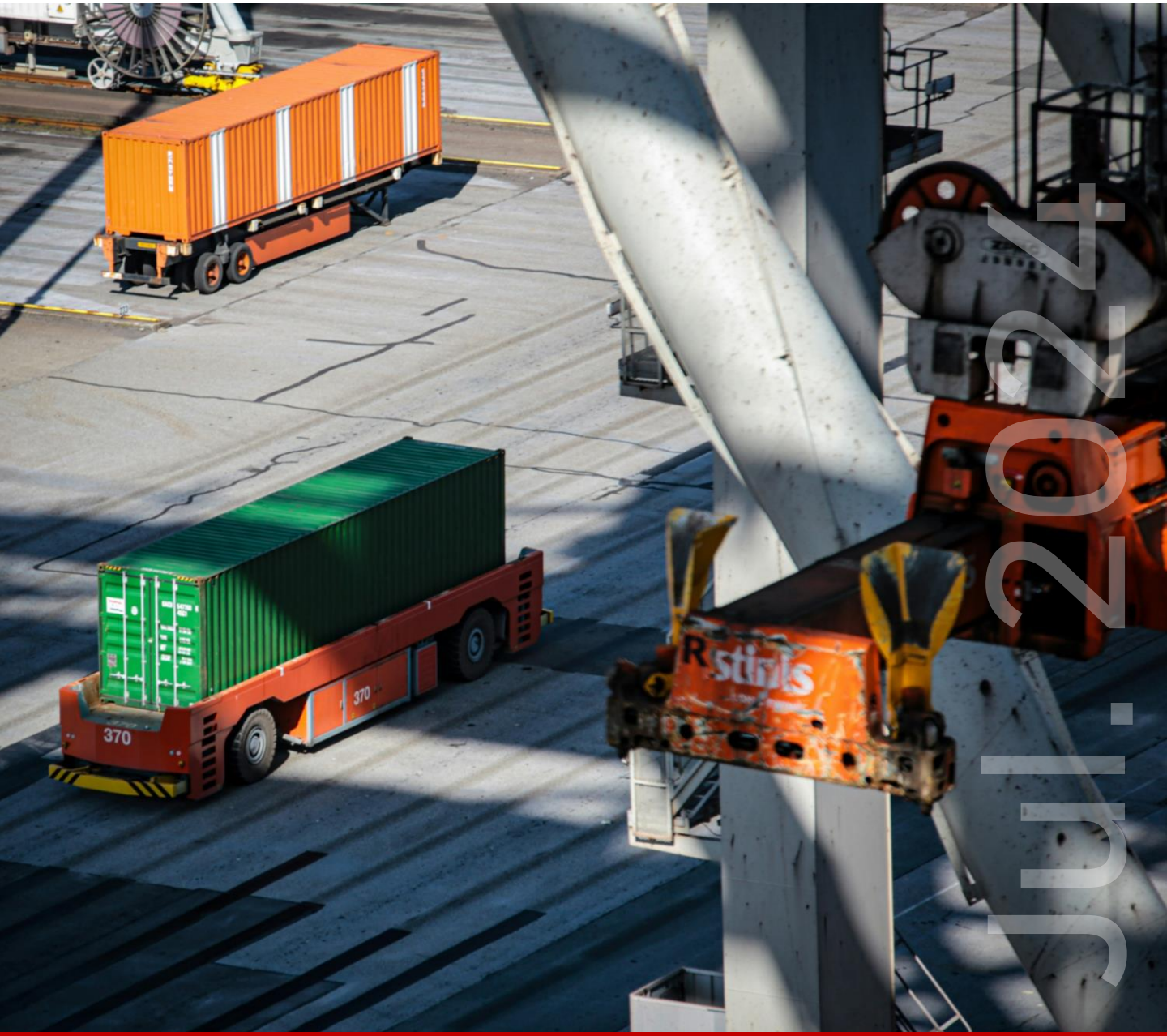
Logistics Real Estate Series Report

Logistics Center Tenant Analysis by Region

Logistics Tenant Profile

Incheon



Jul. 2024

CUSHMAN & WAKEFIELD

Global Fulfillment HUB
NEW Incheon

After suffering from a short-term oversupply,
Incheon has quickly recovered from vacancies
and is undergoing an upgraded transformation.

With airport and port Infrastructure,
transportation network in all directions,
and skilled logistics workforce,
Incheon has recently emerged
as a global logistics hub
for cross-border dropshipping platforms.

Incheon is poised to transform into
a global fulfillment hub beyond Korea.

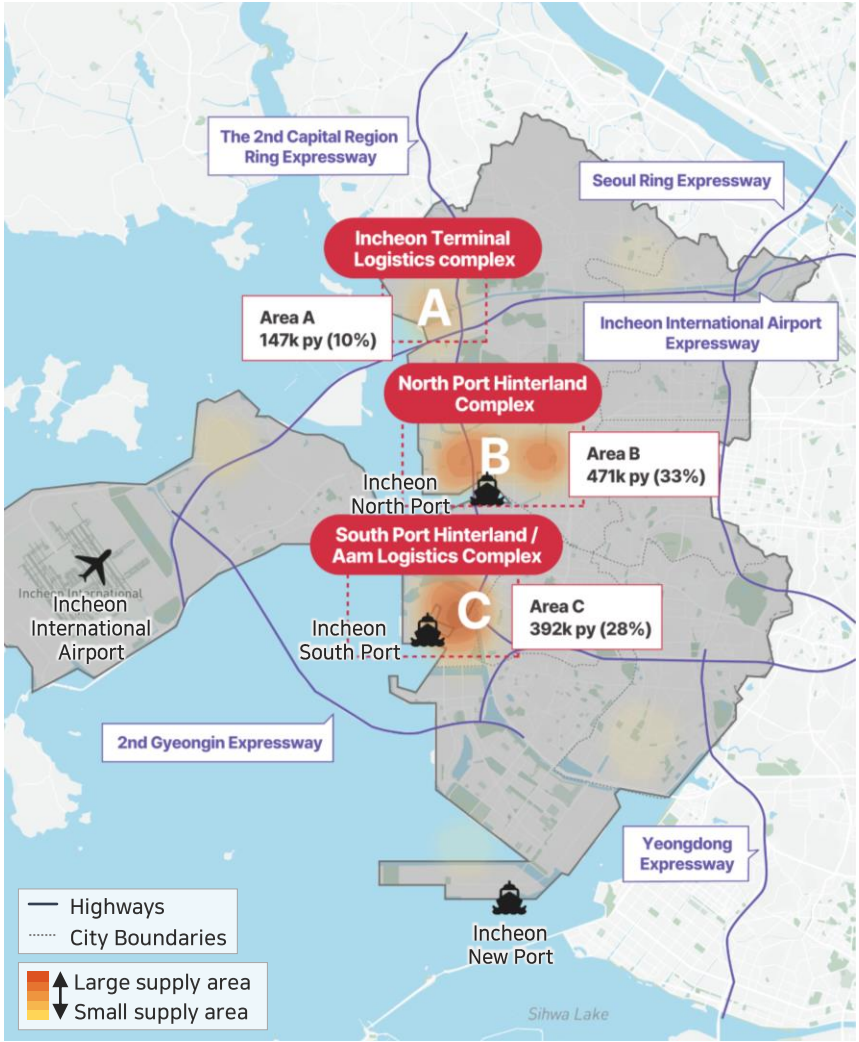
Let us show you the New Incheon

Last-mile bases and global logistics hubs

A. Supply Status of Logistics centers

- Home to Incheon Port and Incheon Airport, two of the country's leading import and export trade bases, and adjacent to Seoul, **Incheon is not only a last-mile hub for the metropolitan area, but also a global logistics hub.**
- **About 72% of the logistics centers in Incheon are concentrated in three areas: Incheon Terminal Logistics Complex (Oryu-dong), North Port Hinterland Complex (Wonchang-dong), and South Port Hinterland/Aam Logistics Complex (Hangdong, Sinheung-dong).** There are 3PL logistics centers such as NKG, M&M, and HTNS, as well as e-Commerce fulfillment hubs such as Coupang, SSG.COM, and Fassto.

Analysis of logistics center situation[1]



Area A
(Terminal Logistics Complex)

- **Location:** Oryu-dong
- **Key features**
  - High concentration of distribution centers cluster
  - Limits to additional new supply
- **Main tenants:** Coupang, LX Pantos, HTNS, CJ Logistics

Area B
(North Port Hinterland)

- **Location:** Wonchang-dong
- **Key features**
  - New supply concentrated around the former Hanjin Heavy Industries site.
  - High proportion of cold logistics centers to maximize profits
- **Main tenants:** NKG, Coupang, Fassto

Area C
(South Port Hinterland / Aam Complex)

- **Location:** Hangdong, Shinheung-dong
- **Key features**
  - High ratio of warehouses owned by manufacturing and import/export companies near South Port
  - Centers for lease to be developed since 2021, with many e-commerce companies moving in
- **Main tenants:** M&M, ILC, SSG.COM

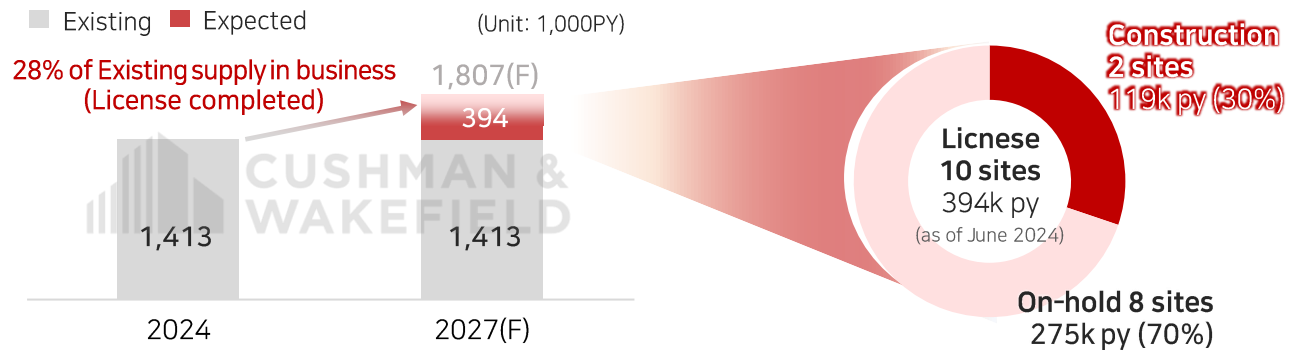
Note1: Scale of 5,000 py+ in Incheon, as of June 2024
Source: C&W Research

Last-mile bases and global logistics hubs

A. Supply Status of Logistics centers

- Although **10 logistics centers with 394k py, or 28% of the existing supply, have received building permits, only two of them are under construction**, and the remaining eight are likely to be delayed or canceled due to deteriorating business conditions, so **Incheon is expected to gradually shift to a landlord-dominated market.**
- **New logistics centers will be supplied mainly in the regeneration areas of aging industrial complexes** such as the Namdong Industrial Complex. In addition, **Cheongna International City, Yonghyun-Hagik 1st Block, and other residential development areas are located nearby**, which are expected to absorb the demand for online delivery and industrial complexes.

New supplies[2]



Major new supplies

No	Name	GFA(py)	Industrial / Logistics Complex
1	Megawise Cheongna	43,194	
2	CBRE Dohwa	75,800	Incheon
3	Gojan-dong center	56,689	Namdong
4	Bupyeong MFC	16,594	
5	178-76 Gajwa-dong	20,721	
6	GO&K Gajwa	38,498	
7	686 Dohwa-dong	29,625	Incheon Machinery
8	Bupyeong Logistics	37,463	Bupyeong
9	Sipjeong-dong center	63,756	
10	Myeongju Warehouse	11,746	Aam 2

Note2: Scale of 5,000 py+ in Incheon, as of June 2024

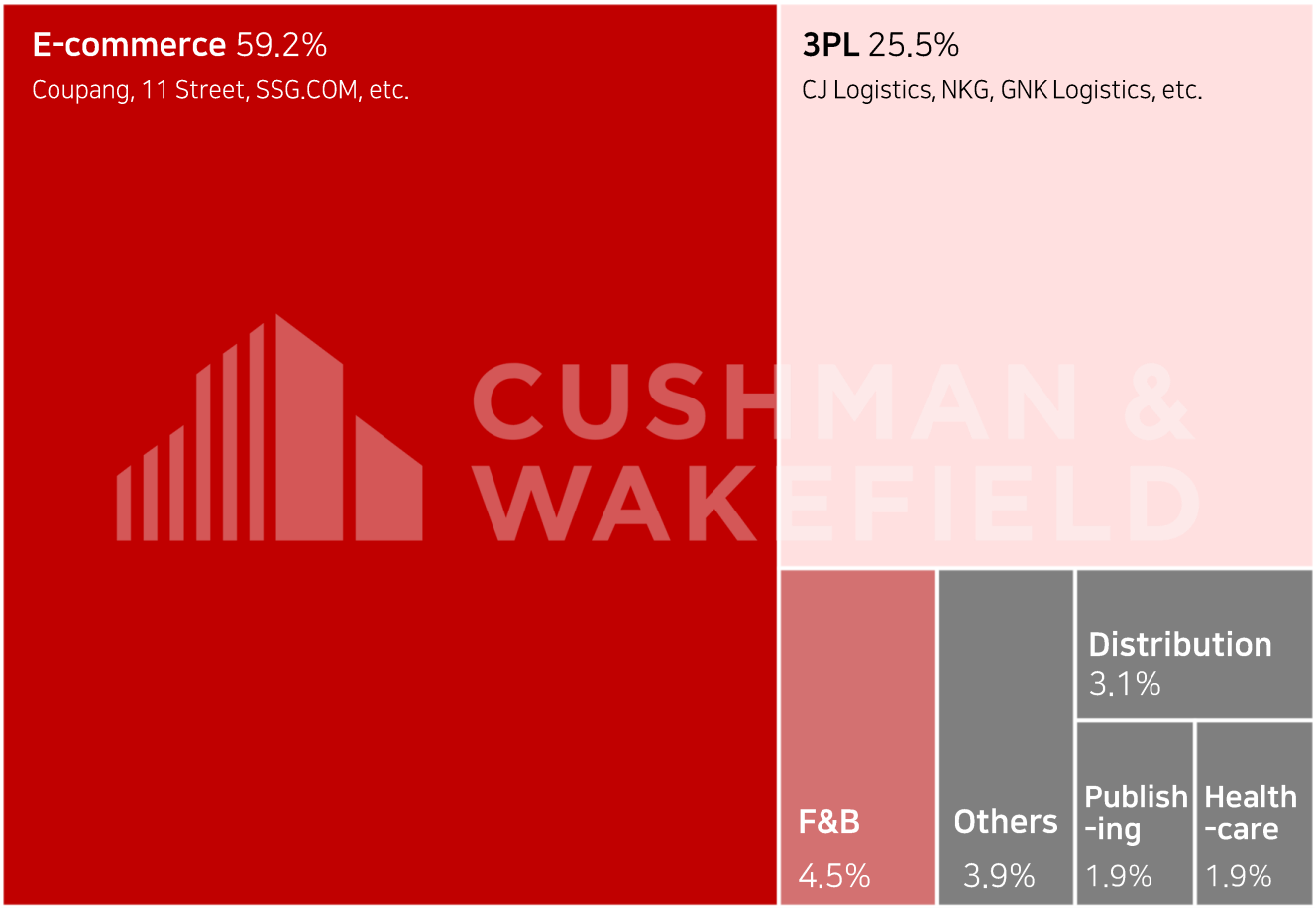
Source: C&W Research

Who is the primary tenant?

B. Tenant industry sector proportions (by GFA)

- **E-commerce logistics and 3PL companies occupy about 85% of Incheon's logistics center area,** while other industries such as **F&B, distribution, publishing, and healthcare** operate logistics bases in the rest of the area.
- Due to its excellent access to the Seoul metropolitan area, **it is home to many fast delivery bases and fulfillment centers of e-commerce platforms such as Coupang, 11 Street, and SSG.COM.** In addition, with its international-scale airport and port infrastructure, **3PL logistics companies such as CJ Logistics, NKG, and GNK Logistics operate international trade logistics bases around the airport and port hinterland.**

Tenant proportion[3]



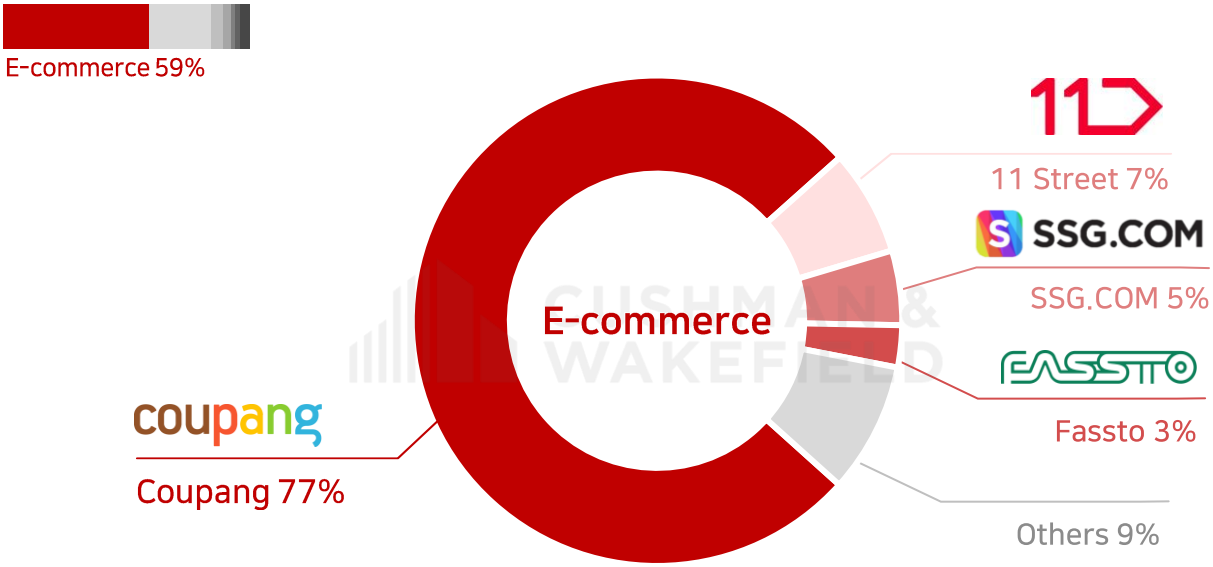
Note3: Scale of 5,000 py+ in Incheon, as of June 2024

Source: C&W Research

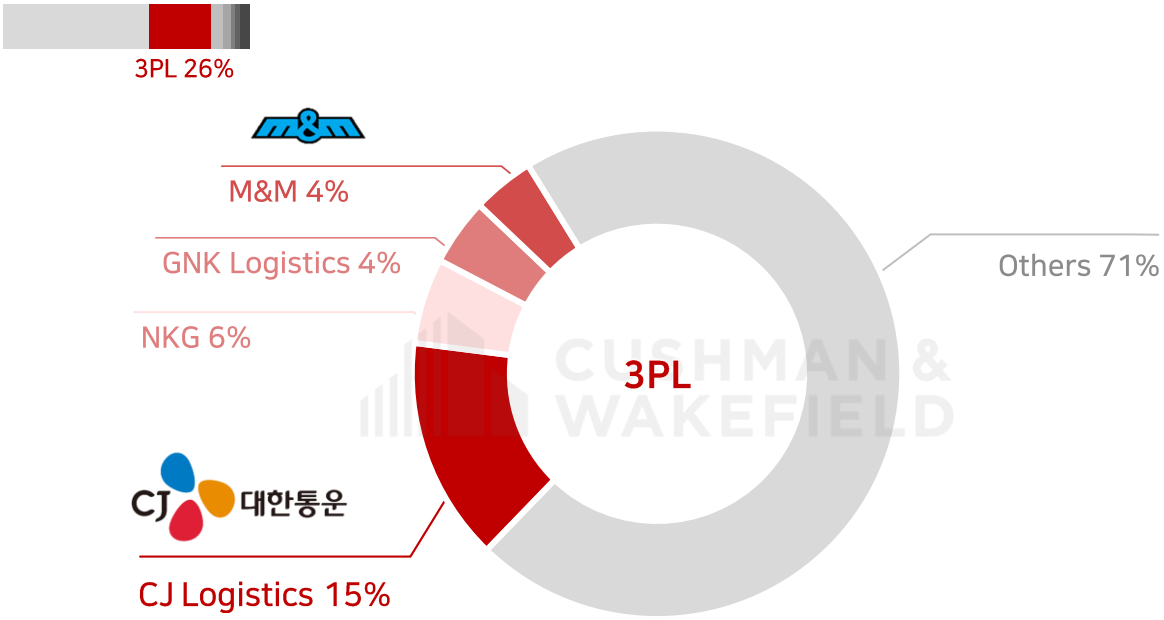
Who is the primary tenant?

B. Tenant industry sector proportions (by GFA)

Proportion of E-commerce companies



Percentage of 3PL companies



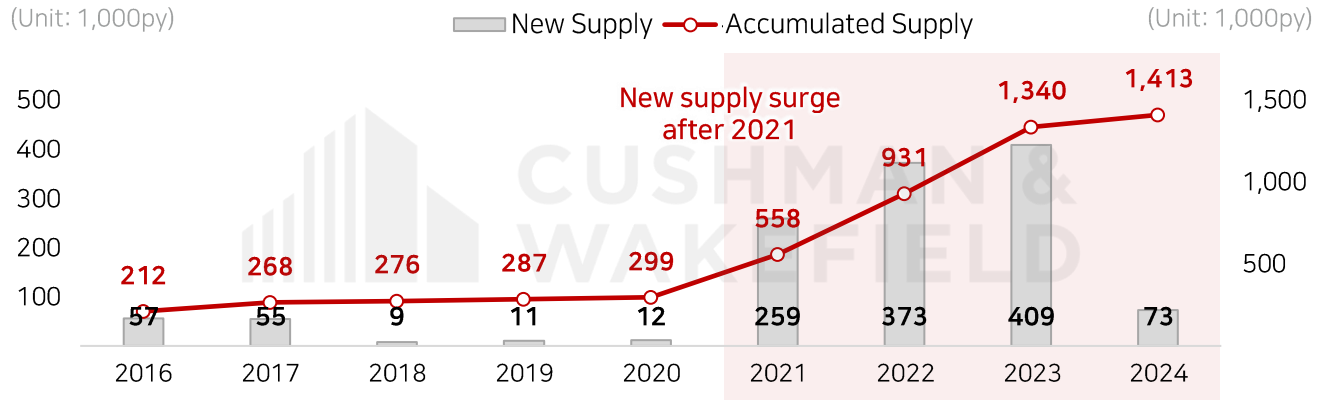
Source: C&W Research

How do Incheon stabilize quickly?

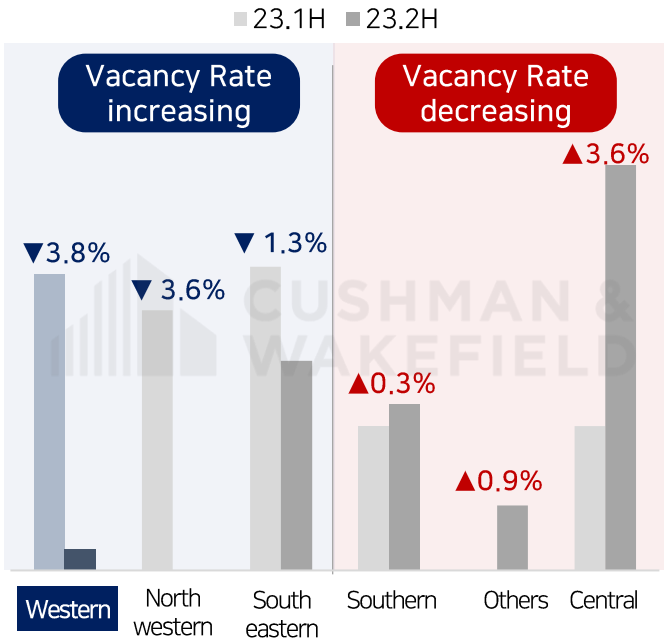
C. Abundant workforce and low labor costs

- Since 2021, the supply of new warehouses in the Incheon area has increased dramatically, causing vacancy rates to skyrocket and **concerns about oversupply to quickly spread.**
- However, due to its location and structural strengths, **it has quickly absorbed demand from e-Commerce fulfillment companies such as Coupang and 11 Street and has stabilized in a short period,** with the vacancy rate of dry warehouses in the western region in the second half of 2023 falling sharply to 0.3% from 4.1% in the first half.

Warehouse supply trends by year



Dry warehouse vacancy trends



Source: C&W Research

Major new warehouse lease cases

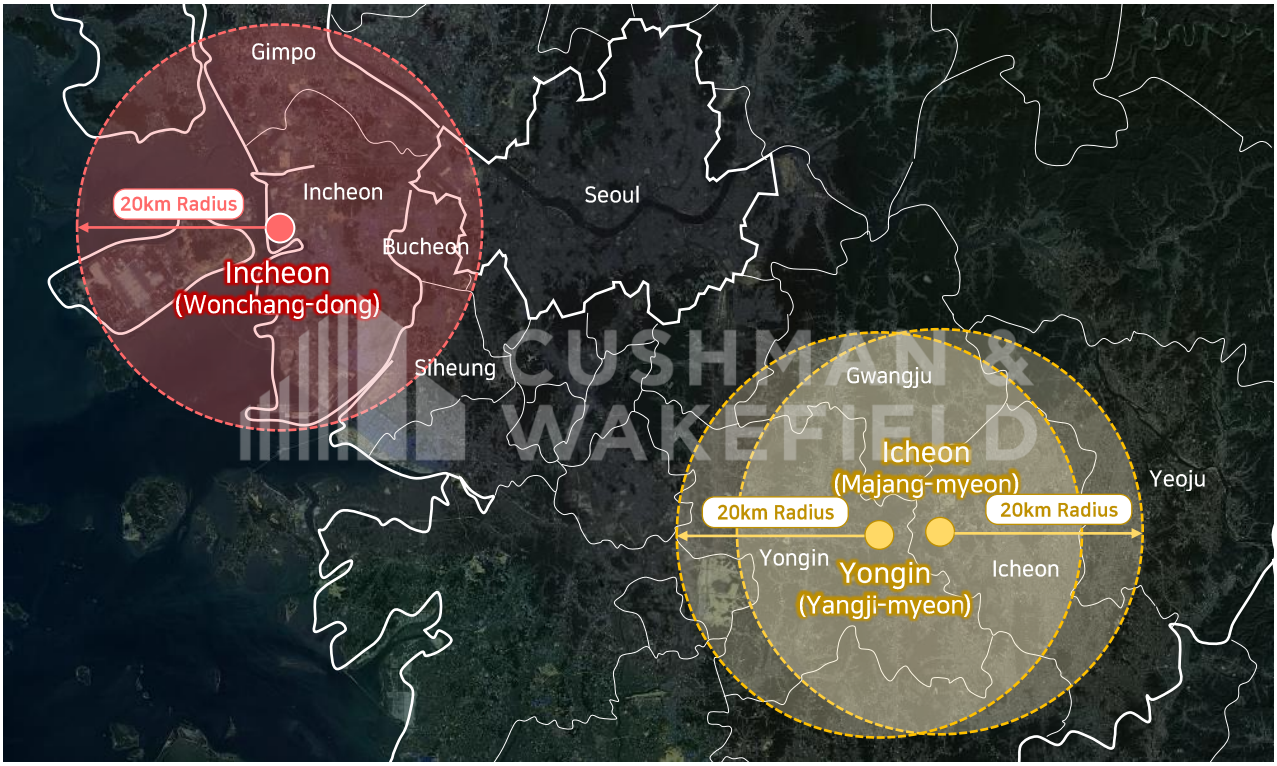
Name	GFA(py)	Year of Completion	Tenants
CBRE IM ILC	49,758	2022	SSG.COM
Namcheongna Smart Logistics	42,336	2022	Coupang
Namcheongna Logistics	20,085	2022	Fassto
Brookfield Chengna	130,151	2022	Coupang
Kendallsqare Geomdan	45,269	2022	Swatch Korea, DHL
Namdong Industrial Complex	24,947	2023	Woowa Brothers
Logisport Incheon	59,647	2023	11 street, Kurly
Logishub Incheon	37,940	2023	CJ Logistics, Coupang
Seongnam S&K	44,842	2023	Coupang
KKR Seongnam-dong	90,523	2023	Coupang

How do Incheon stabilize quickly?

C. Abundant workforce and low labor costs

- The secret to the rapid stabilization of the Incheon Regional Logistics Center is the abundance of manpower located nearby. Fulfillment, which requires two to three times more manpower than offline distribution centers, has been driving logistics demand in recent years, further increasing the preference for logistics centers in the Incheon area, which are easy to recruit workers.
- Incheon has a population of about 5 million people in the hinterland, more than 3~5 times larger than the typical logistics areas of Yongin (1.7 million) and Icheon (0.8 million), allowing for a smooth supply of workers at low labor costs.

Comparison of hinterland population[4]



Location	Major regions within 20km radius	Total population	Productive population share	Generation 2030 share	Generation 5060 share	Female share
Incheon (Wonchang-dong)	Incheon, Bucheon, Gimpo, etc.	5,241K	72.4%	26.4%	31.4%	50.3%
Yongin (Yangji-myeon)	Yongin, Icheon, Gwangju, etc.	1,757K	72.1%	26.0%	28.0%	49.7%
Icheon (Majang-myeon)	Icheon, Yongin, Yeoju, etc.	835K	70.9%	24.0%	31.4%	48.8%

Note4: Population within 20km radius of neighboring Ics in each region (Wonchang-dong, Incheon(Namcheongna IC), Yangji-myeon, Yongin(Yangji IC), Majang-myeon, Icheon(Deokpyeong IC)

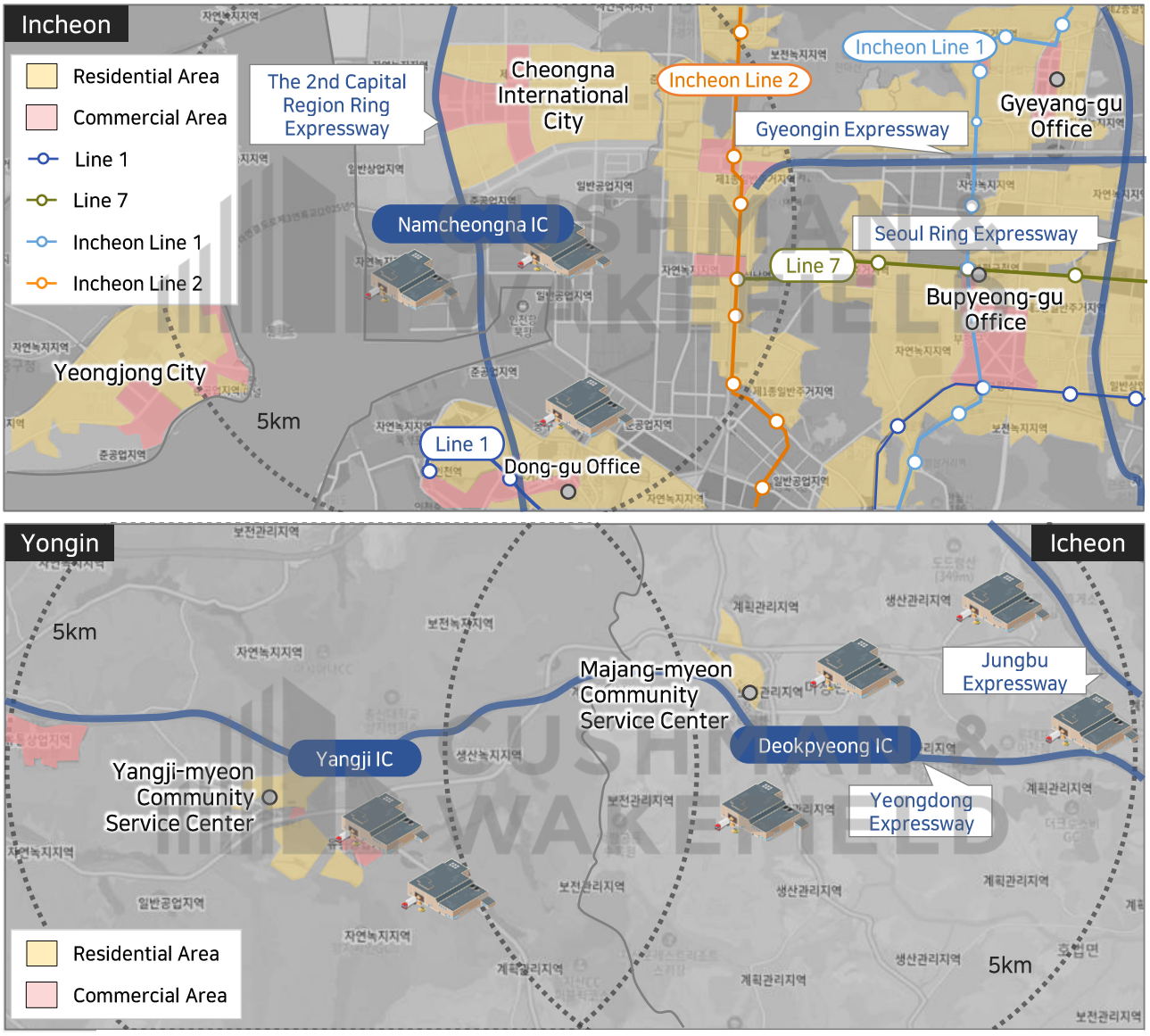
Source: C&W Research

How do Incheon stabilize quickly?

C. Abundant workforce and low labor costs

- Wonchang-dong, Incheon, has many residential areas nearby and has excellent public transportation infrastructure that connects not only to Incheon but also to Seoul.
- In the Yangji-myeon, Yongin, and Majang-myeon, Icheon, the lack of public transportation infrastructure makes it inevitable for employees to commute by large buses, but in Wonchang-dong, Incheon, it is possible to commute to work via Incheon Line 1 and 2, as well as Lines 1 and 7, which connect to Seoul, making it easier to recruit skilled workers.

Comparison of the public transportation infrastructure and neighborhoods



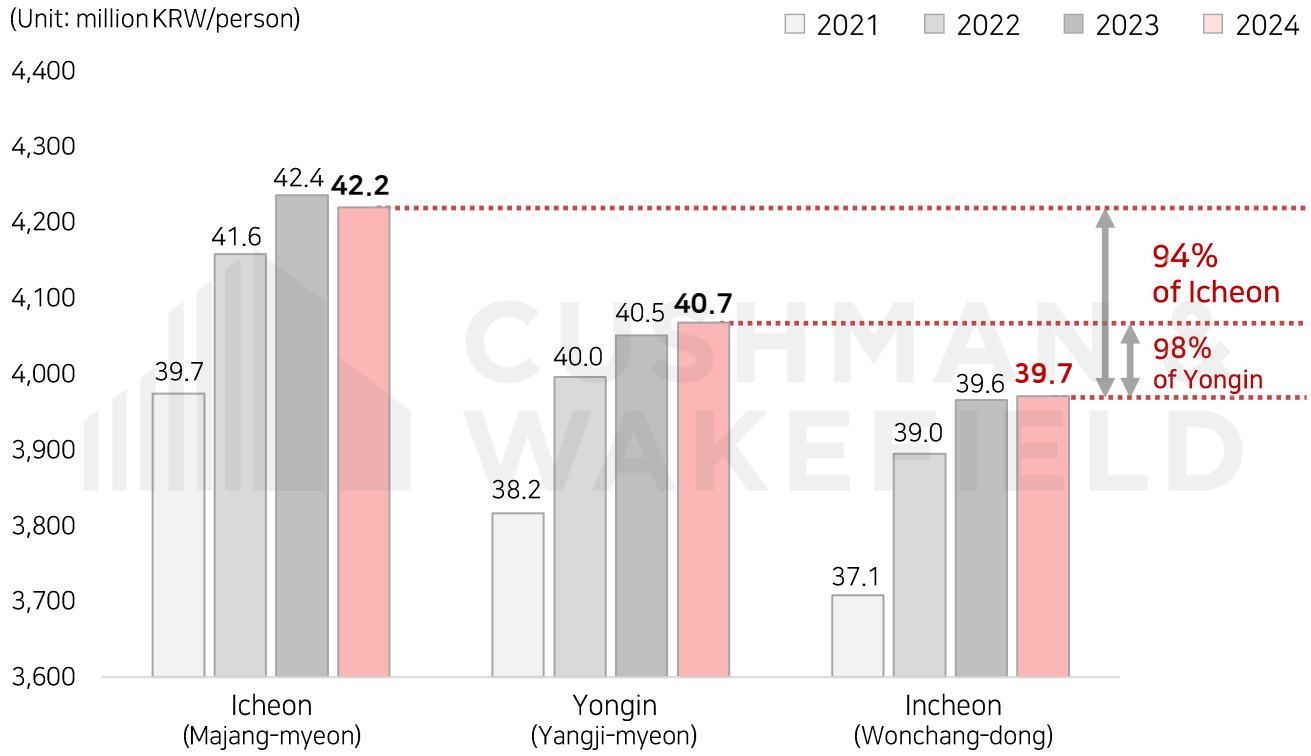
Source: C&W Research

How do Incheon stabilize quickly?

C. Abundant workforce and low labor costs

- Incheon has the advantage of relatively low labor costs compared to Icheon and Yongin due to its proximity to the workplace and convenient transportation, which can reduce logistics costs compared to the southeastern region.
- As a result of comparing the annual income per capita of residents in each region as of 2024, the annual income of residents in Wonchang-dong, Incheon, is 39.7million KRW/person, which is more competitive in labor cost compared to Majang-myeon, Icheon (42.2million KRW/person) and Yangji-myeon, Yongin (40.9million KRW/person).

Comparison of annual income levels per capita [5]



지역	2021	2022	2023	2024
Icheon (Majang-myeon)	3,974	4,158	4,236	4,220
Yongin (Yangji-myeon)	3,816	3,996	4,051	4,068
Incheon (Wonchang-dong)	3,708	3,895	3,966	3,971

Note5: Average annual income per capita of the residential population in each area

Source: C&W Research

After struggling with a supply bomb
and high vacancy rates,
Incheon is surprising the market
by quickly absorbing demand and stabilizing.

Its value is expected to increase further in the future
as it emerges as an optimal location
for cross-border e-Commerce logistics ceters
as well as last-mile delivery bases in SMA.

Incheon, which is attracting attention
as a logistics base
for the upcoming Global ONE Distribution Platform,
will become a global e-Commerce logistics HUB.

That's why 'Cushman & Wakefield' is interested
in INCHEON

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Disclaimer

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Logistics Real Estate One-Stop Consulting

- Market Due Diligence & Feasibility Study
- Logistics Leaseing
- Acquisition & Disposition

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- Logistics Real Estate Feasibility Analysis Report
- Warehouse Design Consulting
- Big data-driven Logistics Advisory

Logistics Leasing

- Leasing Advisory
- Logistics Center Marketing
- Logistics Center Due Diligence Representation

Acquisition & Disposition

- Disposition/Acquisition Advisory
- BUILD-TO-SUIT(BTS) Advisory
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