

NEWMARK



4Q25 Korea Office Leasing Market: Conditions & Trends

4Q25



Key Takeaways

Although negative net absorption was observed in certain submarkets in 4Q 2025, this does not indicate a broad-based weakening in overall leasing demand. Corporate relocations should be interpreted not as exits driven purely by cost-cutting, but rather as strategic reallocations aimed at achieving greater cost efficiency while upgrading office quality. As a result, the 'Flight to Quality' trend is expected to further strengthen in the Seoul office market in 2026.



Vacancy: 3.9% (↑ QoQ)

Quarter-on-Quarter Increase in Vacancy



Absorption: -67,627 sqm (↓ QoQ)

Negative Absorption Recorded Amid Weaker Demand



Rent: 5.7% YoY

Continued Upward Trend



New Supply: +0 sqm

Reduced Supply in 4Q

Korea Office Market Major Trends



Redevelopment, Renovation, and Relocation Trends

- In 2025, corporate relocations across multiple submarkets were driven by headquarters relocations, office redevelopments, and organizational restructuring. These movements reflect a reallocation toward more suitable space based on building quality, location, and brand value, rather than a contraction in demand.
- The CBD core centered on Gwanghwamun–City Hall maintained low vacancy despite active redevelopment and refurbishment, reaffirming its role as Seoul's primary administrative and financial hub with resilient tenant demand.
- Gran Seoul has reopened following its refurbishment with the launch of "Starfield Avenue," while SFC, the SC First Bank headquarters, and the Sogong 1, 2, and 3 districts are preparing for major renovation projects, accelerating spatial reconfiguration within the CBD.



Shift Toward Quality Assets (ESG-Certified, New Offices)

- In 2025, tenant preference for newly built and refurbished offices strengthened further, driven by rising corporate demand for ESG certification, indoor environmental quality, and collaborative spaces that enhance employee experience.
- As hybrid work adoption and evolving workstyles increased the need for space reconfiguration, high-quality offices continued to attract steady tenant interest, maintaining very low vacancy levels.
- In this environment, prime assets sustained stable rents, while refurbished properties that completed quality upgrades further strengthened their competitive position relative to older stock.



Acceleration of Submarket Expansion (Seongsu, Magok, Pangyo)

- In 2025, office demand expanded beyond the traditional core districts (CBD, GBD, and YBD) into non-core and emerging submarkets such as Seongsu, Magok, Sangam DMC, and Pangyo, highlighting the growing momentum of emerging office clusters.
- This expansion, driven by structural shifts across industries including content (including gaming, OTT platforms, and IP-based media), biotech, media, and ICT, is accelerating the reallocation of office space demand and is expected to continue into 2026.
- In particular, Magok One Grove has seen leasing progress more smoothly than initially anticipated, establishing itself as a practical alternative for occupiers seeking both cost efficiency and newly built office environments. As a result, it is emerging as a key growth axis alongside Seongsu and Pangyo.



Deepening Market Polarization in 2026

- In 2026, a wave of new office supply—including G1 Seoul, Rene Square, and Eul Tower—is expected to enter the market, further widening the gap in tenant demand and competitiveness between prime newly built assets and older stock.
- In particular, G1 Seoul is undergoing pre-leasing activity alongside an active sales process, making the pace of its leasing and transaction a key barometer for the CBD office market in 2026.
- By contrast, older buildings with limited refurbishment potential are likely to face heightened risks of prolonged vacancy due to declining competitiveness, while a full-fledged oversupply phase is not expected until after 2028.

4Q Market Review & Outlook



CBD – Rising Vacancy Driven by Corporate Relocations; Volatility Extends into 2026

- In 4Q 2025, the CBD saw a rapid increase in vacancy driven by successive relocations of DL Group and SK affiliates, pushing the vacancy rate to 5.6%. The relocation of DL Group from D Tower Donuimun (approximately 10 floors) and the departure of SK affiliates from Gran Seoul Tower 1 extended beyond individual assets to nearby buildings such as T Tower and the Yonsei Foundation Building, heightening short-term volatility across the district.
- On the supply side, rising construction costs are lifting asking rents for newly built offices, placing upward pressure on average CBD rents.
- The large-scale supply wave initially expected in 2027 has been delayed to 2028–2029 due to permitting and construction delays, implying structural volatility marked by rising vacancy in the short term, rental growth in the medium term, and supply concentration over the longer term.



GBD – Stable Conditions Supported by Owner-Occupier Preference and Limited Supply; Rent-Free Incentives Rise in the Short Term

- In 4Q, the GBD vacancy rate edged up to 2.2% but remained very low, with the Samseong-dong building stabilizing as vacancies were largely absorbed by Hyundai AutoEver.
- While short-term vacancies emerged at some prime offices due to tenant moves, the limited supply pipeline is expected to keep vacancy structurally low over the medium-to-long term.
- Prime offices maintained resilient rents, while mid- and lower-grade assets saw rising vacancies and higher rent-free incentives, deepening market polarization.
- Large-scale projects such as Aster Yeoksam, the Le Méridien Teheran-ro site, and the Seocho Defense Information site remain key future supply variables, alongside continued owner-occupier demand.



YBD – Redevelopment-Driven Absorption with Predominantly Owner-Occupied Supply

- In 4Q, Yeouido's vacancy rate edged up to 2.7%, reflecting short-term vacancy risk from relocations at Parc One Tower 2 and the planned exit of LG Group affiliates.
- However, large tenant inflows—including NH NongHyup Capital, the Korea Fire Insurance Association, and the Korea Insurance Research Institute—into key assets such as One Centinel have rapidly absorbed vacancies, with redevelopment and portfolio rebalancing supporting demand.
- Ongoing institution-led redevelopment and relocations, including by the Korea Fire Insurance Association and Mirae Asset Securities, continue to stabilize the district.
- Looking ahead, most upcoming supply—including Kiwoom Finance Square and Meritz Fire HQ—is owner-occupied, limiting leasing supply and supporting a stable medium- to long-term outlook.

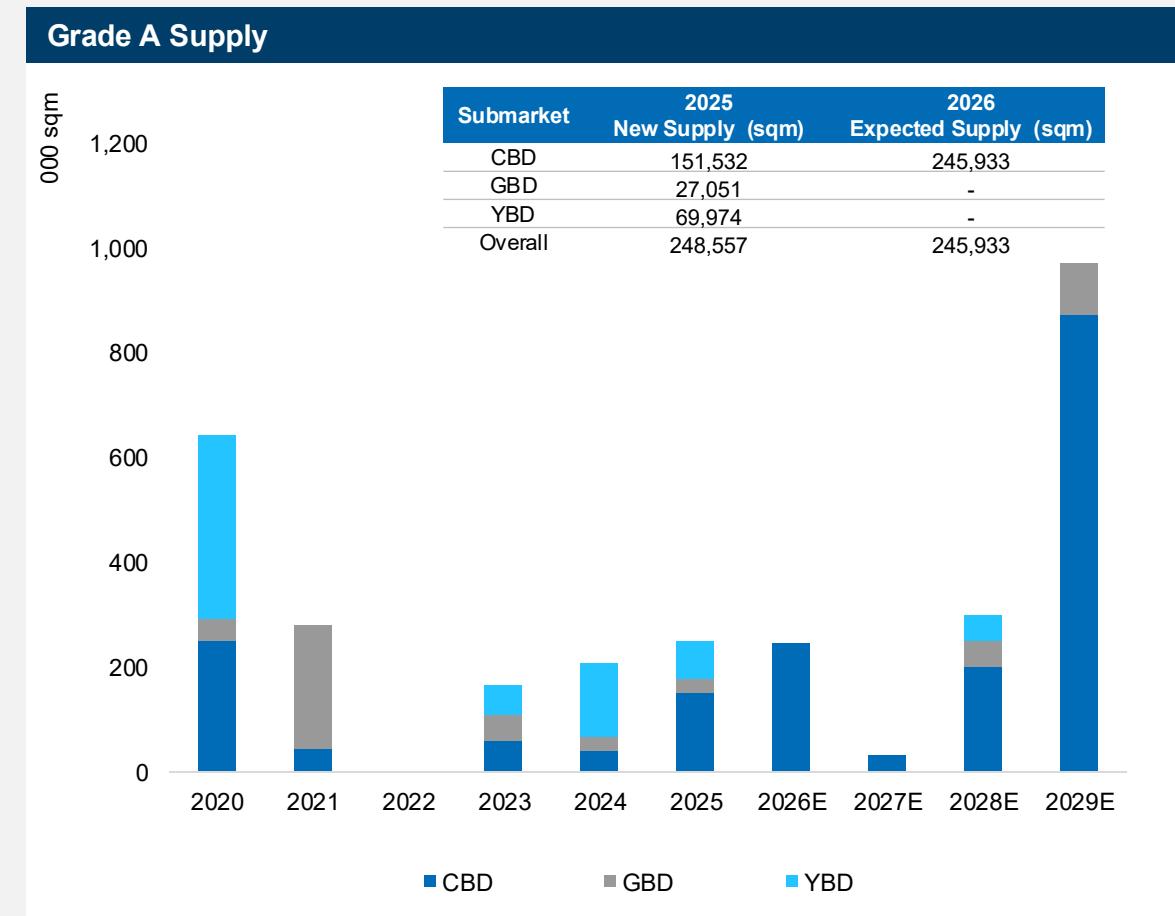
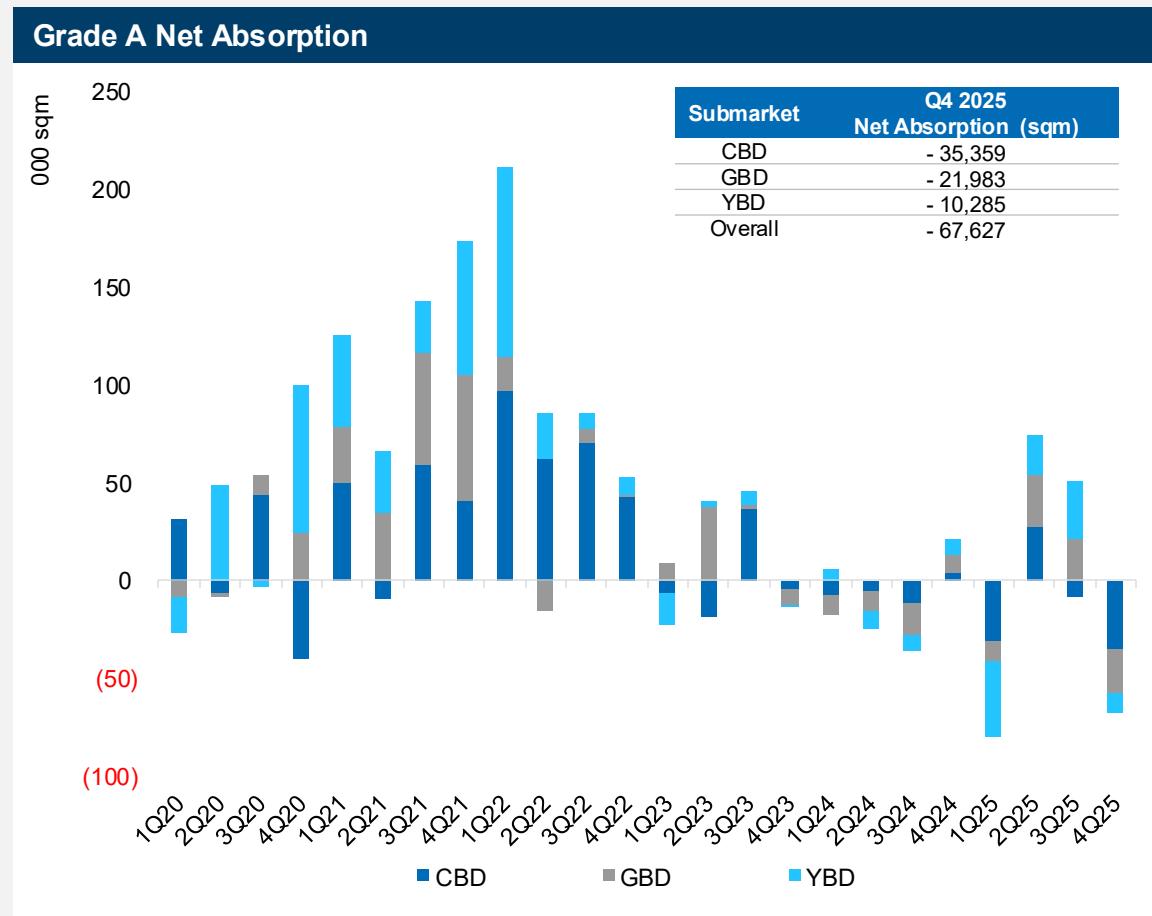


2026 Seoul Office Market Outlook

- The 2025–2026 shifts in the Seoul office market reflect a structural reallocation toward higher-quality offices, rather than tenant exits, with demand for prime and core assets expected to remain resilient.
- By contrast, older office stock faces rising vacancy risk and deepening market polarization, a dynamic that will also influence future CBD supply and sharpen tenant selection criteria.
- Overall, this restructuring process is expected to serve as a medium- to long-term inflection point, lifting the overall quality of Seoul's office market.

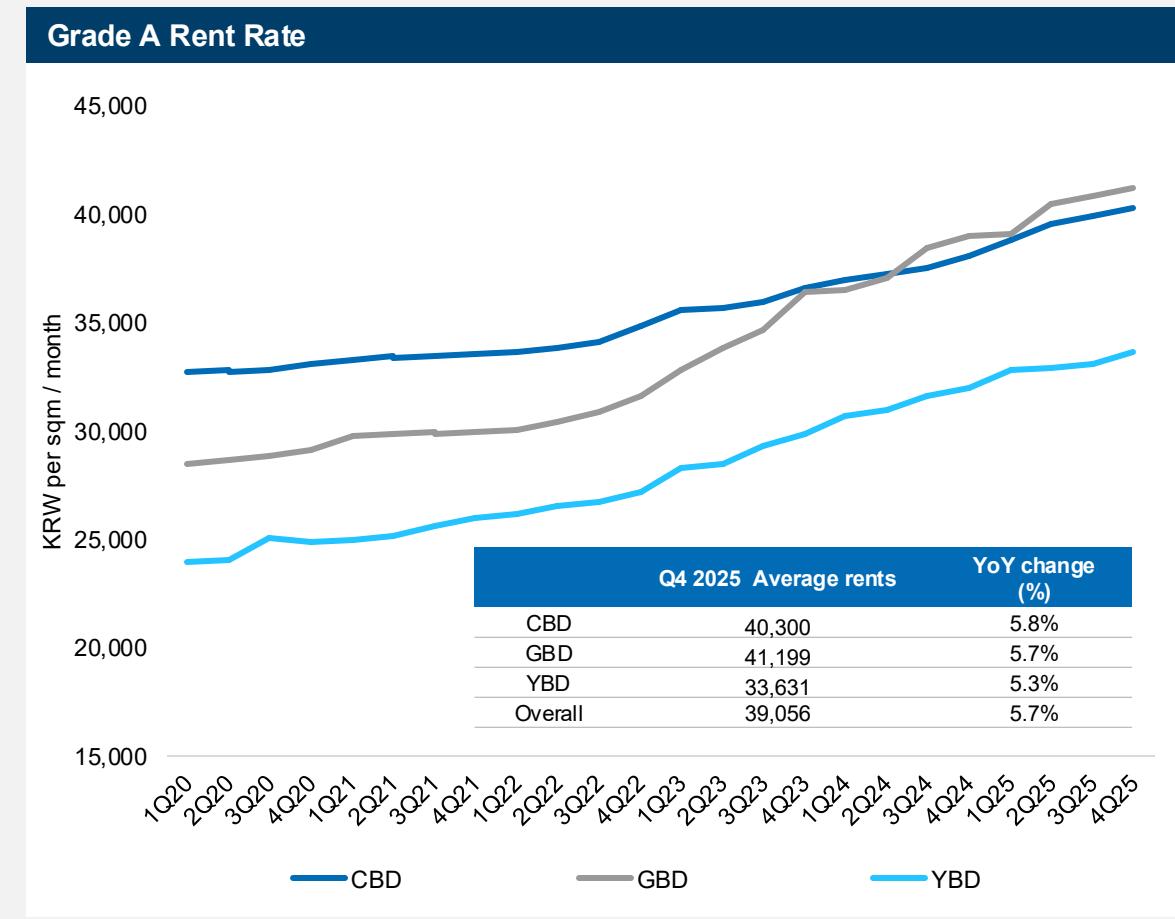
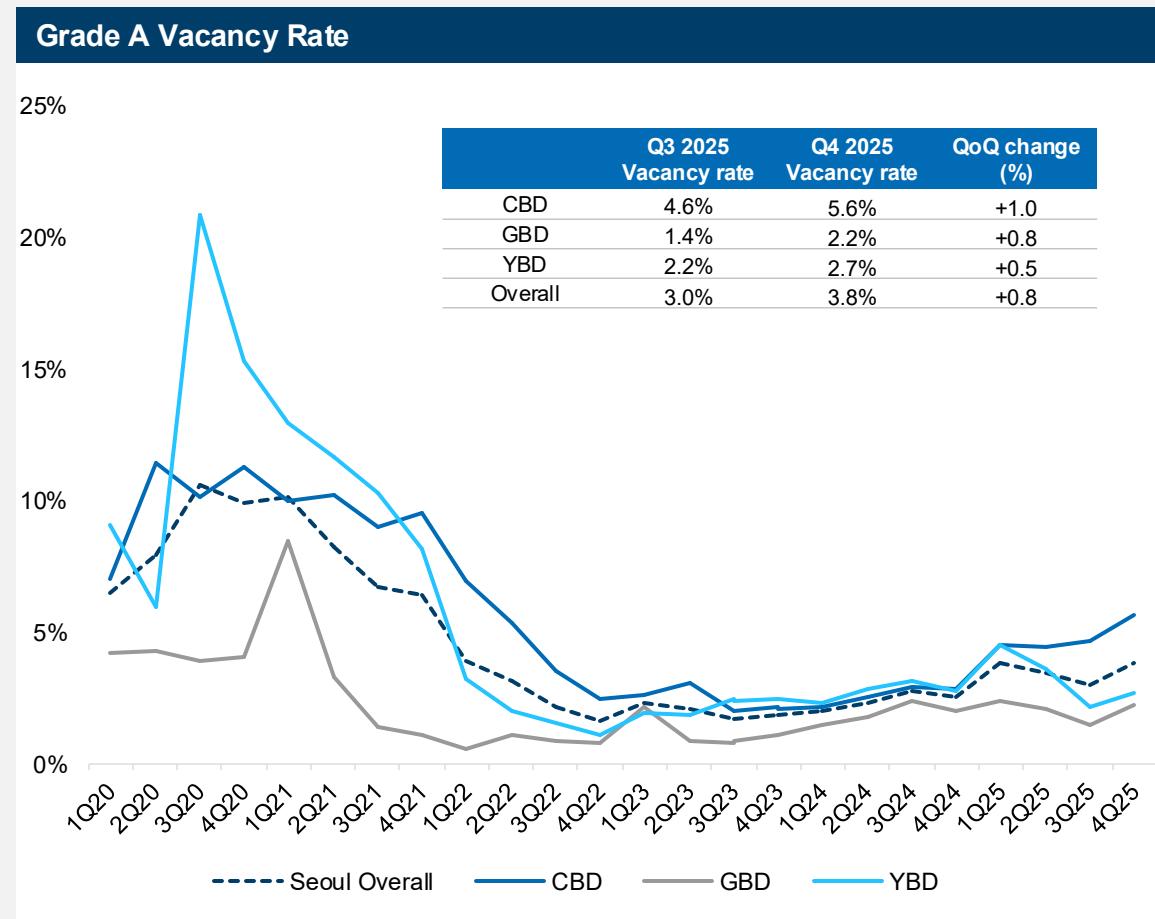
Cost-Driven Tenant Relocations Drive Negative Net Absorption Amid Supply Concerns

Tenant relocations across submarkets, driven by efforts to reduce costs while upgrading office quality, resulted in total net absorption of negative 67,627 sq m this quarter. Although no new supply was delivered in 4Q, concerns over upcoming pipeline supply in the CBD continue to weigh on market sentiment.



Rent Growth Persists Despite Rising Vacancy

The quarterly vacancy rate increased by 0.8 percentage point quarter-on-quarter. While annual rents rose by 5.7%, the pace of effective rent growth remained limited as expanded availability led to increased rent-free incentives.



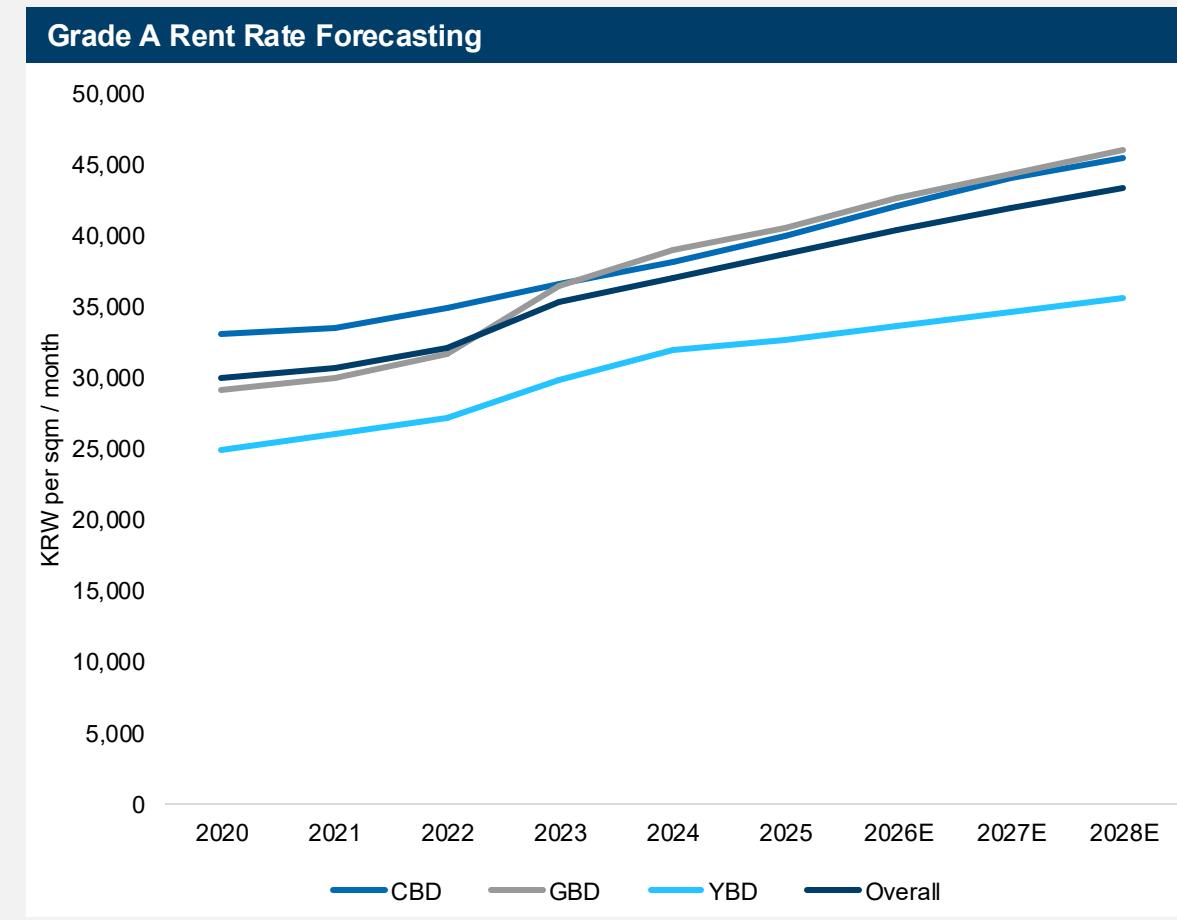
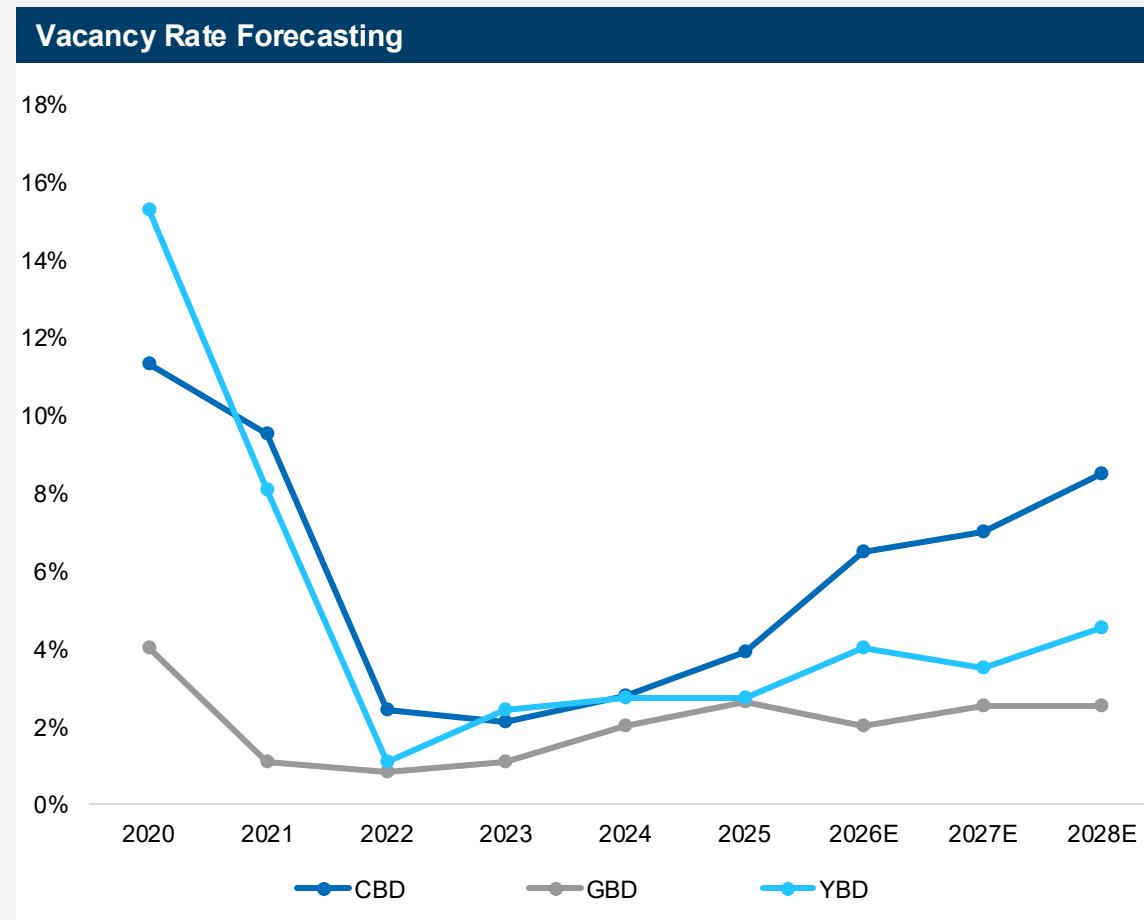
Short-Term Supply Volatility As Major Pipeline Shifts to 2028–2029

In 2026, new supply—including G1 Seoul, Rene Square, and Eul Tower—is expected to enter the market sequentially, driving short-term vacancy increases and upward rental pressure. However, delays to major projects are likely to shift large-scale supply to 2028–2029, pointing to gradual absorption after near-term volatility. In the GBD, near-term supply pressure remains limited, with major projects expected post-2028, while the YBD—where most developments are owner-occupied—is likely to see minimal new leasing supply and continued market stability.

CBD Expected Supply				GBD Expected Supply				YBD Expected Supply			
Property Name	Area (sqm)	Completion (Year)		Property Name	Area (sqm)	Completion (Year)		Property Name	Area (sqm)	Completion (Year)	
G1 Seoul (Gongpyeong District 15, 16)	143,431	2026		Aster site in Yeoksam-dong	51,920	2028		Kiwoom Finance Square	54,998	2028	
Eul Tower (Euljiro 3-ga District 12)	44,903	2026		Le Meridien Hotel Redevelopment	35,600	2030		Meritz Yeouido Building	34,972	2028	
Rene Square (Euljiro 3-ga District 6)	57,599	2026		Seoripul Office Project	-	2030		Mirae Asset Securities Building	-	2031	
Mugyo-Dadong District 31 (Burim Building)	30,060	2027		Lion Sewing Site Office Development	-	-		Korea Fire Insurance Building	-	2032	
Seosomun District 10 (JB Financial Group)	39,624	2028		Hyundai Motor Group Global Business Center (GBC)	-	-		KB Bank redevelopment	-	-	
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									
One-X Building (Supyo District)	171,902	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									
Seodaemun District 1,2 (Hoam)	213,967	2030									
Seoul Station North development	148,050	2030									
Bongrae District 2	-	2030									
Bongrae District 3 (DDIVC)	63,270	2030									
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									

Rent Growth Outlook Remains Intact Despite Near-Term CBD Supply Risks

Korea's office leasing market remains relatively stable compared with global peers, although CBD vacancy is expected to rise in 2026 amid new supply. Volatility may increase post-2028 depending on project delays and pre-leasing outcomes, while the GBD and YBD are likely to maintain long-term stability. While nominal rents have risen alongside inflation, landlords have adjusted effective rents through incentives such as rent-free periods to preserve asset values. Looking ahead, headline rents are expected to grow at around 5% annually, though effective rents may soften during periods of excessive CBD supply as incentives expand.



Judy Jang
Executive Director
Research
judy.jang@nmrk.com

John Pritchard
Managing Director
Country Head
john.pritchard@nmrk.com

NEWMARK
Level 43, 3IFC
10 Gukjegeumyung-ro, Youngdeungpo-gu
Seoul, Korea 07326

With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.