MARKET IN MINUTES
Savills Research

Seoul Prime Office

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Investment market starts strong

Quarterly transaction volume rose 6% year-on-year.

- Project 107 Office (Cho-dong 107-1) in Euljiro was completed in January 2025, adding new supply to Seoul's CBD.
- Prime office vacancy rate edged down 0.1%p to 3.4%, with vacancy rising in CBD and GBD but falling in YBD. Total net absorption was recorded at 3,700 sqm.
- In Q1, 34% of new take-up was attributed to flight-to-quality relocation activities from secondary to prime office property, followed by 32% from new leases.
- Quarterly office transaction volume reached approximately KRW 2.7 trillion in Q1, up 6% year-on-year. With a large pipeline of assets currently on the market, transaction activity is expected to remain robust.

"The Bank of Korea cut its policy rate to 2.75% in February 2025, but kept it on hold in April due to concerns over household debt and currency weakness."

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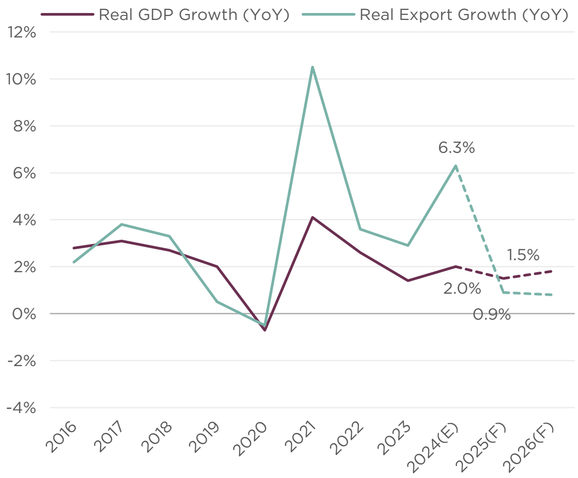
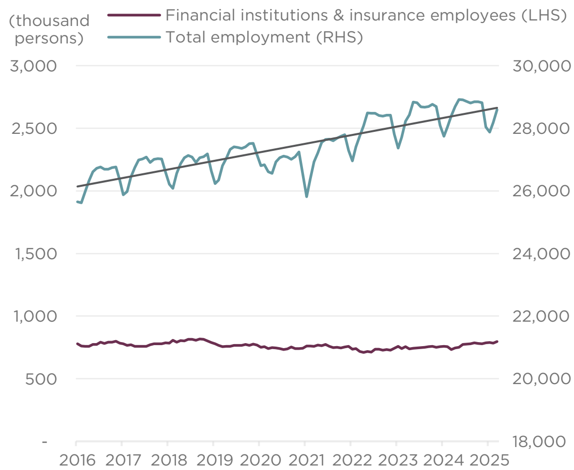
GRAPH 1: Growth Rate of Real GDP and Real Exports, 2016 to 2026(F)



Source Bank of Korea (Economic Outlook, Feb 2025)

GRAPH 2: Number of Employees in Finance and Insurance Sectors, January 2016 to March 2025



Source Statistics Korea

SUPPLY

In January 2025, Project 107 Office (38,857 sqm) in Cho-dong, Jung-gu was completed, adding new supply to the CBD. Despite being located slightly outside the traditional CBD core area, the building has attracted steady tenant demand from companies like Samsung Fire & Marine and SK C&C. As of April 2025, the project's contract-based occupancy rate has reached over 36%, with active negotiations for the remaining space. No further prime office supply is scheduled for completion in 2025, aside from the KT Gwanghwamun West Office building (with an estimated GFA of 68,700 sqm). From 2026 onwards, major redevelopment projects such as G1 Seoul (Gongpyeong Districts 15 & 16), Euljiro 3-ga Districts 6 and 12, are expected to deliver new supply to the market.

ECONOMIC OUTLOOK

The Bank of Korea (BoK) lowered its policy rate from 3.00% to 2.75% in February 2025 and signaled the possibility of further cuts. However, it held steady rates in April amid concerns over rising household debt and a weaker currency. Korea's GDP growth forecast for 2025 was revised down to 1.5%, from the previous 1.9%, due to sluggish domestic demand, rising political uncertainty, and adverse weather conditions weighing on exports. Despite pressures from exchange rate fluctuations and higher energy prices, inflation is expected to remain stable at 1.9% in 2025, in line with previous forecasts. The central bank also noted elevated global economic risks, including US tariff policy, changes in major economies' monetary stances, and ongoing geopolitical tensions.

DEMAND AND VACANCY RATES

In Q1/2025, Seoul's prime office market recorded a net absorption of 3,700 sqm. While the CBD and GBD area saw a decrease in take-upby 20,000 sqm and 12,800 sqm respectively, this was offset by large block vacancies filled in YBD - particularly atAnchor One (Brighton Yeouido) and One Centinel (formerly Shinhan Securities Tower) –resulting in positive net absorption for the overall market.

The vacancy rate in the CBD rose 0.7%p QoQ to 3.5%, primarily due to major tenants like HK Inno.N (c. 8,300 sqm) and Kakao Entertainment (c. 4,900 sqm) relocating to Pangyo. Some of the vacant spaceleft by 11st's move to Gwangmyeong in late 2024 was absorbed by new public-sector and foreign corporate tenants.

GBD's vacancy rate increased by 0.6%p to 2.8%, which was the lowest level among the three core districts. Notable take-up included Krafton's 7,300 sqm expansion in Centerfield West, as well as new leases by Mirae Asset Securities PB Center at Parnas Tower and Toss Income at POSCO Tower Yeoksam.

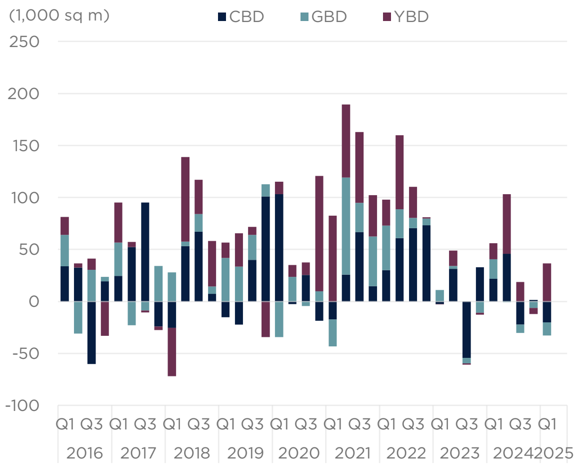
TABLE 1: Monthly Rents, Maintenance Fees and Vacancy Rates by District, Q1/2025

(Unit: KRW/3.3058 sq m, GLA)

DISTRICT	RENT		MAINTENANCE FEE		NET ABSORPTION (SQ M)	VACANCY RATE(%) (PREV. Q)
	AVERAGE	YOY INCREASE (%)	AVERAGE	YOY INCREASE (%)		
CBD	127,400	3.2%	48,900	1.8%	-20,000	3.5% (2.8%)
GBD	124,000	3.7%	44,700	2.0%	-12,800	2.8% (2.3%)
YBD	110,900	5.7%	46,600	3.6%	36,500	4.1% (6.0%)
Overall Seoul Average	122,800	3.9%	47,100	2.3%	3,700	3.4% (3.5%)

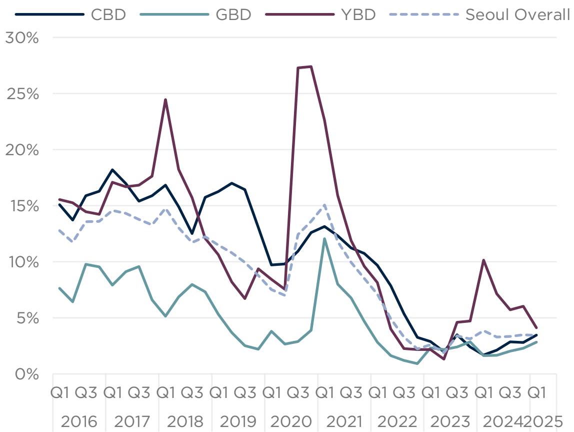
Source Savills Korea

GRAPH 3: Net Absorption, Q1/2016 to Q1/2025



Source Savills Korea

GRAPH 4: Prime Office Vacancy Rate, Q1/2016 to Q1/2025



Source Savills Korea

YBD was the only district to see a decrease in vacancy, down 1.9%p QoQ to 4.1%.KB Kookmin Bank leased 21,000 sqm in Anchor One and One Centinel achieved approximately 30% occupancy after remodeling, with new tenants including Mirae Asset Life (TFT), Woori Investment, Hyundai Motor Securities (TFT), and Sentbe.

In Q1, 34% of new take-up was attributed toupgrade activities from secondary to prime office property, mainly driven by KB Kookmin Bank's relocation from its former data center in Yeomchang-dong, Gangseo-gu, to Anchor One in YBD. New leases accounted for 32% of absorption, largely due to financial firms moving into One Centinel. Prime-to-Prime relocations and expansions represented 18% and 16% of total take-up, respectively.

RENTS

The average face rent for Seoul prime offices in Q1 2025 was KRW 123,000/py. Among the three major business districts, rents in the CBD remained the highest at KRW 127,800/py, followed by GBD at KRW 124,900/py, and YBD at KRW 110,900/py. YBD posted the highest year-on-year rental growth, driven by rent hikes in remodeled assets, while rents in the CBD and GBD grew by 3.6% and 3.7% YoY, respectively, outpacing inflation.

Average rent-free periods remained consistent, up to one month per year, though some landlords facing prolonged high vacancy pressures (over 2–3 quarters or more) were willing to offer additional incentives.

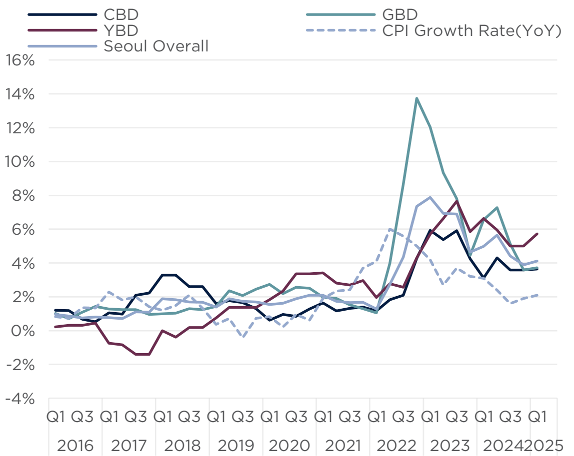
The average management fee stood at KRW 47,100/py, up 2.3% y-o-y, closely tracking the March 2025 CPI increase of 2.1%. District-wise, management fee was around KRW 49,000/py in the CBD, KRW 44,700/py in the GBD, and KRW 46,600/py in the YBD.

OUTLOOK

No new prime office supply is expected to come online for the remainder of 2025, so increases in vacancy due to new completions are unlikely. However, if the macro-economic conditions deteriorate further, more vacant space may surface as major tenants continue to relocate out of core districts and new demand remains subdued. Under these circumstances, landlords' stance may soften and being willing to offer additional incentives, such as rent-free periods and fit-out support, to secure tenants and ease effective rental burdens.

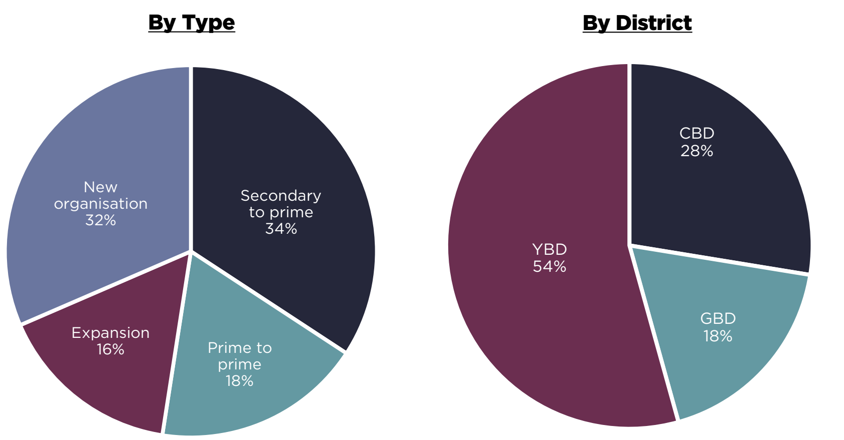
In the CBD, Starbucks Korea is expected

GRAPH 5: YoY Rental Increase Rate by District, Q1/2016 to Q1/2025



Source Savills Korea, Bank of Korea

GRAPH 6: Take-up, Q1/2025



Source Savills Korea

to vacate 2.5 floors in State Tower Namsan for its relocation to Centerfield in GBD in Q2. Additionally, SKC's move from The-K Twin Towers to SK-C Tower (Chungmuro) is projected to create 12,000 sqm of vacant floorspace, which will be partially filled by Jongno District Office later in the year.

In GBD, I-Market Korea will relocate to Icon Samsung (formerly Golden Tower), and the Bank of Korea's Gangnam branch will occupy three floors following its re-tenanting. Bithumb is set to take 6,700 sqm in Gangnam N Tower after the previous tenant, KB Real Estate Trust, moved to KB Life Tower.

In YBD, DL E&C will vacate 10,300 sqm in FKI Tower for One Grove in Magok in 2H/2025, and SAP Korea is set to move from Dogok-dong to IFC 1.

TRANSACTIONS AND THE INVESTMENT MARKET

In Q1/2025, Seoul office transaction volume reached approximately KRW 2.7 trillion, up about 6% year-on-year. The quarterly figure only includes volume from completed hard asset deals and does not account for forward purchase transactions, such as IGIS AMC and KT AMC's acquisitions of One Grove and Le West City Tower A & B in the Magok office district. Nonetheless, with a substantial amount of investable office assets available in the market, investor interests shall remain robust after a strong start in the beginning of the year.

Most of the recent transactions focused on owner-occupiers, strategic investors, and value-add repositioning opportunities. Though the market has also seen a noticeable uptick in both interest and actual transactions involving core assets by financial investors. The establishment of new blind funds by the National Pension Service and Korea Post in 1H/2025 is expected to boost market liquidity and support financial investor-led office transactions.

The quarter saw several major transactions taking place, including the sale of Namsan Square in the CBD for KRW 580.5 billion (KRW 25.5 million/py). Originally acquired by IGIS Asset Management and KKR in 2019 for KRW 505.0 billion, the 72,252 sqm asset was sold to HDC Asset Management through a competitive bidding process. Its key tenants include the Korea Health Promotion Institute and TKG Huchems. HDC AMC, the buyer, is reportedly planning further capital investment to maximize synergies with the large-scale redevelopment projects underway in the Seoul Station area.

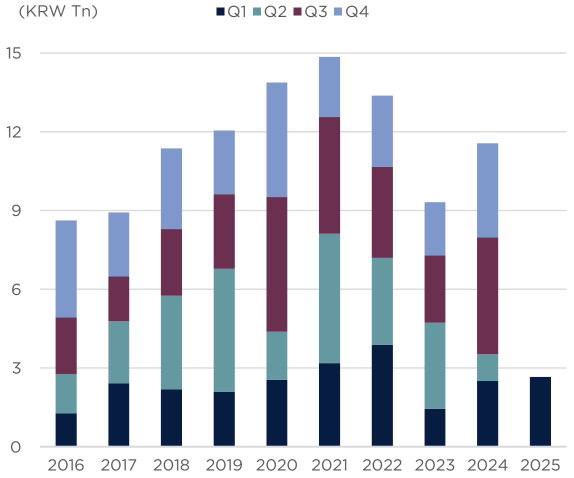
Meanwhile, LB Asset Management acquired Crystal Square in the CBD from UK-based manager Aberdeen Investments for KRW 206.2 billion

TABLE 2: Major Tenant Relocations, Q1/2025

To				From	
DISTRICT	BUILDING	TENANT	AREA (SQ M)	DISTRICT	BUILDING
CBD	Seoul Square	APLUS Asset Advisor	2,300	NEW	
		Korea National Institute of Organ, Tissue and Blood Management	2,300	CBD	Seoul City Tower
		Danfoss Korea	1,400	CBD	Metro Tower
		National Artificial Intelligence Committee	1,300	NEW	
		National Bio Committee	800	NEW	
	Centropolis	Hapag-Lloyd	3,000	CBD	Metro Tower
GBD	Centerfield	Krafton	7,300	Expansion	
	Parnas Tower	Mirae Asset Securities	2,200	NEW	
	POSCO Tower Yeoksam	Toss Income	1,500	NEW	
YBD	Anchor One (Brighten Yeouido Office)	KB Kookmin Bank	20,900	Others	Yeomchang-dong, etc.
	One Centinel (f. Shinhan Securities Tower)	Mirae Asset Life Insurance	7,400	NEW	
		Woori Financial Group	5,100	NEW	
		Hyundai Motor Securities	4,800	NEW	
		SentBe	2,500	NEW	

Source Savills Korea

GRAPH 7: Prime Office Transaction Volumes, Q1/2016 to Q1/2025



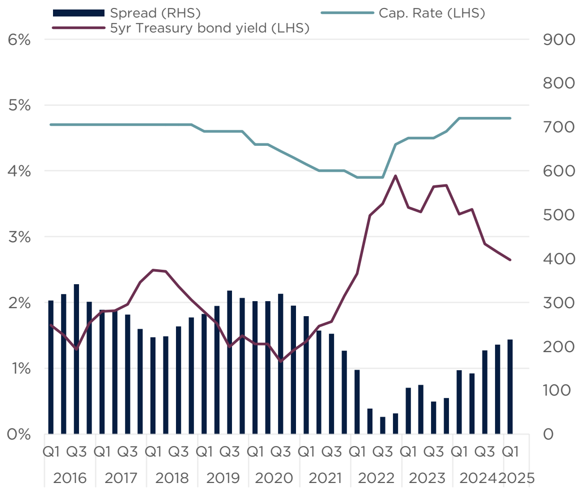
Source Savills Korea

TABLE 3: Major Investment Transactions, Q1/2025

DISTRICT	BUILDING NAME	SELLER	BUYER	TRANSACTION PRICE (KRW BIL)
CBD	Daishin Finance Center	Daishin Securities	Daishin Asset Trust	662.0
CBD	Namsan Square	IGIS AMC	HDC AMC	580.5
Others	G Valley Biz Plaza-Office	IGIS AMC (Share Deal)		332.8
GBD	Gangnam Finance Plaza	Mastern IMC	Gravity AMC	276.0
CBD	Crystal Square	Aberdeen Investments	LB AMC	206.8

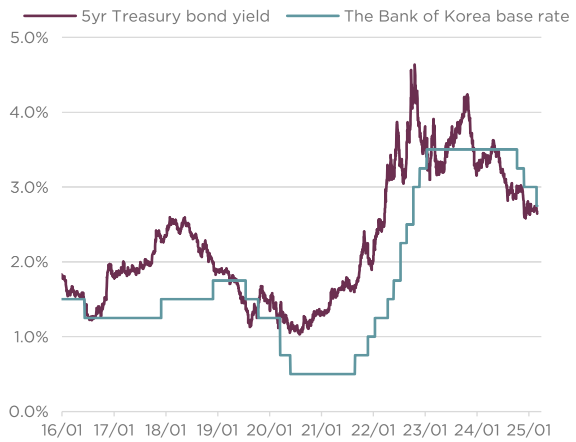
Source Savills Korea

GRAPH 8: Prime Office Building Cap Rate Trend, Q1/2016 to Q1/2025



Source Savills Korea, Bank of Korea

GRAPH 9: Five-year Treasury Bond Yield and the BOK Base Rate Trend, January 2016 to March 2025



Source Bank of Korea

(KRW 37.0 million/py). The building had attracted interest from strategic investors such as Leadcorp (an M2N affiliate), as the lease of its anchor tenant, KB Kookmin Card's IT division, would expire in 2026 and present a strong potential for rental upside. Completed in 2021, the building offers excellent access to Euljiro 3-ga Station (Lines 2 and 3) and features modern design, attracting attention among buyers seeking headquarters space in the current market.

Gangnam Finance Plaza also changed hands during the quarter. It was purchased by Gravity Asset Management from Mastern Investment Management for KRW 270.6 billion (KRW 37.0 million/py). Located within a five-minute walk of Seolleung Station, the asset has steadily increased in value over the past decade through major facility upgrades, including system replacements, lobby and restroom renovations, and elevator modernization. Its prime location and well-maintained condition proved particularly attractive given the limited new supply in GBD.

As of Q1/2025, prime office cap rates in Seoul stand in the mid-to-high 4% range based on face rents. After factoring in tenant incentives such as rent-free periods, effective cap rates fall to the low-4% range, with assets in GBD trading as low as the mid- to high-3% range due to strong rental upside potential and active participation from strategic investors. Cost-wise, senior mortgage interest rates for offices fell from around 5% in early 2024 to the low-4% range by year-end. Some assets closing in 1H/2025 reportedly being negotiated in the high-3% to low-4% range.

Overview of the Seoul Office Market and Savills Korea Office Survey

TABLE 4: Summary Of Surveyed Buildings, March 2025

		CBD	GBD	YBD	Total
A	Number of buildings	25	14	14	53
	Average GFA (sq m)	88,000	107,000	110,000	99,000
	Average year of completion	2004	2005	2010	2006
B	Number of buildings	25	22	9	56
	Average GFA (sq m)	51,000	47,000	48,000	49,000
	Average year of completion	2000	2002	1999	2001
Total number of buildings		50	36	23	109
Total area (sq m)		3,490,000	2,530,000	1,980,000	8,000,000

Source Savills Korea

Close to 55% of large office buildings (30,000 sq m or more) in Seoul are located in three major business districts – the CBD (24%), GBD (20%) and YBD (11%). The CBD is the largest of these districts and is home to major government and multinational institutions. The GBD also houses many multinational companies and is an information technology centre, while YBD, the “Wall Street” of South Korea, includes the headquarters of major securities firms and broadcasting companies.

The Savills Korea Quarterly Office survey is the longest running survey of prime office stock in Seoul. Established in 1997, it currently comprises of 109 among 132 buildings in Seoul classified as “prime” buildings.

Prime buildings: Buildings with a GFA greater than 30,000 sq m with good accessibility and facilities, high level of finish, and creditworthy blue-chip tenants.

Monthly rent: Surveyed rents are “face rents”, the asking rents reported by landlords for mid-level floors. These rents are standardised by Savills Korea to account for variations in the security deposits required by different landlords to produce an effective rental figure for NLA.

Cap Rate Calculation Method

Cap rate: (income from interest on security deposit (5%) + face rent of a standard floor + residual income from maintenance fee) × occupancy rate (95%) × 12 / transaction amount.

For comparison of cap rates of each transaction case, a 5% interest rate on security deposit and 90% occupancy rate were uniformly applied.
The applied occupancy rate was revised from 95% to 90% in 2014 due to higher natural vacancy rates, until 2022 since which 95% is re-applied.