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CBRE to ride over sluggish office market

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The office building market on Yeouido, Seoul, has remained stagnant over the past few years amid the rising number of new office buildings. CBRE Korea, which began managing the 50-story Federation of Korean Industries (FKI) Tower building in February, faces a daunting task finding tenants as four out of ten offices in the building are vacant. / Korea Times fileBy Jhoo Dong-chanCBRE Korea, the local unit of the U.S. real estate consulting and management firm, has vowed to tide over the increasingly sluggish commercial property market amid the rising number of new office buildings, according to the company CEO. In an interview with The Korea Times, CBRE Korea Managing Director Darren Krakowiak said the firm will make money despite increasingly unfavorable market conditions. Founded in 1999, the firm has since engaged in three different commercial real estate sectors _ office, retail and industrial. "Despite unfavorable market factors, including the U.S.

interest hike and the Korean government's stance to choke down the country's office building prices, Korea still promises high returns in real estate compared to government bonds or savings," he said. The company came to the center of public attention after it was selected to provide management and leasing services for the Federation of Korean Industries (FKI) Tower building on Yeouido, Seoul, in February. Despite mounting concerns about the falling prices of the district's commercial facilities, Krakowiak said the company will continue its earnings streak with differentiated real estate investments. The FKI Tower has suffered vacancies since LG CNS moved from the building to the Magok industrial complex, southwestern Seoul, in 2017. A number of FKI member companies also took off from the building since the lobby group was found to have had ties with Choi Soon-sil, the disgraced former President Park Geun-hye's confidant. Four out of ten offices in the building are reportedly vacant, which induces concerns on the FKI tower's profitability, but Krakowiak said the real estate still promises higher returns compared to other investments. "The return on investment in real estate has been 3 to 4 percent higher than government bond or savings," Krakowiak said. He also said the gentrification of certain areas in Seoul could pressure small business owners there, but it could be another opportunity. "I believe it is an inevitable phenomenon for small business owners to face soaring rent price as the area become popular. Once the area becomes popular, capital comes in to invest on the street. CBRE Korea offers an ideal partnership for such projects to appreciate the value of the area," the managing director said. As of 2016, CBRE Korea concluded 29 sales transactions with a total value of 912 billion won (\$853 million). The firm leased 362,000 square meters of office, retail, industrial and logistics facilities in that year. It also completed 53 consulting, valuation and advisory assignments while participated in 52 construction and management projects in 2016. CBRE Korea managed about 3 square kilometers of property and 353,000 square meters of corporate facilities. One of the company's representative projects was the Seoulo 7017 project. "We participated in the Seoul Metropolitan Government (SMG)'s Seoulo 7017 project including providing a detailed merchandise plan, overall layout, shopper flow, targeted revenue and tenant mix," Krakowiak said.

CBRE Korea Managing Director Darren Krakowiak speaks during an interview with The Korea Times at the company's head office in Seoul, Wednesday. / Courtesy of CBRE KoreaThe Seoulo 7017 project was determined by the SMG based on its evaluation that the elevated highway over the tracks leading into the Seoul Station was unsafe and needs to be refurbished. City planners decided to turn the one-kilometer-long overpass into a sky park, similar to New York City's High Line, a desirable destination for residents and tourists. It decided to link the second floor of the Daewoo Foundation building to the Seoulo 7017, and CBRE Korea was selected to manage the project and act as the exclusive leasing agent. Working in close cooperation with the SMG, Daewoo Foundation remodeled the building interior while the city took charge of the overall design and construction of the connecting passageway. CBRE Korea successfully leased 100 percent of the space on time to a mix of international and local tenants while securing the client a triple-digit increase in rental income. "CBRE Korea is also interested in cluster-based leasing projects, similar to WeWork, which operate mainly in downtown Seoul area," said Krakowiak. "Based on prior consultation with

landlords, we offer on-demand custom leasing projects for certain purposes. The service is expected to be best suited for startups and venture companies."Headquartered in Los Angeles, CBRE Group is the world's largest commercial real estate services and investment firm listed as a Fortune 500 and S&P 500 company. It has more than 80 offices in the Asia Pacific region, including in Australia, Cambodia, China, Hong Kong and Japan. Graduating from Monash University in Australia, Krakowiak started his career in real estate in Melbourne in 2001. He has since worked in various posts, including JLL Korea director, and joined CBRE Korea as a managing director in November 2015.

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