

Korea Real Estate Market Trend & the Market Impact of Covid -19 Pandemic

December 12, 2022

YONG-NAM, KIM PhD, CCIM

Founder & CEO

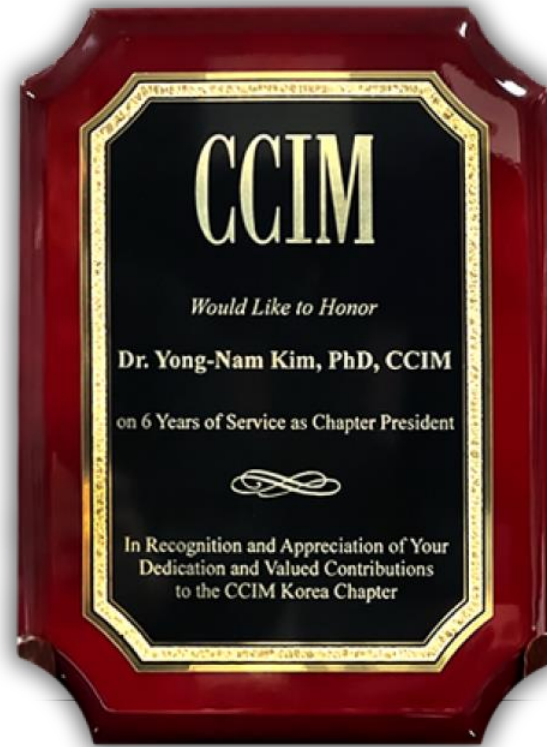
GLOBAL PMC

Yong-Nam, KIM

Founder & CEO

GLOBAL PMC INC.

- PH.D. in Real Estate, CCIM, CPM, SIOR, FRICS
- Past President, CCIM Korea Chapter, 2016 – 2021
- Real Estate Columnist for the Korea Economic Daily since 2011



Yong-Nam, KIM

Yong-Nam is the founder and CEO of Global PMC Inc, which is recognized as the first and largest real estate services firm for small and medium-sized commercial properties in Korea.

Prior to entering this commercial real estate fields, Yong-Nam had worked for real estate development companies in Korea for more than 15 years.

Since the establishment of Global PMC in 2004, he has developed a vibrant, thriving commercial real estate business in South Korea, providing real estate services to clients nationally and internationally from acquisition to management to disposition.

Yong-Nam pioneered Korean property management market for small and medium-sized commercial properties, and has developed and provided the first property management

education program under the name of KPM (Korea Property Manager) since 2010.

Yong-Nam successfully closed five cross-border real estate investment deals with CCIMs in Japan and USA.

Yong-Nam is the past president of CCIM Korea Chapter who served as the chapter president from 2016 to 2021. Serving as the president of the CCIM Korea Chapter, he had grown it to become the single largest chapter in the CCIM Institute with 1,304 designees.

Yong-Nam earned the PhD in real estate and obtained CCIM, CPM, SIOR, and FRICS designations.

Yong-Nam regularly writes real estate columns for the Korea Economic Daily since 2011.

Agenda

1

Interest Rate & Inflation

2

Real Estate Market Fundamentals

3

Market Impact of Covid-19 Pandemic

4

Final Thoughts

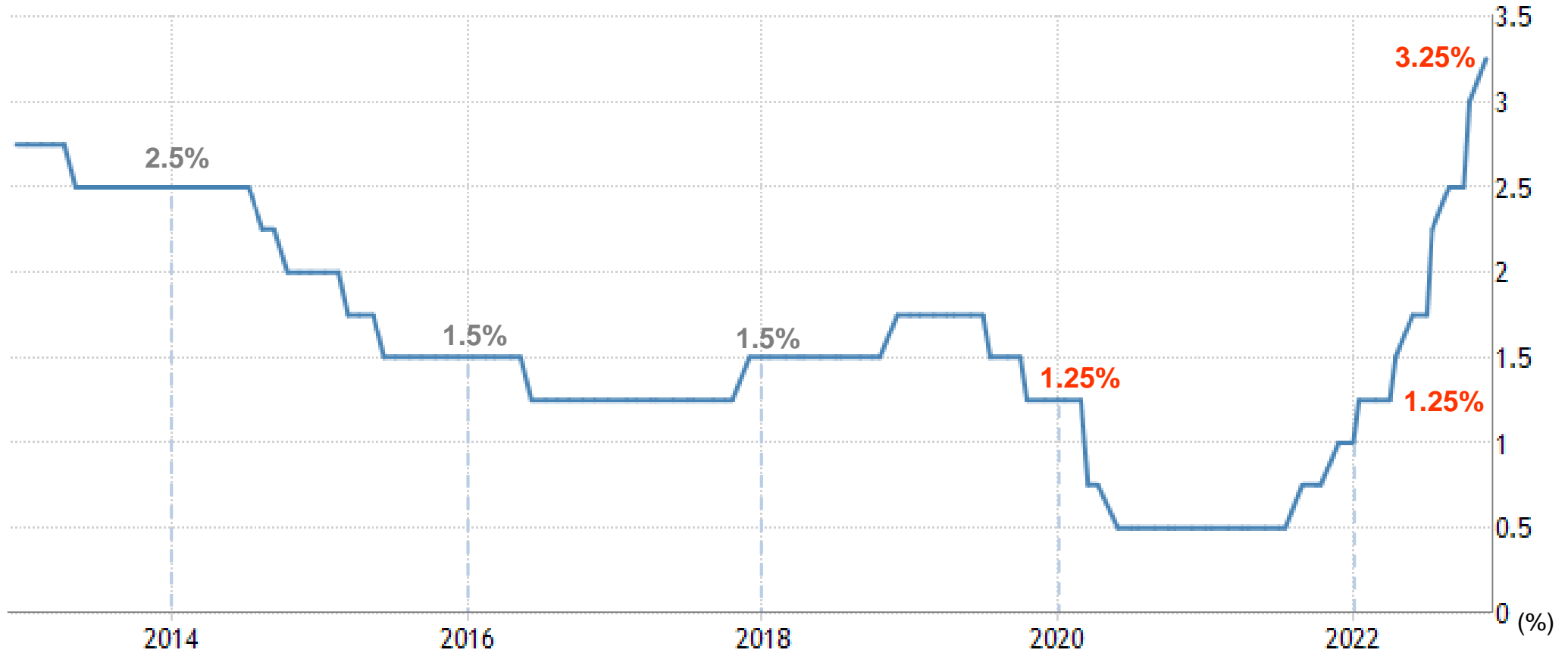
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Interest Rate & Inflation

Interest Rate

- Interest rate hikes(2022): 6 times in a row from 1.25% to **3.25%**, the highest level since 2012



Inflation Rate

- After peaking at 6.3% in July, near 24-year high, it is slowing down.
- November 5.0%, October 5.7%, September: 5.6%, August: 5.7%



An aerial photograph of a city at night, heavily obscured by a dark blue semi-transparent overlay. The city lights are visible through the overlay, showing a dense urban landscape with numerous high-rise buildings and a complex network of roads and highways. The overall mood is professional and modern.

Real Estate Market Fundamentals

Office | Logistics | Residential



Real Estate Market Fundamentals

Office

Logistics

Residential

Seoul Office Market

Central Business District

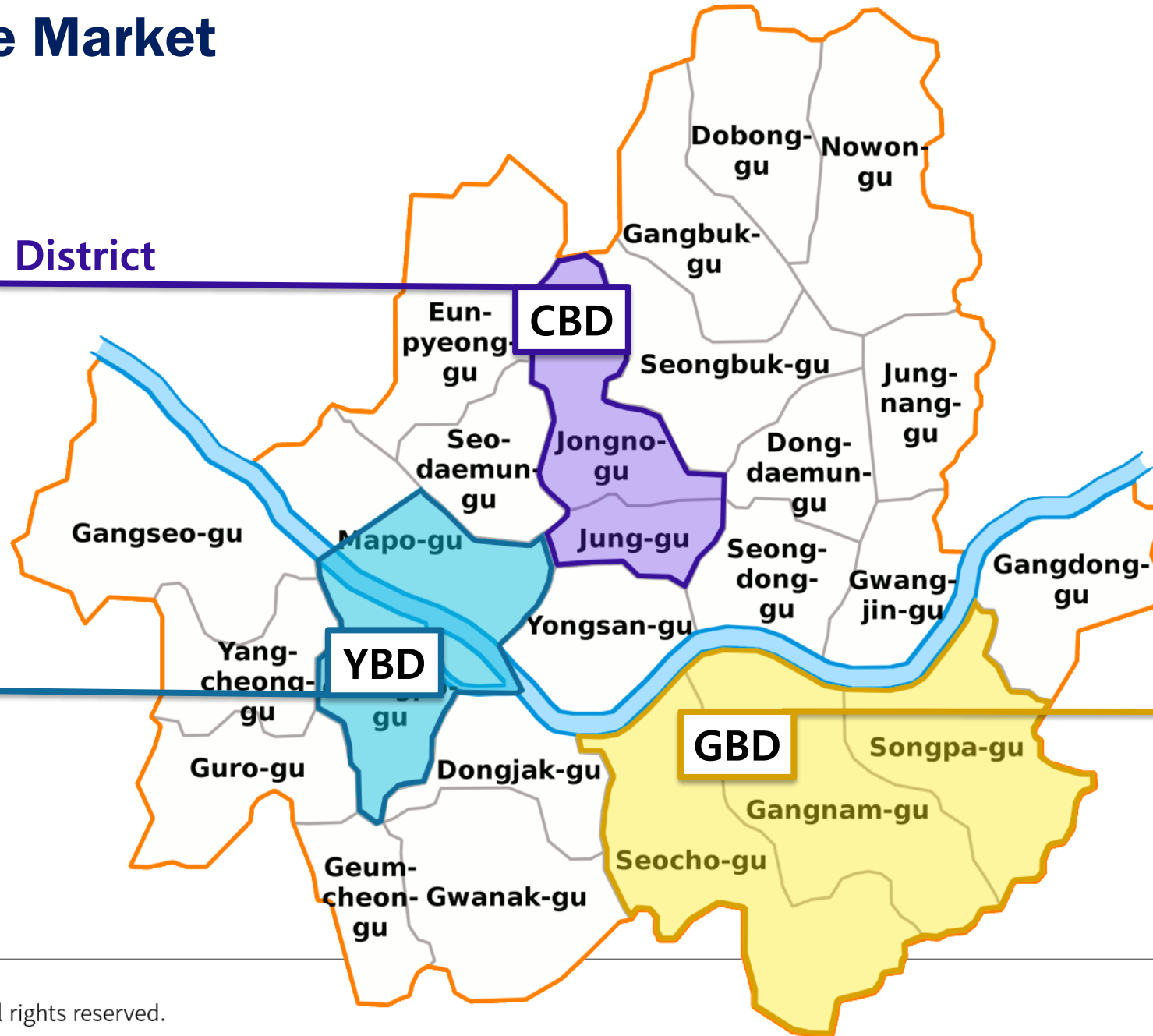
Jongro, Euljiro,
Shinmunro,
Namdaemunro,
Taepyungro

Yeouido Business District

East Yeouido
West Yeouido
Mapo-gu

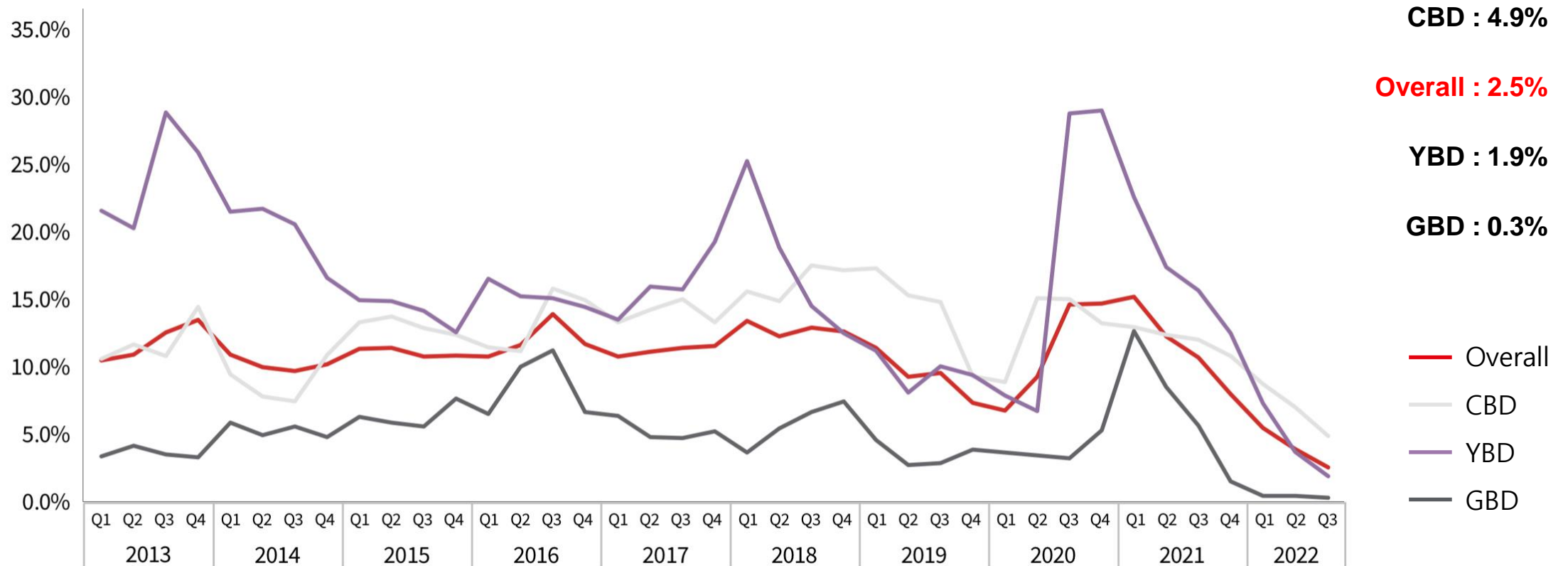
Gangnam Business District

Teheranro, Gangnamro,
Dosanro, Songparo,
Yangjae St.
Hakdong St.
BongEunsaro



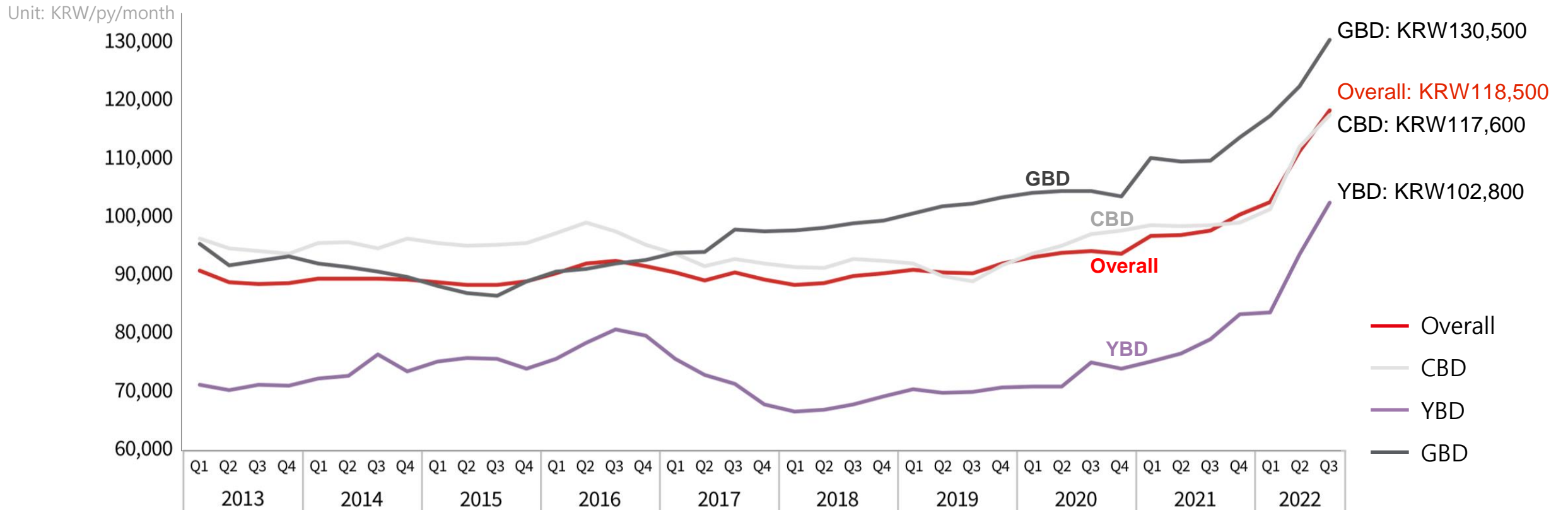
Vacancy Rate for Seoul Grade A Offices

- Seoul Grade A office vacancy rate hits 13-year low of 2.5%, turning into strong landlords markets
- Limited supply pushes down vacancy in major areas



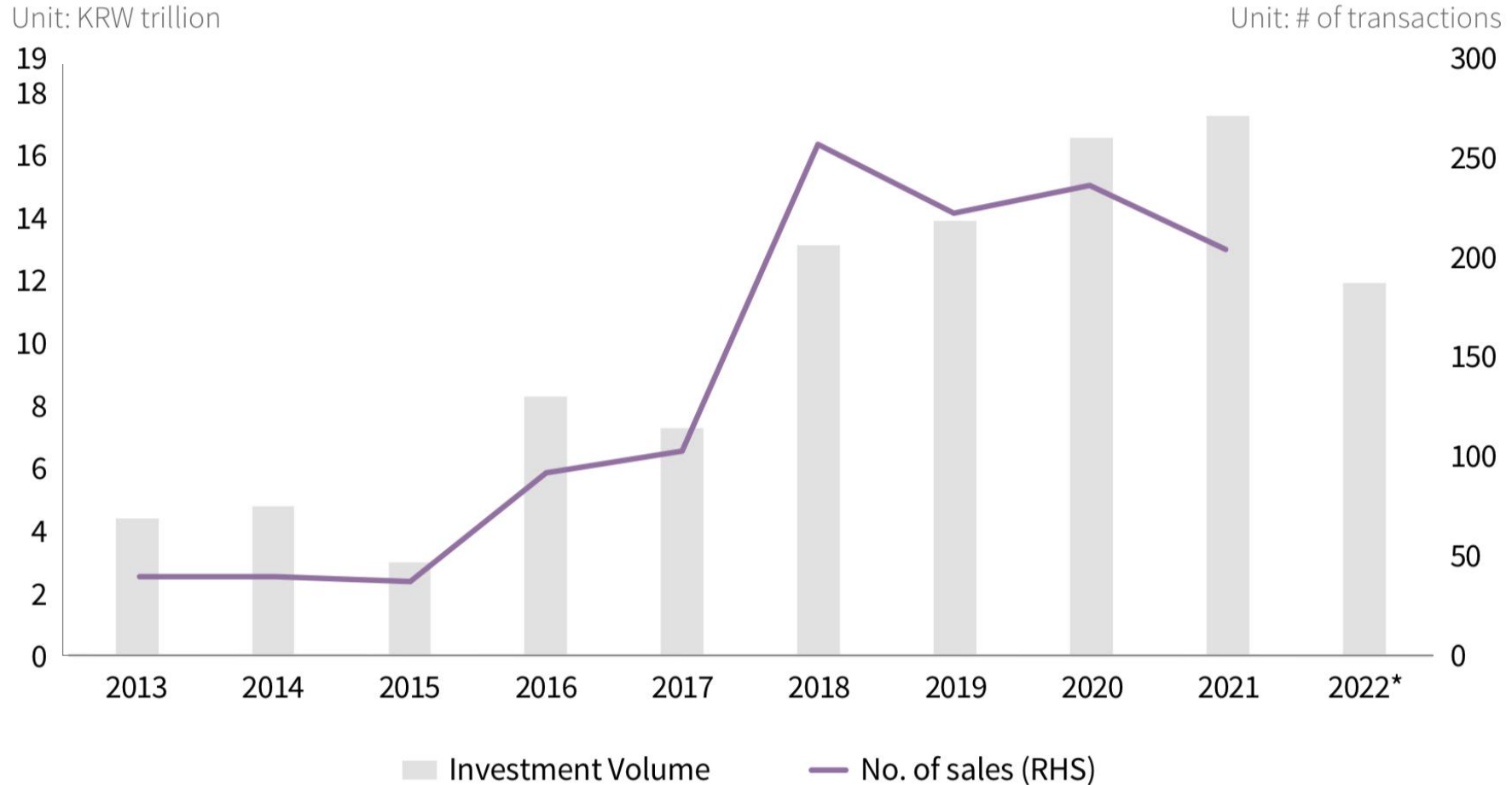
Net Effective Rent for Seoul Grade A Offices

- Recorded all-time high, increase 6.5% q-o-q and 21.4% y-o-y
- Effective rents rise as rent-free periods fall



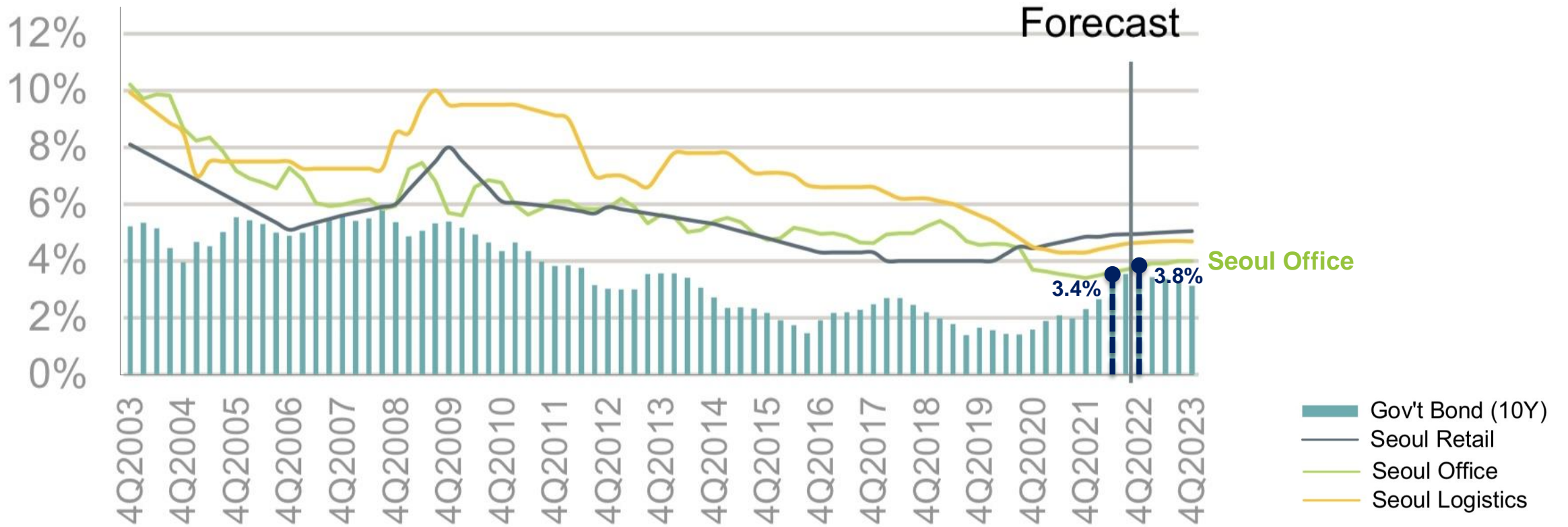
Investment Volume for Seoul Grade A Offices

- Contrary to buoyant leasing activity, investment volume tumble in 3Q22



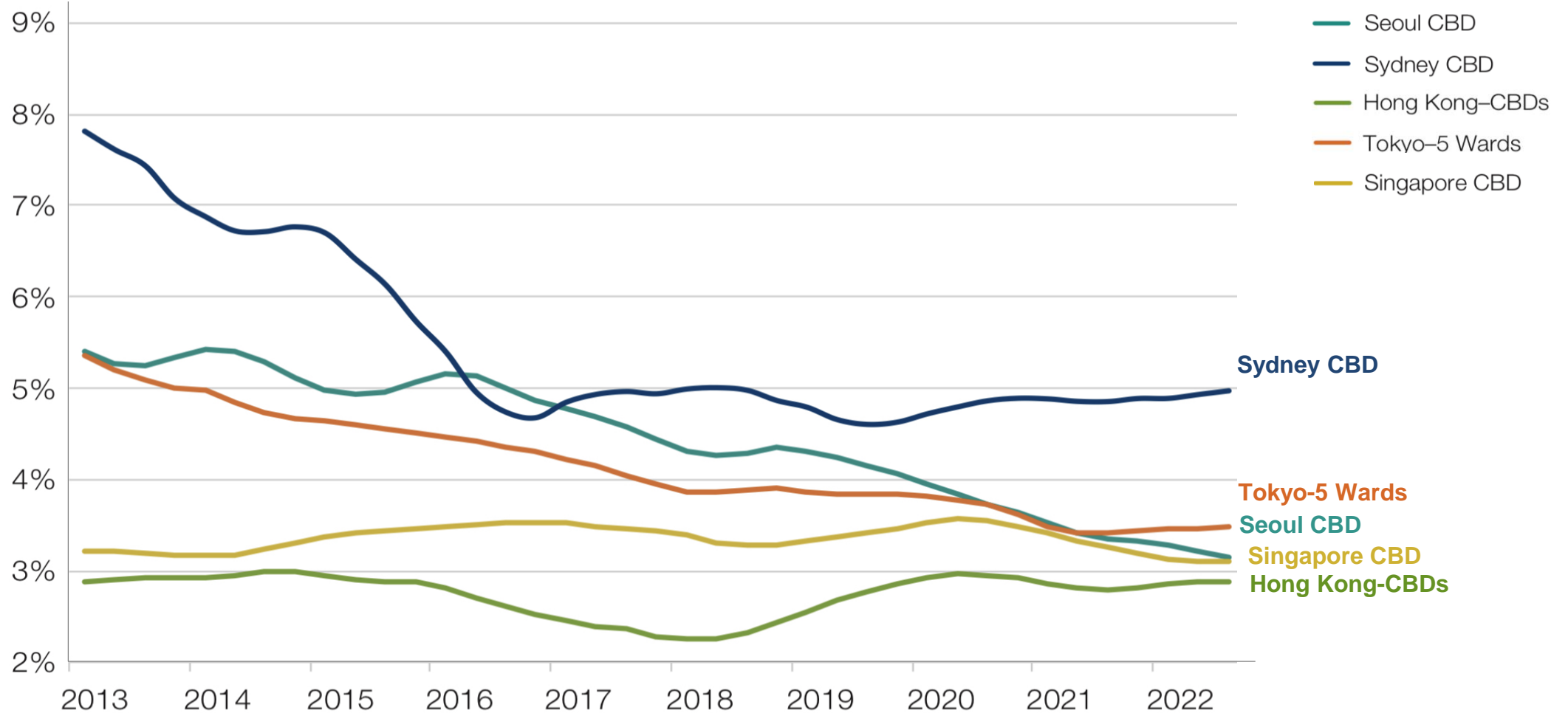
Cap Rates and Yield Spreads

- Seoul office cap rate rose to 3.8% in 3Q 2022 from 3.4% in 2Q 2022.



Asia Pacific CBD Office Cap Rates, Q3 2022

- Seoul ranks the third with 3.2% cap rate.
- Cap rates are expected to rise in all cities





Real Estate Market Fundamentals

Office

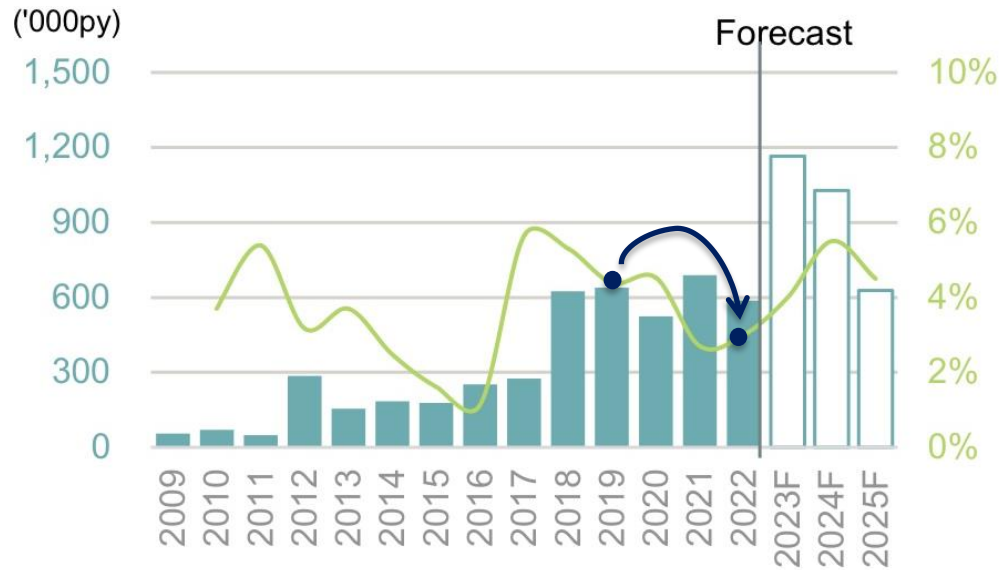
Logistics

Residential

Logistics Supply and Vacancy Rate in Greater Seoul

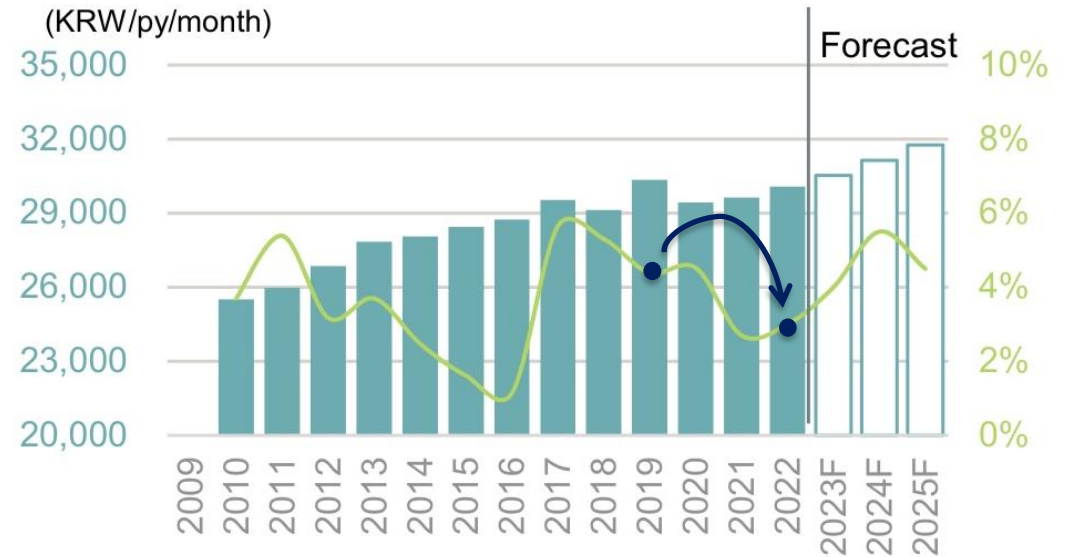
- Average vacancy rate : decreased to 3.0% in 2Q 2022 from 4.7% in 2019
- Average rental growth: expected to grow at 2% per annum in coming years

LOGISTICS SUPPLY AND VACANCY RATE



■ New Supply (LHS) — Vacancy Rate (% , RHS)

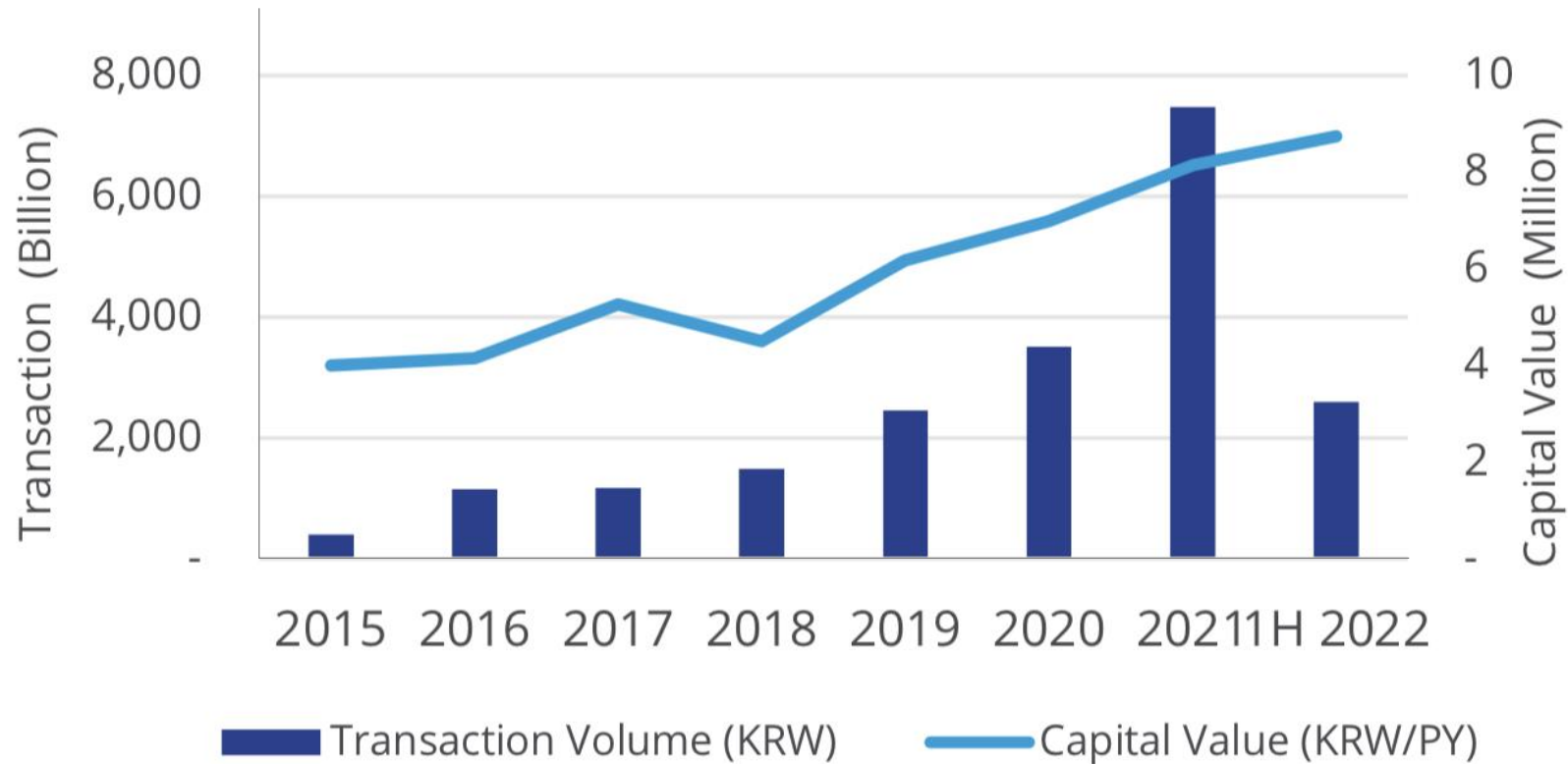
LOGISTICS RENT AND VACANCY RATE



■ Rent (LHS) — Vacancy Rate (% , RHS)

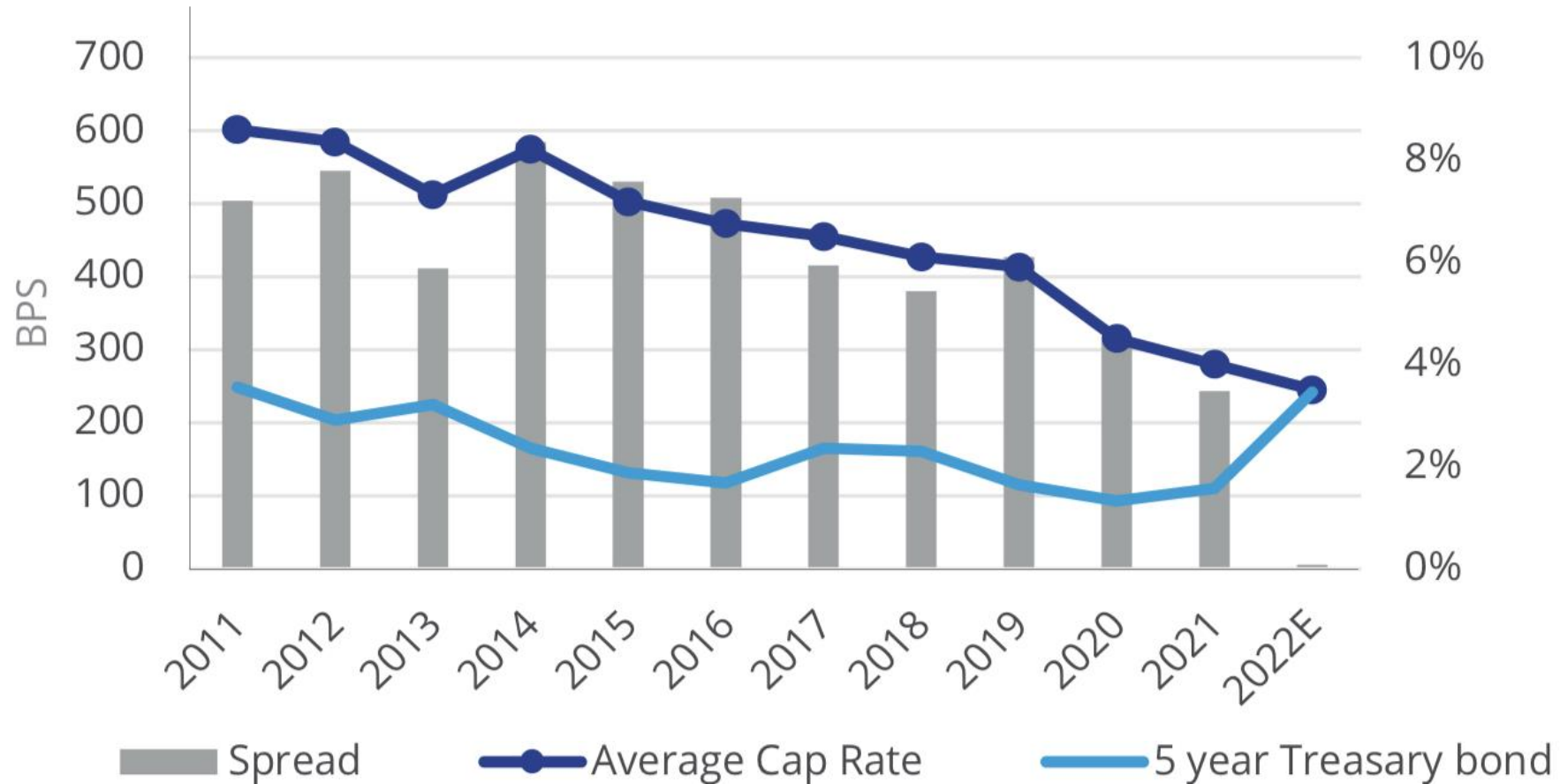
Transaction Volume and Unit Prices in Seoul Metro Area

- Decreasing transaction volume: decreased 36% QoQ in 3Q 2022
- Rising unit sale prices: rose to KRW 8 mil. in 2021 from KRW 5.5 mil. in 2017



Logistics Cap Rate Trend

- Cap rate : fell to the low 3% range in 2Q 2022 from 6% in 2019
-In an upward trend





Real Estate Market Fundamentals

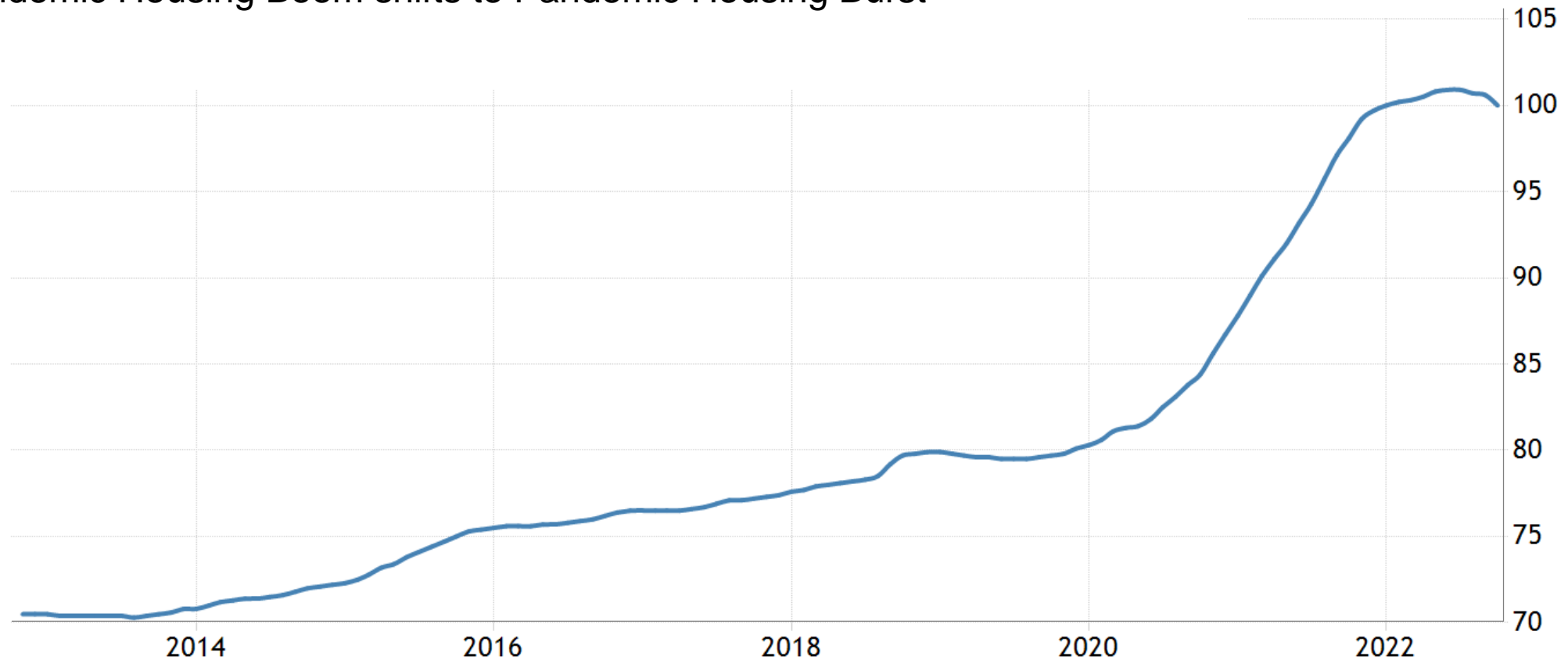
Office

Logistics

Residential

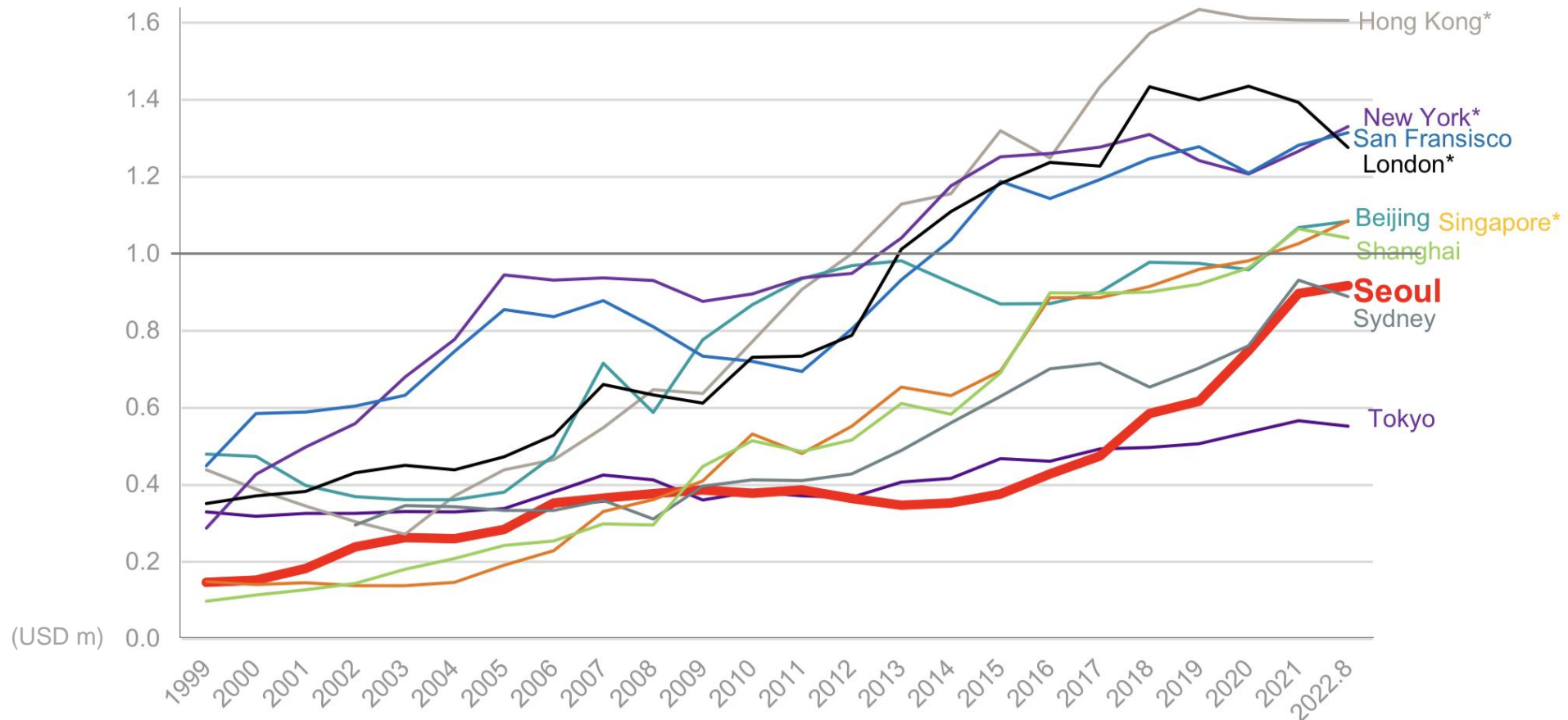
House Price Index

- Over the past 5 years, Seoul home prices more than doubled
- Now home prices are falling steeply since the start of 2022
- Pandemic Housing Boom shifts to Pandemic Housing Burst



Average For-sale Condo Price in Global Cities

- Over the last 20 years, Seoul average condominium price per unit increased by 3.8 times to US\$ 0.9 mil in August 2022





Market Impact of Covid-19 Pandemic

Market Impact of Covid-19 Pandemic

- **The market impact varied depending on property type and location.**
- **Reshaped the markets and created winners and losers**
 - Rapid technology adoption, including e-commerce and teleconferencing
 - **Winners: Logistics, Grade A offices and Residential**
 - **Losers: Hotel (short-term loser), Retail (long-term loser)**
- **Construction Cost Inflation**
 - Increase in materials cost and labor cost induced by Covid-19 Pandemic is delaying construction
- **Bifurcation and Flight to Quality**
 - Tenants are increasingly choosing newer, more modern buildings

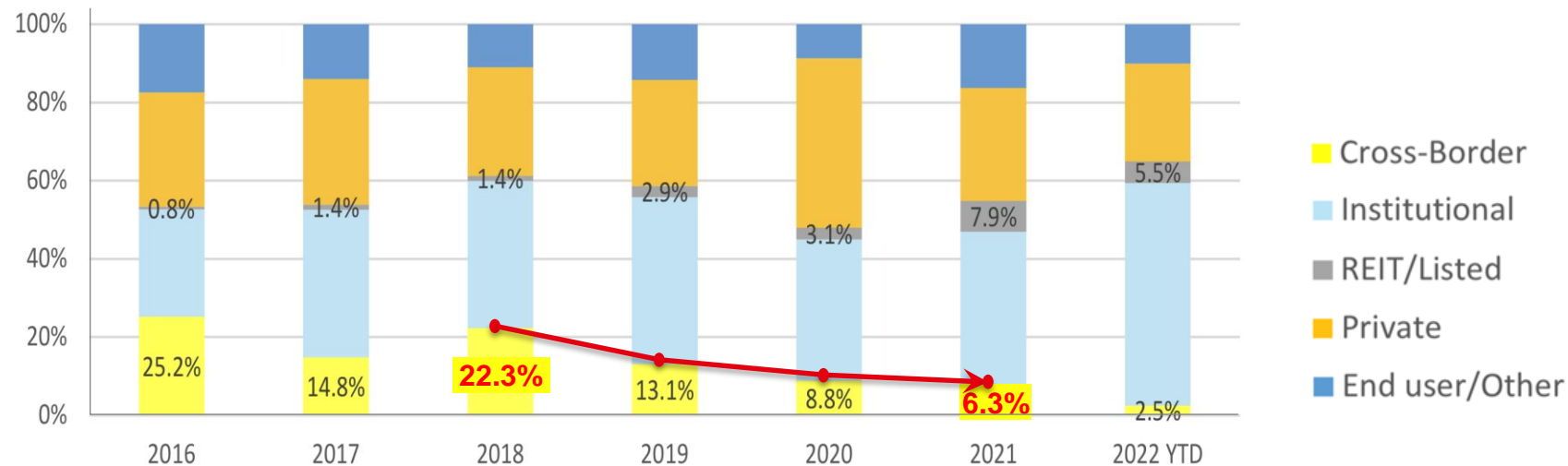
Market Impact of Covid-19 Pandemic

▪ Conversion & Repurpose

- Old offices, failing shopping centers and hotels are converted into residential properties
- Transaction volume of retail and hotel assets was increased sharply

▪ Dominance by domestic investors in Korea real estate investment market

- Accounted for more than 93% of 2021's total investment
- Global investors' proportion decreased to 6.3% in 2021 from 22.3% in 2018





Final Thoughts

Final Thoughts

- The biggest threat is **surging interest rates** rather than Covid-19 Pandemic
- Lack of liquidity and difficulty in raising capital & Cap rate expansion
- Picking the right asset in the right location in the right market is more than paramount.
- Volatility is the New Normal.
- Take the Long View

An aerial photograph of a city, likely Seoul, South Korea, featuring a wide river (the Han River) flowing through the center. The city is densely packed with high-rise apartment buildings. In the background, a range of mountains is visible under a clear sky. The entire image is overlaid with a semi-transparent dark blue filter.

THANK YOU

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Introduction of

CCIM Korea Chapter



CCIM Korea Chapter

Commercial Real Estate's
Global Standard for Professional Achievement

Date of establishment & 2022 President

2002. 09

CCIM Korea Chapter
Launched



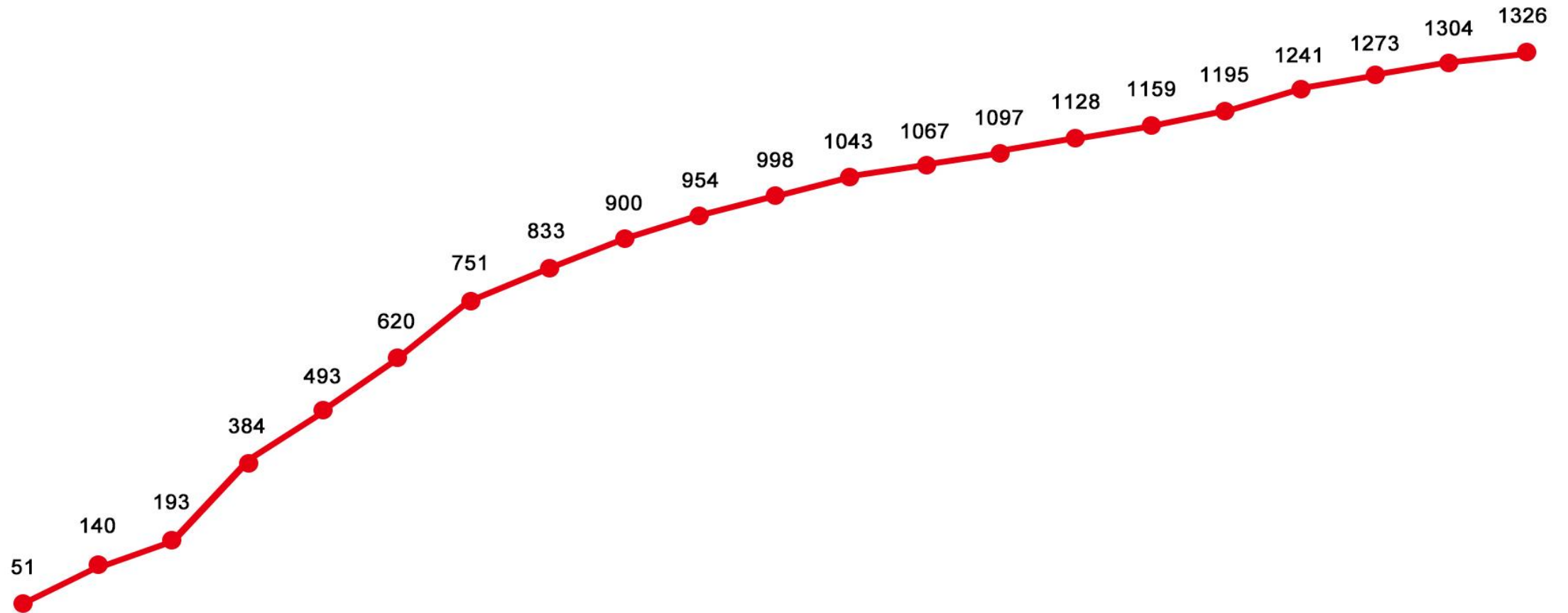
2022 President

Youngsu Weon

CCIM / Ph.D

- ❖ 2022~2023 CCIM Korea Chapter President
- ❖ Korea Asset In Trust advisor

Number of Designees by year



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
51	140	193	384	493	620	751	833	900	954	998	1043	1067	1097	1128	1159	1195	1241	1273	1304	1326

2022 Pinning Ceremony

