



# Korean Real Estate Market & Investment Opportunities

November 23, 2023

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**KIM YONG NAM**, PhD, CCIM, FRICS

Founder & CEO

**GLOBAL** **PMC**

CEO BIO

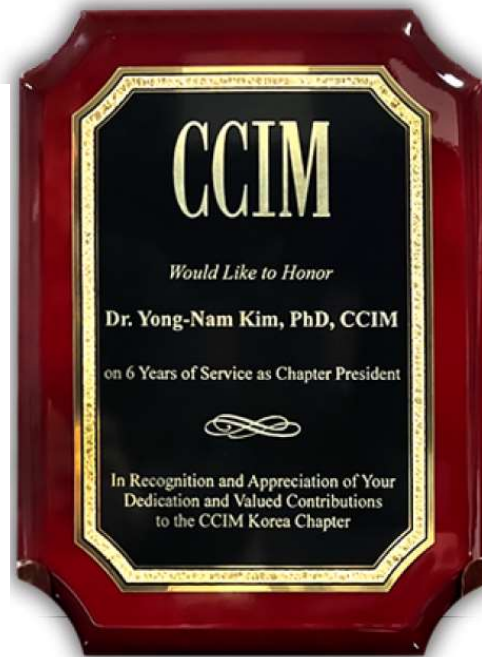
## KIM YONG NAM

金容南

Founder & CEO

GLOBAL PMC INC.

- Established on April 19, 2004
- Korea's No. 1 commercial small and medium-sized building asset management company
- PH.D. in real estate, CCIM, CPM, SIOR, FRICS
- Past President, CCIM Korea Chapter, from 2016 to 2021
- Real estate columnist for the Korea Economic Daily since 2011





# Agenda

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An aerial, night-time view of a futuristic city. The city is densely packed with skyscrapers and modern buildings, many of which are illuminated with a blue glow. A wide river flows through the center of the city, with a bridge crossing it. In the background, there are rolling mountains under a dark sky. The overall color palette is dominated by blues and greys, creating a high-tech, urban atmosphere.

# Korean Economy

## GDP Annual Growth Rate

- GDP growth estimate is 1.4% in 2023.
- GDP is projected to grow 2.2% in 2024 (KDI, Korea Development Institute)



Sources : TRADINGECONOMICS.COM, The Bank of Korea

# Inflation Rate

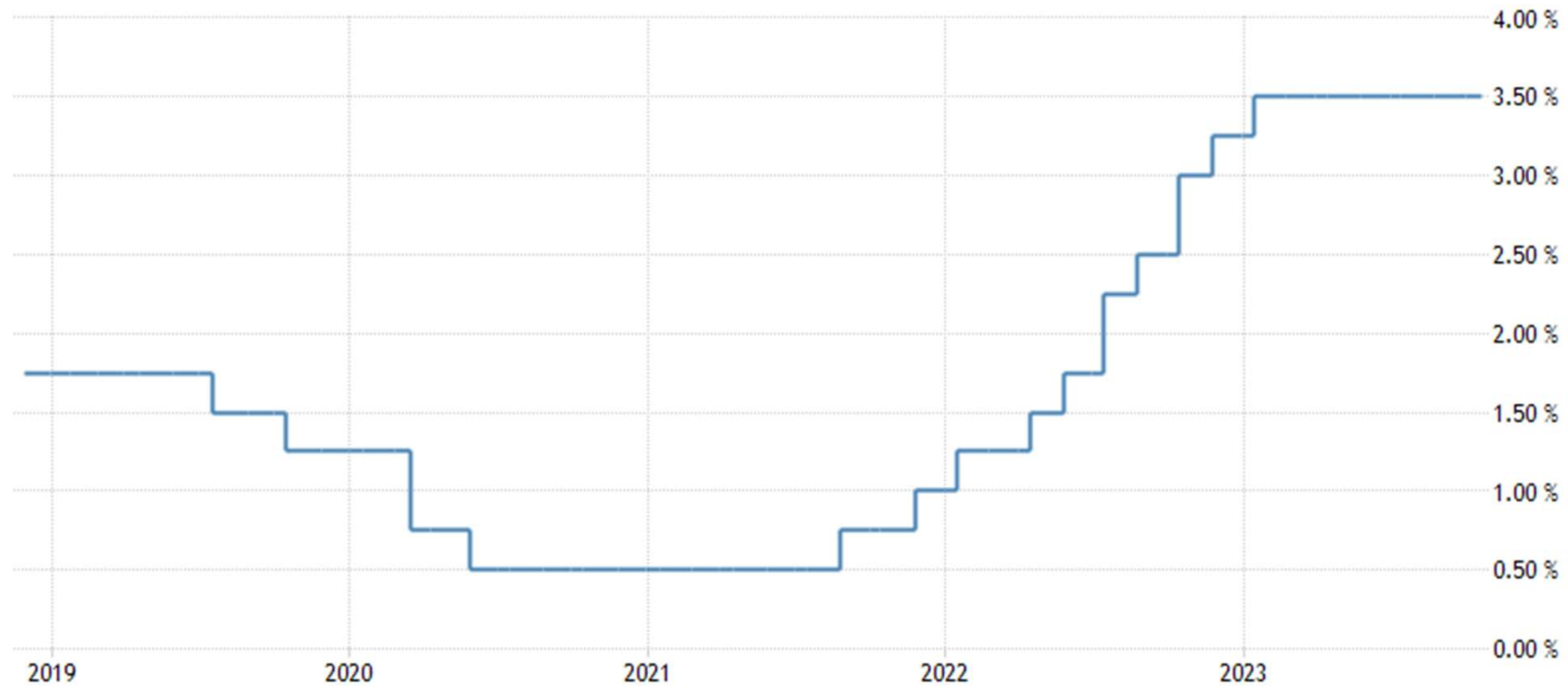
- Increased by 3.8% year-on-year in October 2023.
- Highest reading in seven months
- Inflation is projected at 2.6% in 2024



Sources : TRADINGECONOMICS.COM, The Bank of Korea

# Interest Rate

- Since the rate hike in January 2023 from 3.25% to 3.5%, the Bank of Korea holds the base rate at 3.5%
- The gap from the U.S. benchmark interest rate remains at an all-time high of 2.00%



Sources : TRADINGECONOMICS.COM, The Bank of Korea

An aerial, monochromatic blue-toned image of a city skyline at dusk. A wide river flows through the center of the city, flanked by numerous skyscrapers and high-rise buildings. In the background, a range of mountains is visible under a dark sky. The overall scene is illuminated with a cool, blue light, suggesting twilight or night.

# Office Market Fundamentals



# Seoul Office Market

## Central Business District

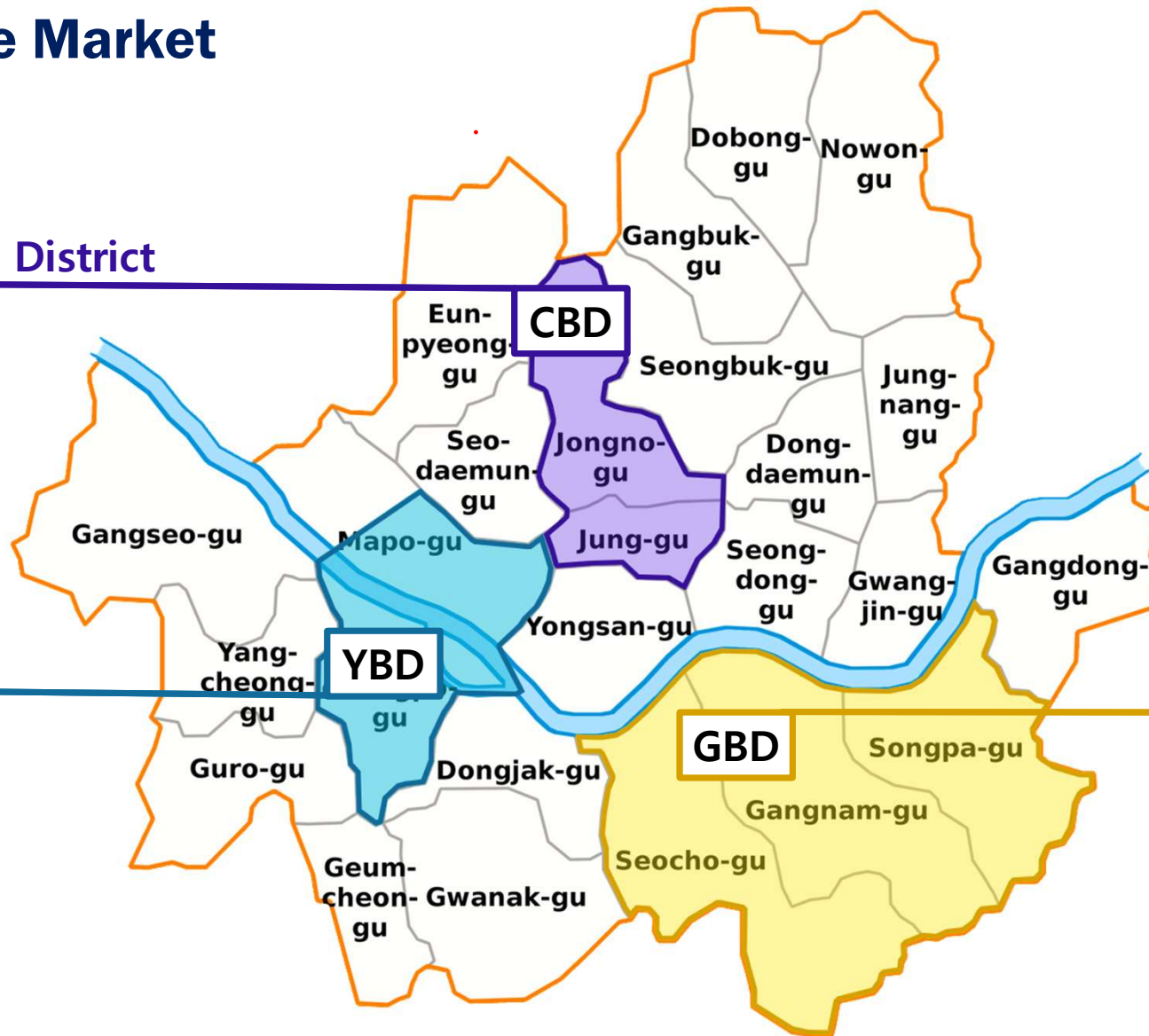
Jongro, Euljiro,  
Shinmunro,  
Namdaemunro,  
Taepyungro

## Yeouido Business District

East Yeouido  
West Yeouido  
Mapo-gu

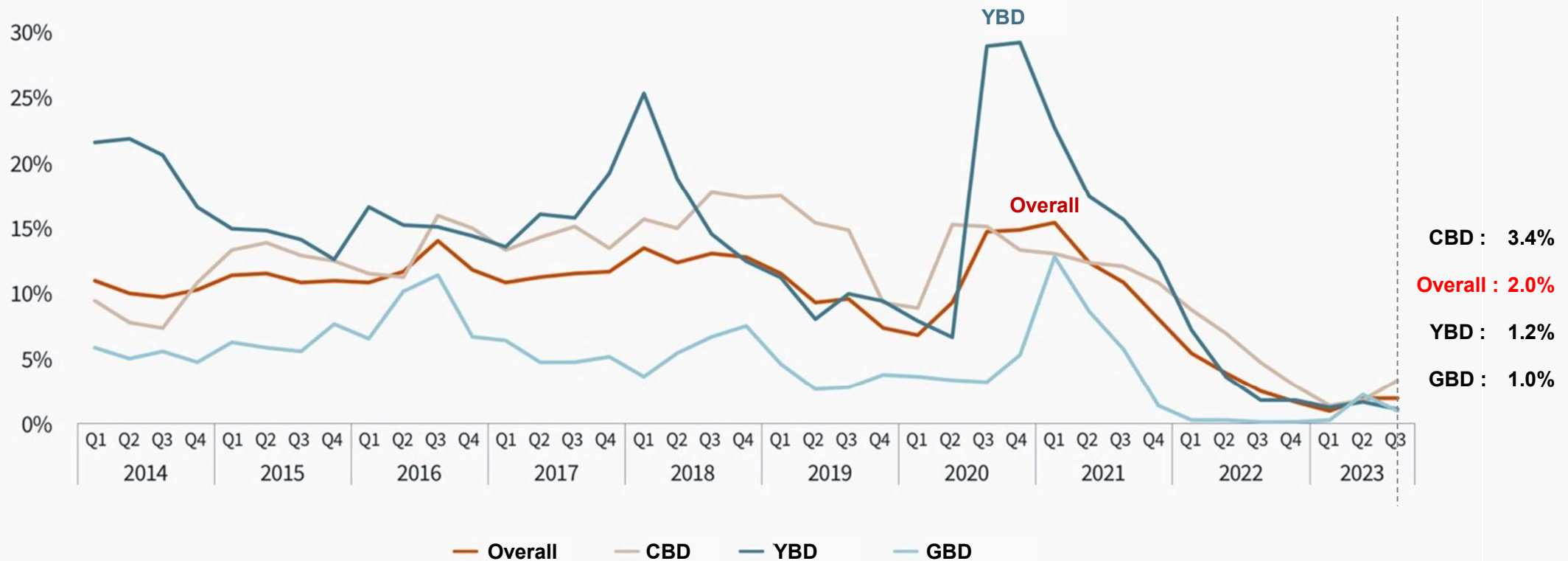
## Gangnam Business District

Teheranro, Gangnamro,  
Dosanro, Songparo,  
Yangjae St.  
Hakdong St.  
BongEunsaro



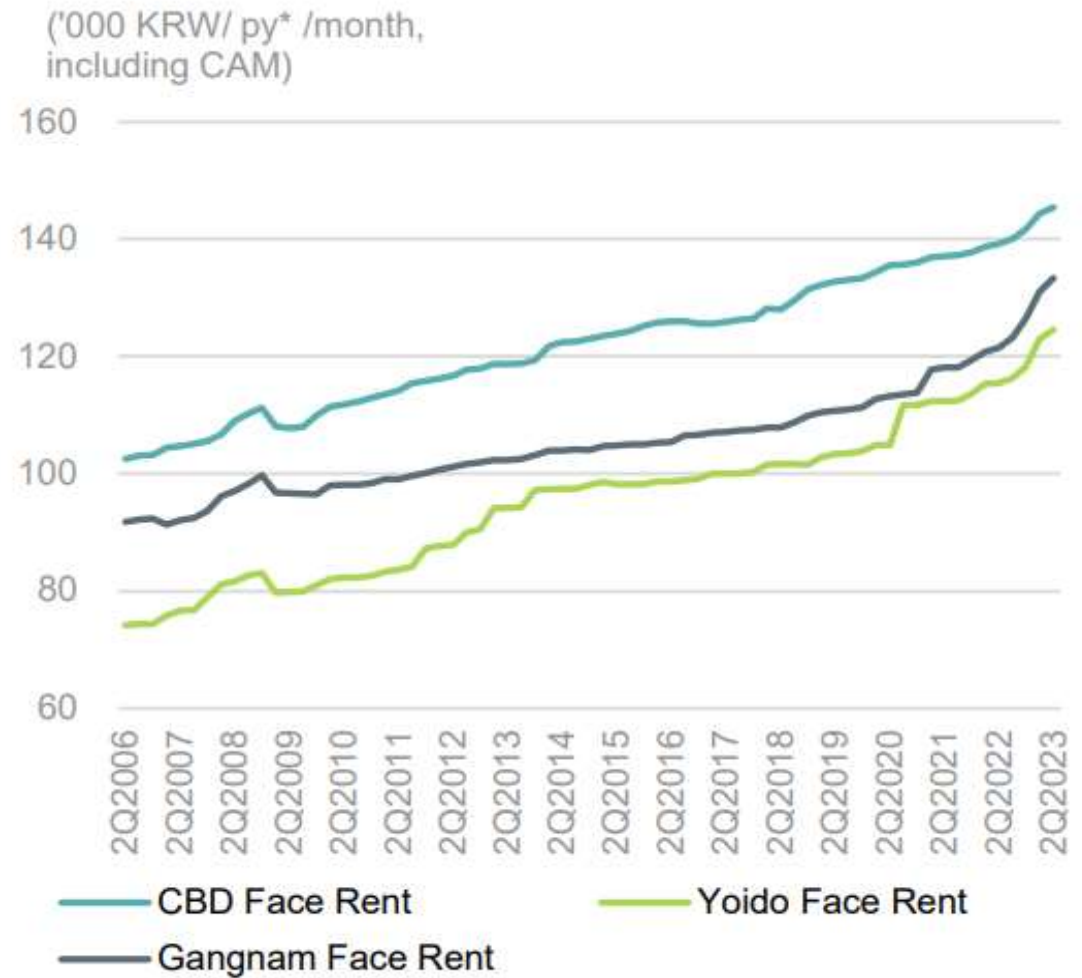
# Vacancy Rate for Seoul Grade A Offices

- Seoul Grade A office vacancy rate hits 15-year low of 2.0%
- Limited supply pushes down vacancy in major areas

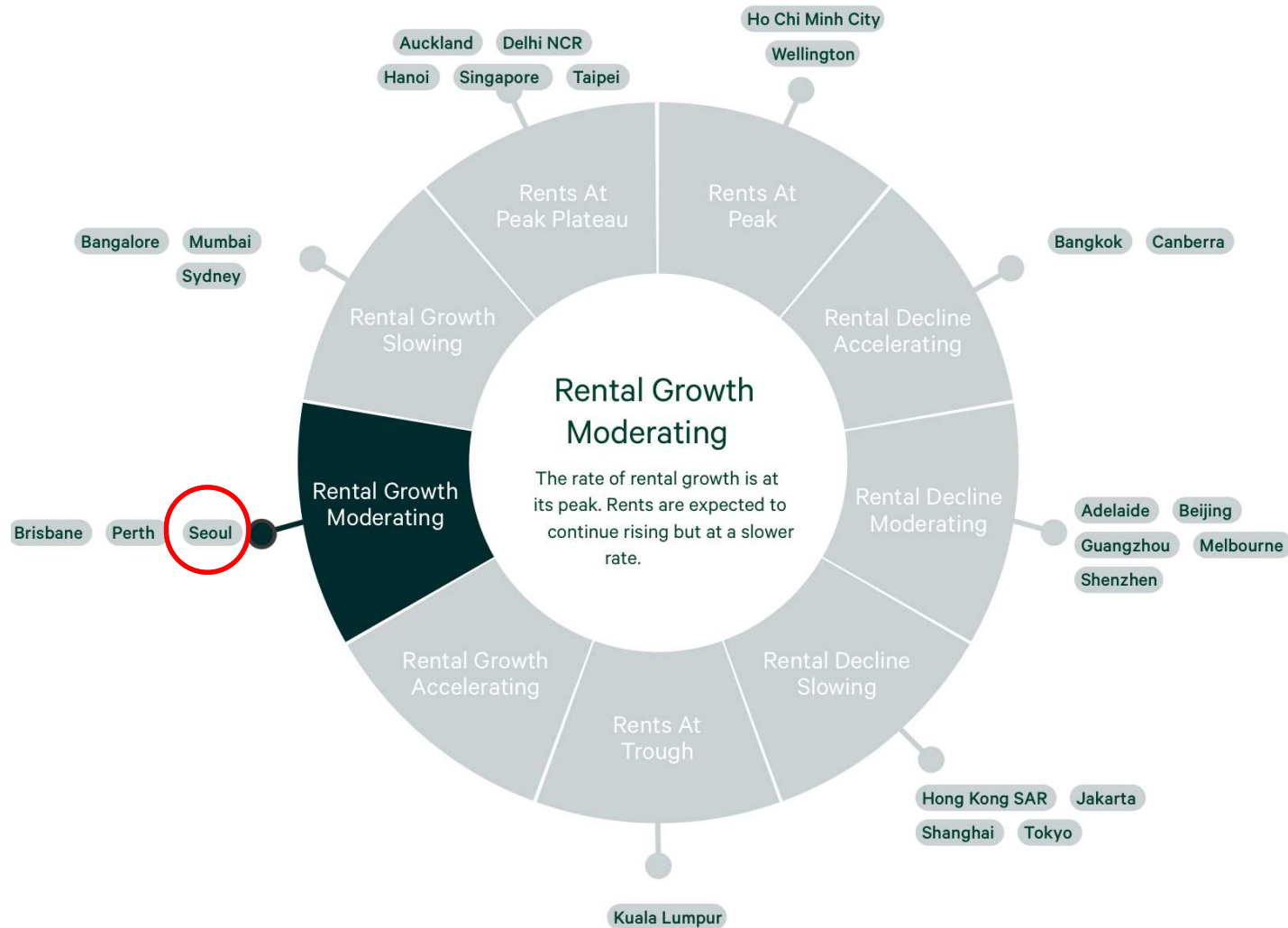


## Office Face Rent by Submarket

- Office face rents grow by 2-3% per annum over the last 10 years
- Rent growth accelerated recently with limited supply



# APAC Prime Office Rent Tracker, Q3 2023



Source : CBRE

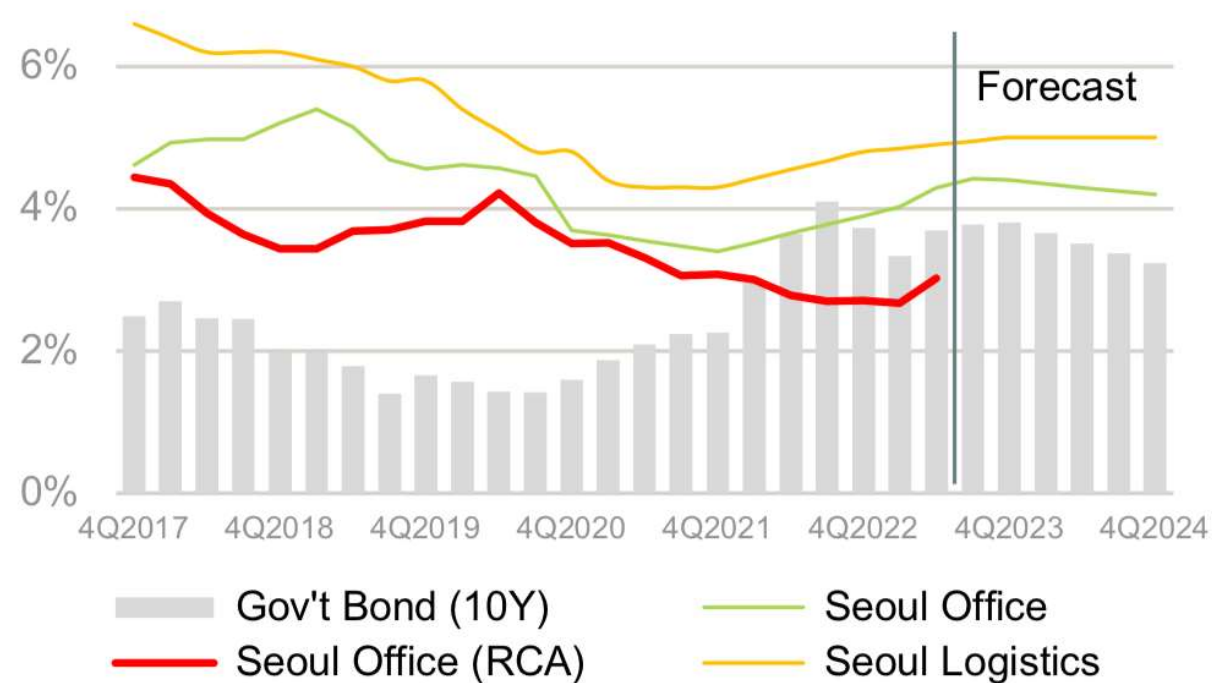
An aerial, monochromatic blue-toned image of a futuristic city at night. The city is densely packed with skyscrapers of various heights and designs. A wide river or canal winds through the center of the city, reflecting the ambient light. In the background, a range of mountains is visible under a dark sky. The overall atmosphere is sleek and modern.

# Cap Rates & Transactions

## Cap Rates and Yield Spreads

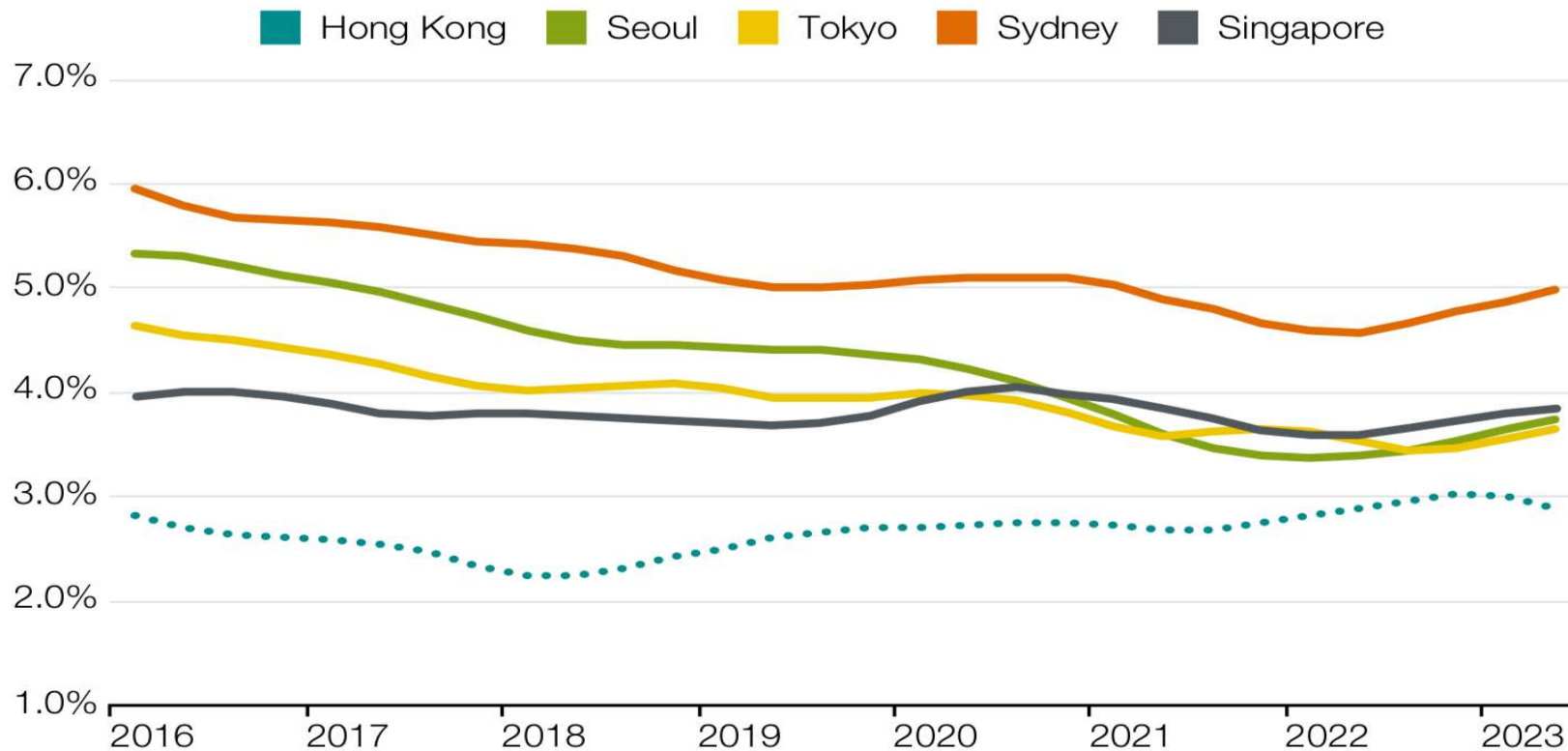
- Seoul Grade A office cap rates rose from 3.3% in 2021 to 4.3% in 3Q 2023
- Logistics cap rates also increased from 4.3% in 2021 to 5.0% in 3Q 2023

Transaction Cap Rates (Stabilized)



## Asia Pacific CBD Office Yields, Q3 2023

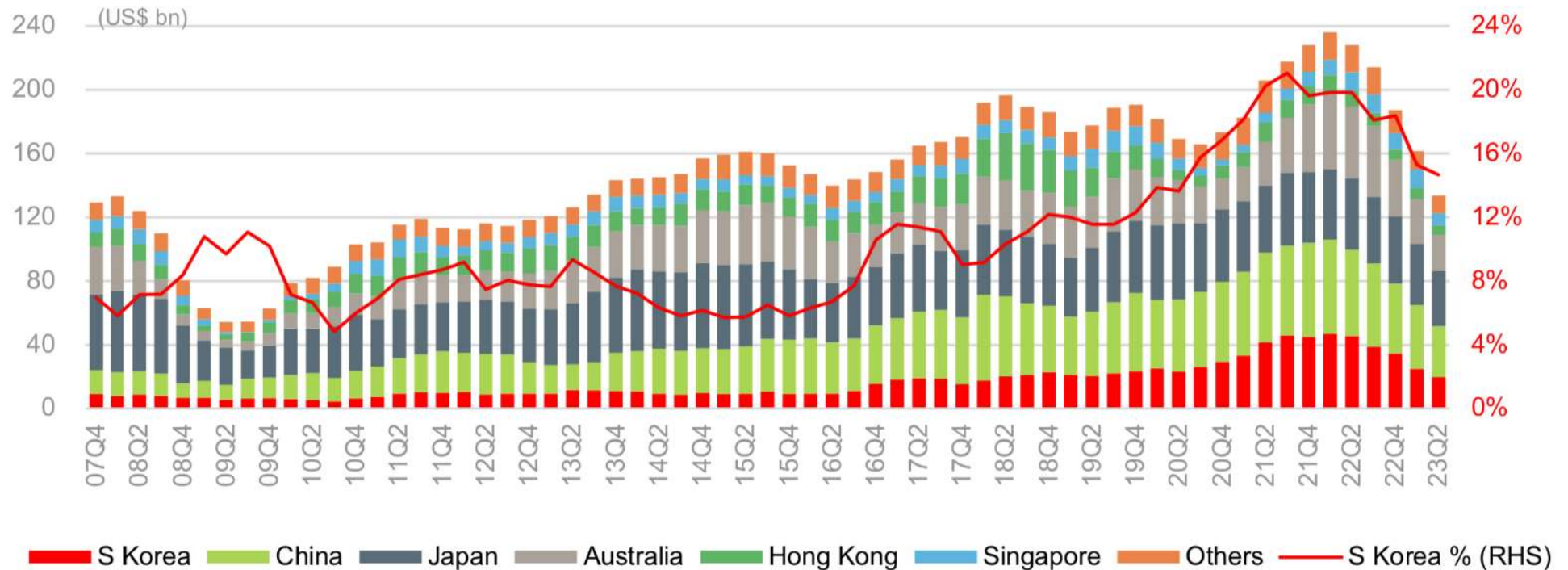
- Hong Kong's cap rate is the lowest and in downward trend
- On the other hand, the cap rates of Tokyo, Seoul, and Singapore are lower in that order,



Source : MSCI Real Capital Analytics

## APAC Transaction Volume and Share of South Korea

- APAC transaction volume down 41% from a year ago, Korea's volume decline 57% in 2Q 2023
- Korea's regional share shrink from 20.3% to 14.7% in 2Q 2023

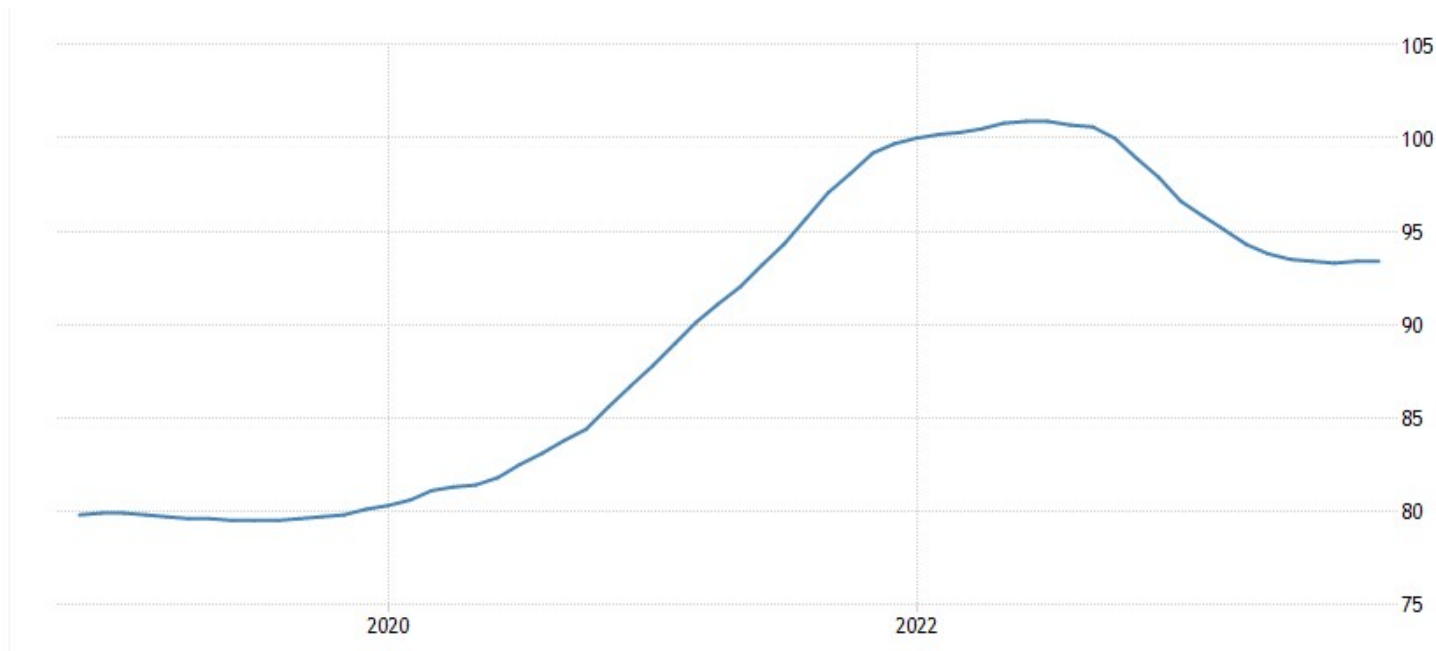


Source : Real Capital Analytics, DWS



## House Price Index

- Reach an all time high of 100.90 points in June 2022
- In October, the price index hit 93.40 points, 7.43% down from the peak



## Seoul Apartment Price Change Rate By Year

- Seoul apartment prices rose about 6.1 times from January 1986 at an average annual rate of 6.7%
- Only 10 price declines y-o-y, typically less than 5% over the 37 years
- Apartment prices peaked in July last year



An aerial, night-time view of a modern city, likely Seoul, South Korea. The city is illuminated with blue and white lights, featuring numerous skyscrapers and a dense urban layout. A wide river flows through the center of the city, with a bridge crossing it. In the background, rolling mountains are visible under a dark sky. The overall atmosphere is futuristic and vibrant.

# Why Invest in Korea Real Estate & Investment Opportunities

# Why Invest In Korea Real Estate?

## Top 5 Reasons to Consider:

1. Strong Economic Growth
2. Growing Foreign Investment
3. Strategic Location and Infrastructure
4. Rising Demand for Housing
5. Cultural and Tourist Appeal  
: K-Pop, K-Drama



# Investment Opportunities

## Top 3 Investment Options for Individual Investors :

- 1. Apartment : KRW 300 mil. ~ 2,000 mil. (3LDK)**
  - All-cash purchase or using the Jeonse system
- 2. Officetel : KRW 50 mil. ~ 500mil. (1K ~ 2LDK)**
  - All-cash purchase or using the Jeonse system
- 3. Small & Medium-Sized Building : KRW 5 bil. ~ 10 bil.**
  - All-cash purchase or using the mortgage (LTV: 30%)



# Understanding the Jeonse

The Jeonse system is a rental agreement popular in South Korea.

1. Large Deposit, No Monthly Rent

40%~80% of the property value

2. Interest-Free Loan to Landlord

3. Return of Deposit

Usually after two years

<Average Price of Seoul Apartment & Jeonse Ratio>



# Apartment Investment Using the Jeonse System

## Five Appealing Points of the Jeonse system:

1. High Upfront Capital
2. Lower Risk of Default
3. Stable Investment in High-Demand Areas
4. Potential for Capital Appreciation
5. Minimal Maintenance Responsibilities

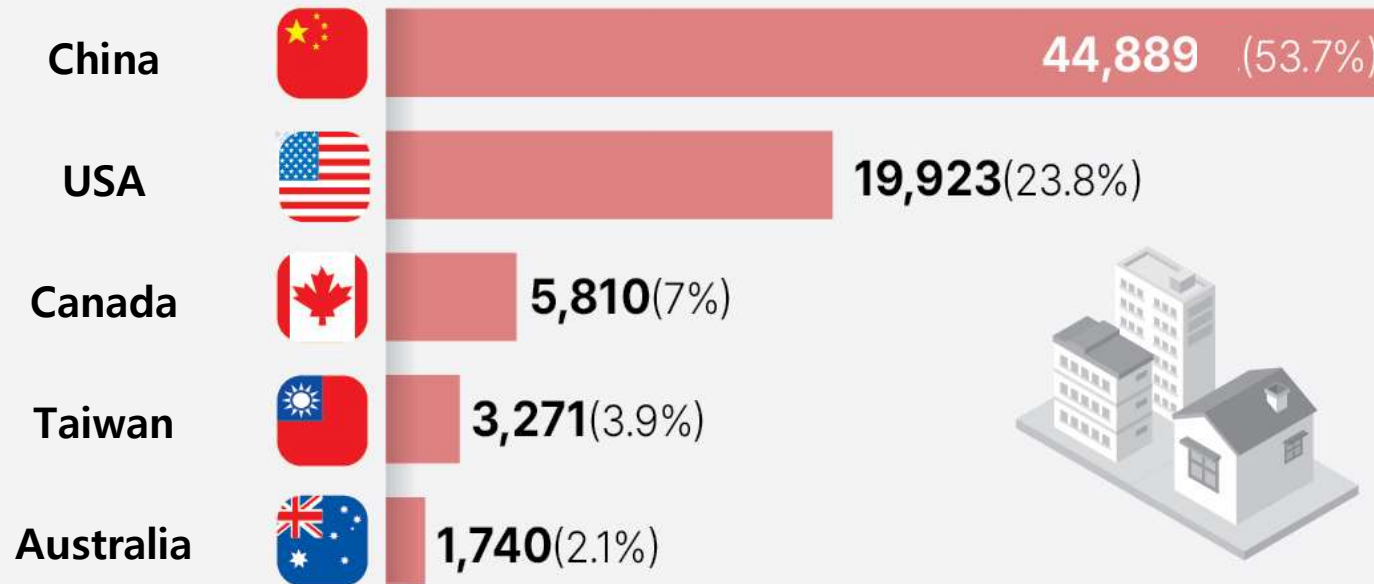
## Risks and Considerations:

1. Market Fluctuations
2. Deposits Return



## Home Ownership By Nationality

- Foreign nationals own 83,512 homes in Korea as of the end of 2022, Accounting for 0.4% of the total housing units in Korea
- Chinese account for 53.4%, Americans 23.8%, Taiwanese 3.9%





An aerial, night-time view of a futuristic city. The city is densely packed with tall, modern skyscrapers, many of which are illuminated with a cool blue light. A wide river or canal winds through the center of the city, reflecting the lights from the buildings. In the background, a range of mountains is visible under a dark, clear sky. The overall atmosphere is one of advanced urban development and modern architecture.

# Final Thoughts

## **Final Thoughts**

- 1. Establish Professional Partnerships**
- 2. Focus on Risk Management**
- 3. Demonstrate Resilience in Uncertainty**

***“In the midst of every crisis, lies great opportunity.”***

– Albert Einstein

An aerial, dusk-time photograph of a dense urban landscape. A wide river flows through the center of the city, flanked by numerous high-rise buildings. In the background, a range of mountains is visible under a dark, twilight sky. The overall color palette is dominated by blues and greys, with some lights from the buildings and streets providing a subtle glow.

# THANK YOU

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Introduction of

# CCIM Korea Chapter



**CCIM Korea Chapter**

Commercial Real Estate's  
Global Standard for Professional Achievement

# CCIM KOREA CHAPTER

**CCIM Korea Chapter  
established  
in September 2002**



2024 President

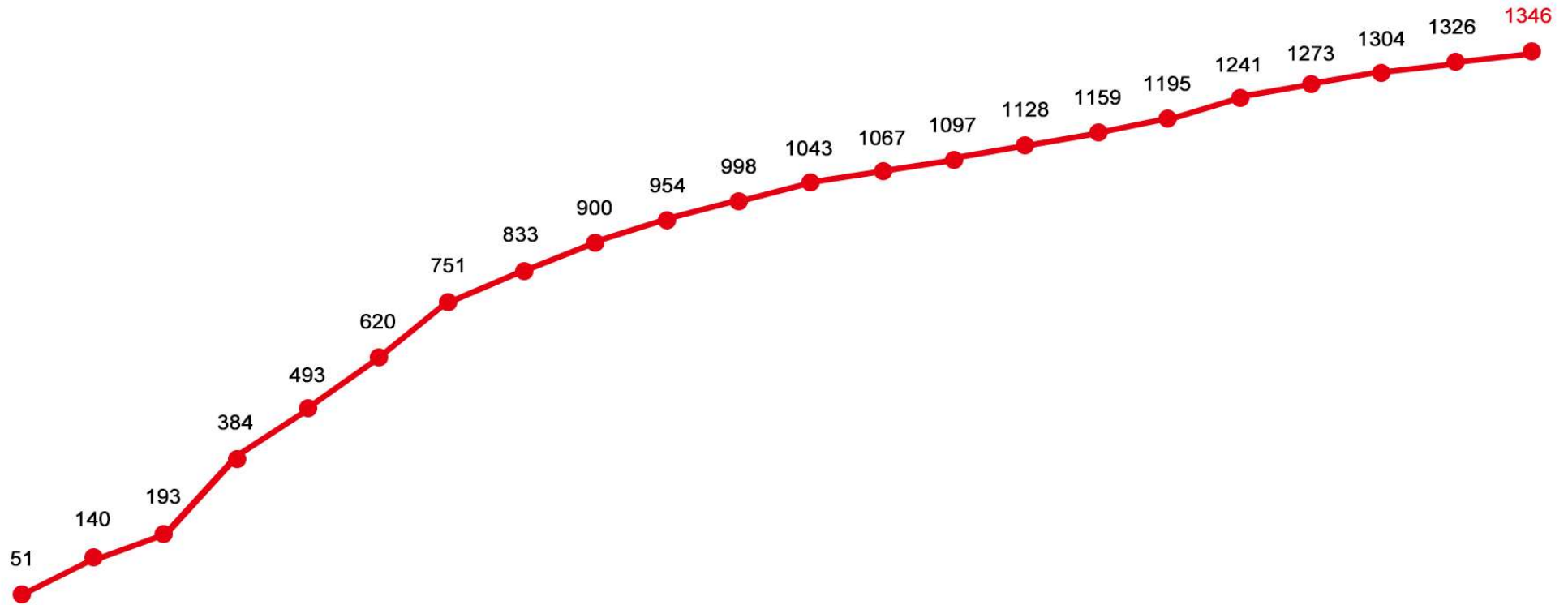
**Heung sik Min**

CCIM

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❖ 2024~2025 CCIM Korea Chapter President

# Number of Designees by year



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
51	140	193	384	493	620	751	833	900	954	998	1043	1067	1097	1128	1159	1195	1241	1273	1304	1326	1346