



Seoul Overview

- Seoul is the capital of South Korea and the country's economic, political, and cultural center. With a city population of over 10 million and a metropolitan population of 23 million, Seoul is the largest city in South Korea and one of the largest cities in the world by population.
- Seoul and the rest of South Korea have experienced healthy economic growth, benign inflation, and many technological innovations in recent years. These and other factors have made Seoul a crucial location for multinationals that are looking to penetrate or dominate the Asian market.
- Seoul is home to many Fortune 500 companies and is considered one of Asia's business-friendliest cities. About 62% of South Korea's GDP is derived from the service sector, and the country's major exports include electronics, automobiles, and machinery.

History

- Seoul's history can be traced back as far as 18 BC. Seoul became the first city in East Asia to have electricity, trolley cars, water, telephone, and telegraph systems.
- In the late 19th century Seoul opened its gates to foreigners for the first time and began to modernize rapidly. Upon the establishment of South Korea in 1948 Seoul became its capital and designated a "special city".
- With the aid of the United States, Seoul became the focus of an immense reconstruction and modernization effort after World War II. Rapid economic growth achieved during the industrialization of the 1960s and 1970s raised considerably the living standard of its residents.



Downtown Seoul

Geography & Climate

- The peninsula of South Korea is located in Southeast Asia, bordering the Sea of Japan and the Yellow Sea. Seoul is located in the northwest area of the country, near the Han River and just 30 miles south of the North Korean border.
- The climate in Seoul is temperate. Summers are generally hot and humid and winters are often very cold. August is the hottest month of the year with an average temperature of 72°F to 86°F, and January is the coldest month with an average temperature of 19°F to 33°F.

Labor & Education

- The labor force in South Korea, especially in Seoul, is highly educated and technology oriented. It consists of 23.88 million people, with 67.2% of them in the service sector, 26.4% in the industry sector, and 6.4% in the agriculture sector. The unemployment rate in Seoul is 3.3%.
- The city of Seoul is considered one of Asia’s business-friendliest cities; moreover, the local government is working hard to continue creating a comfortable business environment from foreign and domestic investors.
- As the educational hub of the nation, Seoul has the country’s most prominent public and private universities. The country’s most prestigious universities are: Seoul National University, Korea University, and Yonsei University.



Incheon International Airport

Economy & Incentives

- Seoul has displayed in recent years economic growth between 4% and 5%. The solid economy has shown moderate inflation, low unemployment rate, export surplus, and fairly equal distribution of income.
- The country generates about 63.2% of its GDP from the service sector. Major exports include electronics, automobiles, and machinery.
- Within a foreign investment zone, companies in the manufacturing industry with investments of \$5 million or more may have rent reductions of up to 75% for a specified period of time.

Some Multinationals in Seoul

- Samsung
- LG Group
- Kia Motors
- McDonald’s
- Pfizer
- Hyundai
- Sun Microsystems
- Microsoft
- Hitachi



Seoul City Hall

Transportation

- Seoul, with connections to the rest of the South Korea and Asia, is the transportation center of the country.
- Seoul has two airports: Incheon International Airport and Gimpo Airport. Incheon is located on Yeongjong Island, west of Seoul, and is the international airport of Seoul. Gimpo on the other hand, located near downtown Seoul, serves the majority of domestic flights and very few international flights, limited to Japan.
- Incheon International Airport has been awarded "Best in Service Award in Class" and ranked 2nd in "Best Airport Worldwide," behind Hong Kong.
- Seoul has nine subway lines that link with every district in the city. It has one of the busiest subway systems in the world with around 8 million passengers per day. Its train system is linked to other major cities in South Korea by the KTX bullet train.

Seoul at a Glance	
City Population	10.35 million
Metro Population	23 million
City Area	234 mi ²
Av. Ann. Temp.	54 °F
Av. Ann. Rainfall	53 inches
South Korea’s Economic Indicators	
Population	49 million
GDP – Purchasing PP	\$1.196 trillion
Real GDP Growth	5.0%
Interest Rate	5.0%
Inflation Rate	2.2%
Urban Unemployment Rate	3.3%
Labor Force	23.77 million
Literacy Rate	97.9%
Exchange Rate	1\$=913.2 KRW

Real Estate Market Overview

- The commercial real estate market in Seoul (especially the office market), is currently characterized as having high demand and a shortage of available space. The continued expansion of domestic and foreign firms has caused a shortage of available space in most sectors of the commercial real estate market.
- It is expected that in the next few years the available space will remain short and the rental prices will increase; however, the benefits gained by operating in the city continue to accrue.
- Due to the lack of space, many national and international firms have relocated, or are in the process of relocating to less expensive locations such as Bundang, DMC, and Guro. Construction projects in the Central Business District, Kangnam Business District, and Yoido Business District to be completed in the short-term are very limited, and most of them will be owner occupied or are already pre-committed.



Seoul's Central Business District

Office Market

- New supply throughout the three major office business districts continues to be very low; as a result, vacancy rates have dramatically decreased and the rental rates have increased between 3% and 5% year-on-year. The city-wide vacancy rate is currently 3%.
- The three most important office districts in Seoul are: The Central Business District, Kangnam Business District, and Yoido Business District.

Central Business District

- The CBD, located in the downtown area, is the most stable of the three business districts in terms

of rents and vacancy rates. It is formed by new and old buildings and most of its tenants are multinationals, embassies, and Korean conglomerates.

- The second quarter of the year saw absorption of 301,390 square feet and no new additions of class A space. Construction projects were limited in the first half of the year, with the majority of the space pre-committed.

Kangnam Business District

- For the past two years Kangnam has been Seoul's most active district. It is 2.2 miles long and it houses the pharmaceutical, information technology, and consulting services industries.
- The vacancy rate for prime and class A space fell to 1.02% from 1.8% in the first quarter 2007.
- Rents remained stable in 2Q 2007. Rents have increased 2.2% (prime) and 4.3% (class A) year-on-year.
- Hanshin Intervalley (865,139 ft²), the Samsung Seocho Tower (1.2 million ft²), the Teheran Tower (143,504 ft²), NC Soft R&D (332,561 ft²), and the SeoKyung Building (111,460 ft²) are the main projects scheduled for completion in this year.

Yoido Business District

- Yoido Business District is located on an island southwest of the CBD. It houses the Korean parliament, broadcasting companies, and companies in the finance industry.
- The vacancy rate dropped to 0.9% from 6.5% in 1Q 2007. Rents have increased 2.8% year-on-year.
- The Taeyoung Building (265,513 ft²) and the Seawoohway Building (309,182 ft²) are the main project scheduled to be completed in 2007; however, the majority of the space in both buildings will be owner occupied.

Office Rental Information
(USD/Sq Ft/Month)

Office - Prime	Net Rent	Vac.
Central Bus. Dis.	\$4.76	0.99%
Kangnam Bus. Dis.	\$4.16	1.02%
Yoido Bus. Dis.	\$3.73	0.90%
Office	C. Value	Inv. Yield
Central Bus. Dis.	\$600.66	5.80%
Kangnam Bus. Dis.	\$476.33	5.75%
Yoido Bus. Dis.	\$355.94	6.00%

Investment Market

- Seoul’s stable and profitable office market continues to attract foreign and domestic investors, and this has created a drastic inflow of capital and the creation of a very competitive investment market.
- The office investment market has seen a drop on investment yields in the last ten months. Presently, the overall capitalization value of class A office space is approximately 6%, but it is expected to decrease over the next few years.

Retail Market

- The shopping preference in Korea tends to be large department stores, low-rise districts, and independent shops. Traditional shopping areas in Seoul include the Great East Gate market (Tongdaemun Sijang) and the Great South Gate Market (Namdammun Sijang).
- Coex Mall, an underground mall located in the Kangnam district, is the largest shopping center in the city.
- In the near future, we can expect foreign investors to develop large retail centers and Western-style operations with one owner. There might be a shift from multi-story shopping centers to Western-style malls.

Industrial Market

- The industrial market has long been dominated by local developers and landlords, but foreigners are starting to play a key role in the market by increasing investments.
- The market is currently experiencing high demand and a slight increase in rental prices. Demand in the manufacturing sector has decreased, but the demand in the warehouse sector has been increasing. Most of the warehouse in Seoul is mid to low quality.
- The current investment yield for industrial property is 10% and it is forecasted that foreign investors will be more active in this market.

Retail Rental Information

(USD/Sq Ft/Month)

Gross Rent	Vacancy Rate
7.6%	\$5.60
Capital Value	Investment Yield
\$622.80	10.9%

Industrial Rental Information

(USD/Sq Ft/Month)

Industrial	Net Rent	Vac.
Digital Media City	\$1.36	51.0%

12- Month Forecast

Office:

- Demand for office space will continue to outstrip supply. Rents will continue to increase and the vacancy rate will remain low.
- Due to the lack of available space, companies will continue to establish operations outside the three major business districts.

Industrial:




- Foreign investment is expected to continue increasing, especially in the warehouse sector.
- Property values are expected to continue increasing at a higher rate than the rental rate.

Retail:

- The retail market will remain tight, with many domestic and foreign retailers searching for attractive location
- Retail rates in prime locations will increase, but rents in non-prime areas will remain the same.

12 –Month Forecast

Rental Rates

Office	
Retail	
Industrial	

ASIAPAC INTERNATIONAL

2540 N. First St. Suite 102 – San Jose, CA 95131 – Tel: (408) 232-9700 – Fax: (408) 232-9705 – www.AsiaPacIntl.com

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