

A New Equilibrium for the Greater Seoul Grade A Logistics Market

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Supply Analysis





[SUPPLY] INTRODUCTION

The supply of Greater Seoul Grade A logistics centers increased dramatically as Korea exited the COVID-19 pandemic in 2022. Since then, oversupply exceeding demand and indiscriminate development has led to high vacancy.

After peaking in 2024, vacancy recently commenced a downward trend. In line with the change in market dynamics, foreign investors who have observed the drop in new supply are now turning more acquisitive.

To accurately gauge the future supply of Greater Seoul Grade A logistics space, CBRE tracked the status of 172 pipeline projects awaiting the commencement of construction for over one year, as of August 2025. Based on these findings, CBRE will assess whether the market's current oversupply has been resolved and will forecast how the market can achieve stable growth.

Number of Unstarted Logistics Centers	Area of Unstarted Logistics Centers
172	12.36 million sq. m.
54% of CBRE's Grade A basket (318)	50% of CBRE's Grade A (24.50 million sq. m.)

Definition of Unstarted Logistics Centers

- Assets located in Greater Seoul with a gross floor area of 33,000 sq. m. or more (excluding Seoul)
- Assets for which progress has not been confirmed for more than one year after obtaining building permits

Definition of CBRE's Grade A Basket

- Assets located in the Greater Seoul with a gross floor area of 33,000 sq. m. or more (excluding Seoul)
- Considers quantitative and qualitative factors such as location, accessibility, floor height, tenants, and rent

Post-Pandemic Logistics Supply

Since 2022, the number of new construction permits for new Greater Seoul Grade A logistics centers has decreased considerably, leading to a pronounced slowdown in the number of assets under construction.

Prior to this, the supply of logistics centers experienced a dramatic increase. New projects totalling approximately 3 million pyeong (approx. 9.9 million sq. m.) received permits in 2020-2021. Centers were completed as planned from 2022-2025, leading to large-scale supply.

This led to Greater Seoul Grade A logistics vacancy, which hit a record low in 2021, increasing by more than 10 percentage points (pp.) in 2022, creating serious concern about logistics oversupply.

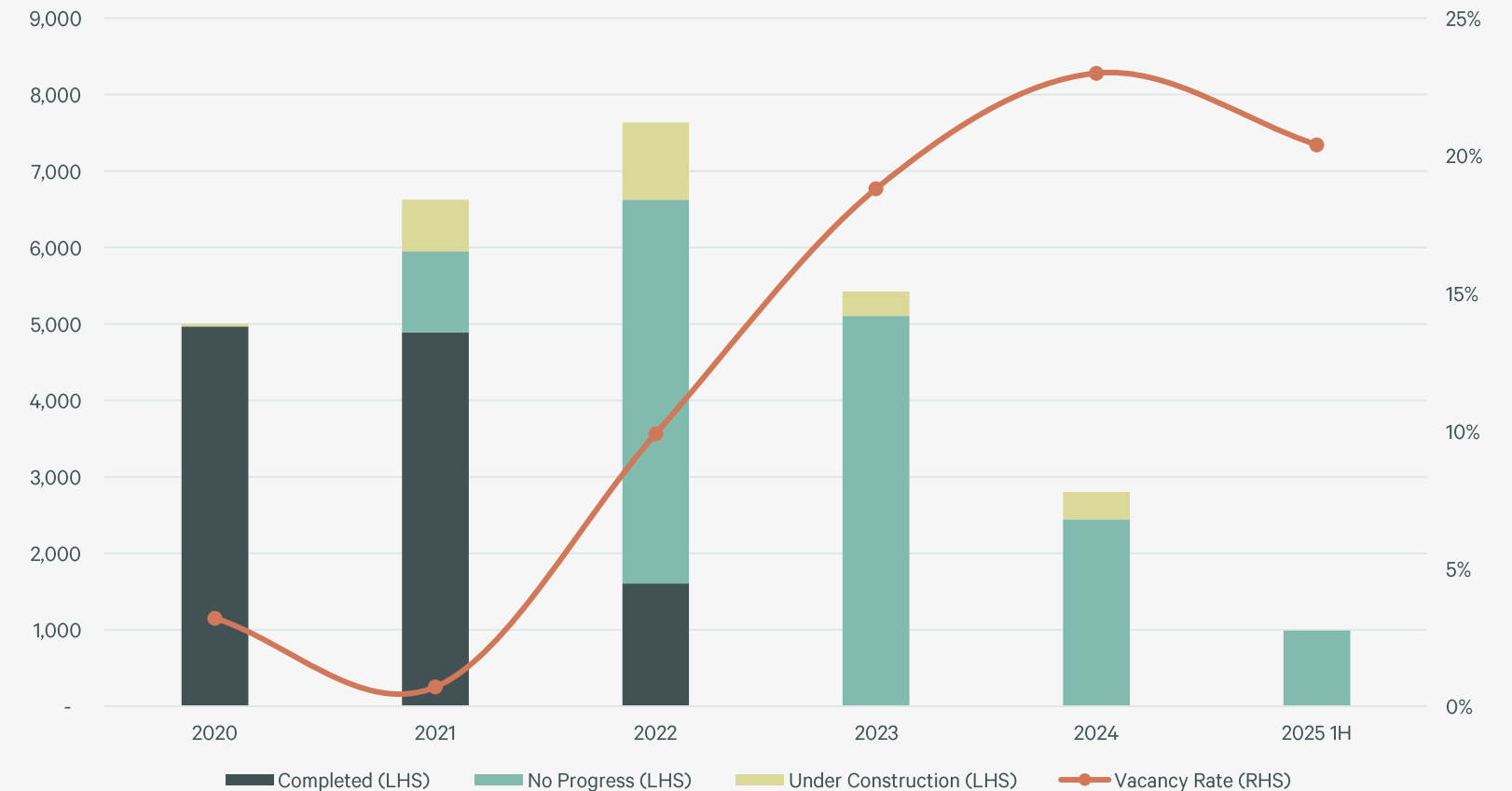
However, rising interest rates in H2 2022 and a crisis of confidence in the overall bond market led to a tightening of the Project Financing (PF) market. As a result, many projects experienced difficulties in securing funding.

This has led new construction to contract significantly since 2022, with most projects receiving new permits in 2022 and 2023 remaining in an unstarted state.

As of 2025, all supply-side activity, ranging from logistics facility permit applications to construction starts and completions, remain on a downward trend.

Figure 1: Annual Status of Permitted Sites (as of Q2 2025)

Unit: 1,000 sq. m., %



Source: CBRE Research, August 2025.

Unstarted Risk Spreads: Projects Equivalent to Half of Current Market Size Await Construction

CBRE defines an unstarted project as a Grade A logistics site in Greater Seoul with a gross floor area of 33,000 sq. m. or more; newly approved since 2022; and where no visible progress has been made for over one year after obtaining a construction permit.

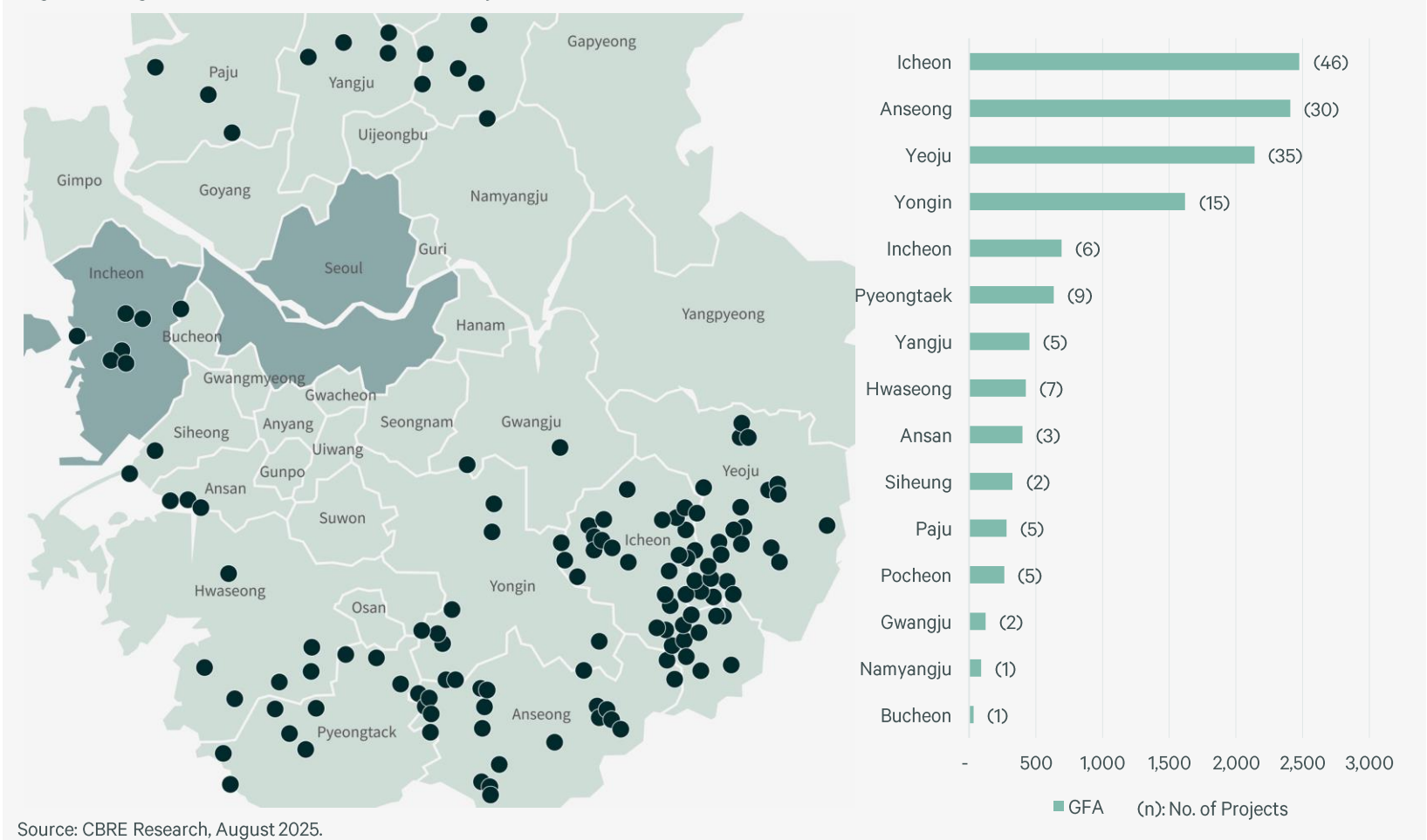
Unstarted projects were identified in a total of 15 out of the 24 submarkets within the Greater Seoul Grade A logistics market, amounting to 172 sites. The total area of these sites is approximately 3.7 million pyeong (approx. 12.2 million sq. m.), which accounts for about 50% of CBRE's Grade A sample.

By region, 111 projects (57% of the total) are in three submarkets: Icheon, Anseong, and Yeosu, primarily concentrated in Seoul's southern area. While this partly correlates with the size of the existing market, the disparity between submarkets is significant.

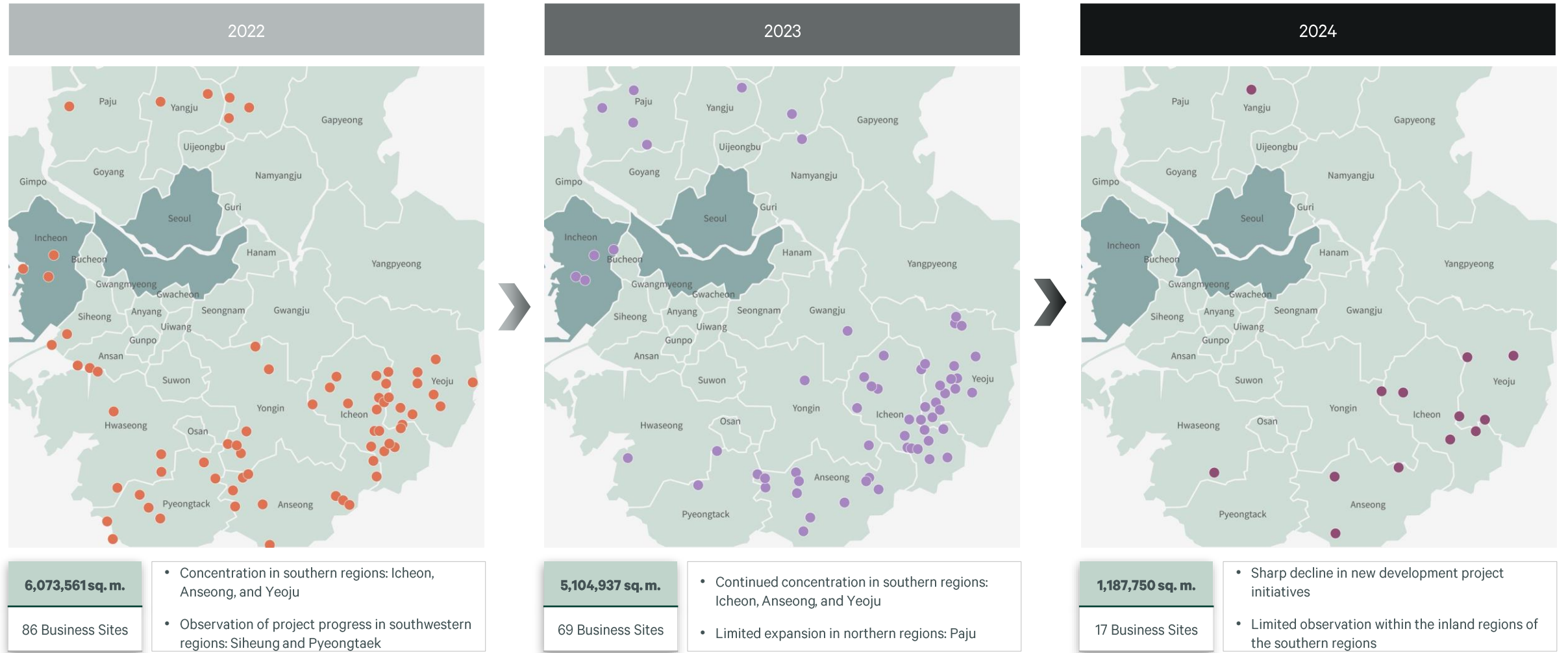
While Icheon, the largest market, has had only about 15% of its existing supply volume temporarily halted, the figure for Anseong and Yeosu is much higher, at around 100-150% of their existing volumes. No unstarted projects were found in Gimpo, a key logistics hub. This suggests that risk profile varies significantly by region and will depend on whether unstarted projects are ever converted to completed supply.

The average gross floor area of unstarted projects is slightly over 20,000 pyeong (approx. 66,000 sq. m.). The stagnation of large-scale projects is evident in Yongin, Incheon, Yangju, Ansan, and Siheung. In contrast, the average area per project in Icheon is about 16,000 pyeong (approx. 52,800 sq. m.), which is below the overall average, despite the high number of projects.

Figure 2: Regional Distribution of Unstarted Projects



Time-Series Distribution Chart of Unstarted Projects



Source: CBRE Research, August 2025

Analysis of Unstarted Projects: Predicting Supply Based on Ownership

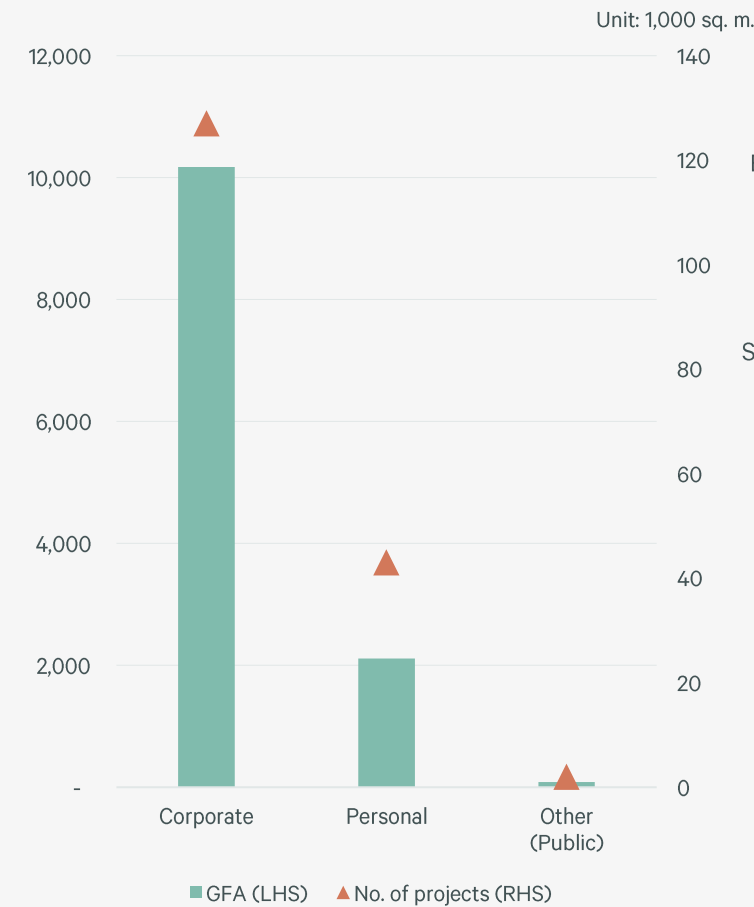
To assess potential supply arising from the large number of unstarted projects, CBRE analysed the ownership of unstarted projects in the Greater Seoul Grade A logistics market based on land registry documents.

The ownership structure of the total 172 unstarted projects can be broadly divided into corporate, personal, and state-owned sites, with most assets being corporate owned. Personally owned sites, which account for approximately a quarter of the total, have been excluded from potential supply volume under the premise that they have a very low probability of being constructed and becoming supply in the short term.

The typical business structure for personally owned sites involves the development company paying a deposit to the landowner and proceeding with the permit process based on a land use consent form. The developer promises to pay the remaining land balance, conditional on a bridge loan or PF, and proceeds with the project using a minimum amount of equity and a subordinated loan from a securities firm.

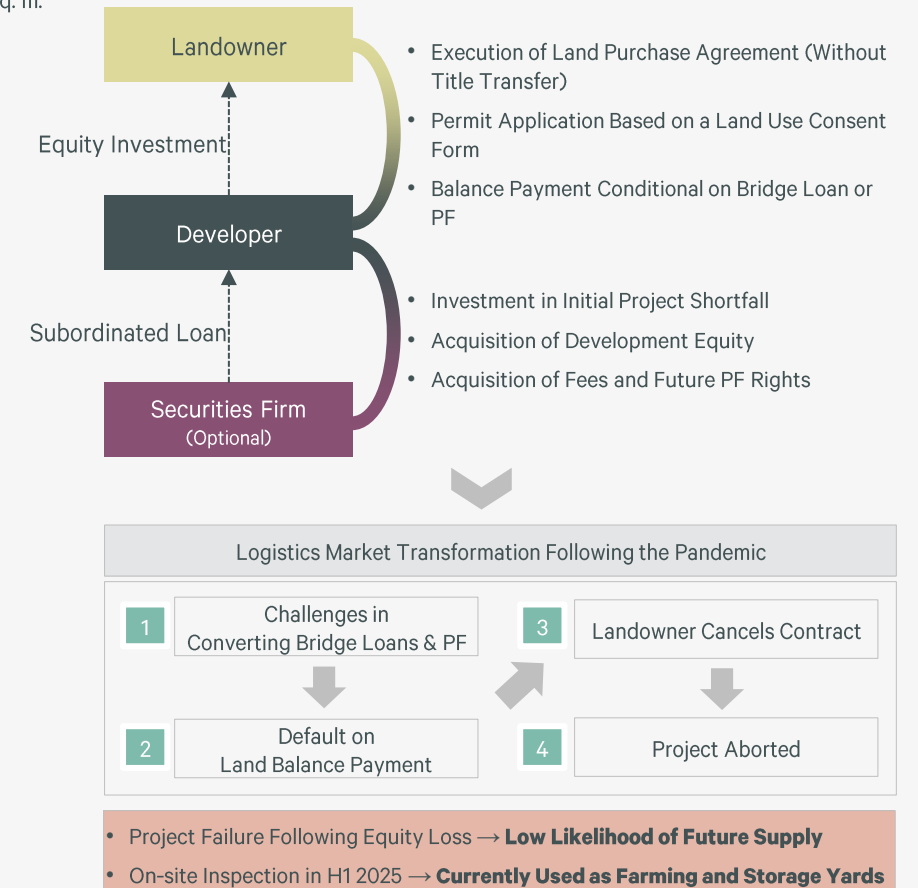
Therefore, for projects that are still registered as personally owned land and where ownership transfer to a specific development corporation has not been completed, it can be presumed that the project has been cancelled. This is likely because the development company failed to secure funding to pay the land balance, leading to the termination of the contract with the landowner. CBRE's on-site visits in H1 2025 confirmed that these sites were being used for farming, open-air storage, or left as vacant lots.

Figure 3: Ownership Structure of Unstarted Project Sites



Source: CBRE Research, August 2025.

Figure 4: Project Structure for Personally-Owned Sites



Analysis of Unstarted Projects: Corporate Owned Sites

Corporate owned projects, which account for approximately 75% of the total number of unstarted projects and 82% of the total area of unstarted projects in the Greater Seoul Grade A logistics market, can be assumed to be at a more advanced stage of development compared to personally owned sites.

Among corporate owned projects, most sites are held by general corporations, while approximately 20% of the total area is held by logistics-related companies and large corporations.

For projects held by logistics and large corporations, CBRE has observed only very limited changes or restrictions in ownership, or rights held by parties other than the owner, such as creditors. This suggests that most of these projects have secured full ownership with no debt and have the potential to become supply depending on future market conditions. Given the nature of the owners, CBRE expects most of these sites, if constructed, will be self-use assets for their own operations.

In contrast, many the sites owned by general corporations, which make up 80% of the total, have progressed to the bridge loan or land-secured loan stage. Some sites involve complicated legal rights, such as seizures due to arrears, auction requests, and the setting of additional mortgages. During CBRE's on-site visits, some projects were found to have been claimed under the right of a lien. Accordingly, new supply is expected to be limited in the short term. Should new supply from unstarted projects emerge in future, the majority will likely belong to this category.

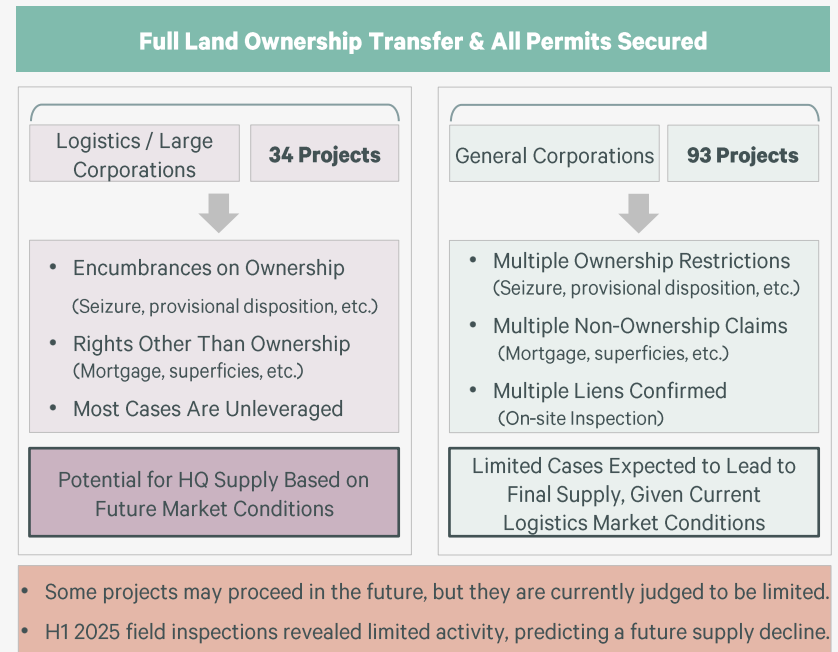
Figure 5: Unstarted Project Sites: Corporate Ownership



Source: CBRE Research, August 2025.

General Corporation	Real Estate Development Corporation, PFV, CIS
Logistics Company	Ongoing Logistics Business Operators
Large Corporation	Owned by Conglomerate (e.g., Coupang, KT, Hyundai, etc)

Figure 6: Project Structure for Corporate-Owned Sites



Assessing Supply Potential: Re-evaluating the Scale of Potential Projects by Submarket

With 93 unstarted projects owned by general corporations, this category will have the largest potential impact on future Greater Seoul Grade A logistics supply.

These projects include two types of owners: real estate development corporations whose main business is real estate development and supply, and financial vehicles such as Project Finance Vehicles (PFVs) and collective investment schemes.

The total area of these unstarted general corporate-owned projects is approximately 8.14 million sq. m., accounting for 66% of the total gross floor area of all unstarted assets. This represents about 30% of the current Greater Seoul Grade A logistics market, meaning that potential new supply volume, previously estimated at 50% of the current market size, has been significantly reduced.

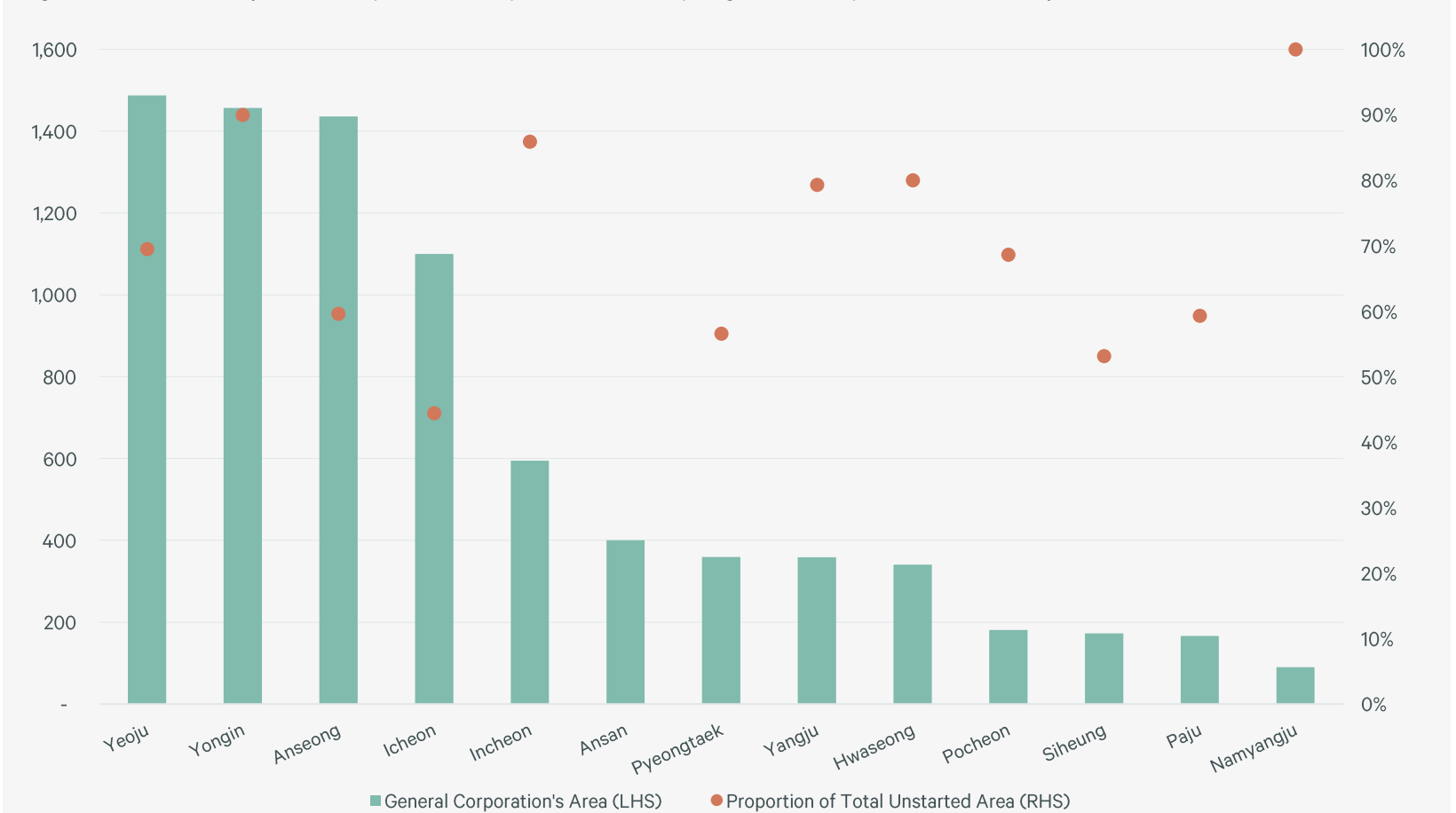
These projects are mostly located in Yeosu, Yongin, Anseong, and Icheon. The distribution of unstarted general corporate-owned projects differs from the distribution of overall stalled projects displayed in Figure 2.

For example, in the case of Icheon, which has the largest volume of unstarted projects, the proportion of sites owned by personal or logistics-related companies was relatively higher. As a result, the potential for new supply can be interpreted as being significantly lower than previously anticipated.

In contrast, in Incheon, while the overall volume of unstarted projects is smaller, most of these sites (86%) are owned by general corporations, indicating a relatively higher likelihood that these projects will commence construction.

Figure 7: Unstarted Projects Held by General Corporations: Area by Region and Proportion of Total Projects

Unit: 1,000 sq. m.



Source: CBRE Research, August 2025.

Assessing Supply Potential: An Analysis Based on Permit Duration

Under Korea's Building Act, a construction permit is cancelled if construction of a project does not commence within two years of receiving the permit, although this period can be extended by one year for a valid reason. Considering these regulations, a significant portion of the 93 unstarted projects owned by general corporations are at risk of losing their permits.

57 projects are already in their third year since their building permits were granted, while 23 projects have entered their fourth year. In total, approximately 81% of the total area (6.63 million sq. m.) has not commenced construction despite it being three years or more since building permits were obtained. For projects in their fourth year or more, there is a realistic possibility that permits have already expired.

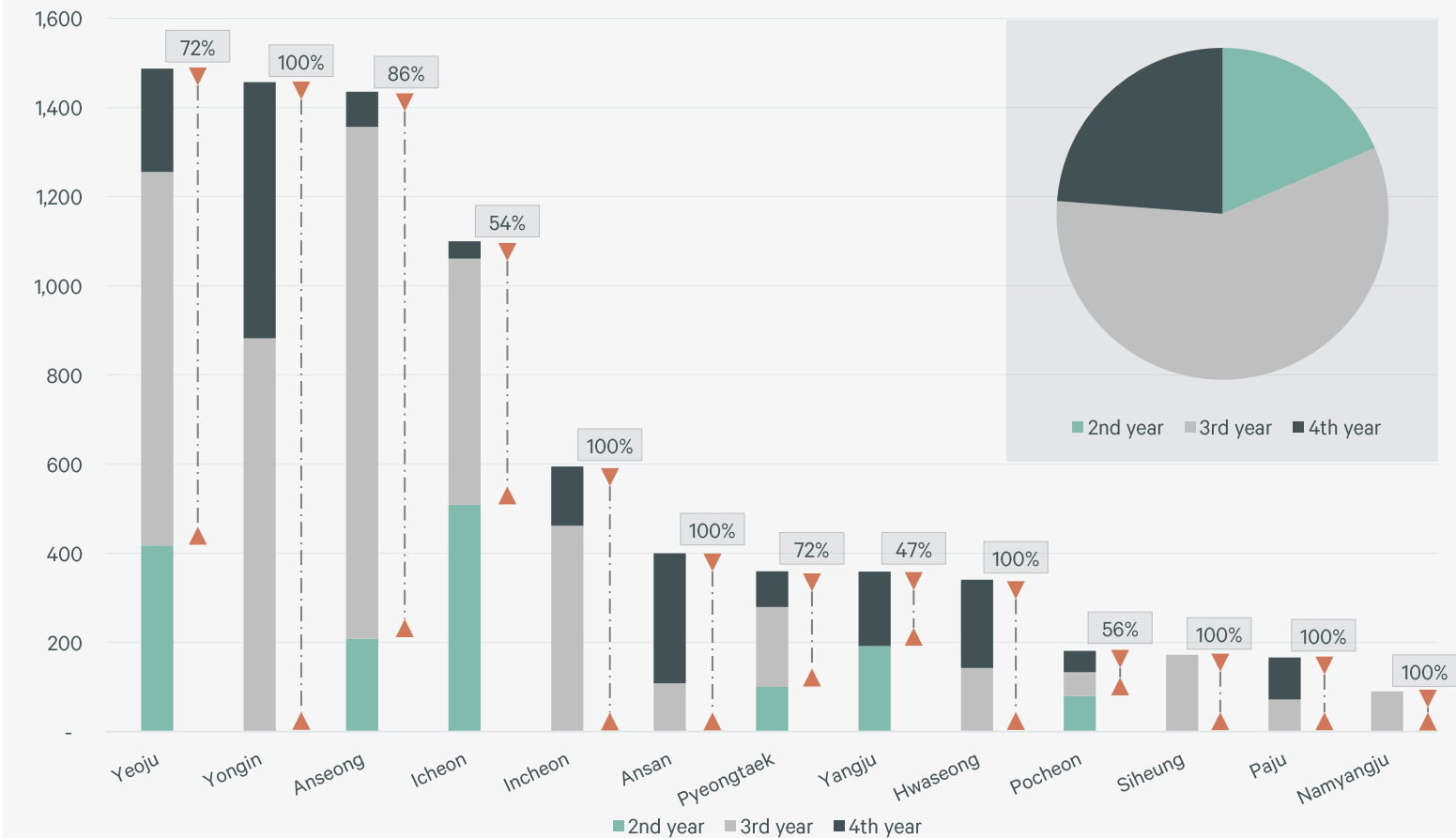
The short-term possibility of commencing construction is lower in regions with a significant volume of potential projects, including Yongin, Incheon, Ansan, and Hwaseong, as the permit period for these projects has already exceeded three years.

With persistently high vacancy rates and slower demand growth, securing PF will require improved market conditions or the pre-leasing of space to potential tenants. Accordingly, it is highly likely that the validity period of the construction permits for most of these potential projects will expire, ultimately leading to the conclusion that they are unlikely to become future supply.

Only five projects commenced construction last year. These projects had stable business structures, such as pre-lease/pre-sale commitments, developer equity, or a self-use purpose, which allowed them to proceed.

Figure 8: Unstarted Projects Held by General Corporations: Time Elapsed by Region Based on Area

Unit: 1,000 sq. m.



Source: CBRE Research, August 2025.

Analysis of Logistics Center Non-Performing Loan (NPL) Assets

The stagnation of construction on numerous Grade A logistics projects in the Greater Seoul area has increased the financial burden on developers, which may prompt some groups to sell off some of their projects.

In particular, several unstarted logistics projects owned by real estate development corporations and financial vehicles that are in financial distress are expected to be liquidated through public sales or auctions by their lenders. If a new entity acquires a project, there is a possibility that development could resume, resulting in the creation of new supply.

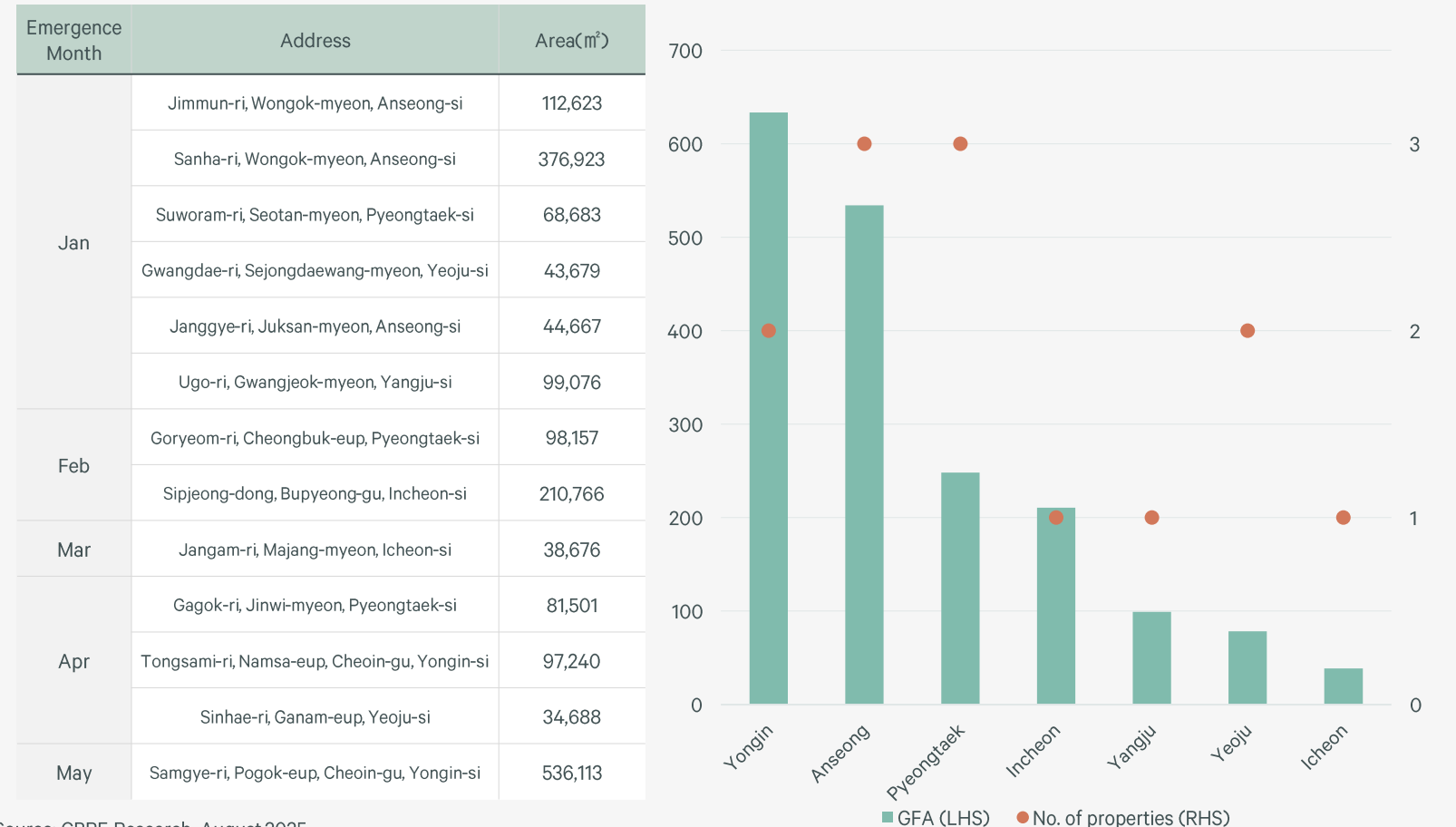
To identify projects from the major stalled list that have appeared on the market as public sale or auction properties, CBRE reviewed the monthly public disclosures of real estate PF project sales from the Korean Financial Supervisory Service.

As of the end of July 2025, there was a cumulative total of 13 logistics center NPL assets of 33,000 sq. m. or more, with a total gross floor area of approximately 1.84 million sq. m.. Both the number and total area of assets are on a continuous upward trend, with all identified as being owned by general corporations,.

In Yongin, a large-scale project was listed for sale, representing the largest single asset in terms of volume. The largest concentration was in the southern Gyeonggi Province, with three projects each registered in Anseong and Pyeongtaek. In addition, asset sales are underway across various other submarkets in the Greater Seoul, including Yeosu, Yangju, Icheon, and Yongin.

Figure 9: Logistics Centers For Sale in July 2025

Unit: 1,000 sq. m., No. of Properties



Source: CBRE Research, August 2025.

Case Study: Logistics Facility NPL Assets

CBRE’s analysis of auctions for 11 of the logistics facility projects up for sale found that there were between a minimum of three and a maximum of 32 failed bids.

Despite the repeated failed bids leading to significant drops in the bid price and the price per pyeong—with average price adjustments of less than half of the initial price—there were no successful bids.

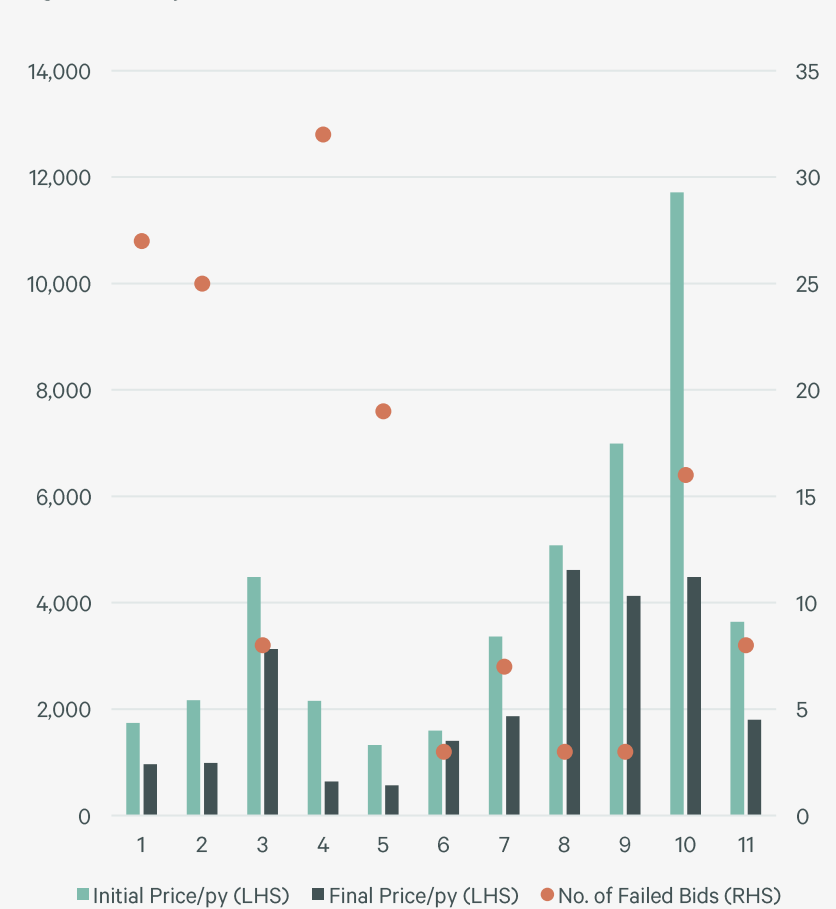
While there are differences in location, specification, and the nature of each asset up for sale, CBRE’s analysis determined that the specific cost characteristics of logistics facility development and the issue of rising construction costs were also factors.

Land typically accounts for 10-20% of the total development cost for a logistics facility. This is below the 20-40% required for offices in central Seoul, which suggests that construction costs comprise a very high proportion of the total cost. Therefore, even if land is purchased cheaply through an auction, the effect of reducing the overall development cost is limited due to the increased construction costs.

Furthermore, investors’ general reluctance to acquire NPL assets is also a result of weakened investment sentiment for new development. This is due to lingering uncertainty regarding persistently high vacancy rates and slow leasing demand.

While the number of NPL assets available for sale is expected to increase gradually, the number of actual transactions and new developments is projected to be limited.

Figure 10: Projects Under On-bid Auction Unit: pyeong, KRW 1,000



Source: CBRE Research, August 2025.

Continued Observation of Bid Failures		Characteristics of Logistics Center Development Cost	
<ul style="list-style-type: none"> Land Costs are Lower Compared to Other Development Projects Rising Construction Costs Can Offset Falling Land Costs 			
Logistics Center Development Cost Breakdown		Office Development Cost Breakdown	
Land Costs	10 ~ 20%	Land Costs	20 ~ 40%
Construction Costs	60 ~ 70%	Construction Costs	40 ~ 60%
Ancillary Costs	Less than 10%	Ancillary Costs	Less than 10%
Financing Costs	10 ~ 15%	Financing Costs	15 ~ 25%

Factors Facilitating Logistics Center Supply: Structuring a Plan for PF Conversion

Owners of several unstarted projects are exploring various strategies to prevent asset defaults, such as NPLs, and to normalise their businesses.

Strategies include KAMCO Funds' restructuring plan for bridge loans. This approach involves KAMCO Fund acquiring a bridge loan from a lender group for a viable project, who then increases its participation as a mezzanine investor during the transition to full PF. This approach raises the possibility of the PF succeeding; provides financing to distressed projects; resolves complex debt relationships; and reduces lender risk while improving the project's creditworthiness.

Developers can also consider structural solutions to directly enhance a project's stability. For example, they can increase their equity contribution from the current low level of less than 10% to between 20% and 30%. This strengthens their commitment and boosts the project's inherent stability, thereby improving the likelihood of PF being successfully executed.

They may also proactively seek to secure tenants in advance or pursue a Built-To-Suit (BTS) development model to ensure stable cash flow after completion. Another option is to consider a plan to guarantee interest payments to lenders during the property's stabilisation period, when immediate rental income is not generated.

Despite these strategies, the number of successful transitions to PF remains limited. New supply of logistics centers is therefore inevitably expected to be limited in the mid-to-long term.

Figure 11: Restructuring Plans for PF Conversion



Source: CBRE Research, August 2025.



Factors Hindering New Logistics Supply

While various measures are being considered to restore development activity, several factors continue to hinder the construction of new Grade A logistics supply in Greater Seoul.

The first of these is the unprecedented increase in construction costs triggered by the pandemic. This has directly led to a decline in profitability, particularly for logistics developments where construction costs make up a high proportion of the total compared to offices. This has become a significant hurdle for new development.

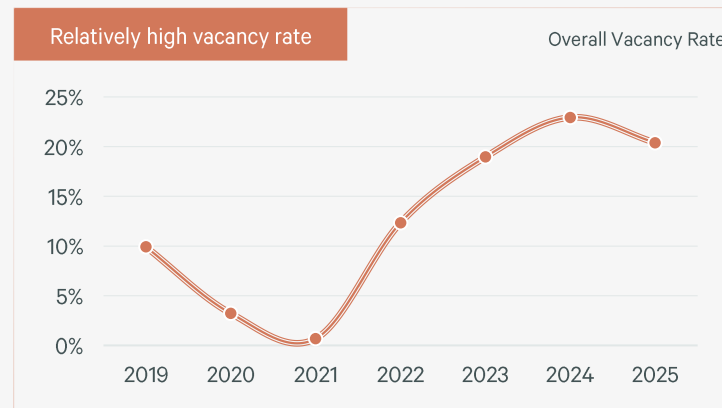
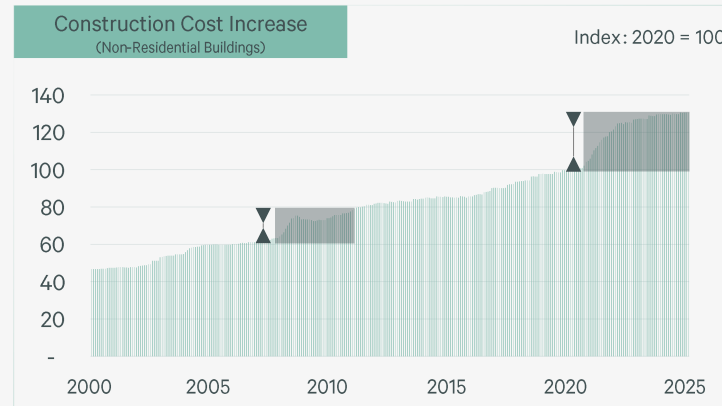
Secondly, permit regulations are becoming stricter. Following the presentation of new standard permit criteria for logistics centers presented by Gyeonggi Province to local governments in March 2025, regulations on the height and length of new logistics centers will be specified. This will likely limit future supply volume.

Thirdly, although vacancy began to trend downwards in 2025, the rate remains high, causing new investors to become more hesitant to commit to new logistics development projects.

The final obstacle is developer-centric design and development trends. While developers' needs are focused on cost reduction and achieving maximum efficiency, tenants' needs are centered on securing efficiency in their logistics processes.

Indiscriminate development driven by developers' focus on profitability, without a thorough analysis of end-user needs, has led to high vacancy in the cold storage logistics market.

Figure 12: Factors Hindering the Supply of Logistics Centers



Stronger licensing regulations

물류창고 건축관련 표준허가기준 및 난립방지 계획수립을 위한 연구
2025. 3.

Logistics center permit standards plan and proposal	
Ease of evacuation and rescue right to protecting sunlight and views	
Category	Limitation (including underground floors)
Height	30/40m or less
Length	100/150m or less

Developer-driven supply structure

Developers' needs
Cost reduction in construction & maximization of rental space
Tenant's needs
Securing an efficient logistics process (Receiving - Storage - Picking - Shipping)

Source: CBRE Research, August 2025.

02

Demand Analysis





[DEMAND] INTRODUCTION

Understanding Invisible Demand in the Logistics Leasing Market

Constraints

- **Market Opacity:** Unlike the office market, the Greater Seoul Grade A logistics leasing market's inherent closed nature, information asymmetry, and physical inaccessibility make it difficult to accurately assess demand. As a result, market participants struggle with demand forecasting, relying on limited information.
- **Complex Market Structure:** Logistics centers, which are widely distributed across Greater Seoul, are segmented by various factors and criteria, such as location, size, specification, and infrastructure. This makes a comprehensive demand assessment and analysis extremely complex.

Analysis Methodology & Objectives

- Despite these limitations, CBRE is able to accurately measure logistics leasing demand.
- We have identified fundamental shifts in logistics demand by analyzing the macro situation, including the growth trends of the e-commerce market and Third-Party Logistics (3PL) companies.
- CBRE has meticulously assessed the changes in demand and needs observed in the field by analysing the expansion and investment trends of major tenants in the warehousing industry and conducting a survey of key occupants.
- Through this multifaceted analysis, CBRE can provide a more accurate understanding and forecasting of current and future demand in Greater Seoul Grade A logistics market.

Key Demand Drivers & Tenant Profile

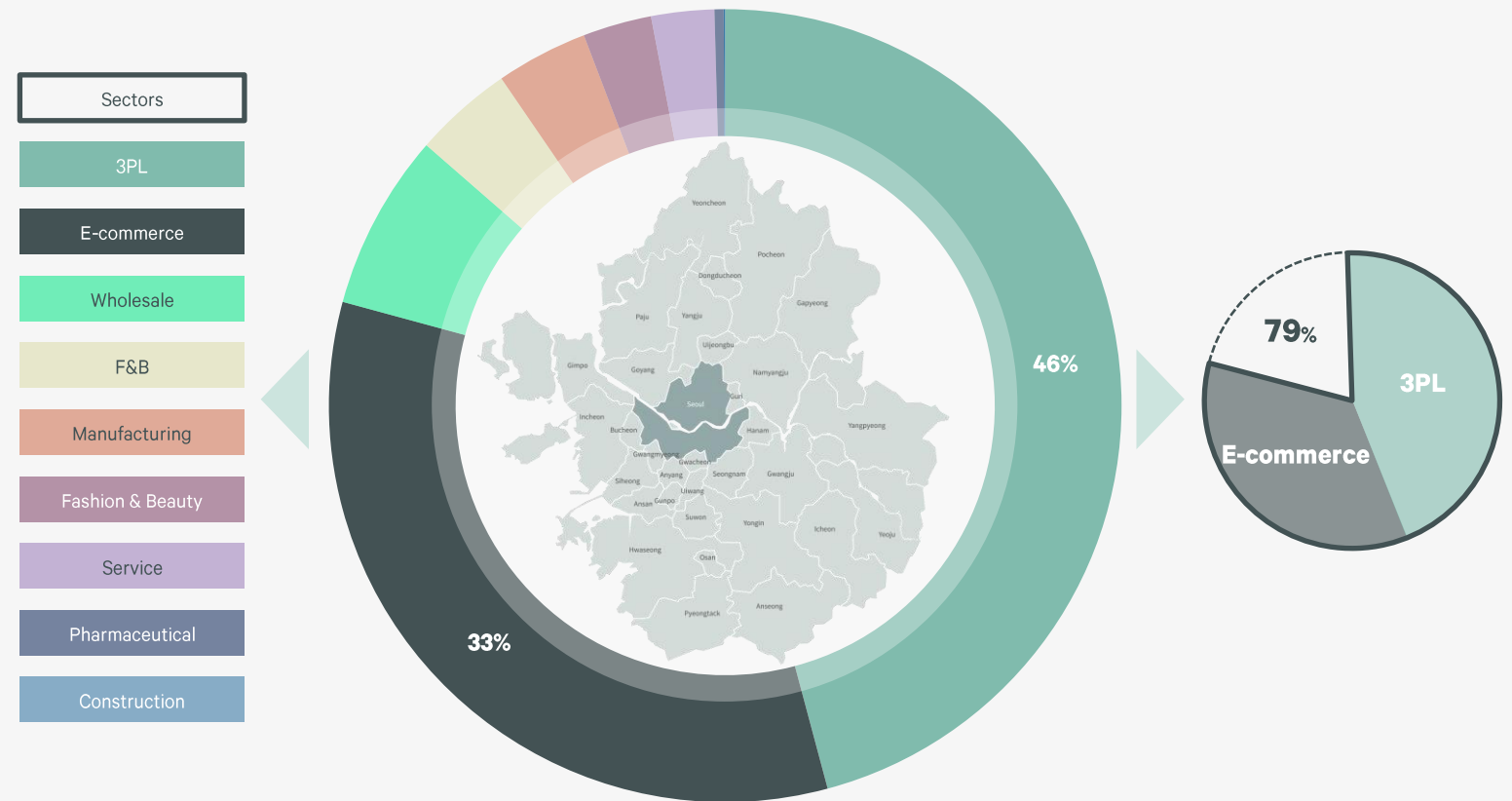
CBRE's analysis of tenants in the Greater Seoul Grade A logistics market in H1 2025 identified 3PL and e-commerce as the largest demand drivers.

3PLs accounted for the highest share of the total leased area at 46%, followed by e-commerce with 33%. With these two sectors occupying 79% of total Grade A logistics center space in Greater Seoul, they are dominating market demand.

While other industries, including wholesale & retail, F&B, manufacturing, and fashion & beauty, are also generating steady demand, there is a possibility that this demand will be partially absorbed by 3PLs due to increasing specialization, such as logistics automation.

In response to these shifts in core demand groups, CBRE has tracked the growth of key players reshaping the domestic 3PL and E-commerce markets and assessed their multifaceted impact on the logistics market.

Figure 13: Grade A Logistics Center Tenant Profile (2025)



Note: After an initial classification by the tenant's industry, CBRE reclassified the tenants into nine categories.

Source: CBRE Research, August 2025.

Digital Transformation of the Retail Market Drives Logistics Leasing Demand

E-commerce sales have grown steadily in recent years, making the largest contribution to the growth of the Greater Seoul logistics market. Within an online penetration rate of 49%¹⁾ as of 2024, Korea has the highest such rate globally.

This growth is driven by technological and social factors, including the development of mobile industries, an urban-centric population structure that facilitates fast delivery, and the increase in single-person households. At the same time, the spread of simple payment systems has played a key role in significantly increasing the conversion rate and expanding the proportion of mobile transactions.

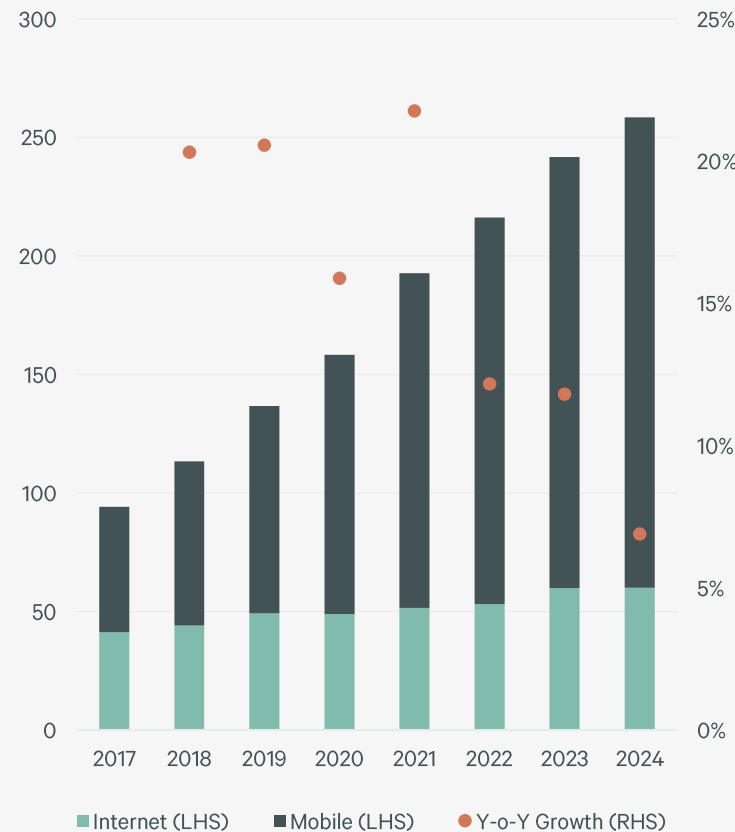
The onset of the COVID-19 pandemic in 2020 led to a surge in contactless consumption, raising awareness about the convenience and speed of online shopping. This has accelerated growth, with the scale of mobile shopping doubling in 2020 compared to 2017.

Korea's e-commerce market continues to evolve with the commercialization of AI technology. Maximizing the convenience of mobile shopping through improved user experience, the advancement of AI-based personalised recommendation services, and the expansion of new formats such as live commerce, are stimulating consumer purchasing desires while also increasing the enjoyment and engagement of online shopping.

Thanks to these technological advancements and improved consumer experiences, Korea's e-commerce market is expected to continue its steady growth.

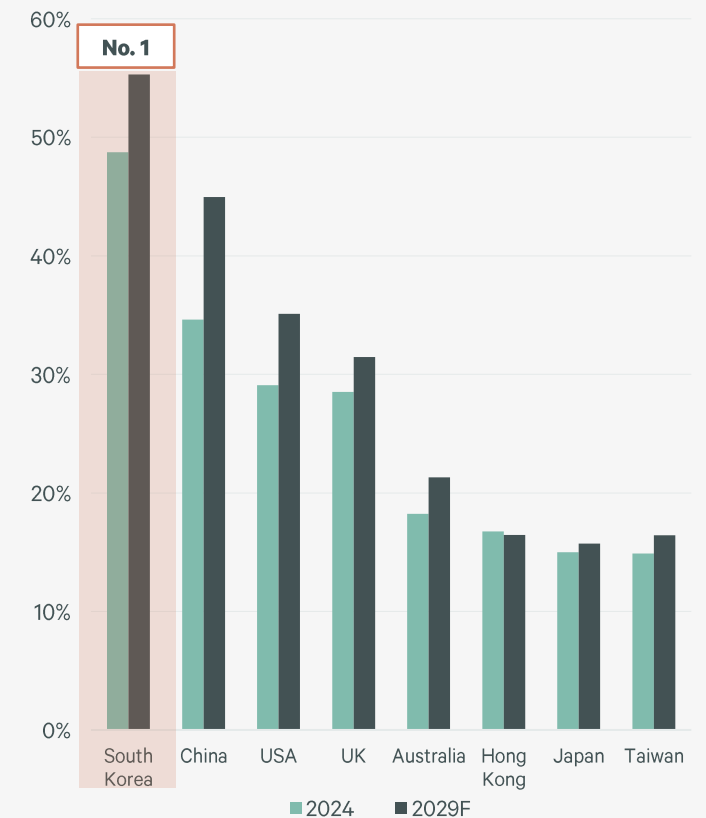
¹⁾ Excluding retail sales of motor vehicles and fuel

Figure 14: Transaction Value of E-commerce by Sales Platform
Unit: KRW 1 Trillion



Source: KOSIS, Euromonitor, 2025.

Figure 15: Online Penetration Rate



Korea's E-commerce Market: Growth and Competition

Korea's e-commerce market is dominated by a duopoly of Coupang and Naver. Coupang, listed on the NYSE in 2021, is driving the market, achieving double-digit sales growth every year through aggressive investment and the establishment of its innovative logistics system, 'Rocket Delivery'.

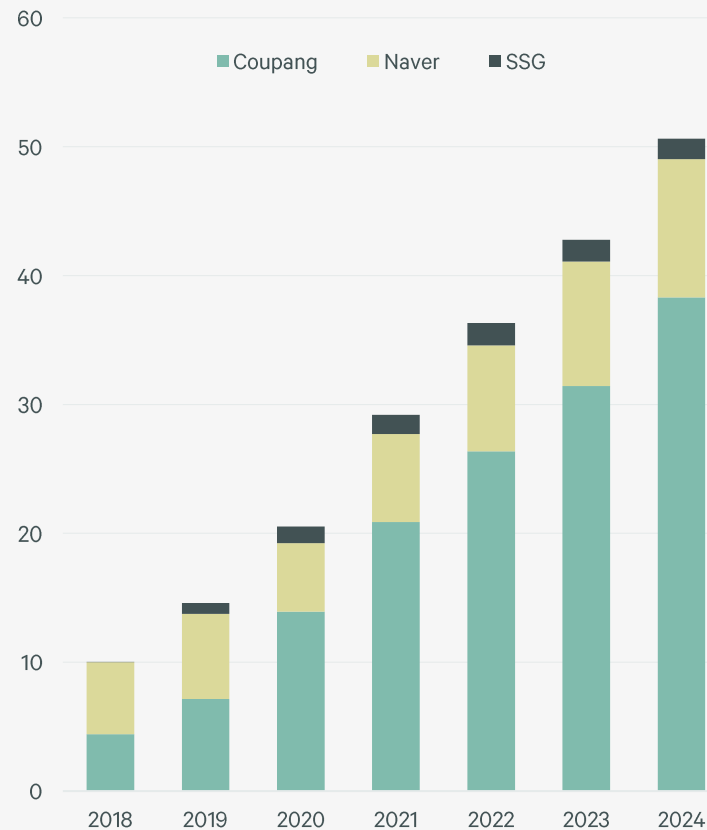
As an open market platform operator, Naver has reorganized the distribution market around its platform since the launch of Naver Shopping in 2001, expanding various services such as Shopping Live following Smart Store.

Kurly and Musinsa continue to grow in the dawn delivery and fashion e-commerce markets, respectively. Last year, Kurly recorded its first-ever quarterly profit since its founding, achieved through a series of logistics efficiency strategies including category diversification, strengthening high-margin product lines like beauty, introducing an automated logistics system, and optimizing delivery routes. Musinsa surpassed KRW 1 trillion KRW in revenue for the first time last year by expanding its offline and global businesses.

Domestic retail companies affiliated with large conglomerates such as Shinsegae, Lotte, and SK are seeking to strengthen their competitiveness by expanding their e-commerce market share and improving profitability through group-integrated memberships and linkages with offline channels.

While the strategies of these various companies to strengthen their e-commerce businesses are positively impacting demand in the Greater Seoul Grade A logistics market, the current monopolistic structure is expected to continue.

Figure 16: Revenue Trends of Major Domestic E-commerce Companies
Unit: KRW 1 Trillion



Source: Dart, 2025.

Figure 17: Kurly Revenue and Operating Profit
Unit: KRW 1 billion

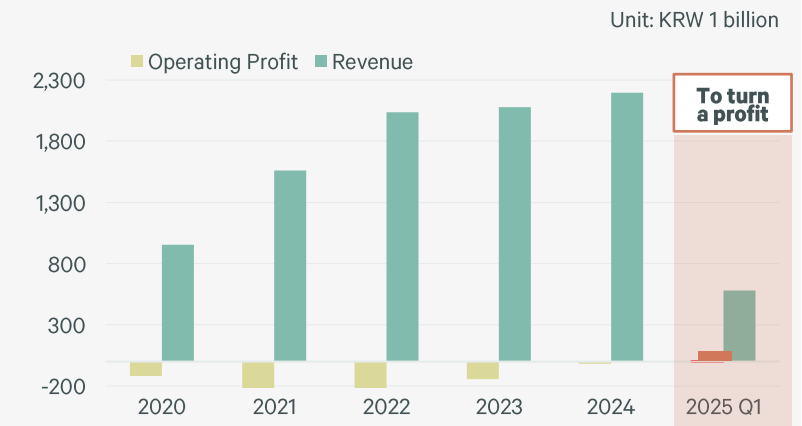
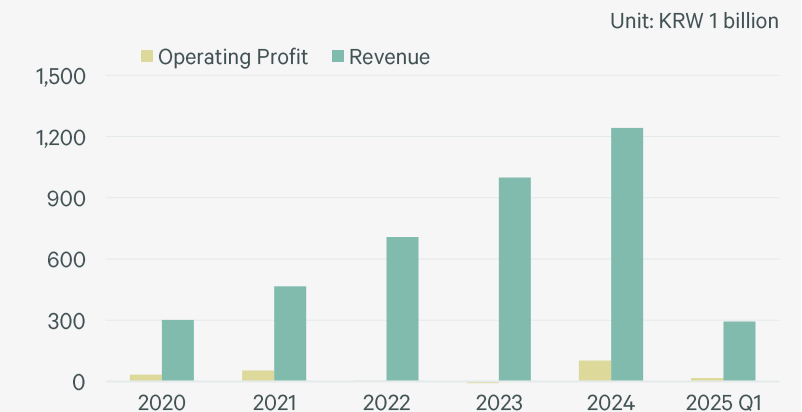


Figure 18: Musinsa Revenue and Operating Profit
Unit: KRW 1 billion



The Growth Potential of C-Commerce

Korean companies currently account for the majority of tenants in the Greater Seoul Grade A logistics market. However, recent aggressive entries by Chinese e-commerce platforms ('c-commerce') are raising expectations for the expansion and diversification of potential logistics demand.

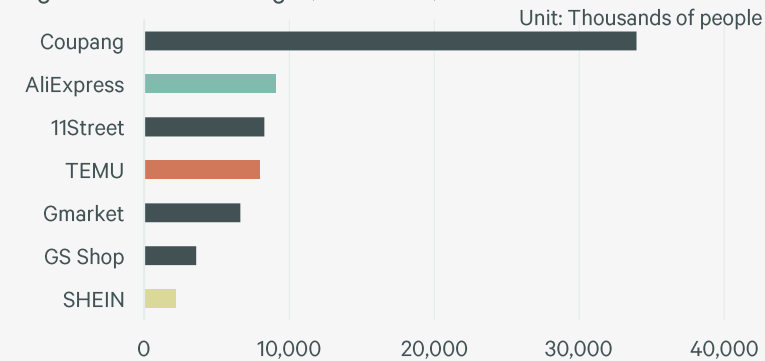
AliExpress and Temu have rapidly expanded their Korean market share since last year, based on ultra-low prices and aggressive marketing. MAU (Monthly Active Users) metrics for June 2025 show the number of users for AliExpress and Temu has already surpassed some domestic e-commerce companies, following the undisputed leader, Coupang. These platforms' MAU growth rate is also showing a very steep upward trend.

JD.com, with annual revenue of KRW 41 trillion, some 5.3x that of Coupang, is preparing to enter the Korean market with a premium strategy that leverages its powerful logistics network, product quality, and brand credibility. Its affiliate, JD Logistics, this year signed leases for logistics space in Incheon and Icheon, which marked the first time a c-commerce company has directly operated logistics centers in Korea.

A key feature of c-commerce strategy is the growing emphasis on delivery speed, driving efforts to build domestic logistics infrastructure. While c-commerce platforms initially focused on price competitiveness during the early stages of market entry, they are changing tack and targeting competitiveness in terms of speed and quality to meet the high expectations of domestic consumers for fast delivery. This will inevitably lead to an increase in demand for domestic logistics centers.

Classification	AliExpress	TEMU	JD.COM
Market Entry Strategy	Extending distribution networks after launching on platforms		Direct Procurement / Direct Sales (The Amazon Model) Building a Distribution Network and Then Selling In-House Products
Distribution & Logistics Strategy	'K-Venue' and ultra-low pricing strategy Forming a joint venture with Shinsegae Group (Future Plans to enter Alibaba.com)	Ultra-Low Pricing & 100% Free Shipping Full Opening of L2L to Domestic Sellers	Guaranteed Authenticity & 12-Hour Delivery Reverse Cross-Border Logistics Service
Securing Logistics centers	Reviewing land options for logistics centers Investment of KRW 1.5 trillion by 2026	Leasing a 50,000 pyeong logistics center in Gimpo (from Shiva Logis)	Operating logistics centers in Icheon and Incheon

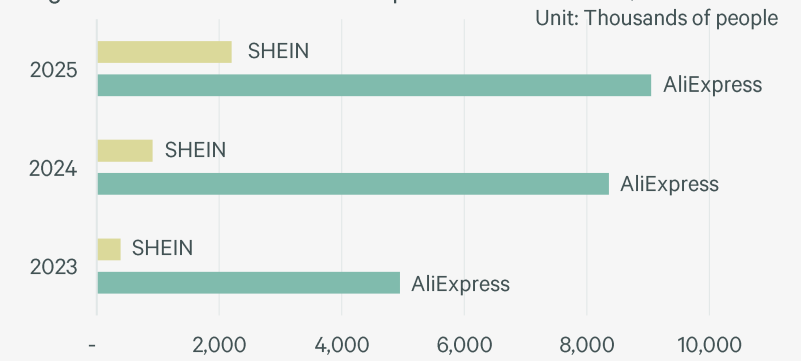
Figure 19: MAU Rankings (June 2025)



* MAU: Monthly Active Users, The number of unique users who use a service at least once a month.

Source: WISEAPP-RETAIL, 2025.

Figure 20: MAU Trends for AliExpress and Shein (June, Annual)



The Growth of 3PLs and the Expansion of Logistics Infrastructure Driven by E-commerce Demand

Along with e-commerce, 3PLs are one of the two main pillars of demand in the Greater Seoul Grade A logistics market. The increase in parcel volumes accompanying the growth of the e-commerce market has naturally required an expansion of delivery services, consequently necessitating more logistics space.

Korea Integrated Logistics Association data show domestic annual parcel volume was approximately 6 billion boxes as of 2024. This is a rate of about 100 to 120 uses per person per year, an increase of more than 3x compared to 2015.

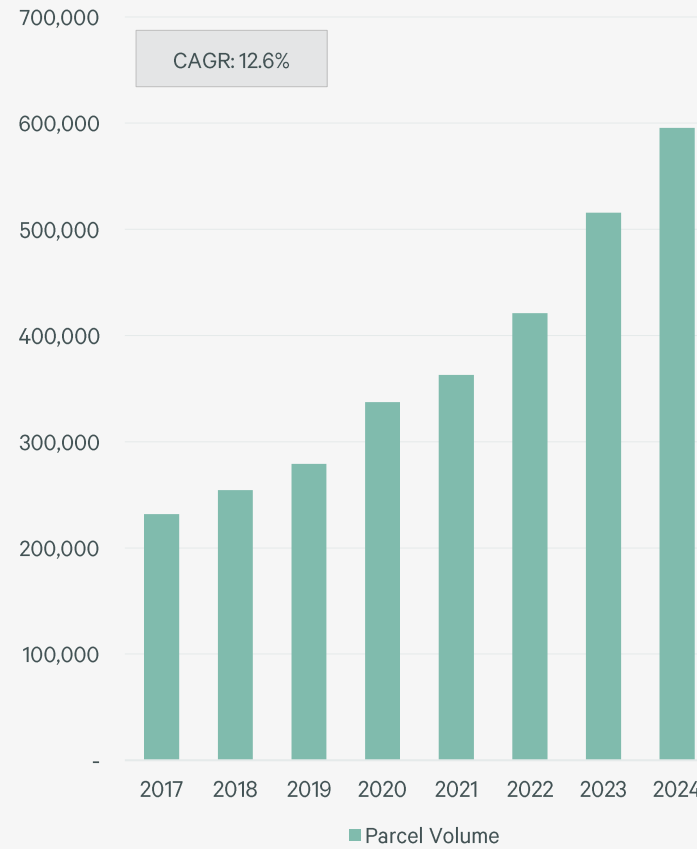
This increase in parcel volume has inevitably spurred growth by 3PL companies, with major domestic 3PL firms like CJ Logistics, LX Pantos, and Lotte Global Logistics maintaining solid growth in both revenue and profitability.

Revenue peaked in 2022 due to a surge in shipping costs and an increase in freight volume following the pandemic. Despite a temporary adjustment phase as Korea exited the pandemic, they have maintained an overall upward trend. From 2017 to 2024, the combined revenue of these three companies increased 1.6x, while their operating profit grew at a CAGR of 14%.

As of H1 2025, 3PLs accounted for approximately 46% of demand for Grade A logistics space in Greater Seoul, with the area they use increasing about 2.6x compared to 2020.

Figure 21: Trends in Domestic Parcel Delivery Volume

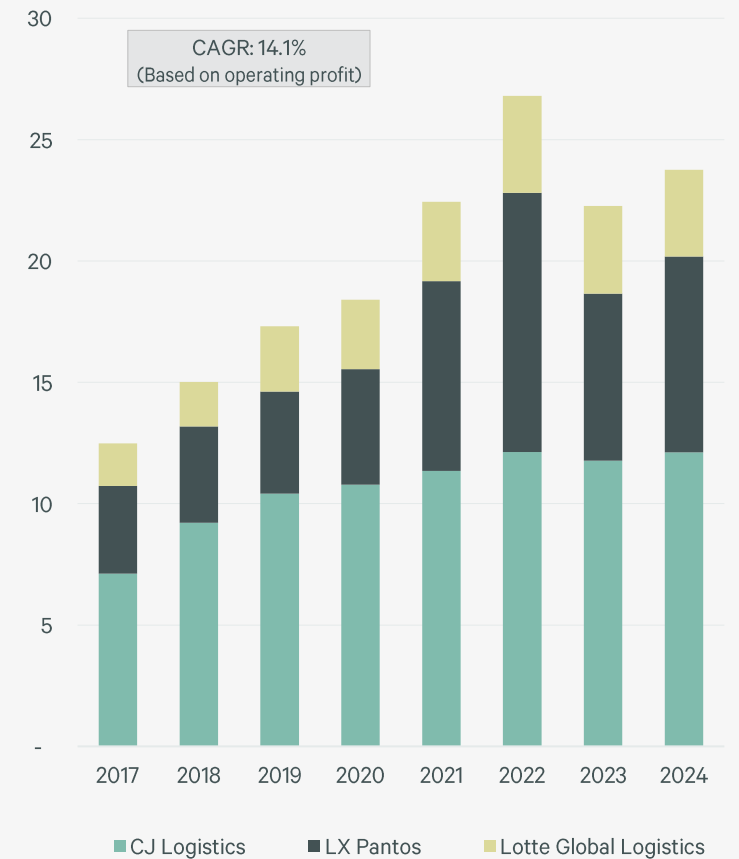
Unit: 10 thousand boxes



Source: Dart, KiLA, 2025.

Figure 22: Revenue Trends of Major 3PL Companies

Unit: KRW 1 Trillion



Net Absorption in the Greater Seoul Grade A Logistics Market

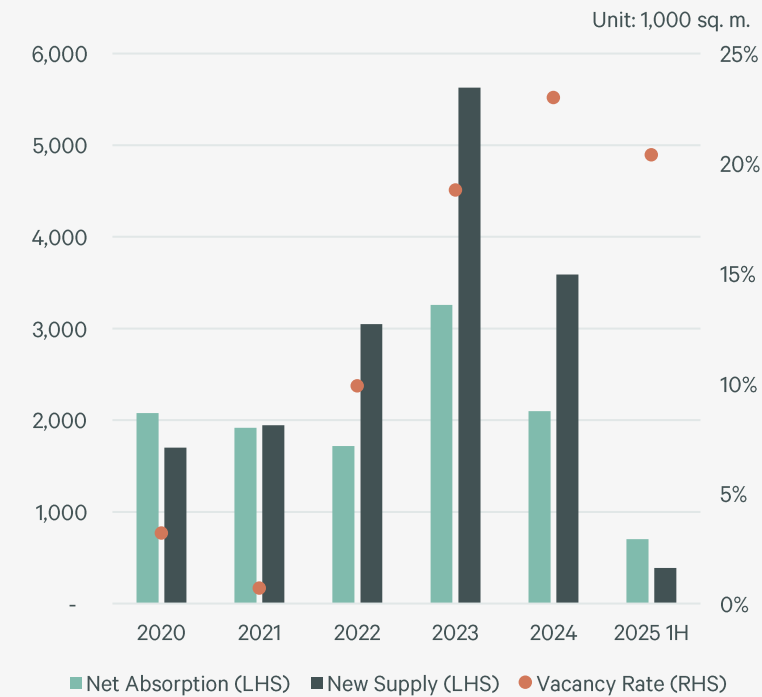
Demand in the Greater Seoul Grade A logistics market has grown steadily since 2018, with average annual net absorption reaching approximately 2.2 million sq. m. over the past five years. Net absorption is the value of new leased space minus terminated space during a specific period and is a critical indicator of any increase or decrease in actual market demand.

Between 2020 and 2021, net absorption and new supply were balanced, resulting in a near-zero vacancy rate. However, a surge in supply after 2022 led to an increase in vacancy despite parallel growth in demand. Although growth slowed in H1 2025, it significantly exceeded new supply, causing vacancy to fall. While a recovery in demand is expected in H2 2025, it is not projected to reach last year's volume. The gap in annual net absorption has been as high as 2.5x, with high volatility driven by changes in the expansion strategies of demand groups.

As of 2024, Anseong and Icheon recorded the highest net absorption, followed by Gimpo, Hwaseong, Yongin, and Yeosu. Notably, in Yongin and Gimpo, leasing activity for cold storage space was relatively prominent, driven by demand from 3PL, e-commerce, and F&B.

The absolute area occupied by cold storage remains limited compared to dry storage. Since 2022, when supply largely exceeded net absorption, cold storage's proportion of total net absorption has remained at around 20.5%.

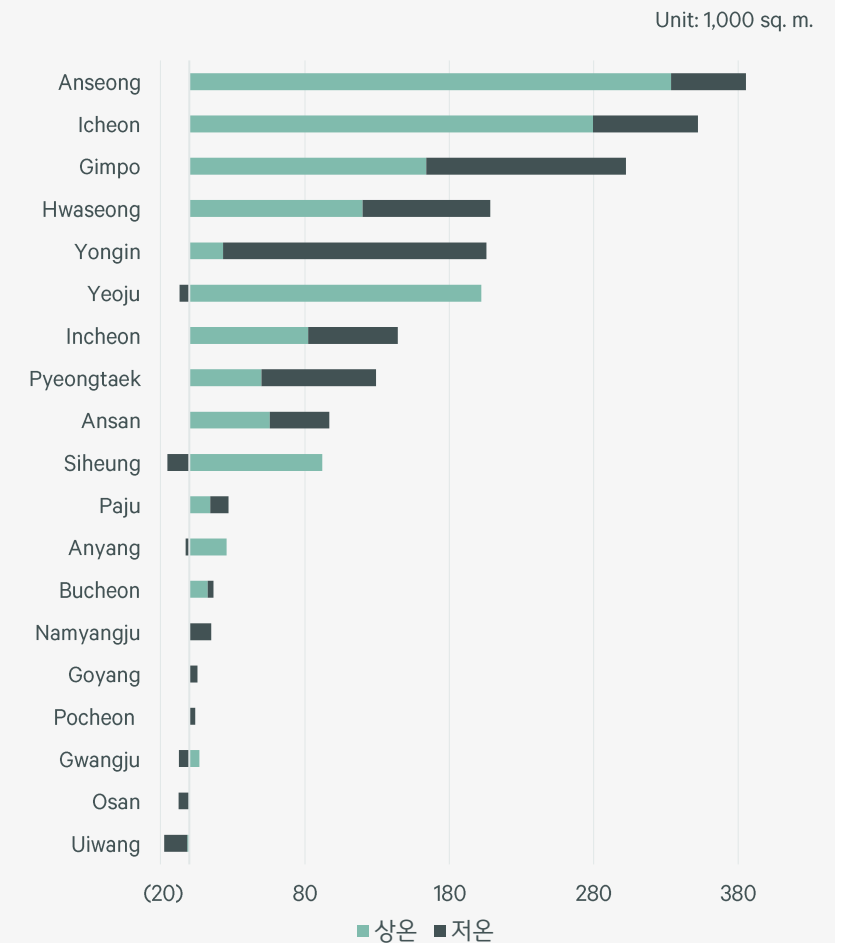
Figure 23: Annual Trends in Net Absorption and Supply Area



2020 - 2024	Min	Average	Max
Net Absorption	1,720	2,215	3,543
New Supply	1,702	3,183	5,629

Source: CBRE Research, August 2025.

Figure 24: 2024 Net Absorption by Sub-Market



Analysis of Greater Seoul Grade A Logistics Demand Based on Logistics Warehouse Registration Data ①

The opacity of the Greater Seoul Grade A logistics market makes it challenging to accurately assess demand. Even when vacancy or tenant data is available, confirming the exact occupied area is often difficult. In the case of 3PL tenants, identifying the actual end-users (shippers) — the true sources of demand — remains particularly complex.

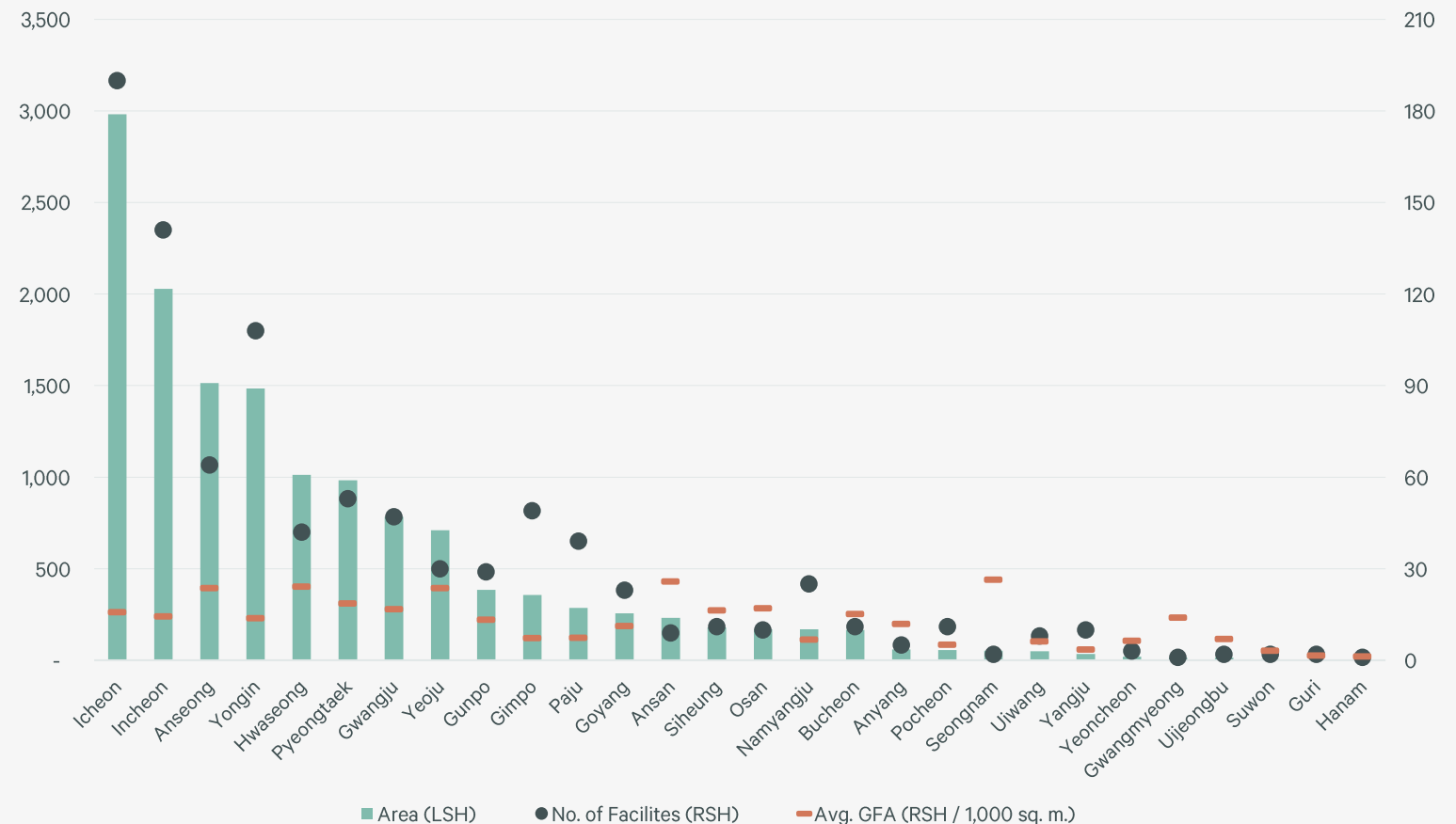
To address this issue, CBRE analyzed demand using data from the Ministry of Land, Infrastructure and Transport. As of July 2025, this dataset includes 928 logistics warehouse operators in Greater Seoul (excluding Seoul), covering about 14 million sq. m.. Registration is mandatory for operators who own or lease a logistics warehouse above a certain size¹ and store goods for a fee or manage related businesses. Most e-commerce and 3PL companies fall into this category. This approach enables identification of actual occupied areas, including small and mid-sized assets beyond CBRE's Grade A sample, but excludes demand from unregistered operators.

Data shows that demand in the Greater Seoul Grade A logistics market is concentrated in specific submarkets. Icheon has the largest number of logistics warehouse businesses and the largest total footprint. The top eight submarkets, each exceeding 500,000 sq. m., account for 82% of total logistics warehouse area.

The average floor area used by tenants was found to be 4,090 pyeong for dry storage and 476 pyeong for cold storage, while the median value was analyzed to be approximately 4,500 pyeong. A large number of businesses occupying vast space were observed in Anseong, which is a relatively nascent market.

Figure 25: Area and Number of Facilities by Region

Unit: 1,000 sq. m., No. of Facilities



Source: CBRE Research, August 2025.

¹⁾ An operator who, in accordance with the 「Act on the Development and Operation of Logistics Facilities」 owns or leases a logistics warehouse of a certain size or larger and engages in the paid storage of goods and related businesses.

Analysis of Greater Seoul Grade A Logistics Demand Based on Logistics Warehouse Registration Data ②

After analyzing the regional distribution of registered logistics businesses, CBRE examined usage by company. Of the total 928 business sites, 502 are operated by the top 30 companies, occupying approximately 9.51 million sq. m. of space, which accounts for about 68% of total logistics warehouse area in Gyeonggi Province. Most of these companies are domestic firms.

Coupage and CJ Logistics, the leading players in e-commerce and 3PL markets, respectively, dominate the Gyeonggi Province logistics market. This infers a positive correlation between each company's sales volume and its logistics facility footprint.

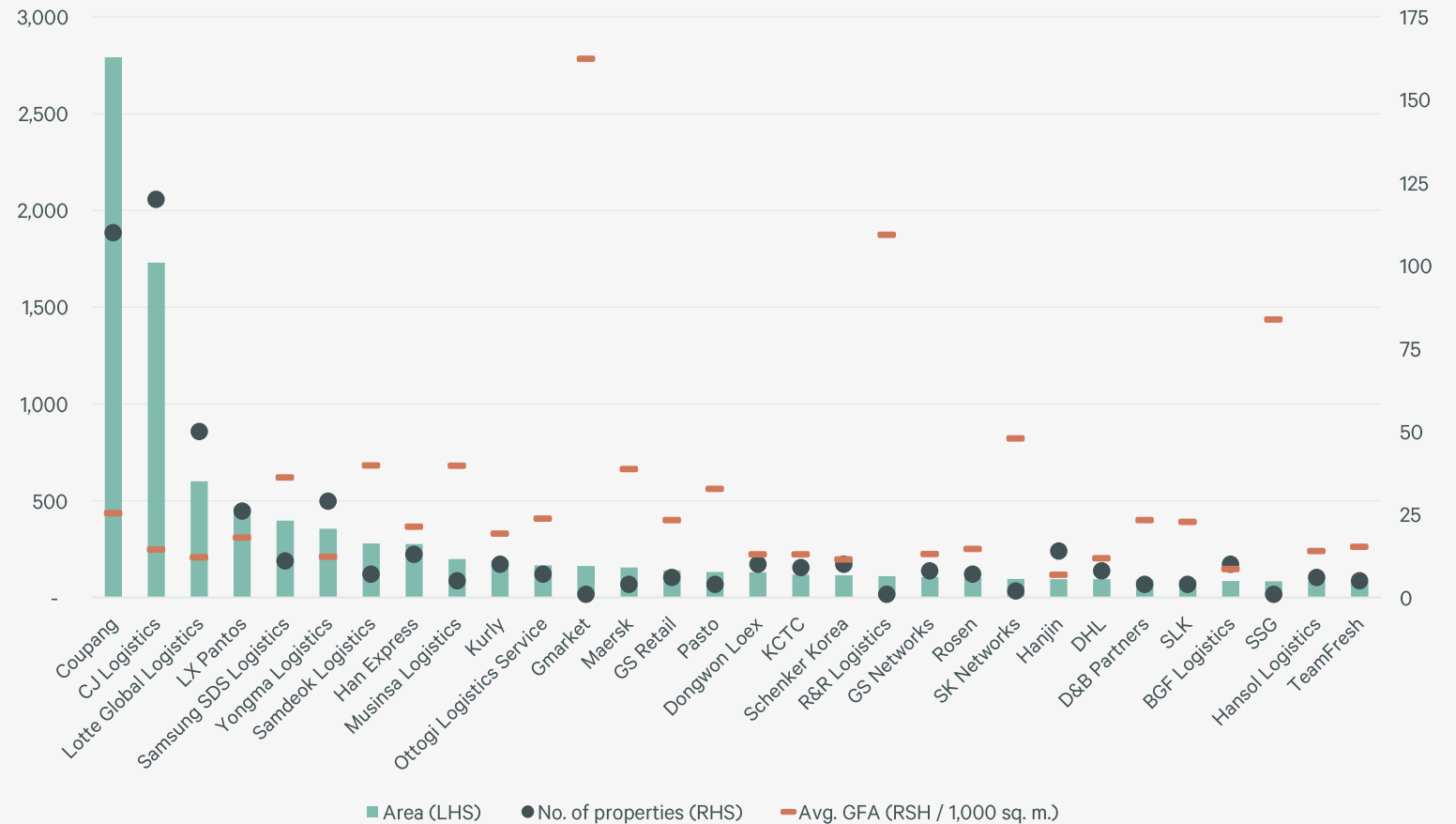
Coupage occupies approximately 2.79 million sq. m. across a total of 110 registered business locations. This volume accounts for 20% of total floor area. The company shows a strong preference for specific regions, with a notable concentration in Incheon, Anseong, Icheon, and Gwangju.

CJ Logistics occupies approximately 1.73 million sq. m. (12%) across 120 sites, averaging about 13,900 sq. m. per site. Naver, which contributes a significant portion of CJ Logistics' parcel delivery business, has built its logistics system through an asset-light strategy—partnering with logistics firms such as CJ Logistics instead of building and operating its own facilities.

Other key occupiers of Greater Seoul Grade A logistics space include domestic 3PL companies such as Lotte Global Logistics and LX Pantos. Several other 3PL companies and e-commerce firms, including the large corporate affiliate Samsung Electronics Logitech, Kurly, Gmarket, and Maersk, also rank among the largest occupiers.

Figure 26: Current Status of Logistics Center Area and Number of Facilities by Top 30 Operators

Unit: 1,000 sq. m., No. of Facilities



Source: CBRE Research, August 2025.

Rental Performance

Face rents in the Greater Seoul Grade A logistics market continue to show a gradual upward trend. While the annual growth rate has shown some variation depending on the scale of past supply and demand expansion, steady growth in demand for logistics infrastructure is propelling rents upward.

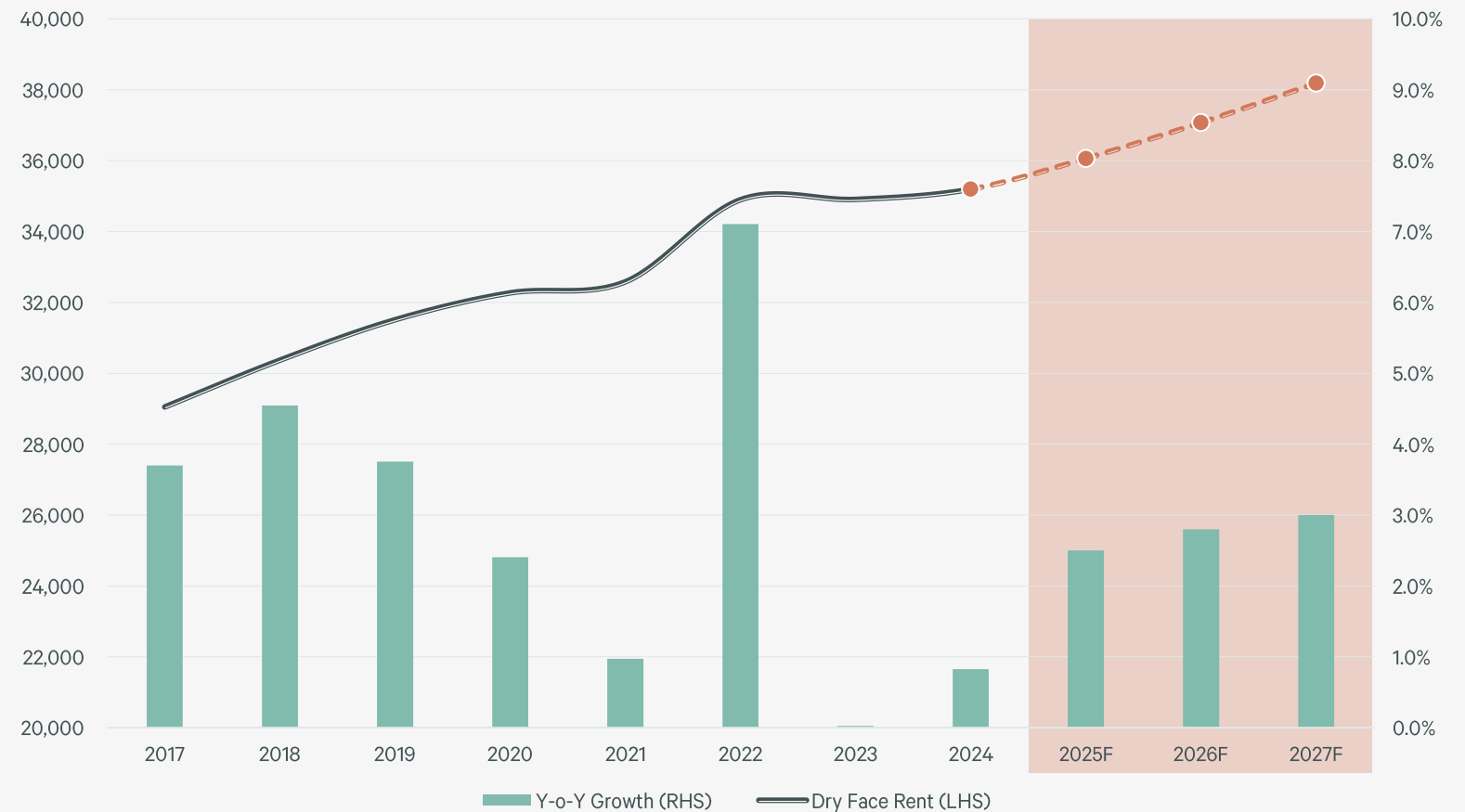
Calculating average effective rents is challenging due to significant differences between submarkets, as well as a wide variance in rent-free periods depending on the status of individual assets. Conventionally, an average of one to two months rent-free is provided for dry storage, and four to five months for cold storage. However, an additional one to two months may occasionally be offered.

Average face rent growth for the Greater Seoul Grade A logistics market has somewhat stagnated over the last two years owing to the completion of a large volume of new supply. Growth in average effective rents has likely declined, although this depends on the leasing status of certain areas or assets. While cold storage logistics centers typically command a face rent double that of dry storage facilities, the more pronounced tenant's market in this segment means effective rents are often at a similar level to dry storage.

CBRE expects rents to gradually recover, led by the dry storage segment. To hedge against vacancy risk, landlords of some cold storage warehouses are currently considering or proceeding with conversions to dry storage to secure stable rental income.

Figure 27: Grade A Logistics Center Dry Rental Trends

Unit: KRW/Pyeong/Month



Source: CBRE Research, August 2025.

Logistics Tenant Survey (1/2)

In H1 2025, CBRE conducted a survey of major tenants in the Greater Seoul Grade A logistics market to examine future demand and changes in expansion strategies. Approximately 45 companies participated in the survey, including major domestic 3PL and e-commerce firms.

The survey found that about 72% of tenants anticipate their business performance to improve over the next two years. At the same time, 63% of respondents indicate they have plans to expand their logistics portfolio within the next two years, suggesting short-term expansion will continue. This positive expansion strategy, combined with the impending decline in reduced supply, is expected to contribute to the stabilisation of Greater Seoul Grade A logistics vacancy.

Survey respondents expect U.S. tariff policy to have only a limited impact, with a small number of tenants preparing a comprehensive response plan for future policy changes. More than half said they were monitoring the situation and assessing the impact, while about 20% believed that tariff policies would have no effect on their business. This is likely due to the bulk of demand in the Greater Seoul Grade A logistics market being domestic rather than export-oriented.

Should U.S. tariff policy be confirmed or tightened, tenants cited logistics facility consolidation as their top response measure, while also expressing a desire to pursue flexible leasing strategies such as renegotiating existing lease agreements. CBRE expects tenant competition for large, prime assets to accelerate and absorb demand for logistics center consolidation.

Figure 28: Two-Year Performance Outlook

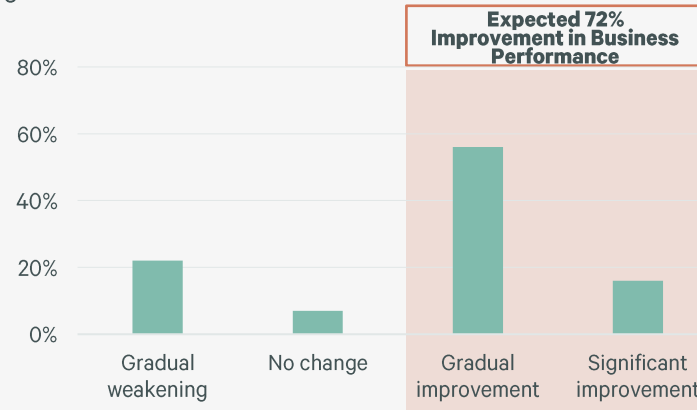


Figure 29: Two-Year Plan for Logistics Portfolio Adjustment

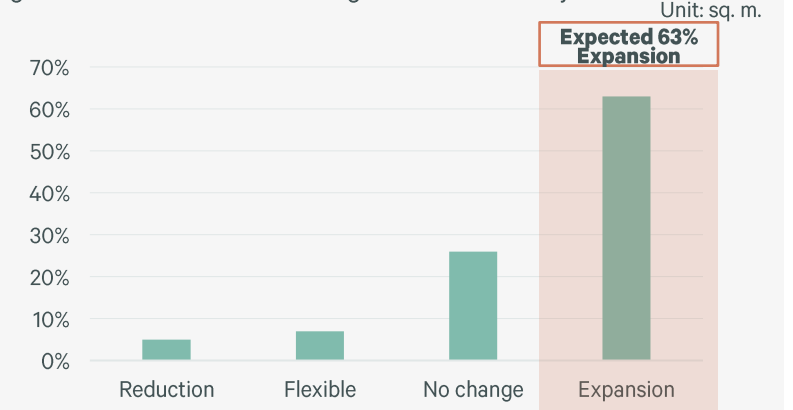


Figure 30: Assessment of Preparedness for Potential Tariff Increases

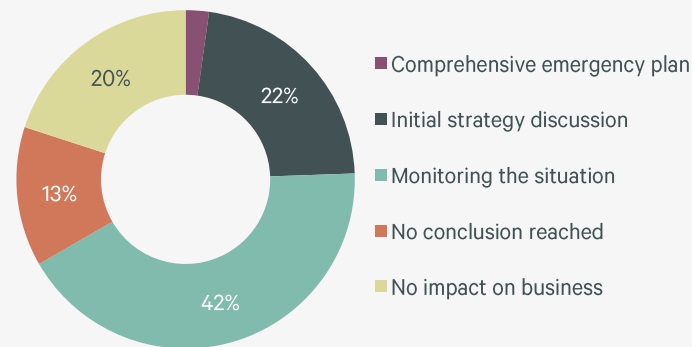
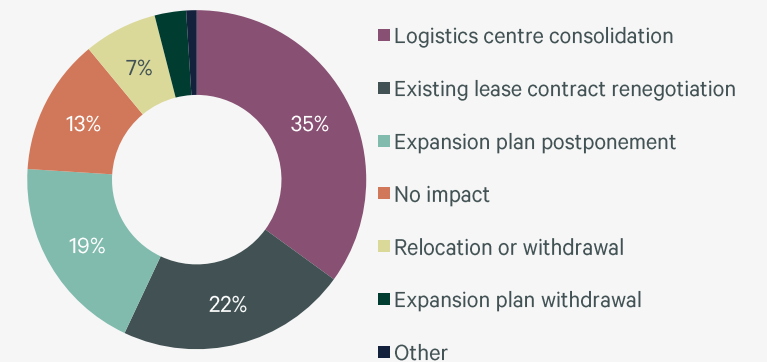


Figure 31: Adjustment Plan Upon Confirmed Tariff Policy



Source: CBRE Research, August 2025.

Logistics Tenant Survey (2/2)

While most tenants anticipate growth in future demand and expansion, the extension of tenants' logistics footprint is expected to be even more pronounced in the long term.

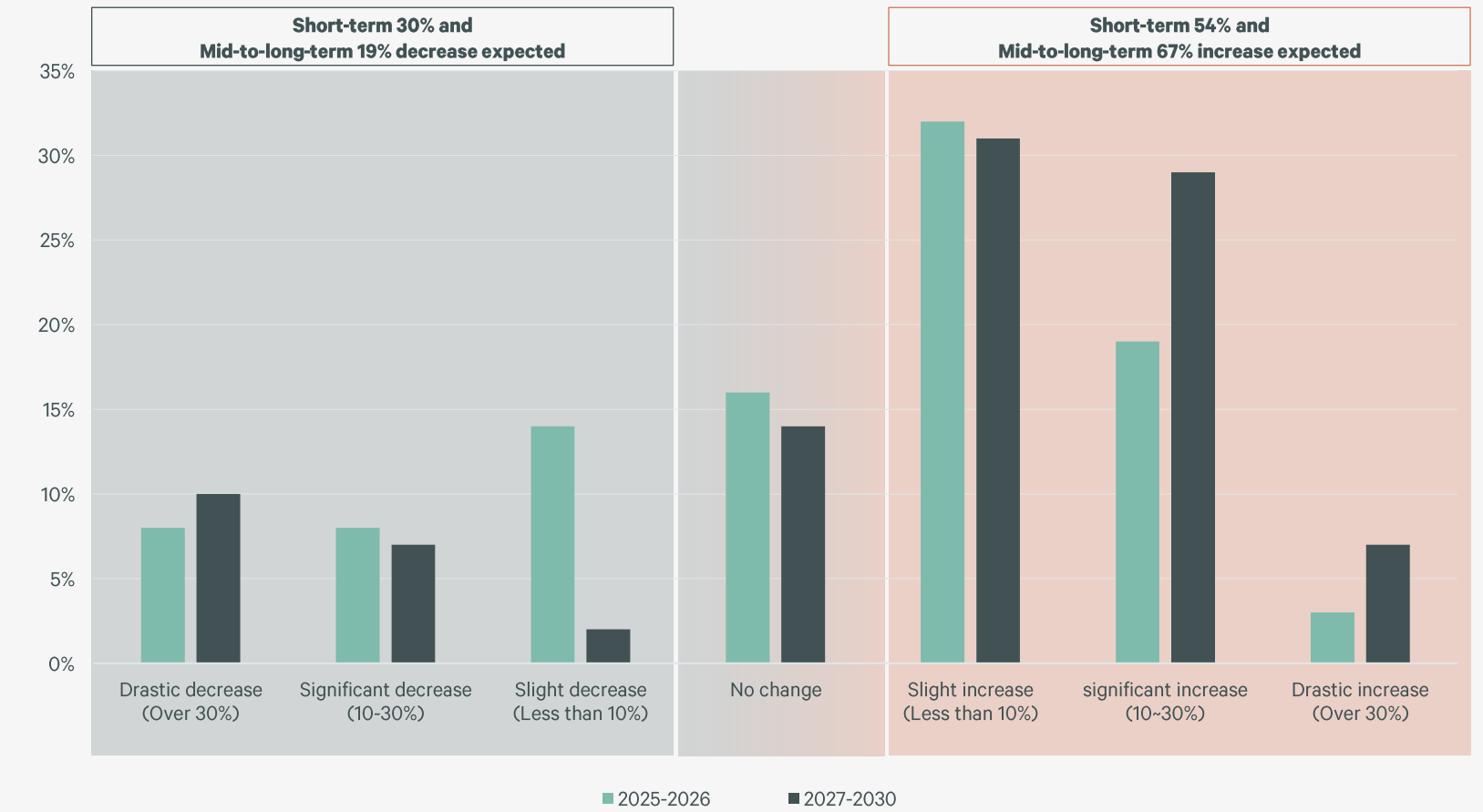
In the short term, the percentage of tenants planning to expand their portfolio by next year is about half of total respondents (54%). However, by 2030, some 67% anticipate an increase in their portfolio size. Around 36% responded that they will significantly increase their logistics footprint by a minimum of 10% to over 30%, indicating aggressive expansionary intentions.

This result reflects occupiers' conviction that structural changes, such as continued growth of the e-commerce market; increased investment in supply chain efficiency and automation; and limited but growing demand for specialized logistics centers capable of accommodating fresh food and cold chain, will drive demand for logistics space in the mid-to-long term.

Based on this growth outlook, CBRE estimates that an additional 1.4 million sq. m.¹⁾ of space may be needed to accommodate future demand expansion through to 2026. With most survey respondents being tenants who use a large proportion of the total area, the additional growth area could be even greater.

The proportion of respondents who anticipate a decrease in logistics demand dropped from 30% in the short term to 19% in the long term. This appears to be more influenced by short-term market uncertainties such as a slowdown in the domestic economy and external risks.

Figure 32: Forecasted Changes in Logistics Center Portfolio Scale in the Short-Term (25-26) and Mid-to-Long-Term Future (27-30)



Source: CBRE Research, August 2025.

1) Based on occupied area of Grade A logistics centers in the first half of 2025: Slight increase X 10% + Significant increase X 20% + Drastic increase X 30%

Tenant Trends Driving Logistics Demand

CBRE’s predicted mid-to-long-term increase in logistics facility demand is not merely due to market expansion but is closely linked to three key trends. These are:

1. Automation

Korean society is facing a rapid decline in its working-age population due to a labor shortage and transition to an ageing society. As working conditions improve with rising minimum wages, businesses are seeking to reduce labor costs and increase logistics productivity. Automation technology can cut labor costs; reduce the workload on employees; enhance operational safety; and improve customer service quality by increasing the speed and accuracy of logistics processing.

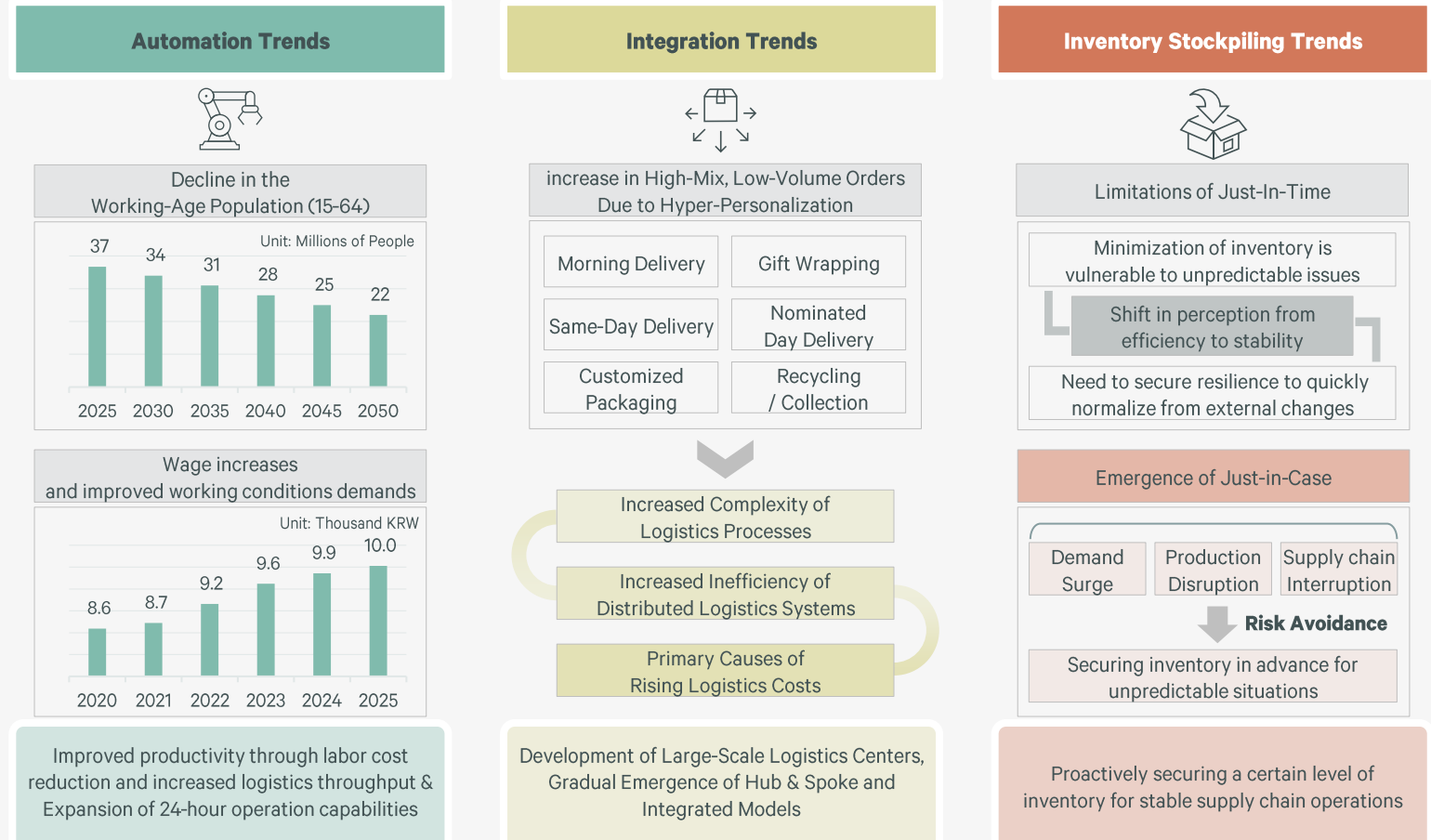
2. Consolidation

Along with the spread of personalized and hyper-personalized consumer trends, high-variety, small-volume orders are accelerating. This exponentially increases the complexity of logistics processes, acting as a major cause of rising logistics costs. Addressing this challenge will require the construction of large-scale, smart integrated logistics centers.

3. Inventory Stockpiling

Historically it has been common practice to minimize inventory through a 'Just-In-Time' production method. However, the importance of stability has grown significantly to prepare for unpredictable situations such as demand surges, production disruptions, and global supply chain interruptions. This trend of stockpiling a certain level of inventory in advance is expected to naturally create additional demand for logistics storage space.

Figure 33: Occupier Trends



Source: CBRE Research, August 2025.

03

Outlook & Recommendations



The Commencement of a Full-Scale Supply Adjustment Period

From 2018 to 2024, the Greater Seoul Grade A logistics market recorded significant expansion in new supply as growth of the online retail market and the increase in investment demand for modern logistics centers acted as a driving force for the development of new stock.

Following the end of the COVID-19 pandemic and concerns about logistics oversupply, the market has now entered a supply adjustment period. New stock is expected to decrease sharply in 2025, leading to the gradual easing of oversupply concerns.

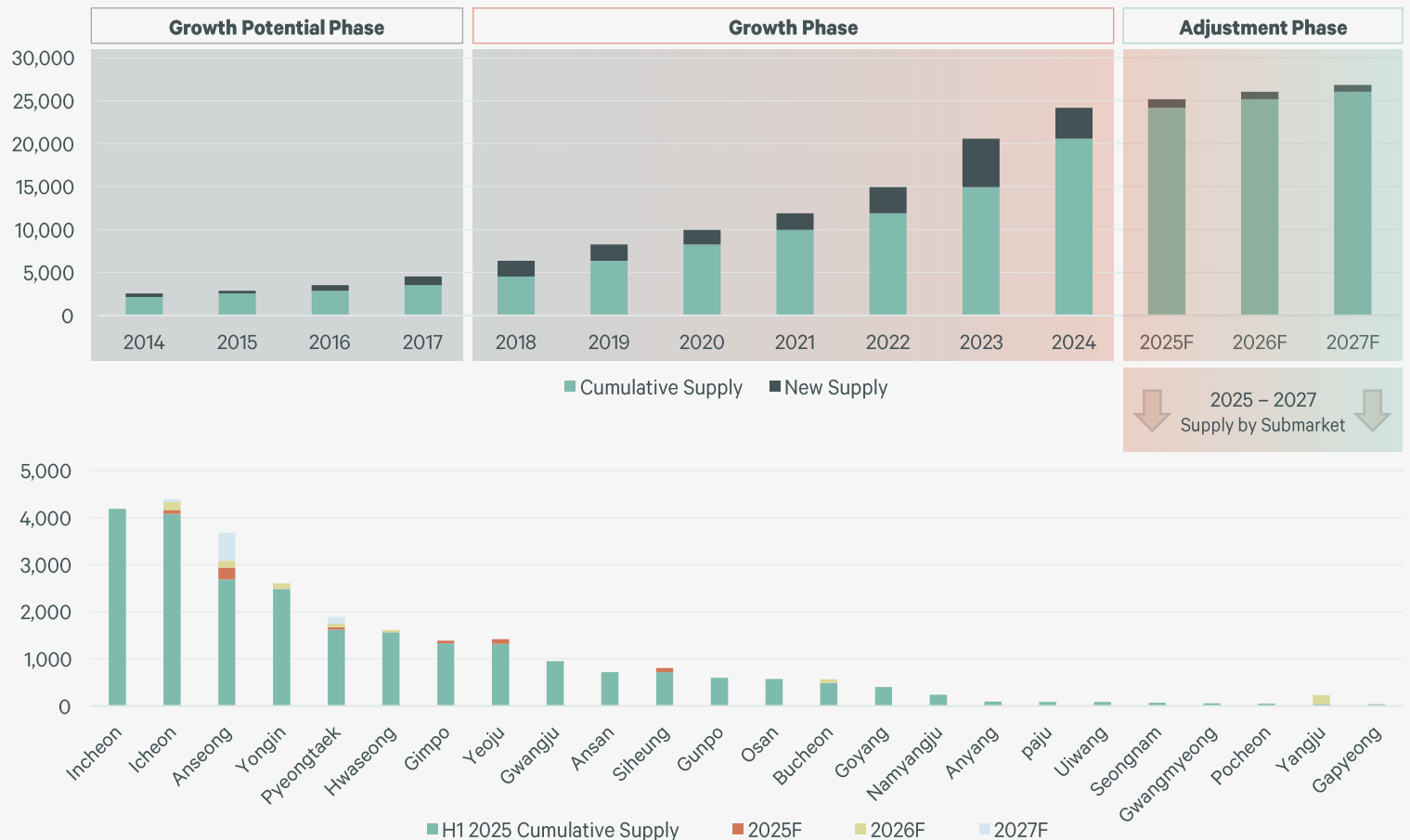
Projected supply for this year is expected to be only 1.01 million sq. m., about one-third of last year's total. The delivery of large-scale assets, which was prominent last year, will be especially limited. Only one asset of 30,000 pyeong (approx. 99,000 sq. m.) or more is scheduled for completion this year, a significant decrease from the 15 added last year.

New supply will become even more constrained in 2026 and 2027 as completions continue their gradual decline. Based on CBRE's tracking of construction starts by project, new supply over the next two years will fall to less than 5% of the entire market.

Considering the relatively short construction period required for logistics centers, it is difficult to accurately predict supply after 2028. However, the current rapid reduction in new supply shows that the Greater Seoul Grade A logistics market is taking a crucial first step towards achieving a new equilibrium.

Figure 34: Grade A Logistics Center Supply Trends and Forecast (2014 – 2027F)

Unit: 1,000m²



Source: CBRE Research, August 2025.

Development Trends for New Logistics Centers: Automation

While limited supply should ensure a gradual recovery in vacancy, it is uncertain whether demand will continue to grow as rapidly as before. Accordingly, building differentiated assets that can meet the needs of end-users can provide developers and investors with a competitive edge.

From this perspective, CBRE expects the shift to automation in logistics centers will be an inevitable process. The global logistics center automation market is projected to grow by 16% annually over the next 10 years.

The trend towards increasing automation of logistics centers is demonstrated by Amazon. While the number of robots introduced by Amazon has increased dramatically, its number of employees has begun to decrease since 2023. Automation is bringing about a fundamental change in workforce management, going beyond simple efficiency gains.

In Korea, Coupang is actively promoting the automation of its logistics centers by utilizing AI and robotics. The company has introduced over 1,000 Automated Guided Vehicle (AGV) robots at its Daegu Fulfillment Center to automate product stocking and picking. Coupang is also maximizing operational efficiency by introducing auto sorters, unmanned forklifts, and Vision AI-based picking robots.

Figure 35: Global Logistics Center Automation Market Size Forecast

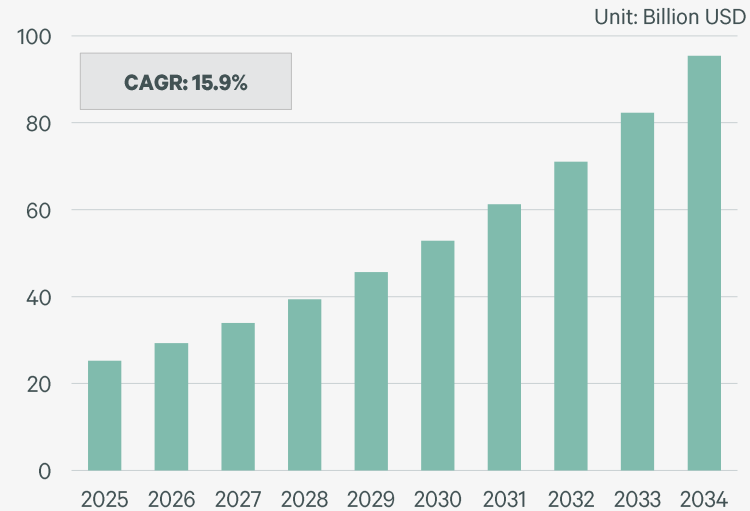
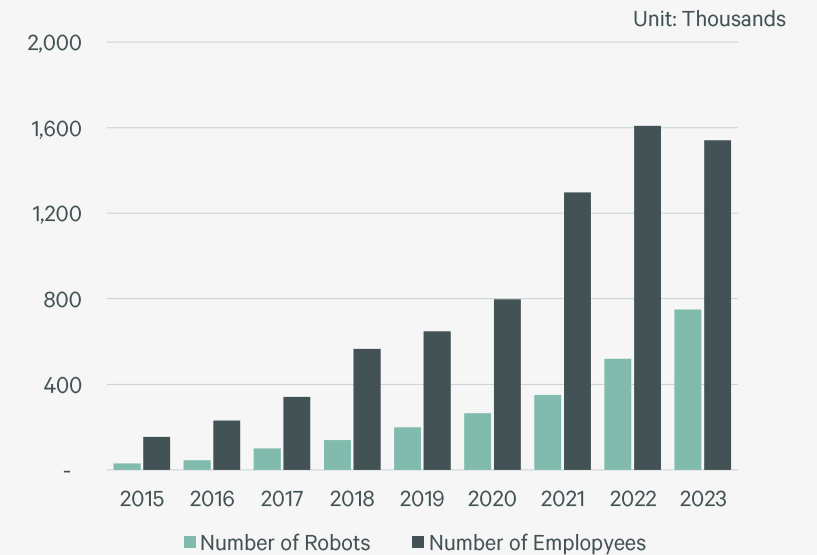


Figure 36: Number of Robots and Employees Introduced by Amazon



AGV



Auto Sorter



Automated Forklifts



Picking Robots



Source: CBRE Research, August 2025 / Amazon earnings reports, Precedenceresearch, 2025.

Essential Features of an Automated Logistics Facility

To effectively respond to the automation of the logistics market, three core physical elements must be supported within logistics centers.

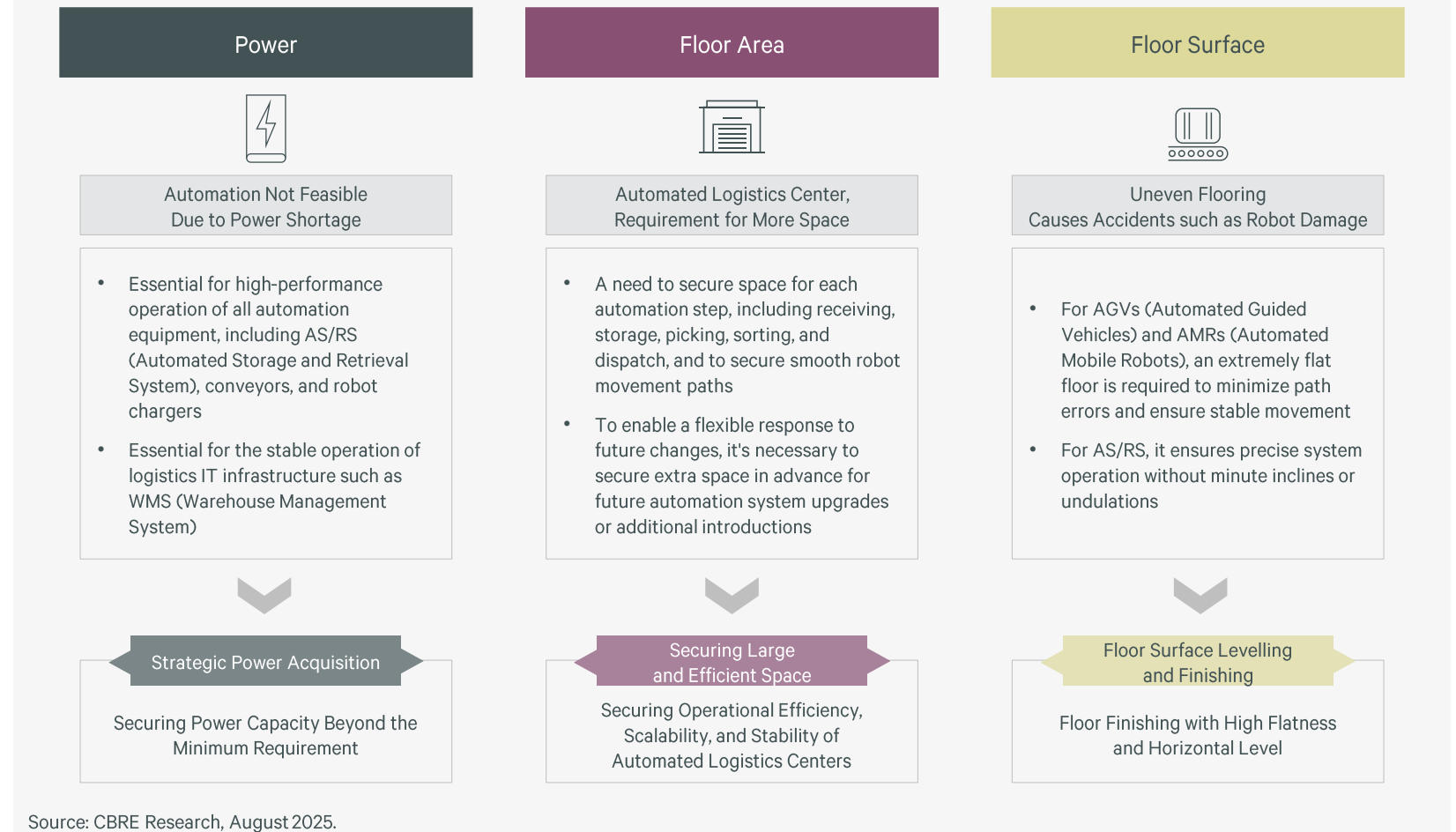
First, securing sufficient power is essential for implementing advanced automated systems. Additional power consumption is indispensable not only for the high-performance operation of equipment but also for the stable running of complex logistics IT infrastructure software. Following the automation trend, the power capacity preferred by tenants is continuously increasing. At the same time, the need to install air conditioning to improve the logistics center working environment is also growing. Securing a required power capacity beyond the essential amount can provide a competitive advantage.

Second, a large floor area is necessary. Automated logistics centers require much more space than areas where people work directly. A large floor area is essential to secure the space needed for each stage of automation and to ensure smooth movement for robots.

Third, precise floor flatness is important. This is because uneven floors can cause accidents, such as robot malfunctions or damage. The floor flatness standard for automated logistics centers is generally known to be at least 1.5x the level required for general logistics centers.

If this infrastructure is built efficiently from the planning stage of a large-scale facility, it will be able to gain a competitive edge in securing future demand.

Figure 37: Essential Components for Automation



Adaptability of Prime Logistics Centers to Automation

The supply of large-scale prime logistics centers has accelerated over the past few years. CBRE defines prime assets within the Grade A logistics market as large-scale assets with a total floor area of over 30,000 pyeong and superior location and quality.

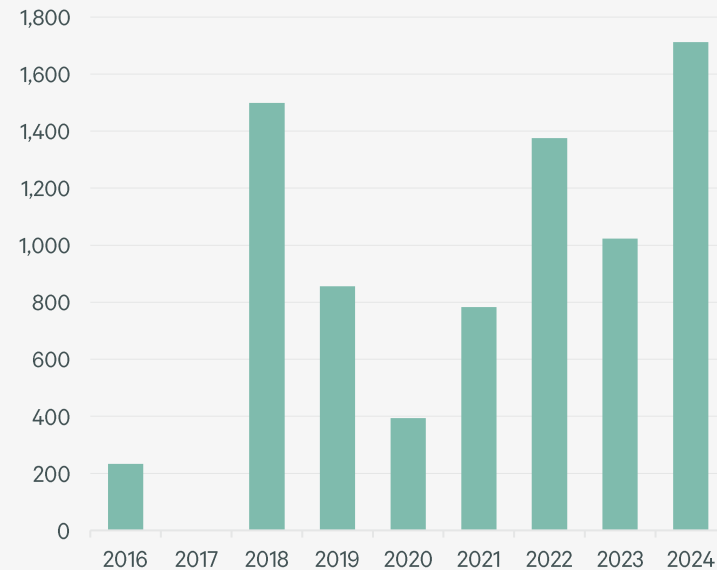
As of H1 2025, prime logistics centers in the Greater Seoul accounted for 15% of the total number of Grade A assets and 33% of the total floor area. This proportion has become more prominent recently due to an increase in new prime supply, particularly in the Incheon, Anseong, and Yeosu regions.

These prime assets possess the physical specifications required by logistics tenants, leading to an increase in popularity and premium.

CBRE's comparison of vacancy rates in H1 2025 shows that vacancy for prime assets stood at 17%, lower than the 22% for Grade A assets. For dry storage, the vacancy rate for prime assets was 13%, a lower figure compared to 15% for Grade A assets. The vacancy rate for prime assets was also confirmed to be lower than that of Grade A assets in most key regions, indicating a clear demand gap.

Starting this year, the supply of prime assets will also significantly decrease due to tighter logistics development regulations and limited developable land. Consequently, competition among tenants to secure prime assets is expected to intensify, which will positively impact the future value of these assets.

Figure 38: Prime Logistics Center Supply Trends Unit: 1,000m²



Definition of a Prime Logistics Center

Area	GFA of 99,000 sq. m. or more
Accessibility	Located within 5 km of an IC
Other	Reflects other quantitative and qualitative factors

Source: CBRE Research, August 2025.

Figure 39: Prime vs Grade A Vacancy Rate Comparison

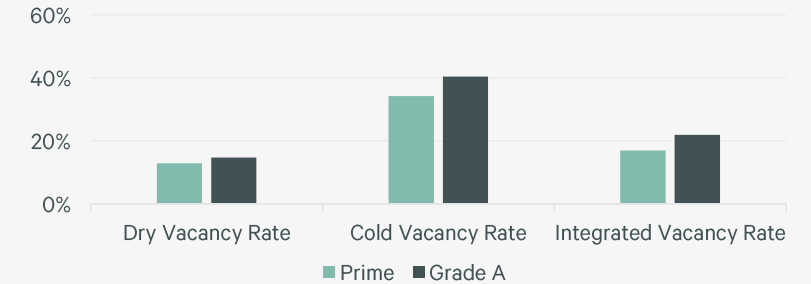
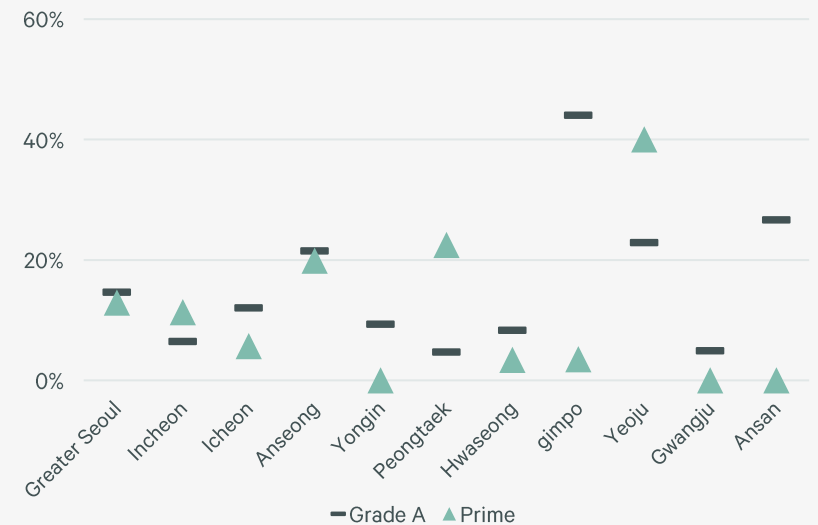


Figure 40: Prime vs Grade A Dry Vacancy Rate Comparison (Top 10 Submarkets)



Summary

The Greater Seoul Grade A logistics market is progressing towards a new equilibrium, having passed through a period of oversupply. The supply-demand imbalance that impacted the market due to past oversupply is gradually being resolved.

New supply of logistics centers is expected to decrease significantly in the coming years.

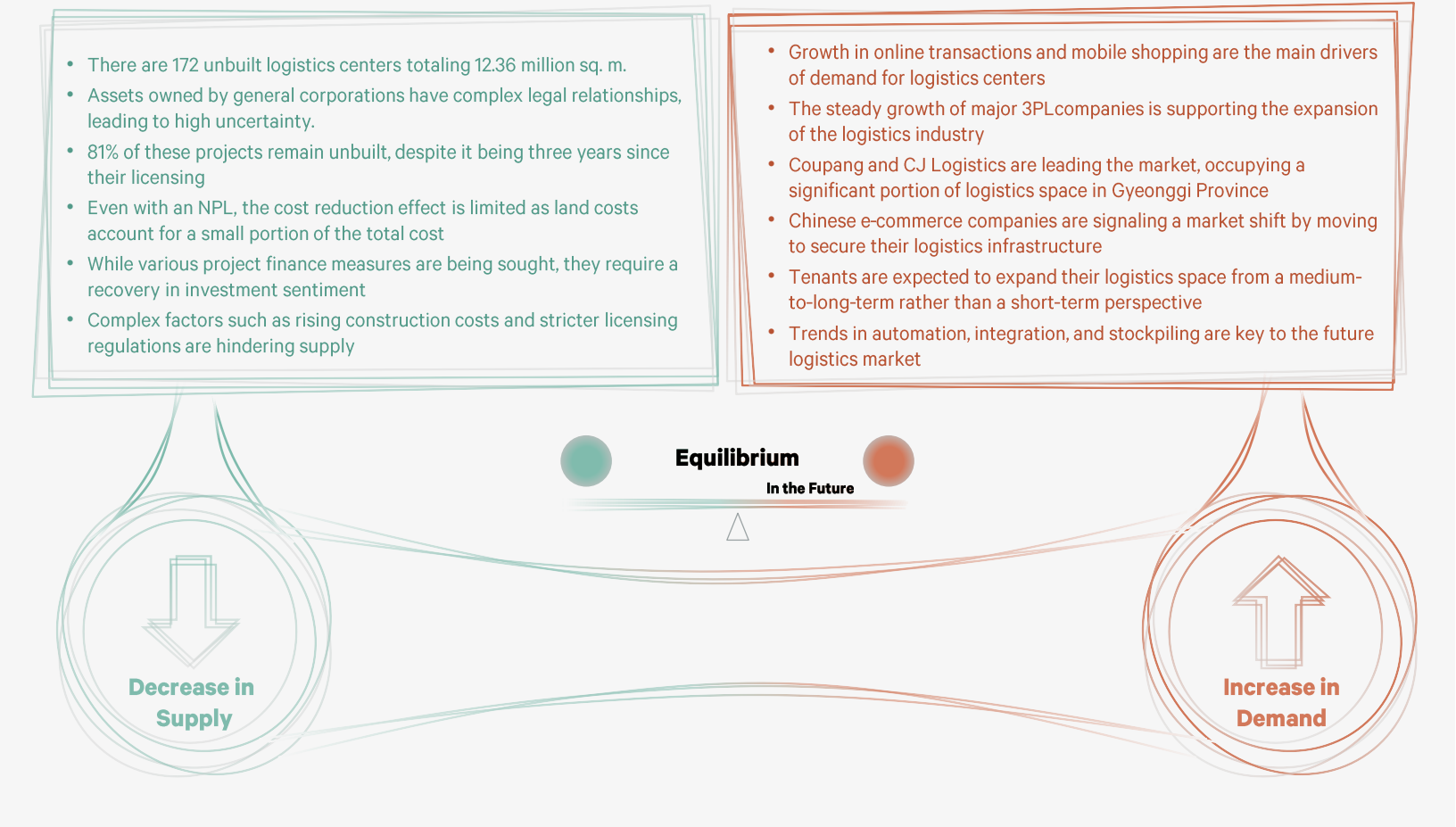
Although various measures, including financial restructuring, are being pursued to commence unstarted projects, eventual supply from such schemes will be limited due to market instability; rising construction costs; stricter permit regulations; and a slow recovery in investment sentiment.

While continuous growth in demand is expected, the pace of expansion may be somewhat slower than before.

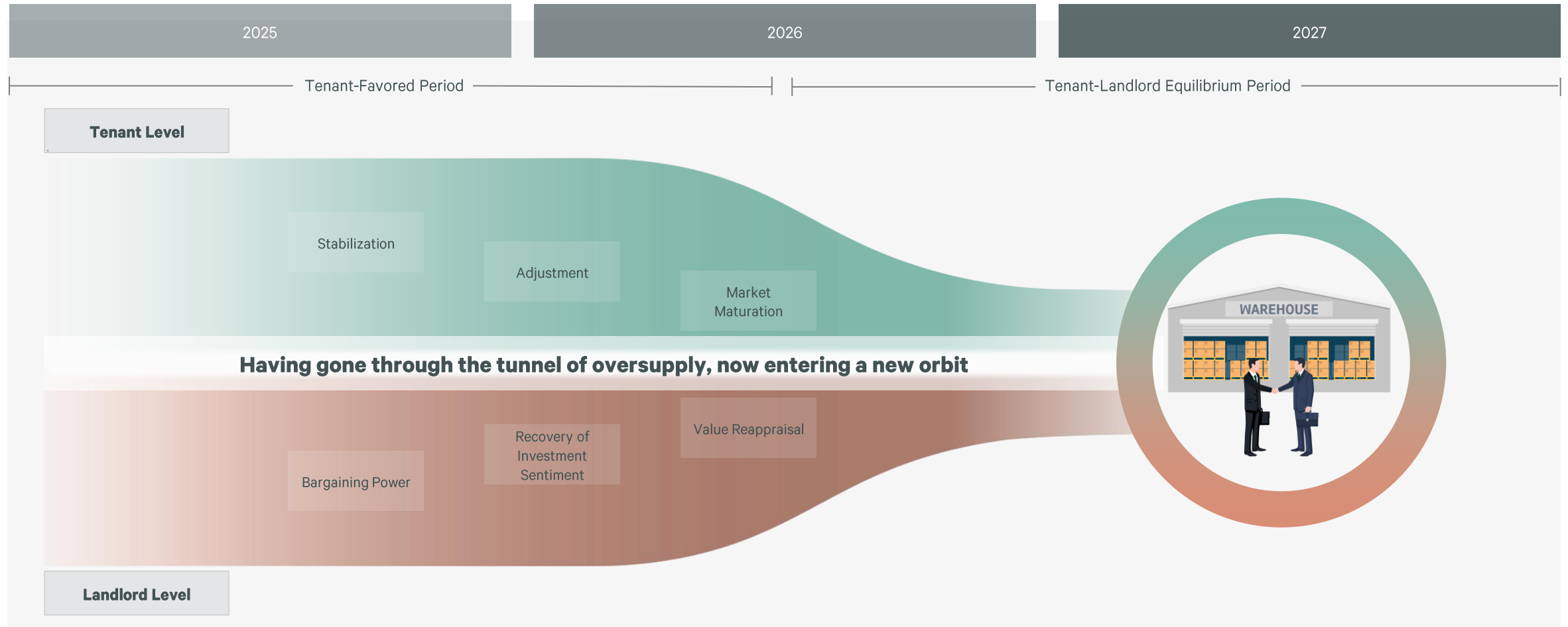
Although steady demand for logistics space is anticipated, primarily from e-commerce and 3PL firms, there will be a qualitative shift in the long term. This will be driven by automation, consolidation, and large-scale facilities, reflecting tenants' evolving needs. This is expected to positively affect the competitiveness of Greater Seoul Grade A logistics centers, particularly prime-grade assets.

In sum, the Greater Seoul Grade A logistics market is experiencing a turning point, driven by the simple but fundamental market principles of decreasing supply and increasing demand.

Figure 41: Supply and Demand Summary



The Logistics Market: Toward a New Equilibrium



Vacancy Outlook

CBRE conducted a vacancy rate scenario analysis to assess the future equilibrium point of the logistics market, reflecting past net absorption area and future planned supply volume.

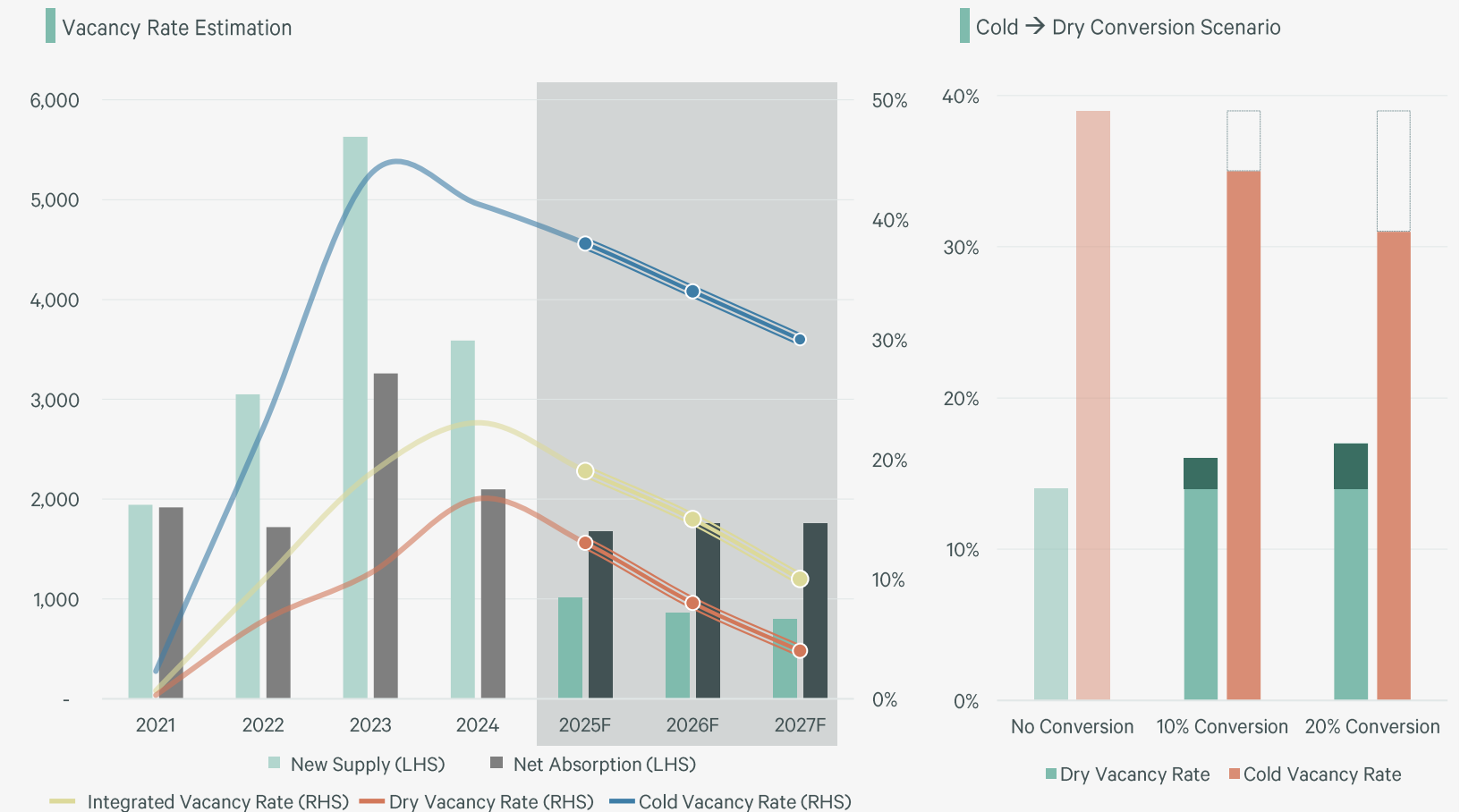
This analysis increased its accuracy by including all assets of 33,000 sq. m. or more currently under construction in the Greater Seoul on the supply side, and by applying a dry-to-cold storage ratio that reflects recent supply trends.

For the demand assumption, a ratio was applied that reflected the recent slowdown in leasing volume. It was assumed that the net absorption area for 2025 would be 80% of the 2024 net absorption area, 2026 would see a 5% increase from 2025, and 2027 would maintain the 2026 level. The proportion of dry to cold storage supply and absorption by year was assumed to be approximately 8:2 of the total, respectively.

Under the above assumptions, the analysis concludes that the integrated dry and cold storage vacancy rate for the Greater Seoul Grade A logistics market will be about 10% in 2027. For dry storage centers, the vacancy rate could drop to a natural vacancy rate level of about 4%, but cold storage is still expected to have a minimum vacancy rate of 30%.

Meanwhile, although continued cold-to-dry storage conversion activity is expected, its impact on the dry storage vacancy rate will be minimal, at a level of 1-2 percentage points.

Figure 42: Vacancy Rate Scenario Analysis



Source: CBRE Research, August 2025.

Recommendations



Recommendations for Landlords

Landlords are advised to respond to the easing oversupply situation by pursuing the following strategies:

Differentiate Assets: Amid occupiers' deepening preference for logistics centers with top of the range specifications, developers must focus on constructing assets that enable efficient entry, storage, picking, and dispatch, in addition to possessing good locations. Developers should consider the needs of potential tenants during the development process, focusing on practical usability for tenants, and not just maximizing leasable area.

Respond Flexibly to Shifts in Demand: Landlords should strengthen their market analysis, including that related to macroeconomic fluctuations and changes in the logistics industry's structure, and engage in customized marketing for each tenant. They must prepare effective marketing and incentive strategies to attract large 3PLs or e-commerce companies. With the increase in tenants' adoption of automation, substantial initial investment costs can enhance tenants' long-term business stability and their dependency on the facility, which in turn can provide long-term leasing stability for landlords.

Adopt Proactive Risk Management: Thorough preparation for various existing market risk factors is required, even amid the ongoing trend of supply reduction. Landlords should monitor the supply risks from unstarted assets on an ongoing basis and prepare funding plans to mitigate uncertainty in the PF market. Proactive strategies will be needed to address factors driving up development costs, such as rising construction costs and labour cost volatility, as well as policy changes such as stricter logistics facility permit standards.



Recommendations for Tenants

With the Greater Seoul Grade A logistics market set to transition into a more balanced market, tenants can secure the most attractive logistics space by considering the following approaches.

Establish a Flexible Leasing Strategy Through Strategic Market Analysis: Tenants must establish a long-term logistics strategy by meticulously tracking the supply pipeline in the Greater Seoul and analyzing the characteristics of each asset. This will allow tenants to prepare for future supply reductions in the market and secure assets on more favorable leasing terms, thereby obtaining a lease contract structure that can flexibly accommodate fluctuations in volume based on future business growth.

Secure Physical Space Efficiency: Tenants must comprehensively consider space efficiency to cope with changing logistics trends. It is crucial to prioritize the physical and technological elements of a logistics center to smoothly handle not only ever-changing logistics demands like high-variety, low-volume orders but also complex processes like logistics automation.

Prepare for Asset Polarization: With the flight to quality phenomenon being observed in the Greater Seoul Grade A logistics market driving up competition for prime-grade logistics centers, tenants must ensure they plan leasing strategies well in advance and craft attractive proposals for landlords to obtain the space suited to their requirements.

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