

Real Estate Strategic Outlook: South Korea

Brighter economic outlook ahead

Booming AI cycle driving growth

South Korea's heavy tech exposure has underpinned its position as a major beneficiary of the US-led AI investment cycle, with exports rising 65% y-o-y to record levels in early May, driven by a 202% increase in chip exports.¹ This is expected to bolster GDP growth from 1% in 2025 to 2.5% in 2026.²

While the Bank of Korea has held policy rates unchanged since May 2025, rising inflationary pressures and a continuously weakening currency had reversed prior market expectations of interest rate cuts, with the likelihood of near-term rate hikes increasing.

Where are the best opportunities?

Strong capital markets momentum

South Korea continues to benefit from strong investment activity, drawing over US\$30b of transaction volumes for income-producing properties in the rolling 12-month period to March 2026, placing it just behind Japan and China.

Seoul's office sector is the major standout, accounting for almost US\$20b alone driven by large deals in the CBD and Gangnam Business District, with corporations increasingly active in seeking deals for owner occupation amid rising rents.

Logistics market to stabilise as new supply dwindles

Despite elevated vacancy due to a wave of new completions over the past few years, signs of improvement have emerged in the Greater Seoul Logistics market as demand from 3PLS and e-commerce remain steadfast while new supply pipelines have fallen sharply due to rising construction costs and tighter construction loan requirements. This has led to a tightening of the overall Logistics vacancy rate to 15%³ by end-2025 (Dry warehouses: 11%).

We expect vacancy levels to fall significantly further in coming years, which should underpin the reacceleration of Logistics rents from 2027 onwards as dry storage availability tightens significantly leading to demand-supply fundamentals favouring landlords.

Office outlook remains positive

Seoul's Grade A office vacancy rate stood at 4.3%³ in Q1 2026, with corporate relocations within the CBD driving leasing demand, mainly from domestic tenants.

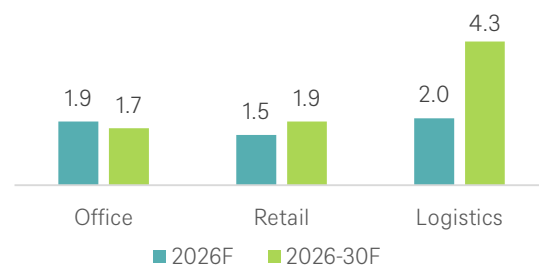
Rising construction costs and elevated replacement costs have led to delays in project pipelines, though a major supply wave located in fringe CBD is still likely to occur after 2028, which could drive up market vacancy levels. Nonetheless, future additions to core CBD as well as Gangnam and Yeouido are expected to remain limited, which should support continued rental growth across core office locations

Living sector gains traction

The Residential sector remains supported by the ongoing shift in structural demand – rising single-person households, international students and young professionals as well as shifting preferences for monthly rental transactions away from traditional lumpsum deposits for non-apartment housing (including officetel and villas), which have underpinned demand for more flexible living options such as Co-Living.

Nonetheless, regulatory risks need to be evaluated closely, as recent policy changes have led to stricter approvals, tighter financing conditions and higher tax burden which have impacted project feasibility for investors.

Seoul Rental Growth Forecasts (% p.a.) 2026-30F



Source: DWS, as of June 2026

¹ Korea Customs Service, May 2026

² Oxford Economics, May 2026

³ JLL, Q1 2026

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