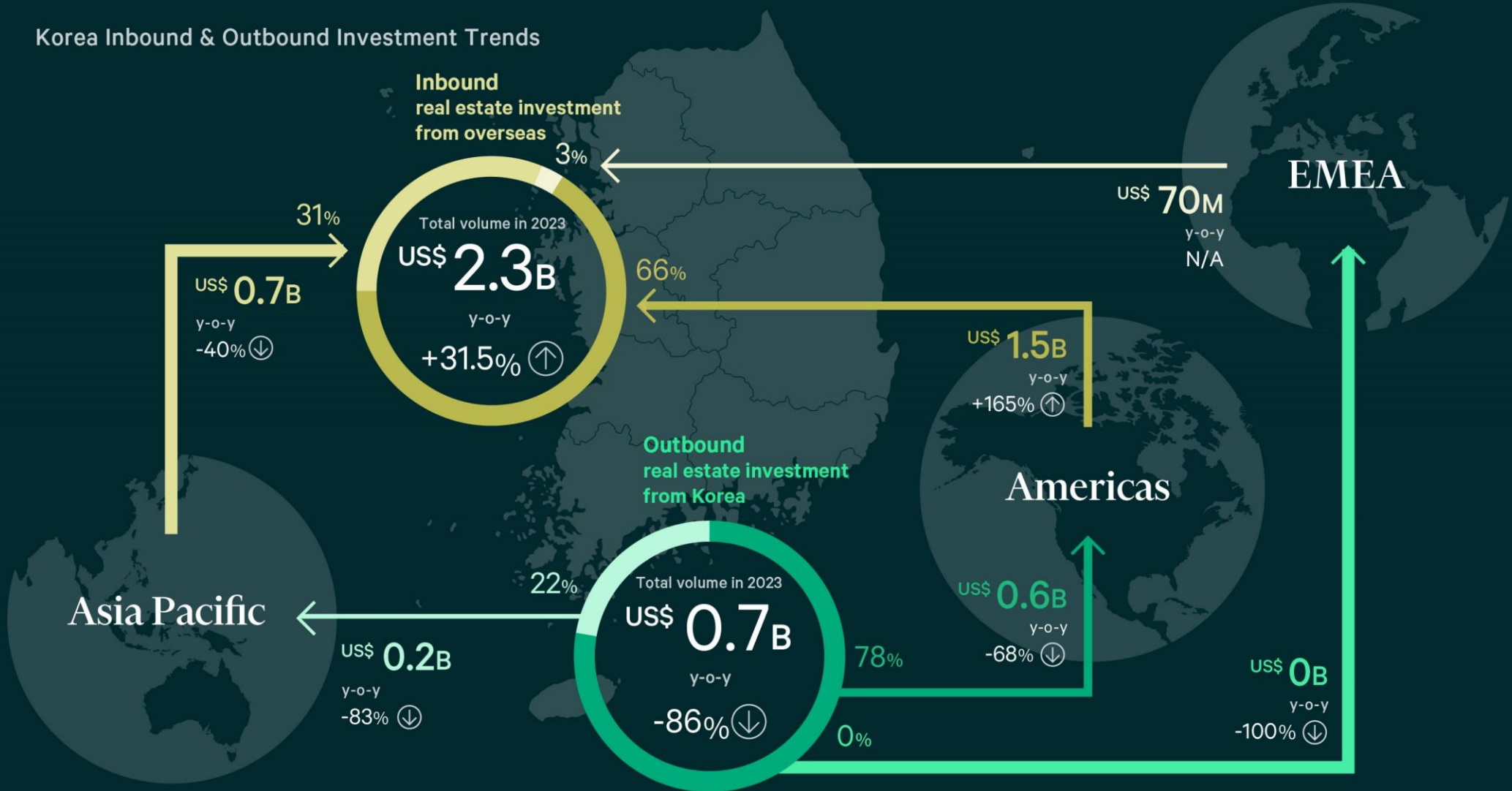


# In and Out Korea 2023

Korea Inbound & Outbound Investment Trends



\*Direct investment

Source: Real Capital Analytics, CBRE, May 2024.

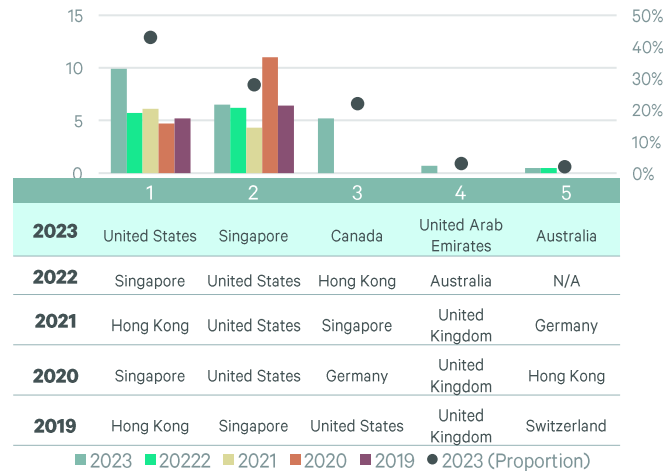
# INBOUND

## 2023 Inbound Real Estate Investment

### Inbound investment volume in 2023 returns to pre-COVID levels

- Foreign capital inflows into the Korea commercial real estate investment market grew by 23% y-o-y US\$2.3 billion in 2023; an improvement from the US\$1.9 billion average registered in the three years from 2020-2022 when pandemic-related restrictions constrained cross-border investment activity.
- The U.S. and Singapore remained the top two sources of inbound capital, accounting for 43% and 28% of investment, respectively. Canada rounded out the top three.
- Investment by Singaporean capital was little-changed from 2022 but purchasing by U.S.-based investors increased to its highest level in six years, rising by 74% y-o-y. U.S. capital was especially prominent in the logistics sector, where the likes of KKR, AEW Capital, and Angelo Gordon completed several major equity transactions.
- Other noteworthy deals were completed by UAE-based investors including Abu Dhabi Investment Council (ADIC), which participated as an equity investor in the purchase of LaSalle's logistics centre in Icheon. Investors from major European countries were absent due to high borrowing costs, which made leverage less effective.

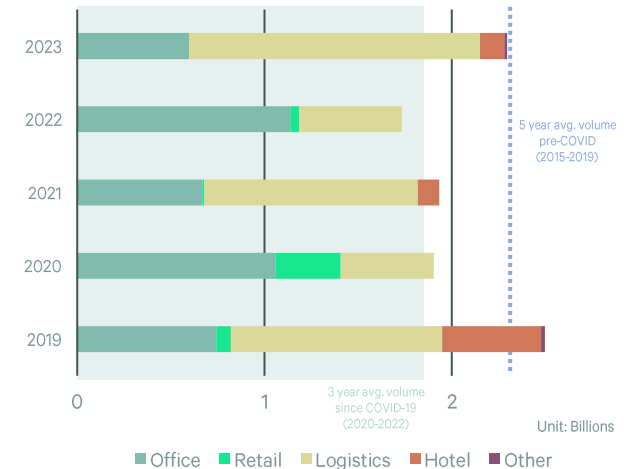
Figure 1: Top five sources of inbound investment



### Logistics sector attracts largest share of inbound investment

- In 2023, inbound investment volume surpassed outbound investment for the first time since records began. This was partly due to the large quantum of foreign investment in the logistics sector, which reached a record-high US\$1.6 billion, pushing up overall investment volume.
- More than half of inbound logistics investment was accounted for by forward funding deals that closed upon completion last year. While there will continue to be a strong preference for new-build Grade A logistics facilities, investors will also look to purchase distressed assets in anticipation of a price correction.
- Inbound investment in the office sector fell by approximately 47% y-o-y as buyers adopted a wait-and-see approach amid the absence of a price correction.
- The hotel sector saw some purchases by Singaporean and Malaysian investors in Myeongdong and Seoul, respectively. Growing tourism demand will ensure these assets continue to operate as hotels and not be repurposed to alternative use.

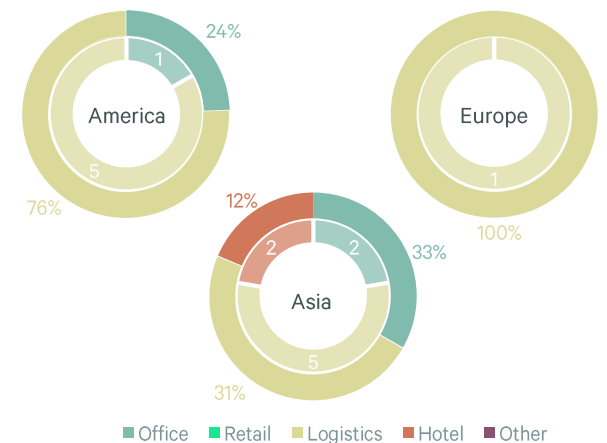
Figure 2: Inbound investment volume by year



### Asian buyers display broad-based demand across different sectors

- The Americas accounted for 66% of inbound investment in 2023, surpassing Asian capital for the first time since records began. More than three-quarters of investment volume from the Americas went into the logistics sector, where deals included AEW Capital's acquisition of Logishub Incheon Logistics Centre with Pebblestone Asset Management, and KKR's purchase of the Osan Logistics Centre. The only office deal by Americas investors was KKR's purchase of SK Namsan Green Building in CBD in the form of a share deal.
- Asian capital accounted for about 31% of total investment volume, with buyers active across a range of sectors including office, logistics, and hotels. Investors including Singapore's Mapletree and CapitaLand, along with Australia's LOGOS Property, completed logistics deals in 2023, while Singapore's Keppel led the way in the office sector with its acquisitions of the Bank of Korea Annex Building and Citibank Centre in the CBD.

Figure 3: Inbound investment volume by region



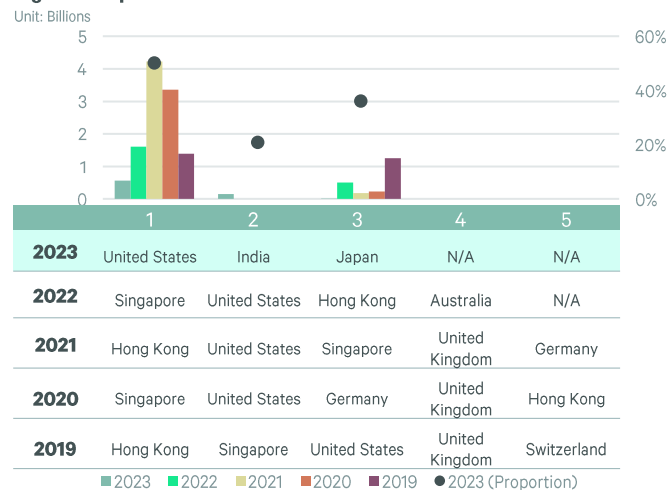
OUTBOUND

# 2023 Outbound Real Estate Investment

## Outbound investment by Korean capital declines to record low

- While outbound activity by Korean investors had already been in decline since the onset of the pandemic, total overseas investment volume fell by 86% y-o-y to just US\$700 million in 2023, the lowest level on record.
- Domestic outbound investment was largely limited to purchases in the U.S., which has consistently remained Korean investors' preferred destination.
- Acquisitions in the U.S. mainly involved core office assets located in metropolitan areas such as New York and San Francisco. India's share of investment accounted for about 21% of the total, with domestic investors' purchase of several logistics assets making this the first emerging market to enter the top five preferred outbound investment destinations.
- Activity in Japan was limited to Korean real estate developer MDM's investment of US\$10 million in a fund led by Hong Kong-based Gaw Capital, which was a co-investor with US-based KKR in the acquisition of the Hyatt Regency Hotel in Tokyo.

Figure 1: Top five destinations for outbound investment

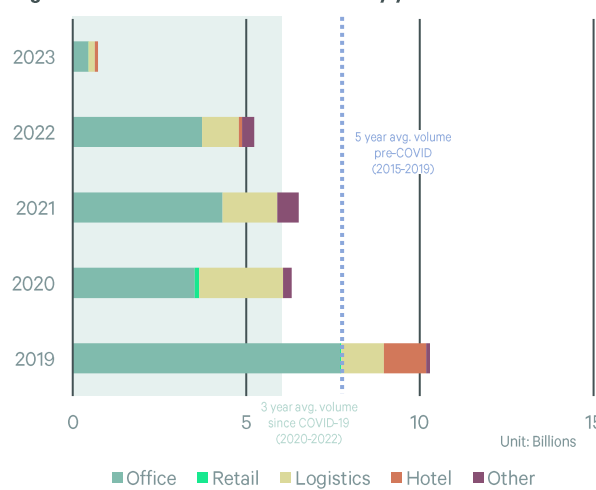


Source: Real Capital Analytics, CBRE Research, May 2024

## Investment in hotels recovers while logistics sector in emerging markets attracts stronger interest

- The office sector accounted for about half of all outbound investment volume in 2023, with all acquisitions taking place in the U.S. Investment in major European countries such as the UK, France, and Belgium, which have historically attracted the majority of office investment volume, was absent in 2023 as investors focused on default protection and refinancing of current holdings amid concerns about distressed investment.
- Hotels were the only sector to report a slight y-o-y increase in investment volume, which rose to US\$93 million or 13% of total outbound investment. Most acquisitions were made by domestic companies and developers in large cities such as New York and Tokyo.
- Logistics deals were led by Mirae Asset Management's investment in several large logistics centres in Mumbai, India.
- The purchase by a domestic private investor of an asset in the City of Victorville, U.S., was the first overseas retail purchase completed by a Korean investor in three years.

Figure 2: Outbound investment volume by year

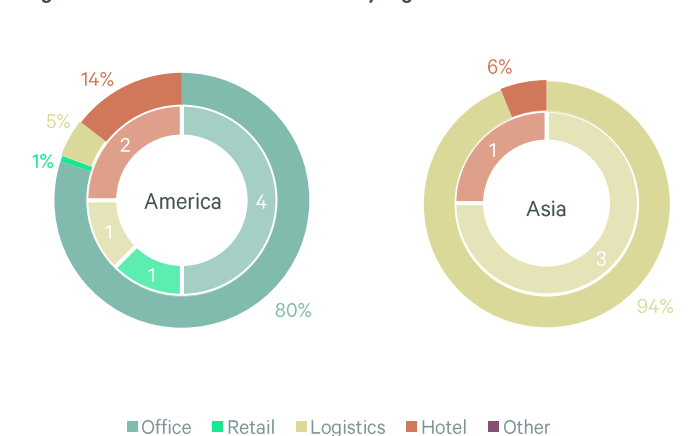


Source: Real Capital Analytics, CBRE Research, May 2024

## Office investment focuses on the U.S., with corporations playing a prominent role

- The hawkish stance of the U.S. Federal Reserve and the cost of currency hedging due to prolonged high exchange rates led to a decline in overseas investment activity in 2023. The U.S. attracted 78% of domestic capital inflows last year, led by office acquisitions. Purchases by Korean investors in sectors such as logistics, hospitality, and retail were also observed.
- Investment activity in the U.S. was primarily driven by corporations. Major deals included Hyundai Motor Group's purchase of Fifteen Light, a new office building in New York, for approximately US\$260 million; and Sono International's acquisition of 33 Seaport Hotel in the same city for US\$60 million.
- While investment in Asia by Korean buyers fell by more than 80% y-o-y in 2023, the absence of purchases in Europe and the sharp contraction of acquisitions in the U.S. ensured Asia still managed to attract 22% of total outbound investment. In addition to deals in Japan and India, Hyundai Motor Group acquired GM's Talegaon factory in Pune, India.

Figure 3: 2023 Outbound investment by region



Note: Inner circle - 거래 사례 개수, Outer circle - 거래 규모 비중  
Source: Real Capital Analytics, CBRE Research, May 2024

# Contacts

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## Korea Research

### Claire Choi

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

### Sophie Park

Manager  
sophie.park1@cbre.com

## Korea Capital Advisors

### Sean Choi

Executive Director  
sean.choi@cbre.com

### Tom Jeanes

Director  
tom.jeanes@cbre.com

## Regional Capital Advisors

### Greg Hyland

Head of Capital Markets, APAC  
greg.hyland@cbre.com

### Crystal Palar

Executive Managing Director  
crystal.palar@cbre.com

### Andrew Hunter

Director  
andrew.hunter@cbre.com

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