

Intelligent Investment

2026

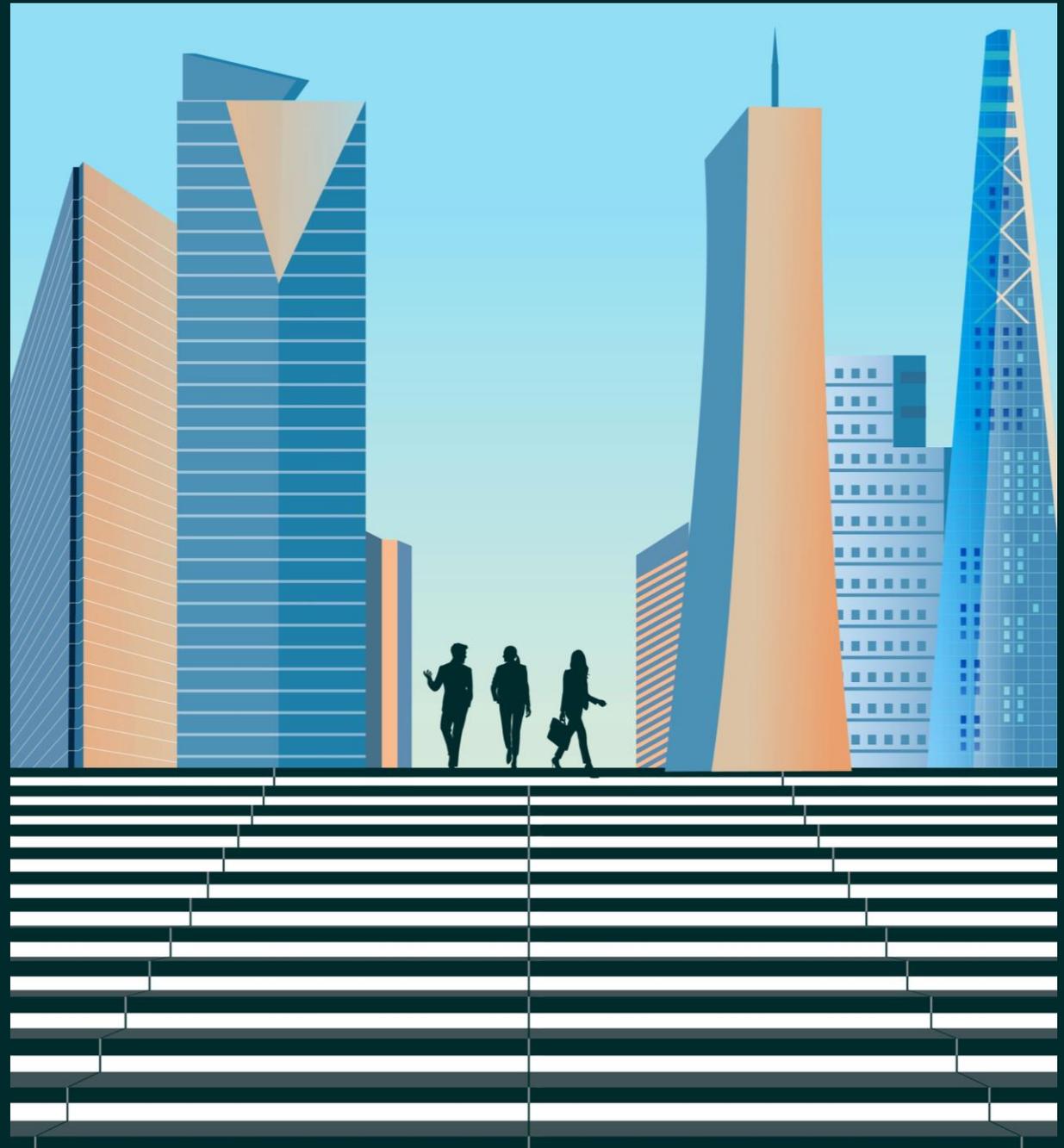
# Korea Real Estate Market Outlook

REPORT

---

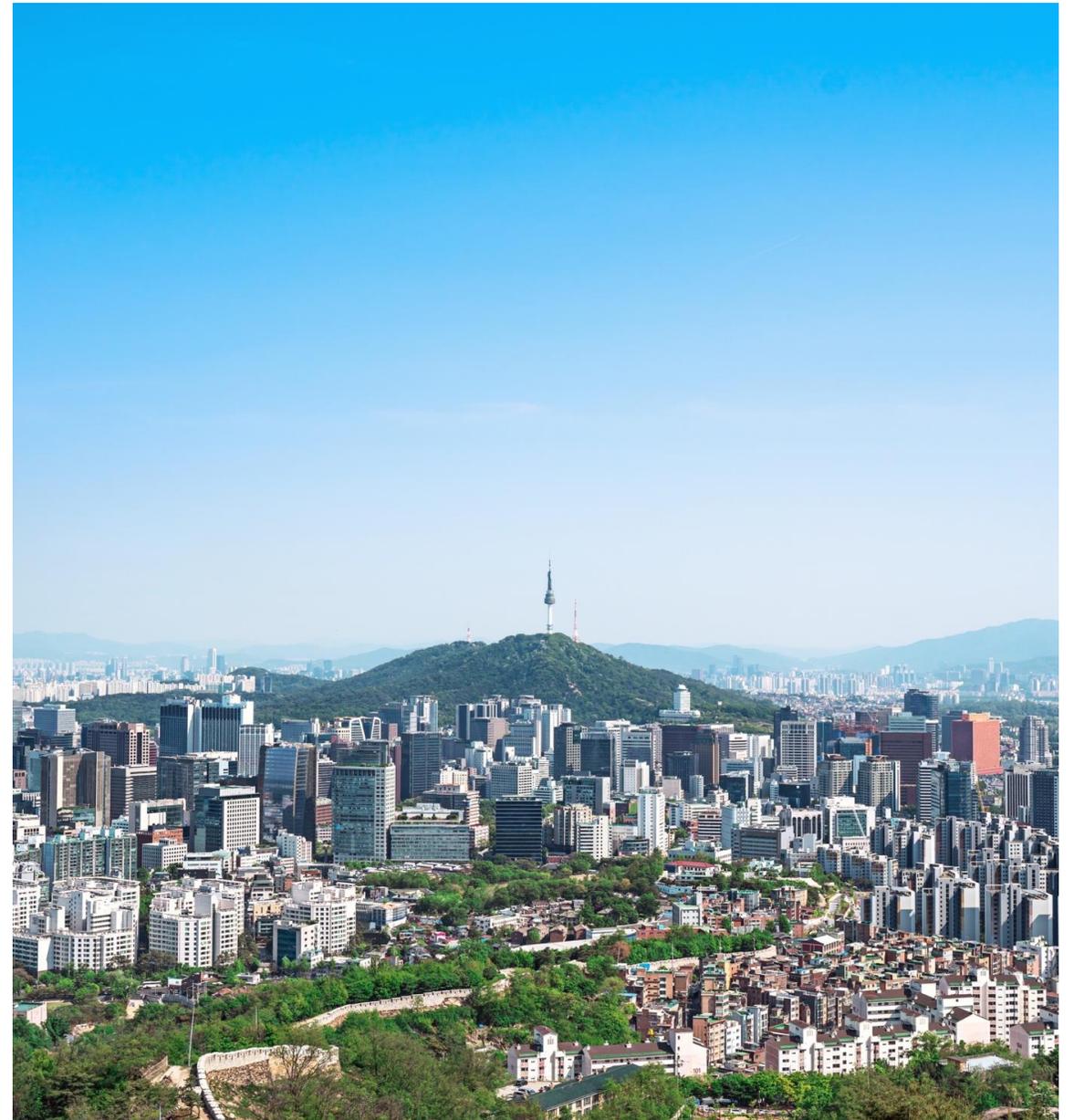
CBRE RESEARCH  
KOREA

**CBRE**



# Contents

- 01 **Economy**
- 02 **Office**
- 03 **Retail**
- 04 **Logistics**
- 05 **Investment**



01

# Economy

# 2025 Macro Review

**2.5%**

Accommodative monetary policy continues; base rate cut by 50bps ▼

**1,968** Trillion KRW

Household debt reaches record high



Persistent high exchange rate; shift to 'new normal'



**1,450~1,500**KRW

2025

**130**

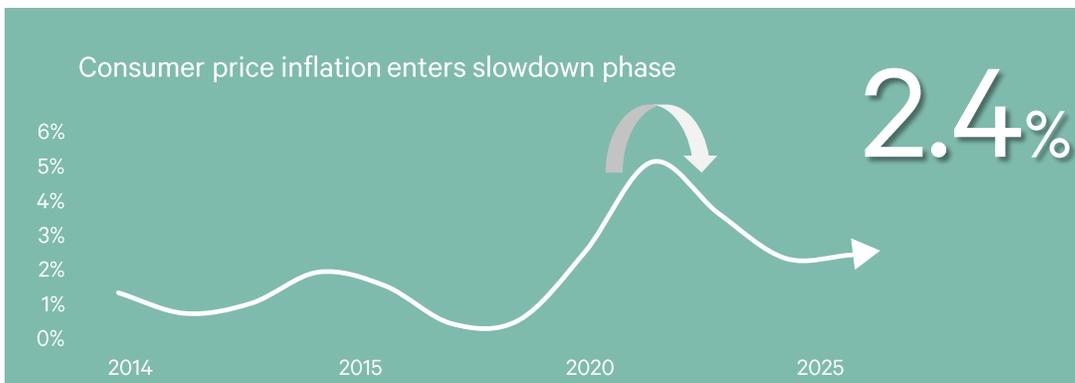
(2020 = 100 base)

Non-residential construction cost index commences stabilization phase

BSI (Business Survey Index)

**Remains below 100**

Achieved 80-90+ in H2 2025



**1.0% Level**

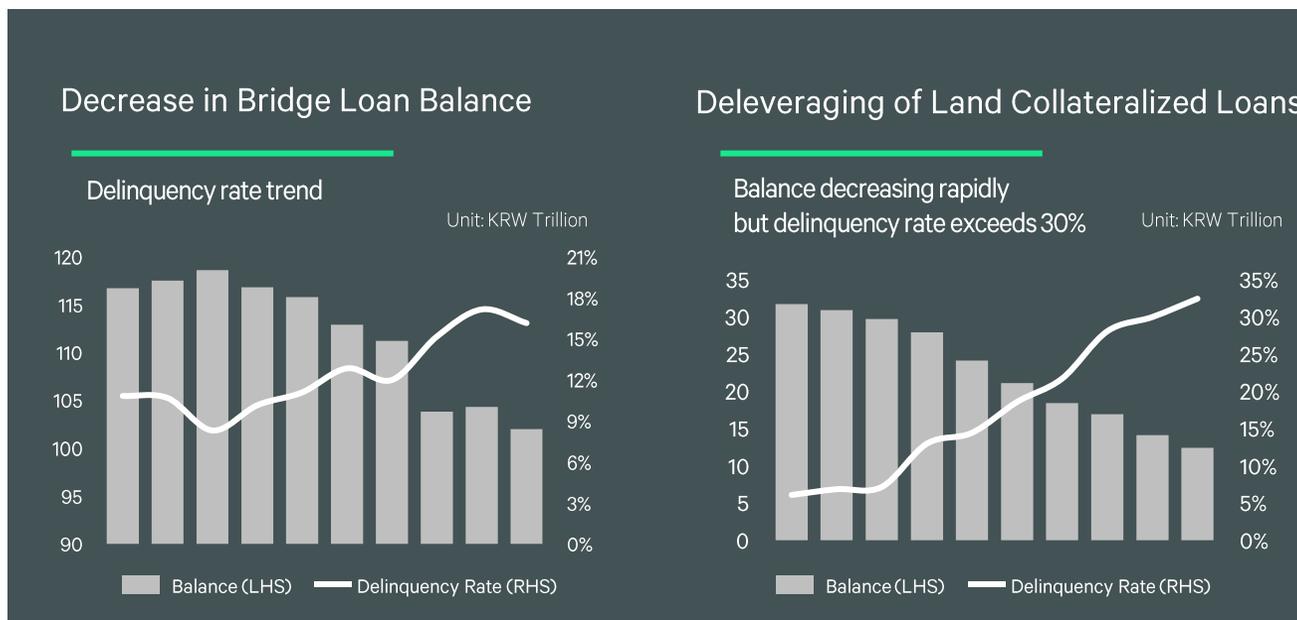
2025 GDP Growth Rate (Forecast)



Unemployment Rate

**2.2%**

Falls to record low but primarily due to rise in economically inactive population



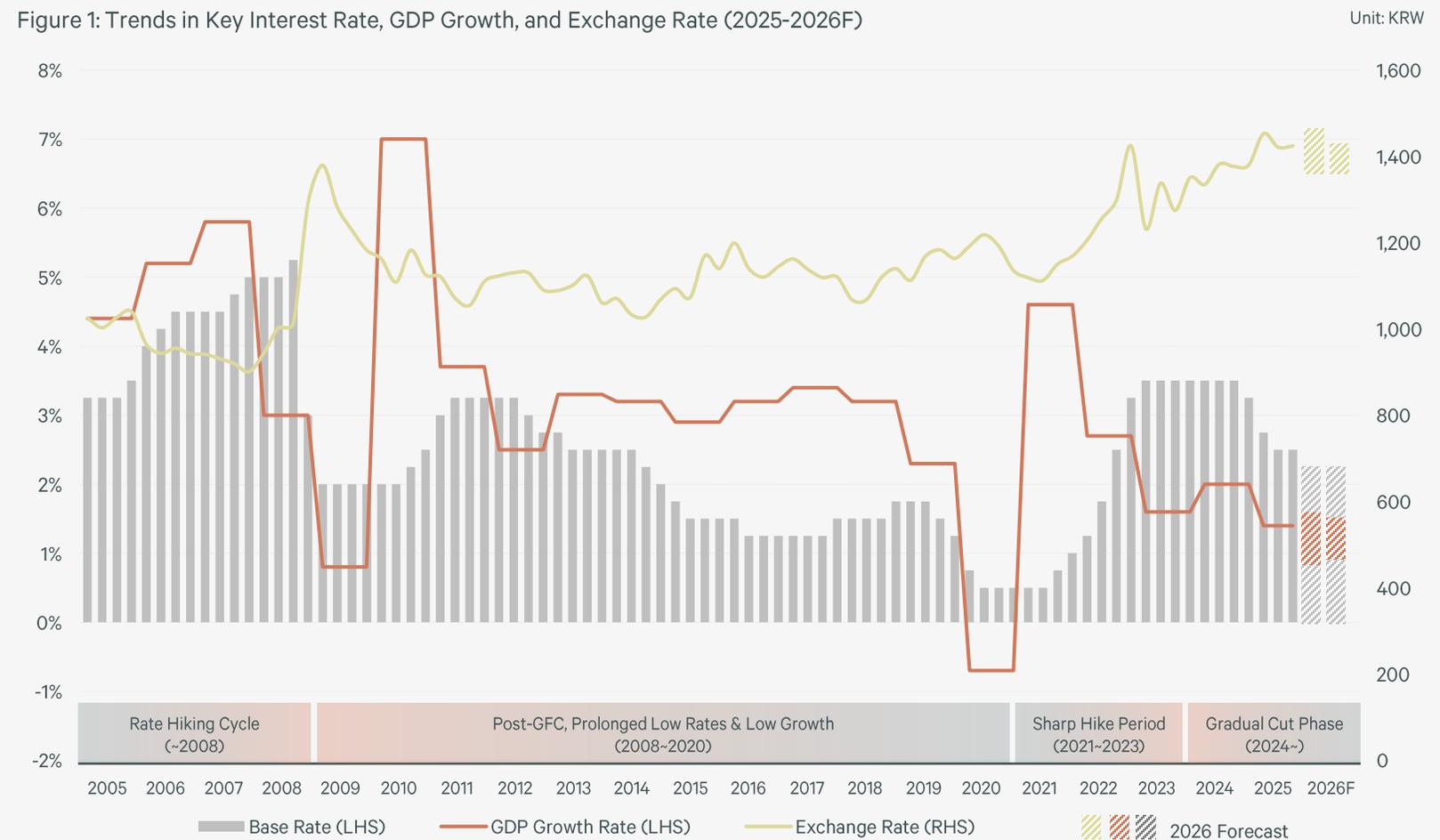
## Korea's macroeconomy to reach turning point in 2026

Korea's macroeconomic environment is expected to reach a turning point this year as the economy transitions from a prolonged period of high interest rates and inflation toward gradual rate cuts and economic recovery. After being constrained by elevated borrowing costs through 2023, the commercial real estate market entered a correction phase in H2 2024 and rebounded in 2025 following two rate cuts, recording a historically high level of transaction activity.

Monetary policy in 2026 is expected to remain accommodative, though at a slower pace, with one additional rate cut anticipated as policymakers balance price stability against downside growth risks. Meanwhile, GDP growth, estimated at around 1.0% in 2025, is forecast to recover toward the 2.0% range in 2026, supported by improving exports and a gradual rebound in domestic demand.

Improving macroeconomic conditions should support liquidity inflows into capital markets and underpin commercial real estate investment. However, persistent KRW/USD volatility, elevated household debt, and housing market risks in the Seoul metropolitan area are likely to constrain the pace of policy easing. As a result, 2026 is set to be a year in which selective, risk-aware investment strategies become increasingly important amid improving but still uncertain economic conditions.

Figure 1: Trends in Key Interest Rate, GDP Growth, and Exchange Rate (2025-2026F)



Source: Oxford Economics, National Data Agency, January 2026.

## Business sentiment and labor market expected to be stagnant

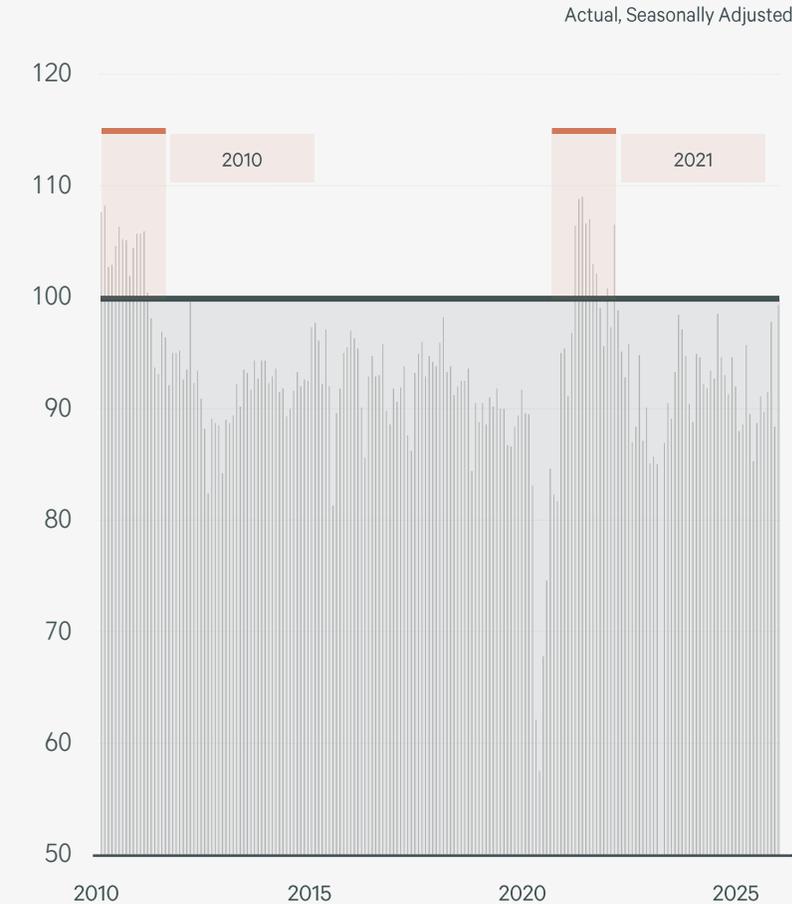
Business sentiment and labor market conditions in Korea are expected to remain subdued in 2026, reflecting entrenched low growth and ongoing structural transformation across industries.

While the Business Survey Index (BSI) showed marginal improvement in export-oriented sectors in H2 2025, it continued to remain below the neutral threshold amid weak domestic demand and persistent global supply chain uncertainty. With economic growth projected to hover around potential growth levels, corporates are likely to maintain a cautious stance on capital expenditure and hiring, particularly as the effects of higher interest rates linger.

Labor market conditions are undergoing structural change, driven by demographic shifts and technological transformation. The slowdown in employment growth has become more pronounced, with the economically active population set to contract further in 2026. Although headline unemployment remains low, this partly reflects demographic effects rather than a robust labor market.

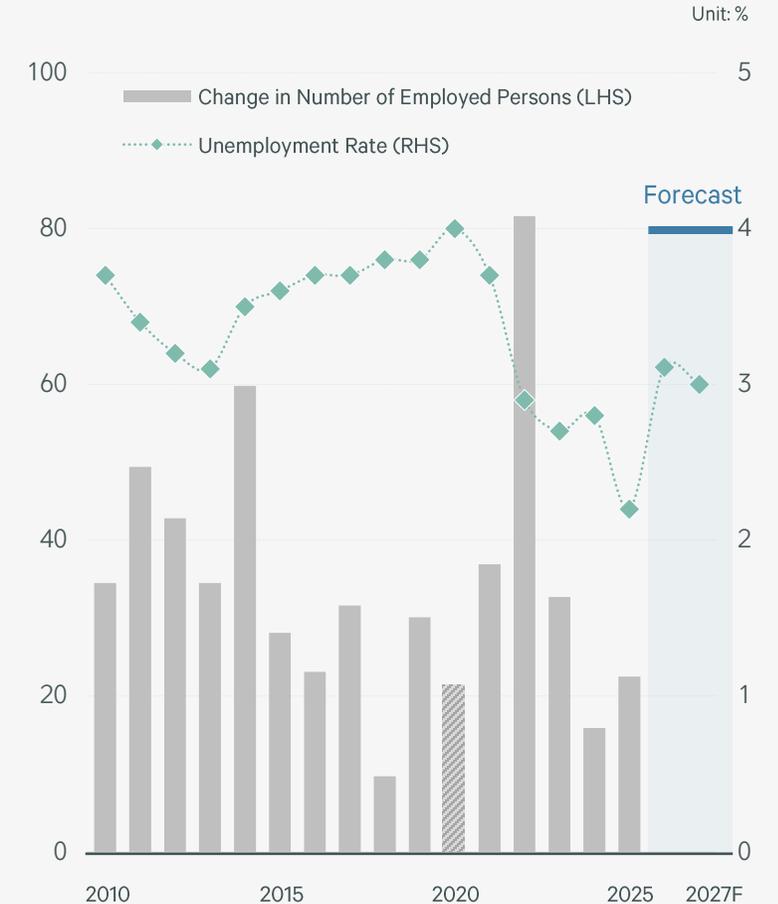
At the same time, accelerated adoption of AI will deepen skills mismatches, with declining demand for routine roles contrasting with rising demand for highly skilled labor. This structural polarization is likely to have longer-term implications for corporate workforce strategies and office demand dynamics.

Figure 2: Trends in Business Survey Index (BSI)



Source: Federation of Korean Industries (FKI), e-National Indicators, Oxford Economics, December 2025.

Figure 3: Trends in Employment Change and Unemployment Rate



\*2020: -21.8 (Negative growth)

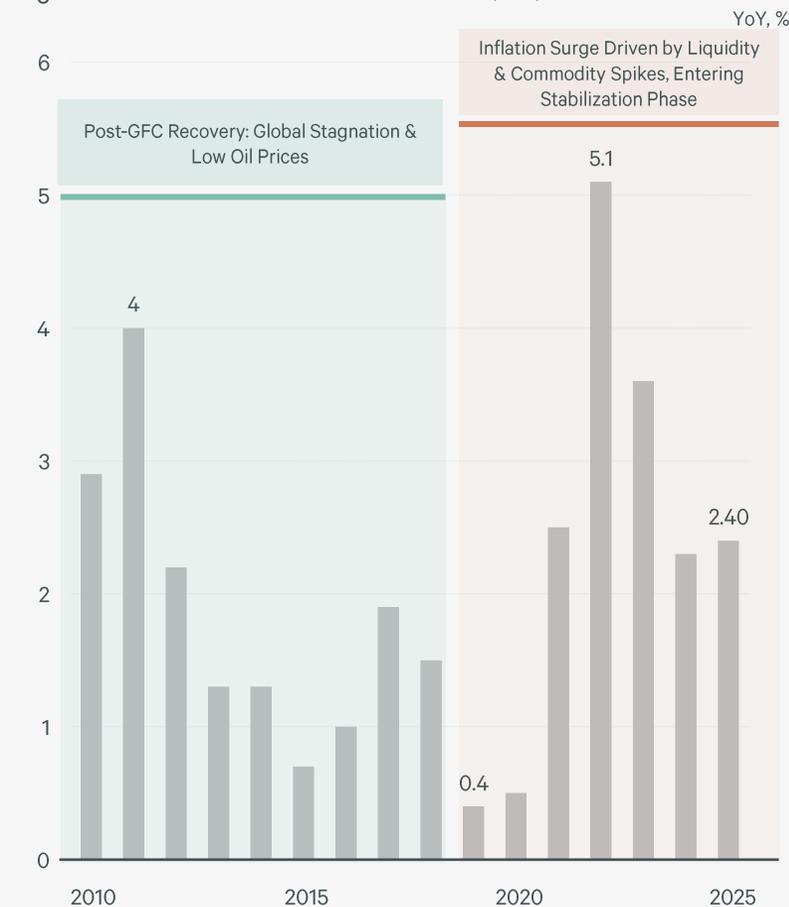
## Non-residential construction costs poised to stabilize further

Following the accommodative policies implemented after the Global Financial Crisis (GFC), Korea experienced a prolonged period of low growth and subdued inflation. However, the COVID-19 pandemic and heightened geopolitical risk triggered significant supply chain disruption, leading to an exceptional inflationary cycle. While inflation entered a more stable phase in 2025 after an extended period of monetary tightening, concerns over potential re-acceleration remain amid an expected rate cut cycle in 2026.

Non-residential construction costs followed a similar trajectory, rising sharply from 2020 onward. By 2022, cumulative increases reached nearly 20%, an unprecedented surge that significantly inflated development costs and constrained the feasibility of new projects, particularly in securing Project Financing (PF).

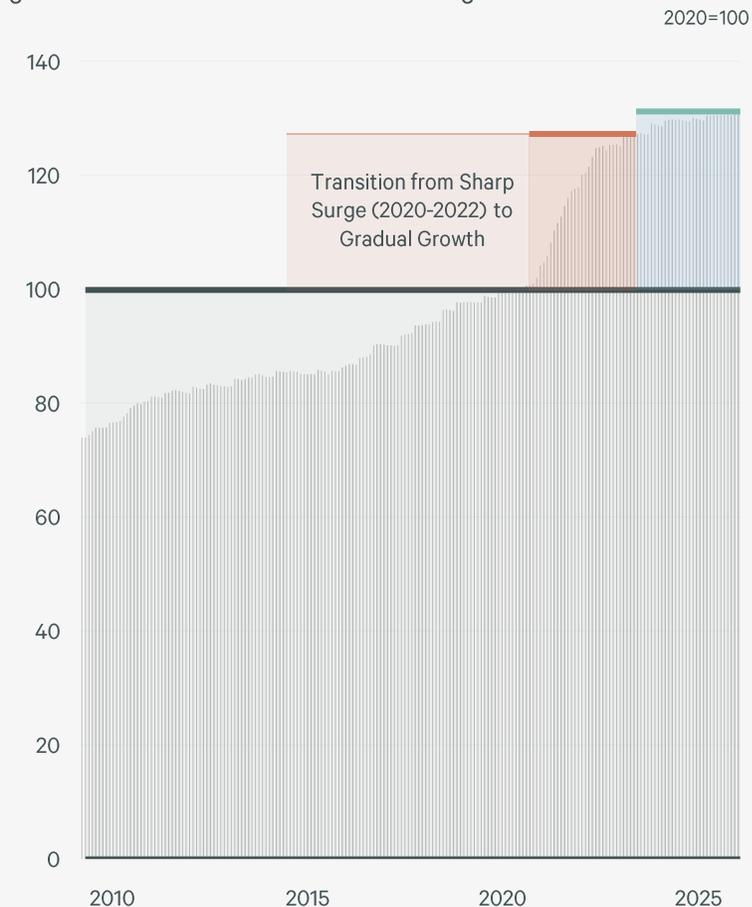
Since 2023, construction cost indices have shown signs of gradual stabilization as supply chain disruptions ease. While cost levels remain elevated, sharp volatility is unlikely in 2026. Instead, the market's focus is expected to shift toward managing structurally higher cost bases, with future development increasingly reliant on strategic asset planning and enhanced operational efficiency rather than cost compression alone.

Figure 4: Trends in Consumer Price Index (CPI)



Source: e-National Indicators, January 2026.

Figure 5: Trends in Non-residential Building Construction Cost Index



## Delinquency rates in PF market to remain elevated

Delinquency risks in Korea’s PF market have intensified over the past two years, with a broad-based deterioration in asset quality. In particular, delinquency rates for bridge loans and land-backed loans have risen sharply, highlighting elevated risks in subordinated and early-stage development financing.

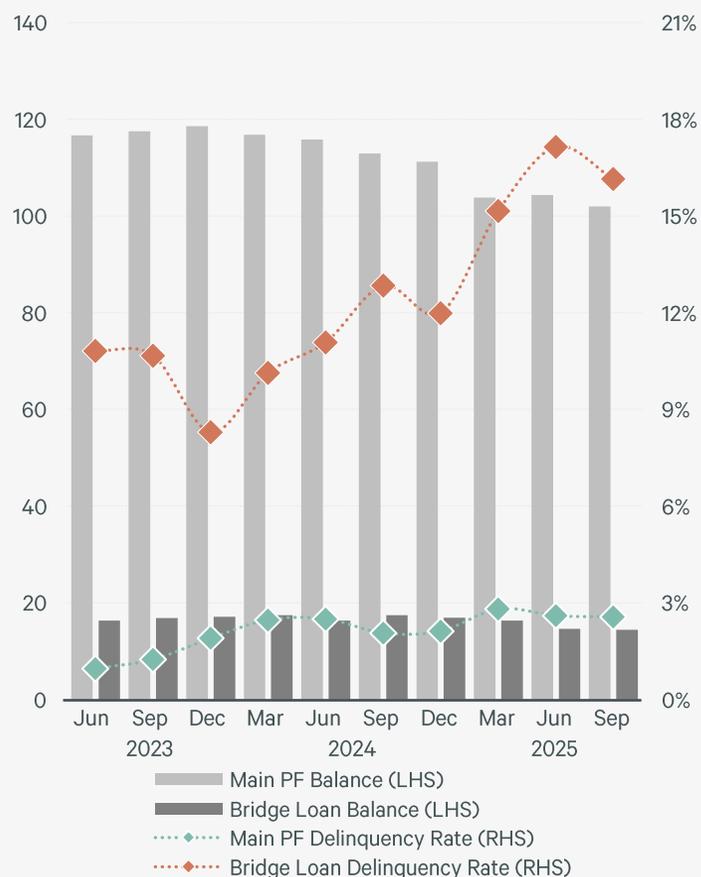
While outstanding balances of main PF loans declined marginally, delinquency rates increased nearly threefold, rising from 0.96% in June 2023 to 2.60% as of September 2025. Despite the shift toward lower interest rates, weakening pre-sales, elevated construction costs, and softer demand have intensified stress even among projects that had previously secured funding.

Bridge loan delinquency reached 16% in H1 2025, up 6%p from two years earlier, reflecting delays in conversion to main PF amid permitting delays and deteriorating project feasibility. Land-backed loans saw the most pronounced deleveraging, with delinquency rates surging from 6% to 32% while outstanding balances halved, as lenders prioritized asset disposals and loan sales for weaker, less liquid assets.

Government-led and financial institution-driven deleveraging efforts are underway to stabilize the PF market, contributing to the recent contraction in PF balances. Policy-driven “soft-landing” initiatives will remain a focus throughout 2026.

Figure 6: Balance and Delinquency Rates of PF & Bridge Loans

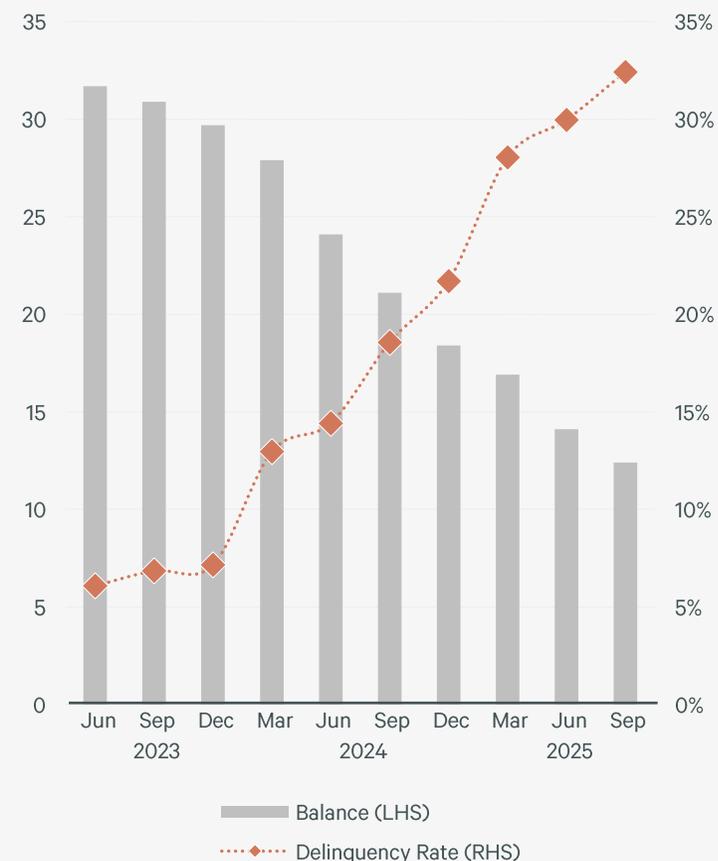
Unit: KRW Trillion



Source: Financial Services Commissions(FSC) December 2025.

Figure 7: Balance and Delinquency Rates of Land Loans

Unit: KRW Trillion



02

Office

# 2025 Office Market Review

**40,768** KRW/sq. m.



Nominal rental growth continues  
▲ 6.9% (y-o-y)

**38,381** KRW/sq. m.

Effective rental growth slows  
vs. 9.9% (2024)

▲ 6.5% (y-o-y)

Office Supply Volume in 2025

**117,000** sq. m.

Finance  **38%**

IT  **13%**

Relocation **58%**

New **19%**



**3.3%**

Vacancy rate rises but remains low  
▲ 0.9% (y-o-y)

Vacancy Rate by District -  
No significant difference between districts,  
but CBD shows the largest increase  
(Parentheses indicate 2024 vacancy rates)

District	2025	2024
<b>CBD</b>	4.1%	(1.9%)
<b>GBD</b>	2.2%	(2.4%)
<b>YBD</b>	3.3%	(3.4%)

**384,000** sq. m. Leasing activity at a similar level to 2024



Year	Leasing Activity (sq. m.)
2016	~350,000
2017	~380,000
2018	~350,000
2019	~360,000
2020	~350,000
2021	~360,000
2022	~350,000
2023	~340,000
2024	~330,000
2025	~340,000



As of year-end 2025,  
53 Grade A office projects  
identified (~2032F)

Approx. **5,840,000** sq. m.

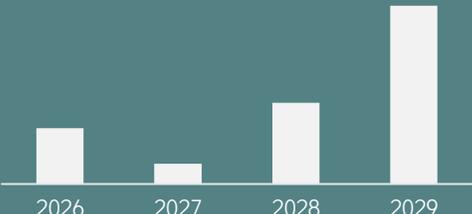
**CBD** remains dominant,  
**GBD** on an upward trend

District	Count	Area (sq. m.)
<b>CBD</b>	#39	418M
<b>GBD</b>	#10	141M
<b>YBD</b>	#4	25M

**19** projects (~2029)

Supply visibility increases  
due to PF conversion

Approx. **1.49M** sq. m.



Year	Supply Visibility (sq. m.)
2026	~0.5M
2027	~0.2M
2028	~0.8M
2029	~1.5M



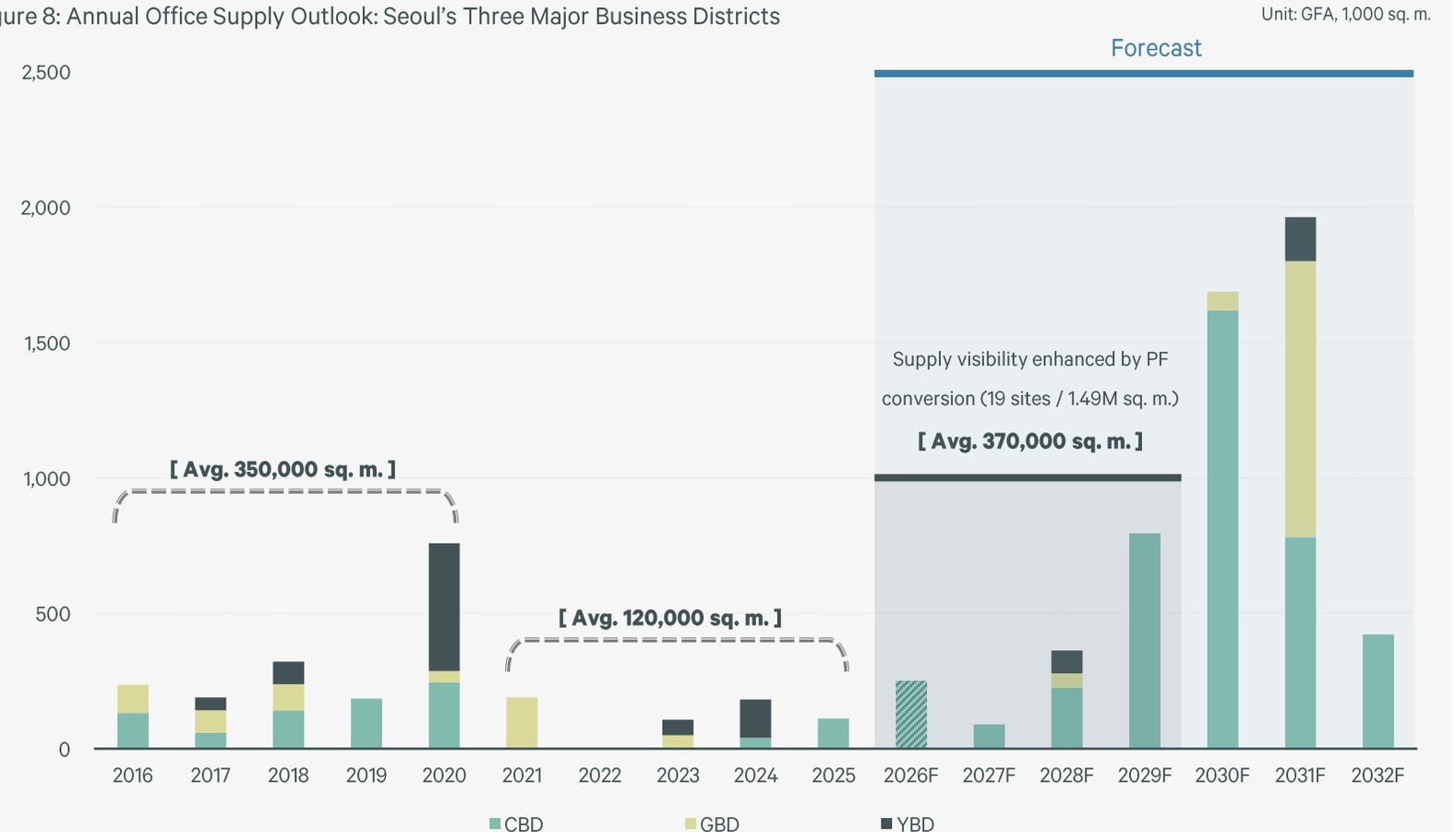
## Turning point in office supply as stock rebounds and pipeline visibility improves

Seoul's Grade A office market is expected to enter a phase of near-term supply recovery in 2026, led by the completion of three large-scale assets in the CBD, including G1 Seoul, Eul Tower, and Rene Square. In contrast, new supply in the GBD and YBD is expected to remain limited for the time being.

Average annual Grade A office supply across Seoul's major business districts declined sharply to around 120,000 sq. m. post-pandemic, compared with approximately 340,000 sq. m. between 2016 and 2020, resulting in a prolonged supply shortage. The delivery of around 240,000 sq. m. of new space in 2026 is expected to facilitate relocation activity by large anchor tenants and partially ease supply constraints.

The medium- to long-term pipeline is becoming increasingly visible, with more than 50 office development projects planned across the three major districts through 2032. Some 19 projects scheduled for completion by 2029 have already secured main PF financing and entered the construction phase, reinforcing supply certainty despite potential delays for several assets. As a result, 2026 is expected to mark a clear inflection point, signaling a return toward pre-pandemic supply levels, even as regulatory and financing risks continue to pose upside constraints on longer-term delivery.

Figure 8: Annual Office Supply Outlook: Seoul's Three Major Business Districts



Grade A: Reflects quantitative and qualitative factors—including location, completion year, asset quality, tenants, and rent—for assets with GFA of 33,000 sq. m. or more in Seoul's three major districts.

Source: CBRE Research, January 2026.

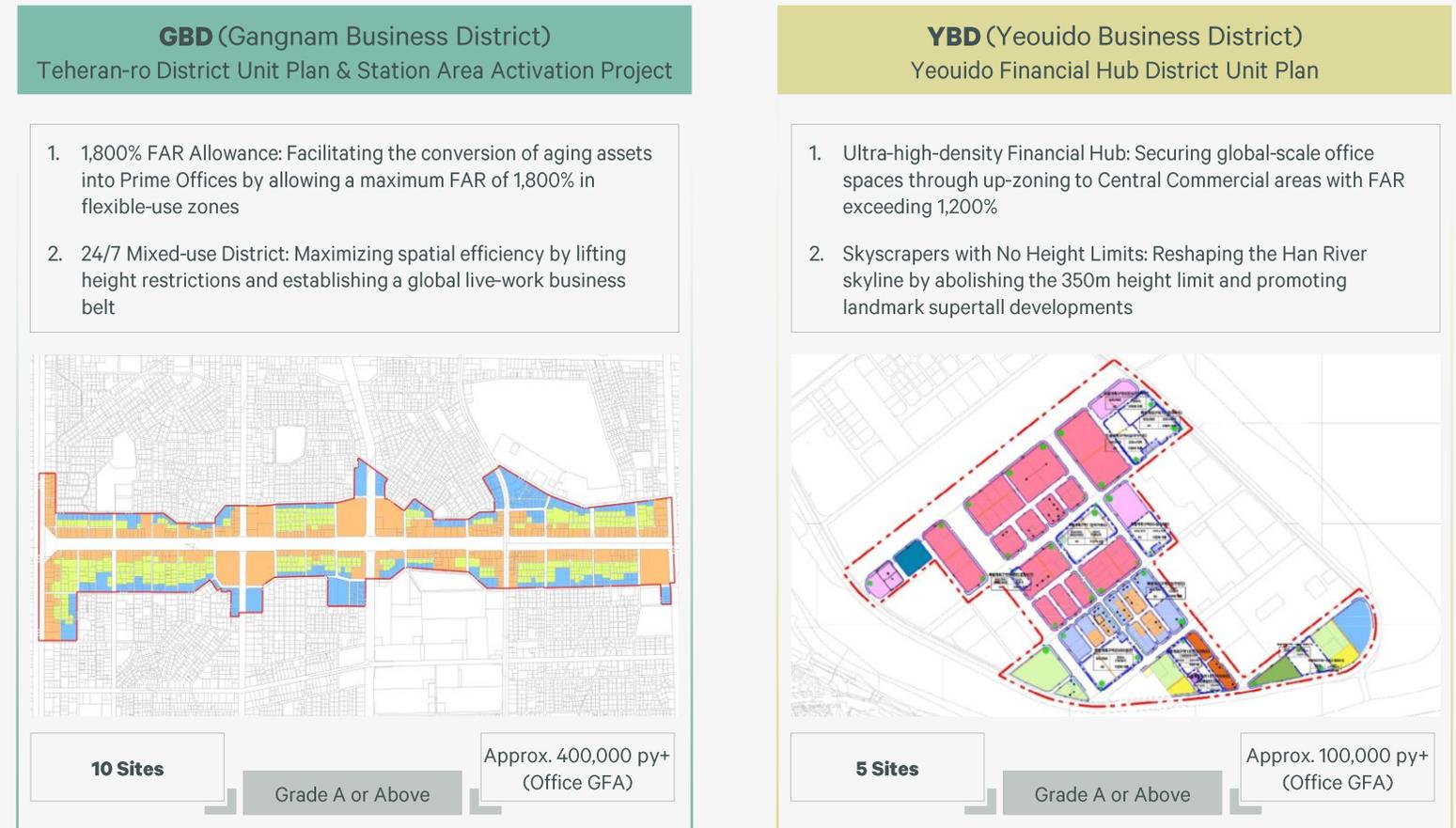
## Development momentum to expand; intensification and spatial growth in the GBD and YBD

Despite the absence of near-term supply in the GBD and YBD, development momentum across Seoul's major business districts is gaining traction, led by an increasingly visible pipeline in the CBD. As a result, 2026 is expected to mark a period of broader acceleration in development activity across the city.

In the GBD, redevelopment has been catalyzed by the reorganization of the Teheran-ro district unit plan and station-area revitalization initiatives. The allowance of floor area ratios of up to 1,800% and the removal of height restrictions are strongly incentivizing the conversion of ageing stock into prime-grade offices. Large-scale projects at both ends of the district, including the Seoripul Special Planning Area and the GBC precinct, are expected to drive the outward expansion of GBD from Seocho to Jamsil. Notably, the Seoripul Mixed-Use Development (c. 600,000 sq. m.), currently under construction with completion targeted for 2030, has reportedly begun lease negotiations with major domestic and global occupiers.

In the YBD, redevelopment activity remains selective, centered on owner-occupied assets. However, following the designation of the Yeouido Financial Hub district unit plan in 2024, increased density allowances of up to 1,200% and the removal of height limits are expected to enable the long-term delivery of high-density, globally competitive office space.

Figure 9: Key District Unit Plans and Supply Pipeline by District



Source: CBRE Research, January 2026.

## Leasing activity set to rebound, supported by new supply

Since 2021, limited supply and rapid growth in effective rents have significantly constrained tenant mobility in Seoul's Grade A office market. Leasing volume in 2025 edged up marginally from 2024 but remained near historically low levels, reflecting a prolonged period of subdued activity.

In 2026, leasing activity is expected to rebound by approximately 10–15% y-o-y, supported by a recovery in new supply. Increased availability is likely to broaden tenant options and re-activate pent-up flight-to-quality demand that has been deferred in recent years. Historically, the Seoul office market has demonstrated a virtuous cycle in which new supply has consistently generated net absorption, even amid macroeconomic volatility.

However, the recovery is expected to be tempered by divergent corporate performance, structurally elevated rent levels, and higher asking rents for new developments reflecting increased construction costs. With landlords maintaining pricing power amid low vacancy, ongoing negotiation dynamics are likely to slow decision-making. As a result, absorption of new space may proceed at a measured pace, with vacancy forecasted to rise modestly but remain below 5% by year-end 2026.

Figure 10: Annual Leasing Activity (Excluding Renewals)

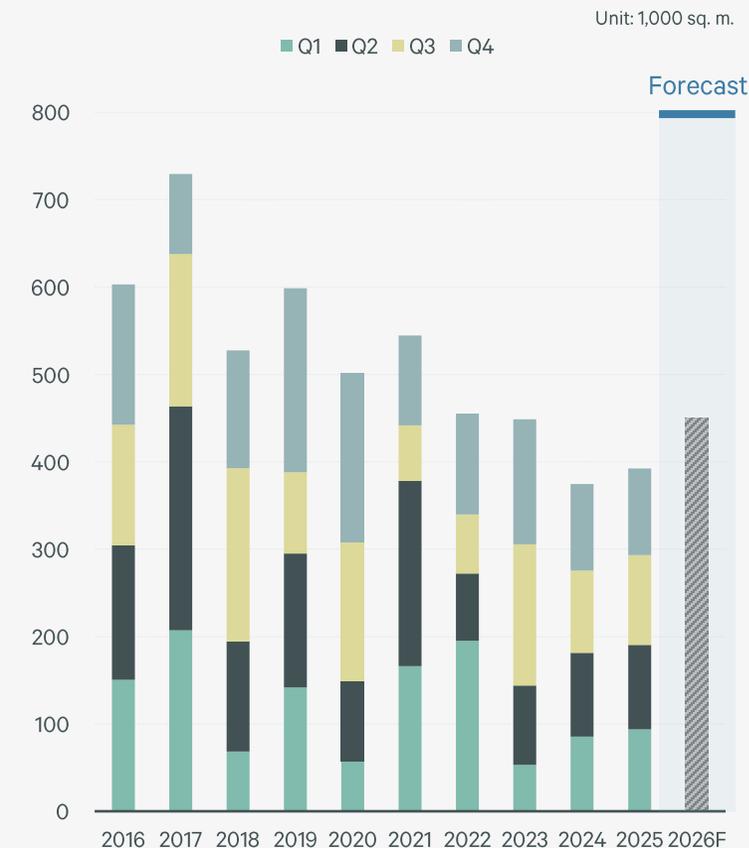
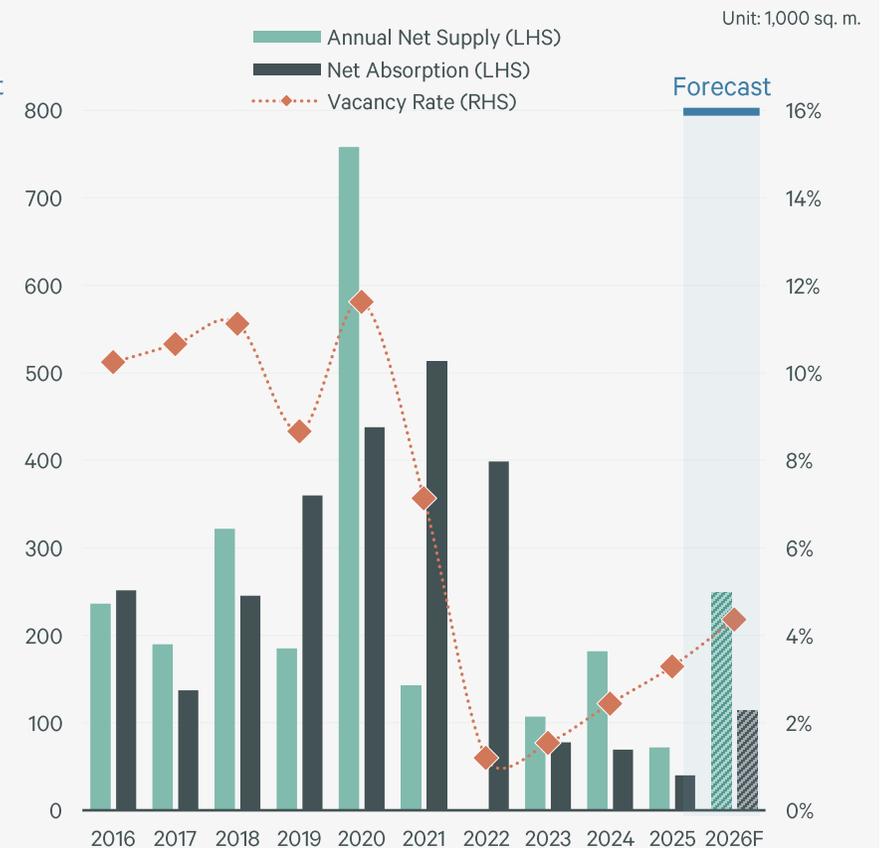


Figure 11: Annual Net Supply, Net Absorption, and Vacancy Rate Trends



Source: CBRE Research, January 2026.

\*Net absorption: the net change in occupied space within the market over a given period

## Office-based employment to remain on upward track

Despite the projected decline in Korea's economically active population and heightened uncertainty in the labor market, office-based employment in Seoul—the fundamental demand driver for the office market—has continued to expand, underpinning resilient demand for office space.

The number of office workers in Seoul surpassed 2.9 million for the first time in 2023 and reached approximately 3.0 million in 2024. While a temporary moderation was observed in H1 2025 amid an economic slowdown and corporate workforce optimization, employment is expected to return to a growth trajectory in H2.

Employment in Seoul's major business districts has remained on a steady upward trend between 2021 and 2025. Even as citywide employment edged down in H1 2025, key office districts continued to support more than 1.13 million workers.

This resilience is underpinned by Korea's strong in-office work culture. CBRE's 2025 office occupier survey shows that around 70% of domestic respondents operate on a five-day in-office basis, significantly higher than the Asia Pacific average of 28%, indicating a near-complete normalization of office attendance. This structural return-to-office dynamic is expected to provide a firm demand floor for Seoul's Grade A office market in 2026.

Figure 12: No. of Office Employees in Seoul and Major Business Districts

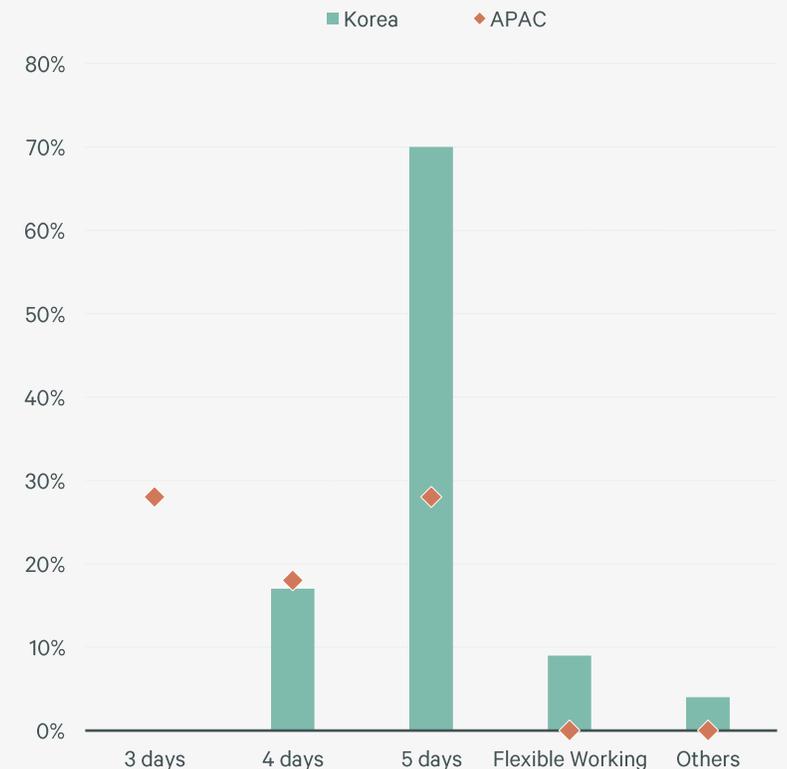


Definition of Office Employees: Includes managers, professionals and related workers, and clerical workers.

Major Business Districts: Jung-gu, Jongno-gu, Yongsan-gu, Gangnam-gu, Yeongdeungpo-gu, Seocho-gu, Songpa-gu, and Seongnam-si.

Source: KOSIS, December 2025.

Figure 13: Average Office Attendance Days: Korea vs. Asia-Pacific



Source: 2025 CBRE Asia Pacific Office Occupier Survey.

## Period of renewed price discovery between landlords and occupiers expected

Since the onset of supply constraints in 2021, prime office rents across Seoul’s major business districts have risen at an unprecedented pace, driven primarily by a sharp contraction in rent-free incentives.

Average rent-free periods declined from approximately three months in 2021 to just 0.7 months by Q4 2025, significantly narrowing the gap between headline and effective rents and materially increasing occupiers’ cost burden. While the pace of effective rental growth has moderated since rent-free periods fell below one month in 2023, cumulative rental growth has exceeded 50% over the past four years, pushing rents to historic highs.

Elevated rental levels, combined with rising reinstatement and fit-out costs, have emerged as key constraints on leasing activity, constraining both relocation and renewal decisions. Against this backdrop, 2026 is expected to mark a period of renewed price discovery between landlords and occupiers. While rental growth is likely to persist, a partial recovery in rent-free incentives may temper the pace of any increases and widen the gap between headline and effective rents.

Figure 14: Seoul Office Face & Effective Rent and Rent-Free Trends



Source: CBRE Research, January 2026.

## Rental polarization according to asset quality set to intensify

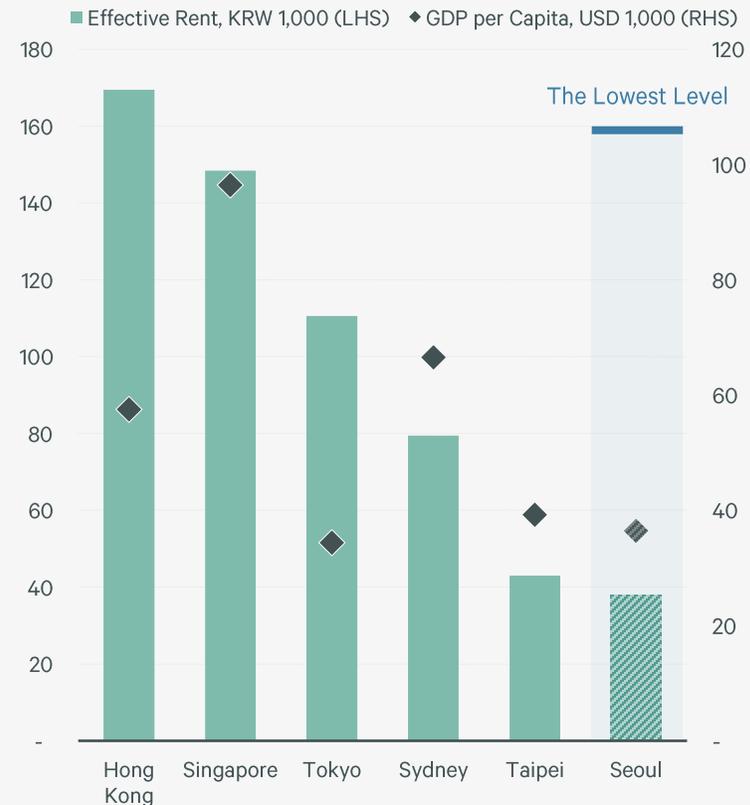
To assess the sustainability and direction of Seoul's office rents, CBRE compared Grade A office rents in Seoul with those of major Asia Pacific office markets. Despite Korea's per capita GDP surpassing that of Japan, Seoul's Grade A office rents are among the lowest in the region, at just one-third of Tokyo's level.

This suggests that, notwithstanding Korea's position as a top-10 global economy with comparable economic fundamentals to other advanced Asian markets, office rents in Seoul remain undervalued relative to the city's economic maturity, indicating further upside potential toward global benchmarks.

As market maturity increases, rental polarization between asset classes will intensify. In Tokyo, rents for prime assets in Marunouchi can be up to twice those of standard Grade A offices, with non-prime assets converging toward roughly half of prime rental levels. Given that the current rental gap between prime and Grade A assets in Seoul stands at approximately 22–34%, price leadership by prime assets and further differentiation across asset grades are likely to accelerate.

Accordingly, 2026 is expected to mark a period of structural reordering in the Seoul office market, characterized by a gradual upward recalibration of rents in line with Korea's economic stature, alongside the maximization of prime asset values and a widening gap between asset classes.

Figure 15: Effective Rent per sq. m. for Grade A Offices vs. GDP per Capita by Major City



Prime Grade: Reflects quantitative and qualitative factors including location, completion year, asset quality, tenants, and rent for assets with GFA of 99,000 sq. m. or more in Seoul's three major districts.

Source: Oxford Economics, CBRE Research, December 2025.

Figure 16: Comparison of Face Rent per sq. m.: Prime vs. Grade A Offices by Seoul's Three Main Business District

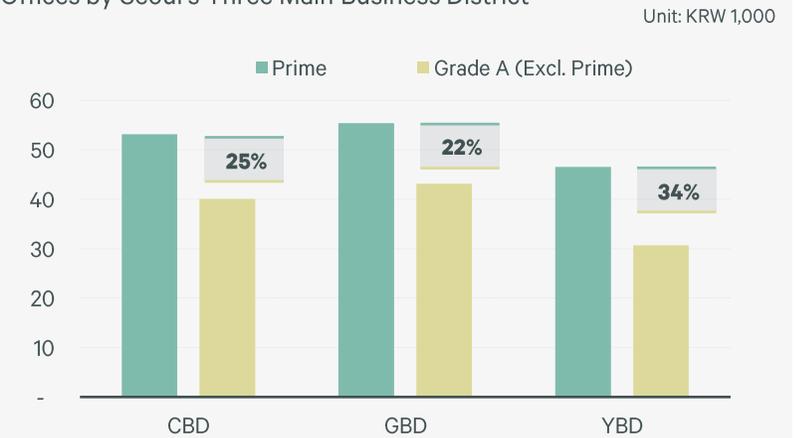
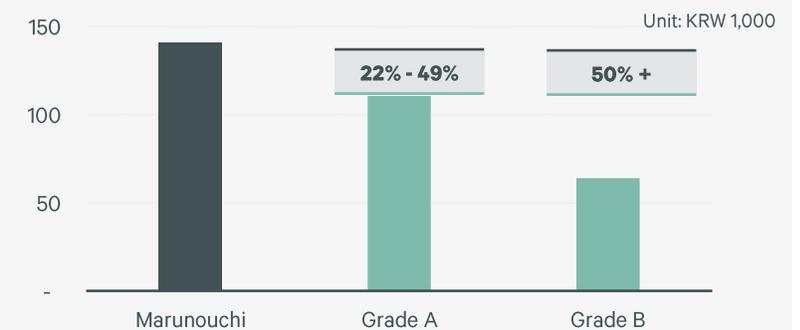


Figure 17: Comparison of Face Rent per sq. m. by Asset Grade in Tokyo



## Rental outlook to be driven by rising development costs

As of Q4 2025, average ENOC\* for Grade A offices in Seoul’s CBD (excluding prime assets) stood at approximately KRW 370,000 per pyeong, with rental differentiation across assets expected to widen further. Prime CBD offices exceeding 30,000 pyeong and offering superior amenities are setting market benchmarks, achieving ENOCs ranging from KRW 480,000 to nearly KRW 510,000 for new leases. Upcoming completions are also targeting ENOCs in the low KRW 400,000 range, above the CBD Grade A average.

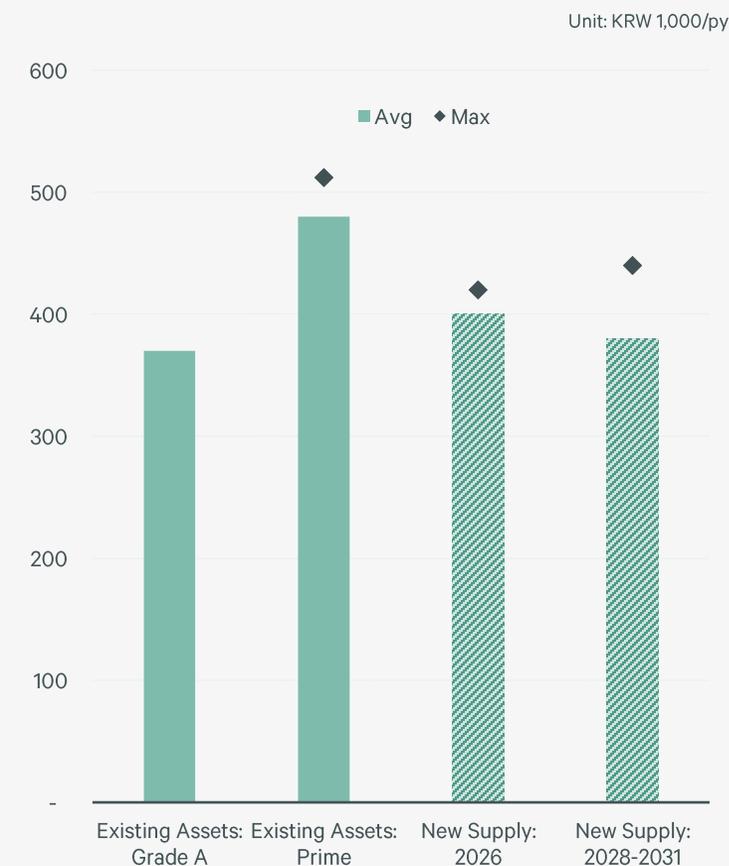
ENOCs for assets in the mid- to long-term CBD pipeline (2028–2031), assuming annual rental growth of 2%, are estimated at KRW 380,000–440,000 by 2026. This reflects not only asset value appreciation but also structurally higher development costs. With transaction prices for existing CBD Grade A offices in the low-to-mid KRW 30 million per pyeong range, compared with development costs exceeding KRW 50 million per pyeong for new projects, landlords face limited flexibility in avoiding rental increases to secure target returns.

Market performance in 2026 will hinge on how effectively landlords pass through elevated costs and how quickly landlords and tenants reach a rational equilibrium during the initial stabilization phase.

\*ENOC: Effective Net Occupancy Cost; considers RF periods only (excludes opportunity cost of security deposits, FO, TI)

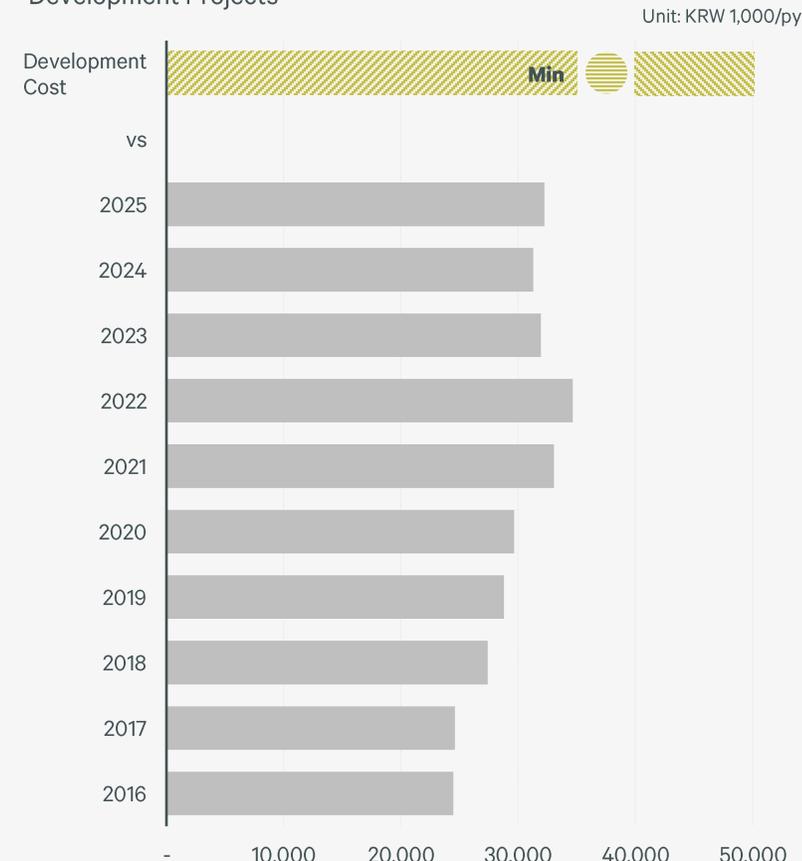
\*Based on CBRE sample

Figure 18: Comparison of ENOC by Asset Group in CBD



Source: CBRE Research, January 2026.

Figure 19: CBD Capital Value vs. Replacement Cost of New Development Projects



03

Retail

# 2025 Retail Market Review

<p>H2 2025</p> <h2>Consumer Sentiment Index</h2> <p>Above 100</p>	<p><b>vs</b></p>	<p>2025</p> <h2>Retail Business Survey Index</h2> <p>Below 100</p>	<p>8.9%</p> <p>Average Vacancy Rate in Seoul Increases Slightly based on mid-to-large stores in Q3 2025</p> 	<p>Rent Growth Rate by Major District (YoY)</p> <table border="1"> <tr> <td>Gangnam</td> <td>4.0%</td> </tr> <tr> <td>Myeongdong</td> <td>7.9%</td> </tr> </table>	Gangnam	4.0%	Myeongdong	7.9%				
Gangnam	4.0%											
Myeongdong	7.9%											
<p>Q3 2025</p> <p>Card Approval Amount</p> <h2>327 Trillion KRW</h2> <p>Upward trend observed</p>	<p><b>&amp;</b></p>	<p>Sep 2025</p> <p>Retail Sales</p> <h2>57 Trillion KRW</h2> <p>Highest growth among all sectors</p>	 <p>Medical Tourists Hit Record high</p> <p>Approx. 1.4M (YoY 20%)</p>	 <p><b>Medical Hubs: Gangnam remains the center</b></p> <p>Myeongdong and Hongdae show rapid progress</p>								
<p>Total Retail Sales Growth Rate (YoY)</p> <p>Approx. 1.5%</p> <p>Entering a low-growth phase</p>	<p><b>vs</b></p>	<p>Online Retail Sales Growth Rate (YoY)</p> <p>Approx. 2.6%</p> <p>Highest growth among all sectors</p>	<p>(Fashion &amp; Beauty)</p> <h2>K-Brands</h2> <p>Global store expansion accelerating</p> <table border="1"> <tr> <td>Olive Young</td> <td>Andar</td> </tr> <tr> <td>Matin Kim</td> <td>Xexymix</td> </tr> <tr> <td>Ader Error</td> <td>London Bagel Museum</td> </tr> <tr> <td>Stand Oil</td> <td>Mom's Touch</td> </tr> </table> 		Olive Young	Andar	Matin Kim	Xexymix	Ader Error	London Bagel Museum	Stand Oil	Mom's Touch
Olive Young	Andar											
Matin Kim	Xexymix											
Ader Error	London Bagel Museum											
Stand Oil	Mom's Touch											

## Consumption growth stays resilient amid disconnect between consumer sentiment and retailer confidence

Consumer sentiment rebounded sharply in H2 2025 following a temporary slowdown earlier in the year. The Consumer Sentiment Index remained around 110—well above the neutral level of 100—for the longest period since H2 2022, signaling a clear recovery in household spending intentions.

This improvement is supported by hard data. Quarterly card transaction volumes rose steadily, reaching KRW 327 trillion in Q3 2025, up approximately 15% compared to the same period in 2022. Monthly retail sales also hit a record high of KRW 57 trillion in September 2025, confirming resilient real consumption growth.

Retailers' business confidence remained subdued despite the rebound in consumer sentiment. This divergence reflects rising fixed operating costs, structural shifts in consumption patterns, and rapid reorganization between online and offline retail channels. As a result, a time lag is expected before improved sentiment translates into stronger retail performance and leasing demand.

Korea's retail market is expected to record modest growth in 2026, supported by an economic recovery, continued rate cuts, inflation stabilization, and resilient real consumption. Sustained growth in inbound tourism is also expected to provide additional upside to retail expansion.

Figure 20: Monthly Composite Consumer Sentiment Index (CCSI) Trends

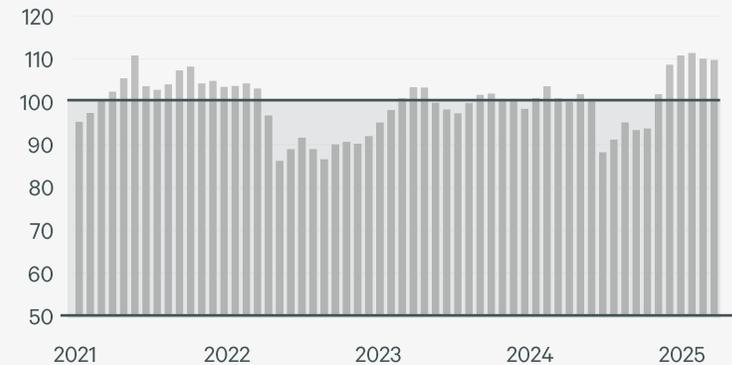


Figure 21: Quarterly Retail Business Survey Index (RBSI) Trends

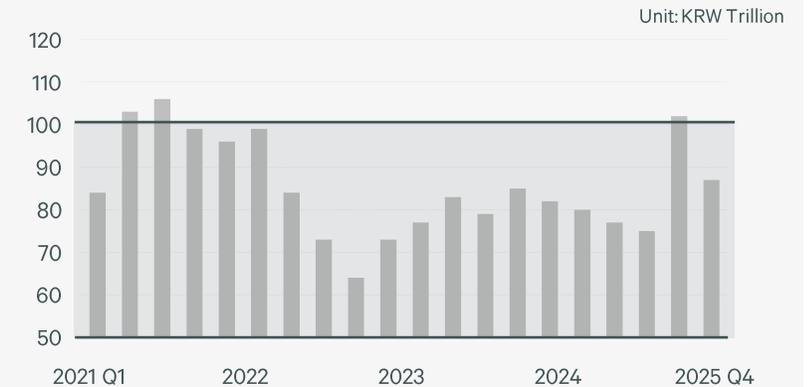


Figure 22: Quarterly Domestic Card Approval Trends

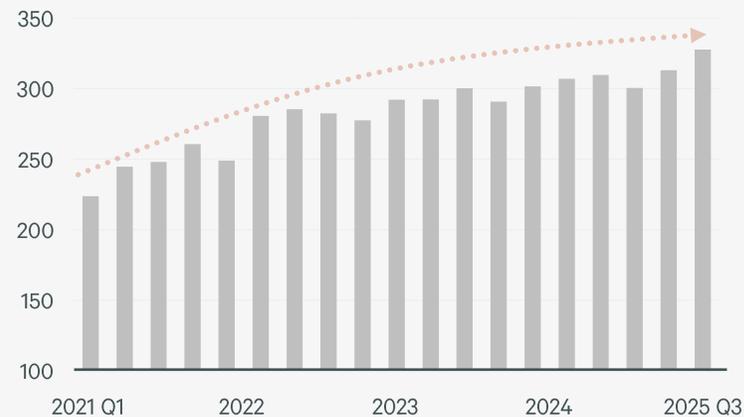
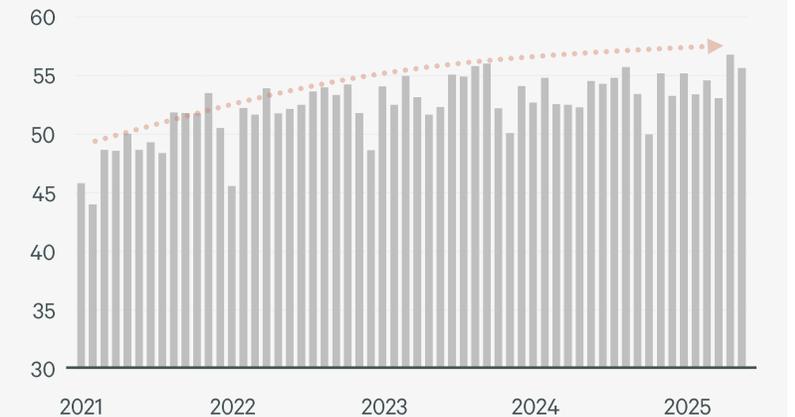


Figure 23: Monthly Retail Sales Trends



Source: BoK, The Credit Finance Association (CREFIA), KOSIS, December 2025.

## Retail sales enter low-growth phase as base effect fades

Following exceptional growth of 8.1% y-o-y in 2021, Korea's retail sales growth has slowed to around 1% since 2024–2025, signaling a transition into a structurally low-growth phase as the post-pandemic base effect fades.

By format, non-store retail led by online channels remains the sole outperformer, recording six consecutive years of strong growth and continued market share gains. In contrast, most offline retail formats are experiencing stagnation or decline as consumption structurally shifts online.

Despite the recovery in inbound tourism, sales at specialty stores in major high street districts have remained broadly flat, while department stores have entered a correction phase amid weaker economic conditions. Duty-free retail continues to face structural headwinds from elevated exchange rates and the expansion of cross-border e-commerce. Traditional offline formats such as hypermarkets and supermarkets have also seen a clear erosion in influence, with only marginal annual growth and limited new growth drivers.

Against this backdrop, strategic upgrading is essential for offline retail. Omnichannel integration, differentiated and targeted merchandising, and brand-led experiential marketing are expected to be the key determinants of competitiveness in an increasingly online-centric retail environment.

Figure 24: Annual Retail Sales Trends by Store Type

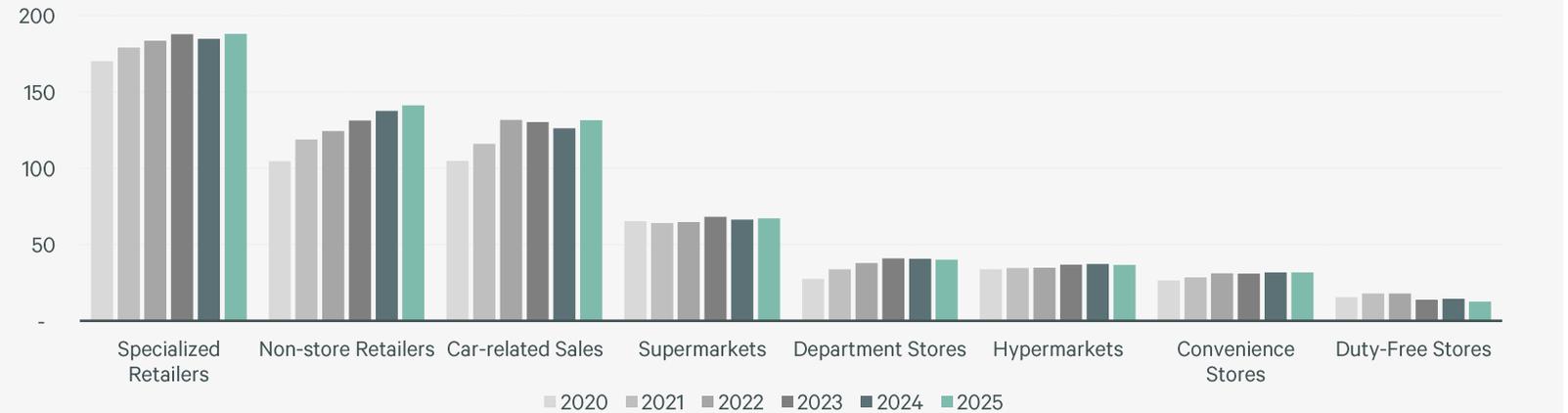


Figure 25: Annual Growth Rate of Retail Sales by Store Type (YoY)



Note: 2025 values are annualized figures based on YTD October data.

Source: KOSIS, December 2025.

## Seoul’s major retail districts poised for further recovery and rebalancing

Seoul’s retail districts recorded a broad-based recovery in 2025, with the rebound of traditional tourism-driven districts particularly pronounced. At the same time, polarization between established and emerging districts eased compared with previous years.

Prime districts such as Myeongdong, Gangnam, and Hongdae experienced further vacancy compression, with average vacancy rates recovering to around 7%, below the Seoul average, alongside continued positive rental growth. Myeongdong, which suffered an extreme downturn during the pandemic, rebounded sharply, with vacancy declining from a peak of 50.1% in 2021 to 8.2% in 2025. Gangnam also reaffirmed its structural resilience, recording strong rental growth in both 2024 and 2025, while vacancy tightened to the mid-5% range.

Seongsu and Yongsan—districts that had consistently outperformed Seoul average rental growth—experienced a mild adjustment phase in 2025, as rental growth moderated and vacancy edged up slightly. Compared with 2024, when cross-district divergence was most pronounced, retail growth across Seoul became more balanced. Supported by record inbound tourism and the return of global flagship stores, Seoul’s retail market is expected to move beyond a functional recovery and enter a more mature and stabilized growth phase in 2026.

Figure 26: Rental Growth Trends in Major Seoul Retail Districts

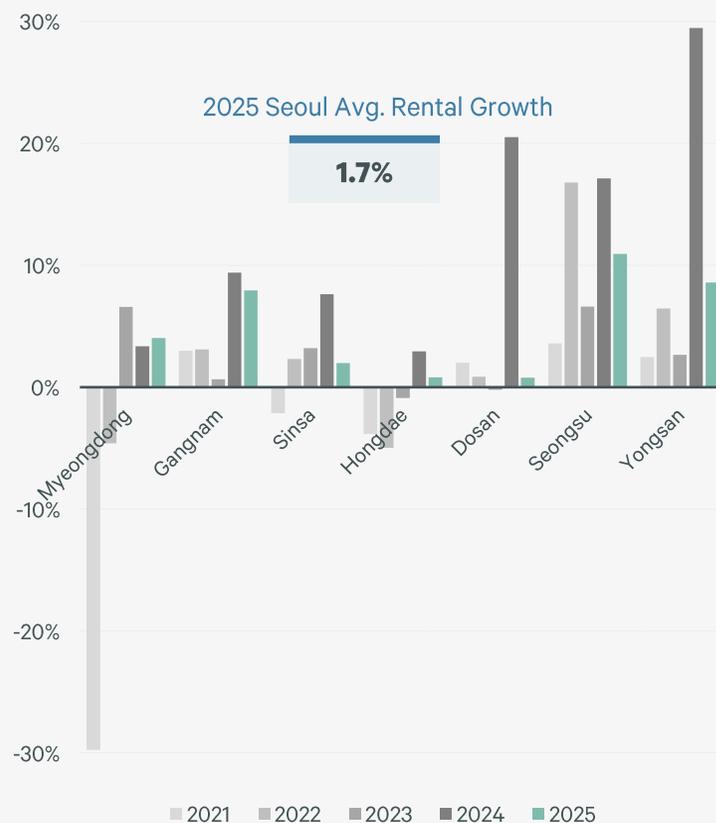
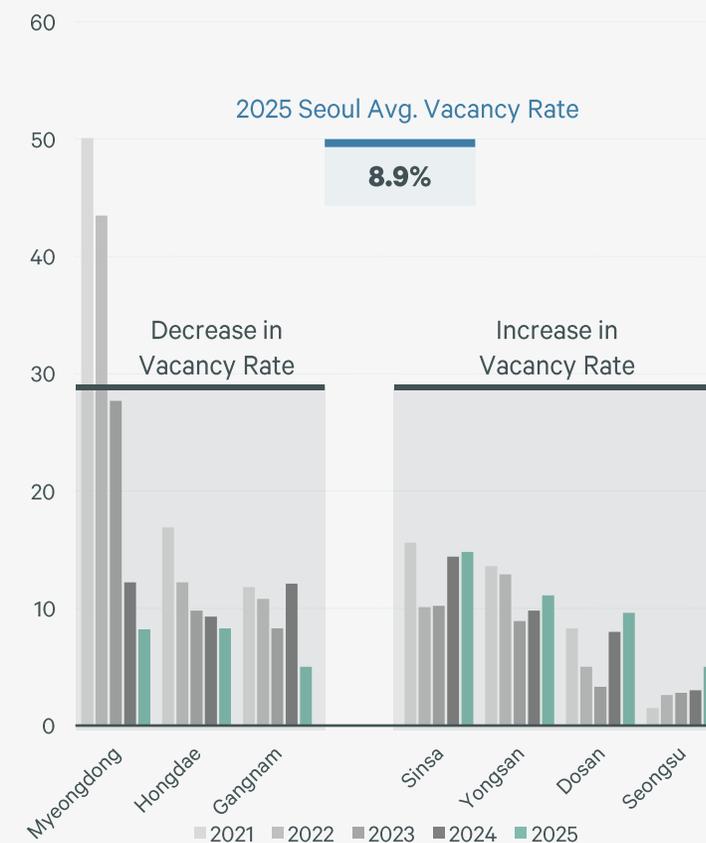


Figure 27: Vacancy Rate Trends in Major Seoul Retail Districts



Source: Korea Real Estate board, December 2025.

# Value fashion and beauty brands to continue to drive leasing demand

In 2025, retail growth was led by value-for-money fashion and beauty brands such as Olive Young, Daiso, and Musinsa, a trend expected to continue into 2026. Olive Young has firmly established itself as a national retail landmark, achieving KRW 1 trillion in foreign customer sales through a nationwide network of over 1,400 stores, while also reviving momentum in the previously stagnant H&B segment.

Daiso has continued to evolve beyond its low-price general merchandise model by strengthening its fashion and beauty categories, with annual sales expected to exceed KRW 4 trillion. Musinsa is likewise sustaining aggressive domestic and overseas expansion, leveraging the global spread of K-culture to reinforce its brand positioning.

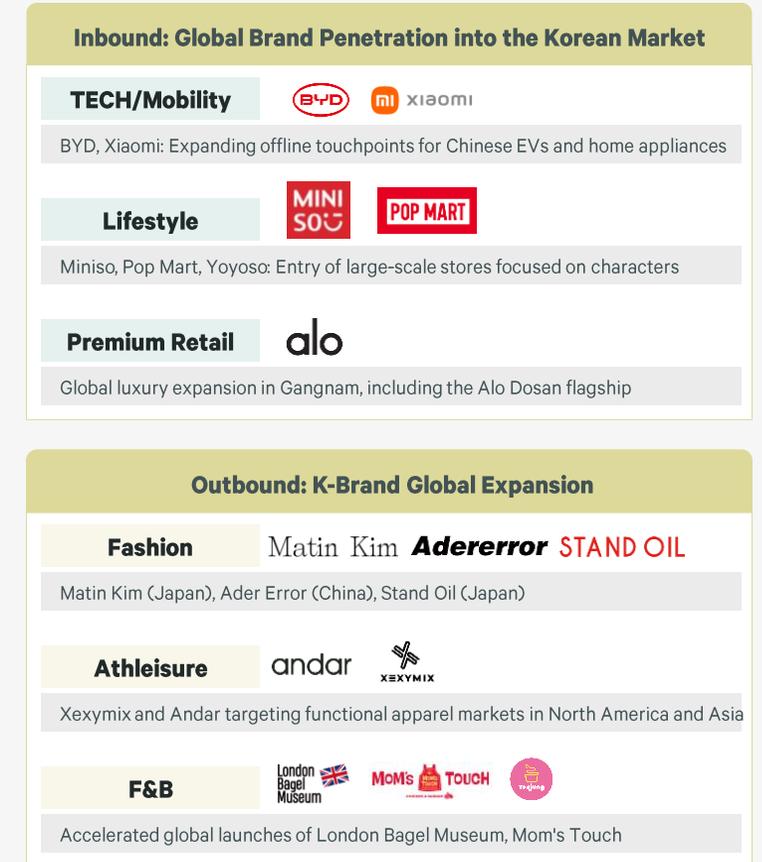
Inbound expansion has been led by Chinese brands, with technology players such as BYD and Xiaomi entering the Korean market, alongside lifestyle brands including Miniso and Pop Mart expanding their offline presence. At the same time, outbound expansion of K-brands remains active, particularly in fashion and F&B, as brands such as Matin Kim, Ader Error, Andar, Xexymix, London Bagel Museum, and Mom's Touch accelerate overseas growth, further strengthening the global influence of K-brands.

Figure 28: 2025 Market-Leading Sectors



Source: CBRE Research, December 2025.

Figure 29: 2025 Brand Dynamics: In & Out

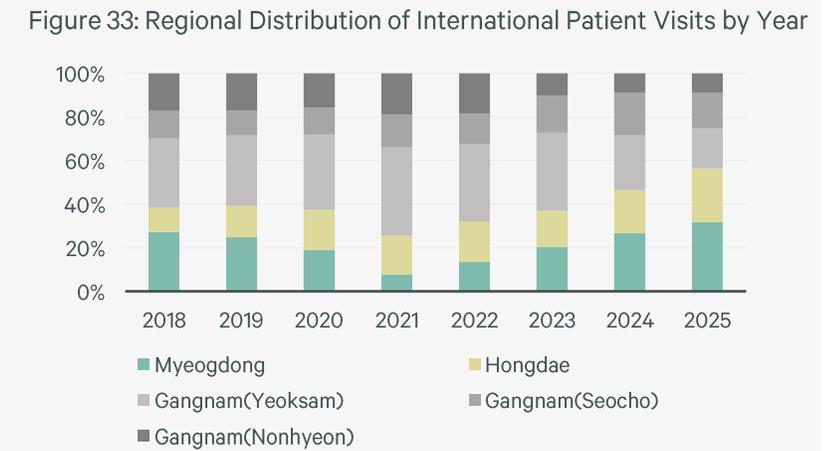
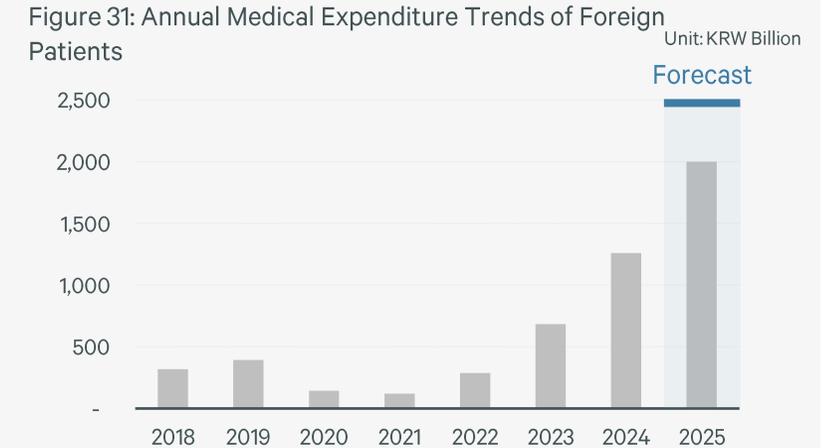
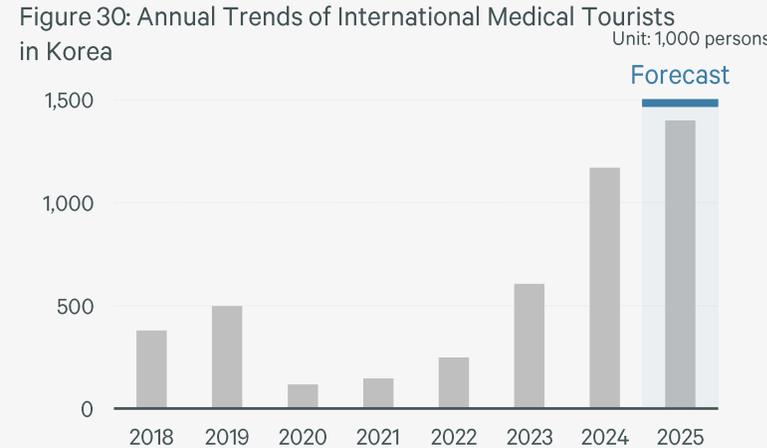


## Medical tenants to boost presence on prime high streets; retail districts reorganize around medical tourism

Korea’s aging population and the expansion of the beauty industry have elevated the medical sector from a conventional service to a core retail driver, increasingly shaping the identity of Korea’s prime high streets. This shift has been underpinned by a sharp rise in inbound medical tourism, with foreign medical visitors increasing by approximately 40% y-o-y to 1.4 million in 2025, supporting strong rent-paying capacity and sustaining leasing demand across retail districts.

By treatment category, dermatology and plastic surgery account for roughly 80% of inbound patient visits, with procedure-focused dermatology expanding particularly rapidly. Short-stay medical consumption—where treatments with minimal recovery requirements are naturally combined with tourism and shopping—has become an established pattern.

Geographically, while the Gangnam-daero corridor (Yeoksam–Seocho–Nonhyeon) remains the dominant medical cluster, medical tenants have increasingly expanded into major tourist hubs such as Myeongdong and Hongdae, reflecting strategic alignment with inbound visitor flows. Looking ahead, continued growth in inbound tourism, strengthening K-beauty competitiveness, and the normalization of medical–retail hybrid consumption are expected to further reinforce medical tenants’ new status as key anchor users shaping retail asset values.



Source: Korea Tourism Organization, December 2025.

## Landlords evolve office arcades to enhance asset value amid rising office supply

CBRE’s survey of 323 office assets across Seoul’s three major business districts found that office arcades account for approximately 12% of each asset’s gross floor area, forming a market of roughly 2.3 million sq. m. Given their ability to command higher rents than office space, arcades are now viewed as a core value-add driver that can maximize asset cash flows, supported by stable captive demand from office workers.

Seoul’s office arcades are now in a more advanced phase, evolving beyond auxiliary facilities into ecosystems with distinct identities. Rather than support space for office workers, arcades are now functioning as destination-led components that attract external visitors through differentiated brand curation.

Tenant mixes are diversifying beyond traditional F&B-centered configurations, expanding into experiential categories such as medical, wellness, and art galleries. In addition, large-scale shopping mall operators have begun entering the urban office arcade space. These strategic compositions enhance building brand recognition and support asset value appreciation. In this context, the organic synergy between retail and office is expected to become a defining operational capability—one that can attract and retain quality tenants and defend downside risk as office supply increases.

\*Note: Office arcade area includes not only low-rise commercial facilities but also mid-to-high-rise neighborhood facilities (e.g., medical clinics) utilized as retail.

Figure 34: Analysis of Office Arcade Proportion by District (Total GFA)



Figure 35: Total Arcade GFA and Average Arcade GFA per Asset by District



Figure 36: Evolutionary Stages of Korean Office Arcades

Category	Stage 1: Functional Support	Stage 2: Strategic Expansion	Stage 3: Destination Building	Stage 4: Independent Asset Value
<b>Development Direction</b>	<b>Passive Support</b>	<b>Moderate Expansion</b>	<b>Active Inflow</b>	<b>Independent Ecosystem</b>
<b>Target</b>	Fulfill basic daily needs and meals for in-building tenants	Expand reach to tenants of adjacent buildings	Attract regional visitors	A destination for hybrid workers and local communities
<b>MD</b>	Basic amenities: cafeteria, convenience store, pharmacy	Brand cafes, banks, clinics, franchise F&B	Themed F&B, select dining, specialized atriums	Star-tier F&B, high-end wellness, community lounges, groceries
<b>Case</b>	Standard office low-rise levels	Ferrum Tower, POSCO Center	Seoul Finance Center (SFC), D-Tower	One Grove, Factorial Seongsu

Note: Based on 323 assets, including Grade A offices and small-to-mid-sized assets in major business districts.

Source: CBRE Research, January 2026.

# Office arcade strategies to include asset refurbishment and anchor-led planning

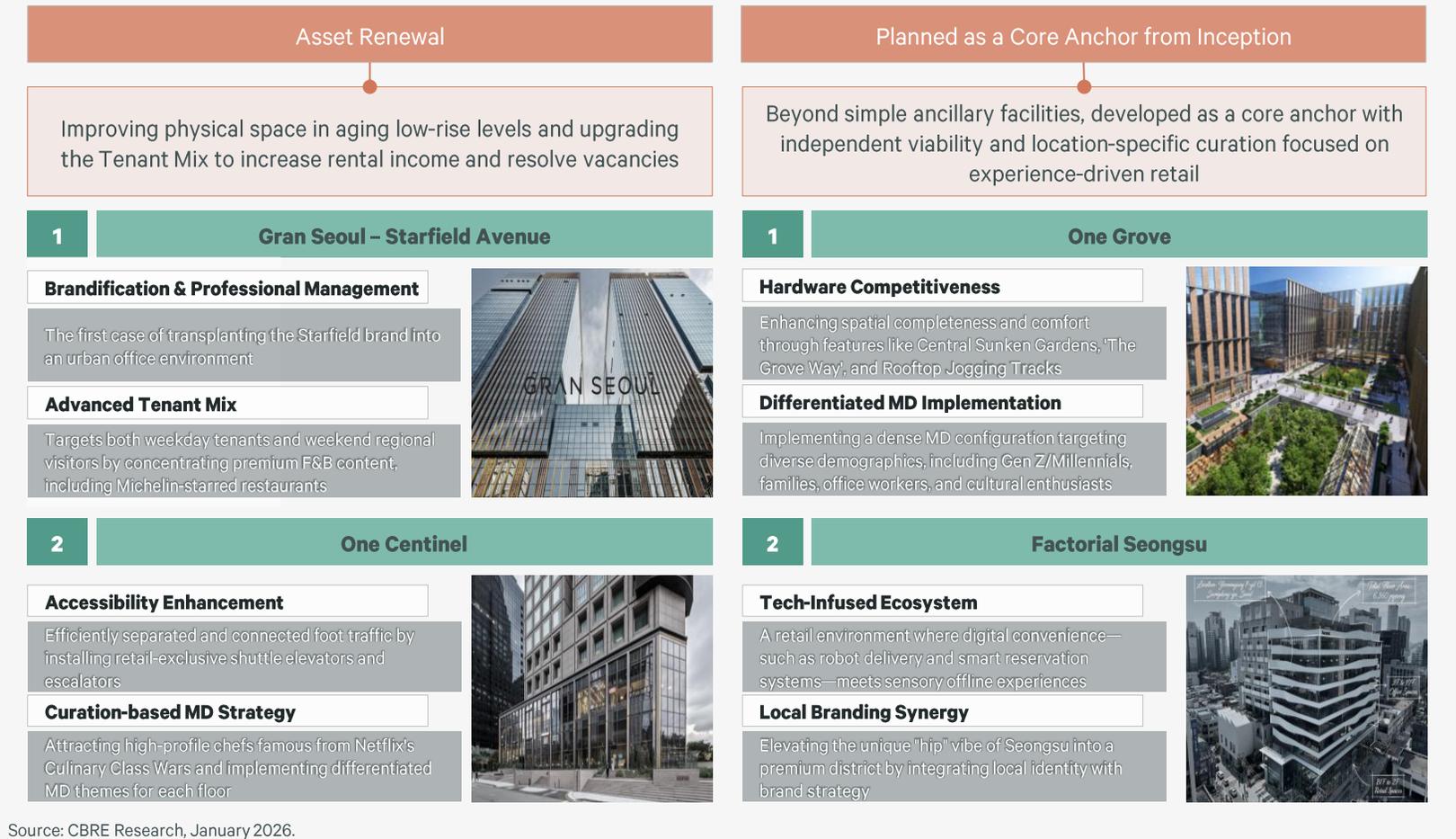
Efforts to enhance arcade competitiveness take two forms: the renewal of existing assets and anchor-led planning from the development stage.

Asset renewal is a value-add strategy that enhances podium value through physical upgrades and selective use conversions. By repositioning underutilized space in line with evolving consumption trends, landlords can simultaneously drive rental growth and reduce vacancy, while partnerships with specialized operators help build more resilient income structures. Grand Seoul, a CBD prime office asset repositioned through professional operation and the introduction of the Starfield brand, and One Sentinel in YBD—where an expanded arcade and premium F&B clustering attracted both captive and external demand—illustrate this approach.

As increasing number of developments are embedding retail as a core anchor from the outset to define asset identity. Despite a more cautious attitude towards retail since the pandemic, arcade retail supported by stable office demand is increasingly recognized as a reliable income source.

Magok One Grove, which achieved 95% occupancy through a major grocery anchor and layered MD strategy, and Factorial Seongsu, which integrated office and retail through locally aligned concepts such as Olive Young N, exemplify this trend.

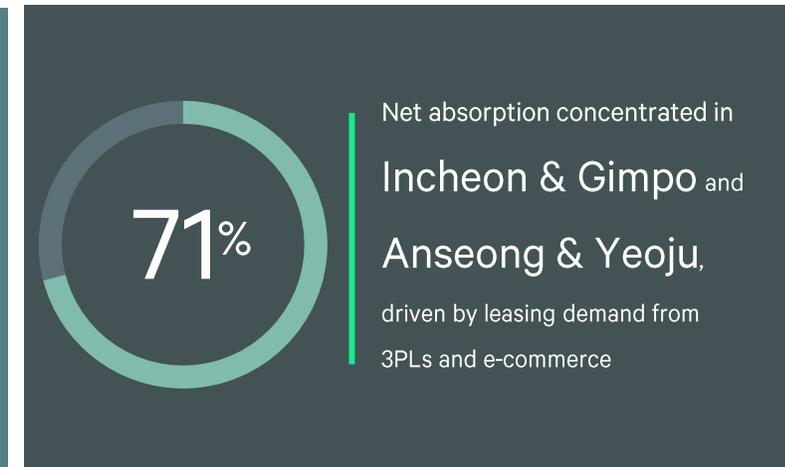
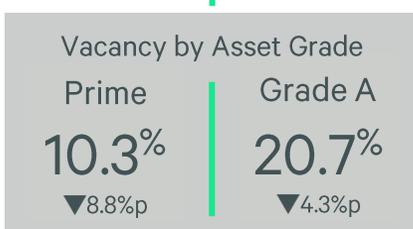
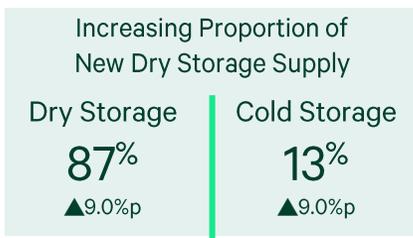
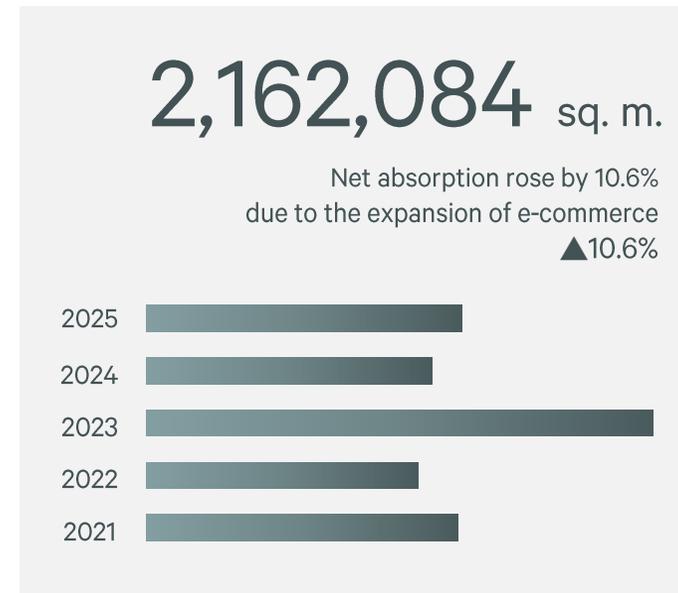
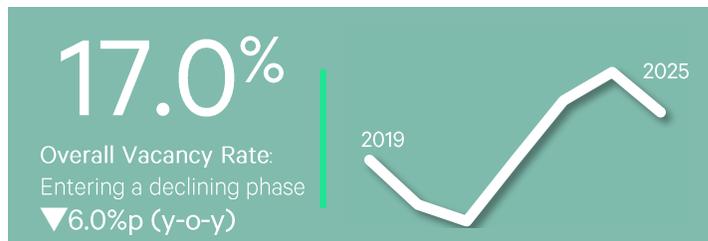
Figure 37: Investment Strategies for Office Arcades



04

# Logistics

# 2025 Logistics Market Review



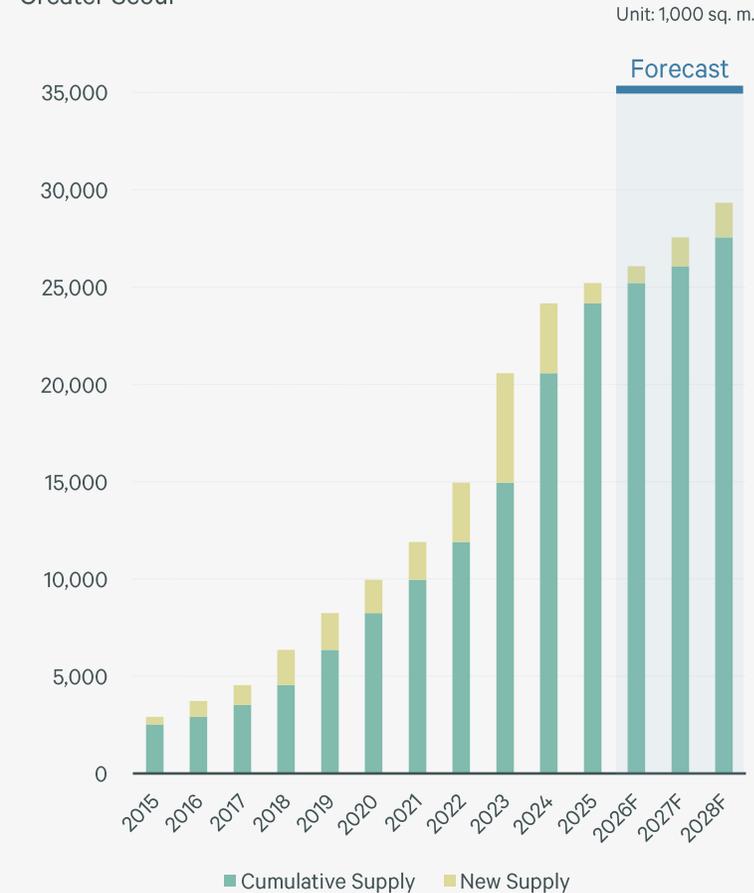
## Greater Seoul Grade A logistics market enters normalization phase

The Greater Seoul Grade A logistics market has expanded steadily since 2015, with particularly rapid growth between 2022 and 2024 as a large volume of new supply was delivered. However, the supply overhang began to ease materially in 2025, marking a meaningful inflection point toward market normalization. Total new supply last year amounted to approximately 1.0 million sq. m., while vacancy declined by 6%p y-o-y to 17% by year-end.

Supply contraction is expected to deepen further in 2026, with new completions projected at around 0.86 million sq. m—one of the lowest levels in the past decade and less than half of last year’s net absorption. This is expected to further alleviate near-term vacancy risk. Development approvals also point to a clear self-correcting mechanism, as new projects peaked in 2022 and have since declined sharply, with many approved schemes failing to commence construction amid high interest rates, elevated construction costs, and financing constraints.

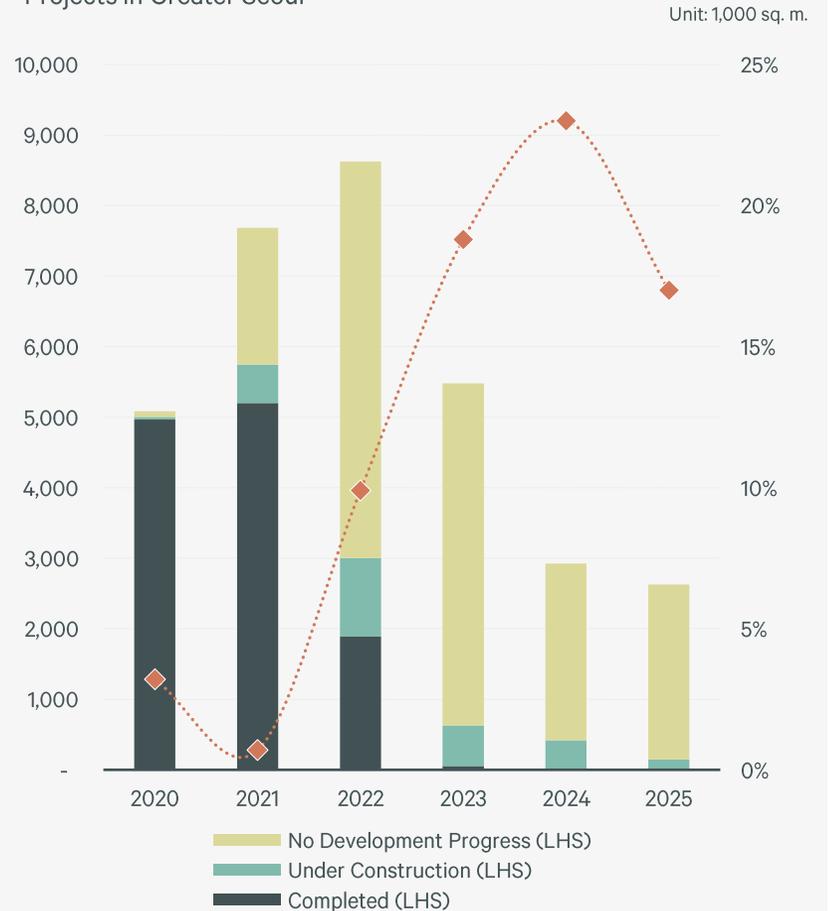
While construction activity remains limited overall, some long-stalled projects—particularly in southern submarkets—have re-entered the construction pipeline. Although selective, this suggests that expectations for post-2026 market stabilization may gradually support a resumption of development, potentially leading to a modest upside to supply beyond 2027.

Figure 38: Supply and Outlook for Grade A Logistics Market in Greater Seoul



Source: CBRE Research, January 2026.

Figure 39: Annual Status of Permitted Grade A Logistics Projects in Greater Seoul



Unit: 1,000 sq. m.

Unit: 1,000 sq. m.

■ No Development Progress (LHS)  
■ Under Construction (LHS)  
■ Completed (LHS)

## Regional supply pipeline and logistics hub upgrading to continue

In 2026, the Greater Seoul logistics market is expected to record one of the lowest annual supply volumes on record, with new completions largely concentrated in southern hubs such as Anseong, Icheon, and Pyeongtaek.

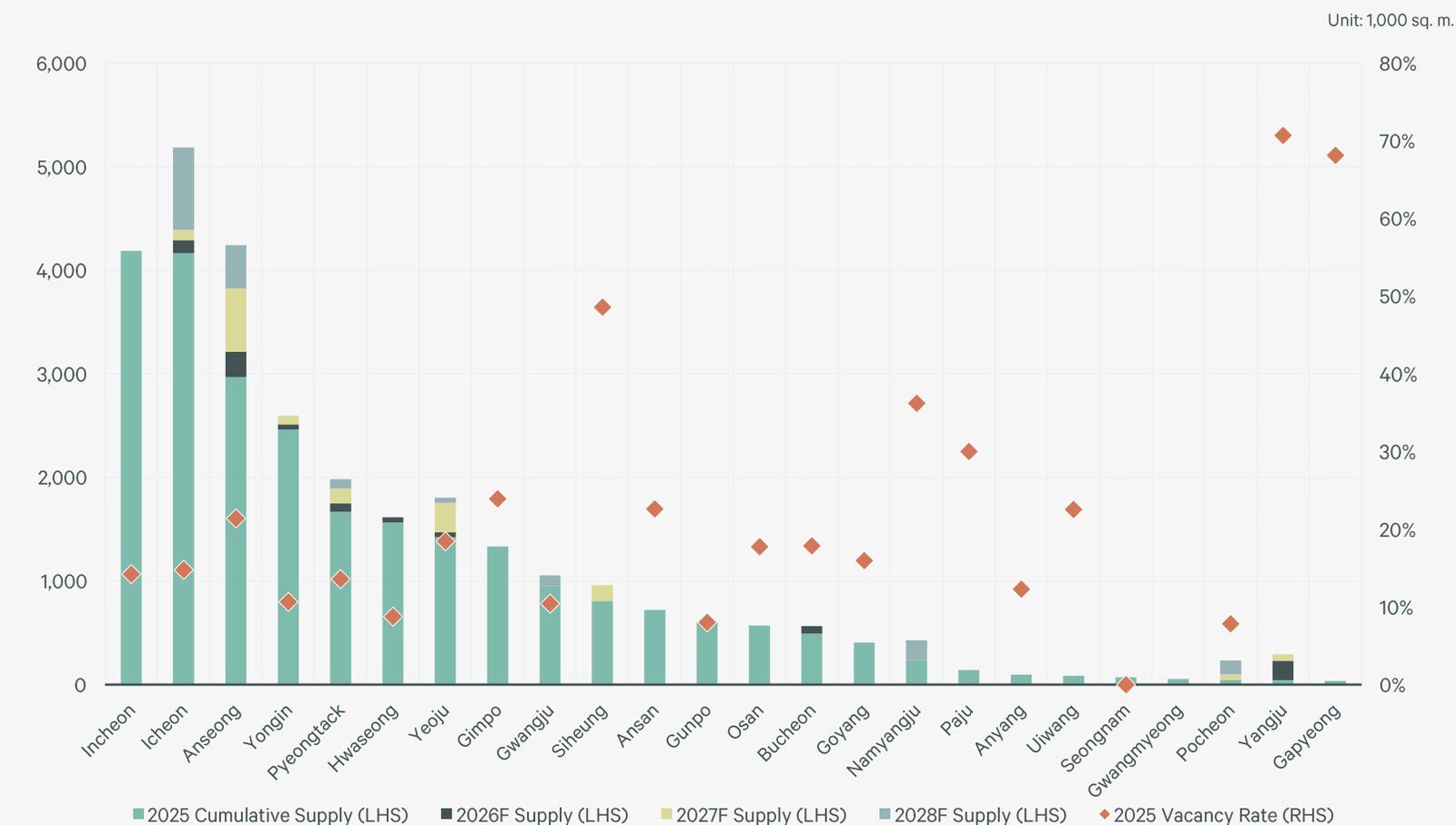
Anseong and Icheon are projected to maintain their supply momentum beyond 2026, further reinforcing their dominant scale within the Greater Seoul logistics market alongside Incheon. Anseong is expected to see the addition of approximately 600,000 sq. m. of new supply in 2027, positioning it as the fastest-growing submarket in the region.

In the northern region, Yangju is emerging as a new growth area. Following the delivery of its first Grade A logistics asset in H1 2024, additional supply of around 190,000 sq. m in 2025 and 60,000 sq. m. in 2026 is scheduled. However, the presence of existing vacancy means market stabilization will take time.

From an execution standpoint, around 25% of the supply scheduled for 2026 has already entered the final construction stage, indicating a high likelihood of on-time delivery.

However, the lengthening of development timelines—particularly for projects approved during 2021–2022—highlights uncertainty around future supply visibility, which will remain a key consideration for investment and leasing strategies.

Figure 40: Grade A Logistics Center Supply Pipeline by Submarket



Source: CBRE Research, January 2026.

## Premiumization and asset upsizing to remain a key trend

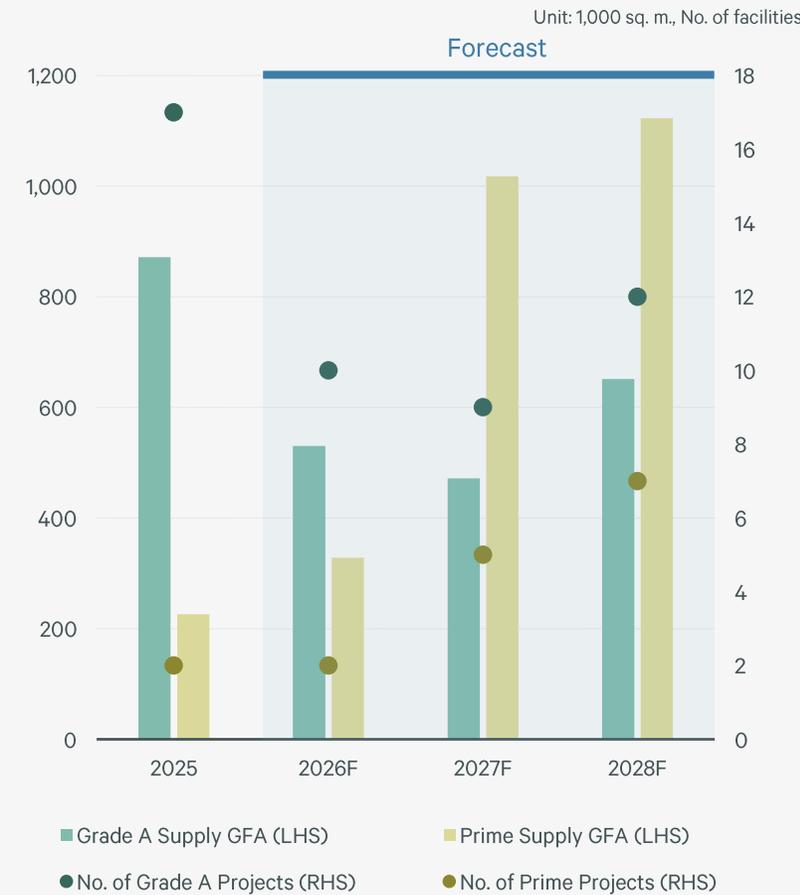
As of end-2025, prime logistics centers accounted for 11% of Grade A assets by number and 34% by gross floor area, while recording vacancy rates approximately 10 percentage points lower than standard Grade A assets, underscoring a clear demand bifurcation.

Rental premiums supported by superior hardware quality and asset differentiation are emerging as key drivers sustaining the expanding share of prime assets, even as the overall supply pipeline contracts. Prime assets are projected to represent 38% of new supply in 2026, rising to 68% in 2027 and 63% in 2028, accounting for the majority of future deliveries.

Compared with an average gross floor area of 70,000 sq. m. for existing Grade A assets, new supply until 2028 is expected to exceed 90,000 sq. m per asset, highlighting an accelerating upsizing trend. The share of prime assets within the total Grade A market is forecast to approach 40% by 2028.

At the same time, tighter development regulations and the scarcity of well-located developable land are expected to constrain new approvals for prime logistics assets. These physical supply limitations are likely to intensify competition among tenants for high-quality assets while supporting the long-term scarcity value and capital appreciation of prime stock.

Figure 41: Planned Supply: Grade A vs. Prime Assets



Source: CBRE Research, January 2026.

Figure 42: Vacancy Rate Comparison: Grade A vs. Prime (2025)

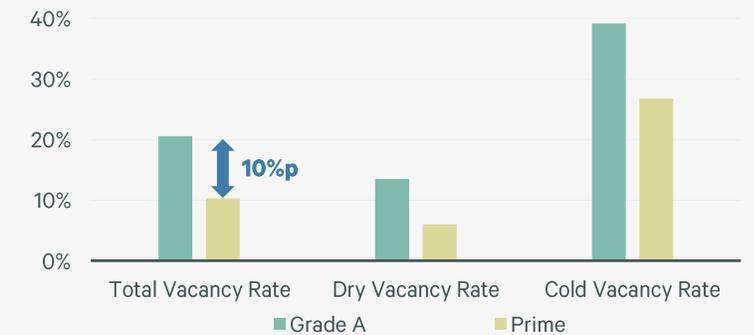
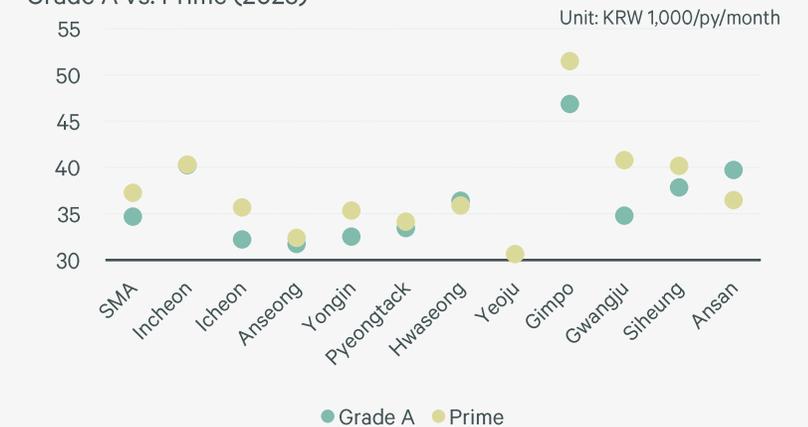


Figure 43: Comparison of Dry Rental Rates by Major District: Grade A vs. Prime (2025)



\*Prime Grade: Reflects quantitative and qualitative factors including location, completion year, asset quality, tenants, and rent for assets with GFA of 99,000 sq. m. or more in Greater Seoul.

## Supply-Demand Improvement and Vacancy Stabilization Outlook for 2026

In 2025, average vacancy across the Greater Seoul Grade A logistics market declined by 6 percentage points y-o-y to 17%, providing evidence of market recovery. Ambient and cold storage vacancy rates stood at 11% and 36%, respectively, with both asset types improving by 6 percentage points from 2024.

Net absorption rose by 11% y-o-y to 2.16 million sq. m., near the five-year annual average of 2.3 million sq. m. More than 50% of supply in H2 2025 was absorbed shortly after completion, indicating robust demand for newly built, high-quality assets.

Incheon and Anseong led the recovery. Incheon benefited from the expansion of e-commerce hubs and partial recovery in cold storage demand, while Anseong secured stable, leasing demand supported by active pre-leasing at new developments.

CBRE’s tenant survey conducted in H1 2025 indicated that 63% of respondents plan to expand their logistics footprint, suggesting that the demand base remains solid.

In 2026, the combination of sharply reduced supply and sustained demand is expected to further accelerate rebalancing. Annual net absorption is projected to materially exceed new supply, driving ambient vacancy down toward 6% and cold storage vacancy toward 30%. Overall vacancy is therefore expected to stabilize in the low-teens.

Figure 44: Business Performance Expectations for the Next Two Years



Figure 45: Logistics Portfolio Adjustment for the Next Two Years

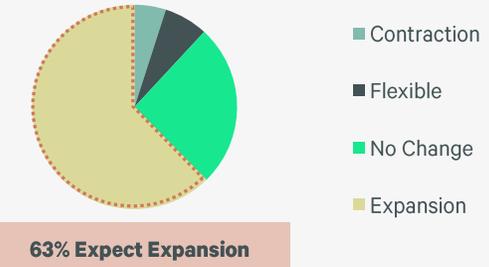
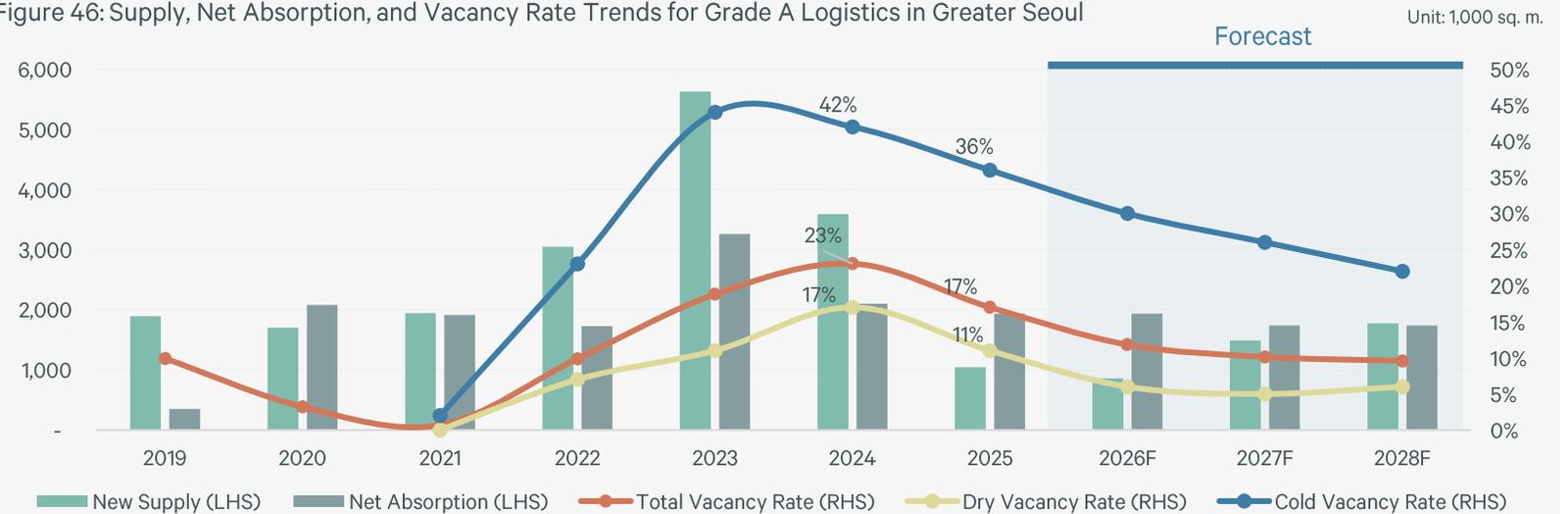


Figure 46: Supply, Net Absorption, and Vacancy Rate Trends for Grade A Logistics in Greater Seoul



Note: Net absorption and vacancy rates are based exclusively on leased assets.

Source: CBRE Research, January 2026.

## Entrenched Demand Structure: Increasing Dominance of 3PL and E-commerce

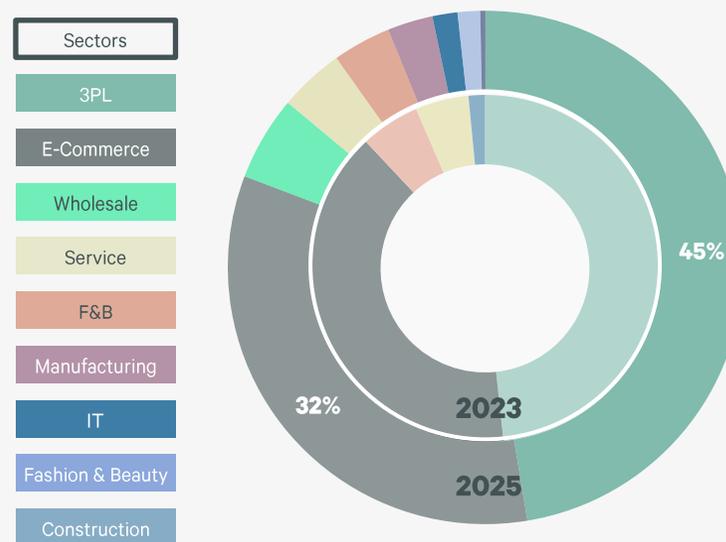
As of H2 2025, the tenant composition of the Greater Seoul Area Grade A logistics market is dominated by third-party logistics (3PL) providers and e-commerce operators, which together account for 77% of total leased area.

Continued growth in the e-commerce sector has driven higher parcel volumes, supporting delivery network expansion and sustaining incremental demand for logistics space, while improving performance among major players—including Coupang’s record revenue growth, Kurly’s return to profitability, and the expansion of Chinese platforms in Korea—continues to underpin medium- to long-term logistics demand.

Strategic partnerships among shippers such as Naver–Kurly, SSG–CJ, and Gmarket–Alibaba are further accelerating efforts to secure logistics footholds, while expectations of potential demand shifts have intensified customer acquisition activity.

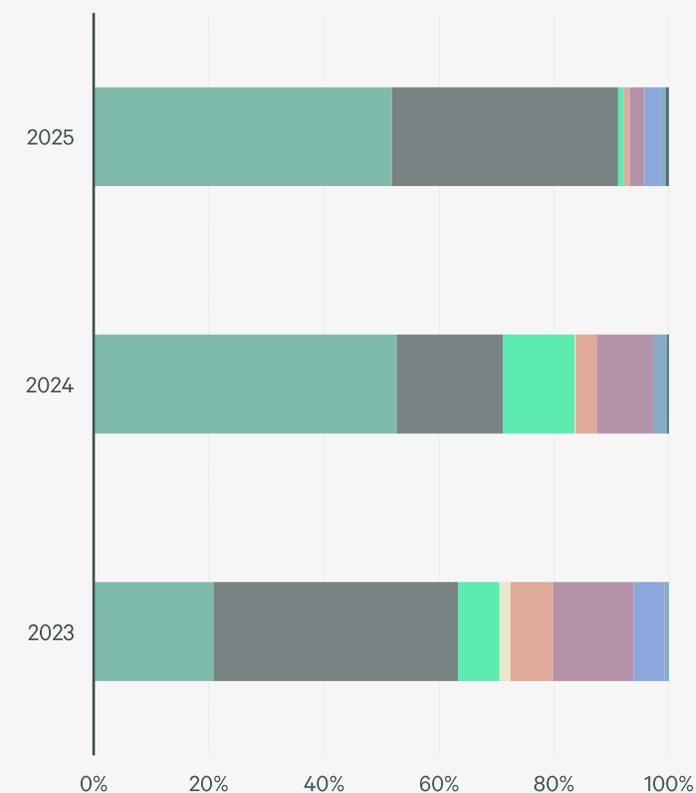
Although demand from other industries remains, much of it is expected to be absorbed into the 3PL sector as logistics automation and operational specialization advance, reinforcing a concentrated demand structure centered on 3PL and e-commerce into 2026 and intensifying competition among assets to attract high-quality tenants.

Figure 47: Tenant Composition in Grade A Logistics Centers (2025)



Source: CBRE Research, January 2026.

Figure 48: Key Demand Drivers in Grade A Logistics Leasing Transactions



## Location and Asset Driven Logistics Tenant Differentiation

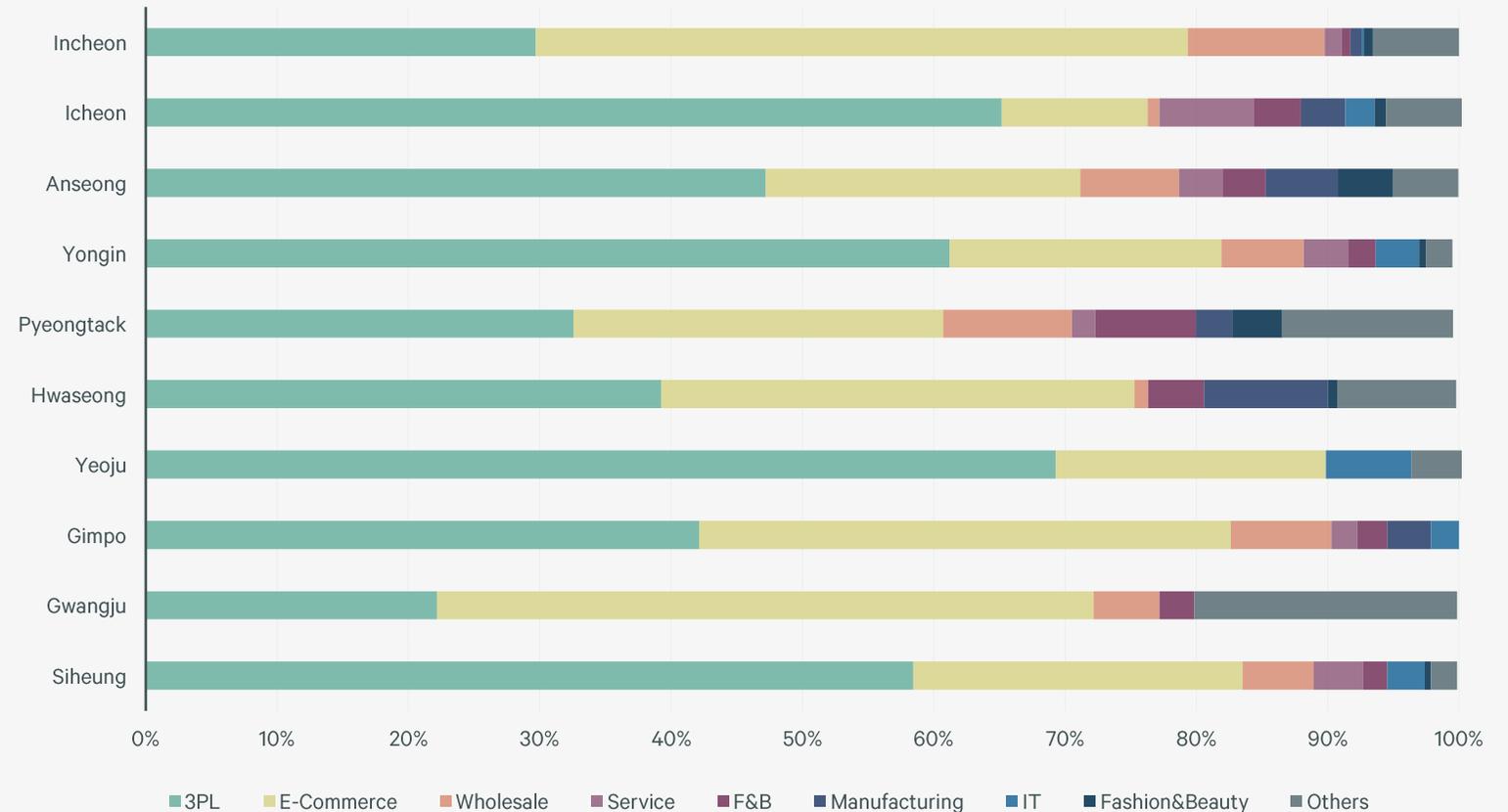
Tenant composition is bifurcated by region, reflecting locational characteristics and asset scale. The west is dominated by large-scale e-commerce tenants, while the south is characterized by 3PL-led, efficiency-oriented demand.

In the west, including Incheon and Gimpo, proximity to Seoul drives strong e-commerce preference despite the highest rental levels in the capital region. Large asset sizes—averaging approximately 110,000 sq. m in Incheon and 80,000 sq. m. in Gimpo—support high-volume throughput, with e-commerce tenants accounting for roughly 45% of leased area.

The south has formed the largest logistics cluster in the capital region, supported by affordable rents and extensive transportation. Traditional logistics hubs such as Icheon and Yongin feature mid- to large-scale assets of 50,000–60,000 sq. m, with 3PL tenants accounting for 60% of occupancy. In Anseong, continued large-scale supply, a high share of new prime assets, and cost competitiveness have resulted in a mixed demand structure where 3PL and e-commerce tenants coexist.

As the supply contraction cycle continues, regional tenant composition is likely to remain anchored to existing locational, cost, and asset characteristics. This will serve as a key reference point for tenant targeting and asset specification strategies at both the planning and development stages.

Figure 49: Tenant Composition by District in Grade A Logistics Centers (2025)



Source: CBRE Research, January 2026.

## Market set to become more balanced between landlords and tenants

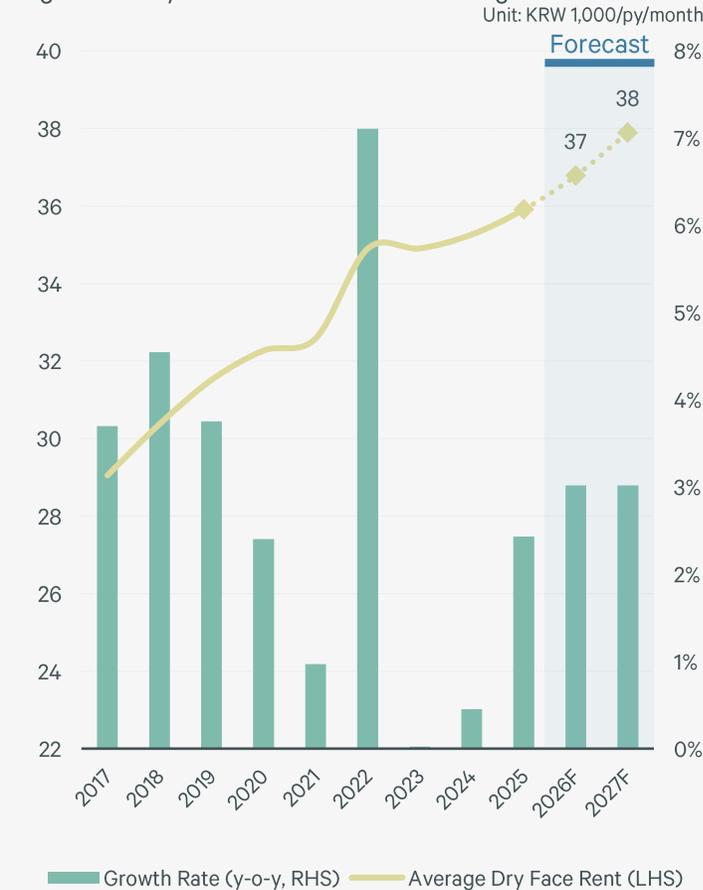
As of year-end 2025, the average nominal ambient rent for Greater Seoul Grade A logistics centers reached KRW 35,911 per pyeong, a rise of 2.4% y-o-y. Markets with limited new supply—such as Incheon, Pyeongtaek, and Hwaseong—and prime assets exceeding 30,000 pyeong led rental growth, widening price differentials across asset grades.

In Incheon, rental increases were pronounced at prime assets, with similar growth expected to continue into 2026 amid limited future supply and sustained demand. Hwaseong also entered a clear recovery phase as long-stagnant rents rebounded, supported by 3PL demand linked to last-mile logistics functions.

In Gimpo, rental growth remained concentrated in the traditionally strong Gochon area, while parts of Yangchon experienced modest downward adjustments due to temporary vacancy risk.

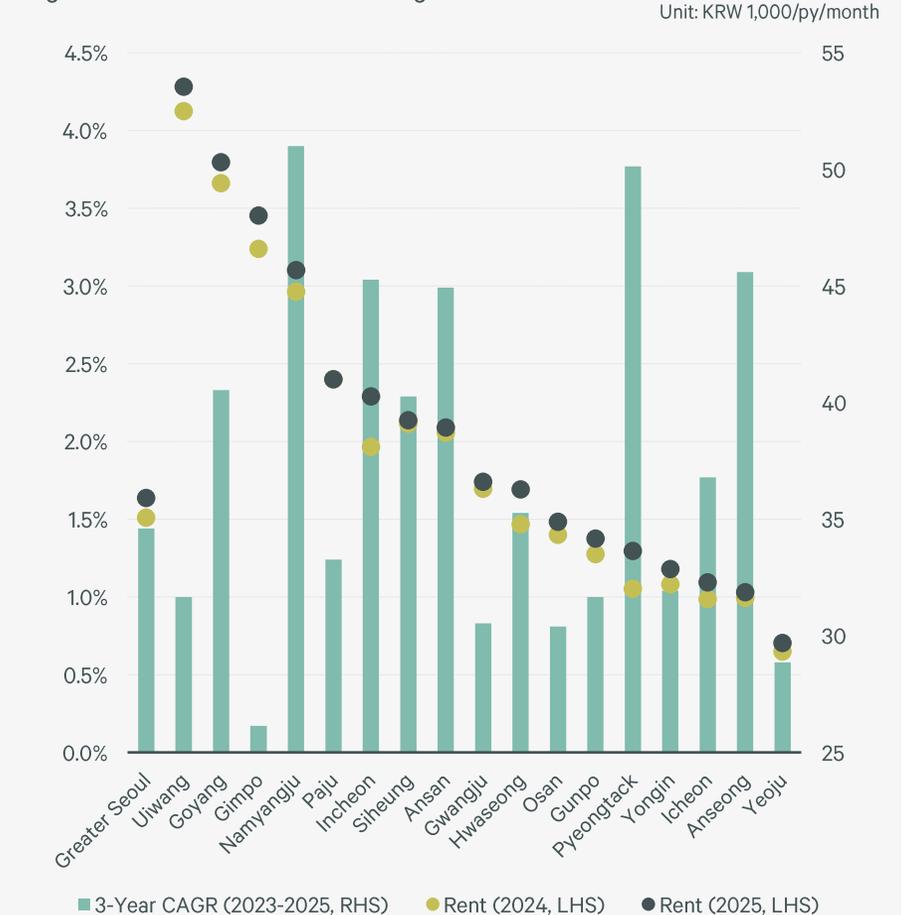
Rental growth for ambient logistics centers is expected to remain resilient in 2026. Structural normalization driven by supply-demand rebalancing is likely to shorten rent-free periods, supporting real rental growth beyond headline rates. As the market transitions away from a prolonged tenant-favorable environment, greater balance between landlords and tenants is expected to emerge, with realized rental performance increasingly differentiated by asset quality and location.

Figure 50: Dry Rent Trends for Grade A Logistics Centers



Source: CBRE Research, January 2026.

Figure 51: Face Rent of Grade A Logistics Centers in Greater Seoul (2023-2025)



05

# Investment

# 2025 Investment Market Review

**Record-high transaction volume**

**33.8** Trillion KRW

▲ 48.5% (y-o-y)

Office	Logistics	Hotels	Retail
24.68 Trillion KRW	5.30 Trillion KRW	1.84 Trillion KRW	1.97 Trillion KRW

Office Transactions (Over 100 Billion KRW)

**#49**

---

**22**

Trillion KRW

Logistics Transactions (Over 10 Billion KRW)

**#27**

---

**4.5**

Trillion KRW



Downward pressure remains amidst stabilization

**4.2%** Office

▼10bp (Compared to 2024)

**5.3%** Logistics

▼10bp

Monetary Policy Direction

**Possibility of further rate cuts remains**

Inflation + Growth + Financial Stability

**Data Centers**

K-Growth Fund plan

**150** Trillion KRW

▼ Private infrastructure fund

**40** Trillion KRW

Operational: # **47**

Under construction: # **16**

Planned: # **19**

**Living**

Single-person households, **43%**

Monthly rent proportion **60%**

**Comprehensive Real Estate Tax.**

Combined exclusion expired following the Oct 15 measures.

**Hotels**

Inbound Tourists Expected to exceed

**17M** (Record high)

Qualitative Shift, 5-star+ hotels

**#9** underway

## Commercial real estate investment volume to normalize after record year

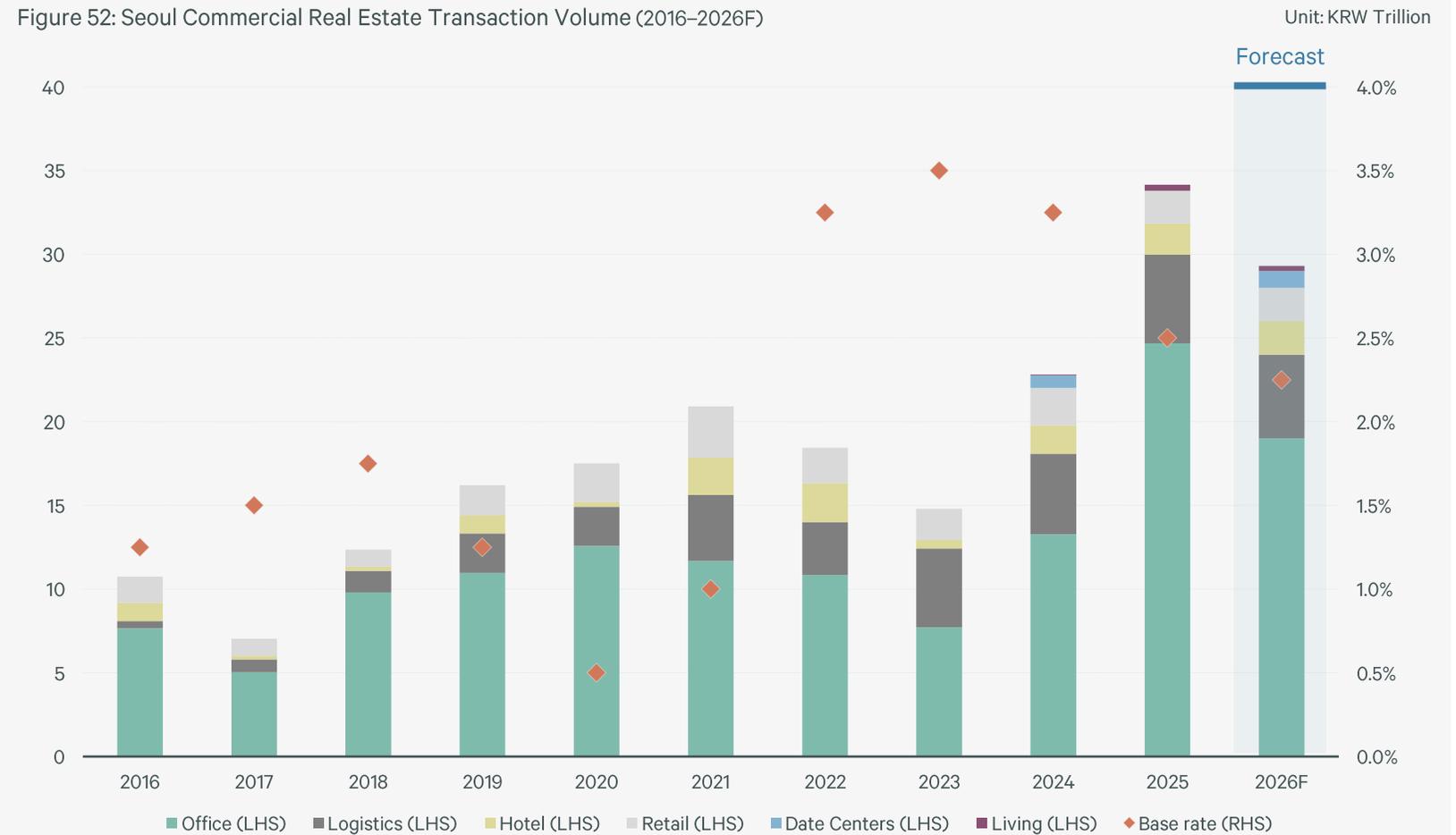
Korea's commercial real estate market entered a strong recovery phase from 2024, overcoming a high interest-rate environment. Following KRW 23 trillion in transaction volume in 2024, the market reached an all-time high of KRW 33.8 trillion in 2025, supported by mounting expectations for rate cuts and the closing of large-ticket asset disposals.

Office transactions led investment, accounting for more than 70% of total activity in 2025. Logistics continues to demonstrate resilient demand on the back of e-commerce expansion, while retail and hotels maintain relative stability at around KRW 2 trillion per annum. Data centers investment, where the first deal was observed in 2024—is expected to expand beyond KRW 1 trillion by 2026, emerging as a new strategic investment theme.

Investment activity has risen in recent years despite elevated interest rates, diverging from the conventional inverse relationship between rates and transaction volumes. This reflects investor decision-making being less driven by current rate levels and more by conviction around future rate declines, coinciding with the execution of long-delayed large-ticket asset sales, forward purchases, and strategic investor exits.

Investment volume in 2026 is forecasted to decline by 10–15% y-o-y due to the high base effect and interest rate cut outlook uncertainty, indicating a phase of mild normalization.

Figure 52: Seoul Commercial Real Estate Transaction Volume (2016–2026F)



Source: CBRE Research, January 2026.

## Offices to continue to drive investment amid ongoing participation by strategic investors

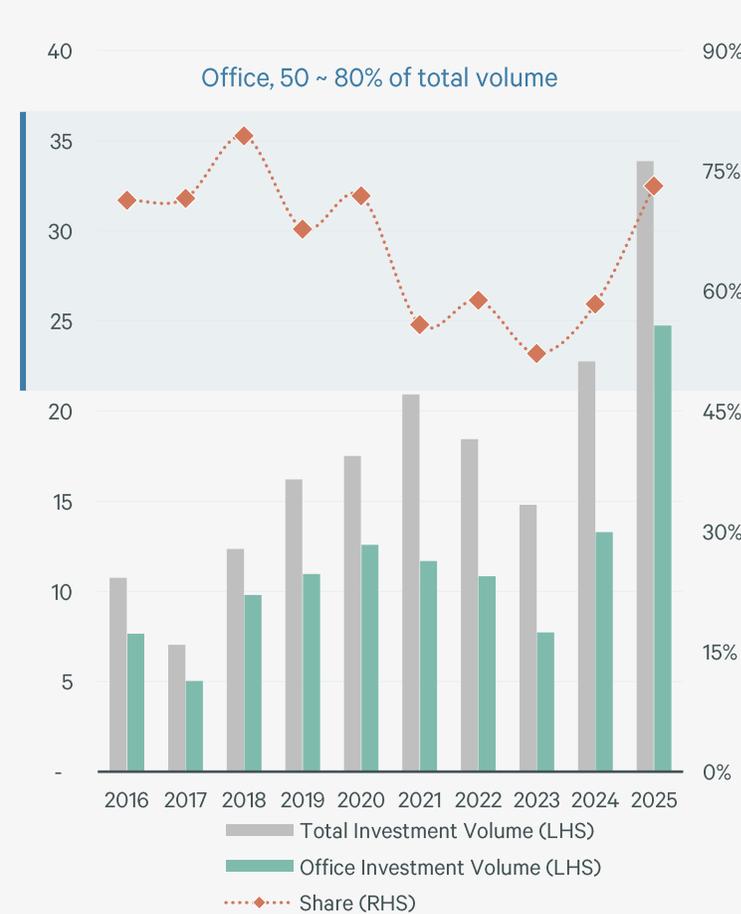
Over the past decade, office investment has consistently accounted for more than 50% of total market volume, last year reaching 73%, underpinning overall transaction activity.

A defining feature of 2025 was the expansion of large-scale deals led by strategic investors (SIs). Active SI buying focused on Grade A assets in core districts such as CBD and GBD. SI deal volume—including KakaoBank’s Pangyo Tech One Tower (KRW 1.98 trillion), as well as transactions involving Heungkuk Life Insurance, CJ Group, and Hyundai Motor Group—totaled approximately KRW 8 trillion, supporting market liquidity.

This reflects an acceleration in corporates’ efforts to secure high-quality assets for owner-occupation and operational use on a pre-emptive basis. This has been a decisive factor reinforcing downside resilience in the office market despite the high-rate environment.

This dynamic also underscores Korea’s distinctive recovery resilience, contrasting with broader global market contraction. However, investment in other sectors remained flat, deepening the imbalance in activity across asset classes. Although investor attention is gradually expanding toward data centers, living, and hotels, execution continues to be anchored by offices, suggesting that alternative sectors have yet to build sufficient conviction to replace offices’ perceived stability at scale.

Figure 53: Office Transaction Volume Trends (2016–2025)



Source: CBRE Research, January 2026.

Figure 54: Strategic Investor (SI) Involved Transactions in 2025

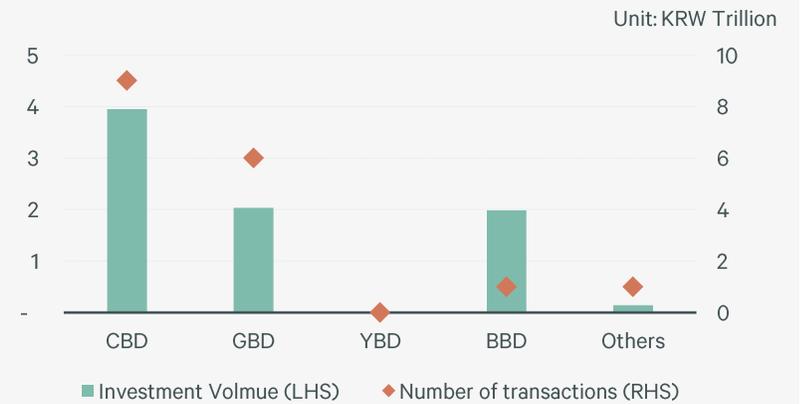


Figure 55: Office Transaction Count and Size Trends (2016–2025)



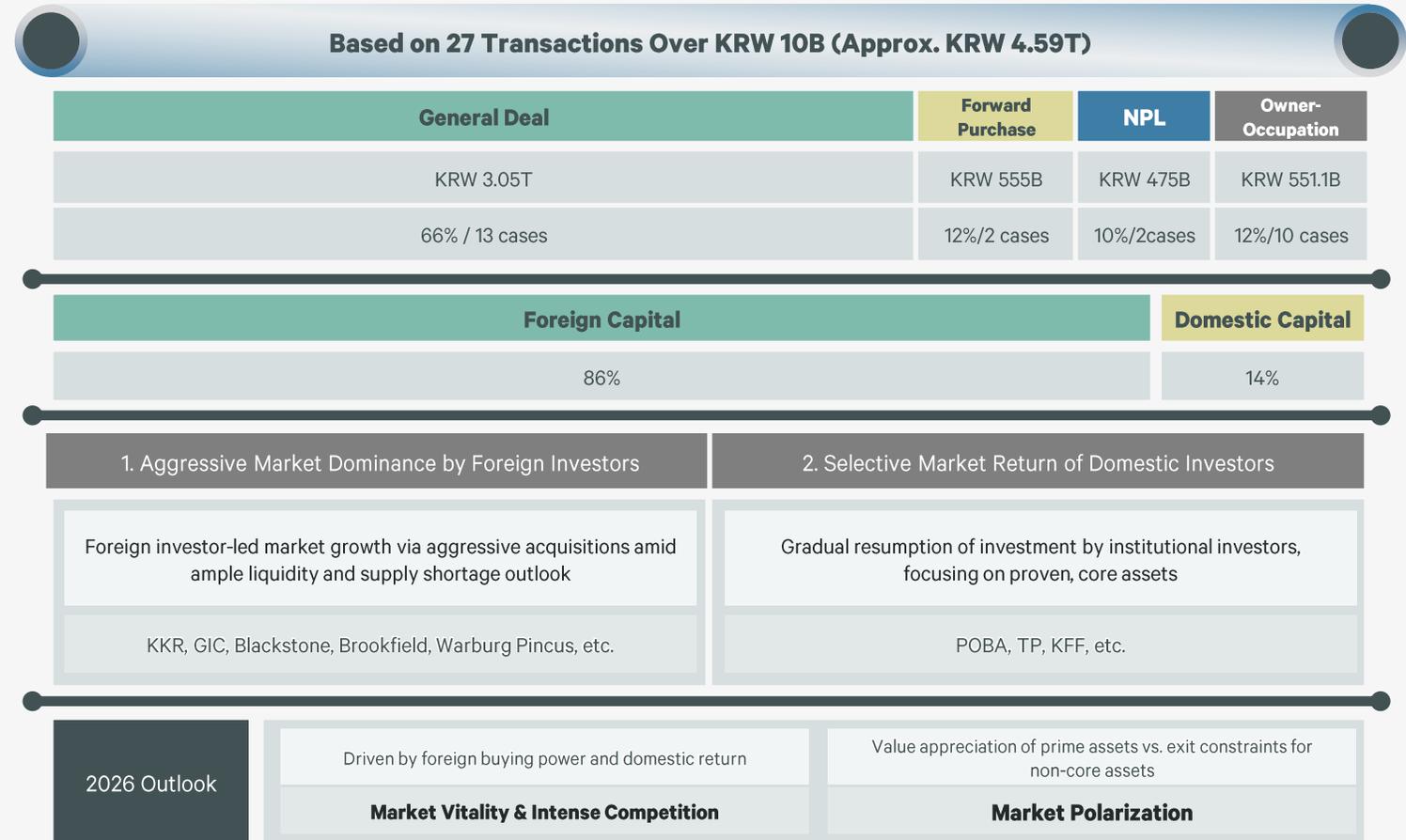
## Logistics investment to remain supported by offshore demand

Logistics transactions in 2025 totalled KRW 10 billion across a total of 27 deals, amounting to approximately KRW 458.66 billion, with conventional physical transactions accounting for 66% of total volume. With a sharp decline in the share of special situations transactions, the market is reverting from a temporary special-situations-driven structure toward a more stable transaction environment centered on physical assets.

Offshore capital accounted for 86% of total transaction value, reflecting an aggressive buying stance, while domestic capital remained limited, concentrated primarily in owner-occupier acquisitions of smaller assets. Foreign interest is underpinned by ample liquidity and a forward-looking assessment of potential supply-demand tightening and asset value upside as new supply declines. Domestic institutional investors have also begun to return, but their approach remains highly selective, focused on thoroughly underwritten, best-in-class assets.

Logistics investment in 2026 will remain supported by offshore demand, with more meaningful participation from domestic institutions likely to intensify competition for prime assets and support market liquidity. However, the preference for proven high-quality assets and a lack of availability will ensure the year is characterized less by surge in aggregate volume and more by accelerated qualitative competition centered on core assets.

Figure 56: 2025 Investment Market Review and 2026 Trends



Source: CBRE Research, January 2026.

## 2026 to see coexistence of yield diversification and conservative stability

According to CBRE Korea’s 2026 Investor & Lender Survey conducted in H2 2025, Korea’s commercial real estate market is expected to enter a qualitative transition phase, marked by a contrast between investors’ yield-driven diversification strategies and lenders’ emphasis on cashflow-based stability.

On the investor side, diversification is more evident as preferences shift from an office-dominant paradigm toward a more even sector allocation. Logistics has emerged as a core asset, while interest in data centers and hotels is also rising. Value-add (43%) and core-plus (27%) together account for 70% of preferred strategies, reflecting a stronger focus on enhancing returns through active asset management.

Lenders continue to place relatively greater value on stable core assets with proven cashflows. Offices (75%) ranked first, followed by logistics. However, lenders also indicated preference levels of over 20% for structurally growing alternative sectors such as co-living and data centers, suggesting potential funding appetite under the right conditions.

The gap between investors pursuing aggressive portfolio repositioning for return maximization and lenders prioritizing stability in proven assets will widen the differentiation in financing terms by asset type. This will further intensify market polarization toward high-quality assets.

Figure 57: Domestic Investor Preferred Investment Sectors

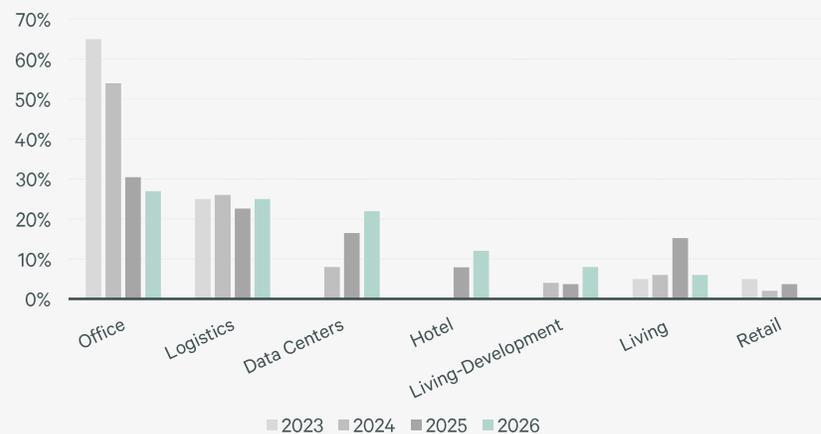
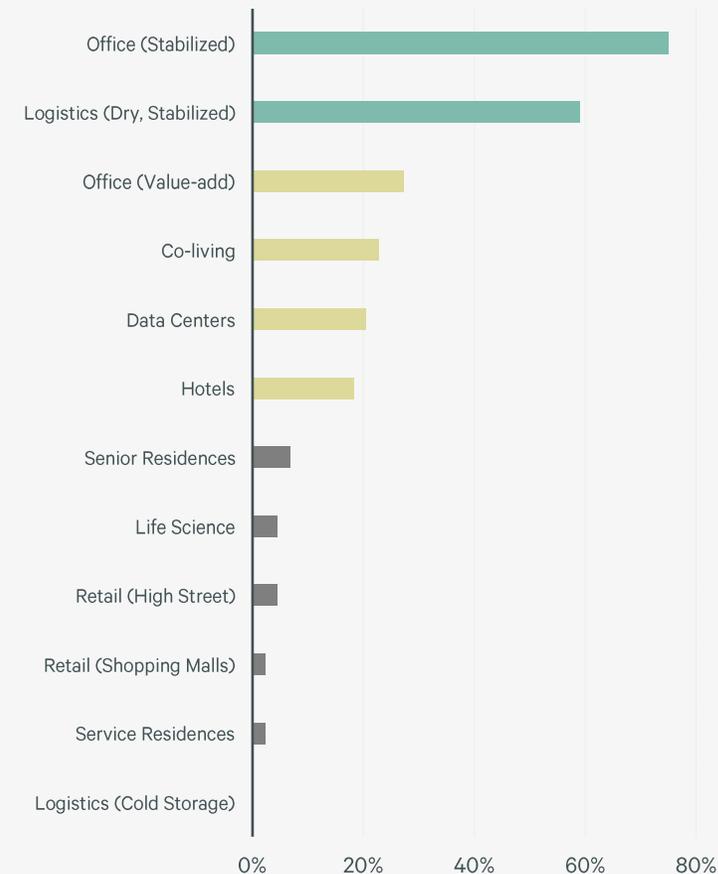


Figure 58: Domestic Investor Preferred Investment Strategies



Source: CBRE 2026 Korea Investor and Lender Survey, CBRE Korea, 2026.

Figure 59: Domestic Lender Preferred Real Estate Loan Asset Types



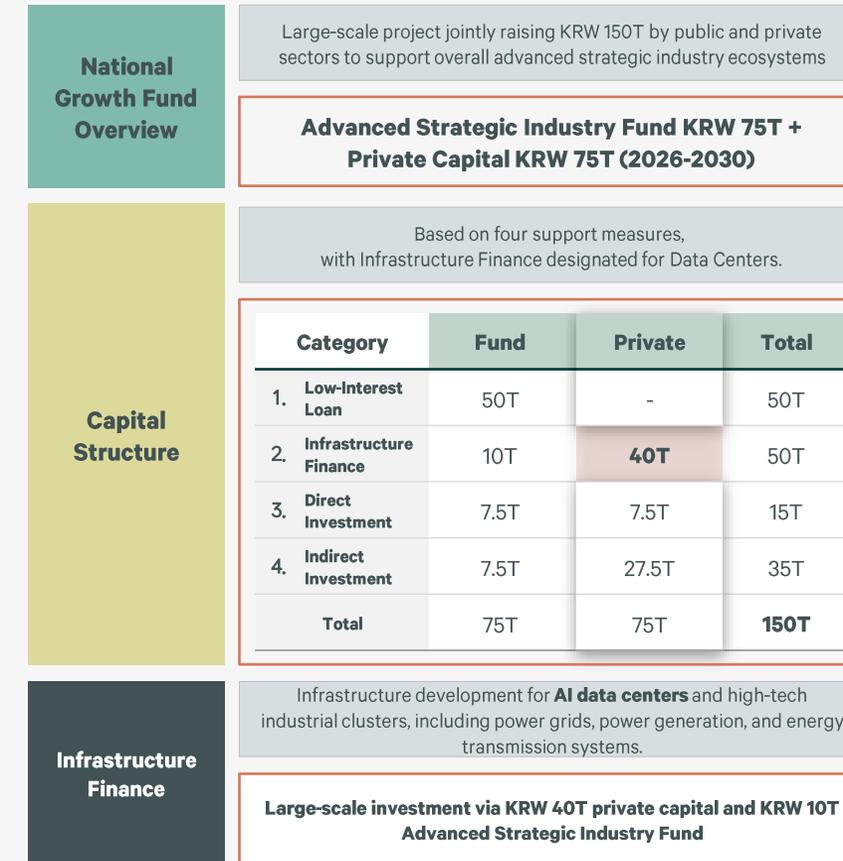
## Policy finance to catalyze growth in data centers investment

The government has announced the establishment of a KRW 150 trillion National Growth Fund to strengthen competitiveness in the AI sector and is beginning to play a catalytic role in accelerating data centers supply. 2026 is expected to be an inflection point, with capital expected to be deployed into core infrastructure projects in line with the fund's operational plan. Early deployment of policy capital is expected to enhance project credibility and serve as a catalyst that facilitates private capital mobilization.

In the capital region, a substantial pipeline is secured through 2031; however, effective supply delivery is expected to remain moderated due to power constraints and local opposition. Outside the capital region, development momentum is broadening under the government's decentralization agenda.

In 2026, the combination of decentralization and support from the National Growth Fund will enable both more substantive growth in the capital region and the diffusion of development momentum into non-capital regions. Advanced investment models are expected to expand, marking the beginning of more meaningful capital inflows into data centers. The combination of location diversification and policy finance will support regional economic revitalization while creating opportunities across related industries and the broader financial sector.

Figure 60: Overview of National Growth Fund and Investment Support Plan



Source: Korea Development Bank (KDB), CBRE DCS Solutions, December 2025.

Figure 61: Greater Seoul Data Center Pipeline

Category	Operational	Under Construction	Planned
Number	47	16	19
	Total 82 centers		
Size	1,511MW (IT Load) (Based on Operational + Under Construction)		

Figure 62: Support for Non-Metropolitan Data Centers Development Projects



## Seoul household structure shift to create new living sector opportunities

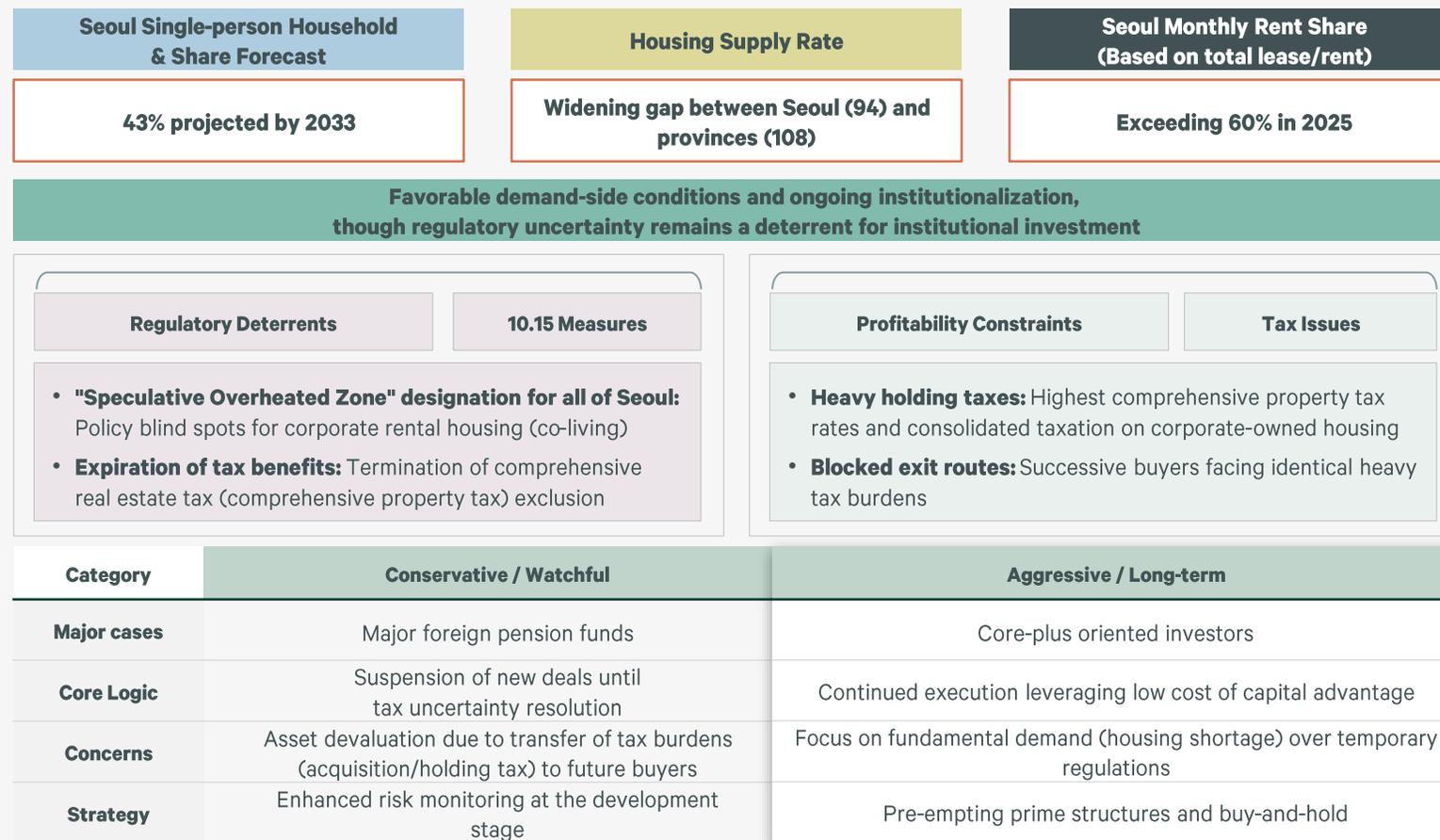
As Korea’s leasing market increasingly shifts toward a more developed, income-generating model, the living sector is actively entering an institutionalized market phase supported by professional capital.

However, despite these strong demand drivers, “housing” in Korea remains perceived primarily as a private, deposit-based financial domain centered on individuals, making institutional investment approaches structurally challenging.

Recent regulatory tightening across Seoul—including measures such as the 10.15 policy package—has increased holding tax burdens and imposed LTV constraints, contributing to policy variability and uncertainty. As a result, some conservative investors, including overseas pension funds, continue to adopt a cautious wait-and-see stance. By contrast, core-plus investors, view current conditions as an opportunity to secure high-quality assets and continue to invest \ under a long-term hold strategy.

As co-living represents a key policy alternative aligned with the government’s direction to expand urban housing supply, current regulatory risks may ease gradually over time. Supported by the previously identified strong preferences among both investors and lenders, the living sector is expected to drive broader market growth in 2026 alongside the advancement of operating platforms and institutional capabilities.

Figure 63: Investor Trends Driven by Living Demand and Policy Shifts



Source: National Data Centers, Seoul Open Data Plaza, Seoul Real Estate Information Plaza, December 2025.

## Tourism recovery to re-energize hotel market

Since the end of the pandemic, the sharp rebound in inbound tourism and enhanced price competitiveness amid a high exchange rate environment have served as key drivers of hotels performance recovery in Seoul.

Supported by improved operating performance and structural shifts in operational models, hotel investment activity rebounded in 2025, with KRW 2.0 trillion in transaction volume and 3,138 keys traded, primarily in the capital region. As disposals of non-capital region assets faced challenges, concentration in Seoul further intensified.

Historically, master lease structures were favored due to easier risk hedging; however, more recently, preference has expanded toward management contract models that allow owners to defend inflation risk through ADR adjustment and directly participate in operating upside. This appears to reflect investors' strategic intent to enhance asset value through more active operational engagement.

Continued asset monetization by large corporates is expected to drive more frequent turnover, particularly in the three- to four-star segment. As corporate asset efficiency strategies align with institutional investors' portfolio diversification needs, hotels transactions will take on a more prominent role in Korea's commercial real estate investment market.

Figure 64: Seoul Hotels Market: Current Status, Transactions, and Outlook

3-star+ Hotels & Rooms in Seoul	2025 Hotels Transactions	Scheduled 5-star+ Hotel Openings
<b>163 hotels / 40,151 rooms</b> (as of 2024)	<b>9 cases / Approx. KRW 2T</b> (3,138 rooms)	<b>9 cases</b> (2026-2032)

Figure 65: Master Lease vs. Management

Category	Master Lease	Management
Revenue Structure	Fixed rent collection	Performance-based revenue generation
Market Sensitivity	Low (Defensive strategy)	High (Flexible strategy)
RevPAR Upside	Accrued to operator	Accrued to investor
Asset Valuation	Rent-based valuation	Reflected operating profit growth
Optimal Timing	Market downturn (High uncertainty)	Market upturn (Recovery phase)
Remarks	Defensive investment	Value-add investment

Figure 66: Major hotel deal pipelines in 2026

Hotels Name	Rooms	Grade (Stars)	Operating Model
Fairfield by Marriott Seoul	556	4	Management
VOCO Seoul Myeongdong	576	4	Management
Nine Tree Parnas Dongdaemun	219	3	Master Lease
Shilla Stay Seodaemun	319	3	Master Lease
Skypark Central Seoul Pangyo	206	3	Master Lease
GLAD Hotel (Total Portfolio)	1,114	-	-

Source: CBRE Research, December 2025.

## Grade A office and logistics cap rates set to be stable in 2026

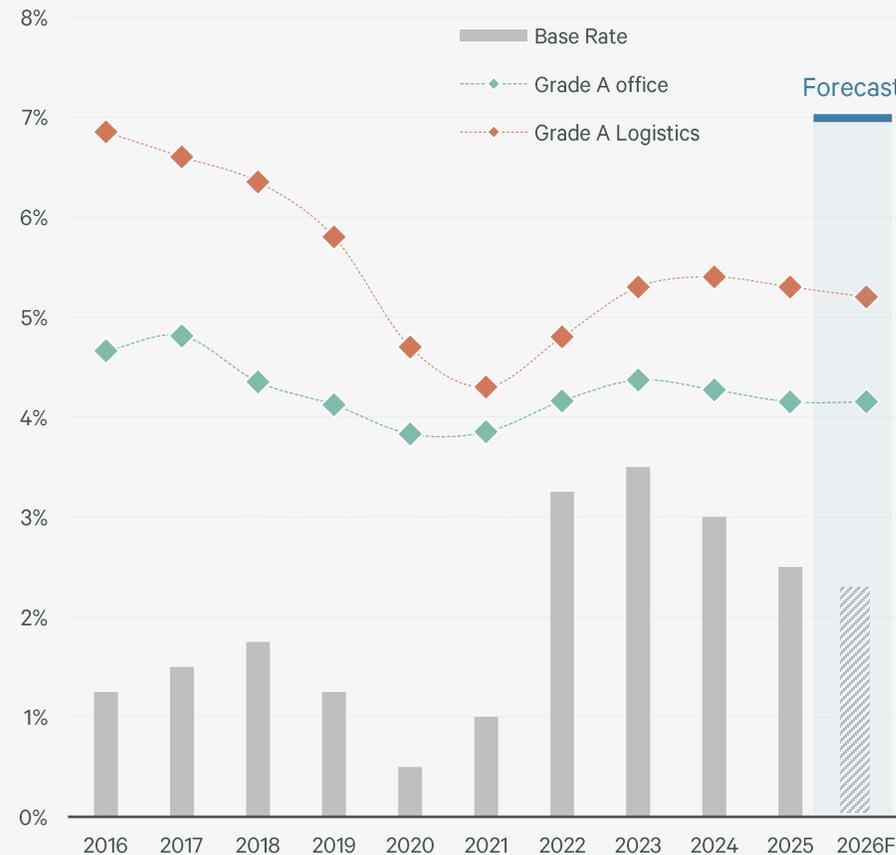
The BoK’s monetary and credit policy is expected to remain accommodative in 2026, but the pace of rate cuts is likely to be more gradual than market expectations, given financial stability risks including household debt and housing price volatility.

This policy uncertainty and gradual easing trajectory are expected to keep cap rates for Grade A office and logistics assets broadly stable in 2026. This may require investors to focus less on a simple “rate cut benefit” and more on securing returns through improvements in asset fundamentals, including rental growth. At the same time, this also indicates that there has been strong buying demand willing to secure prime assets even at the cost of accepting spread compression.

CBRE’s yield expectations have shifted downward, with asset value appreciation becoming more visible. Office yields have shown the most limited adjustment range and remain anchored at the lowest levels, even amid rate movements. Logistics and hotels continue to trade at higher yields than offices, while data centers have closed transactions in the low-to-mid 5% range.

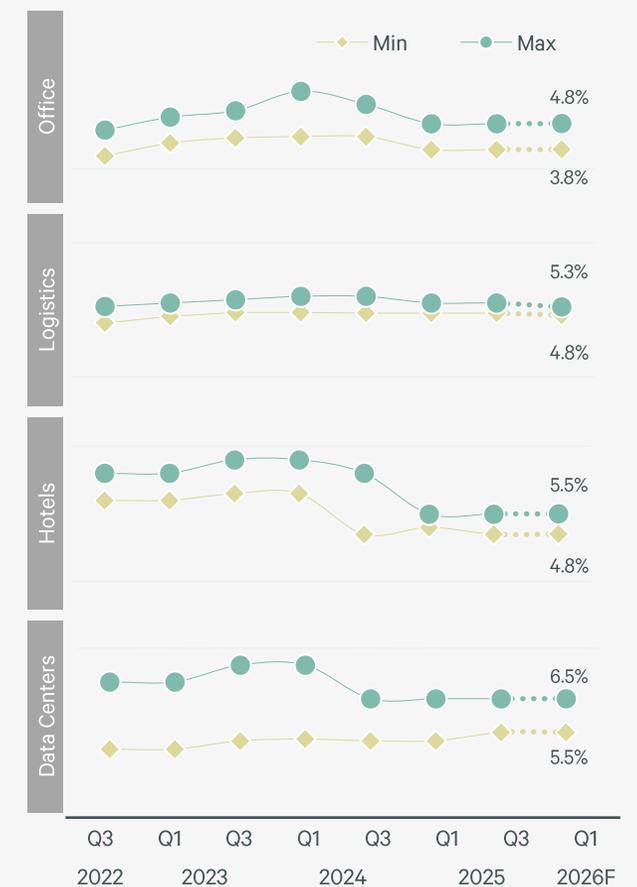
2026 will see stable yield conditions across most sectors (ex logistics), given the conservative operation of monetary policy. This will see the market characterized less by sharp price movements and more by selective investment focused on prime assets and the upgrading of income structures.

Figure 67: Grade A Office & Logistics Cap Rate Trends



Source: CBRE Research, December 2025.

Figure 68: Cap Rate Trends by Major Sector



# Contacts

## Korea Research

### **Claire Choi**

Head of Research, Korea  
claire.choi@cbre.com

### **Simon Yoo**

Associate Director  
simon.yoo@cbre.com

### **Rachel Shin**

Analyst  
rachel.shin@cbre.com

## Capital Markets

### **Sean Choi**

Head of Capital Markets, Korea  
sean.choi@cbre.com

### **Joonho Park**

Senior Director, Institutional Transactions, Korea  
joonho.park@cbre.com

### **Jihyun Lee**

Senior Director, Industrial & Logistics, Korea  
ji-hyun.lee@cbre.com

### **Andy Kim**

Senior Director, Data Center Solutions, Korea  
andy.kim@cbre.com

## Office Leasing

### **Robert Wilkinson**

Head of Office Leasing, Korea  
robert.wilkinson@cbre.com

### **Victoria Choi**

Executive Director, Office Occupier Leasing, Korea  
victoria.choi@cbre.com

### **Hyunjune Lim**

Senior Director, Office Investor Leasing, Korea  
hj.lim@cbre.com

## Retail

### **Ryan Kim**

Head of Retail, Korea  
ryan.kim@cbre.com