NEWMARK

Korea Office Leasing Conditions & Trends

1Q26

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Key Takeaways

Despite tenant relocations driven by redevelopment and refurbishment in 1Q26, vacancy remained stable quarter-on-quarter, supported by sustained 'flight to quality' demand. At the same time, continued tenant preference for newer office space is driving an increase in redevelopment and refurbishment activity by landlords. This trend is further supported by regulatory easing and incentive policies from the Seoul Metropolitan Government. As a result, the polarization between newly built and aging office assets is expected to widen further.

Vacancy: 3.8% (- QoQ)

Stable Vacancy Quarter-on-Quarter

Absorption: -2,401 sqm (↓ QoQ)

Redevelopment-driven Relocations

Rent: 5% YoY

Continued Upward Trend

Reduced Supply

No New Supply in 1Q

1Q Market Review & Outlook

CBD – Stable Vacancy Despite Redevelopment-driven Relocations

- Vacancy in the CBD remained stable at 5.5% in 1Q26, supported by continued ‘flight to quality’ demand, despite redevelopment-driven vacancy at Hanwha Life Taepyeongro Building.
- Around Seoul Plaza, relocations accelerated due to the ‘Sogong District Redevelopment Project,’ resulting in short-term vacancy increases following Hana Bank’s move to Yeouido and the relocation of a Hanwha TotalEnergies affiliate. Meanwhile, Tower 107 attracted new tenants, including K Bank, Huchems, and Nintendo Korea, highlighting sustained demand for higher-quality office space that offers both cost efficiency and improved working environments.
- Ongoing prime-to-prime relocations—such as Encar.com to Grand Central and Hanwha Ocean to Daishin Finance Center—are driving vacancy reshuffling across the CBD. Looking ahead, redevelopment-driven relocations, new supply from redevelopment clusters, and potential relocations of major tenants (e.g., SK Group) are expected to increase vacancy volatility.

GBD – Rising Rent Pressure Driving Cost-Saving Relocations

- The GBD office market remained resilient in 1Q26, with vacancy at 2.2% amid limited new supply. Demand from IT, gaming, and platform companies, along with relocation demand from K-consumer brands—particularly for integrated headquarters—continues to support leasing activity. Preference for core Gangnam locations remains intact despite potential relocations to Seongsu.
- Along Teheran-ro, the Seoul Metropolitan Government designated approximately 950,000 sqm, from the Gangnam Station intersection to the POSCO intersection, as a “Refurbishment Promotion Zone,” introducing incentives such as allowing up to a 30% increase in GFA for office buildings over 15 years old. This is expected to accelerate renovation activity across aging assets.
- Over the mid to long term, such activity is expected to expand mid-tier office supply and drive asset recycling in the GBD. Meanwhile, continued investment activity—including forward purchases in Yeoksam-dong—reflects sustained investor interest in core assets.

YBD – Vacancy Increase by Major Tenant Move-outs

- YBD vacancy rose to 3.1% in 1Q26 (+0.4%p quarter-on-quarter), driven by large-scale vacancy at Parc1 Tower 1. Floors 7-9 became vacant in February 2026 following the departure of LG Chem, while the 43rd floor, previously occupied by LG Energy Solution, is expected to become vacant in May 2026.
- Additional vacancies were recorded on the 12th, 29th, and 33rd floors due to tenant relocations, with The Pure Lab also completing its headquarters relocation in March 2026. These major tenant movements resulted in significant vacancy at Parc1 Tower 1, contributing to the overall increase in YBD vacancy.
- Some new leasing activity was observed, including Apple leasing approximately 1,700 sqm and Shinmi Global securing around 2,000 sqm. Despite these new leases, vacancy increased as the space vacated by LG Chem outweighed incoming demand.

Stable Market Despite an Increase in Supply

- The Seoul office market remained stable in 1Q26, with limited movement in vacancy levels. While vacancy may be influenced by the pace of leasing for new prime office supply—particularly in the CBD—in the second half of the year, continued preference for new office assets is expected to limit vacancy increases despite supply expansion.
- Urban regeneration is reshaping the market and further differentiating submarkets. The CBD is seeing redevelopment-led new supply, the GBD is characterized by asset upgrades through refurbishment, and development potential in the YBD is increasing, supported by its role as a key financial district.
- Leasing demand in the Seoul office market is expected to gradually expand, driven by the growth of K-consumer brands and global AI and tech companies, further diversifying the tenant base beyond its traditional concentration in financial and professional services.

Emerging Demand Drivers in Seoul Office Market

Rising Demand for Integrated Headquarters from K-Consumer Brands

- Strong growth in revenue and valuations among K-consumer brands – including cosmetics, food, and fashion – is driving increasing demand for integrated headquarters, as companies consolidate operations from smaller, decentralized offices into larger spaces in core districts.
- Recent examples – including F&F's relocation to Centerpoint Gangnam, Goodai Global's office consolidation, Samyang Foods' acquisition of Namsan N Tower, and CJ Olive Young's relocation to KDB Life Tower – highlight the emergence of K-consumer brands as key drivers of both leasing and investment demand for prime office assets.
- This trend reflects a strategic consolidation of branding, marketing, and global sales functions into a single location, accelerating a structural shift in demand from smaller, peripheral offices to prime assets, while further reinforcing polarization across office properties.

Major Korean Game Companies Emerging as Pre-Leasing Anchors in Office Developments

- Major game companies such as Nexon Games, Com2uS, and Krafton are emerging as a new demand driver in Seoul's prime office market, participating in recent development projects as pre-leasing anchor tenants or investors.
- Nexon Games has secured a pre-lease in an office development project in Yeoksam-dong, Gangnam, while Com2uS is participating in the 'ONE X' project in Euljiro as both an investor and anchor tenant. These cases highlight the growing role of large game companies in providing early-stage leasing demand for development projects.
- Krafton is also strengthening its presence in Seongsu, pursuing a new headquarters development while committing to a long-term pre-lease in a nearby office. This underscores the expanding role of game companies as anchor tenants, supporting project stability beyond that of traditional occupiers.

Global AI Firms Driving New Office Demand

- The AI sector is emerging as a new source of leasing demand in Seoul's office market, supported by the entry of global technology firms. Celonis, a global enterprise software company, established its Korea office at Parnas Tower Gangnam in November 2025, marking a tangible step in securing office space to support its local expansion.
- OpenAI has established a local entity and is actively building its team in Gangnam, while Anthropic has announced plans to open a Seoul office, signaling a broader wave of entry by global AI companies into the Korean market.
- Companies such as Cohere are building local teams, while Google DeepMind, Microsoft, Perplexity AI, and Mistral AI are exploring market entry. These firms are likely to follow a phased expansion strategy – starting with small teams and gradually expanding – which is expected to support incremental leasing demand, particularly for prime offices in Gangnam.

Expansion of Emerging Office Clusters

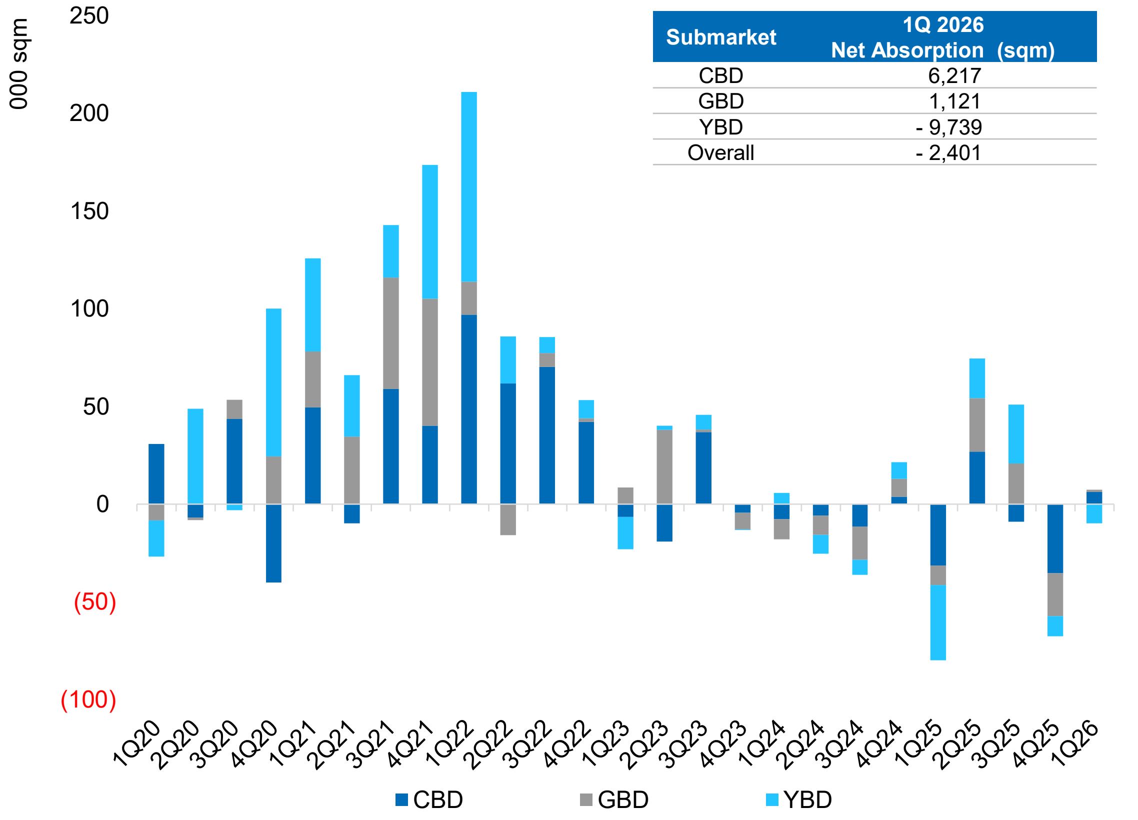
- Krafton is expanding its presence in Seongsu, pursuing a headquarters development while securing a long-term pre-lease (approximately 48 months from 2028) in a nearby office project developed by Mastern Investment Management and KT Estate.
- Headquarters development and relocation strategies by major game companies are accelerating the formation of new office clusters across Seoul and metropolitan area. Seongsu is emerging as a hub for digital contents and gaming companies, while Pangyo continues to strengthen its role as an R&D cluster for gaming and IT firms.
- In Gwacheon Knowledge Information Town, large-scale headquarters developments by Netmarble and Pearl Abyss are contributing to the emergence of a new office cluster in southern Gyeonggi. This trend highlights a shift in demand within the Seoul office market, from traditional financial services towards content and technology-driven industries.

Rising Tenant Relocations Driven by Redevelopment and Refurbishment

In 1Q26, tenant relocations increased despite the absence of new supply, leading to vacancy in existing assets as redevelopment and refurbishment activities accelerated. Major tenant move-outs were observed at core assets such as Hanwha Life Taepyeongro Building and Parc 1, while prime-to-prime relocations – such as Encar.com to Grand Central and Hanwha Ocean to Daishin Finance Center – also contributed to short-term vacancy increases. However, continued relocation-driven demand supported stable net absorption.

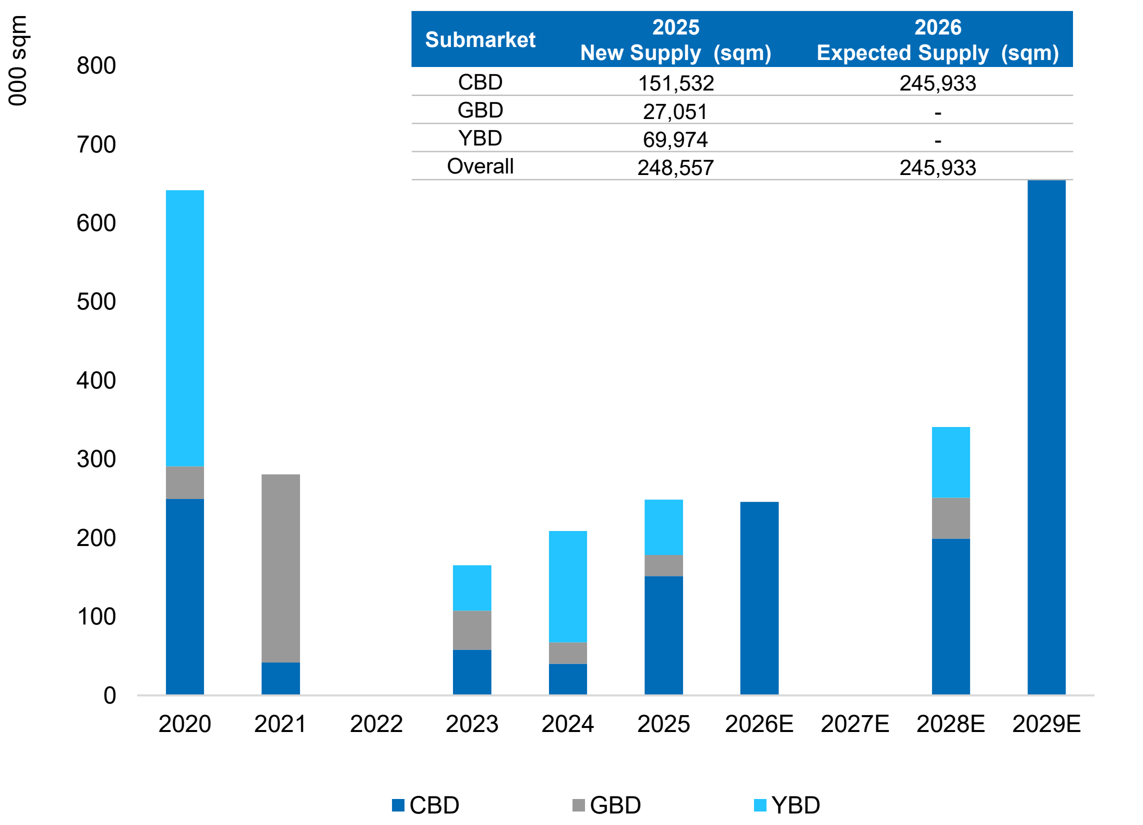
Grade A Net Absorption

Submarket	1Q 2026 Net Absorption (sqm)
CBD	6,217
GBD	1,121
YBD	- 9,739
Overall	- 2,401



Grade A Supply

Submarket	2025 New Supply (sqm)	2026 Expected Supply (sqm)
CBD	151,532	245,933
GBD	27,051	-
YBD	69,974	-
Overall	248,557	245,933



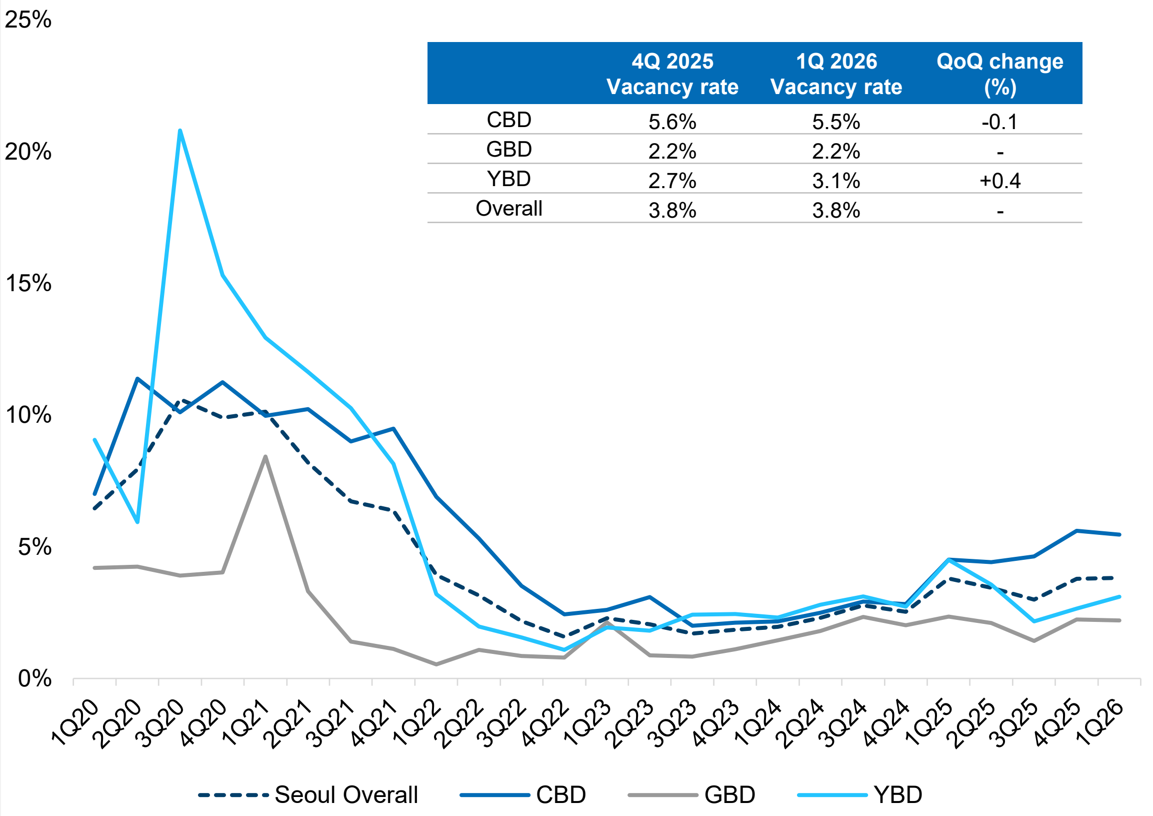
Source: Newmark Research

Stable Vacancy Despite Relocations, with Continued Rental Growth

Rents remained on an upward trend, increasing by approximately 5% YoY, reflecting continued strength in leasing conditions. Vacancy remained stable despite increased tenant relocations driven by redevelopment and refurbishment.

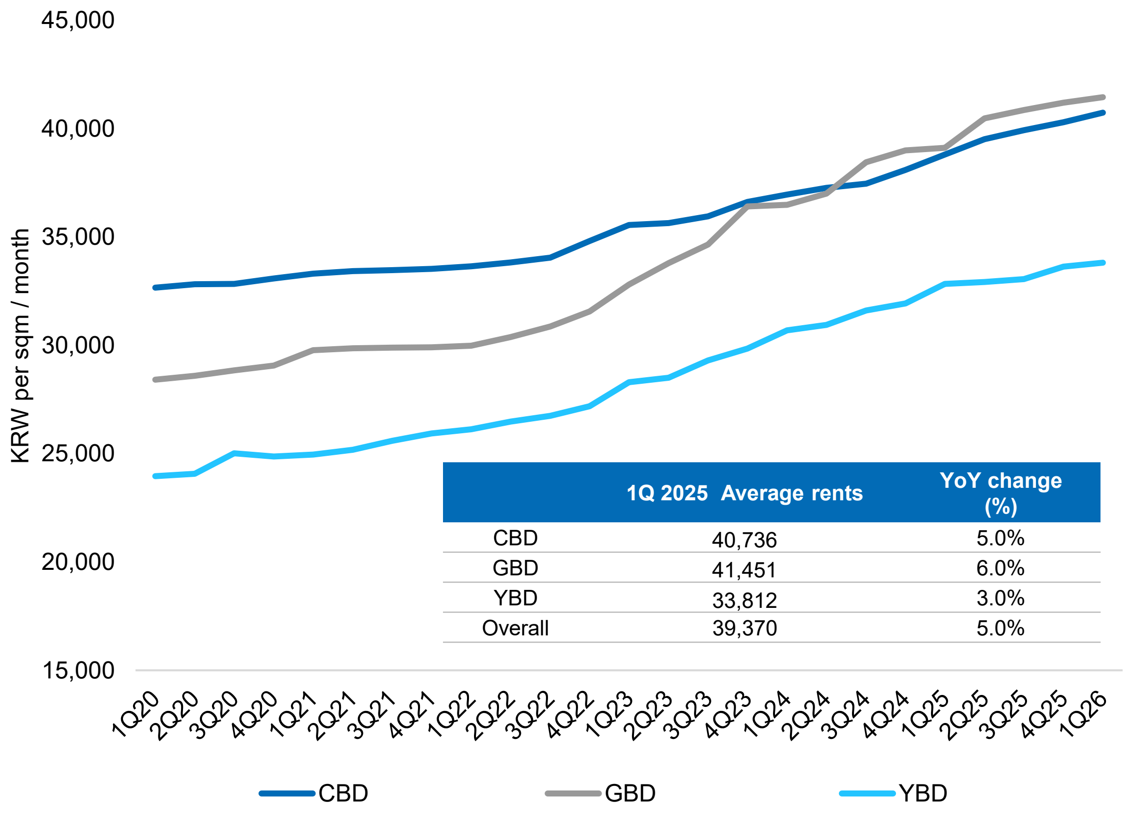
Following a stable 1Q, new supply – particularly in the CBD – is expected from 2Q, increasing upward pressure on vacancy in the second half.

Grade A Vacancy Rate



	4Q 2025 Vacancy rate	1Q 2026 Vacancy rate	QoQ change (%)
CBD	5.6%	5.5%	-0.1
GBD	2.2%	2.2%	-
YBD	2.7%	3.1%	+0.4
Overall	3.8%	3.8%	-

Grade A Rent Rate



	1Q 2025 Average rents	YoY change (%)
CBD	40,736	5.0%
GBD	41,451	6.0%
YBD	33,812	3.0%
Overall	39,370	5.0%

Source: Newmark Research

Regulatory Easing Driving Redevelopment and Refurbishment in the GBD

New office supply, including G1 Seoul, Rene Square, and Eul Tower, is expected to be completed mainly in the second half of 2026, limiting near-term market impact despite potential short-term vacancy fluctuations. Large-scale supply is likely to remain constrained until after 2029 due to delays in major development projects.
In the GBD, limited near-term supply, combined with regulatory easing and refurbishment incentives are expected to accelerate redevelopment of aging office assets, while the YBD remains stable with limited leasable supply due to predominantly owner-occupied developments.

CBD Expected Supply

Property Name	Area (sqm)	Completion (Year)
G1 Seoul (Gongpyeong District 15,16)	143,431	2026
Eul Tower (Euljiro 3-ga District 12)	44,903	2026
Rene Square (Euljiro 3-ga District 6)	57,599	2026
Seosomun District 10 (JB Financial Group)	39,624	2028
Myeongdong District 1 (Yuanta)	45,230	2028
Euljiro 3-ga District 9	27,675	2028
Sewoon District 6-3-3 (Tower E)	86,660	2028
Sewoon District 3-8,9,10	228,895	2029
Sewoon District 3-2 (Tower A)	51,589	2029
Sewoon District 3-3 (Tower B)	51,589	2029
Sewoon District 5-1,5-3 (Daishin)	134,219	2029
Eulji Finance Center (District 1,2)	64,990	2029
Central Office2 (Euljiro 3-ga District 10)	31,137	2029
Seosomun District 11,12	137,205	2029
Mugyo Da-dong District 31 (Burim Building)	30,060	2029
Seorin District 3, 4, 5 (Hana Financial Group HQ)	42,734	2030
One X (Supyo District)	172,101	2030
Seoul Station North development	148,050	2030
Bongrae District 2	-	2030
Bongrae District 3 (DDIVC)	63,270	2030
Seodaemun District 1,2 (Hoam)	213,967	2031
Shinhan Financial Tower HQ	172,536	2031
Gongpyeong District 3	70,440	2031
Myeongdong District 2	47,278	2031
Sewoon District 6-4,22,23	75,900	2031
Sewoon District 4	310,200	2031
Namsan Hilton Redevelopment	182,876	2032
Metro Tower, Seoullro Tower	128,700	2032

GBD Expected Supply

Property Name	Area (sqm)	Completion (Year)
Yeoksam-dong Aster Site (Nexon)	51,920	2028
Seoripul Office Project	-	2030
Gangnam Daega Site Development	33,076	-
Dunamu HQ (Owner-occupied)	34,529	-
Bithumb R&D Center (Owner-occupied)	-	-
Korea Real Estate Board Site Development	-	-
Lion Sewing Site Office Development	-	-
Le Meridien Hotel Redevelopment (Twin Peaks)	35,600	-
Sangrok Hall Site Redevelopment Plan	-	-
Hyundai Motor Group Global Business Center (GBC)	-	-

YBD Expected Supply

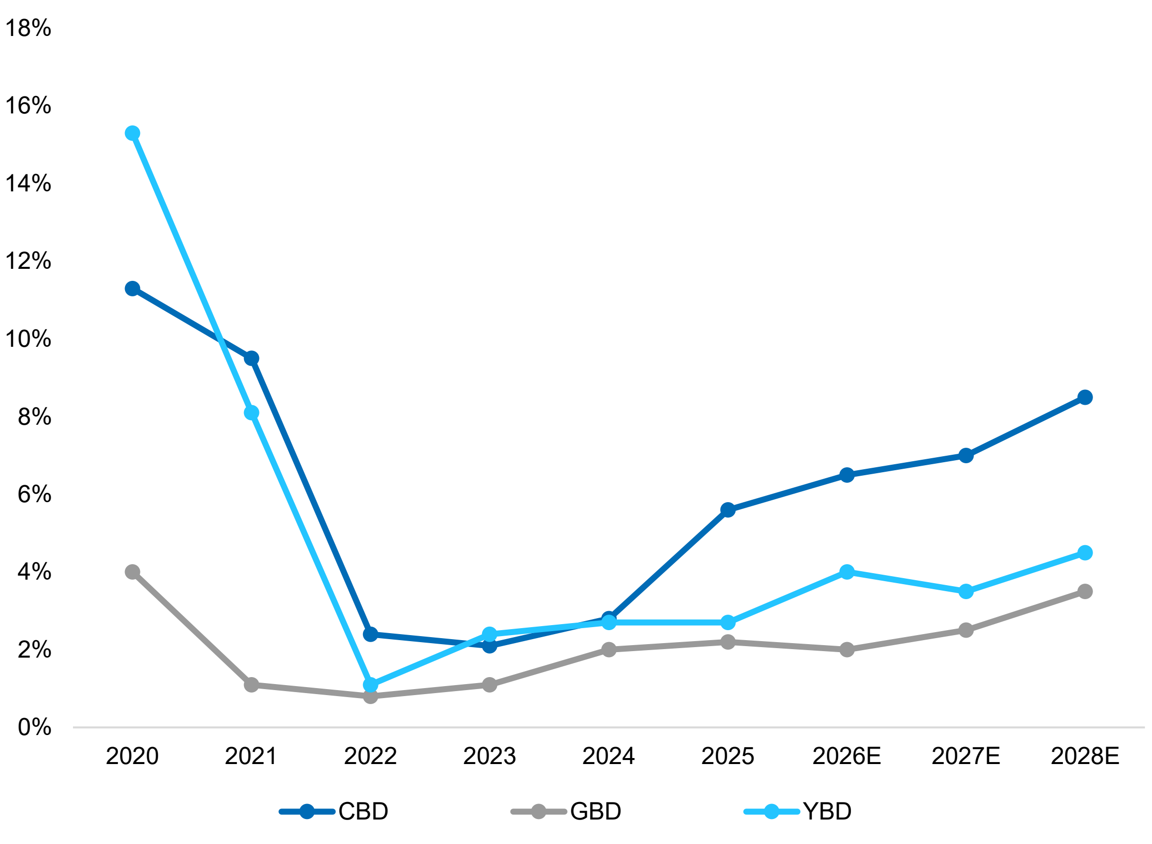
Property Name	Area (sqm)	Completion (Year)
Kiwoom Finance Square	54,998	2028
Meritz Yeouido Building	34,972	2028
Mirae Asset Securities Building	-	2031
Korea Fire Insurance Building	-	2032
KB Bank redevleopment	104,800	-

Source: Newmark Research

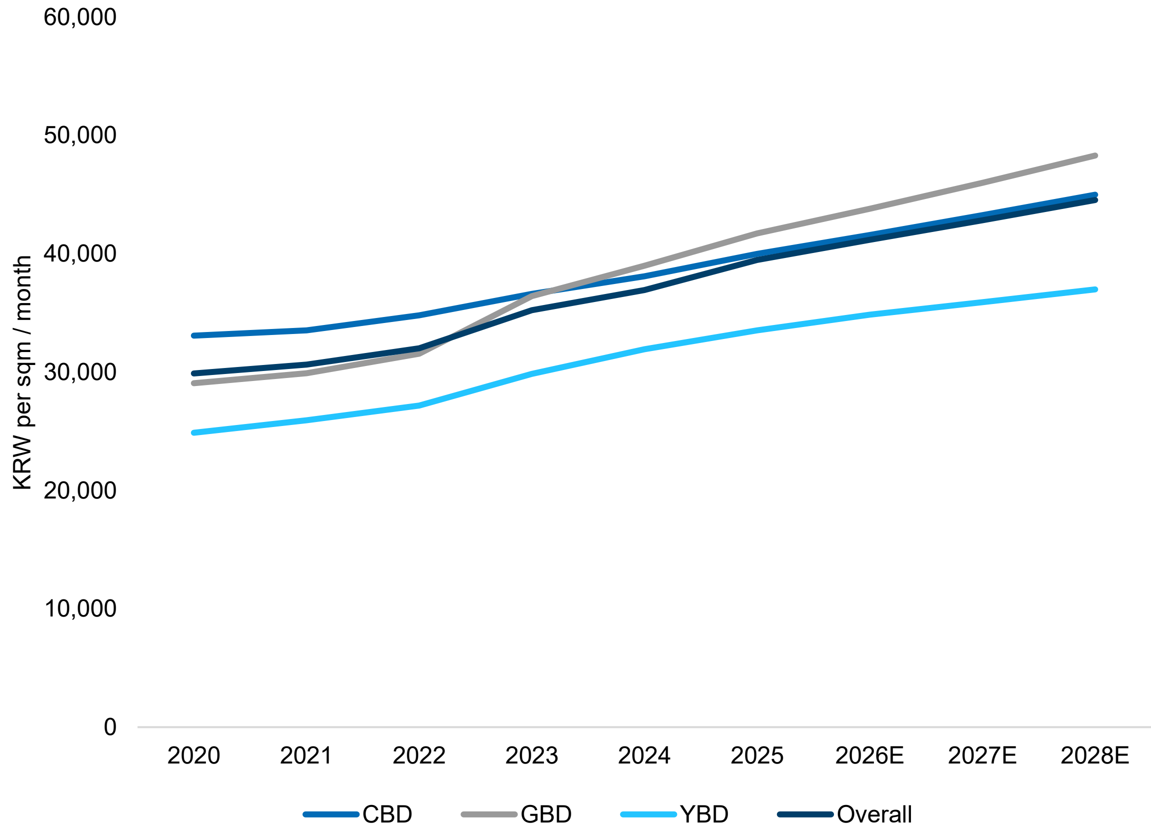
Vacancy Pressure from Supply Expansion, with Continued Prime-led Rent Growth

New office supply in the CBD is expected to increase in the second half, creating short-term upward pressure on vacancy. Despite this, rental growth is likely to continue, as new prime assets are expected to set higher rent benchmarks and support overall market rental levels. Rising construction costs, combined with a supply pipeline concentrated in prime assets, are expected to sustain upward pressure on rents. As new prime offices are added to the CBD stock, average rents in the CBD could potentially exceed those in the GBD.

Vacancy Rate Forecasting



Grade A Rent Rate Forecasting



Source: Newmark Research

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