Investment volume surges to record annual high, powered by office and logistics deals

▼ 0.3% Q-O-Q	▲ 0.62% Q-O-Q	▲ 71	▲ 2.69%	▲ 4.3% Y-O-Y	▼ 110
Q4 2025 GDP	Q4 2025 CPI INFLATION	Q4 2025 BSI	Q4 2025 3M KORIBOR	Q4 2025 FDI	Q4 2025 CCSI

Note: Arrows indicate change from previous period.

Hot Topics

- In the office sector, Magok continues to establish itself as an emerging business hub, with One Grove attracting leasing demand from a diverse range of industries including overseas financial institutions, aviation and transportation, and healthcare.
- From January to November, foreign visitor arrivals exceeded 17.4 million, up 15% y-o-y and 9% above 2019, setting a new record. Demand is increasingly diversifying beyond China and Japan to markets such as Taiwan and the U.S. and positively impacting the retail market.
- In the logistics sector, domestic occupiers are increasingly formulating mid- to long-term logistics network strategies as regulations tighten for the development of new larger-scale facilities.
- With interest rates continuing to decline through 2025, the negative carry between borrowing costs and cap rates has now largely eased. Expectations of further rate cuts are helping to catalyze delayed large-scale disposals, forward purchases, and strategic investor acquisitions.

OFFICE

Headline rents rose 2.0% q-o-q in Q4 2025, while effective rents increased 6.3% y-o-y despite a slight increment in rent-free periods. Grade A vacancy edged up by 0.2 ppts q-o-q to 3.3%, indicating a continued transition toward a more normalized supply–demand balance.

RETAIL

Supported by expansion by beauty and wellness retailers, vacancy in major high-street retail areas was absorbed quickly in Q4 2025—particularly in Gangnam, Seongsu, and Hannam—alongside steady rental growth on the back of resilient demand.

LOGISTICS

Greater Seoul Grade A dry logistics rents rose by 2.4% y-o-y, with Incheon recording the strongest growth at 5.7% y-o-y. With supply slowing and large vacant assets being absorbed, vacancy stood at 17% at year-end, with dry and cold storage vacancy standing at 10% and 36%, respectively.

INVESTMENT

Seoul's commercial real estate investment volume reached KRW 8.8807 trillion in Q4 2025, an increase of 68.6% y-o-y. This brought full-year 2025 investment volume to KRW 33.7 trillion (+53% y-o-y), a record high.

Office

Average Grade A office vacancy across Seoul's three major business districts edged up by 0.2 ppts q-o-q to 3.3% in Q4 2025, indicating a continued transition toward a more normalized supply–demand balance after the ultra-tight conditions seen since Q1 2022. Headline rents rose 2.0% q-o-q to KRW 40,768 per sq. m., while effective rents stood at KRW 38,304 per sq. m., representing a 6.3% y-o-y increase despite a slight rise in rent-free periods.

New leasing volume totaled 99,018 sq. m., remaining flat from the prior quarter, while full-year leasing volume amounted to 392,243 sq. m., another cyclical low. Major deals included Hanwha Ocean (currently at Grand Central) confirming its move to Daeshin 343, and Insurance Development Institute in Yeouido reportedly signing a relocation lease at Parc1 Tower following the redevelopment of the Fire Insurance Association building. In the CBD—where the only new Grade A supply in 2025 was added—vacancy emerged at D Tower Donuimun. However, vacancy remained unchanged at 4.1%, supported by steady absorption including a few deals at Tower 107, where vacancy fell to below 10% within one year of completion.

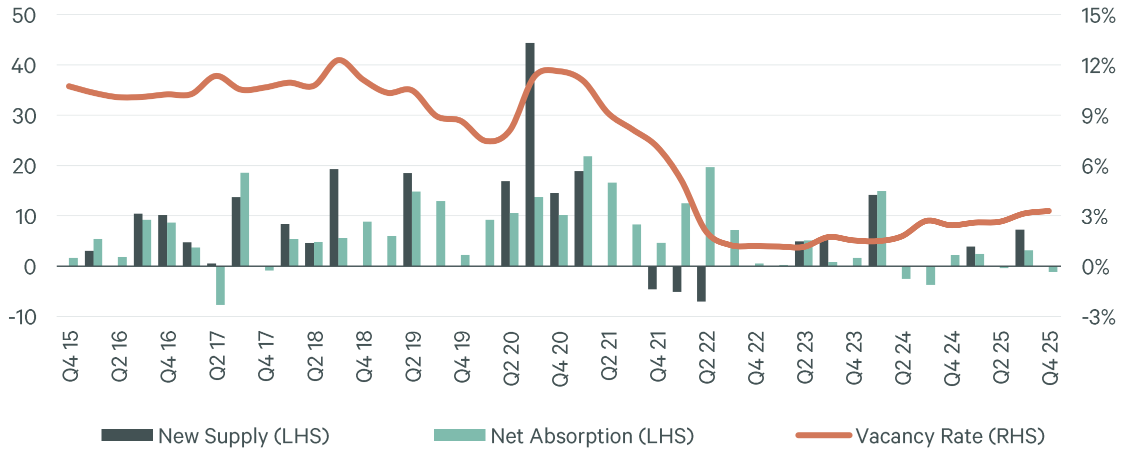
The CBD will lead the supply recovery, with three new Grade A office buildings due in 2026. New stock should prompt tenant relocations and support a recovery in leasing activity. CBD occupiers including Daesang Group (Jongno Place) and SK Telecom (Centro Polis) are understood to be considering moves, while SK Rent-a-Car—owned by Affinity Equity Partners—is expected to vacate Samil Building, with a relocation to a non-core district viewed as likely.

Gangnam's vacancy rate increased by 0.7 ppts q-o-q to 2.2% this quarter due to tenant exits at Majestar City Tower. However, the district continues to exhibit the strongest underlying demand among the three submarkets, particularly from IT, finance, and manufacturing tenants along Teheran-ro amid limited mid-term supply. Yeouido's vacancy rate stood at 3.3% at quarter's end, a mild q-o-q drop, supported by tenant stabilization at One Sentinel and leasing in prime buildings such as Parc1 and FKI Tower. Vacancy in the area will remain stable given the absence of new supply aside from the Meritz Fire redevelopment planned for 2028.

Magok continues to establish itself as an emerging business hub, with One Grove attracting leasing demand from a diverse range of industries including overseas financial institutions, aviation and transportation, and healthcare. Seongsu has seen overall demand soften though tenant inflows from manufacturing and IT firms are continuing.

FIGURE 1: Office Supply-Demand Dynamics

Unit: sq. m, 10 Thousands



Source: CBRE Research, Q4 2025.

TABLE 1: Office Vacancy and Effective Rents

Q4 2025	Seoul	CBD	GBD	YBD
Vacancy rate (%)	**3.3**	**4.1**	**2.2**	**3.3**
Q-o-Q (%p)	+0.2	+0.0	+0.7	-0.3
Y-o-Y (%p)	+0.9	+2.2	-0.3	-0.2
Effective rent (KRW/sq. m./mth)	**38,304**	**37,811**	**43,814**	**33,463**
Q-o-Q (%)	+1.8	+2.6	+2.4	+0.2
Y-o-Y (%)	+6.3	+7.1	+8.0	+3.3

Source: CBRE Research, Q4 2025.

Retail

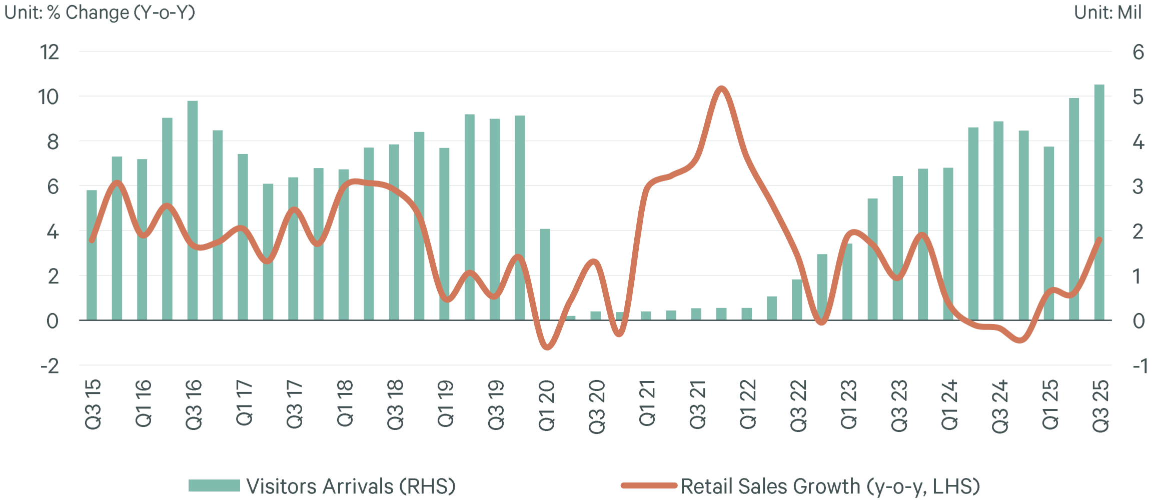
Cumulative domestic retail sales for the year to November reached KRW 597 trillion, up 2.4% y-o-y. After consumption softened in late 2024 amid political turmoil and an aviation accident, a base-effect-driven rebound was observed in Q4 2025, led by department stores and specialty retailers. This supported annual growth despite weak macro conditions. Consumer sentiment improved in H2 2025, rising above 100 into the 110s, the highest level since August 2017.

Inbound tourism remains a key upside driver for Seoul's retail market. From January to November, foreign arrivals exceeded 17.4 million, up 15% y-o-y and 9% above 2019, setting a new record. Demand is increasingly diversifying beyond China and Japan to markets such as Taiwan and the U.S. This shift is also reshaping spending patterns, with higher total spend per visitor but lower spend per transaction suggesting a transition from luxury "high-ticket single-item" purchases toward more practical mid-to-low priced multi-item consumption focused on lifestyle, beauty, and wellness. Strong spending in cosmetics (+35%), pharmacies (+67%), and health supplements (+75%) is supporting retailer expansion linked to K-beauty and K-medical tourism.

Myeongdong continues to reposition itself as a beauty and medical district, supported by new and expanding beauty tenants and a pronounced trend toward larger, clustered pharmacies. Ministry of the Interior and Safety data show eight new pharmacies opened in Q4 2025 compared to just two in all of 2024, alongside the emergence of several 330+ sq. m. stores and multi-floor formats. Beauty and wellness expansion also continued to be witnessed in other key retail nodes, including Medicube's third flagship near Yeonmujang-gil in Seongsu. During the quarter, Olive Young announced the launch of its second brand (Olive Better) in Gwanghwamun and Gangnam Station as part of a drive to strengthen its wellness-focused offering targeting office workers in their 30s–40s and inbound tourists. Beauty-medical tenants such as dermatology clinics continue to expand to upper floors in Gangnam Station, Myeongdong, and Hongdae, aiding vacancy absorption.

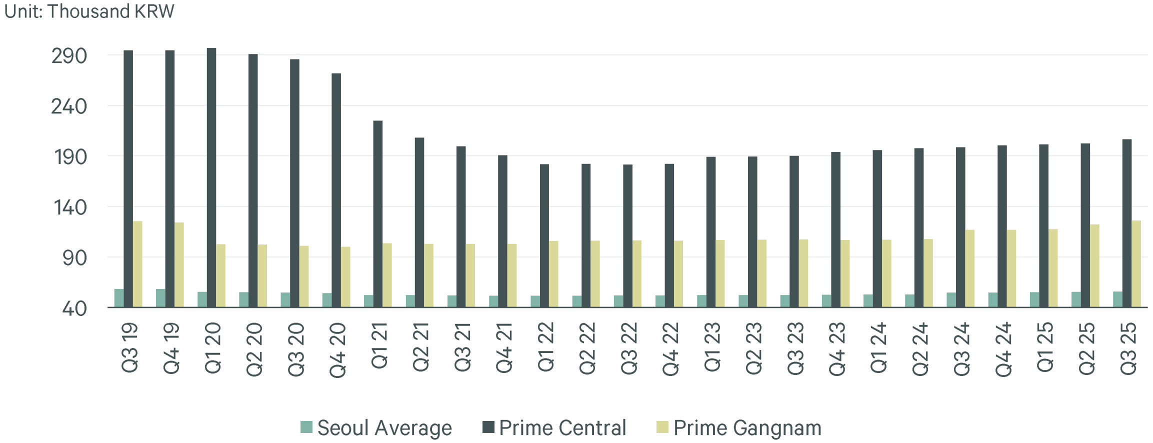
Supported by this expansion, vacancy in major high-street retail areas was absorbed quickly in Q4 2025—particularly in Gangnam, Seongsu, and Hannam—alongside steady rental growth on the back of resilient demand. Gangnam entered the 5% vacancy range in Q3 2025 for the first time since the pandemic, with absorption along Gangnam-daero reinforced by large brands such as Daiso and Lululemon. Seongsu continues to maintain its status as a core retail node, with flagship openings seen this quarter by fashion and lifestyle brands such as Calvin Klein and ABD Mart amid sustained leasing demand.

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



Source: CBRE Research, Q4 2025.

FIGURE 3: Retail Rents



Source: CBRE Research, Q4 2025.
Note: Based on medium to large sized shopping malls..

Logistics

New supply in the Greater Seoul Grade A logistics market totaled 278,361 sq. m. in Q4 2025, bringing full-year completions to 1,043,381 sq. m., a drop of 71% y-o-y. Alongside the absorption of recent oversupply, the market is now approaching a more stable supply–demand balance.

Five new logistics facilities were completed, mostly in Anseong, with 92% of newly supplied area classified as dry space and limited cold storage delivery. Key completions included Siheung's Sihwa MTV Mixed-use Logistics Center (88,440 sq. m.), Anseong CDC Logistics Center (41,474 sq. m.), and Kendall Square Iljuk Logistics Park Blocks D (70,842 sq. m.) and E (35,740 sq. m.).

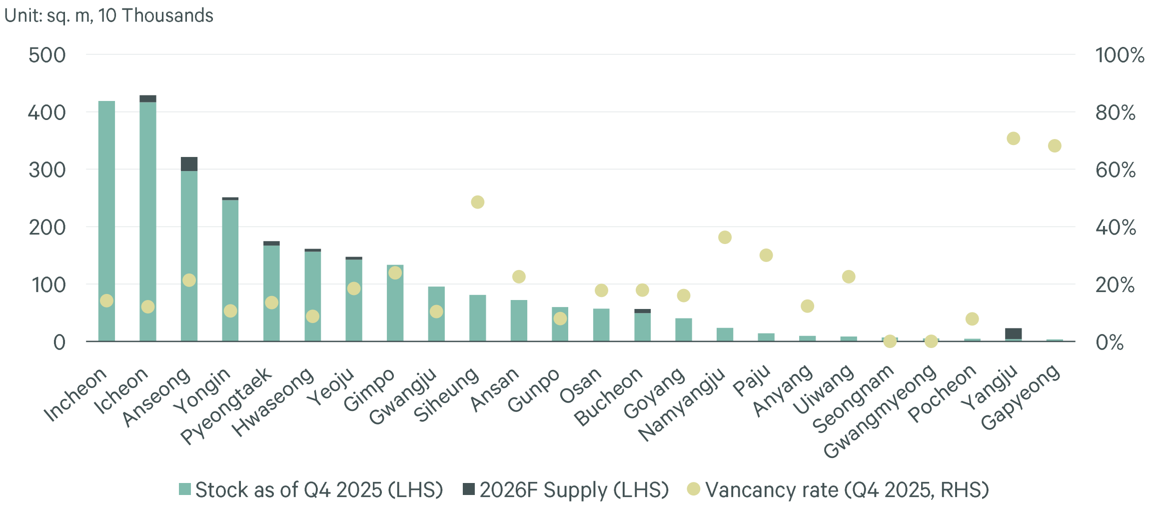
Leasing remained active across Incheon, Anseong, and Yeoju. In Incheon, Coupang expanded its dry and cold leased space, while demand for new hubs in Anseong was led by 3PLs. In Yeoju, Hanjin leased the entire Samgun-ri Logistics Center (43,400 sq. m.), highlighting resilient 3PL demand in the southern corridor. The newly delivered Anseong CDC facility was developed as a BTS asset with Lotte Wellfood taking the entire space on a 20-year master lease, with the cold component reportedly designated for a dedicated ice-cream central distribution hub.

E-commerce and 3PL tenants continued to drive demand growth, supported by expanding partnerships such as Naver–CJ and Gmarket–Alibaba and increasing requirements for new facilities. Demand is also rising for relocation and consolidation from smaller, older assets into larger, higher-spec buildings to enhance operational efficiency (e.g., Nexen Tire's move to a prime-grade asset in Siheung). Domestic occupiers are increasingly formulating mid- to long-term logistics network strategies as regulations tighten for large-scale facilities.

With supply slowing and large vacant assets being absorbed, Greater Seoul Grade A logistics vacancy stood at 17% at year-end, with dry and cold storage vacancy at 10% and 36%, respectively. Overall vacancy declined versus H1 2025 in Yeoju (-17 ppts), Gimpo (-11 ppts), and Siheung (-11 ppts), largely driven by e-commerce and 3PL tenants taking entire buildings; Gimpo vacancy improved as leasing expanded in the newer Yangchon-eup area, while Siheung saw vacancy drop in H2 2025 as leasing progressed in new, large-format prime assets.

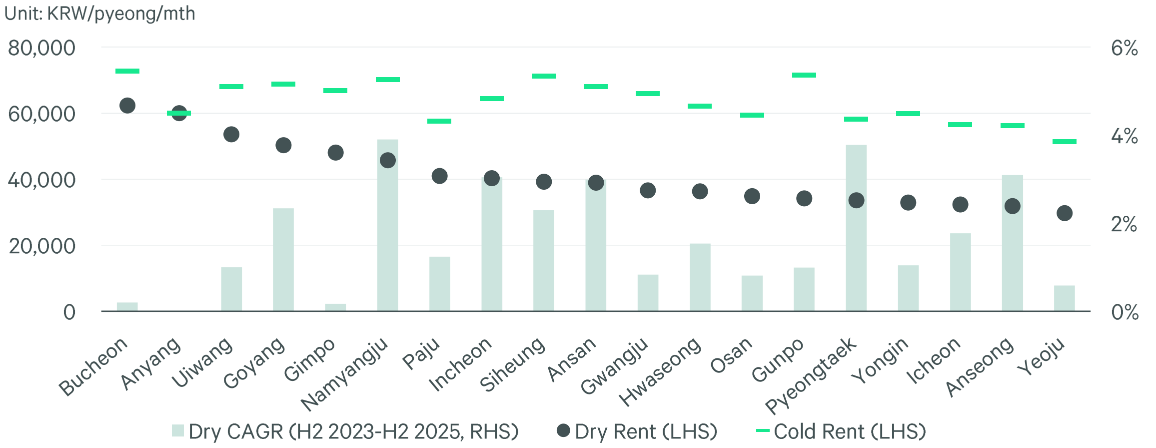
Greater Seoul Grade A dry logistics rents rose by 2.4% y-o-y in H2 2025, with Incheon recording the strongest growth at 5.7% y-o-y. With the supply contraction coinciding with wider asset-quality dispersion, intensifying competition for prime assets may support the gradual normalization of leasing incentives and terms, including rent-free periods.

FIGURE 4: Greater Seoul Logistics Supply and Vacancy



Source: CBRE Research, Q4 2025.

FIGURE 5: Greater Seoul Logistics Rents



Source: CBRE Research, Q4 2025.

Investment

Seoul's commercial real estate investment volume totaled KRW 8.8807 trillion in Q4 2025, an increase of 68.6% y-o-y. This brought full-year 2025 investment volume to KRW 33.7 trillion (+53% y-o-y), a record high. With interest rates continuing to decline through 2025, the negative carry between borrowing costs and cap rates largely eased. In addition, expectations of further rate cuts helped catalyze delayed large-scale disposals, forward purchases, and strategic investor acquisitions.

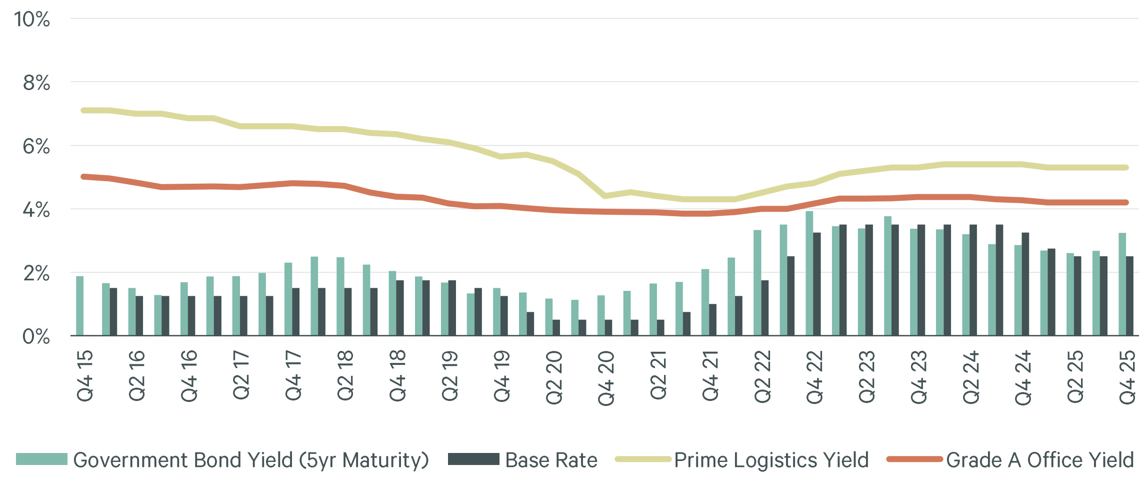
Office transactions totaled KRW 5.5921 trillion, accounting for 63% of total volume. There were 14 transactions above KRW 100 billion (c. KRW 5.3 trillion in aggregate), with active turnover seen not only across the three core districts but also in non-core office nodes such as Bundang and Munjeong. Signature Tower in the CBD was the largest deal of the quarter at KRW 1.0346 trillion, followed by Bundang Doosan Tower and Heungkuk Life Building. Strategic investors were a key driver of purchasing activity in 2025. Major deals included LX Group's acquisition of LG Gwanghwamun Building for owner-occupation and MoneyToday's purchase of Premier Place. Strategic investor-involved office volume exceeded c. KRW 8 trillion, or roughly one-third of annual office transactions.

Logistics investment volume rose to KRW 2.1627 trillion, up roughly 70% q-o-q, led by Create Asset Management's KRW 1.03 trillion acquisition of Cheongna Logistics Center. Elsewhere, Wide Creek Asset Management bought Logis Valley Ansan using a mix of domestic and offshore capital, while Koramco Asset Management purchased Logis Point Yeoju with overseas funds. With foreign capital retaining an interest in stabilized prime assets and domestic institutional capital turning more active since H2 2025, competition to secure core logistics assets is expected to intensify.

Major hotel deals included Taekwang Group's (Taekwang REIT No.1) acquisition of Courtyard by Marriott Seoul Namdaemun for KRW 254.2 billion and Shinsegae Group's purchase of Four Points by Sheraton Seoul Myeongdong, alongside plans to establish a REIT via an affiliate to add further hotel. The retail sector witnessed a few corporate-to-corporate transactions in core high-street locations such as Gangnam, Seongsu, and Hongdae.

Average yields held broadly flat at 4.2% for Seoul Grade A offices and 5.3% for Greater Seoul Grade A logistics and are expected to remain relatively stable given limited room for additional policy rate cuts and some upward pressure in market funding costs.

FIGURE 6: Office, Logistics, Government Bond Yield Spread



Source: CBRE Research, Q4 2025.

TABLE 2: Major Transactions, Q4 2025

Sector	Property	Price (KRW bln)	Seller	Buyer
Office	Signature Tower	1,035	KB Asset Management	IGIS Asset Management
Office	Bundang Doosan Tower	790	Koramco AMC	Koramco Asset Trust
Office	Samseong-dong Building	351	Korea Investment & Real Estate Trust	Kyobo Asset Trust
Logistics	Cheongna Logistics Center	1,030	Kreate Asset Management	Brookfield AMC
Logistics	Logis Valley Ansan	512	Wide Creek AMC	CBRE IM
Logistics	Logis Point Yeoju	190	Koramco AMC	POSCO E&C

Source: CBRE Research, Q4 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	53	70,779	2004
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	327	72,207	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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