Dynamics of Seoul's office market: from local to global, global to local

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Abstract

Due to massive rural-urban migration, there has been substantial demand for urban land in Korean large cities. This rapid urbanization has created problems in the property market. To deal with repeated land booms, the Korean government has controlled demand for land. Government strong intervention in the economy, called 'developmentalism', acted upon in the property market, too.

In spite of the growing importance of the office market in the post-modernist economy, little scholarly attention has been paid to the Korean office market in the framework of local and global forces. Following questions can be raised: how has the developmental state affected the formation of the office market and how has this office market been evolved in the mature globalisation era? The primary purpose of this research is to investigate the effect of the government intervention under the developmental state and to explore emerging global influence in the Korean office market. This study reviews dynamics of Seoul's office market with the framework of local and global forces.

To understand the local and global factors, two sets of data are established for this study - office stock data composed of 1131 currently operating office buildings, and office transaction data between 1998 and 2013. Findings suggest that local factors remain strong in Seoul's office market despite increasing global influence. After the Asian financial crisis, there was a massive influx of foreign capital into the Seoul office market, but local investors have grown up markedly going through the Global Financial Crisis. To a large extent, Seoul's office market has become global, but concurrently local elements play a crucial role in Seoul, too.

Key words: Seoul, Office Market, Developmental State, Asian Financial Crisis, Global Financial Crisis

Introduction

Office spaces are a core to business activities especially in the era of post-industrial economies. As economic restructuring has been strengthened, office buildings play a more important role as a physical place for information accumulation (Armstrong, 1972). Development of economies, in particular in tertiary industries, needs office spaces as derived demand. In addition, property is becoming one type of financial assets in favour of exchange values beyond use values (Harvey, 1989, Haila, 1991, Lizieri et al., 2000, Beauregard and Haila, 2000). Although property is geographically fixed so supposed to be local, advancement in financial systems has strengthened transaction functions of the property. Office buildings are not only spaces, but 'towers of capital (Lizieri, 2009)'. Globalisation has facilitated this process as global capital flows over national borders in search of investment opportunities.

Governments tend to control the functions of property due to the externalities that property may produce. Also, local factors influence the formation of property markets because of the localness of properties geographically fixed. The Korean office market is a good example that shows local factors and global factors as it has gone through regulation, deregulation, economic restructuring and globalisation. Due to massive rural-urban migration, there has been substantial demand for urban land in Korean large cities. This rapid urbanization has created problems in the property market. To deal with repeated land booms, the Korean government has controlled demand for land. Government strong intervention in the economy, called 'developmentalism', acted upon in the property market, too. Meanwhile, as the Korean economy has been integrated into the global market, the property market was completely opened to global investors.

In spite of the growing importance of the office market in the post-modernist economy, little scholarly attention has been paid to the Korean office market in the framework of local and global forces. Following questions, therefore, can be raised: how has the developmental state affected the formation of the office market and how has this office market been evolved in the mature globalisation era? The primary purpose of this research is to investigate the effect of the government intervention under the developmental state and to explore emerging global influence.

This research illustrates development phases in Seoul's office market identified by two prominent economic crises that affected Korean and global economies significantly. Firstly, the Asian financial crisis, occurred in 1997/8, resulted in massive socio-economic transformation to Korean (Fujita, 2000). The Korean government liberalised the property market to overcome the economic crisis. This deregulation policy provided opportunities for global investors to invest in office buildings. Secondly, Global Financial Crisis (GFC), triggered by sub-prime mortgage loans in the U.S.A. in 2007/8, caused massive changes in investment patterns worldwide (Garnaut, 2009). This study reviews the three phases with the framework of local and global forces.

Local and global forces in the office market

The role of governments in forming global cities and achieving rapid economic growth has been recognised significant, particularly in Asian cities. This strong government intervention in the economy is called developmentalism (Hill and Kim, 2000). In developmental states, cross-border activities of multinational corporations (NMCs) have relied on national institutions and national regulations (Hill and Fujita, 2003). Government planning and strategies guided its development path and urban land use in developmental states. Past studies have explored developmentalism in various countries. Tokyo is a typical example of the global city with the developmentalism tradition (Fujita, 2003). Singapore is commonly referred as a developmental state to achieve a highly-ranked global hierarchy (Han, 2005). Also, Taipei was examined as a regional global city from the perspective of the state-centred developmental global city (Wang, 2003). Global cities within the developmental tradition have different outcomes from market-oriented global cities such as New York and London. For instance, leading groups in market centred cities are transnational capitalist class while they are state bureaucratic elites in developmental states (Hill and Kim, 2000).

Accordingly, it is expected that developmental states have produced different outcomes in the property sector as their economic ideology was dissimilar to market-centred liberalised cities. Cross-border property transactions are relatively new (Tiwari and White, 2010, Lizieri, 2012). Property investment was locally driven until the later part of the 20th century (Lizieri, 2012). Only recently real estate has become a crucial part of global flows. Accordingly, there is a limited number of the literature that has explored global office markets. The main geographical focus of past studies was, of course, on market-centred global cities such as London and American cities (Lizieri, 2009, Lizieri, 2012, Lizieri and Kutsch, 2006). Lizieri (2009, 2012) suggests that international financial centres in global cities tend to accommodate the vast majority of global office investment due to the strong connection between global financial firms who seek out alternative investment opportunities. As the volume of global office investment increases significantly, this capital accumulation into global cities is becoming more obvious. Cross-border transactions in the commercial real estate market increased according to JLL's estimation. It was $90 billion in 2003, but increased up to $357 billion in 2007 (Lizieri, 2012), which was larger than a 40% annual increase.

This paper examines the dynamics of Seoul's office market at different stages affected by local and global factors. The local factors include the government regulations and locally accepted systems. Global forces have been activated by de-regulation and liberalisation. As real estate is geographically fixed and durable, the establishment of the office market and layout of office buildings at the early stage has an influence on office investment activity at later stages.

The literature has acknowledged the Korean government led its economic growth and the development revolved around Seoul (Kim and Han, 2012, Hill and Kim, 2000). Especially military leadership in the 1960s and 1970s played a crucial role as the developmental state. This period witnessed rapid urbanisation. The Seoul population was 2.4 million in 1960, which accounted for 9.8% of the total Korean population, but it increased to 9.5 million in 1985 accounting for 21.5% of the total Korean population. Including surrounding two provinces of Seoul, the population reached 21.4 million in 2000. This population took up 46.3% of the total population in Korea (Statistics Korea). The chronological increase in population was attributable to urban-to-urban migration and the rapid urbanisation caused land shortage problems that were directly reflected into the property market. As a result of continuous population increases, property prices kept increasing in Seoul. When there were property price hikes, the Korean government employed regulations, such as taxation, to reduce the demand for real estate. The Korean government opened up and liberalised the property market systems in accordance with global changes. This deregulation policy was implemented due to the Asian financial crisis in 1997/8. As a result, the two forces co-exist in the office market.

In summary, the office market remained locally-dominated, but cross-border investment has become pervasive, in accordance with global integration. This paper argues that the office market has been developed from the locally-dominated to globally operated, but developmental states are in the transition period where local factors remain still strong. After GFC, Korean investors have played a pivotal role although regulations are relaxed.

Data and methods

This research uses extensive data regarding office buildings in Seoul. Firstly, this research has built a dataset about office transactions between 1998 and 2013. Office transactions were limited before 1998. Office buildings were owned and occupied by large corporations, so commercial office property was less developed until 1998 when foreign property investment was deregulated. The transaction data were collected from office market reports produced by office market consultancy companies such as Shinyong, SAMS, and Savills-Korea. As transactions were newsworthy, media reports were referred to build the dataset. In addition, auxiliary information was added onto transactions using building registry. Thus, the final dataset include the location (address), transaction volumes, origin of investors, transaction date, transaction prices, and types of financing. Over the 16 years, 790 transactions were identified. When buildings are purchased by an Asset Management Company (AMC) on behalf of various investors, the location of the headquarters of AMCs is used for the identification of foreign investment.

Secondly, the whole list of office buildings was established referring building registry and the transactions dataset above mentioned. Information about 1131 office buildings currently operating was collected. Using the two data sources, this research provides an overview of dynamics of Seoul's office market.

The locally dominated office market (before 1998)

This section provides two representative examples when local factors played a key role in the Seoul office market. First, the local leasing system has been massively used in the Korean property market. This leasing was welcomed by tenants and owners subject to certain conditions. Second, taxation on properties is closely related with norms in developmental states. While urbanisation took place intensively, property prices increased rapidly in Korea. As a result, massive capital gains were pocketed by private investors. In response to the speculative behaviour in commercial property markets, the government employed taxation on land. 'Land Excess-Profits Tax (LEPT)' will be discussed in detail in this section as a key example that has affected the office market.

Unique tenure structure, Cheonsei

A unique tenure system plays a key role in the property market of Korea. A lump-sum security deposit, called c*heonsei*, is prevalent as refundable key money (Ronald and Jin, 2010). "*The tenant deposits a lump-sum to the landlord at the beginning of contract in lieu of monthly rent. The landlord* *invests the deposit and keeps the return but at the end of the lease, the entire deposit is refunded to the tenant*" (Kim, 1990: p.373). There can be a wide range of combinations of cheonsei deposits and monthly rent. There is a trade-off relationship between the monthly rent and the cheonsei deposit. This relationship is called a transferring ratio associated with an interest rate in the financial market. A low interest rate leads a lower transferring ratio and vice versa. Lower interest rates facilitate the contract with monthly rent because landlords cannot accrue substantial interest based on the cheonsei deposit and, thus, prefer monthly rent especially when the interest rate is low. The transferring ratio, in general, is 12% per year (1% per month) in the property market. This relationship can be noted like following equations:

$$Rent = (a)\ Cheonsei\ Deposit + (b)\ Monthly\ Rent$$

$$Monthly\ Rent = Cheonsei\ Deposit\ \times \frac{Yearly\ Transferring\ Ratio}{12\ Months}$$

$$\Leftrightarrow\ Cheonsei\ Deposit = \frac{Monthly\ Rent \times 12\ Months}{Yearly\ Transferring\ Ratio}$$

$$\Leftrightarrow Yearly\ Transferring\ Ratio = \frac{Monthly\ Rent \times 12\ Months}{Cheonsei\ Deposit}$$

For example, landlords may ask (1) 1,000 thousand WON as a net cheonsei deposit, (1) monthly rent 5 thousand WON (= 500 thousand WON × 12%/12months) with the cheonsei deposit, 500 thousand WON, or (3) monthly rent 10 thousand WON (= 1000 thousand WON × 12%/12months) without any deposit. Three leasing contracts are treated equally given the 12% transferring ratio.

The amount of cheonsei deposit and the transferring ratio differs by financial conditions of owners. Those who have difficulty borrowing money are in favour of lump-sum money to finance from cheonsei deposits. They would like to be applied to a higher transferring ratio because the high ratio encourages cheonsei deposits. Tenants should pay more monthly rent while cheonsei deposits decrease as the ratio becomes larger. Thus, the tenants are likely to choose cheonsei deposit given high ratios. If landlords need lump-sum money, they would not be willing to receive monthly rent at a normal rate. The landlords want to increase the transferring ratio to facilitate cheonsei deposit.

Office tenure comprises owner-occupation, cheonsei, and monthly rent similar to other Korean property markets. The vast majority of rental arrangements draw upon the combination of monthly rent and cheonsei deposits applying the transferring ratio to the rental contract

This unique leasing system has been accepted in the Korean property market. In the eyes of property owners, the cheonsei deposit functions as a leverage (Gyourko and Han, 1989). When the financial market was undeveloped, property investors hardly accessed loans from institutionalised banks. Property prices increased chronologically as population in large cities grew rapidly. So, there was a belief that property prices would never drop. In this price spiral, investors were keen to purchase property before increases in property prices stopped. Investors were willing to invest in property using the cheonsei deposit as leverage even though the properties were unable to generate income cash flows, in search of increases in property prices. On the contrary, in the eyes of tenants, cheonsei arrangements provided affordable, secure tenure for their business operation. Cheonsei deposits range 30-70% depending on locations and the trend in property prices. Thus, as long as tenants can afford the cheonsei deposit, the space is secured. Cheonsei tenants pay for the opportunity costs of the deposit financially. However, because the cheonsei deposit will be totally refunded at the end of the leasing contract, tenants seem to pay nothing. In fact, there is no cash flow between tenants and owners for the complete cheonsei arrangement.

Taxation: an example of Land Excess-Profit Tax

Government tax policies have influenced the office market in Seoul. Urbanisation and rural-urban migration brought a drastic increase in property prices. Thus, the Korean government has utilised diverse taxation to stabilise property prices and to recoup capital gains from private owners. One of the typical examples was 'Land Excess-Profits Tax (LEPT)' that was implemented in the 1990s. According to the LEPT, a higher tax rate (30-50%) was levied to vacant land when there was a sharp increase in land values than normal changes. The purpose of the LEPT was to recoup betterments from land value appreciation. Therefore, the landlords who had vacant land began to build buildings in hasty to avoid a heavy tax burden.

Major construction occurred in the GBD partly because other business areas were already built while the GBD had much more vacant land than other areas. The expansion of the GBD was apparently expressed in distribution of new office supply in the 1990s. The tax pressured landlords to initiate development, which contributed to immature development in the GBD. Consequently, in the GBD, there were an increasing number of smaller office buildings rather than the amalgamation of small land parcels. Office buildings were built along main business axes in the GBD due to high demand for development adjacent to main roads. For example, premium office buildings in the GBD were located along the Teheran Road and the Gangnam Great Road. The office buildings in Gangnam extend linearly rather than a block of office buildings seen in Figure 1. Premium office buildings cluster along the Teheran Road that extends 4km in a row from the Gangnam Station to the Samsung Station. On the contrary to the GBD, office buildings are scattered in organic ways in the CBD and located in thoroughly planned ways in the YBD. Different spatial layouts are presented in the major business districts.

Figure 1 Teheran road in the GBD: there are small buildings behind main axis

Source: reproduced with permission of the promotion centre of the Korea World Trade Centre in 2010

Table 1 is organised into three time periods: before the LEPT, operation of the LEPT, and after the LEPT, illustrating the number of new office completion in each time frame. The average annual office completions were 15.2, 24.4, and 24.8, respectively. The annual office completion increased more than 60% after the LETP was introduced, from 15.2 to 24.4. Despite the fact that Korea experienced the Asian financial crisis in late 1990s, the number of office completion when the LEPT was operational was as large as the 2000s when office activity became more pervasive. The 1990s was a peak period in Gangnam as massive office space was provided.

Despite the increased office construction, the LEPT seemed to function as one of the barriers to amalgamate land to be appropriate for large development. While landlords waited until the demand for large development was to be met, the waiting period caused the tax burden to landlords.

Accordingly, the landlords began to develop buildings on small land parcels before the demand increased. This premature development was expressed in the size of new office development. The land area of office buildings was the smallest when the LEPT was in operation. The average land area in the period 1991 – 1998 was 1,638 sqm in the Gangnam area, while 1,727 sqm for six years before the introduction of the LEPT. After the abrogation of the LEPT, the land area increased to 2,860 sqm, displaying a 74.6% increase (Table 1). Even though there were massive constructions of new office buildings in the 1990s, their development projects were smaller than pro- and post-LEPT. These small buildings were constructed behind main axes and the small-sized office buildings could be one of the factors to limit from accommodating further decent tenants such as MNEs.

Table 1 Office completion and land area by periods in Gangnam and Seocho

Period	Office building completion	Average land area (sqm)	Notes
1985-1990	76 (15.2)[+]	1,727	
1991-1998	191 (24.4)	1,638	Land Excess-Profit Tax
1999-2009	248 (24.8)	2,860	

[+] () means new office building completion per year

The small size in the GBD is combined with other features in tenure structure. There are still many individual office owners in the GBD. The GBD has 48.1 % of individual ownership in office buildings while the CBD and the YBD respectively has 16.2 % and 27.3 % of individual ownership (Table 2).[1] The higher number of individual ownership also relates to a leasing type. In other words, high levels of cheonsei deposits are commonly observed in small buildings of the GBD. Cheonsei deposits are used as gearing which is expressed in the transferring ratio. The transferring ratio in the GBD is higher than any other business districts. While the transferring ratio was 12.1 % in the CBD and 11.9 % in the YBD, the ratio in the GBD reached at 14.9 % in 2008 (MLTM, 2008: p. 86). Also, a loan-to-value ratio in the GBD is also higher than any other districts because individual investors tend to finance more money than investment firms to purchase the building (Table 3). Besides, the GBD exhibits distinctive statistics in management. In the GBD, direct management by landlords is pervasive, rather than managing by the third party – professional management firms. Free parking in

[1] P.77, Survey on rents and returns of office and commercial buildings, MLTM (2008)

the GBD is more dominant than other business districts. Direct management and pervasive free parking imply less professionalism in management. This underdevelopment in the GBD has influenced the investment decision of foreign capital after opening up policy.

Table 2 Office building ownership (%)

	Individual	Corporation	Public	Others	Total
CBD	16.2	73.0	0.0	10.8	100
YBD	27.3	61.4	2.3	9.1	100
GBD	48.1	43.5	0.0	8.3	100
Others	46.9	45.3	3.1	4.7	100
Total	36.6	54.1	1.0	8.3	100

Source: P.53, MLTM (2008)

Table 3 Management and operation by business districts

	Loan-to-Value (%)	Free parking (%)	Direct management (%)	Cheonsei leasing (%)	Transferring ratio (%)	Income from deposit operation (%)
CBD	9.8	16.2	31.1	5.3	12.1	6.6
YBD	11.5	13.6	43.2	2.9	11.9	5.2
GBD	16.6	38.0	49.1	7.7	14.9	10.2

Source: MLTM (2008)

Explosion after opening up (1998 – 2007)

This stage witnessed rapid expansion of Seoul's office market by virtue of active roles of foreign investors. The Korean government decided to completely open up the property market to global investors in 1997/8 when there was the Asian financial crisis. As a result of this liberalisation, the Seoul office market significantly changed and expanded. At the initial phase, global investors sought out capital gains from investment in Korean office buildings because office prices plunged due to the economic recession. Before the Asian financial crisis, office buildings were owned and occupied by Korean chaebols. Thus, transactional volumes of office space were limited as chaebols kept holding their real estate. While urbanisation took place massively in Korea, prices of real estate continued increasing. However, in danger of bankruptcy, conglomerates, such as Samsung, LG, and SK, began to dispose their headquarters buildings to deal with capital liquidity problems. There was a massive influx of foreign capital into the office market. Particularly foreign short-term funds purchased aggressively office buildings in Seoul at the initial phase right after the deregulation in the property market. Main investors were Morgan Stanley, Lone Star, GIC, Rodamco, Leman Brothers, GRA, Allianz, Goldman Sachs, and Prudential (Suh and Lee, 2007, Kim et al., Forthcoming).

The most preferable sites for global investors were the CBD (Kim et al., Forthcoming). As discussed, the GBD had limitations possibly because of small-sized office buildings and relatively strong local leasing arrangements.

Table 4 Office transactions in Seoul, 1998 - 2013

	Number of office transactions			Transacted size (1000sqm)			Transacted price (billion WON)			
	Total	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	foreign share
1998	2	1	1	83.1	70.2	12.9	171.9	133.9	38.0	22.1%
1999	6	4	2	183.8	73.7	110.0	337.8	114.8	223.0	66.0%
2000	32	22	10	670.8	330.8	340.0	1354.7	658.9	695.8	51.4%
2001	33	21	12	820	245.3	574.7	1762.5	473.5	1288.9	73.1%
2002	58	50	8	993.2	819	174.2	1961.9	1613.5	348.4	17.8%
2003	57	47	10	1005.7	649.9	355.8	2192.7	1438.7	754.0	34.4%
2004	45	27	18	984.6	431	553.6	2899.3	1127.9	1771.4	61.1%
2005	58	47	11	766.4	537.3	229.1	2338.4	1464.1	874.4	37.4%
2006	96	90	6	795.9	679.3	116.5	2210.7	1917.3	293.4	13.3%
2007	97	90	7	1158.7	865.7	266.0	4851.1	3380.9	1470.3	30.3%
Subtotal	484	399	85	7462.2	4702.2	2732.8	20081.1	12323.5	7757.6	38.6%
2008	61	58	3	893.1	760.1	133.0	3777.1	3348.4	428.8	11.4%
2009	52	51	1	822.6	807.5	15.1	3587.0	3527.0	60.0	1.7%
2010	46	43	3	1025.9	972.9	53.0	4238.1	3998.7	239.4	5.6%
2011	52	51	1	1024.0	924.0	100.0	4988.2	4474.0	514.2	10.3%
2012	52	49	3	1165.9	1087.1	78.7	4977.5	4618.5	359.0	7.2%
2013	43	42	1	917.3	865.9	51.4	4619.7	4374.6	245.1	5.3%
Subtotal	306	294	12	5848.8	5417.5	431.2	26187.6	24341.2	1846.5	7.1%

Over the ten years, global investment in Seoul's office buildings accounted for 38.6% in terms of aggregated transacted values on average (Table 4). In selected years, foreign investment accounted for more than half of the total office transactions, reaching record highs in 2001 at 73.1%. Global property investment accounted for approximately 40% worldwide between 2008 and 2011 (JLL, 2012). So, the scale of global property investment in Seoul was similar to the global trend. Obviously, the Seoul office market was transformed from local to global at this stage. However, global investors disappeared suddenly as the world economy faced GFC.

Expansion of Korean investors after GFC (After 2008)

After the GFC, transactions by foreign investors decreased significantly as seen in the transaction volumes in Table 4. Rather, domestic investors have led office investment while foreign investors faced the sluggish global economy. After 2008 has witnessed the dominance of locals again. Firstly, the scale of global investment dropped apparently. Global property investment no longer plays a pivotal role in office transactions. Their share is less than 10% currently. In terms of the number of transactions, global office investment is rare ranging from one to three every year, showing that global investors invest in only expensive office buildings.

Second, financing methods have changed. Global investors financed from their headquarters using ABS and often direct purchases before GFC. However, indirect purchase via AMCs is now dominant. Due to liquidity problems in their headquarters, global investment companies, such as CBRE, Ascendas, and Deutsche Bank, established AMCs to finance locally in Korea (Kim et al., Forthcoming). This is a long-term strategy to continue their investment in Seoul regardless of financial conditions in their headquarters. As seen in Table 5, real estate funds via AMCs increased sharply from 2.3% to 53.8% after GFC among foreign investors.

Table 5 Financing methods, 1998 – 2013

	Financing method	Domestic investor		Foreign investor	
		Num. of purchase	Proportion	Num. of purchase	Proportion
1998 – 2007	Direct purchase	271	68.1%	34	39.5%
	Fund	23	5.8%	2	2.3%
	REITs	17	4.3%	8	9.3%
	ABS	30	7.5%	40	46.5%
	Bidding	1	0.3%	0	0.0%
	N.A.	56	14.1%	2	2.3%
2008 – 2013	Direct purchase	191	62.6%	4	30.8%
	Fund	62	20.3%	7	53.8%
	REITs	27	8.9%	1	7.7%
	ABS	4	1.3%	1	7.7%
	Bidding	1	0.3%	0	0.0%
	N.A.	20	6.6%	0	0.0%

Source: Office transaction dataset in this research

Third, Korean investors are not only active in Seoul's office market, but in premium office buildings in the world. As Korean office market is growing, the capacity of Korean investors has expanded. For instance, Korean National Pension Service (NPS) is the fourth largest pension fund in the world. NPS was the most active office investor in 2009 worldwide. It purchased six premium office buildings and one shopping centre in global cities between 2009 and 2010. The office buildings that NPS invested were in the CBD of global cities such as London, Sydney and Berlin (Kim et al., Forthcoming).

The local leasing, i.e., complete cheonsei, is no longer pervasive in commercial property markets. Government regulations in the property market have been relaxed by allowing everyone to have the ownership of properties in Korea. Nevertheless, global office investment has decreased in Seoul in scale since GFC, which could be described as global back to local in terms of office transactions.

Discussions and conclusions

This study provides an overview of the Seoul office market with respect to local and global factors. Transaction volumes are used to analyse the influence of local and global factors. There was limited numbers of office transactions before liberalisation of the property market in Korea. Government policies were active in managing and controlling property markets. As illustrated by the example of LEPT, taxation affected new construction of office buildings, possibly development timing, size of development, and ownership at the later stage. Local leasing arrangements were firmly established in the property market. Complicated localness existed in property leasing due to undeveloped financial markets. However, as the office market is transforming into a financial asset associated with exchange values and affected by global investors in search of high return rates, local factors have disappeared to a large extent. Convergence between Korean and global property markets in terms of office market operations seemed to be observed. Leasing was more standardised and transparent after global investors appeared apparently in the Seoul office market. In spite of liberalised and globally standardised office market systems, global office investment, however, disappeared after GFC. Due to imbalance generated unequally worldwide, global investors were inactive while Korean office market was mature and Korean investors grew.

The review of Seoul's office market shows rapid globalisation appeared in office transactions after economic tumultuousness, the Asian financial crisis. This stage witnessed apparent transformation from local to global in the office market institutionally and functionally. However, GFC curbed this trend in office transactions, from global to local. The return to the locally-dominated office market was not from institutional changes, but from the growth of Korean investment companies as active global office investors.

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