Economy

The Bank of Korea held its growth outlook for this year at 2.7%. For 2017, it is revising its outlook to 2.8% due to weak exports, rising household debt, and other political uncertainties like the South Korean presidential scandal. Household spending also shows a persistent slump in consumption.

Expected new mall operation

Shinsegae Property signed a contract to take over operations of Coex Mall and CALT Mall in Gangnam district from the malls' owner Korea International Trade Association. Shinsegae Property will oversee operations of the malls’ 327 combined stores for the next 10 years through a master lease.

Meanwhile, Hyundai Department Store has been selected to operate a commercial facility inside Parc1, a department store located in the commercial district of Yeouido. The complex will consist of two office buildings, a hotel, and retail space. The new department store in Parc1 is expected to become the biggest shopping complex in Seoul once it opens in 2020.

Multishop as new business model

Department stores are slowly adapting multi-shop/multi-brand models to find new revenue growth amid prolonged business slowdown. Lotte Department Store opened a second multi-brand shop el Cube in Garosugil. The shop occupies a four-story building, with a floor area of 1,000 square meters (sq.m.), with a Flying Tiger Copenhagen shop to be opened on the first floor. Meanwhile, AK Plaza, the department store unit of the Aekyung Group, is operating two contemporary multi-brand shops: Official Holiday in Garosugil and Tag On in Hongdae, respectively.

Although the local retail’s growth, specially the fashion industry, is slowing down, multi-shops are aggressively investing in renovation/expansion.

New life style brand

With lifestyle shopping gaining popularity in Korea, Martha Stewart Living, established in United States of America (USA) by home decorating guru Martha Stewart, is preparing to enter the Korean market with the first store anticipated to be open in 2017. In addition, American lifestyle brand Williams-Sonoma will open its first store inside Hyundai Department Store. The Hyundai Department Store Group will sell Williams-Sonoma’s products including Williams-Sonoma, Pottery Barn, Pottery Barn Kids, and West Elm. Global homeware brands are entering the market and accelerating their expansion plans in Korea.

Outlook

Many offices’ lower level floor areas are being developed into independent commercial facilities. Several new completed office buildings, such as Gran Seoul, Tower 8, and D Tower's lower floors are occupied by various retail shops. More office buildings are currently in discussion for retail renovation, allowing investors to maximize the value of their properties.

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