

PROJECT COPPER

SEOUL, SOUTH KOREA

CASE STUDY

INVESTMENT STRATEGY

Opportunistic
Repositioning

PROPERTY TYPE

Office

PROJECT SIZE

170,871 SF

STATUS

Sold
2006



BEFORE RENOVATION



AFTER RENOVATION

THELIUS

Overview

- Poorly-managed, Class B building located in Seoul CBD near US Embassy and Chongro-Ku District Office. For nearly 20 years, the property never had institutional asset managers or professional leasing agents. The Seller never made significant capital improvements or any real effort to maximize rents and cash flow.
- The building was occupied by non-institutional, non-credit small tenants on short-term Chonse-basis, an archaic type of lease that includes a large deposit upfront and little to no monthly rents.
- The Seller wanted to sell the asset to consolidate its balance sheet, but investor demand was limited due to its poor building appearance and low quality of tenants.

Execution

- The building was acquired with an aim to significantly improve the exterior, common space, tenant quality, product mix and lease structure to take advantage of its unused FAR and prime location within Seoul CBD.
- A \$3.2MM renovation plan to upgrade its facade, entrance, lobby, 1st floor retail, hallways, bathrooms, mechanical, electricals and to build out an additional annex floor. A redesign was implemented where the first floor was to house a large retail tenant.
- To optimize the NOI, a conversion was made of all the leases from Chonse-basis to a market rate monthly rent, increased common area allocations and actively replaced smaller low credit tenants with higher-quality tenants.

Results

110% increase in operating income **80%** tenants replaced with higher-quality tenants **70% / 5x** levered returns

- Operating income increased by 110% and net rentable space increased by 5,000 SF. 80% of the existing tenants were replaced with higher-quality tenants. Significant improvement in retail, including one of the first Starbucks cafe in Korea.
- At disposition in 2006, the Buyer achieved approximately 70% IRR and 5x on its equity invested.
- Jin Eu, a managing partner at Thelius Capital, represented the Buyer as its country head responsible for acquisition and asset management.