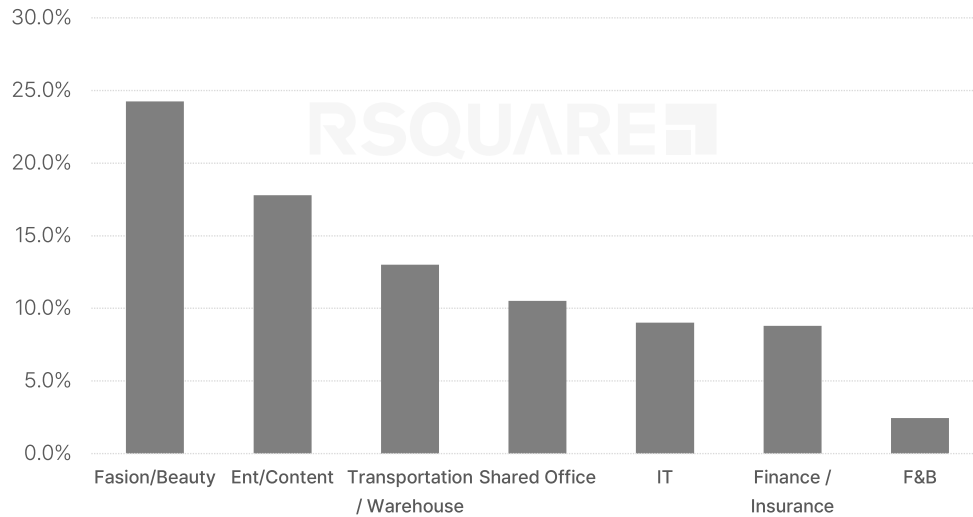
E.NOC for Leading Offices in Seongsu

E.NOC in Seongsu have steadily increased in recent years. Based on actual contracted cases, Effective Net Operating Costs (E.NOC) were approximately KRW 211,000/3.3m² in 2021, but by 2023, they had reached around KRW 290,000/3.3m², representing a substantial increase of nearly 40% in just two years. The rise in office rental rates in Seongsu is driven by the supply of leading new offices in 2022-2023. The actual effective office rental rate in Seongsu remains at approximately 70-80% of the levels seen in other main business districts. With the continuous supply of new offices, a significant integration effect is expected to occur in 2-3 years, leading to an increase in the value of Seongsu as a business district. Therefore, Seongsu is analyzed to have a relatively high potential for rental rate increases.

Demand

figure 8

Leading Office Leasing Industries in Seongsu Area



Leasing Industry Analysis

In the Seongsu area, the primary offices show a predominant presence of the 'Fashion/Beauty' sector among lessees, followed closely by the 'Entertainment/Content' industry. This characteristic is influenced by the unique atmosphere formed around Yeonmujang-gil, with its mix of aging factories, warehouse-style cafes, and curated shops. Leveraging this distinct local ambiance, Seongsu has not only carved out a niche with its unique architectural aesthetics but has also become a sought-after destination for trend-sensitive fashion companies and entertainment agencies, offering a completely differentiated atmosphere. Furthermore, the recognition as an IT Industry · Development Promotion Zone and excellent accessibility to Gangnam contribute to a notable presence of the 'IT' sector in office leases.

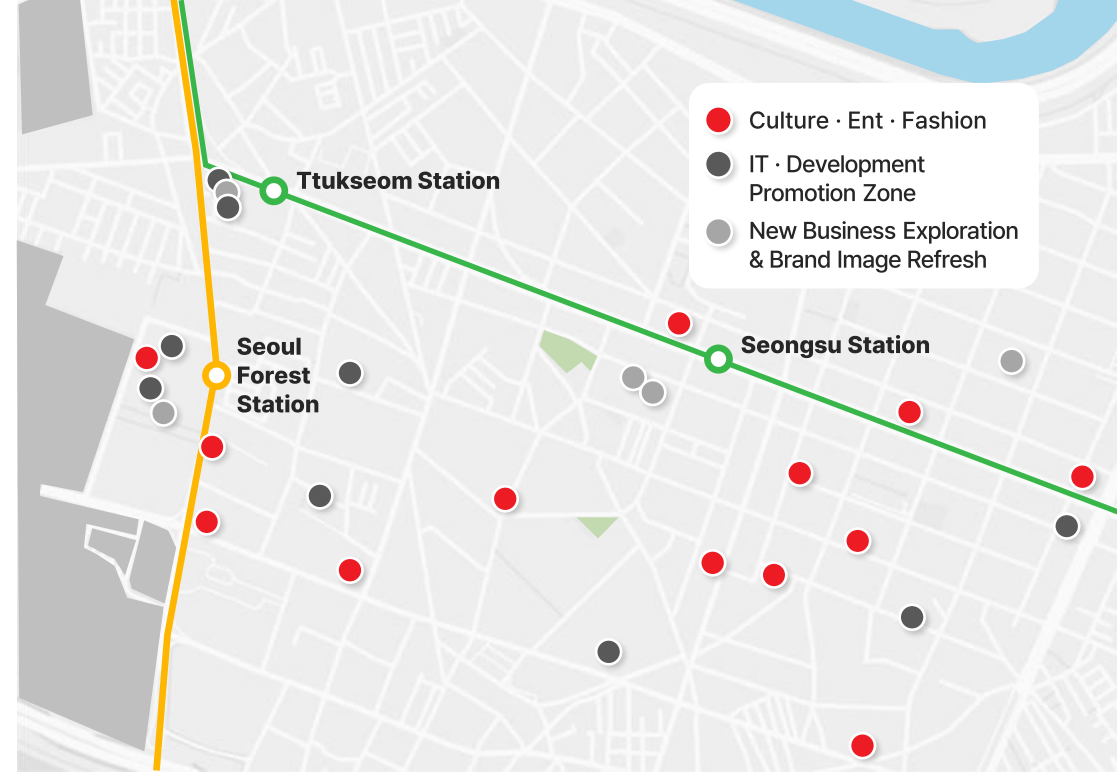
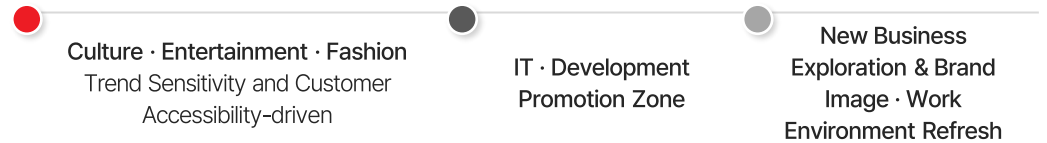


figure 9

Distribution Map of Primary Tenants

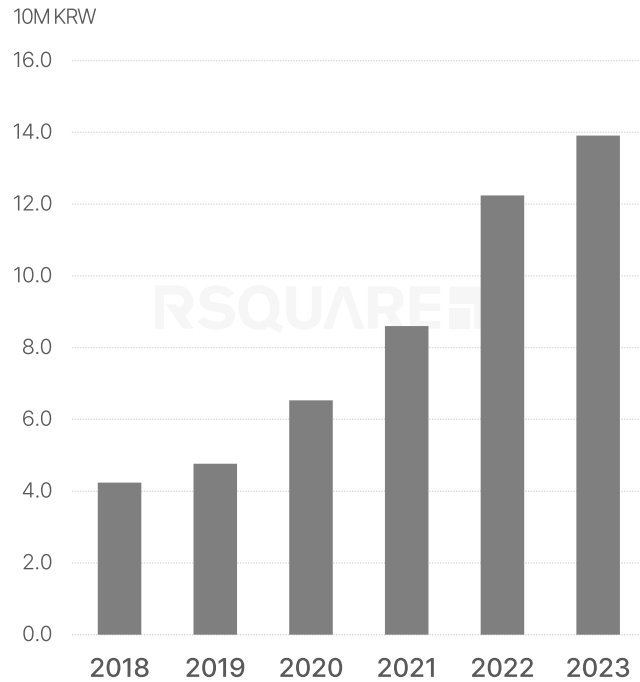


Fashion Beauty	Ent Content	Customer Accessibility-driven	IT	VC	Enterprise	Real Estate
MUSINSA	KIDARI STUDIO	MEGABOX LIFE THEATER	SOCAR	DSC인베스트먼트	HYUNDAI GLOVIS	이지스자산운용 IGIS Asset Management
KREAM	CUBE	BMW	KRAFTON	Root Impact	HYUNDAI	NEOVALUE PARTNER ASSET MANAGEMENT
ABLY	Entertainment		hindent	future play	SK telecom	TRUSTON ASSET MANAGEMENT
GENTLE MONSTER	GOLD					
BARPLE CORPORATION						

Capital Market

figure 10

Average Land Transaction Price per Square Meter Trend in Seongsu Area



Major Investment Activity

The land transaction price per square meter in the Seongsu area has consistently been on the rise, surpassing 100 million KRW from 2022 onwards. In 2023, the average transaction price per 3.3 square meter reached 140 million KRW, marking a more than threefold increase compared to 2018, before the district's activation.

Office Transaction Case Highlights

Recent office transactions in the Seongsu area have occurred in the range of 33 to 35 million KRW per square meter. Notably, MegaBox Square represents the 6th building purchased by Krafton in Seongsu, contributing to the establishment of Krafton Town. Additionally, Mastern has demonstrated active participation in the Seongsu office market by acquiring the development rights of Samwon PFV's office building following the completion of Musinsa Campus E1.


MegaBox Square		279-3 Office, Seongsu-dong 2-ga		Musinsa Campus E1	
GFA (m2)	7,377	GFA (m2)	10,290	GFA (m2)	3,186
Building Scope	B5/8F	Building Scope	B7/11F	Building Scope	B5/10F
Completion	2019	Completion	2026(E)	Completion	2023
Transaction Price 100M KRW	2,500	Transaction Price 100M KRW	3,600	Transaction Price 100M KRW	1,115
Price per 3.3m2 10K KRW	3,400	Price per 3.3m2 10K KRW	3,300	Price per 3.3m2 10K KRW	3,500
Transaction Period	'4Q.23	Transaction Period	'4Q.23	Transaction Period	'2Q.23
Seller	Joongang Multiplex Development	Seller	Samwon PFV	Seller	Musinsa
Buyer	Krafton	Buyer	Mastern Invest Management	Buyer	Mastern Invest Management



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Research Design

Location
Seongsu Business District

Target
Offices and Knowledge Industry Centers in Seongsu Business District

Research Method
Telephone, On-site Visits, and Reference to Ministry of Land, Infrastructure, and Transport Data

Research Content
Office Supply Status, Vacancy Rates, Transaction Cases, etc.

Research Period
Continuous Investigation