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SPOTLIGHT
Savills Research

2025 Korea Logistics Market Outlook

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“The price gap between asset classes is expected to widen as capital shifts to prime assets, while distressed assets continue to be listed for sale.”

Summary

- In 2024, new logistics supply amounted to 6 million sq m nationwide and 3.95 million sq m in the SMA, marking a decline of 18% and 34% YoY, respectively.
- Higher rents in newly built logistics centers have driven overall rent growth for dry storage, while cold storage rents continue to decline due to prolonged vacancies.
- Foreign investors accounted for 44% of total sales, similar to the previous year, indicating sustained interest in logistics centers since 2020.

ONLINE RETAIL

In 2024, total domestic retail sales declined by 0.2% YoY to KRW 638 trillion due to weak consumer sentiment and economic uncertainties. However, online transactions rose by 5.4% YoY to KRW 171.5 trillion, with the online sales penetration rate increasing by 1.5%p to 26.9%, surpassing the 0.6%p growth recorded in 2023.

According to the Korea Integrated Logistics Association, the average annual parcel deliveries per capita in 2023 averaged 100.4, while the economically active population recorded an average of 177.6 deliveries per year—equivalent to one parcel every two days. This represents an increase of 18.5 and 30.7 deliveries, respectively, compared to 2022. Given that online transaction volumes in 2024 surpassed the previous year’s levels, per capita parcel usage is expected to have risen further.

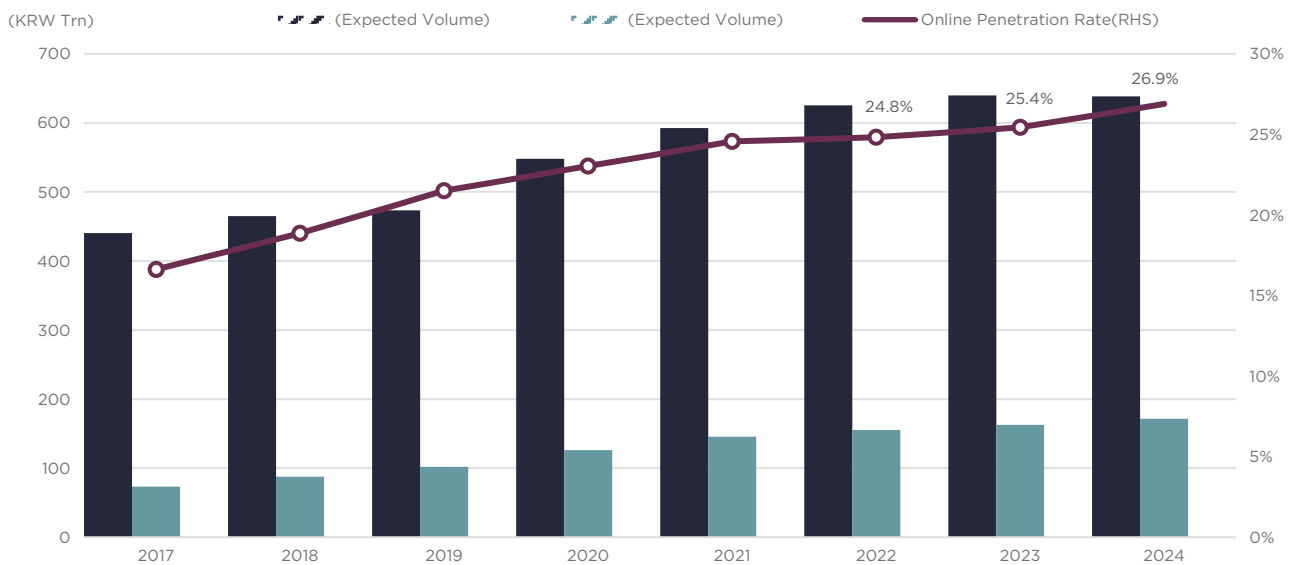
Online transactions have continued to increase, driven by various benefits offered by e-commerce companies to retain existing customers and attract new ones following COVID-19. This trend is expected to continue into 2025, with online sales maintaining a steady growth trajectory.

SUPPLY

In 2024, new logistics supply nationwide totaled 6 million sq m, an 18% decrease from 2023, bringing the total stock to 41.26 million sq m. In the Seoul Metropolitan Area (SMA), new supply amounted to 3.95 million sq m, marking a 34% decline from the previous year and bringing the total stock to 30.89 million sq m. The slowdown in development activity is attributed to worsening market conditions and a supply-demand imbalance from cumulative oversupply. Additionally, with a 58% YoY decline in new permit issuances and ongoing project delays, actual new supply is expected to fall further.

New supply for cold storage totaled 0.88 million sq m, representing only 44% of 2023’s level. To address persistent vacancy issues caused by the surge in supply in the early 2020s, some ongoing projects have modified their designs to convert cold storage space into dry storage. Additionally, completed logistics centers, such as Bucheon Naedong and Bundang Yatap, are undergoing conversions from cold to dry storage.

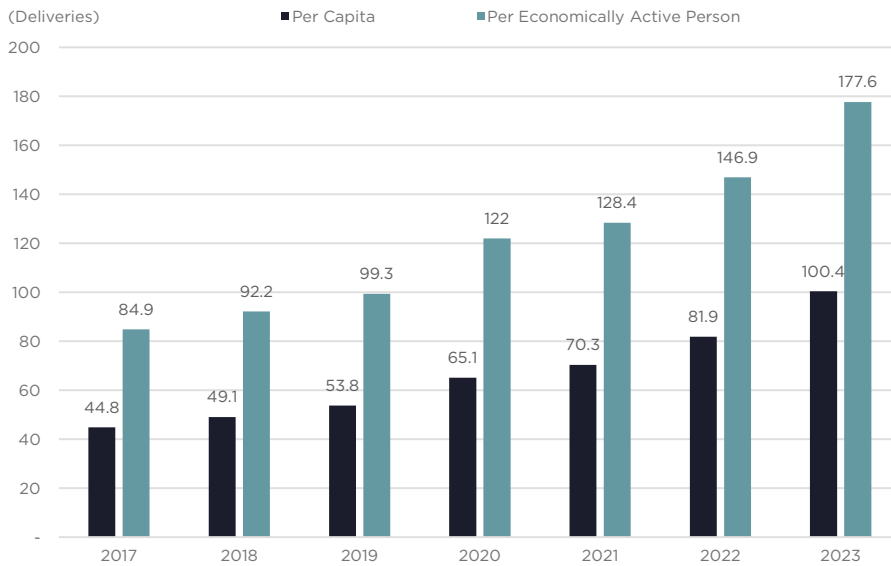
GRAPH 1: Online Sales Penetration, 2017 - 2024



*Online Retail excludes goods not associated with logistics facilities such as Travel, Transportation, Leisure, Culture, etc.

Source Savills Korea, Statistics Korea

GRAPH 2: Parcel Delivery Usage, 2017 - 2023



Source Korea Integrated Logistics Association

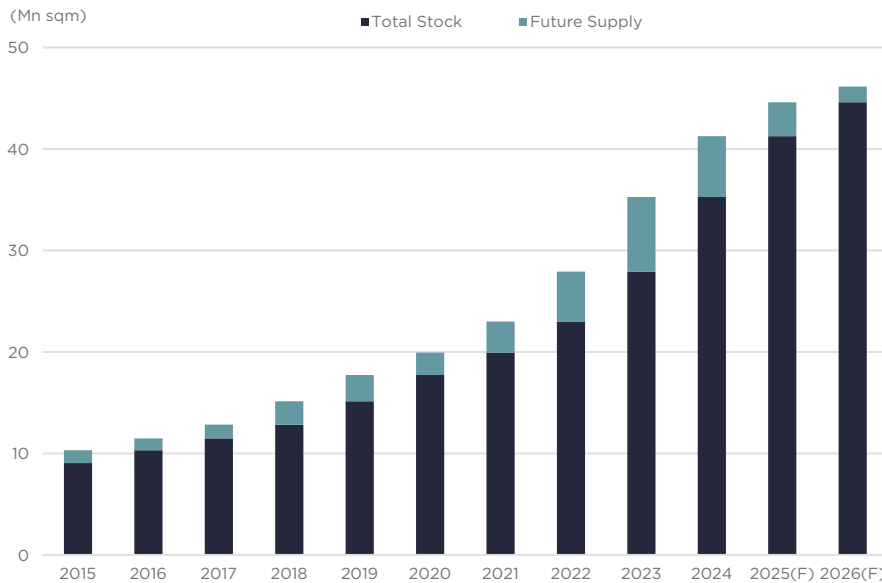
LEASING MARKET

In 2024, rents for dry storage logistics centers increased across the SMA, primarily driven by higher rental rates in newly developed facilities. The average rent for dry storage centers over 16,500 sq m reached KRW 30,800/py. Despite a vacancy rate of approximately 16.5%, well-located logistics centers with modern specifications continued to attract stable tenant demand. However, properties in secondary locations or with outdated specifications faced leasing challenges amid a persistent supply-demand imbalance.

Conversely, cold storage centers continued to experience downward pressure on rents, with the average rent declining to KRW 60,100 per pyeong. Prolonged vacancies remain a key concern, with vacancy rates of approximately 36%. Large-scale cold storage centers struggled to attract tenants, as structural constraints limit the ability to subdivide refrigerated and frozen spaces for smaller occupiers. The lack of major tenants has further exacerbated long-term vacancy risks.

Lease incentives varied across asset types. Dry storage centers typically offer 1-2 months of rent-free periods per year, though some landlords have begun reducing concessions as occupancy improves. In contrast, cold storage facilities offer 3-5 months of rent-free incentives, with extended fit-out periods becoming increasingly common to attract tenants.

GRAPH 3: SMA Total Stock & New Supply, 2015 - 2026(F)



*Based on logistics centers with GFA > 16,500 sq m

Source Savills Korea, Ministry of Land, Infrastructure and Transport

INVESTMENT MARKET

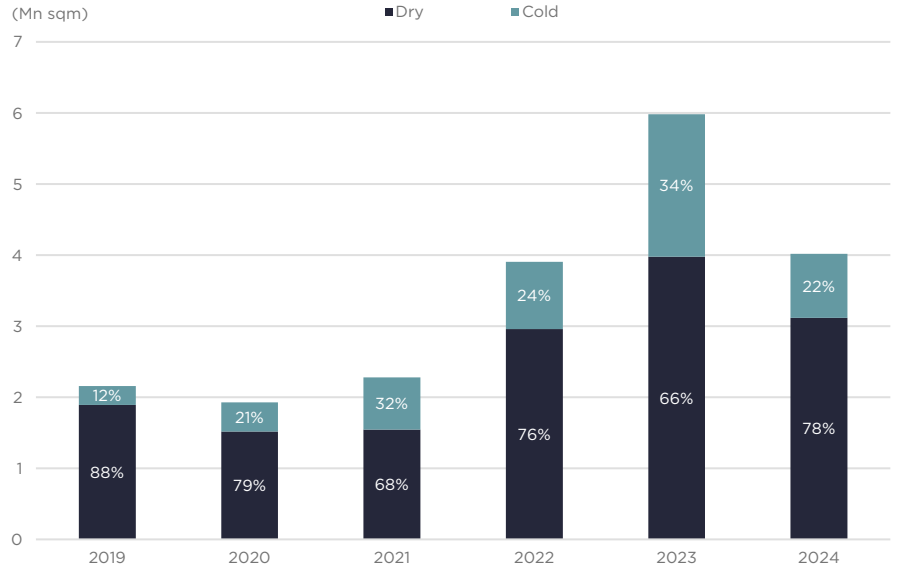
In 2024, total logistics transaction volume, including forward purchases, reached KRW 4.9 trillion, representing a 14% YoY decline. However, hard asset transactions surged to KRW 3.3 trillion, reflecting a 48% increase from KRW 2.2 trillion in 2023. The decline in forward purchase transactions was primarily driven by the fact that most contracts signed during the COVID-19 period have already been completed, leaving very few remaining projects nearing completion. Additionally, concerns over oversupply led to a slowdown in new forward purchases. In contrast, the sharp rise in hard asset transactions was fueled by distressed asset sales, including court auctions and contractor subrogations, which accounted for 49% (KRW 1.6 trillion) of total hard asset transactions.

Excluding forward purchases and contractor subrogations, domestic investors' share of total investment fell from 66% in 2022 to 44% in 2024, reflecting a pullback in activity amid shifting market conditions. Meanwhile, foreign investors maintained a stable 44% share, reflecting continued interest in logistics assets since 2020.

In 2024, major foreign investors' acquisitions included Daedeok, Bukcheon, Bangchori, and Gimpo Seonggwang logistics centers, with a preference for dry storage assets (62%) over mixed-use facilities (38%). Foreign investors primarily targeted stabilized dry storage centers in key SMA locations, leased to blue-chip tenants such as CJ Logistics, LX Pantos, and Coupang. Notably, Starwood Capital launched a KRW 400 billion blind fund focused on SMA logistics investments, further reinforcing its commitment to the sector. The fund's acquisition of the Icheon Gobaekri Logistics Center underscores continued institutional interest in well-located logistics assets with strong tenant covenants.

Key acquisitions by domestic investors included Logiport Osan, Incheon Seoknam Logistics Center, and HanExpress Complex Logistics Center. By asset type, 33% of transactions were for dry storage facilities, 53% for mixed-use logistics centers, and 14% for cold storage assets. Similar to foreign investors, domestic buyers favored stabilized assets in prime SMA locations, particularly those leased to high-credit tenants such as Coupang, Samsung Electronics, and Jette. However, domestic investors also pursued competitive acquisitions through court auctions and foreclosure sales, securing assets such as Foodnuri Icheon Logistics Center, Samsung Electronics Icheon Logistics Center, and Bundang Yatap Logistics Center. This trend suggests that

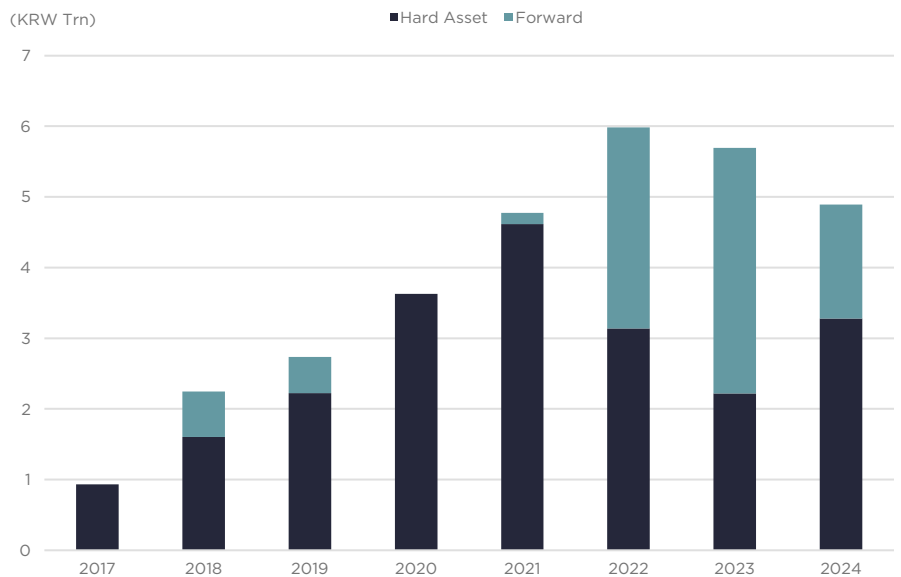
GRAPH 4: New Supply for Dry & Cold storage, 2019 - 2024



*Based on logistics centers with GFA > 16,500 sq m in the SMA as of December 2024

Source Savills Korea, Ministry of Land, Infrastructure and Transport

GRAPH 5: Total Transaction Volume, 2017 - 2024

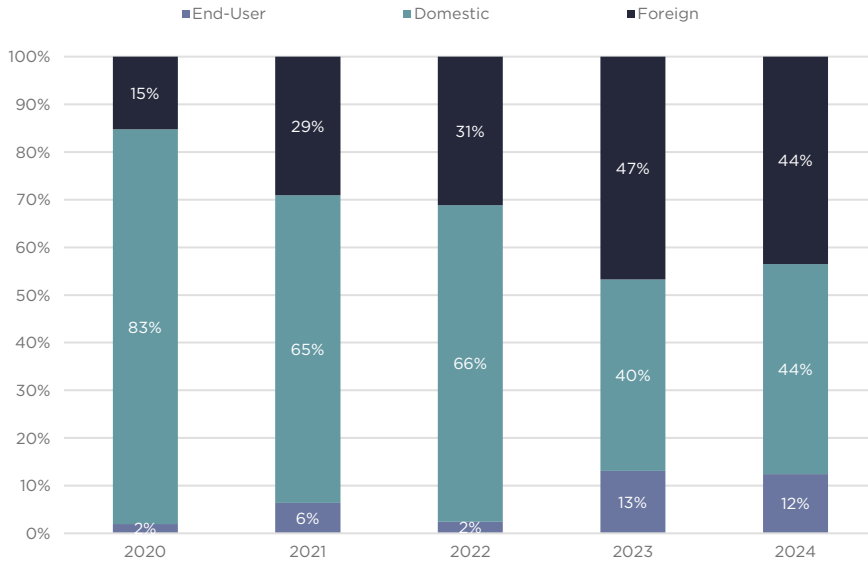


*Transacted logistics centers with GFA > 6,600 sq m nationwide

**Forward purchase counted based on asset acquisition upon completion

Source Savills Korea, Ministry of Land, Infrastructure and Transport

GRAPH 6: Logistics Transaction by Investor, 2020 - 2024



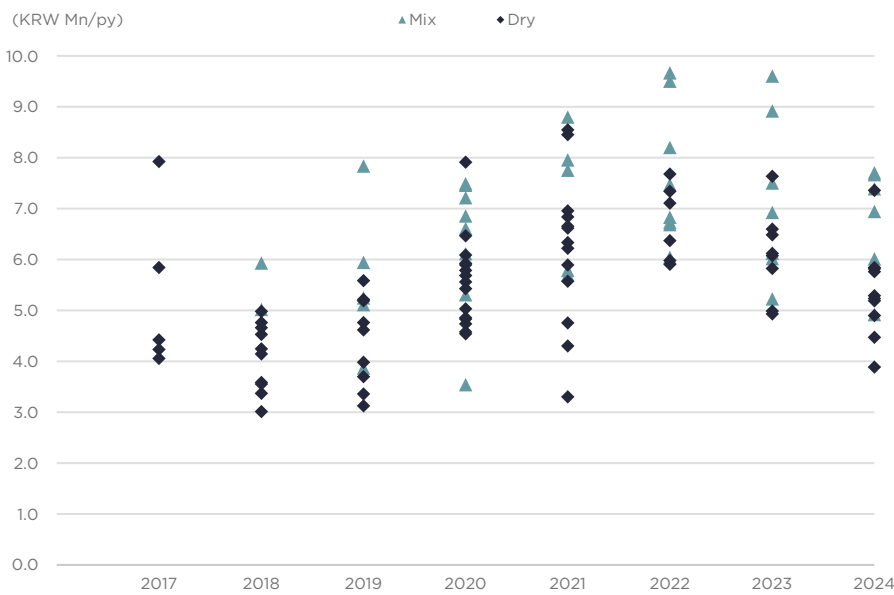
*Total transaction volume excluding court auctions and contractor subrogations

Source Savills Korea

domestic investors are employing a more diversified investment strategy, spanning asset classes and acquisition methods.

Since peaking in 2022, logistics asset prices have undergone a period of correction. In 2024, further price adjustments were observed, largely driven by repricing of forward purchase contracts and distressed asset sales via court auctions. As a result, cap rates increased slightly to the mid-to-high 5% range.

GRAPH 7: Capital Value for Dry & Mixed Logistics Center, 2017 - 2024



*Nationwide assets; GFA>33,000 sq m

Source Savills Korea

2025 OUTLOOK

The decline in new supply is expected to continue in 2025 as rising development costs and oversupply concerns further strain project feasibility. For projects exceeding 16,500 sq m in GFA, estimated new supply for 2025 stands at 3.35 million sq m nationwide and 2.45 million sq m in the SMA, representing approximately 55–60% of the 2024 level. Notably, 28 out of 38 planned projects are mid-to-large sized (33,000 to 99,000 sq m), suggesting a widening vacancy gap depending on size.

With many projects struggling to break ground, actual supply is likely to fall below estimates. While demand remains relatively low, gradual growth is expected, driven by major logistics firms investing in smart fulfillment and automation, alongside intensified competition among e-commerce companies. As a result, vacancy rates are projected to decline gradually from 2025 onwards.

For dry storage centers, landlords are shifting from lowering rents to offering rent-free or fit-out periods to attract tenants. Consequently, nomi-

nal rents are expected to rise 1–2% YoY in 2025, though effective rents may vary due to differences in incentives.

On the other hand, cold storage centers continue to struggle with high vacancy rates, even with rent-free periods of 3–5 months per year. Nominal rents have remained on a downward trend, a situation expected to persist through 2025. For long-vacant assets, landlords may adopt more aggressive rent-free or fit-out period offerings or consider converting to different use of the facilities.

By the end of 2024, the spread between logistics cap rates and 5-year government bonds widened to approximately 300 basis points, the largest margin since 2021. This suggests that investor interest—both domestic and foreign—will likely strengthen in 2025. However, persistent vacancy risks and ongoing supply-demand imbalances are expected to keep investors selective, with a continued focus on prime locations, high-credit tenants, and dry storage assets. The price gap between asset classes is expected to widen as cap-

ital shifts toward prime assets, while distressed assets continue to be listed for sale.

Transaction volume is projected to rise slightly in 2025, driven by heightened investor interest and competition for prime assets, with cap rates seeing a modest decline to the mid-5% range.

TABLE 1: Major Investment Transactions, 2024

| PERIOD | DISTRICT | NAME | SELLER | BUYER | PRICE (KRW Bn) |
|--------|---------------|-----------------------------|--------------------|------------------------------|----------------|
| Q1 | Central | Logiport Osan | LaSalle Investment | Pacific IMC (POBA) | 125.0 |
| Q2 | Southeast | Foodnuri Icheon LC | Foodnuri | Koramco AMC | 90.8 |
| Q2, Q3 | South Central | Jisan LC | Jisan Industrial | LaSalle Investment (ADIC) | 618.0 |
| Q3 | Southwest | Bucheon Nae-dong Complex LC | Miraein | Gravity AMC (GIC) | 303.0 |
| Q3 | South Central | Anseong Bangcho-ri LC | G Develop Holdings | Wide Creek AMC (Heitman) | 83.0 |
| Q4 | Southwest | Gimpo Sungkwang LC | DWS AMC | Pebblestone AMC (Blackstone) | 83.5 |

*2024 Transactions: GFA > 33,000 sq m, Capital Value > KRW 5Mn/py

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TABLE 2: Overview & Outlook

| LEASING MARKET | | | | |
|-------------------|---------------|------------------------|----------------|------------------|
| Category | Type | Size (sq m) / District | 2024 | 2025 Outlook |
| Vacancy Rate | Dry | > 99,000 | 22% | Down |
| | | 33,000 - 99,000 | 17% | Up |
| | | 16,500 - 33,000 | 4% | Steady |
| | Cold | > 99,000 | 43% | Steady |
| | | 33,000 - 99,000 | 34% | Up |
| | | 16,500 - 33,000 | 24% | Steady |
| Gross Rent | Dry (KRW/py) | Southeast | 28,200 | Increase by 2% |
| | | Southwest | 39,400 | Increase by 1% |
| | | South Central | 28,500 | Steady |
| | Cold (KRW/py) | Southeast | 55,300 | Steady |
| | | Southwest | 67,000 | Decrease by < 1% |
| | | South Central | 57,400 | Steady |
| INVESTMENT MARKET | | | | |
| Category | Type | | 2024 | 2025 Outlook |
| Price (Mn/py) | Dry | | 5.80 | Up |
| | Mixed | | 7.30 | Steady |
| Cap.Rate | Dry & Mixed | | Mid-to-High 5% | Mid 5% |

* Survey targeting Grade A logistics centers classified by Savills Korea
 *2024 Transactions: GFA > 33,000 sq m

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