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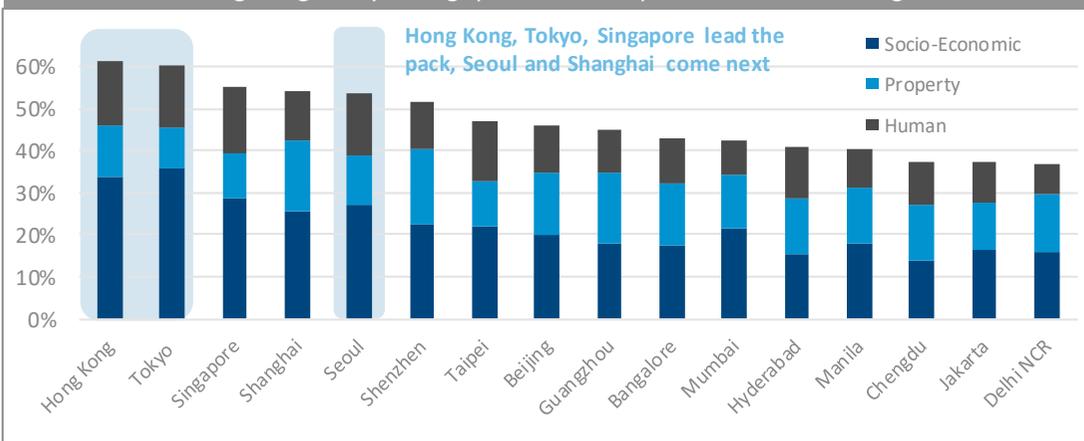
KOREAN OPPORTUNITIES FOR GLOBAL FINANCIAL OCCUPIERS

Summary & Recommendations

Korea is an attractive candidate for the relocation of Asia headquarters (HQs) of financial institutions. Seoul ranks fifth in our Top Locations in Asia report, and there are various government incentives and policies available to the financial sector.

- > Among the [World Bank's](#) financial development and human capital indicators, Korea is rated equal or better than Hong Kong*, Singapore, and Japan. Given Korea's stable financial infrastructure, government-friendly fintech support policies, and the growing international asset and investment presence, we recommend financial occupiers consider Korea as a competitive financial hub.
- > We recommend global financial occupiers take advantage of tax benefits and rent-free office space such as the Seoul Metropolitan Government's rent subsidies of up to 70% for up to five years for space in One IFC Building in Yeouido.
- > We also recommend financial sector occupiers relocating from Hong Kong to consider incentives such as the Busan Metropolitan Government's offer of a rent-free lease on a 522 sq meter office in the Busan International Financial Center (BIFC).

Overall score: Hong Kong, Tokyo, Singapore lead the pack, Seoul and Shanghai come next



Source: Colliers International, based on data inputs from numerous sources

According to Colliers [Top Locations in Asia \(Finance\)](#) report, Seoul was ranked #5. Hong Kong* has played an important role in Asian financial markets with a close relationship with London and rapidly developing financial infrastructure. However, with Hong Kong's recent local tensions, and the United States' recent change in Hong Kong's special trading, tariff, investment and visa policy, companies are looking for options.

We think the Korean government will leap forward as an Asian financial hub only if it continues to provide a more business-friendly environment for incoming foreign companies, including corporate tax cuts and deregulation.



Going forward, we recommend the Korean government put a continuous effort into attracting the Asian headquarters of global companies, and especially global financial institutions. Specifically we recommend the government discuss the necessity of special financial zones to enhance Korea's position as the next financial hub in Asia.



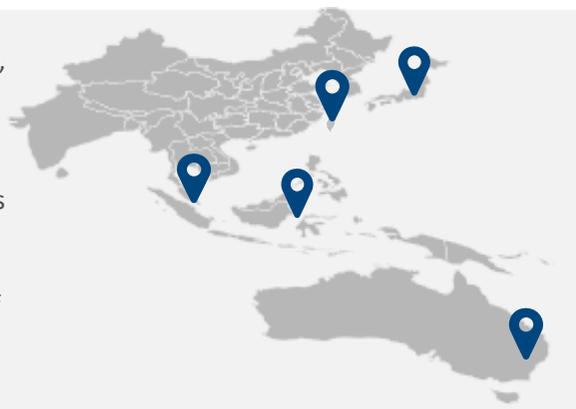
The New York Times' recent announcement it will relocate "roughly one-third of its Hong Kong staff to Seoul over the course of the next year"[†] has become a hot issue in the market. One of the reasons the Times gave for choosing Seoul was its friendliness to foreign companies, while considering Bangkok, Singapore, Tokyo and other cities in the Asia-Pacific region in addition to Seoul. The New York Times relocating to Seoul paves the way for other media companies to relocate their operations to Korea.

*This report covers the Hong Kong Special Administrative Region of the People's Republic of China. [†][New York Times Will Move Part of Hong Kong Office to Seoul](#).

Korea's possibility for Hong Kong's alternative location

70 out of the 100 top global banks are still based in Hong Kong, and global financial institutions are still highly dependent on Hong Kong. However, in the long run, according to Korean media news, financial employees in Hong Kong already began to avoid working in Hong Kong due to political and economic uncertainty. We expect these impacts to restrain Hong Kong's ability to act as global finance hub.

Since the beginning of 2019, multinational companies have started considering Japan, Singapore, Taiwan, and Australia as alternatives to Hong Kong. Naturally, competition among countries to take the title of *Asian financial hub* is increasing.



Considering the convenience for foreign expatriates, tax incentives, and governmental regulations, Hong Kong, Singapore, and Japan tend to be preferred financial sector hubs. For Korea to leap forward as a financial hub, governmental regulations on companies should be more flexible and the corporate tax level should be lowered from 18% to 16% level in Singapore and Hong Kong.

Korea has a strong, stable and developed financial industry

Stable sovereign credit rating

Fitch rates Korea's sovereign credit rating as AA-, two levels higher than Japan, and one level higher than China's A+ rating. Global credit rating agencies are continuing to rate Korea as "stable." This sovereign credit ratings supports the credit rating of commercial banks and is an important factor in assessing the cost of foreign currency financing.

Increasing the proportion of finance industry

As of August 2020, the financial sector accounted for 24% of the top 50 stocks in the Korea Composite Stock Index (KOSPI). This importance of finance industry in the Korean stock market reflects the fact that Seoul has transformed from a traditional industrial city to a financial center in the past twenty years.

Currently, tenants in the financial sector occupy about 36% of Grade A office space in Seoul's three major business districts, the CBD, Gangnam, and Yeouido. The number of foreign financial companies operating in Korea reached 162 as of Q1 2020.

Stable IT financial infrastructure

Korea is a global leader in online and mobile banking operations. In fact, Korea showed a speedy and efficient payment system for emergency disaster relief funds for Covid-19. This is mainly due to the speed of the IT-centered Korean administrative processing approach. Thus, Seoul provides a stable and efficient IT-oriented financial and administrative infrastructure.

Chinese Yuan offshore trading market hub

Korea is the world's fourth-largest offshore Chinese yuan trading market following Hong Kong, London, and Singapore. Considering its geographical proximity and economic and trade relations with China, Korea has the potential to increase its share of Asian offshore yuan trading.

Sovereign Credit ratings

Fitch	AA-
Moody's	Aa2
S&P	AA

Source: Oxford Economics

Strengthened presence of Korean institutional investors

Due to Seoul's decentralization policy, the Korean National Pension Service (NPS) is in Jeonju, about 90 minutes south of Seoul by train. The NPS has assets under management (AUM) of KRW750 trillion (USD635 billion) and is the world's third largest pension fund after Japan and Norway.

Six domestic and foreign financial institutions reside in Jeonju Innovation City, and Jeollabuk-do is striving to make Jeonju a financial city and the Korean government plans to foster Korea as a center for asset management with the NPS as anchor.

The Jeollabuk-do Provincial Government provides an incentive system to financial institutions that employ five or more employees and having seed investment of more than KRW100 million (USD80,000) to promote relocation of financial institutions from the Seoul metropolitan area. In addition, the provincial government is anticipating being able to offer special treatment for qualifying financial institutions in Jeonbuk Innovation City.

In addition, the provincial government is planning to invest

KRW200 billion (USD160 million)

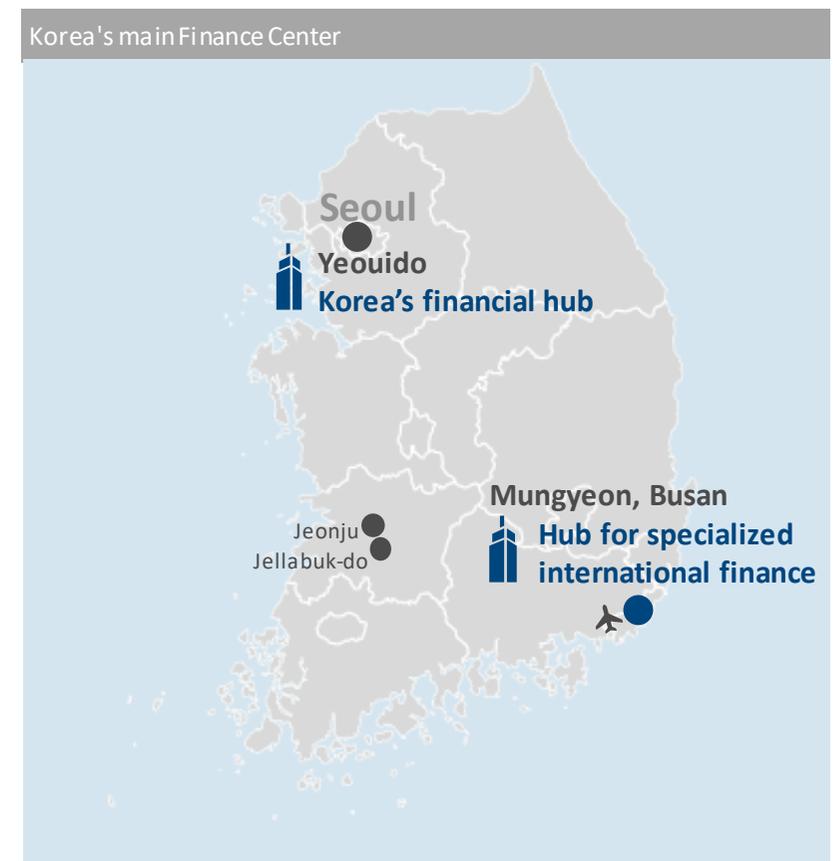
to develop an international financial hub on the **33,000 sq meter** Jeonbuk Innovation City site by 2023. This is planned to include the international financial center, a convention center, and accommodation facilities through two stages of construction.



Recently, State Street Bank (SSBT) with AUM of about USD32.6 trillion and BNY Mellon, the world's largest asset manager with AUM of approximately USD34.6 trillion, opened a branch in Jeonju. Establishment of global companies in Jeonju, outside of Seoul, shows how influential the NPS is in global capital investment market.

Korean Government support for global companies

The government designated Yeouido in Seoul and Mungyeong in Busan as financial centers in 2009, and for past decade has been striving to increase their competitiveness. Each city has been providing various benefits to attract global financial institutions like business environment, working environment, and living environment compared to other global cities.



Source: Busan Metropolitan City

Benefits for global financial institutions in Busan

Rent free at Busan International Finance Center (BIFC)

Busan was designated as financial center by the Korean government in 2009 and financial institutions from Hong Kong relocating to Busan International Financial Center (BIFC) can take advantage of a free, 25 year, 522 sq meter office from the Busan Metropolitan Government. BIFC is a 63-story landmark building with an existing financial cluster including Korea Exchange, Korea Asset Management Corporation (KAMCO), and Korea Housing Finance Corporation reside.

Tax incentives for tenants from Hong Kong

In addition, tenants relocating from Hong Kong will be exempted from corporate and income tax for three years and will get 50% discounts on both for the following two years. These benefits are restricted to foreign financial institutions with three or more employees and an investment amount of KRW3 billion or more.

Residential environment support

There is also support for residential environments for foreigners. If foreigner purchase Busan L City apartment that costs over KRW700 million (USD590,000) and any real estate Dongbusan tourist place that costs over KRW500 million (USD420,000), Korean government issues resident (F2) visa and green card (F5) five years after issuance of F2 Visa.

Busan Munhyeon Innovation City Development Project

Despite the Busan Metropolitan Government's commitments to attract financial institutions to establish their next financial hub in Busan, few companies have yet taken advantage of the opportunity. Hence, we expect the government will continue to provide benefits to attract foreign companies relocating from Hong Kong.

Part of the government's commitment is the third phase of the Busan Munhyeon Innovative City Complex Development Project. This is a 45-floor 11,295 sq meter office tower within the larger 147,000 sq meter Busan International Financial Complex. The top priority of this third phase of the project is establishing pleasant work environment for financial institutions.

Busan Munhyeon District



Source: Busan Metropolitan City

Busan Munhyeon District Development Master Plan

Location: neighborhood 1227-2, Munhyeon-dong, Nam-gu

Size: a 102,000 sq meter commercial district

Institutions to be relocated: 11 institutions (five relocating public agencies, five relevant financial institutions)

Public agencies (5): Korean Manage Asset Corporation, Korean Housing Finance Corporation, Korean Securities Depository, Korean Housing Guarantee Corporation, Korean Southern Power Co., Ltd.

Financial institutions (6): The Bank of Korea Busan branch, Korean Exchange (KRX), Busan Bank head office, Nonghyup Busan headquarters, KIBO technology fund, Korea Credit Guarantee Fund.

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