

2024

Magok Office

Market Report



Magok Business District Overview

Background of Magok Business District Formation

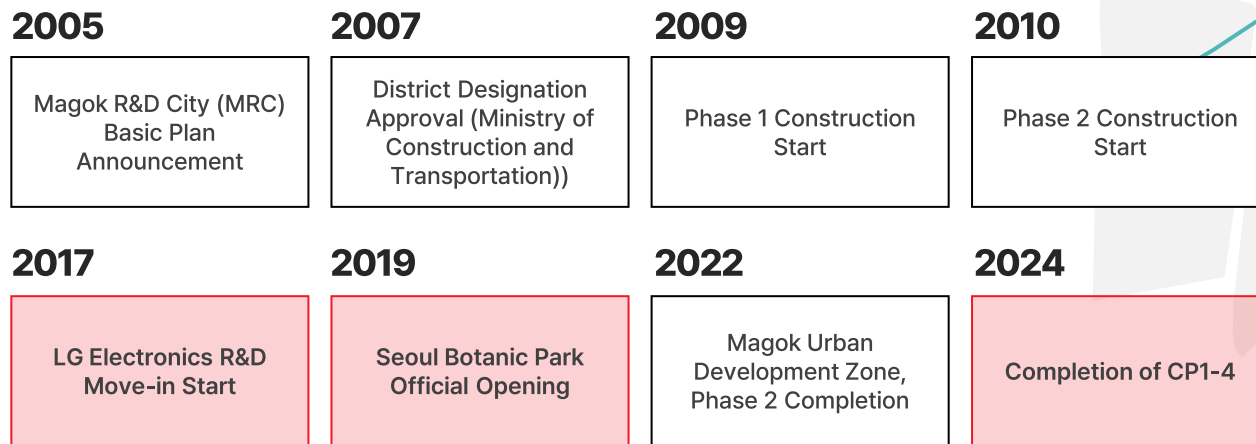
Magok was developed as part of a large-scale urban development project initiated by the Seoul Metropolitan Government, aimed at revitalizing the southwestern economy and establishing an advanced technology-centered industrial ecosystem. In the early 2000s, Seoul recognized the need for balanced development outside traditional business districts such as Gangnam, Yeouido, and the city center, and decided to develop Magok as a new hub for industry and economic growth.

To promote research and commercialization of future-oriented advanced industries such as Information Technology (IT), Biotechnology (BT), and Green Technology (GT), Magok was designated to function as an R&D cluster. This approach aimed to differentiate it from traditional manufacturing-based industrial complexes, enabling the creation of high-value-added industries.

Development officially began in 2007, successfully attracting advanced industry companies alongside major corporate research centers. Notably, LG Science Park served as a cornerstone, drawing numerous corporate R&D centers to the Magok district, transforming it into a hub for advanced research and global collaboration.



Figure 1. Key Development Timeline of Magok



Magok Business District Overview

Regional Characteristics of Magok

Magok is an advanced industrial cluster with the geographical advantage of easy access to Seoul's major business districts (CBD, GBD, YBD) and convenient transportation to the airport. In particular, Magok is expected to grow into a distinctive district specializing in corporate R&D centers, especially in the bio industry, differentiating itself from the three major business districts. In addition to office facilities, the area is slated for the development of hotels, convention centers, and mixed-use facilities, with each cluster connected by green spaces, providing a pleasant working environment

Miracle Medical District

Gangseo District is currently promoting the activation of medical tourism through a business agreement among Ewha Medical Center, the Hospital Council, Korea Airports Corporation, and SH Corporation. Based on this initiative, the concentration of BT research institutes and pharmaceutical manufacturing companies within Magok is gradually enhancing the district's efficiency as a bio-research cluster.



The cluster effect from industry concentration: Biotech sector.

Magok's Major Pharmaceutical and Biotech Companies



Magok Bio Cluster

The Magok Bio Cluster is home to over 20 biotech companies, including LG Chem R&D Campus, Kolon Life Science Headquarters, Samjin Pharmaceutical Research Center, Handok Future Complex, and Genexin Bio. Its excellent accessibility to both airports and Seoul Station facilitates domestic and international business travel. The concentration of high-tech companies, including those in the biotech sector, has led to the development of diverse business infrastructure and cultural amenities, significantly enhancing employee satisfaction.

Premium Office Environment– Low-Rise Development, Extensive Green Space

Premium Office Environment

The recent trend in office selection highlights a "premium work environment" as a key consideration. This is driven by the rise of work-life balance culture and the impact of COVID-19, emphasizing not only office space but also relaxation areas for employees. Magok stands out in this regard, featuring the Seoul Botanic Park and green corridors connecting key clusters. Additionally, the height restriction near the airport has resulted in a concentration of low-rise buildings, enhancing visibility and providing a more pleasant work environment for employees.

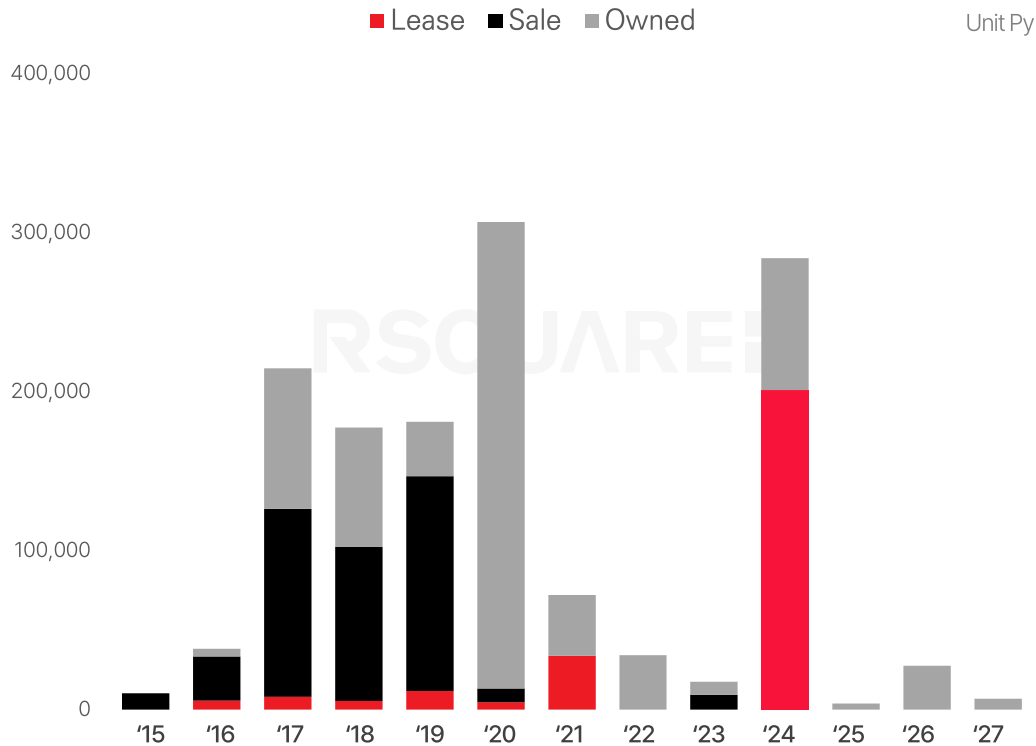


Magok Office Supply

Approximately 660,000 square meters of large-scale office rental space supply

Since the completion of 'LG Science Park' in 2017, the supply of corporate headquarters and sectional offices has been active in Magok. During this period, the supply of rental offices was minimal, but this year, approximately 200,000 py of newly constructed large-scale rental offices, including CP1 (Le West City Tower), CP3-2 (K-Square Magok), and CP4 (One Grove), were supplied. This is three times the existing rental office space in Magok, transforming the district from one focused on corporate headquarters and research facilities into a prominent office hub attracting market attention.

Figure 2. Magok Office Building New Supply Trend



Supply Trend①

Physical Aspect: Large-scale and Mixed-use

Magok was previously developed around large corporate headquarters and research centers. Due to the focus on sale-type offices like knowledge industry centers and corporate headquarters/research centers, rental office assets were scarce. However, starting from 2024, large-scale mixed-use facilities and rental office assets have begun to be supplied in the Magok district, catering to specific industries such as IT and BT

Supply Trend②

Content Aspect: R&D, MICE, Commercial Facilities

Numerous large-scale mixed-use developments are underway in Magok, featuring various facilities such as retail stores, hotels, convention centers, and welfare facilities for seniors. In addition to the supply of office assets within the R&D-specialized business district, the development of MICE facilities and the addition of large-scale marts are expected to further energize the Magok area. The Magok MICE facilities will include not only office spaces but also hotels, convention centers, and cultural facilities, while establishing both ground-level and underground pedestrian pathways connected to subway stations. Moreover, the Magok district is well-equipped with cultural and green spaces, such as LG Art Center, Space K Seoul, and the Seoul Botanic Park

Supply Trend③

Development Environment Aspect: Private + Public Development

The development environment of the Magok business district can be categorized into three types: private development, public infrastructure, and public-private partnership. Private developments include user-centered office buildings, rental offices, and mixed-use facilities. Public infrastructure projects include the Gangseo-gu Integrated Government Complex, slated for completion in 2026. Public-private partnership developments include the Magok R&D Center and the Startup Hub M+ Center.

Magok Office Supply

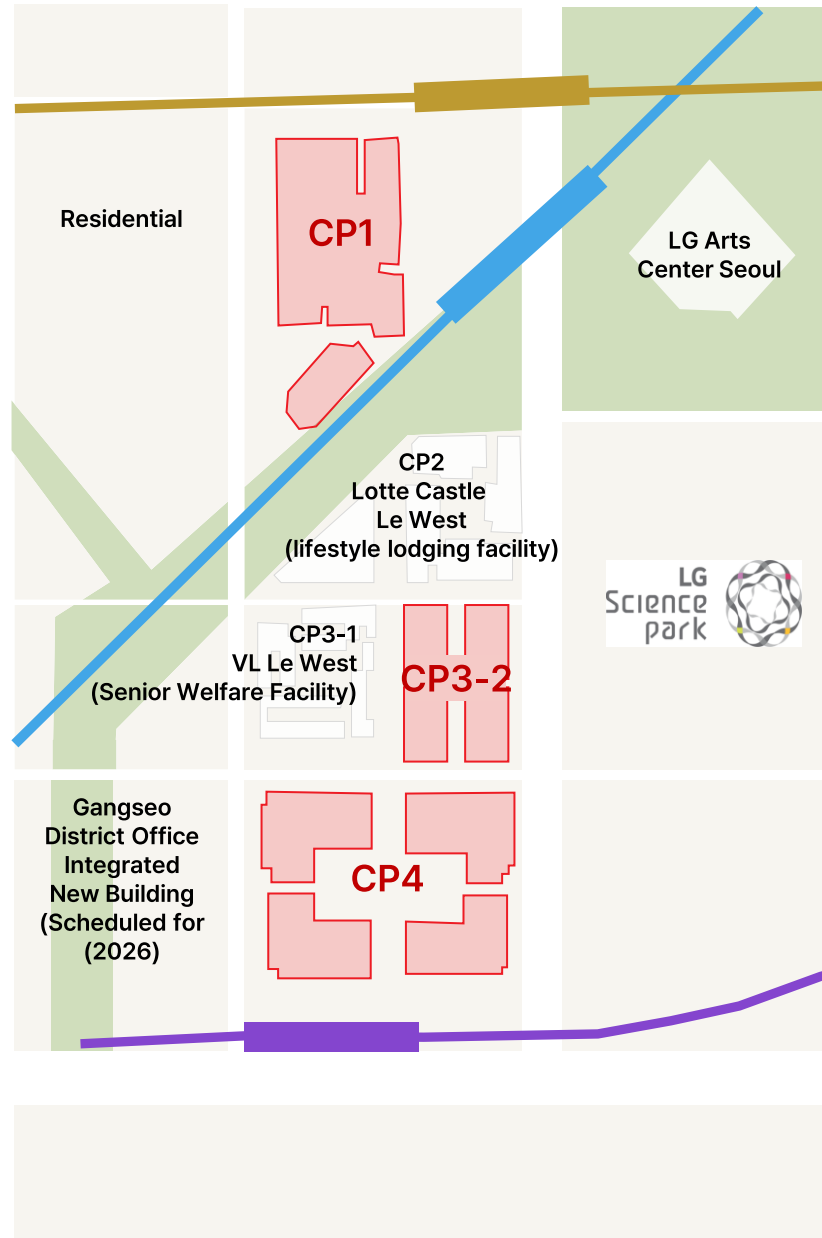
Magok MICE Mixed-Use Development Complex

The large-scale office buildings completed this year are located within the MICE complex special planning zone at the center of the Magok Urban Development Project, the core business district of Magok.

The Magok MICE Complex area has been comprehensively developed with offices, hotels, convention centers, serviced residences, senior welfare facilities, retail spaces, and public offices, creating a self-sufficient environment that seamlessly integrates work, commerce, and residential functions. This integration is expected to generate significant synergy among the various functions.



Building Name	Le West City Tower (CP1)
Completion Date	2024.10
Total Floor Area (Office Area) py	98,453(58,995)
Standard Floor Area (Leased) py	1,469
Scale	B7/13F
Remarks	Building A and B: KT Investment Management



Building Name	K-Square Magok (CP3-2)
Completion Date	2024.10
Total Floor Area (Office Area) py	48,182 (42,896)
Standard Floor Area (Leased) py	1,009
Scale	4Buildings B7/12F
Remarks	Koramco Trust Pre-purchase (686.7 billion KRW)



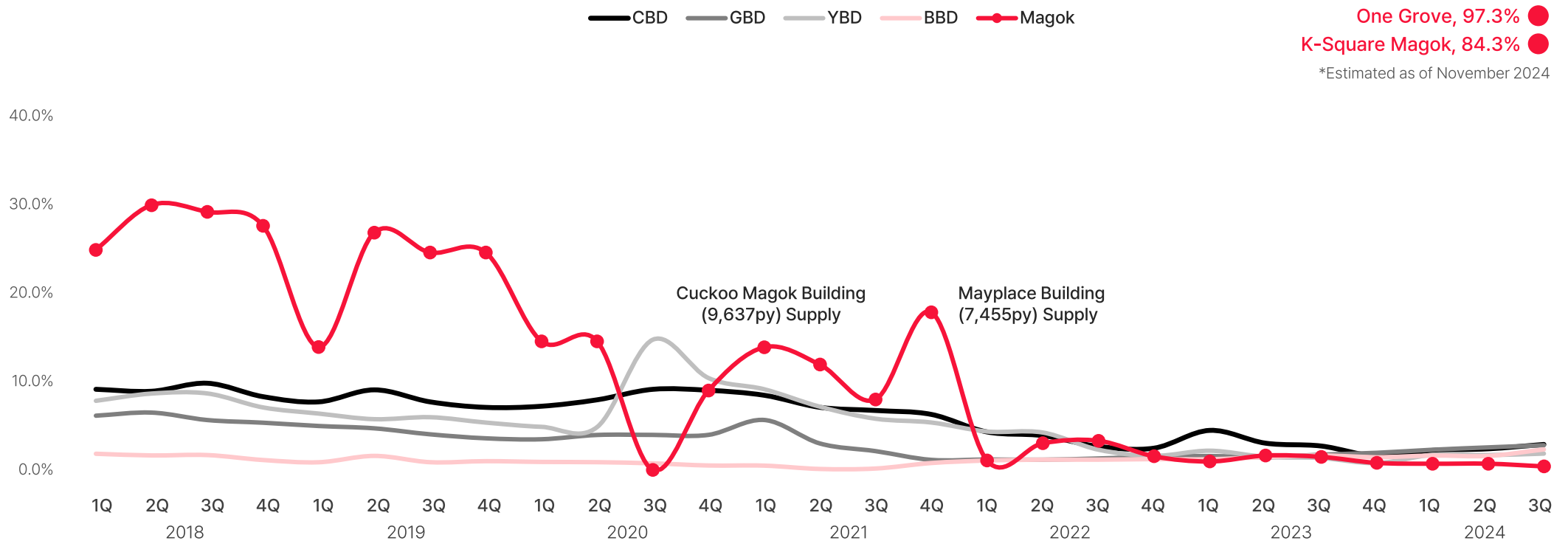
Building Name	One Grove (CP4)
Completion Date	2024. 09
Total Floor Area (Office Area) py	140,119 (95,195)
Standard Floor Area (Leased) py	2,953
Scale	4Buildings B7/11F
Remarks	IGIS Asset Management - National Pension Service

Magok Office Vacancy Rate

The average vacancy rate of rental office buildings in Magok stands at 0.4% as of Q3 2024, indicating a stable market with a consistent downward trend since the formation of the district. This rate is comparable to or even lower than the average vacancy rates of major office districts in Seoul. However, newly completed large-scale offices within the Magok MICE area show individual vacancy rates exceeding 80%. When these are included in the sample, the average vacancy rate surges to 72.7%. This significant increase is due to the fact that the existing rental office market in Magok previously consisted of only six small- to mid-sized buildings with a gross floor area of less than 10,000 py each, making the impact of these new large assets disproportionately high within the local leasing market.

The Magok area has established self-sufficiency, but as an emerging business district located somewhat away from Seoul's central areas, it remains relatively unfamiliar to potential tenants considering relocation. This challenge is further compounded by the recent economic downturn, which has led to a slowdown in corporate relocation demand. However, the lack of large vacant spaces in major business districts and the increasing trend of companies moving from core to non-core office areas to reduce fixed costs and adapt to changing needs are expected to positively influence future leasing demand for newly completed large-scale offices in Magok.

Figure 3. Trend of Average Vacancy Rate for Magok Office Buildings (Excluding New Constructions)



*The office vacancy rate statistics for Magok exclude One Grove, K-Square Magok, and Le West City Tower, which were completed in the second half of 2024

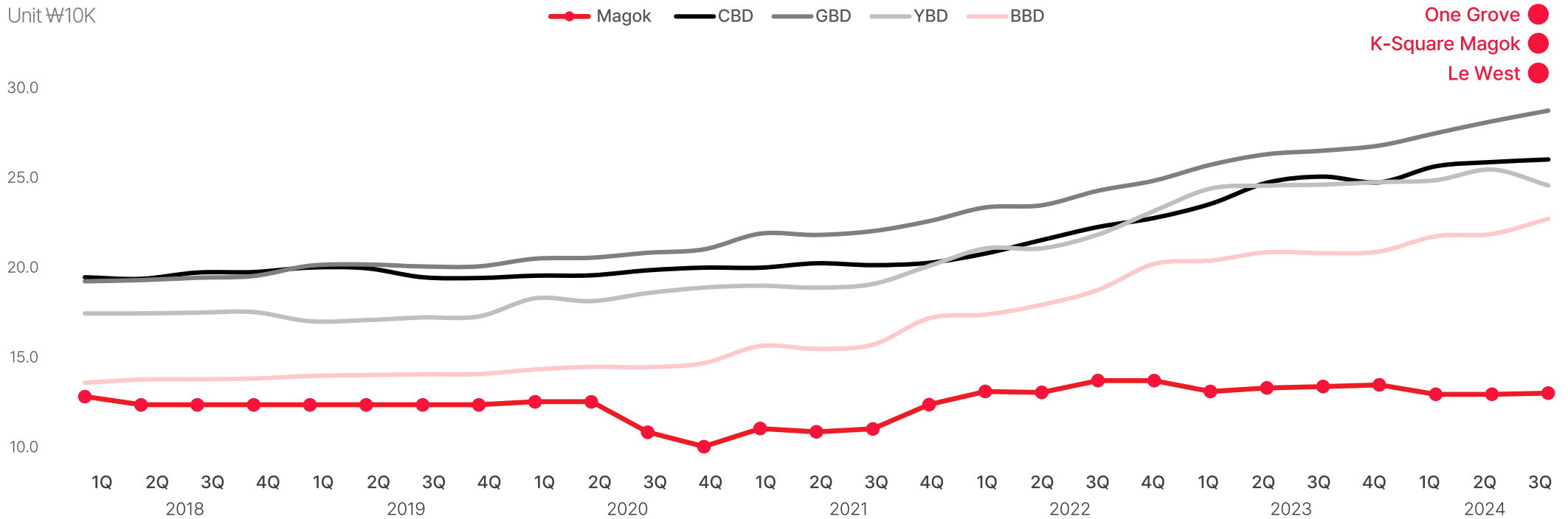
Magok Office Vacancy Rates

Rental price competitiveness centered on newly built offices

As of the third quarter of 2024, the average rental price (E.NOC) for existing rental offices in Magok is around 130,000 KRW/py, which is approximately 60-70% of the rent levels in Seoul's major business districts. This can be attributed to the fact that most existing offices in Magok are small to mid-sized buildings under 10,000 py and are located outside the central areas of Seoul. However, the newly completed large-scale offices in the Magok MICE complex are being marketed at rental prices (E.NOC) ranging from 190,000 ~ 230,000 KRW/py, thereby elevating the overall market status of the Magok office district.

In recent years, as the office market in Seoul has faced a worsening shortage of available spaces, rental prices in major business districts have increased by an annual average of approximately 5-8%. In contrast, the Magok office market has shown stagnant rental growth. This indicates that newly constructed offices in Magok offer sufficient rental competitiveness in terms of tenant attraction.

Figure 4. Trend of Average E.NOC for Magok Office Buildings (Excluding New Constructions)



E.NOC calculation formula = $\{(Deposit3\%)/12 + Rent*(12-RF)/12 + Maintenance\ fee\}/Exclusive\ use\ rate$
 **In the sample of Magok's average E.NOC, One Grove, K-Square Magok, and Le West are excluded

Magok Office Demand

Center of Headquarters and R&D Centers for Biopharmaceutical Companies

The Magok area has formed a "Bio Cluster" by attracting the R&D centers of major corporations such as LG Science Park, Kolon Life Science, S-OIL, E-LAND, Samjin Pharmaceutical, Handok, Genexine, and Osstem Implant, along with numerous biopharmaceutical companies. Given the high importance of technological research and development in the biopharmaceutical industry, collaborative research is actively conducted across all stages, making the cluster effect particularly significant. Located within Seoul and near the airport, the Magok area offers convenient access to skilled professionals who prefer the metropolitan area. The presence of numerous major corporations and biopharmaceutical companies has already established a strong cluster, fostering an industrial environment that maximizes the benefits of concentration.

Magok has traditionally been an area characterized by large-scale office complexes, primarily composed of corporate headquarters and R&D centers, with limited influence on the general office market. However, starting in 2024, the large-scale supply of CP-series rental offices, such as 'One Grove' (CP4), 'K-Square' (CP3-2), and 'Le West' (CP1), is expected to establish the area as a major business district. This development is anticipated to further enhance the benefits of the existing bio cluster and major corporate R&D hub already established in the region.



Magok Office Demand

Focus on demand derived from localized industries and anchor companies, but inevitable demand for relocation from outside the district

Analyzing the tenants of existing office buildings in Magok reveals the following demand categories: 'LG affiliates' stemming from LG Science Park, demand from the 'R&D headquarters cluster' of biotech companies, demand from 'airline/international logistics' companies due to proximity to the airport, and 'financial institution branch demand' targeting the western Seoul population. In fact, recent leasing cases in newly built large-scale offices in Magok show continued demand from LG affiliates and confirmed leasing by airlines

However, the existing tenants in Magok and recently contracted tenants have relatively small leased areas, making it challenging to absorb the entire 200,000py of new lease space. Therefore, relocation or expansion demand from large tenants currently located outside the district is expected to be inevitable. While the Magok district still has some disadvantages in terms of leasing competitiveness compared to traditional business districts in terms of location and image, the limited vacancies in Seoul's major districts and the recent trend of tenants relocating to non-core areas highlight its leasing competitiveness and future potential

Figure 5. Magok Rental Office Tenant Groups

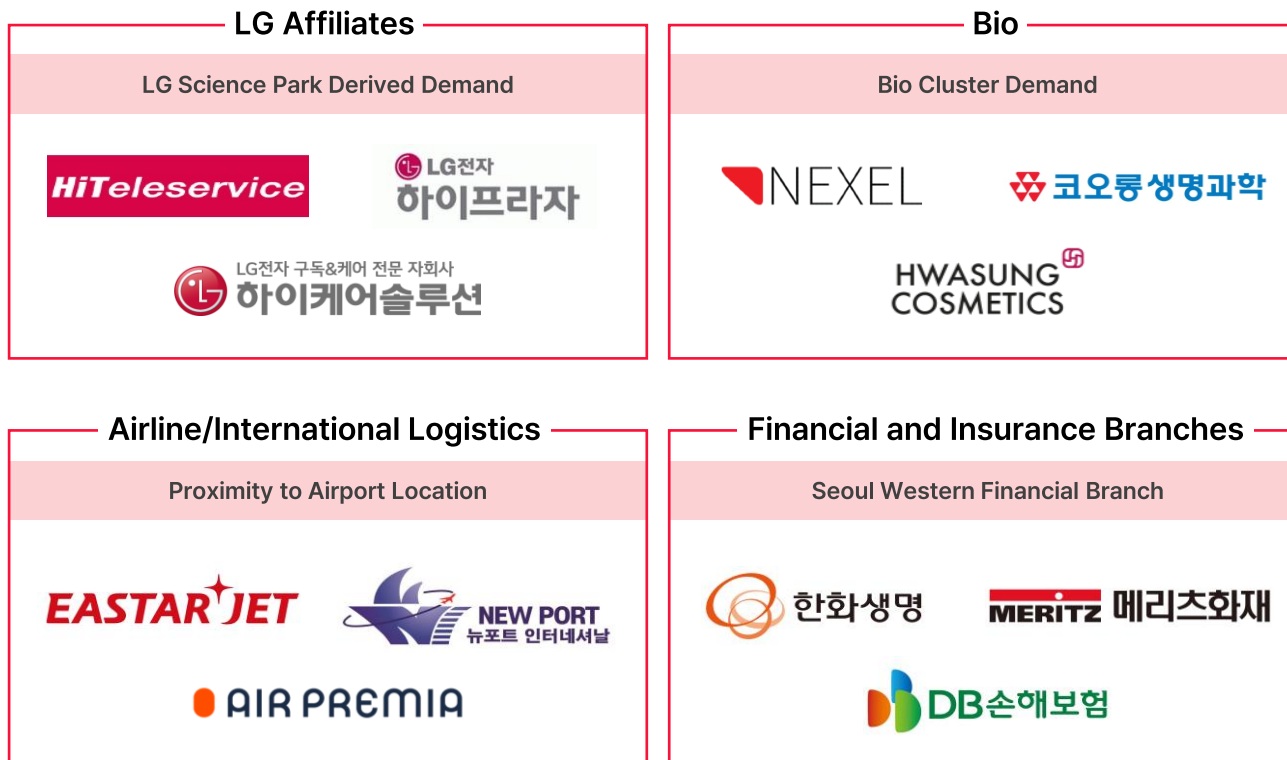


Figure 6. Magok Large-Scale New Property Occupancy Cases

One Grove(CP4)

Tenant	Industry
in vitros A Safe and Healthy Life	Bio (LG Affiliated Company)
FLAG ONE	Shared Office (LG Affiliated Company)
PARATA AIR Fly New	Airline

K-Square Magok(CP3-2)

Tenant	Industry
RAPA 한국전파진흥협회	Association
S&I Corp.	Real Estate (LG Affiliate)

Magok Office Market Outlook

Considering similar district cases, it is common for rental stabilization to take some time, but rapid stabilization can also be expected depending on market conditions

It may take some time for the recently completed 20,000 py of rental space within Magok MICE to stabilize. Looking at the cases of business districts such as Sangam and Pangyo, which were similarly developed and promoted through policy initiatives, some major office buildings took up to 14 quarters to achieve rental stabilization. Direct comparisons are difficult as factors such as market conditions, tenant industry restrictions, and rental rates at the time must be comprehensively considered. However, it is worth noting that it is not unusual for large offices in emerging business districts to take some time to reach rental stabilization. That said, as previously mentioned, several factors currently favor Magok’s rental competitiveness, including the current Seoul office leasing market situation and the trend of companies relocating. Therefore, it is also reasonable to expect the stabilization process to occur more quickly than anticipated.

Figure 7. Comparison of Magok vs. Sangam vs. Pangyo

As of `24.3Q

District	Magok	Sangam	Pangyo
Project Period	2018-2024	2003-2015	2012-2018
Total Rental Area (py)	240,302	265,256	553,620
Vacancy Rate	0.4%* (One Grove :97.3%, K-Square : 84.3%)	3.0%	2.3%
E.NOC**(₩10K)	13.0 (CP New Assets: Around 20)	14.8	24.0
Tenant Keywords	Bio, R&D	Broadcast Media, Entertainment	IT, AI, Game
Tenant Industry Restrictions	No restrictions in CP District	0	0
Rental Stabilization Period*** (Quarters)	<ul style="list-style-type: none"> May Place Building █ 1 Cuckoo Magok Building █ 4 NY Building █ 1 Gunwa Building █ 4 Marcus Building █ 13 Saessak Tower █ 5 	<ul style="list-style-type: none"> Nurikum Square █ 6 TRUTEK Building █ 10 Digital Dream Tower █ 6 Woori Technology... █ 6 The Pan Building █ 2 Sangam IT Tower █ 12 Sangam S-CITY █ 13 	<ul style="list-style-type: none"> Grates Pangyo 0 Alpha Dome City 0 Alpharium Tower 1 0 Mirae Asset Center █ 2 GB2 █ 12 GB1 █ 14 Mirae Asset... █ 4 Smilegate Campus █ 4 IDIS Tower █ 4

*The average vacancy rate and E.NOC for Magok offices exclude newly built asset **E.NOC considers only RF ***The standard for rental stabilization is an occupancy rate of 80% or higher

Magok Office Market Outlook

Potential Changes in Magok Asset Value Following Future Tenant Demand

The Magok area, like Pangyo and Sangam, is expected to take considerable time for an appropriate sales price to form due to resale restrictions. While some pre-purchases of Magok offices have occurred, no transaction cases have been observed that would allow for the derivation of the average transaction price in the Magok area.

Apart from the pre-purchase prices, the asset value of Magok offices may change depending on the actual contracted rental levels of newly constructed properties and the demand for tenants..

The rental rate at which the large-scale leased assets in Magok are contracted, how vacancy stabilization is achieved through diverse tenant groups, and the time frame in which this occurs will be key factors in shaping asset values.

Ultimately, for Magok to be recognized as an independent business district and ensure stable operations in the future, it will be essential to validate not only the demand for corporate headquarters but also the rental demand. Investor confidence will play a crucial role in this process.

One Grove



K-Square Magok



Figure 8. Magok Transaction Cases

Category	Mayplace Building	One Grove	K-Square Magok
Address	Magok-dong 759-5	Magok-dong 727-769	Magok-dong 768-1
Total Floor Area (Transaction Area) py	7,455	140,087	48,183
Year of Completion	2021	2021	48,183
Scale	B6/12F	B4/11F	B7/12F
Transaction Price(₩100M)	1,400	23,000	6,867
Price/py (₩10K)	1,878	1,642	1,425
Transaction Period	22.1Q	Pre-sale	Pre-sale
Seller	Mayplace	SH	SH
Buyer	K-Global Asset Management	IGIS Asset Management	Koramco

RSQUARE

311, Teheran-ro, Gangnam-gu, Seoul

For real estate services and other inquiries

info@rsquare.co.kr

Brokerage

sales@rsquare.co.kr

RSQUARE Design

rd_info@rsquare.co.kr

A/S

rd_as@rsquare.co.kr

1551-5678

Big Data Consulting Team

Won Chang Jin Director

wcjin@rsquare.co.kr

Su Young Son Researcher

swimming93@rsquare.co.kr

Chan Young Moon Researcher

mcy1213@rsquare.co.kr

Lim Jie One Researcher

jjeonelim@rsquare.co.kr

Yoon Seo Jang Researcher

yoonso1215@rsquare.co.kr

Research Design

Survey Area

Magok Business District

Survey Target

Magok Business District Office Buildings

Survey Method

Call Survey, Field Research and Reference to MOLIT

Survey Items

Current Office Supply, Vacancy, and Transactions

Survey Period

Surveyed Constantly

*The intellectual property rights of the information provided in this report (including graphs, tables, etc.) are owned by RSQUARE. Unauthorized copying and distribution for commercial purposes without prior permission may result in legal sanctions.