

Investment activity strengthens further as occupier market reports steady performance

▲ 0.6% Q-O-Q
Q2 2025 GDP

▲ 0.31% Q-O-Q
Q3 2025 CPI INFLATION

▲ 69
Q3 2025 BSI

▼ 2.51%
Q3 2025 3M KORIBOR

▼ 14.6% Y-O-Y
Q2 2025 FDI

▲ 110
Q3 2025 CCSI

Note: Arrows indicate change from previous period.

Hot Topics

- With office relocation demand—particularly within the finance and manufacturing sectors, which together account for over 40% of CBD demand—remaining strong, vacancy is expected to decline in Q4 2025.
- Chinese retailers continue to accelerate their expansion across Korea, led by groups such as Xiaomi, Chagee, Miniso, Yoyoso and Pop Mart.
- Leasing volume in the logistics cold-storage market tripled q-o-q, signalling a partial recovery in demand. E-commerce and 3PL expansion was notable, driven by growing requirements for freshness control and fulfillment efficiency.
- This quarter’s resurgence in office investment was underpinned by stable leasing fundamentals, expectations of leverage benefits from declining interest rates (with senior loan rates entering the 3% range), and improved dividend yield outlooks.

OFFICE

Average vacancy rose by 0.5 ppts q-o-q to 3.1% in Q3 2025. Net absorption reached 31,493 sq. m.. Face rents continued their gradual upward trend, rising 0.9% q-o-q to KRW 39,964 per sq. m. per month. Aside from the three main business districts, Magok continued to attract a diverse pool of occupiers.

RETAIL

As of August 2025, cumulative retail sales for the year totaled approximately KRW 428 trillion, up 1.8% y-o-y. The cumulative number of inbound tourists from January to August rose 16% y-o-y to 12.38 million, eclipsing 2019 levels. Retailers, particularly those in fashion and beauty, continued to expand.

LOGISTICS

New supply totaled 374,861 sq. m., bringing the y-t-d figure to 765,020 sq. m., down 68% y-o-y. Leasing volume reached 699,758 sq. m. on the back of rapid stabilization among newly delivered facilities. Asking rents held steady q-o-q. Leasing demand continued to be dominated by e-commerce and 3PL tenants.

INVESTMENT

Seoul commercial real estate investment volume reached KRW 7.95 trillion in Q3 2025, up 1.4% y-o-y. Investment volume reached KRW 25 trillion y-t-d, surpassing the KRW 22 trillion recorded in 2024. Office transactions dominated, accounting for KRW 7.66 trillion, or 77% of total investment volume.

Office

The average vacancy rate across Seoul’s three major office districts rose by 0.5 ppts q-o-q to 3.1% in Q3 2025. Despite the absence of new supply this quarter, net absorption reached 31,493 sq. m., supported by occupiers taking possession of units at KT Gwanghwamun Building West in the CBD, which offset increases in vacancies within the CBD and YBD.

Face rents continued their gradual upward trend, rising 0.9% q-o-q to KRW 39,964 per sq. m. per month. With rent-free periods remaining at under one month per year on average, effective rents increased 1.0% q-o-q to KRW 37,624 per sq. m. per month. Leasing volume totaled 102,885 sq. m., maintaining a similar level to the previous quarter.

In the CBD, the vacancy rate climbed 0.9 ppts q-o-q to 4.1% as large corporates such as SK and Shinsegae executed strategic relocations, and newly completed assets took time to stabilize. With relocation demand among tenants—particularly within the finance and manufacturing sectors, which together account for over 40% of CBD demand—remaining strong, vacancy is expected to decline in Q4 2025. Pre-leasing for upcoming projects including G1 Seoul, Eul Tower, and René Square is underway, signaling a gradual recovery in leasing momentum.

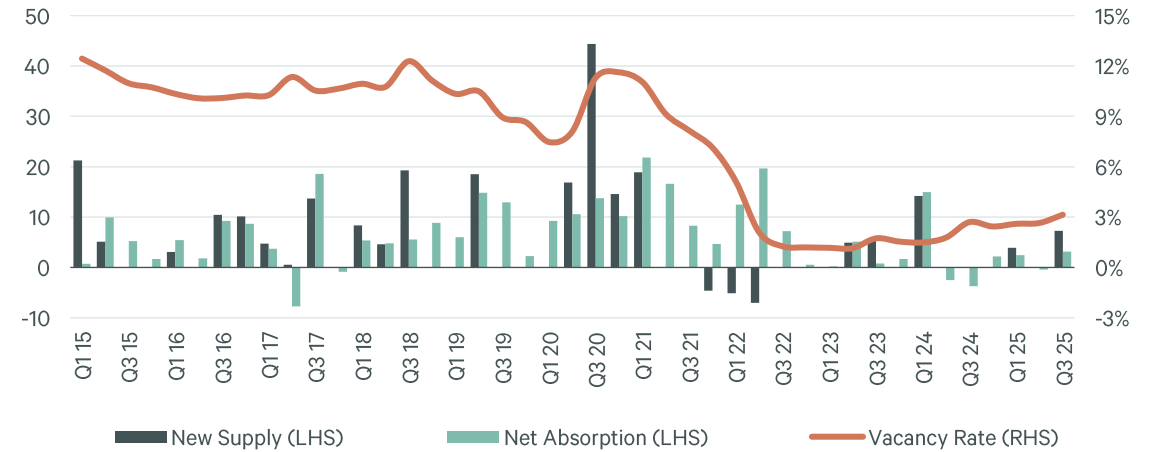
The GBD recorded a slight decline in vacancy from 1.7% to 1.5%, driven by sustained relocation and expansion demand from finance and IT companies amid limited new supply. Tight availability in existing Grade-A assets translated into heightened interest in upcoming properties.

In the YBD, the vacancy rate increased 0.8 ppts q-o-q to 3.6% following contractions by several large corporate affiliates and a cryptocurrency exchange, as well as GC Wellbeing’s relocation to Wangsimni. The impact was partly offset by new move-ins—such as the Korea Fire Insurance Association (rebuilding its headquarters) and NH NongHyup Capital (post-asset sale)—at the refurbished One Centinel (former Shinhan Investment Building).

Magok, which is emerging as a new business hub in southwestern Seoul, continued to attract a diverse pool of occupiers, particularly around One Grove (CP4). Recent transactions include SUM Air (a small-airline operator), DSV Air & Sea Ltd (a global freight forwarder), and Turner & Townsend Korea. These tenants represent new, not relocation, demand from existing core districts. Magok is establishing itself as a cluster for aviation-related occupiers while evolving into a mixed business area encompassing both construction and financial services.

FIGURE 1: Office Supply-Demand Dynamics

Unit: sq. m, 10 Thousands



Source: CBRE Research, Q3 2025

TABLE 1: Office Vacancy and Effective Rents

Q3 2025	Seoul	CBD	GBD	YBD
Vacancy rate (%)	3.1	4.1	1.5	3.6
Q-o-Q (%p)	+0.5	+0.9	-0.3	+0.8
Y-o-Y (%p)	+0.4	+1.9	-0.4	-1.2
Effective rent (KRW/sq. m./mth)	37,624	36,844	42,795	33,384
Q-o-Q (%)	+1.0	+0.9	+1.5	+0.5
Y-o-Y (%)	+6.3	+6.6	+8.0	+3.9

Source: CBRE Research, Q3 2025.

Retail

As of August 2025, cumulative retail sales for the year totaled approximately KRW 428 trillion, up 1.8% y-o-y. By store type, sales at department stores (-0.2%) and hypermarkets (-2.1%) recorded modest declines, while supermarkets and general merchandise stores (+1.0%) remained stable, and specialty retail stores (+2.1%) posted growth. The Consumer Sentiment Index rose for five consecutive months to reach 111 in August, the highest level since the onset of the COVID-19 pandemic in 2021, reflecting the impact of recent Public Relief Consumption Coupon.

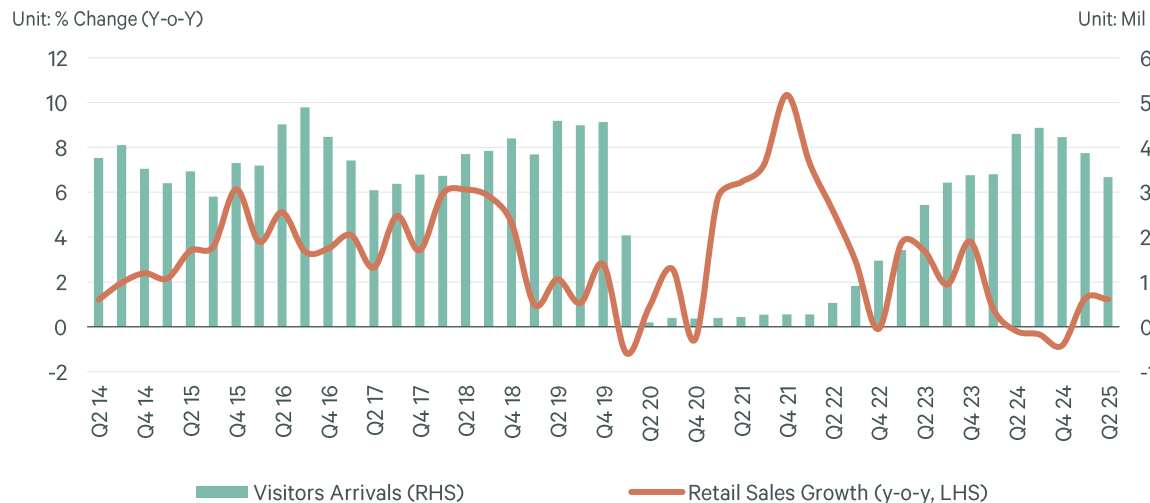
Driven by the global popularity of Korean television shows alongside continued global interest in K-beauty and K-food, the cumulative number of inbound tourists from January to August rose 16% y-o-y to approximately 12.38 million, eclipsing 2019 levels. The temporary visa-free entry policy for Chinese group travelers accelerated the recovery of this segment, which has historically accounted for half of total inbound visitors, though its overall share has decreased.

With domestic consumption sentiment and foreign tourist inflows expected to remain strong in H2 2025, the retail sector continued to see active expansion, particularly across the fashion and beauty categories. Myeong-dong’s vacancy rate declined for the fourth consecutive quarter, entering the 7% range as of Q2 2025—the lowest level since 2018. While large-scale F&B operators once dominated the district, its tenant mix is shifting toward fashion, beauty, and medical sectors. In Gangnam, vacancy rebounded to 7% after falling 5 pts during Q2 2025, marking the first decline following a year of increases. Strong demand from medical tenants, such as Secret Clinic and Gangnam Unni, supported a recovery in occupancy.

Seongsu maintained its status as one of Seoul’s most dynamic retail submarkets, underpinned by strong leasing demand. New openings by General Idea, 29kids, and Laka reinforced its positioning as a key K-fashion hub. Rising spending by foreign visitors further bolstered local retail performance, with foreign card transactions in Seongsu up 226% y-o-y. However, persistent rent and key money (premium) increases have driven some tenants to nearby secondary areas.

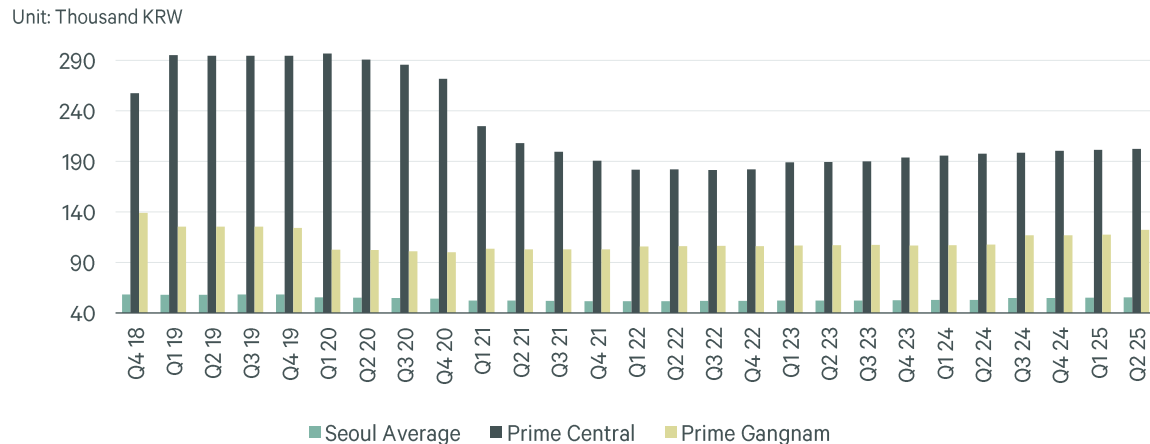
Chinese brands continued to accelerate their expansion across Korea this quarter. Xiaomi opened its first store at IFC Mall Yeouido, broadening its domestic presence. In the F&B segment, milk-tea brand Chagee is preparing to launch, while lifestyle retailer Miniso and character-goods brand Yoyoso continue to differentiate themselves through character-related merchandise. Also this quarter, Pop Mart opened a new store at Shinsegae Centum City—its 10th in Korea—strengthening its focus on targeting Gen Z consumers.

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



Source: CBRE Research, Q3 2025.

FIGURE 3: Retail Rents



Source: CBRE Research, Q3 2025.

Note: Based on medium to large sized shopping malls.

Logistics

New supply in the Greater Seoul Grade A logistics market totaled 374,861 sq. m. in Q3 2025, bringing the y-t-d figure to 765,020 sq. m., down 68% y-o-y. Supply continued to contract, with six projects completed this quarter, 60% of which were concentrated in Yeosu and Anseong.

Leasing volume reached 699,758 sq. m. on the back of rapid stabilization among newly delivered facilities in the southern Gyeonggi region. Robust expansion by 3PL operators in Anseong and Icheon resulted in 70% of newly completed lease-type facilities being pre-let upon completion.

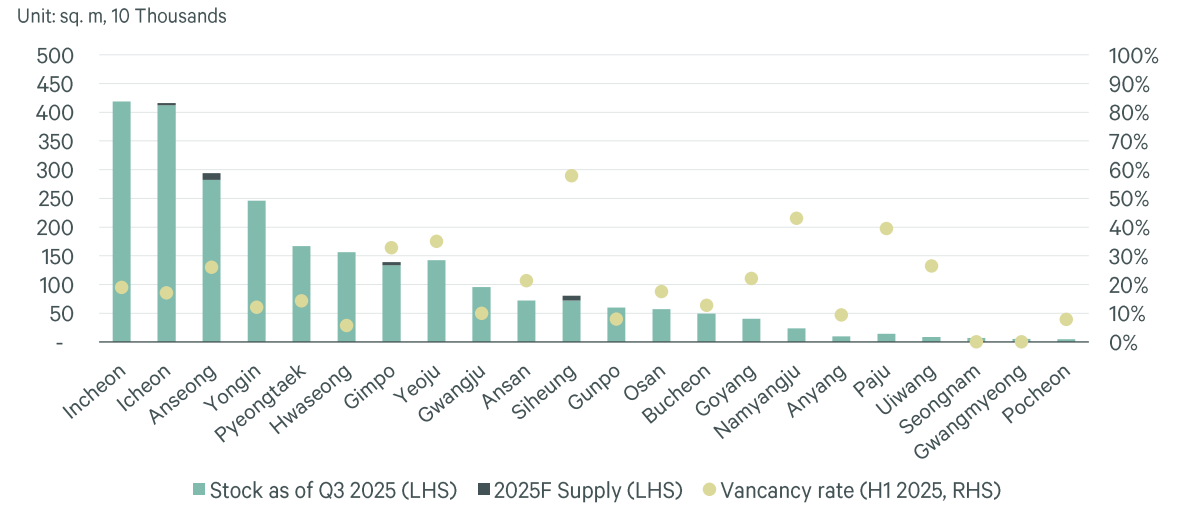
Leasing demand continued to be dominated by e-commerce and 3PL tenants, which accounted for over 95% of total transactions. Expansion was most prominent in the southeastern corridor—including Yeosu and Anseong—where Coupang secured the entire Yeosu Jeombong-dong Logistics Center (122,000 sq. m.) as a new hub, while renewals at existing assets in Yongin underscored persistent demand. In the western corridor (e.g., Incheon), e-commerce companies remained active in securing facilities to strengthen overseas logistics networks and accommodate import-export volume growth.

E-commerce and 3PL expansion was also notable in the cold-storage segment, driven by growing requirements for freshness control and fulfillment efficiency. Leasing volume in the cold-storage market tripled q-o-q, signaling a partial recovery in demand. However, vacancy remained elevated at around 30%, suggesting full stabilization is still some way off.

Amid strong demand and limited new supply, overall vacancy is expected to continue trending downward. Large-scale assets in the southern submarket are anticipated to experience heightened tenant competition and shorter rent-free periods due to supply constraints. Prime assets in Anseong are already near full occupancy (~0% vacancy), while assets exceeding 100,000 sq. m. in Icheon maintain vacancy rates below 5%. Asking rents held steady q-o-q.

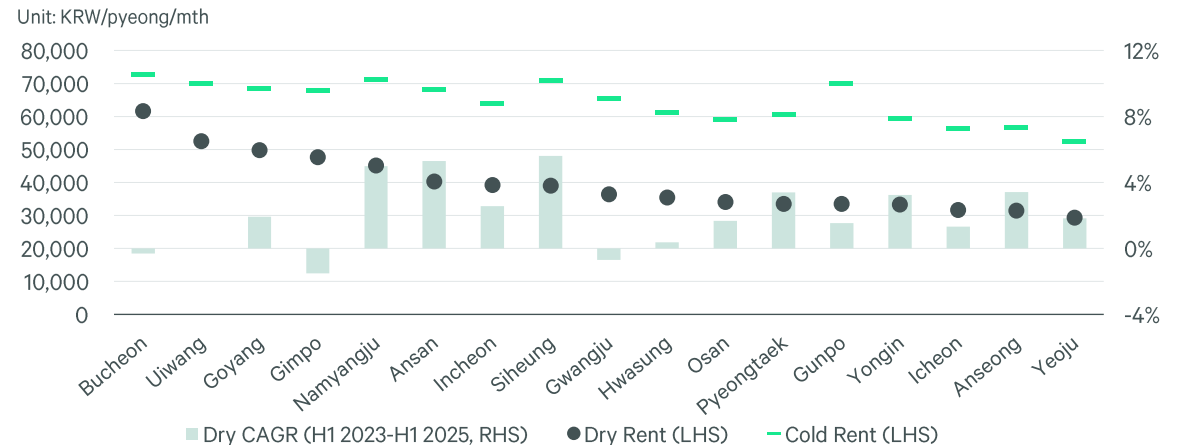
On the investment side, transaction activity remained robust and was driven by foreign institutional buyers alongside increasing participation from domestic pension and mutual-aid funds. The number of transactions above KRW 50 billion totaled 16 with an aggregate value of KRW 2.6 trillion, of which foreign capital accounted for approximately 70% (KRW 1.8 trillion). Despite expectations of policy-rate cuts, achieving attractive financing costs for logistics acquisitions continues to depend on multiple factors such as asset specifications, sponsor credit quality, tenant mix, and the share of ambient-temperature space.

FIGURE 4: Greater Seoul Logistics Supply and Vacancy



Source: CBRE Research, Q3 2025.

FIGURE 5: Greater Seoul Logistics Rents



Source: CBRE Research, Q3 2025.

Investment

Seoul commercial real estate investment volume reached KRW 7.95 trillion in Q3 2025, up 1.4% y-o-y. If large-scale transactions in the Bundang Business District (BBD) are included, the total expands to approximately KRW 10 trillion. Investment volume reached KRW 25 trillion y-t-d, surpassing the KRW 22 trillion recorded in 2024. With several major deals expected to close in Q4 2025, full-year transaction volume is projected to exceed KRW 30 trillion by year-end.

Office transactions dominated, accounting for KRW 7.66 trillion, or 77% of total investment volume. Fourteen large-scale deals exceeding KRW 100 billion each were recorded, totaling approximately KRW 6.7 trillion. The largest single transaction was Pangyo TechOne Tower, which changed hands for approximately KRW 1.9 trillion.

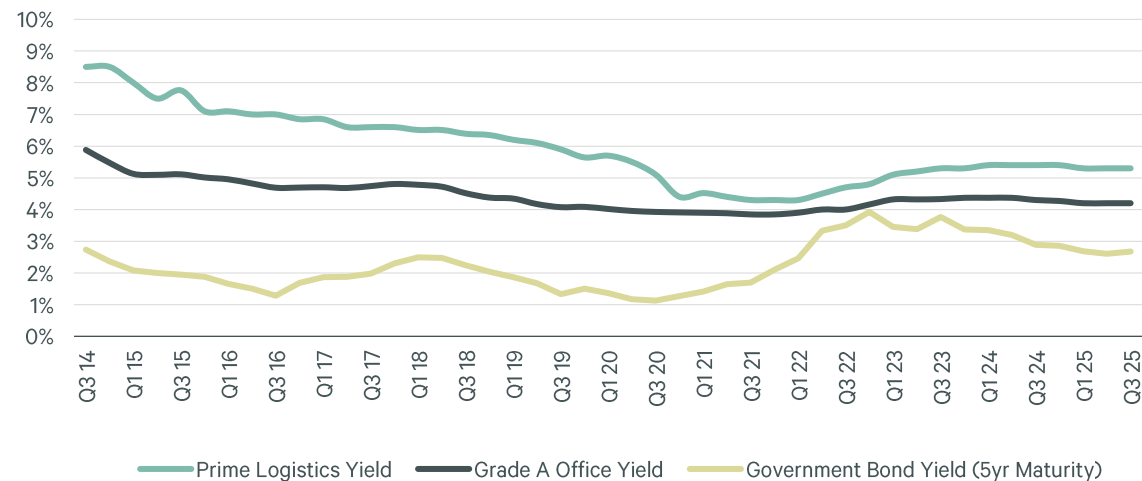
The resurgence in office investment was underpinned by stable leasing fundamentals, expectations of leverage benefits from declining interest rates (with senior loan rates entering the 3% range), and improved dividend yield outlooks. Strategic investors were particularly active, participating in 13 transactions through Q3 2024, representing a combined value of approximately KRW 6.4 trillion, a significant share of overall investment volume.

Logistics transactions totaled KRW 1.26 trillion, marking a 2.6x increase q-o-q. Sustained foreign capital inflows continued to target stabilized, high-occupancy assets, while partial domestic participation was also observed in ongoing deals. As projected in CBRE’s recent [“A New Equilibrium for the Logistics Market”](#) report, logistics investment from both domestic and international investors is expected to increase as oversupply concerns gradually ease.

Major hotel deals included Paraspara Seoul, which was acquired by Hanwha Hotels & Resorts from Samjung Enterprise via a share deal for KRW 420 billion, including debt assumption. Retail transactions remained limited, primarily involving corporate-to-corporate deals within major high-street locations such as Cheongdam-dong and Sinsa-dong.

As of Q3 2025, average yields stood at 4.2% for Seoul Grade A offices and 5.3% for Greater Seoul Grade A logistics assets, both remaining stable q-o-q. Although monetary policy has turned more accommodative and financing rates have gradually stabilized, much of the anticipated repricing has already been reflected, limiting further yield compression. Looking ahead to Q4 2025, yields are expected to remain broadly flat, with variations depending on asset quality, location, and deal structure, including strategic investor participation.

FIGURE 6: Office, Logistics, Government Bond Yield Spread



Source: CBRE Research, Q3 2025.

TABLE 2: Major Transactions, Q3 2025

Sector	Property	Price (KRW bln)	Buyer	Seller
Office	Pangyo TechOne Tower	19,820	Korea Investment Real Assets Management - KakaoBank	Mirae Asset Global AMC
Office	Tower 730	8,700	BentallGreenOak	Hyundai Investment AMC
Office	NC Tower I	4,435	Pacific AMC (KSEMA)	NCSOFT
Logistics	Hwaseong Jegiri Logistics Center	2,700	Kreate AMC (KKR)	JR Investment Management
Logistics	Maegok DC	940	Pacific AMC (KKR)	Kendall Square AMC
Hotel	Paraspara Seoul	4,200	Hanwha Hotel & Resort	Samjung Corp.

Source: CBRE Research, Q3 2025.

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	54	70,228	2003
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

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

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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	322	72,063	2020

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

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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