RSQUARE

Leasing Market Trend Report

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Industry Economic Trends and Trend of Leasing Market

Opening

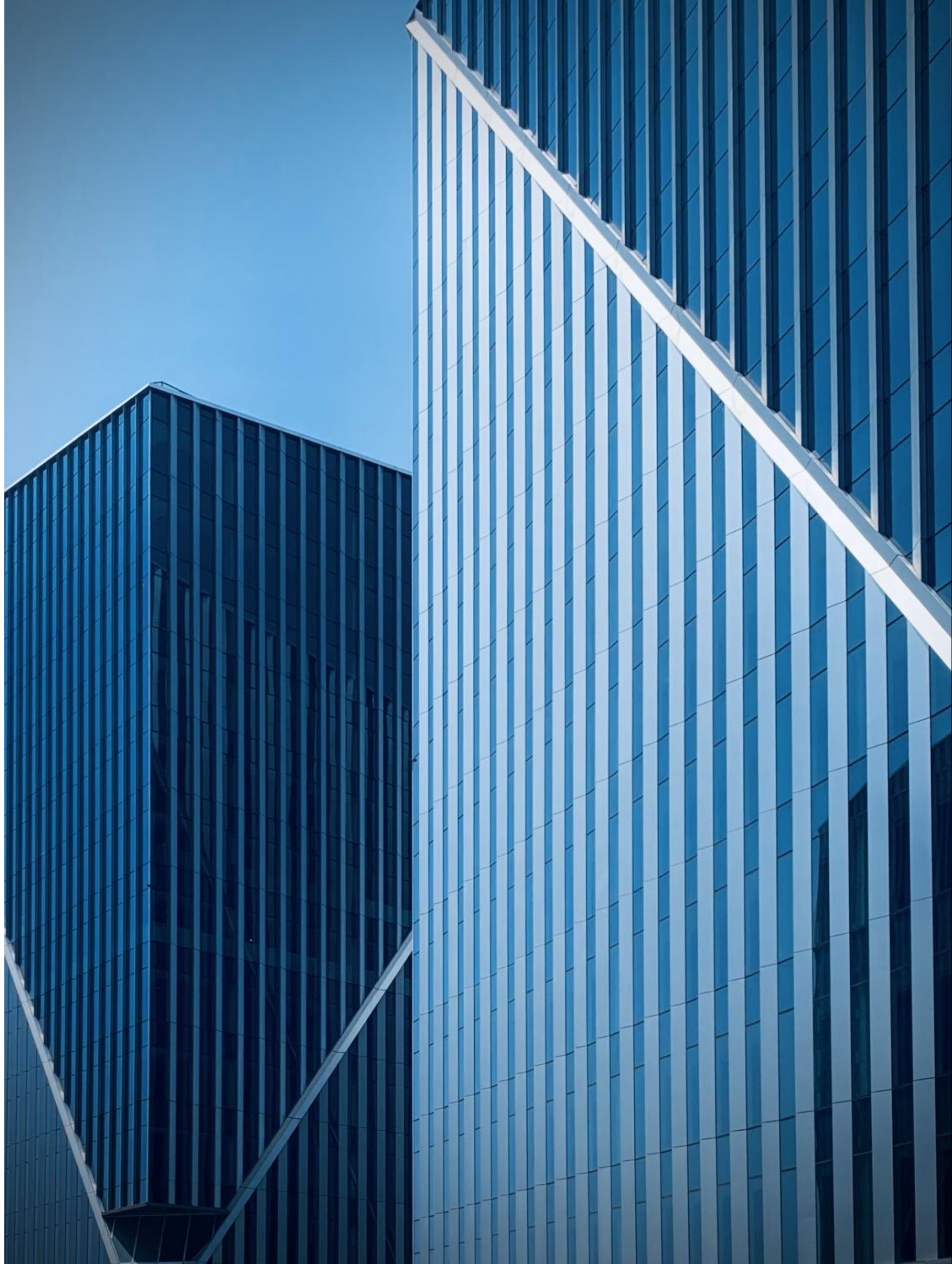
Amid the prolonged global economic uncertainty in recent years, Korea’s office leasing market has undergone a series of notable changes. The persistence of high interest rates, companies’ efforts to reduce costs, and the establishment of digital transformation and hybrid work systems have fundamentally reshaped the traditional structure of office demand

These macroeconomic shifts have significantly influenced corporate management strategies across industries, leading to a stronger focus on cost reduction and operational efficiency. As a result, companies are downsizing their workforce or considering relocation to reduce leasing expenses.

Moreover, domestic companies are increasingly evaluating lease targets by taking into account not only lease terms but also factors such as NOC (Net Operating Cost) fluctuations, surrounding development environments, and geographic advantages. Consequently, more tenants are seeking relocation opportunities outside of Seoul’s prime office districts.

This trend reflects tenants’ strategic choice to enhance space flexibility and optimize cost management. It also signals the emergence of a new competitive landscape in the leasing market amid the combined effects of increased office supply and an economic downturn.

This report examines the current economic conditions of Korea’s industries and recent trends in the office leasing market, while exploring potential strategic directions for the future.



Major Industry Labor Market

Economic Trends and Labor Market by Industry

1

Labor Market

Labor market rigidity is intensifying, with uncertainty remaining high

Coincident Composite Index

The leading index rose slightly above 100 in the first half of 2023, raising expectations for an economic recovery. However, the coincident index has continued to decline since the second half of 2023, indicating ongoing weakness in current economic activity.

Vacancy Rate & Employment Market

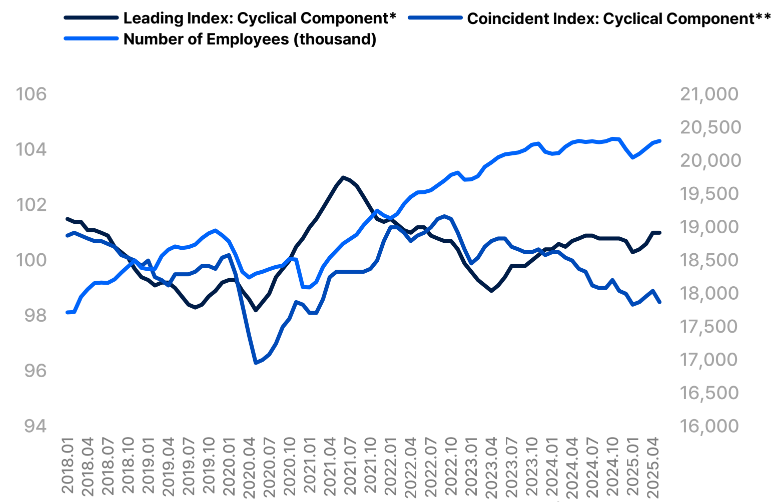
In Q1 2025, the vacancy rate, which had increased due to new supply from One Grove and K Square, has recently shown a slight decline. Employment growth has slowed, displaying an inverse relationship with the vacancy rate, while the unemployment rate remains stable at around 3%.

Number of Office Workers

Considering the decline in the proportion of remote and hybrid work, the actual number of employees commuting to offices is likely to increase. While the number of office workers in Seoul has continued to grow, it has recently plateaued at around 3 million.

Employment Status and Cyclical Change Trends

Unit: (Number of Employees) Persons

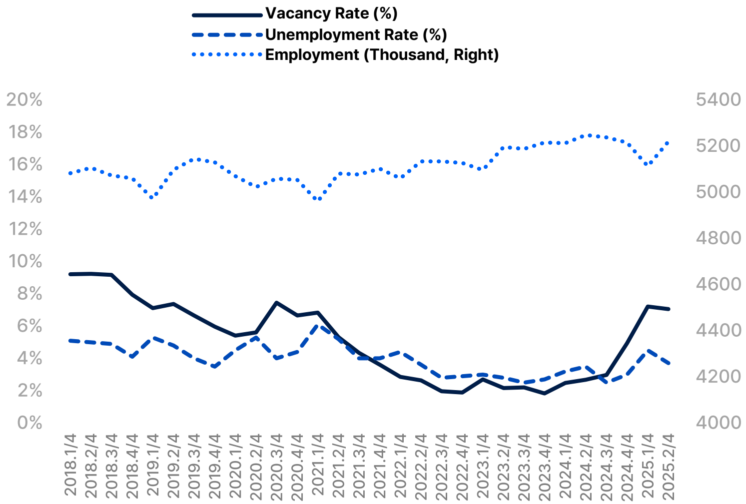


*Leading Index: Cyclical Component is an investment-related indicator used to forecast short-term turning points and phases of the business cycle.

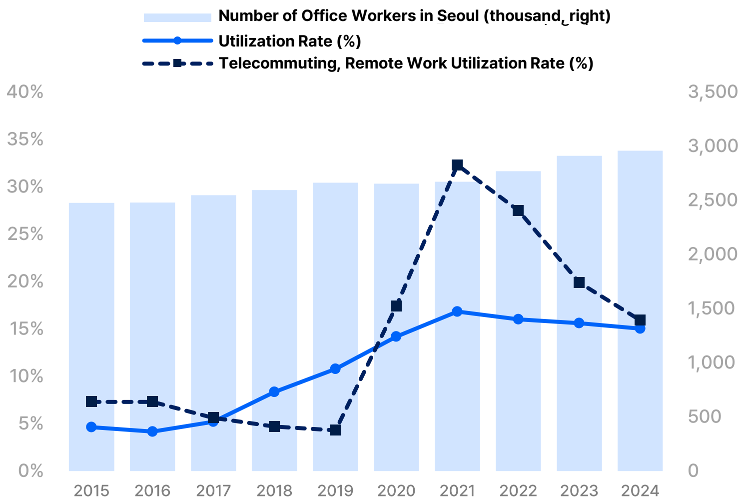
** Coincident Index: Cyclical Component reflects indicators from both the supply and demand sides—such as manufacturing, services, and retail—and is used to assess the current phase and turning points of economic activity.

Source : RSQAURE, Korean Statistical Information Service

Seoul Office Vacancy Rate & Employment Overview



Flexible Work Arrangement Usage



Economic Trends by Industry

Overall industrial productivity and sales performance have slowed, while growth in the construction sector remains weak

Production Index

The production index remains on an upward trend, but construction output has dropped sharply, leading to weaker sales and a decline in employment.

Sales Performance BSI

Overall sales performance remains weak, while the ICT sector has recently shown growth, which is expected to support future employment expansion in the industry.

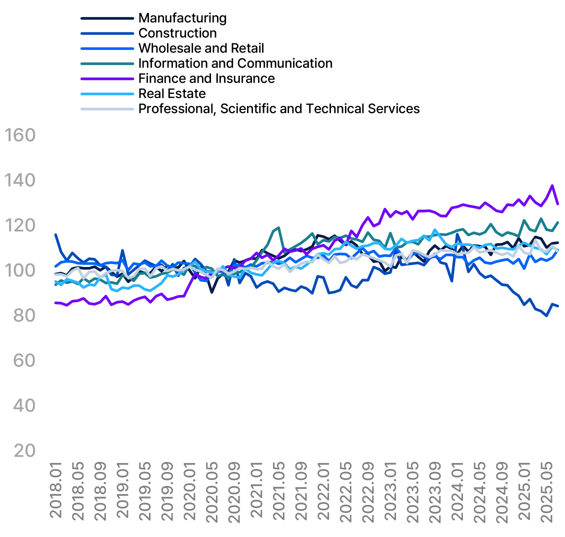
Labor Conditions BSI

Manufacturing shows signs of recovery, but other sectors continue to face labor shortages. As technological development drives growth in the IT sector, labor demand and employment in information and communications are likely to expand.

Employees by Industry

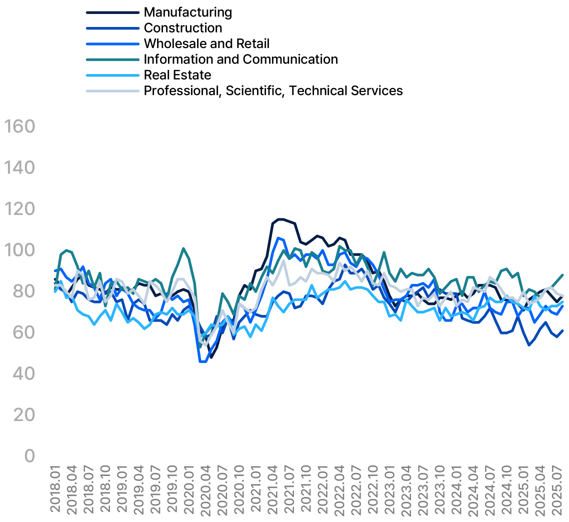
Industry-wide growth has slowed, rising construction costs and the broader economic downturn have led to declining employment in construction and retail sectors since 2024.

Production Index by Industry



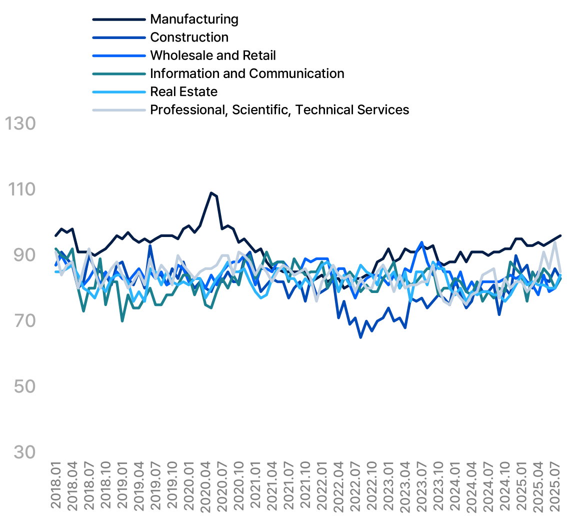
Based on 2020 = 100

Sales Performance BSI



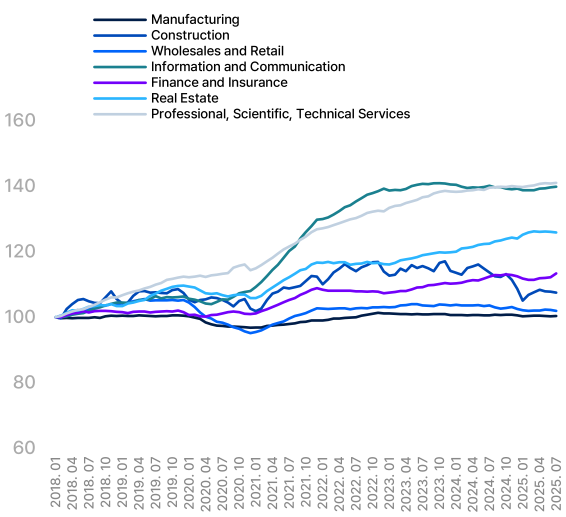
Threshold = 100; below 100 indicates slowdown, above 100 indicates expansion

Labor Conditions BSI



Threshold = 100; below 100 indicates labor shortage

Employment Growth Trend



Based on Jan 2018 = 100.0
Reflects cumulative growth/decline from the 2018 baseline

Source : KOSIS (Korean Statistical Information Service)

Manufacturing

Ordinary income has declined due to the economic downturn, weakening the labor market

Ordinary Income

Ordinary income has been declining steadily since its post–Q4 2021 stagnation. Despite a more positive outlook compared to actual results, a significant recovery is not expected.

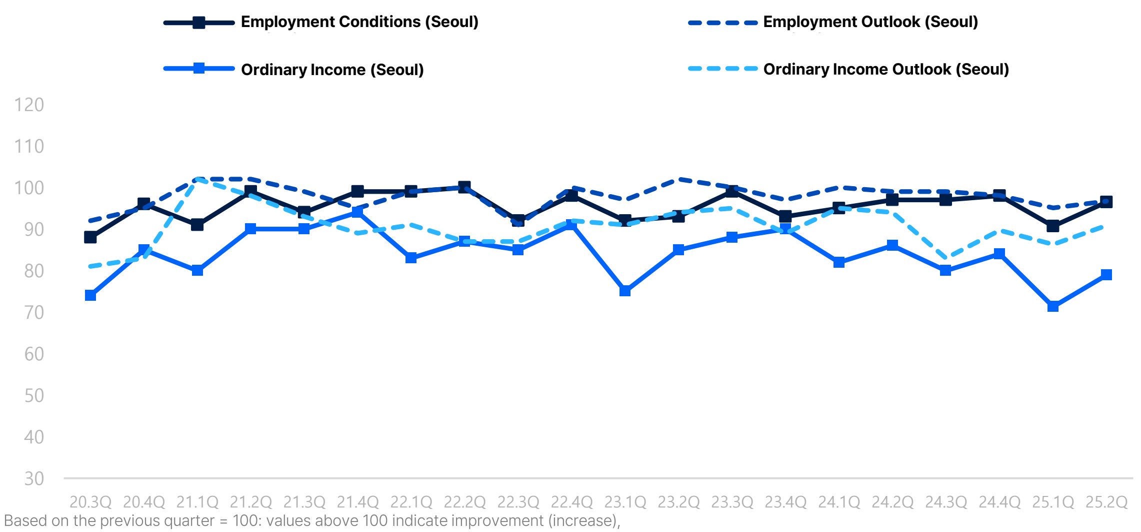
Employment Conditions

Employment remains stagnant with no signs of recovery. Outlook levels also show little improvement, indicating limited optimism.

Number of Corporate Entities

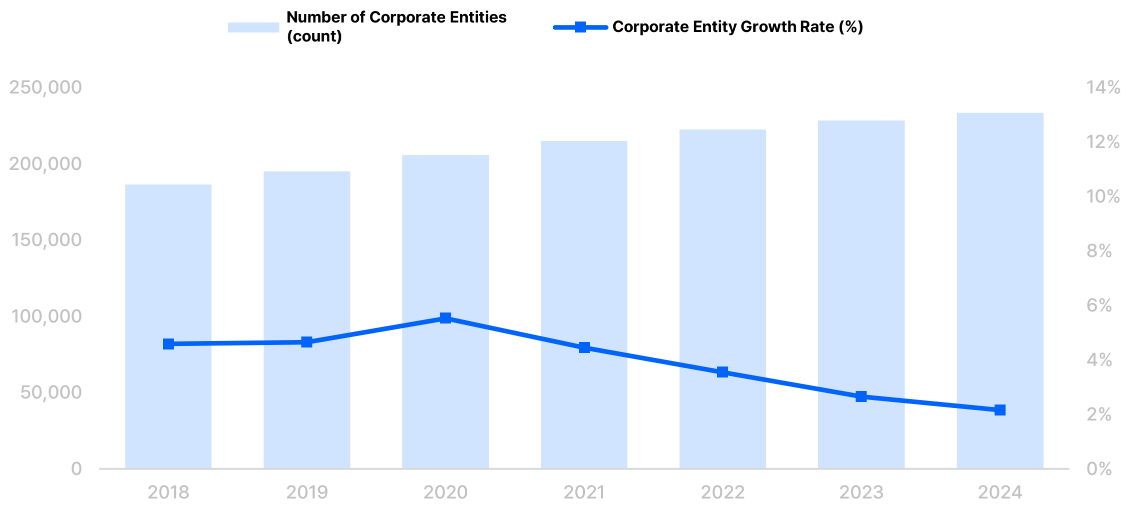
The number of corporate entities has continued to rise, but growth has slowed since 2020, reaching only 2.2% in 2024. Given the economic slowdown and weak outlook for ordinary income and employment, the number of corporate entities is likely to plateau or decline going forward.

Ordinary Income and Employment Conditions



Based on the previous quarter = 100: values above 100 indicate improvement (increase), while values below 100 indicate deterioration (decrease)

Number of Corporate Entities and Growth Rate



Source : KOSIS (Korean Statistical Information Service)

Construction

Construction sector shows signs of contraction amid rising concerns over an economic slowdown

Construction Market & Employment

The index has fallen for four consecutive months, and employment conditions have weakened accordingly.

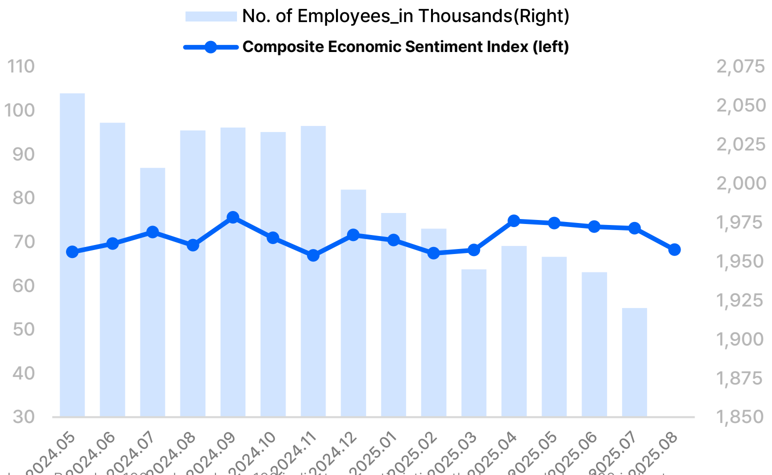
Orders and Construction Payments

Since entering a downturn in September 2022, the construction market has faced increasing operational pressures across the industry. Construction payments have also failed to recover to previous levels as of 2024, indicating a high likelihood of further slowdown. These financial constraints are expected to negatively affect the labor market

Number of Corporate Entities

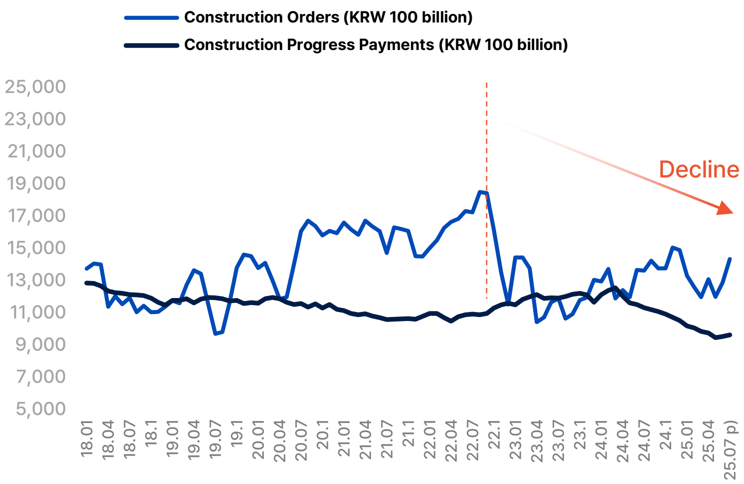
Although the number of corporate entities continues to grow, the growth rate has declined for three consecutive years since 2021, dropping to 2% in 2024. This slowdown suggests that employment conditions in the construction sector are likely to weaken further.

Construction Market Index and Employment Trends



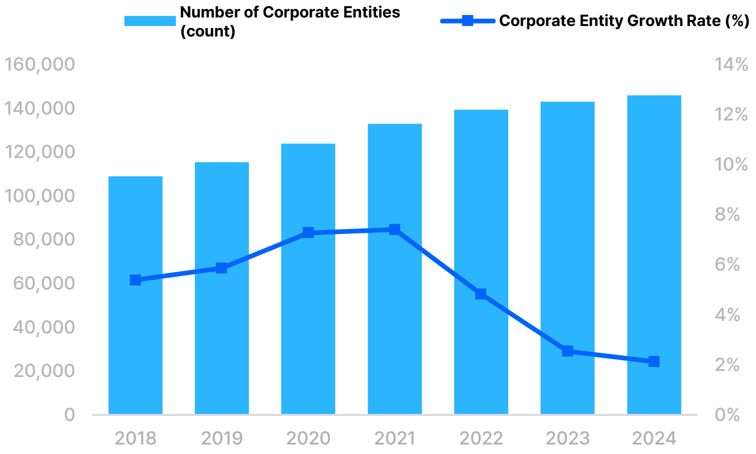
Index: Based on 100, values above 100 indicate an optimistic outlook; values below 100 indicate a pessimistic outlook
Employment figures: Data for the number of employees in August 2025 has not yet been released

Orders and Construction Progress Payments



Construction Progress Payment: Refers to the construction costs received in installments by contractors based on the progress rate over a given period

Construction Corporation Trend



Source : KOSIS (Korean Statistical Information Service)

Finance and Insurance

Net income shows little room for recovery, while entity growth is slowing

Net Income

Since 2023, non-bank financial and insurance institutions have seen net income decline due to reduced profitability amid the downturn.

Insurance

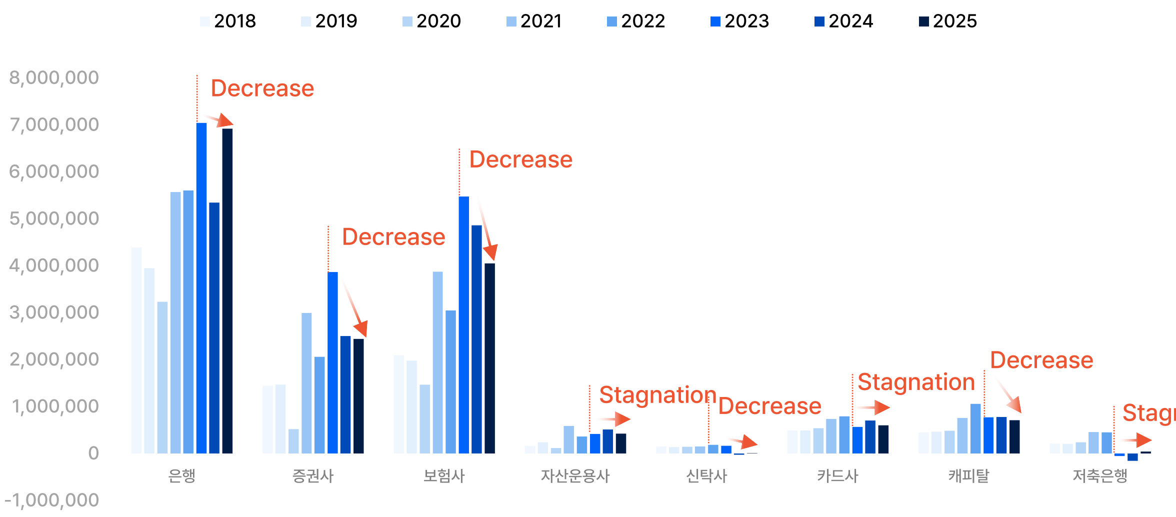
Net income in the insurance sector fell by 16.7% YoY (as of March) due to higher auto insurance loss ratios and rising loss-sharing costs among life insurers.

Number of Corporate Entities

The growth rate of corporate entities rebounded to 2.4% in 2024 but remains relatively low.

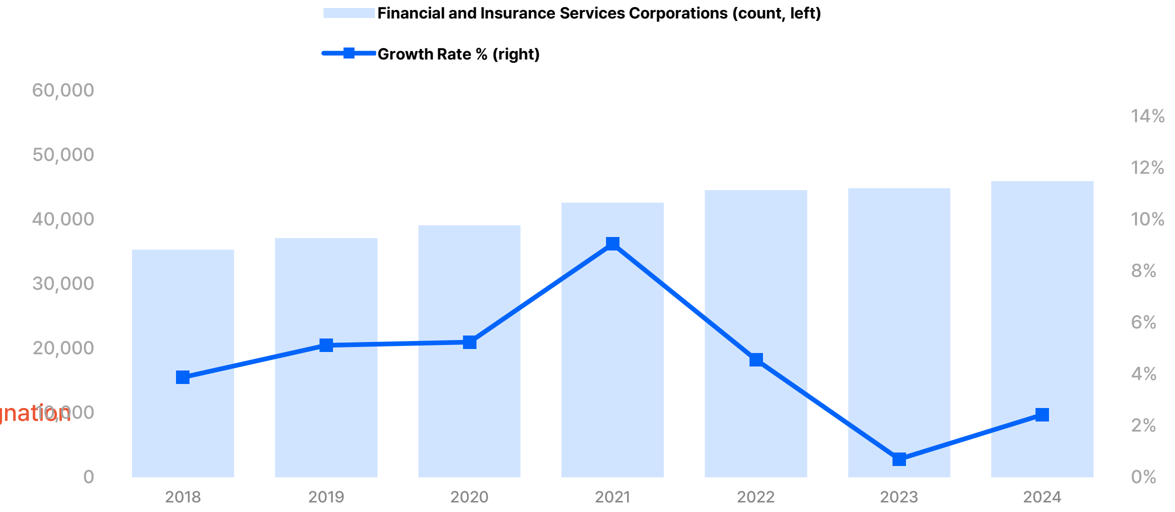
Net Income Trend in Finance and Insurance

Unit: KRW million



Based on net income for Q1 of each year (as of end-March)

Trend in the Number of Financial and Insurance Corporations



Source : KOSIS (Korean Statistical Information Service), Financial Supervisory Service (FSS)

Information and Communications

The number of entities, sales, and employment continue to grow steadily, though the pace of increase is moderating

Number of Corporate Entities

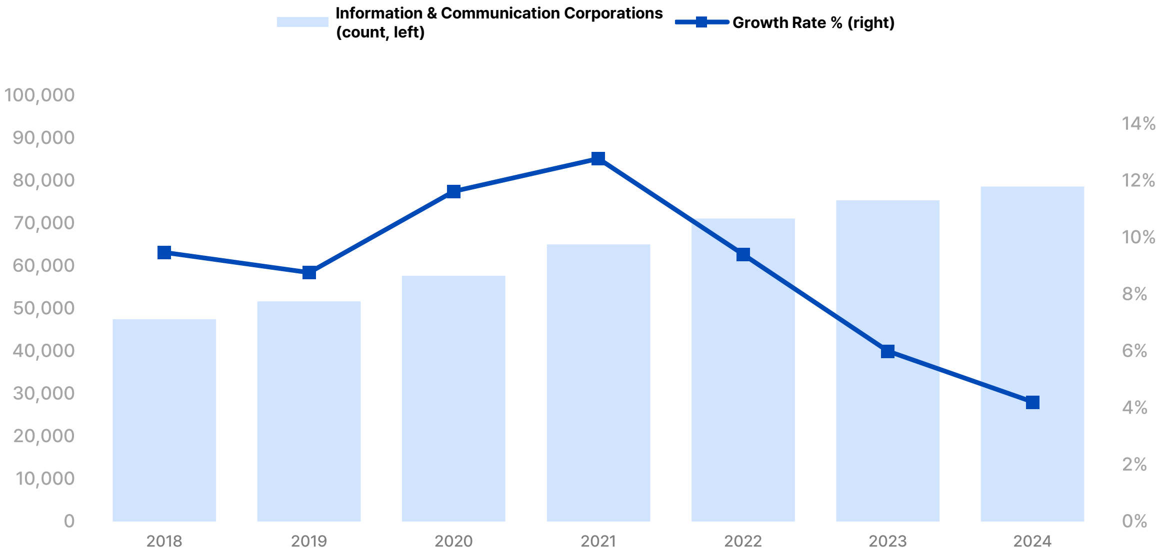
The number of corporate entities has continued to rise since 2018, and growth is expected to persist. As of 2024, the sector shows a relatively solid growth rate in the 4% range, compared with less than 3% in other industries. However, the overall trend remains downward.

Sales and Employment

Sales and employment in AI companies have continued to grow since 2020, but the pace of increase is slowing. Driven by accelerated digital transformation and advancements in AI, cloud, and big data, the sector remains relatively positive in terms of job creation compared with other industries. However, both sales growth and employment expansion are showing signs of deceleration.

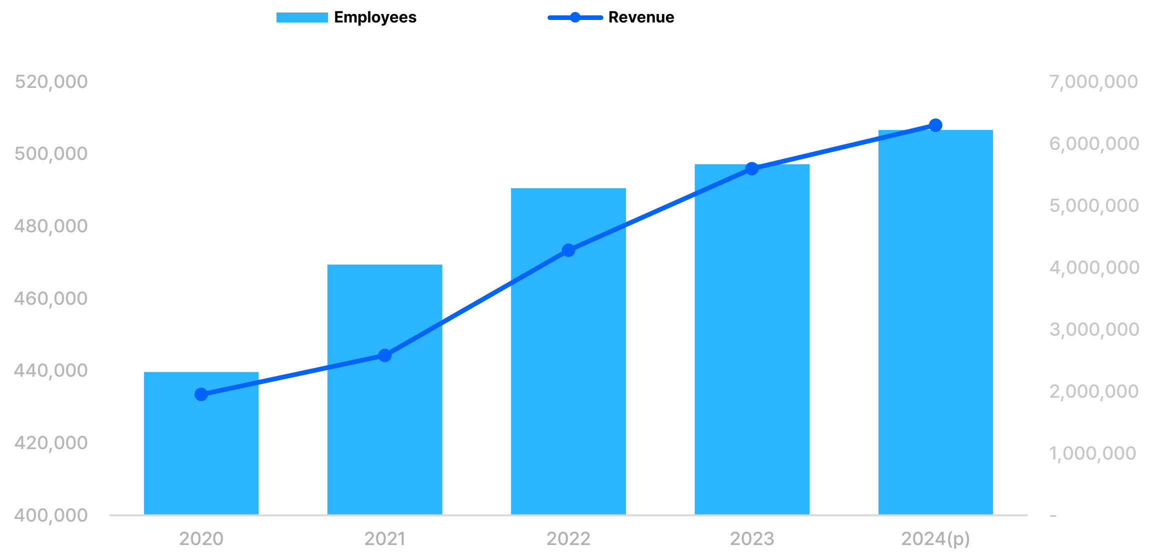
Trend in Number of Corporate Entities

Unit: KRW million



Total Employment in AI Companies

Unit: persons (left), KRW million (right)



Source : KOSIS (Korean Statistical Information Service) , Software Policy Research Institute (SPRI)

Venture Investment

Venture funding is growing, while the number of firms is decreasing

Fund Formation & Performance

Compared to the same period last year, both venture investment volume and fund formation increased. However, the number of investee companies declined, indicating more concentrated investments. Firms that do not secure funding are expected to reduce their workforce.

Performance & Outlook Index

Venture companies maintain a positive business outlook through Q3 2025, but workforce outlook remains below 100, indicating continued concerns over labor conditions.

Number of Venture Companies

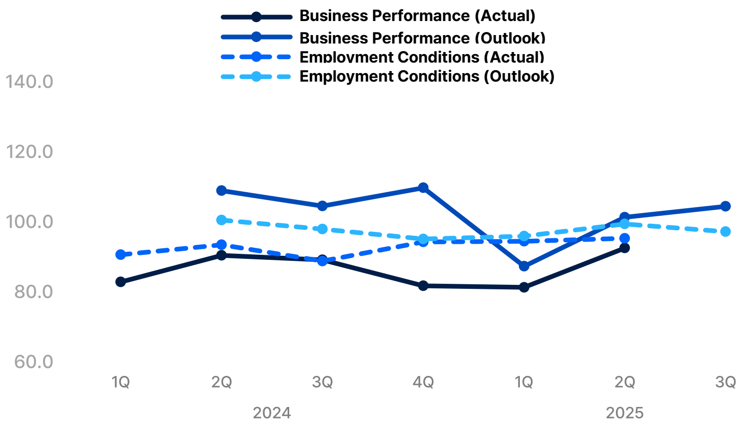
The number of venture companies across major regions, including Seoul, is generally declining as investments become concentrated in a smaller group of firms. However, investee companies are expanding their hiring, so the total number of employees in the sector is expected to remain relatively stable.

Venture Investment & Fund Formation Overview

Unit: 100 million KRW

Category	'23 1H	'24 1H	'25 1H	YoY
Investment Amount	44,930	54,856	56,780	+3.5%
Average Investment per Company	24.5	23.0	29.9	+29.7%
Number of Investee Companies	1,831	2,382	1,901	-20.2%
Fund Formation Amount	47,013	51,662	61,681	+19.4%
Number of Newly Formed Funds	370	409	358	-12.5%

Venture Business Performance & Outlook Index



Performance & Outlook Index: Based on a previous-quarter benchmark of 100, values above 100 indicate improvement or expansion, while values below 100 indicate deterioration or contraction

Source: 2025 H1 Venture Investment & Fund Formation Press Release, Ministry of SMEs and Startups, Venturein

Venture Company Distribution by Seoul Region

단위: 개, %

Seoul Region		2022	Share	2023	Share	2024	Share	2025 (Aug)	Share
		10217	100%	11852	100%	11127	100%	10825	100%
CBD	Total	539	5%	635	5%	617	6%	586	5%
	Jung-gu	324	3%	369	3%	353	3%	336	3%
	Jongno-gu	215	2%	266	2%	264	2%	250	2%
GBD	Total	3334	33%	3847	32%	3592	32%	3489	32%
	Gangnam-gu	2312	23%	2678	23%	2524	23%	2489	23%
	Seocho-gu	1022	10%	1169	10%	1068	10%	1000	9%
YBD	Total	1371	13%	1605	14%	1531	14%	1486	14%
	Mapo-gu	748	7%	862	7%	804	7%	761	7%
	Yeongdeungpo-gu	623	6%	743	6%	727	7%	725	7%
Others	Total	4973	49%	5765	49%	5387	48%	5264	49%
	Geumcheon-gu	1279	13%	1415	12%	1285	12%	1246	12%
	Seongdong-gu	744	7%	870	7%	858	8%	848	8%
	Guro-gu	610	6%	705	6%	596	5%	577	5%
	Songpa-gu	629	6%	715	6%	691	6%	691	6%
	Gangseo-gu	405	4%	457	4%	431	4%	440	4%
	Others	1306	13%	1603	14%	1526	14%	1462	14%

Tenant Relocation Trends

Relocation Patterns by Region and Tenant Preferences

2

Seoul Leasing Market Overview

Rising vacancy rates are slowing rent growth

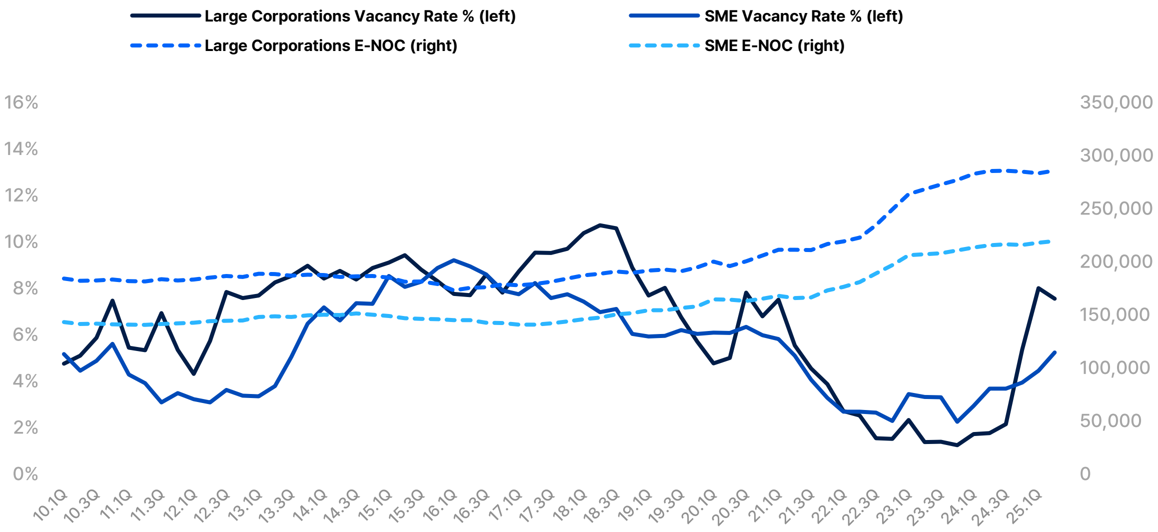
E-NOC & Vacancy Rate

Recent office supply increases in areas such as Magok, combined with slower employment growth, have pushed vacancy rates higher and slowed NOC growth. The gap in NOC between large and mid-sized buildings has widened compared to Q4 2022. With significant new office supply scheduled, vacancy rates are expected to rise further, while NOC growth will likely remain limited.

Vacancy Absorption & New Vacancies

Since 2021, net absorption has been declining, but it increased again in Q2 2025, reaching approximately 56,000 m². Considering overall market trends, it is still difficult to view this as a full recovery phase. However, both vacancy absorption and newly generated vacant space are on the rise, indicating increased tenant relocation activity.

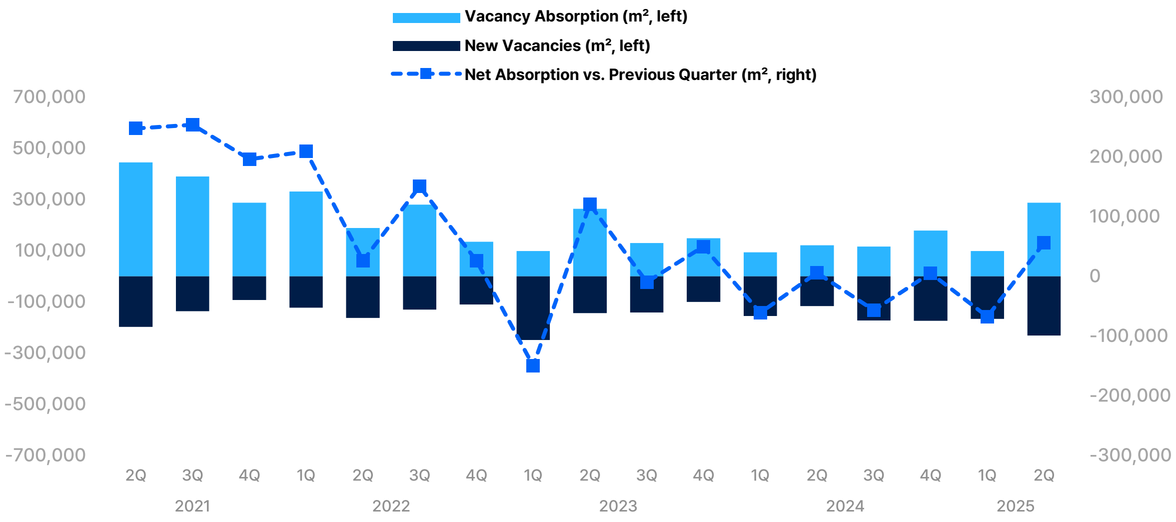
E-NOC & Vacancy Rate Trends



Net income as of March (end of Q1 each year)

Source: RSQUARE

Vacancy Absorption vs. New Vacancies



Vacancy Absorption & New Vacancies: Change in absorbed and newly created vacant space (m²) compared to the previous quarter
*Net Absorption: Calculated based on the previous quarter as Vacancy Absorption minus New Vacancies

Office Vacancy Overview

Slower employment growth and rising supply are driving vacancy rates upward

Seoul Office Vacancy Rate

Overall vacancy rates have been trending upward recently. As of Q2 2025, YBD recorded the lowest rate at 2.68%. Excluding the "Other Seoul" areas, all major districts reported vacancy rates below 5%.

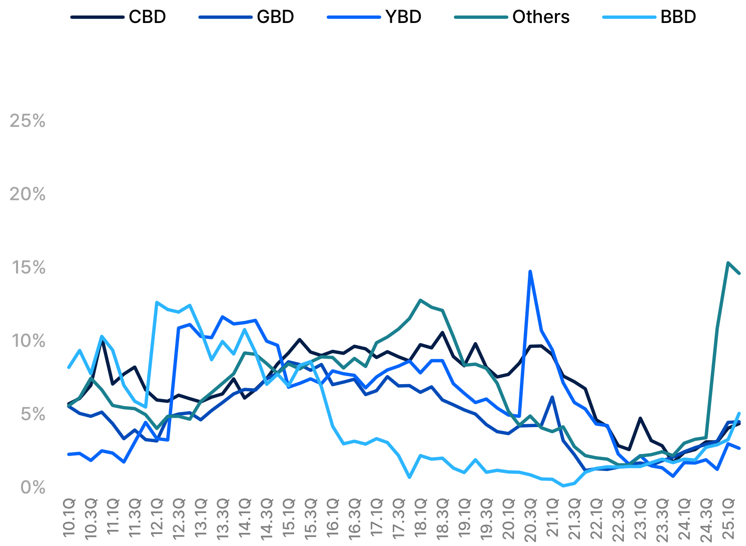
Large Office Vacancy Rate

Large office vacancy rates in the CBD and GBD remain lower than the overall market average. In the GBD, the vacancy rate declined quarter-over-quarter, reaching a favorable level in the 1% range. In contrast, the "Other Seoul" areas saw vacancy rates rise due to new supply in districts such as Gangseo (Magok), including buildings like One Grove and K-Square.

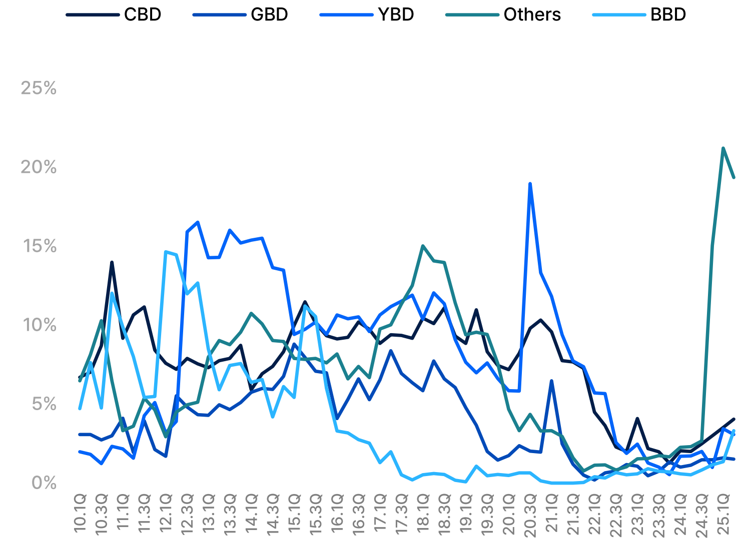
Upcoming Supply

Future office supply in Seoul is expected to be concentrated in central districts. In Q2 2029, large-scale projects are scheduled for completion in the Seosomun and Seoul Station areas, followed by additional major office completions in Gayang-dong and Jangji-dong in Q3. As a result, vacancy rates are likely to rise.

Seoul / Bundang Office Vacancy Rate

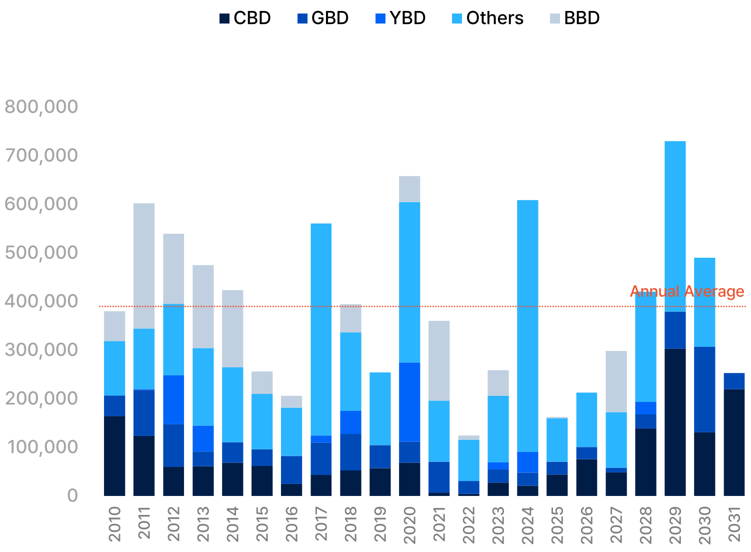


Large Office Vacancy Rate



Seoul / Bundang Supply & Upcoming Supply

Unit: py



Source: RSQUARE

Tenant Relocation

Relocations both within the same area and to other regions have increased

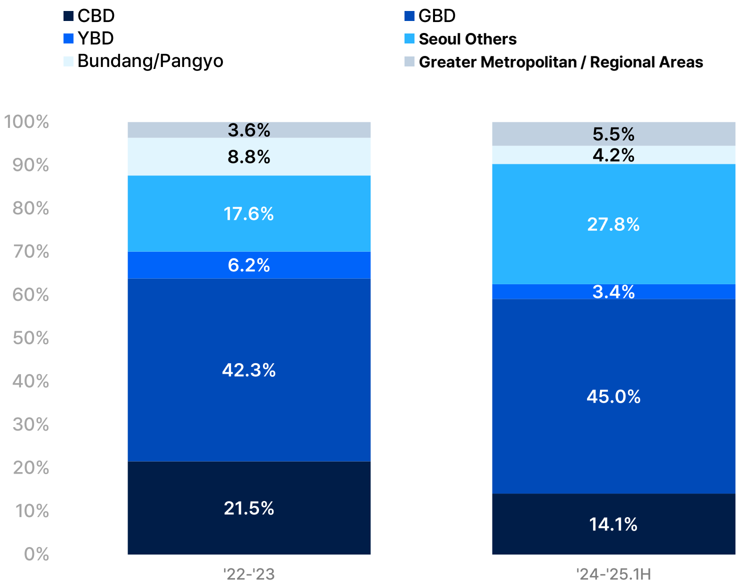
Relocation Share

Moves to Other Seoul areas increased the most, with relocations to the metro region and other provinces also rising. In contrast, relocations to core districts and Bundang/Pangyo declined, indicating a stronger shift toward Seoul Others and non-Seoul regions.

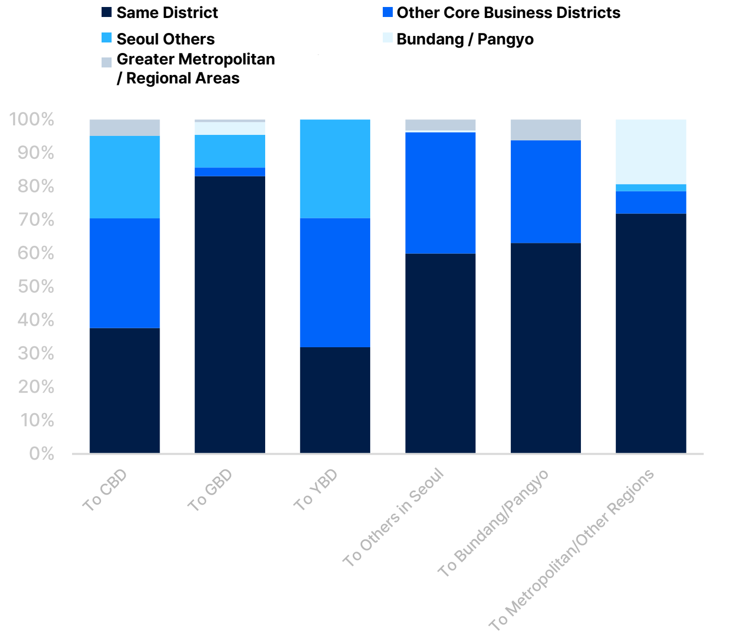
Demand Relocation Trends

In 2024–25 1H, the share of tenants relocating within the same district increased compared with 2022–23, while moves to other core districts declined—likely reflecting hesitance to relocate amid ongoing economic uncertainty. During the same period, relocations from “Seoul Others” to the metro region and provincial areas rose significantly, suggesting a stronger focus on cost reduction.

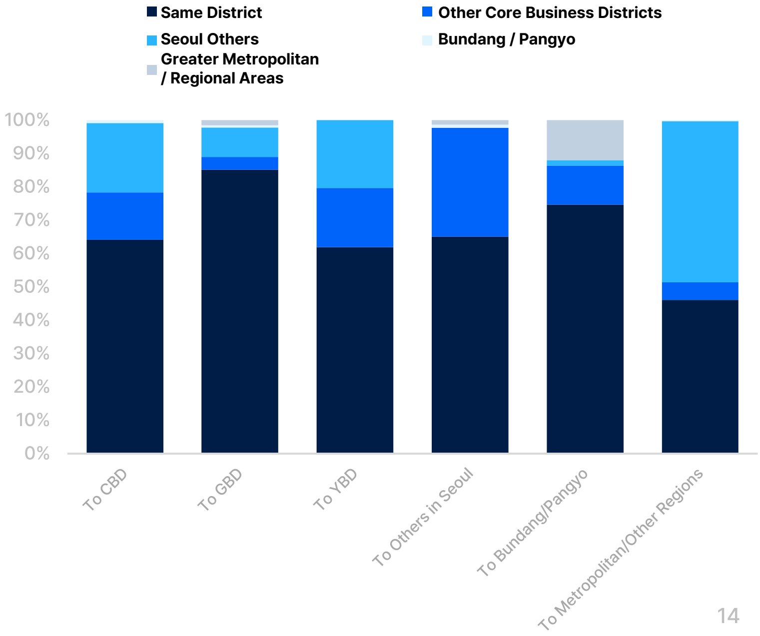
Relocation Share



Demand Relocation Trends (‘22–‘23)



Demand Relocation Trends (‘24–‘25 1H)



Source: RSQUARE

Relocation Trends by Industry

Relocations to Other Seoul areas increased, while moves to the CBD declined

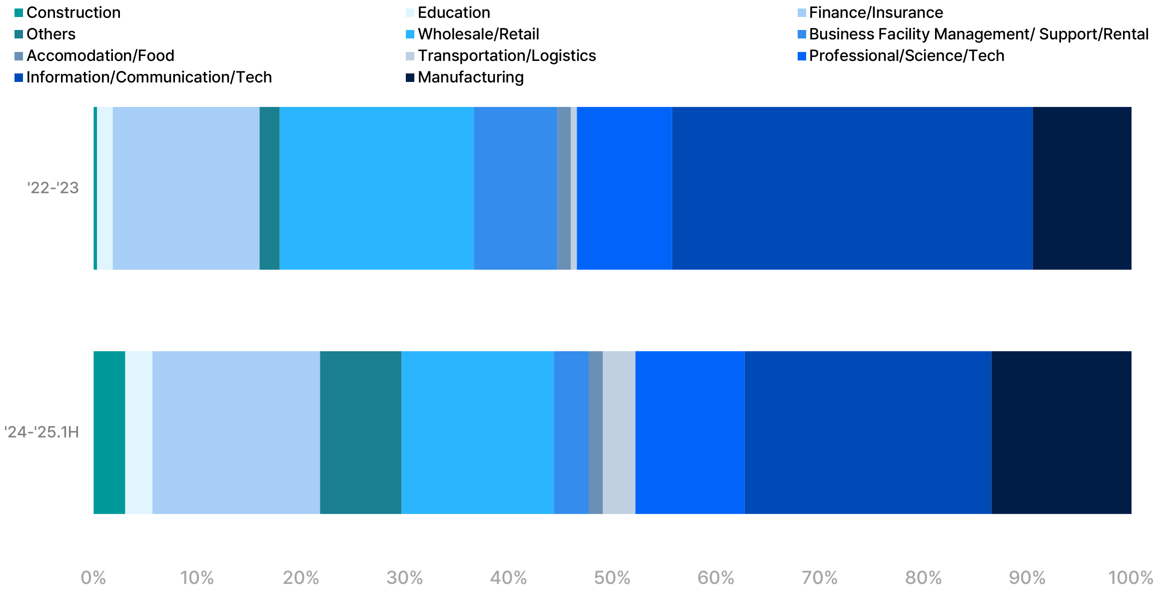
Relocation Share by Industry

Relocation shares increased in Construction, Education Services, and Transportation/Warehousing, while most other sectors declined. The IT sector dropped from 34.8% in 2022–23 to 16.0% in 2024–25 1H. Finance/Insurance also decreased from 14.1% to 10.9%.

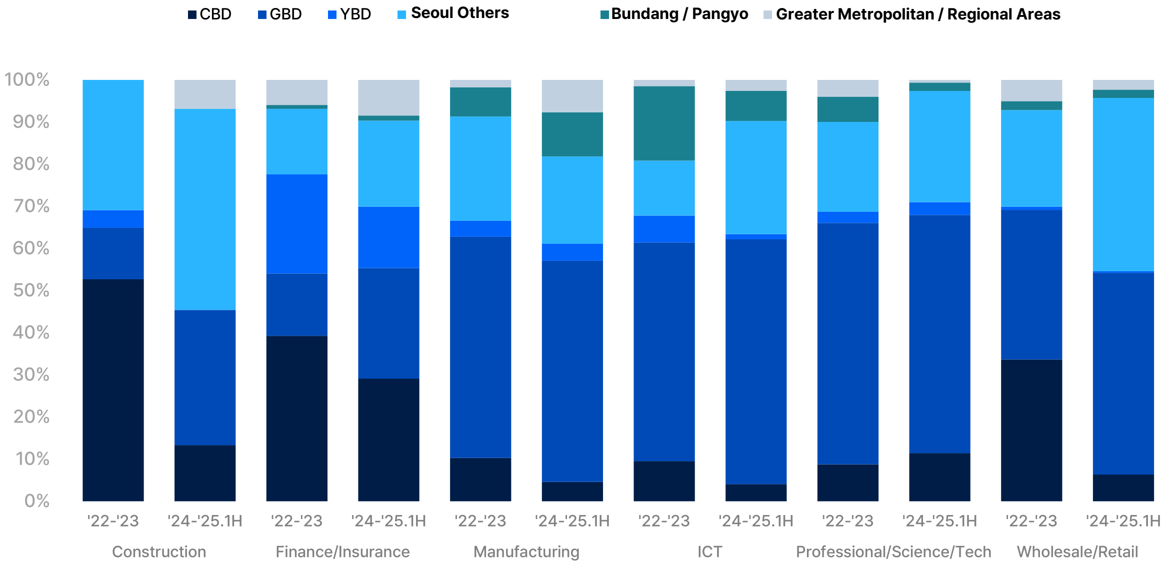
Tenant Relocation Share by Major Industry

Except for Manufacturing, all industries saw an increase in relocations to Other Seoul areas compared with 2022–23. Relocations to the CBD and YBD declined across most industries, except for Professional/Scientific/Technical Services. In contrast, relocations to the GBD increased in nearly all sectors, making it the only one of the three major districts to record a rise in relocation share.

Share of Relocating Tenants



Relocation Outcomes by Major Industry



Source: RSQUARE

Preferred Tenant Locations

Preference for major districts declined, while preference for Other Seoul areas increased

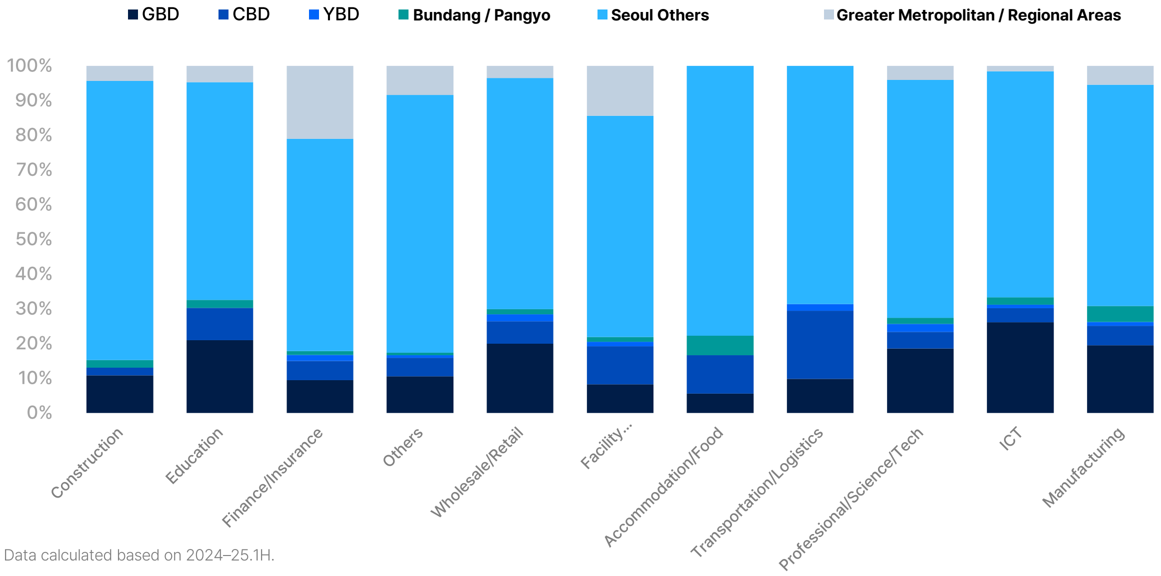
Preference Across the Four Major Districts

Across all industries, tenants most preferred relocating to Other Seoul areas. Among the four core districts (including Bundang), industries such as Finance/Insurance, IT, Professional/Scientific/Technical Services, and Construction showed a stronger preference for the GBD. In contrast, Accommodation/Food Services and Transportation/Warehousing preferred the CBD. Some preference for Bundang/Pangyo and the metropolitan/provincial regions was also observed.

Preferred Tenant Locations

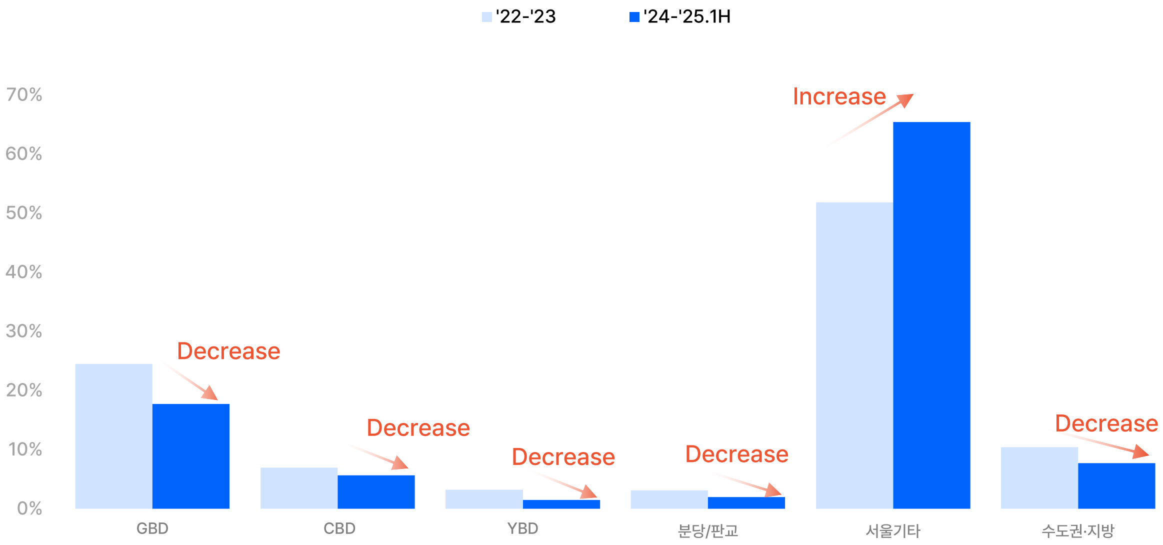
Compared with 2022–23, relocation preference declined across all areas except Other Seoul in 2024–25 1H. Among Seoul's three major districts, the GBD remains the most preferred. Preference for relocating to Other Seoul increased significantly, while preference for the metro/provincial regions declined.

Industry Preference Across the Four Major Districts



Data calculated based on 2024–25.1H.

Preferred Tenant Locations



Source: RSQUARE

Leased Area Consumption Patterns

Both the share of downsizing and relocations to smaller offices increased

Tenant Upsizing/Downsizing Moves

The share of tenants relocating to larger spaces decreased, while the share relocating to smaller spaces increased.

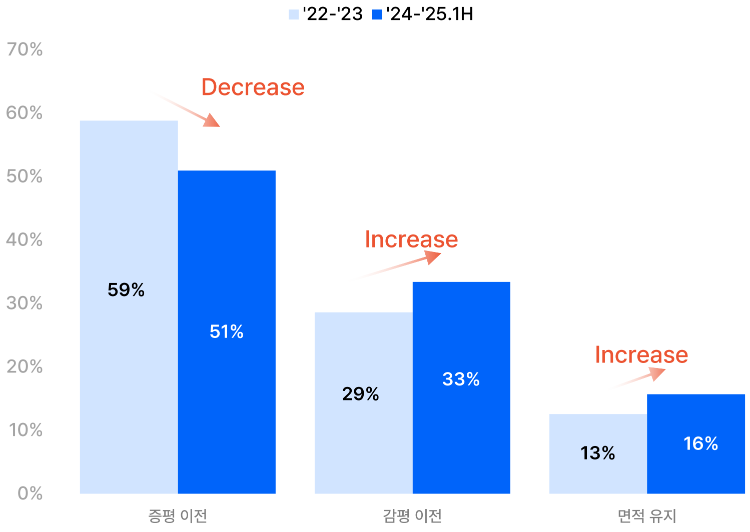
Building Size Before vs. After Relocation

The larger the building size, the greater the decline in relocation share. Compared with 2022–23, relocations to large and mid-sized buildings decreased in 2024–25.

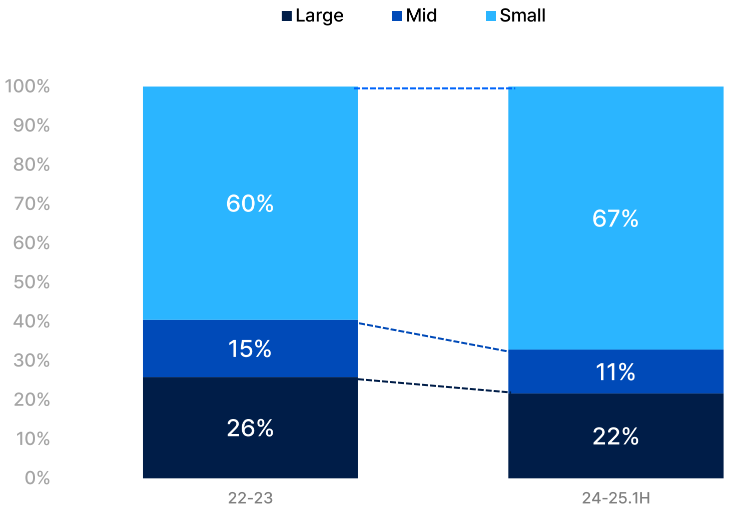
Changes in Relocation by Building Size and Leased Area

Relocations involving upsizing into large and mid-sized buildings decreased, while downsizing into small buildings increased. This suggests that future flight-to-quality behavior may vary depending on building size and space requirements.

Tenant Upsizing/Downsizing Move

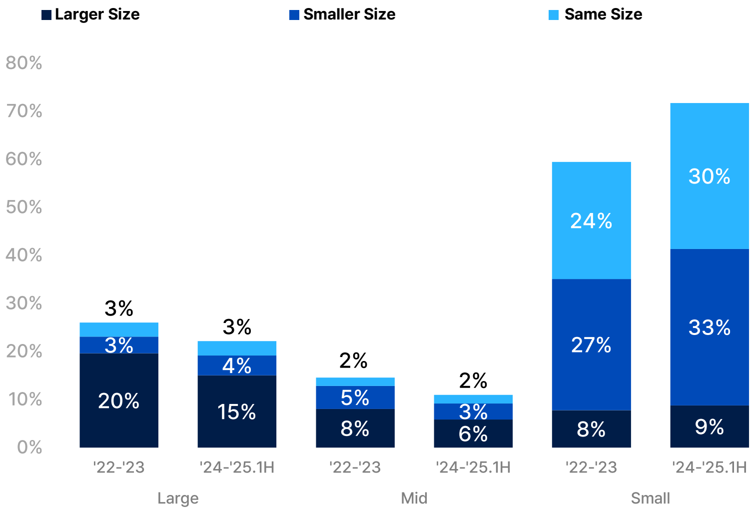


Building Size Before vs. After Relocation



Based on post-relocation building type

Relocation Trends by Size & Area



*Shares are based on relocation outcomes and calculated as proportions of all cases in each year

Source: RSQUARE

Closing

Since the second half of 2023, Korea’s coincident index has trended downward, signaling an economic slowdown. While the number of corporate entities and employees remains relatively stable, weakening business conditions and slowing growth are tightening the overall employment and demand environment. Construction firms, in particular, face rising project costs and financial strain, and declining sales across industries may negatively affect office demand.

As of Q2 2025, vacancy rates in Seoul’s core districts remain below 5%, but the overall upward vacancy trend and rising operating costs suggest shifting tenant preferences and increasing challenges in tenant acquisition. Upcoming large-scale office supply—coupled with construction delays—will likely push vacancy rates gradually higher, with a more notable rise expected after 2027.

Tenant relocation patterns show a rising preference for moves within the same district, alongside growing migration toward non-core areas of Seoul. Movement from these non-core areas to the greater metropolitan region and other provinces is also becoming more visible.

At the same time, relocations into large and medium-sized buildings have declined, while moves involving reduced floor area have increased, reflecting a stronger emphasis on efficiency and cost savings. As a result, the traditional “flight to quality” trend is expected to weaken.

Overall, economic uncertainty, financial pressure on firms, and substantial upcoming supply are driving more diverse relocation patterns beyond the core districts. Landlords will need more refined strategies such as targeted incentives and an emphasis on structural and locational advantages to stay competitive in the evolving market.

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