Office Leasing Volume Hits Highest Level Since Q1 2025 Vacancy Rate Rises on Completion of New Supply

▲ 2.5% Q-O-Q
Q1 2026 GDP

▲ 1.33% Q-O-Q
Q2 2026 CPI INFLATION

▲ 75
Q2 2026 BSI

▲ 2.84%
Q2 2026 3M KORIBOR

▲ 0.2% Y-O-Y
2026 Q1 FDI

▶ 107
Q2 2026 CCSI

Note: Arrows indicate change from previous period.

Hot Topics

- CBD vacancy rose to 6.6% in Q2 2026 following the completion of G1 Seoul and Rene Square in the downtown submarket. Excluding this quarter's new additions, vacancy across existing assets declined during the period.
- Global outdoor and running brands Salomon, Cotopaxi, and K-Swiss opened experiential flagship stores in Seochon, Dosan-daero, and Seongsu, respectively, this quarter, positioning Seoul as a key location for running and outdoor lifestyle culture.
- Numerous cold-to-dry storage conversions were observed in Greater Seoul this quarter in areas such as Incheon, Gimpo, and Yeoju. Most converted assets reported full occupancy, establishing conversion as a key profitability strategy for landlords addressing prolonged cold storage vacancy.
- Although commercial real estate investment volume fell 17.7% y-o-y in H1 2026, this quarter witnessed a record-high asset transaction in Yeouido along with a fifth consecutive quarterly increase in hotel investment.

OFFICE

Average Grade A office vacancy across Seoul's three major business districts rose 1.4 ppts q-o-q to 4.2%. GBD reported the lowest vacancy on the back of strong prime-asset demand. New leasing volume hit a five-quarter high of 143,881 sq. m..

RETAIL

Rising inbound tourism and credit card spending pushed rents up and pulled vacancy down across Myeongdong, Seongsu, and Gangnam in Q2 2026. With Seongsu rents up 14% y-o-y and vacancy standing at just 3.4%, there is little room for new leases.

LOGISTICS

New supply and net absorption fell roughly 24% y-o-y and 30% y-o-y, respectively, in H1 2026. Vacancy nevertheless dropped to 14.6% on the back of continued cold-to-dry storage conversions, with upward rental pressure set to build in H2 2026 amid a lack of space in large-sized assets.

INVESTMENT

investment volume fell 10% q-o-q and 21% y-o-y to KRW 5.8232 trillion, led by offices, which accounted for 68% of the total. The 16% q-o-q rise in logistics investment points to a stronger H2 2026.

Office

Average Grade A office vacancy across Seoul's three major business districts rose 1.4 ppts q-o-q to 4.2% in Q2 2026, driven by the completion of G1 Seoul and Rene Square in the CBD. The GBD reported the lowest vacancy of the three districts, while the YBD saw a modest increase.

Headline rents rose 1.4% q-o-q to KRW 41,496 per sq. m., supported by elevated rents in this quarter's new supply. Rent-free periods were steady at under one month. Effective rents stood at KRW 39,036 per sq. m., with H1 2026's cumulative growth of approximately 1.9% representing a marked slowdown from 2025's full-year growth of +6.2%.

CBD vacancy rose 2.9 ppts q-o-q to 6.6% on the back of new supply. Vacancy in existing stock actually declined, aided by Lotte Rental's relocation and solid IT/manufacturing demand. With Rene Square in advanced talks to secure the Serious Crime Investigation Agency as a tenant and G1 Seoul actively marketing, CBD vacancy is expected to fall in Q3 2026.

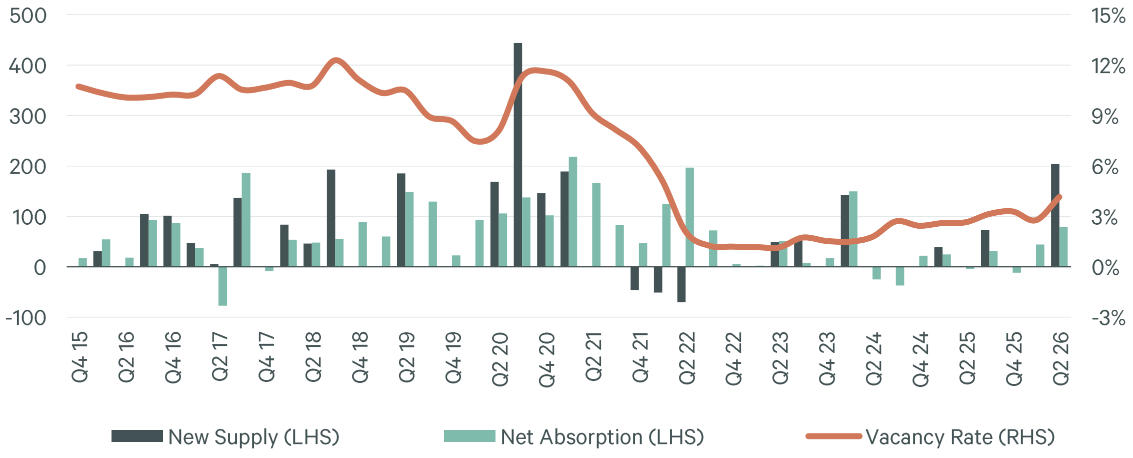
GBD vacancy fell 0.7 ppts q-o-q to 1.3% from 2.0% in the prior quarter, again the lowest of the three districts. Relocation demand was concentrated in prime assets. Anthropic officially opened its Seoul office at Centerfield, while foreign IT and manufacturing tenants including Tesla continued to expand their footprint, indicating sustained demand for prime stock. Gmarket—having confirmed its move to Seongsu—issued notice of its intention to vacate Gangnam Finance Center, with the resulting vacancy expected to arise in early 2027. Marketing activity for the space is already underway, with several prospective tenants already understood to be interested.

YBD vacancy rose 1.0 ppt q-o-q to 3.1%, driven by increased vacancy at Parc1 and FKI Tower. Prime assets including IFC and One Sentinel continued to see solid demand from financial tenants relocating or expanding, with several assets remaining fully occupied amid the district's prolonged supply constraints. With no new leasable supply due until at least 2027, YBD vacancy is expected to remain stable in the near term.

Among secondary submarkets, Seongsu is emerging as a sub-office node to the GBD, establishing itself as a new base for IT and manufacturing occupiers. Following the relocations of Hyundai Autoever and Gmarket, Krafton is expected to move to Seongsu upon completion of its new headquarters, further reinforcing the submarket's role as a secondary hub for IT and manufacturing tenants.

FIGURE 1: Office Supply-Demand Dynamics

Unit: sq. m, Thousands



Source: CBRE Research, Q2 2026.

TABLE 1: Office Vacancy and Effective Rents

Q2 2026	Seoul	CBD	GBD	YBD
Vacancy rate (%)	**4.2**	**6.6**	**1.3**	**3.1**
Net Absorption (sq. m.)	78,913	80,526	18,525	(20,138)
Q-o-Q (%p)	+1.4	+2.9	-0.7	+1.0
Y-o-Y (%p)	+1.5	+3.4	-0.4	+0.3
Effective rent (KRW/sq. m./mth)	**39,036**	**39,040**	**44,461**	**33,770**
Q-o-Q (%)	+1.4	+3.0	+0.6	+0.7
Y-o-Y (%)	+4.8	+6.9	+5.5	+1.7

Source: CBRE Research, Q2 2026.

Retail

Cumulative domestic retail sales through May 2026 rose 6% y-o-y, led by department stores (+15%) on the back of surging foreign luxury demand and rising high-income domestic spending. Online sales continued to grow but hypermarkets (-6%) remained weak. June's CPI rose 3.2% y-o-y, a two-and-a-half-year high, though the CCSI improved for a second straight month in May–June thanks to strong semiconductor exports and rising equities.

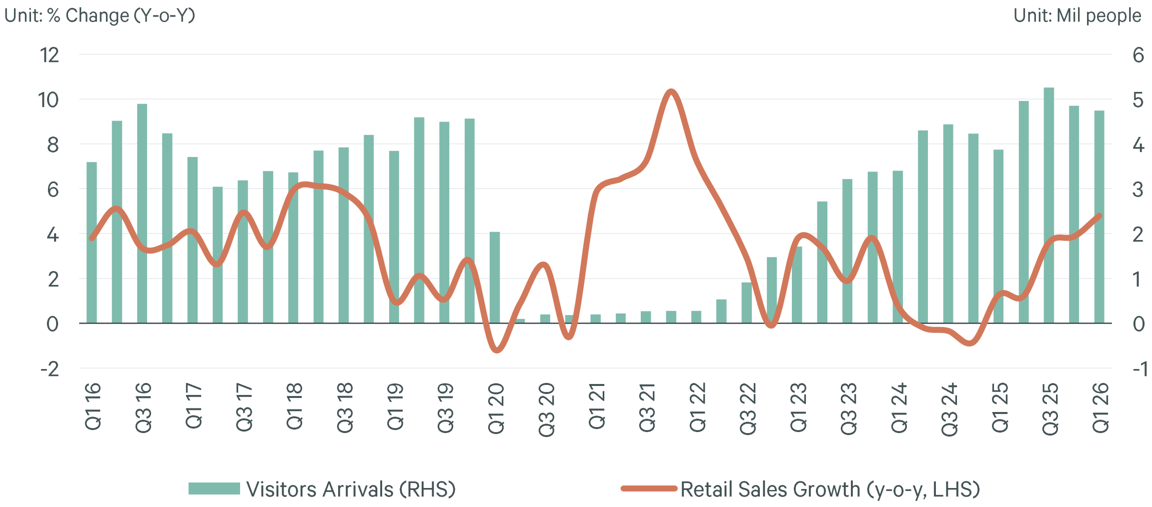
Inbound tourism remains the key driver of Seoul retail growth. Cumulative foreign arrivals through May reached approximately 8.7 million, up 21% y-o-y, surpassing 10 million by the third week of June. This marked the first time arrivals have topped 10 million within a first half period. Foreign card spending hit a record KRW 2.12 trillion in May, crossing KRW 2 trillion for the first time in a single month and rising 67% y-o-y, fueling department store luxury sales, pushing up rents and improving vacancy in core corridors including Myeongdong, Seongsu, and Gangnam.

A running- and outdoor-led lifestyle trend is reshaping Seoul's retail property market. In Seochon, a running route along the palace walls has helped turn the area into a corridor blending cafes and fashion, with Salomon opening its first-ever fitting-service flagship in the area this quarter. Also during Q2 2026, Cotopaxi debuted its first domestic flagship on Dosan-daero, while K-Swiss re-entered Korea with its largest global flagship in Seongsu, signaling a broader shift toward experiential, fitting-service-equipped outdoor and running formats.

Seongsu and Gangnam remain Seoul retail's twin pillars. Seongsu rents rose 14% y-o-y with vacancy tightening to 3.4%, leaving little room for new leases. Musinsa and Olive Young reinforced their anchor status with a new megastore and beauty-focused flagship during the quarter. Gangnam rents rose 9% y-o-y with vacancy near 6%. The district is emerging as the gateway for global F&B brands, with Chinese milk tea brand Chagee unveiling a new Gangnam Station flagship, Chipotle preparing its first Asia store, and Van Leeuwen opening its first Asia store with further openings planned nearby. This trend reflects a shift toward casual, dessert-led, socially-driven categories over the premium restaurant and burger concepts of the past.

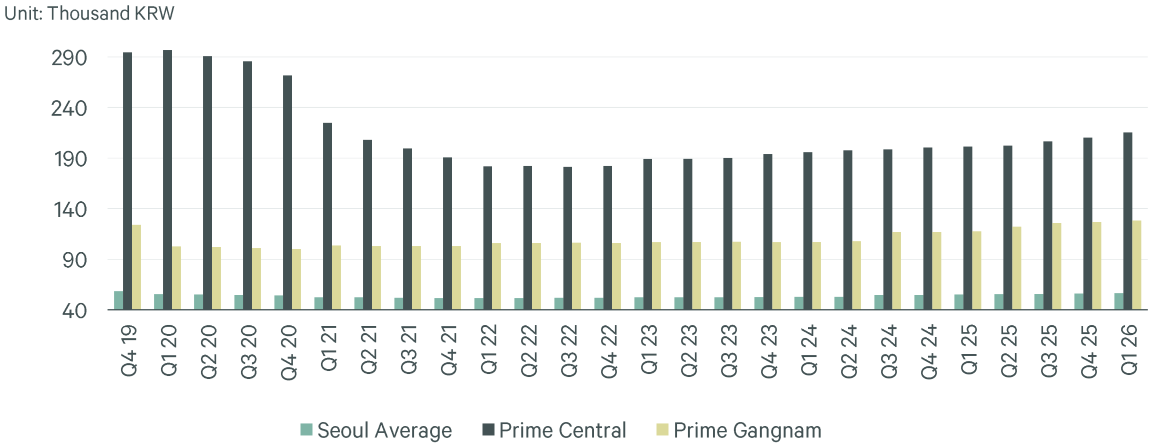
Myeongdong rents grew 7% y-o-y while vacancy stood at 5%. The area is evolving into a mixed fashion-beauty-medical hub, with Uniqlo returning alongside new large-format pharmacy and dermatology clinic openings. Euljiro is rapidly emerging as an F&B corridor ahead of upcoming large-scale office supply near Cheonggyecheon, with vacancy now scarce and key money at prime sites reportedly exceeding KRW 300 million.

FIGURE 2: Retail Sales Volume Growth Rate vs. Visitors Arrivals



Source: CBRE Research, Q2 2026.

FIGURE 3: Retail Rents



Source: CBRE Research, Q2 2026.
Note: Based on medium to large sized shopping malls..

Logistics

Two new dry-storage assets came on stream in the Greater Seoul Grade A logistics market in Q2 2026. These were a 71,228 sq. m. facility in Bucheon and a 50,826 sq. m. facility in Pyeongtaek. Of the 722,870 sq. m. forecasted for full-year 2026 supply, 41% or 295,997 sq. m. was delivered in H1 2026, down 24% y-o-y and equivalent to 28% of last year's total.

Net absorption totaled 850,000 sq. m. in H1 2026, down 30% y-o-y and falling short of half of 2025's full-year total. The decline reflected reduced supply and a shrinking pool of large-format space. The share of large leases (4,000 pyeong or more) fell to 26% in H1 2026, substantially down from 47% in 2024 and 45% in 2025. A moderation in e-commerce's expansion cycle also weighed on overall leasing activity in the first six months of the year.

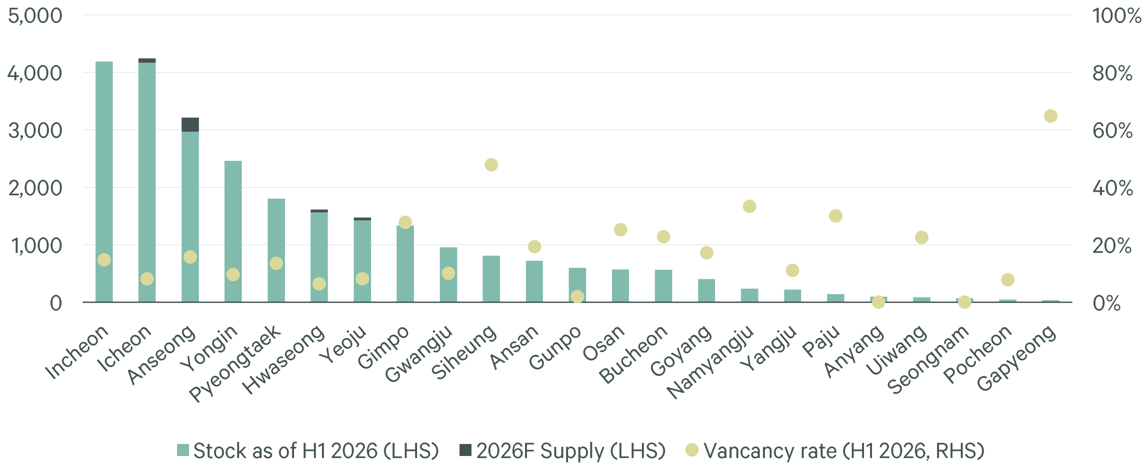
New leasing activity was concentrated in Incheon, Yeoju, Icheon, and Hwaseong and was roughly 90% dry and 10% cold, with e-commerce and 3PL tenants accounting for approximately 70% of total leasing volume. Notable transactions included Lotte Global Logistics securing the entire dry-storage space at Logis Point Yeoju, and Dongwon Logistics fully leasing Icheon Naechon-ri Logistics Center—an asset that had carried vacancy of around 50% over the past year. In the cold storage segment, demand from e-commerce and F&B occupiers such as Musinsa Beauty (Yeoju) was observed in relatively small- to mid-sized spaces.

Greater Seoul Grade A logistics vacancy fell 2.6 ppts from year-end 2025 to 14.6%, with dry and cold vacancy standing at 8.7% and 33.0%, respectively. Cold-storage vacancy fell by a sharp 4.4 ppts, linked to a growing wave of cold-to-dry conversions. Approximately 128,000 sq. m. of such activity was identified in H1 2026 across submarkets including Yeoju, Anseong, Icheon, Incheon, Gimpo, and Anyang, led by owners such as Mastern Investment Management and Koramco Asset Management. Converted space was generally modest in scale, and nearly all converted assets are now fully leased, with limited impact on dry-storage vacancy. Elevated cold-storage vacancy means this trend is expected to continue into H2 2026.

Rents continued to rise in the first six months of the year, with nominal dry-storage rents up 1.6% in H1 2026 versus year-end 2025, led by above-average growth in Incheon, Gimpo, and Yongin. With dry-storage vacancy now in the single digits and no hyper-scale new supply expected in H2 2026, competition for prime assets is set to intensify, gradually shifting market leverage from tenants toward landlords. However, macro variables such as interest rates and domestic demand could influence tenants' expansion strategies in the coming months.

FIGURE 4: Greater Seoul Logistics Supply and Vacancy

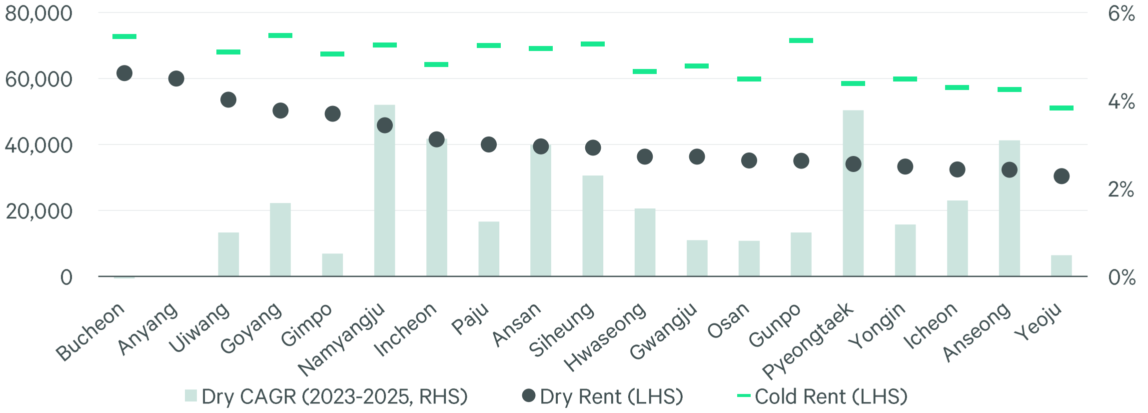
Unit: sq. m, Thousands



Source: CBRE Research, Q2 2026.

FIGURE 5: Greater Seoul Logistics Rents

Unit: KRW/pyeong/mth



Source: CBRE Research, Q2 2026.

Investment

Seoul's commercial real estate investment volume totaled KRW 5.8232 trillion in Q2 2026, down 10% q-o-q and 21% y-o-y. This brought H1 2026 volume to KRW 12.2849 trillion, down 17.7% y-o-y. The decline reflects the high base effect from a record 2025, combined with inflation concerns tied to geopolitical risk, a priced-in rate hike, and rising borrowing costs.

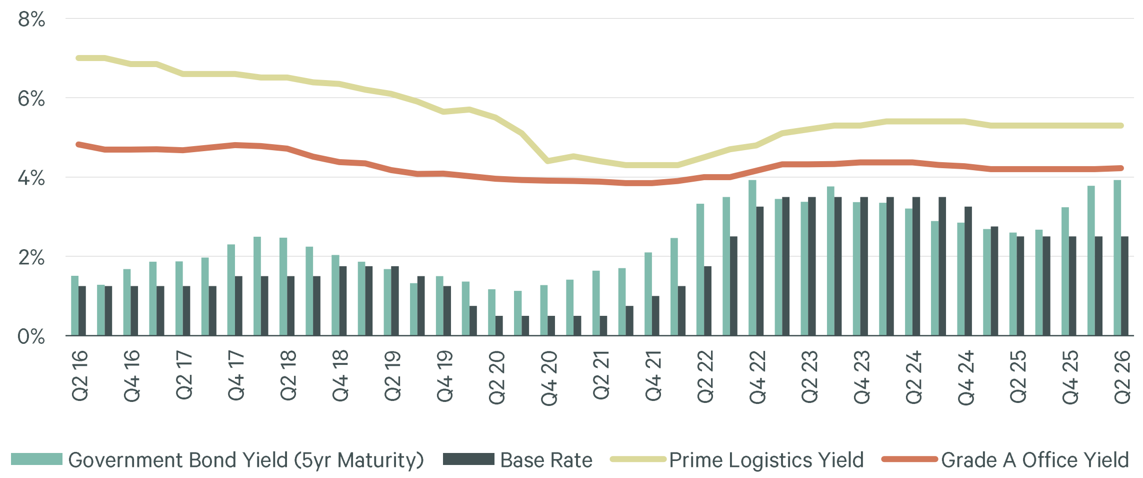
Office transactions totaled KRW 3.96 trillion, or 68% of total volume. The largest deal was Hana Securities' KRW 811.2 billion buyback of its own Yeouido building via right of first refusal. This marked both the district's first large deal in about a year and also a record high level for a single asset transaction in the area at KRW 38.4 million per pyeong, reaffirming resilient prime Yeouido valuations amid a lack of new supply. This was followed by G-Vesco Asset Management's KRW 697.6 billion acquisition of Guro G Tower and Pacific Asset Management's KRW 657 billion purchase of Euljiro Twin Towers via an NPS value-add fund. With multiple deals in the pipeline, H2 2026 office volume is expected to exceed H1 2026.

Logistics investment totaled KRW 898.1 billion, up 16% q-o-q but still below the 2025 quarterly average of KRW 1.37 trillion. Domestic institutional participation expanded further this quarter, creating a more balanced landscape with foreign capital. Notable deals included ADF Asset Management's KRW 215 billion acquisition of Seongeun-ri Logistics Center in Anseong and Mastern Investment Management's KRW 119 billion forward purchase of Logis Point Sinhae-ri.

Major hotel transactions included CapitaLand's KRW 368.6 billion acquisition of Voco Seoul Myeongdong (KRW 640 million per key), alongside deals by Shinsegae Group, Mastern Investment Management, and Aurion Asset Management. Hotel investment increased for a fifth straight quarter to KRW 752.6 billion, bringing H1 2026 volume to KRW 1.4 trillion, which is already 76% of full-year 2025 volume. Hotels are now firmly established alongside logistics as a key sector supporting the office-led investment market.

Average yields held flat at 4.2% for Seoul Grade A offices and 5.3% for Greater Seoul Grade A logistics. However, yields for both sectors face strong upward pressure following the Bank of Korea's 25bp rate hike on July 16, which has raised negative carry concerns and a widening bid-ask gap. With prime asset demand still robust, growing yield divergence across asset quality is expected to be a key variable between now and year's end.

FIGURE 6: Office, Logistics, Government Bond Yield Spread



Source: CBRE Research, Q2 2026.

TABLE 2: Major Transactions, Q2 2026

Sector	Property	Price (KRW bln)	Buyer	Seller
Office	Hana Securities Building	811	Hana Securities Co., Ltd.	Koramco The One REIT
Office	G-Tower	698	GVESCO Investment Mngt	Netmarble Corporation
Office	Eulji Twin Tower	657	Pacific Asset Management	KT Investment Management
Logistics	Seongeun Logistics Center	215	ADF Asset Management	IGIS Asset Management
Logistics	Logis Point Sinhaeri	119	Mastern Investment Mngt	SH Logis No. 1
Hotel	Voco Seoul Myeongdong	369	CapitaLand Investment	Gravity Asset Management
Hotel	Union Hotel	53	Orion Capital Management	DAEA TI CO., LTD.

Source: CBRE Research, Q2 2026.

Survey Criteria

Office

- Grade A Office: Located in one of the three major business districts in Seoul (CBD, GBD, and YBD) with a gross floor area of 33,000 sq. m. or more.
- Defined by quantitative and qualitative factors such as completion date, tenant, and rent level.

District	Location	No. of assets	Avg. GFA (sq. m.)	Avg. completion year
CBD	Jongno-gu, Jung-gu	55	71,930	2005
GBD	Gangnam-gu, Seocho-gu	38	69,147	2004
YBD	Yeongdeungpo-gu, Yeouido-dong	23	88,311	2006

- Effective Rent: Reflect rent-free incentives of each asset to face rent

Logistics

- Grade A Logistics: Located in Greater Seoul (Gyeonggi-do and Incheon) with a gross floor area of 33,000 sq. m. or more.
- Defined by quantitative and qualitative factors such as completion date, floor height, distance from IC, and rent level.

No. of submarkets	No. of assets	Avg. GFA (sq. m.)	Avg. completion year
24	330	75,095	2020

- Data updates: conduct research on quarterly (supply) and bi-annually (vacancy, rents, tenants)

Retail

- Retail market sales: based on data from Korea Statistics, exclude passenger vehicle and fuel sales.
- Online shopping sales: exclude online service sales from overall online shopping sales

Investment

- Transaction volume: Among office, retail, and hotel assets located in Seoul and logistics assets (logistics centre and factory) located in Greater Seoul, transactions worth more than KRW 10 billion are included.
- Transacted date: application date of registry information
- Office yield (Cap Rate) : calculated based on NOI and other qualitative factors and opinions from Capital Markets team are also taken into consideration.

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