

FIGURES | SEOUL | Q3 2026

Investment hits KRW 25 trillion y-t-d despite two rate hikes: office and logistics yields turn upward after two years



Note: Arrows indicate change from previous period.

Hot Topics

- Driven by the growth of K-cosmetics firms, office relocations from Grade B to prime assets are being observed in the GBD. Tenant demand continues to diversify, reflected by Celimax operator Absolve Lab signing a lease for a unit at Centerfield.
- Global retail brands including JanSport, Helinox, and Kodak Apparel unveiled world-first and largest nationwide flagship stores in Seongsu, Dosan, and Bukchon, respectively, this quarter. Premium pharmacies are emerging as a new K-beauty distribution channel, spreading from Myeongdong to the Gangnam Station area.
- K-beauty companies such as APR are leasing large-format logistics space to support automation and business expansion. This trend is gradually diversifying a Greater Seoul demand base previously centered on e-commerce and 3PL tenants.
- Strategic investors accounted for approximately 30% of transactions above KRW 100 billion this quarter. Major deals included Hyunsong Educational & Cultural Foundation’s purchase of Gangnam 358 Tower. This group of investors is rapidly establishing itself alongside institutional capital as a core source of capital in Seoul’s office market.

OFFICE

Average Grade A office vacancy in Seoul’s three major business districts fell 1.1 ppts q-o-q to 3.1% this quarter. CBD vacancy declined as the Serious Crimes Investigation Agency leased all of René Square, while GBD and YBD vacancy held in the 1% range on prime demand. Headline rents rose 0.4% q-o-q.

RETAIL

Foreign tourist card spending rose 49% y-o-y in Q3 2026, lifting department stores and major high streets. With Seongsu vacancy at 1.3%, store-opening demand spilled over to Seoul Forest and Konkuk University. Global brand flagships and premium pharmacies continue to attract foreign shoppers.

LOGISTICS

Cumulative supply through Q3 2026 has reached about 90% of the full-year pipeline, effectively completing this year’s pipeline. During the quarter, occupiers secured large-format space through pre-leasing. Vacancy is forecasted to keep declining, with competition for prime assets set to intensify.

INVESTMENT

Investment volume totaled KRW 9.6488 trillion, up about 5% q-o-q but down about 4% y-o-y, with offices accounting for 73% of the total on a string of large deals. Grade A office and logistics yields rose to 4.3% and 5.4%, the first rise in about two years since Q2 2024.

Office

Average Grade A office vacancy across Seoul’s three major business districts fell 1.1 ppts q-o-q to 3.1% in Q3 2026. CBD vacancy had risen after G1 Seoul and René Square were completed in Q2 2026 but reversed this quarter as the Serious Crimes Investigation Agency (SCIA) leased all of René Square. GBD vacancy continues to fall while the YBD is absorbing new tenants, leaving vacancy in both districts in the 1% range.

New leasing volume totaled 117,521 sq. m., in line with the past year’s quarterly average. With new supply picking up and occupiers reviewing redevelopment-driven relocations and pursuing flight to quality, full-year leasing volume is expected to edge up y-o-y.

CBD vacancy fell 1.5 ppts q-o-q to 5.1% as new completions were absorbed. Aside from SCIA’s deal, finance, professional services, and transportation occupiers signed leases for space in leading Grade A assets including Gran Seoul, Pine Avenue Building B, and Signature Tower.

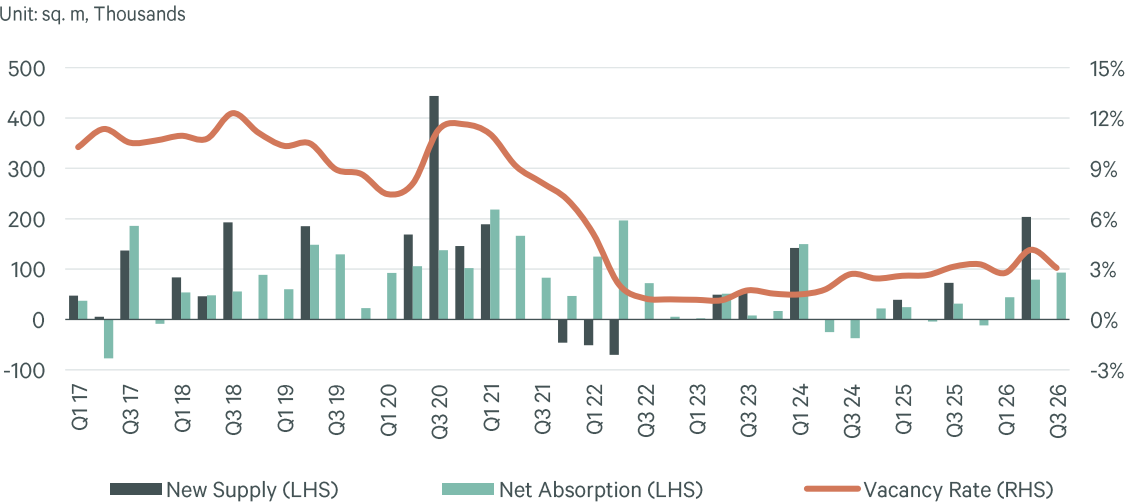
GBD vacancy declined for a second consecutive quarter to 1.0%, the lowest of the three submarkets. Leasing volume in the GBD was also the strongest of the three, with IT firms accounting for 67% of activity, reaffirming the district’s identity as an IT hub. Grade B-to-prime relocations were observed over the quarter, led by fast-growing K-cosmetics firms. Deals included Celimax operator Absolve Lab’s signing of a lease for a unit at Centerfield.

YBD vacancy fell 1.3 ppts q-o-q to 1.7%. Financial tenants continued to lease prime assets such as Parc1 Tower 1 and FKI Tower, where vacancy rose last quarter. Parc1 Tower 1 reportedly signed Prada Korea, cementing its prime status with a high-quality non-financial tenant.

Headline rents edged up 0.4% q-o-q to KRW 41,671 per sq. m., the slowest growth since Q2 2021. This marked a slowdown from the previous quarter, when new supply lifted rents by 1.4%. Rent-free periods at newly completed assets exceeded the market average, while those in existing Grade A assets held steady at under one month. Effective rents rose 0.5% q-o-q to KRW 39,242 per sq. m. Y-t-d growth through Q3 2026 (c. 2.5%) trailed the full-year 2025 increase (+6.2%).

Leasing activity in other submarkets centered on Seongsu and Munjeong. In the former, Center Point Seongsu attracted fashion and beauty company Nine & Company, further boosting the district’s profile among tenants. In the latter, Ko-one Energy Service reportedly leased space at Sono Tower following the sale of its headquarters.

FIGURE 1: Office Supply-Demand Dynamics



Source: CBRE Research, Q3 2026.

TABLE 1: Office Vacancy and Effective Rents

Q3 2026	Seoul	CBD	GBD	YBD
Vacancy rate (%)	3.1	5.1	1.0	1.7
Net Absorption (sq. m.)	93,312	59,069	7,054	27,189
Q-o-Q (%p)	-1.1	-1.5	-0.3	-1.3
Y-o-Y (%p)	-0.1	+1.0	-0.4	-1.8
Effective rent (KRW/sq. m./mth)	39,242	39,303	44,747	33,850
Q-o-Q (%)	+0.5	+0.7	+0.6	+0.2
Y-o-Y (%)	+4.3	+6.7	+4.6	+1.4

Source: CBRE Research, Q3 2026.

Retail

Cumulative domestic retail sales through August 2026 rose 5% y-o-y, a modest slowdown from H1 2026. Department store sales grew 13%, supported by inbound tourist and high-income spending, but hypermarket sales declined 7%. Despite two consecutive policy rate hikes, the CCSI rebounded to 106.6 in September, driven by improving household income from strong semiconductor exports and expectations of spillover into domestic consumption.

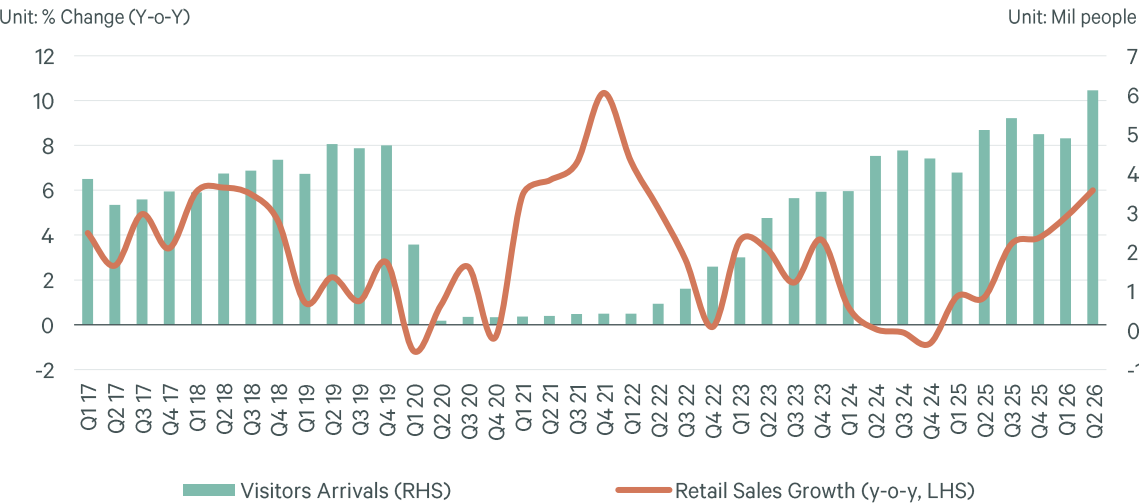
Cumulative foreign arrivals through August reached 15 million, up 22% y-o-y, passing the 15 million mark more than two months earlier than last year. Card spending by foreign tourists rose 49% to KRW 14 trillion over the same period, led by large shopping malls (+66%) and medical tourism (+61%), with foreign sales at major department stores more than doubling y-o-y.

Surging foreign spending in Seongsu (+104%), Myeongdong (+75%), and Gangnam (+54%) is driving rental growth and lower vacancy across key corridors. Seongsu vacancy fell 2.1 ppts q-o-q to 1.3%, the lowest among major corridors, while rents rose 13% y-o-y. New openings this quarter such as Fila Running Club and 29CM Home Seoul Forest reflect resilient fashion and lifestyle demand. With rents at a ceiling and space limited, new entry is harder, meaning demand is moving beyond Yeonmujang-gil toward Konkuk University and Seoul Forest.

Myeongdong rents rose 10% y-o-y in Q3 2026. Foreigners make up about 70% of foot traffic, and the area is emerging as a fashion- and beauty-focused shopping district. Asking rents for units leased at around KRW 200 million per month pre-pandemic have since risen more than 1.5x, with cases of key money requirements, once rare here, now emerging. In Gangnam, rents rose 6% y-o-y while vacancy stood at 7%, with Gangnam-daero remaining a base for global brands. During the quarter, ZARA relocated to a 644-pyeong flagship, while Chipotle opened its first store in Asia. Solid demand from large-format fashion and F&B is keeping core locations competitive.

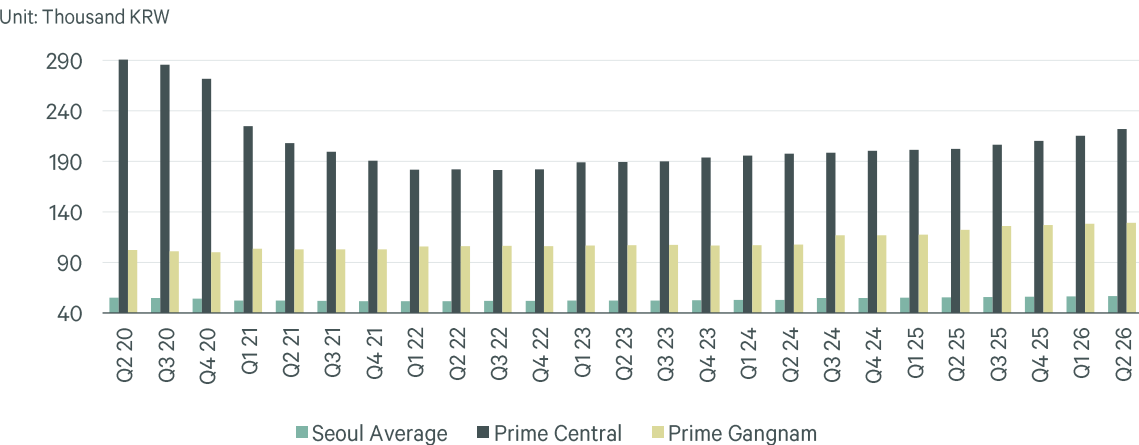
Tenant mix and store strategies are evolving along with foreign spending patterns. With shoppers preferring standalone brand stores over multi-brand select shops, global brands are responding with world-first or largest domestic flagships. During the quarter, JanSport opened a world-first flagship in Seongsu, Helinox its first brand flagship in Dosan, and Kodak Apparel its largest Korean store in Bukchon. Pharmacies have also emerged as a new K-beauty channel amid rising medical and wellness spending. Premium pharmacies combining OTC drugs, derma-cosmetics, and health supplements are spreading to the Gangnam Station area, with new openings seen this quarter near Sinnonhyeon Station and along Gangnam-daero.

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



Source: CBRE Research, Q3 2026.

FIGURE 3: Retail Rents



Source: CBRE Research, Q3 2026.
Note: Based on medium to large sized shopping malls.

Logistics

Greater Seoul Grade A logistics supply for 2026 is effectively complete. Hwaseong Deogu-ri Logistics Center (49,126 sq. m.) and Coupang Deokpyeong FC in Icheon (117,412 sq. m.) came on stream this quarter with no vacancy, bringing deliveries to about 90% of the full-year pipeline. The former, owned by KT Investment Management, was fully pre-leased by Hansol Paper for 10 years, while the latter is an owner-occupied facility rebuilt after a 2021 fire.

3PL and e-commerce occupiers accounted for 71% of new leasing volume this quarter, remaining the core demand base. Take-up was concentrated in Incheon (25%), Anseong (20%), and Icheon (10%), reflecting demand for large hubs in the southern corridor and Incheon.

Relocation demand for prime dry assets, driven by expansion and automation, remained solid in Q3 2026, with some occupiers taking whole-building leases. APR occupied all of Kendall Square’s Dangmok Logis Park (156,070 sq. m.), while a 3PL pre-leased an entire dry center in Icheon due for completion at year-end.

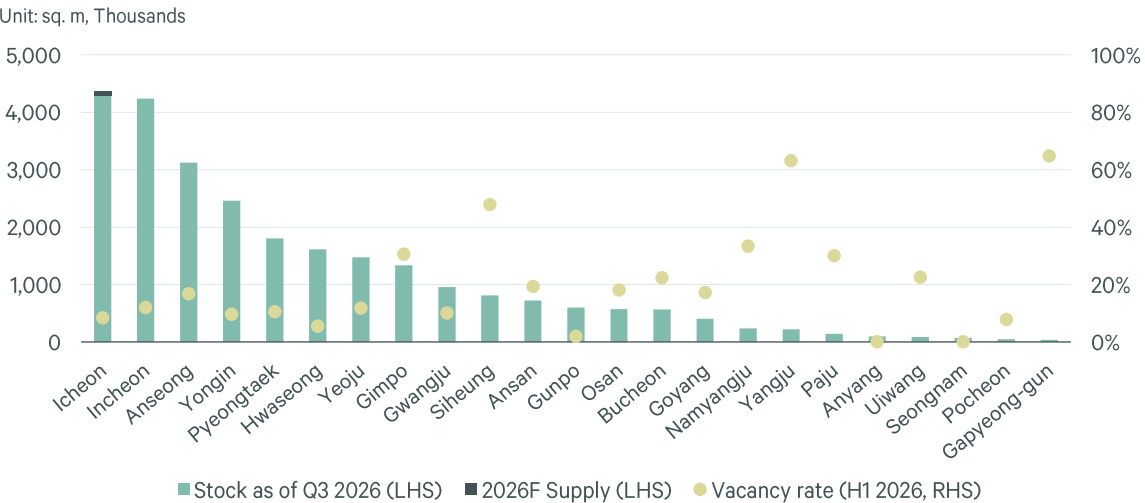
K-beauty expansion was a key trend this quarter, with a whole-building lease to a K-beauty firm reportedly under negotiation at a large asset in Yeosu. K-beauty companies pursuing automation and expansion are emerging as a new source of occupier requirements, diversifying demand beyond e-commerce and 3PLs.

Cold-to-dry conversions to resolve prolonged cold storage vacancy continue across Greater Seoul, with new schemes completed this quarter at Namicheon Sangbong Logistics Center in Icheon and underway at Sihwa Green Wave Logistics Center in Siheung. With supply limited, conversion enables owners to capture resilient dry demand and enhance exit liquidity.

With supply complete and demand firm, Greater Seoul Grade A logistics vacancy is forecasted to keep declining from 14% in H1 2026, and cold storage vacancy to fall below 30% as conversions spread. As large-format dry space is being steadily absorbed, occupiers with sizeable needs should consider securing space early through pre-leasing or build-to-suit.

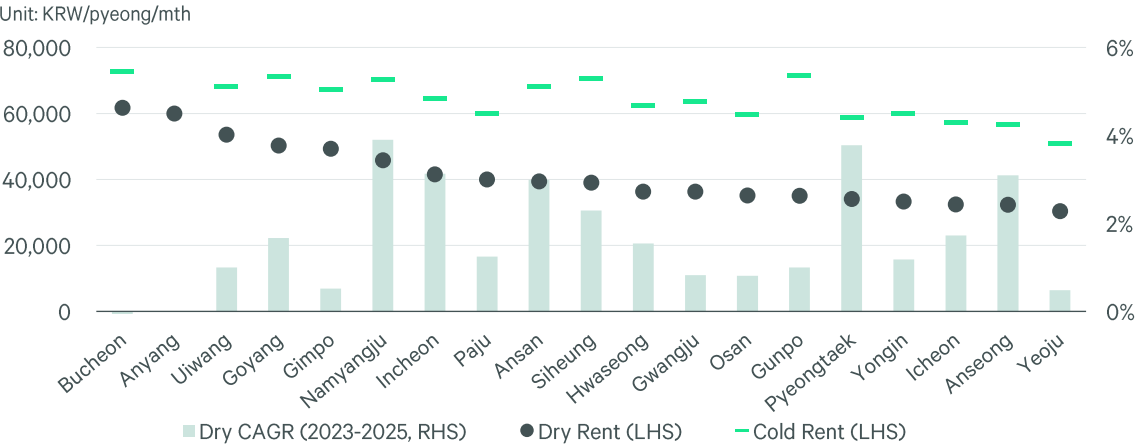
A recent spate of warehouse fires has pushed up logistics fire insurance rates to about 2.5x year-earlier levels, with the market now keenly watching premiums and potential fire safety regulation changes. However, premiums have spiked after past major fires before stabilizing, suggesting the current rise may also ease.

FIGURE 4: Greater Seoul Logistics Supply and Vacancy



Source: CBRE Research, Q3 2026.

FIGURE 5: Greater Seoul Logistics Rents



Source: CBRE Research, Q3 2026.

Investment

Seoul commercial real estate investment volume totaled KRW 9.6488 trillion in Q3 2026, up 5% q-o-q but down about 4% y-o-y. Despite two rate hikes, a series of office deals above KRW 800 billion closed during the quarter, bringing y-t-d volume to around KRW 25 trillion, on par with the record-breaking 2025. However, with fewer Q4 2026 closings than a year earlier and rising funding costs tightening borrowing, full-year volume is expected to fall short of 2025.

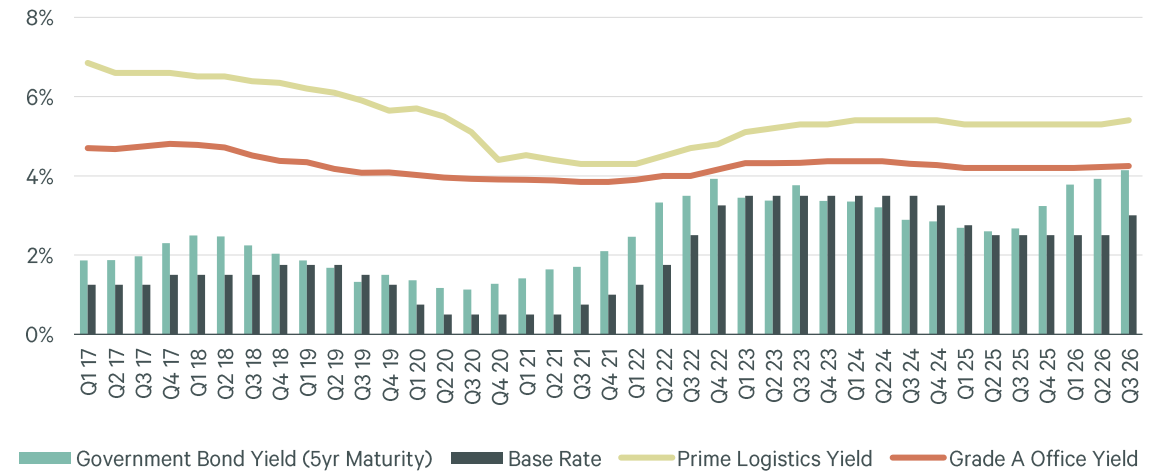
Office transactions exceeded KRW 7 trillion, or 73% of total volume. The largest deal was Mirae Asset Global Investments’ acquisition of G1 Seoul in the CBD for KRW 1.523 trillion, confirming the appeal of newly built prime assets despite concentrated new supply. Elsewhere, MDM Asset Management acquired Pine Avenue Building A, Shinhan Card’s headquarters, for about KRW 800 billion. The deal was closed swiftly via a seller-friendly structure including a sale leaseback. In the GBD, Hyunsong Educational and Cultural Foundation, long seeking assets in the district, acquired Gangnam 358 Tower for KRW 445.0 billion. Strategic investors accounted for 30% of deals above KRW 100 billion, cementing their status as key buyers since 2025.

Logistics investment totaled about KRW 1 trillion, just over 70% of last year’s quarterly average (c. KRW 1.37 trillion). Unlike last year, domestic institutions have led buying for three straight quarters. Samsung SRA Asset Management acquired Pyeongtaek Logistics Park for KRW 343.0 billion through an NPS-anchored blind fund, while ADF Asset Management bought Pyeongtaek Eoyeon Samsung Electronics Logitech Logistics Center for KRW 105.0 billion via forward purchase. Qube Industrial Asset Management acquired an EOD cold storage facility in Wonchang-dong at public auction to convert to dry storage at a lower acquisition cost.

In the hotel sector, IGIS Value Plus REIT acquired Cheonghwi Building in Myeongdong for KRW 162.7 billion, above KRW 1 billion per key given its retail space, signaling improved investor sentiment toward Myeongdong amid the tourism recovery. Yeonhap Y&J acquired the Swiss Grand Hotel (formerly Grand Hilton Seoul) site in Hongeun-dong, long delayed, and reportedly plans residential redevelopment. With hotel conversions now rare as fundamentals improve, the deal reflects the site’s distance from tourist demand.

Average yields for Seoul Grade A offices and Greater Seoul Grade A logistics rose to 4.3% and 5.4%, the first increase in two years after declines and flat readings since Q2 2024 and marking a return to H2 2024 levels. With the Bank of Korea (BoK) open to further hikes this year, lenders have tightened financing, delaying some deals and adding upward pressure to yields.

FIGURE 6: Office, Logistics, Government Bond Yield Spread



Source: CBRE Research, Q3 2026.

TABLE 2: Major Transactions, Q3 2026

Sector	Property	Price (KRW bln)	Buyer	Seller
Office	G1 Seoul	1,523	Mirae Asset Global Inv.	Landspert AMC
Office	Pine Avenue Building A	800	MDM AMC	Shinhan Card
Office	Gangnam 358 Tower	445	Hyunsong Educational & Cultural Foundation	Samsung SRA AMC
Logistics	Pyeongtaek Logistics Park	343	Samsung SRA AMC	ESR Kendall Square
Logistics	Samsung Electronics Logitech Logistics Center	105	ADF AMC	Eoyeon Logis
Hotel	Swiss Grand Hotel	322	Yeonhap Y&J	Dongwon INC
Hotel	Cheonghwi Building	163	Igis Value Plus REIT	IGIS Asset Management

Source: CBRE Research, Q3 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

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

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	335	75,305	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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