Logistics Real Estate Series Report
Warehouse tenant analysis by region

Logistics Tenant Profile

Mar. 2024

Gwang-ju City

CUSHMAN & WAKEFIELD

Urban logistics battle 'Gyeonggi Gwangju'

The area with the optimal location as a forward base in the city, which can reach not only Seoul, Seong-nam, Suwon, the representative consumption areas, but also Yongin and Icheon, the logistics-intensive areas, within 30 minutes, but still has many undeveloped areas, is 'Gyeonggi Gwangju'.

Many distribution and logistics companies are struggling to secure a foothold for base construction due to permit regulations and complaints.

However, the logistical value of Gyeonggi Gwangju is increasing, and interest in securing a foothold is not cooling down.

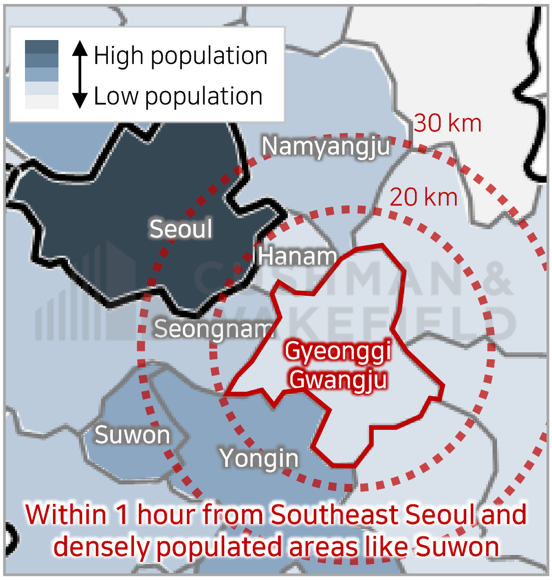
How will the future logistics look of Gyeonggi Gwangju change?

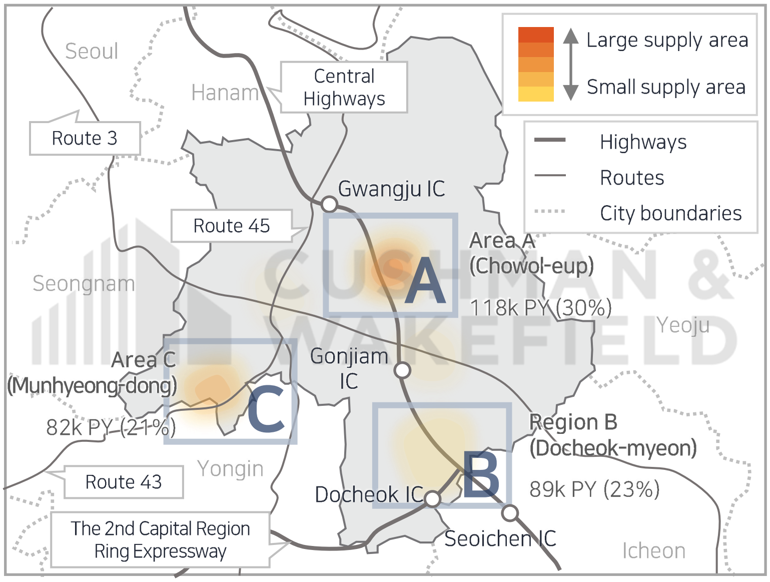
Urban Logistics Forward Base, Gwangju

A. Supply Status of Logistics Centers

- **Gwangju is a region that has been attracting attention as a logistics location** due to its excellent accessibility to the metropolitan area, adjacent to southeastern Seoul and Yongin, Seongnam, etc. **The development of logistics complexes (Chowol, Docheok, Opo) has been actively proceeding** along major transportation networks such as the Central Expressway, National Route 45 & 43.
- **A logistics cluster has been formed around these logistics complexes (Chowol, Docheok, Opo)**, and Approximately 74% of the previously supplied logistics centers are distributed in the three areas of Chowol-eup, Docheok-myeon, and Munhyeong-dong.

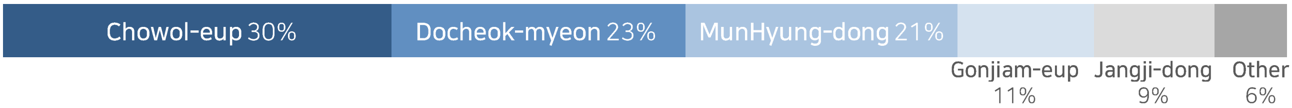
Analysis of Logistics Center situation



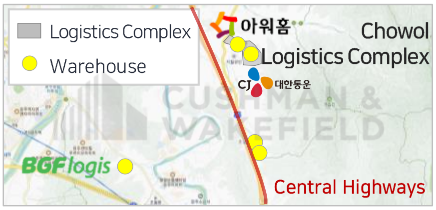


*Regional Supply Proportion

"A total of 389k py exist in Gwangju"

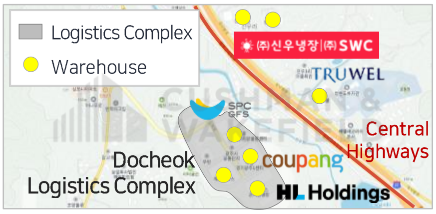


Area A (Chowol-eup)



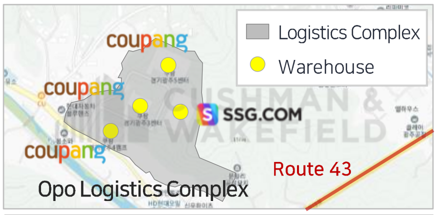
CJ Logistics and Our Home are located in Chowol Logistics Complex near Chowol IC.

Region B (Do-cheok-myeon)



HL Holdings, SPC GFS, and others are located in Docheok Logistics Complex near Seoichen IC.

Area C (Munhyeong-dong)



Coupang and SSG.COM are located in Opo Logistics Complex adjacent to Route 43.

Note1: Scale of 5,000 py+ in the Gwangju area, as of December 2023

Source: C&W Research

Urban Logistics Forward Base, Gwangju

A. Supply Status of Logistics Centers

- **Gwangju city is requiring conditions such as securing a road width of 8m or more, and distancing of 200m or more from houses and schools** when developing large-scale warehouse facilities, through urban planning regulations to prevent haphazard development of logistics centers and degradation of residents' quality of life.
- **Due to stringent licensing conditions, new supply is very limited** (67,000 py, 17% of the existing supply area), and it is expected to be supplied mainly with small and medium-sized centers of less than 20,000 py.

Large-scale Warehouse Facilities[2] Development Standards of Gwangju

8m

Secure a road width of at least 8m from national roads, local roads, city roads, rural roads paved with two or more lanes, and urban planning roads to the application site.

200m

located at a distance of 200m from the house or school site If an existing house of 10 or more units or a school is located

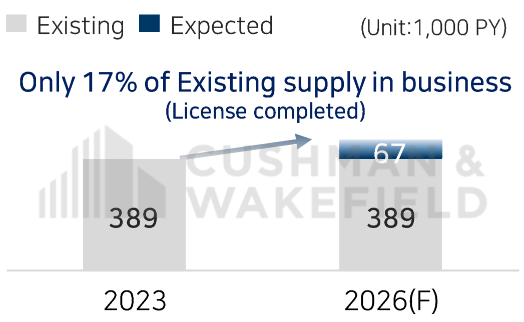
30~40m

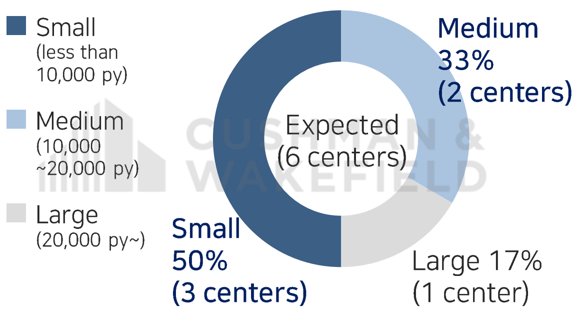
Height of buildings
1) Industrial districts : 40 meters or less
2) etc : 30 meters or less

Securing a fire road considering the size of the warehouse facility

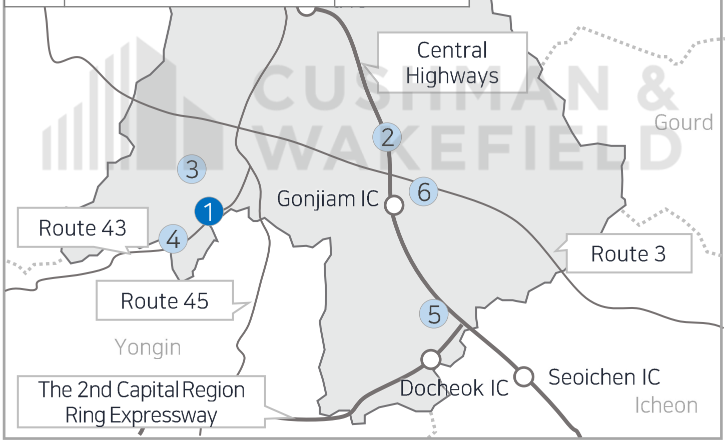
Note2: Warehouse facility with an application site area of 5,000 m2 or more
Source: Partial revision of the urban planning ordinance of Gwangju, Gyeonggi-do

New supplies[3]





No	Name	GFA (PY)
1	Wivis Gwangju Logistics Center	5,224
2	Sun Dong-ri Distribution Center	7,514
3	OB Logistics Center	5,125
4	Opo Logistics Complex A4 Block	27,326
5	Jinuri Logistics Center	12,232
6	New District C Block	10,001



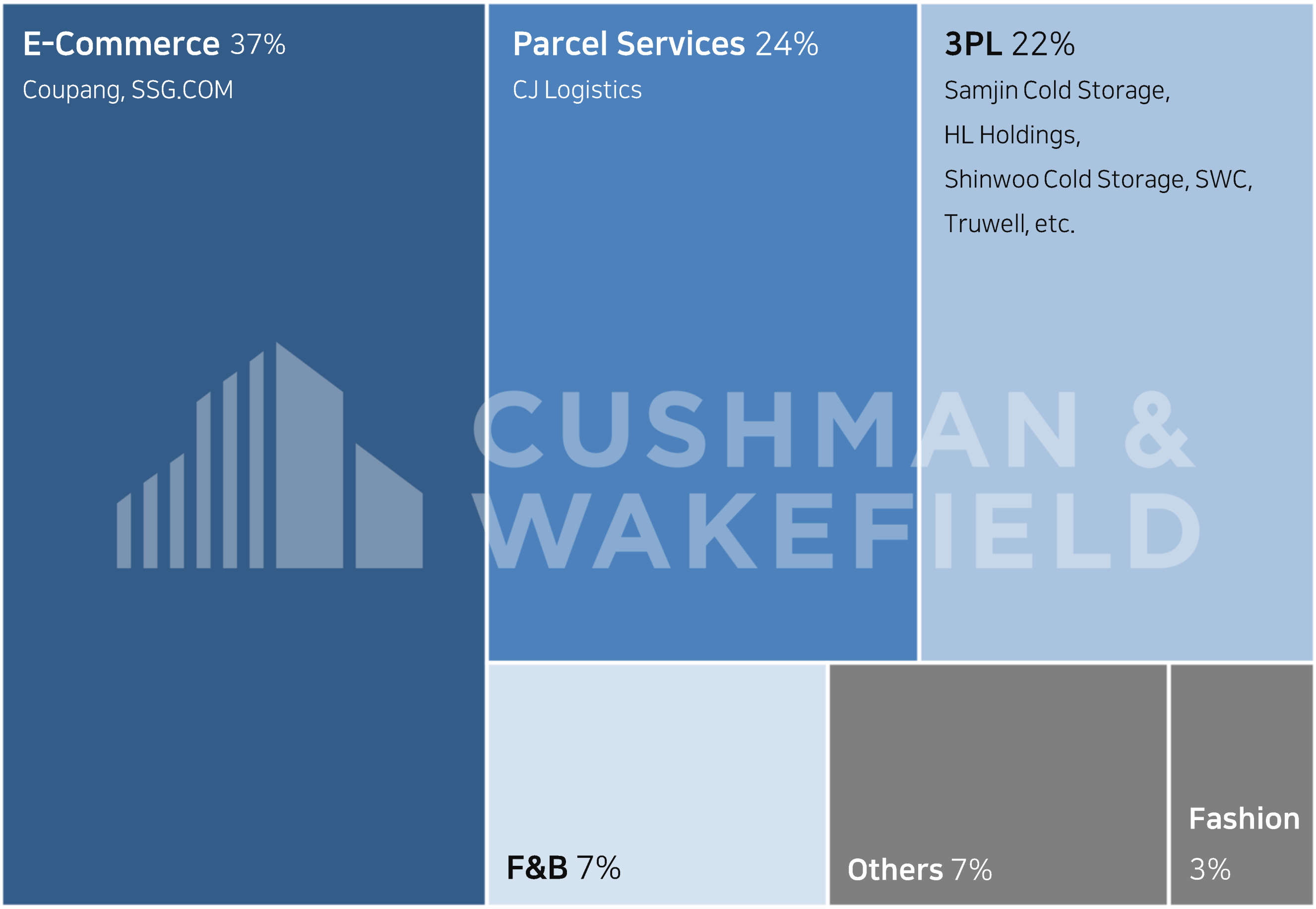
Note3: Scale of 5,000 py+ in the Gwangju city, as of December 2023
Source: C&W Research

Who is the primary tenant?

B. Tenant industry sector proportions (by GFA)

- E-commerce companies occupy the largest area (about 37%), followed by parcel services, 3PL, and F&B in utilizing logistics space..
- Coupang and SSG.COM's fulfillment centers and delivery bases, which are responsible for the quick delivery of the metropolitan area population, are in operation. The Gonjiam Mega Hub Terminal, a representative courier hub of CJ Korea Express, is also located here. In addition, logistics bases of 3PL companies such as Samjin Refrigeration, HL Holdings, and Shinwoo Refrigeration are distributed.

Tenant proportion[4]



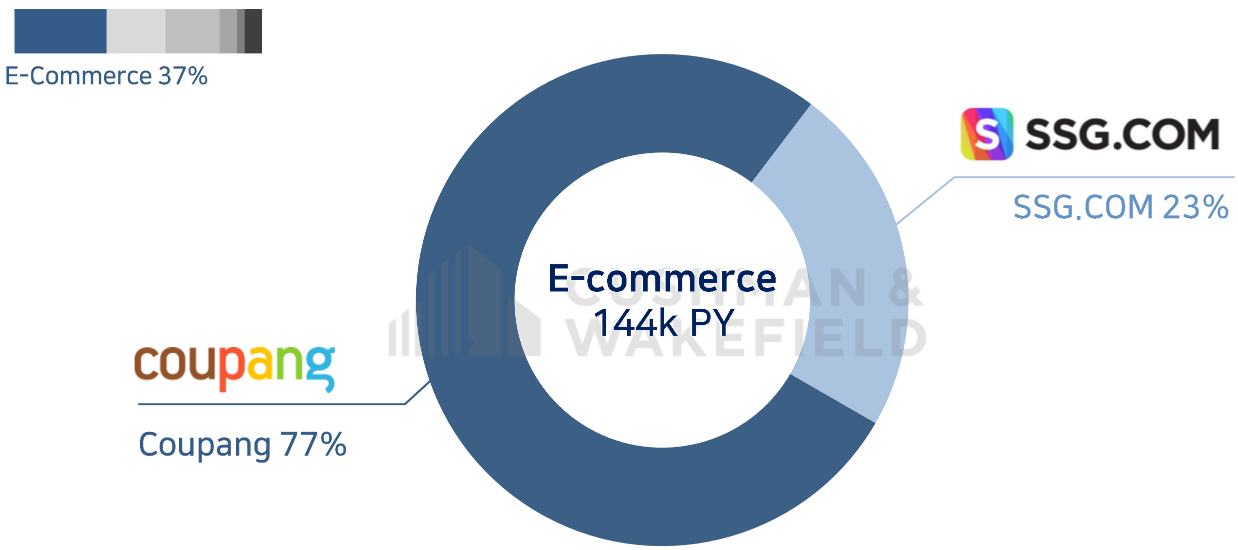
Note4: Scale of 5,000 py+ in the Gwangju city, as of December 2023

Source: C&W Research

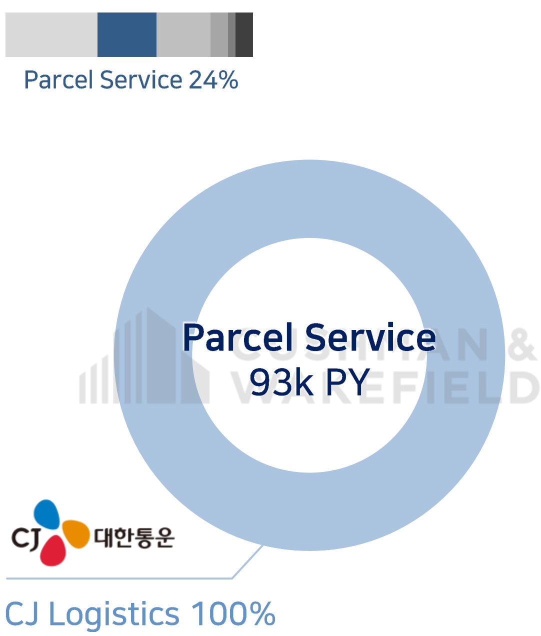
Who is the primary tenant?

B. Proportion of tenants by Industries (by GFA)

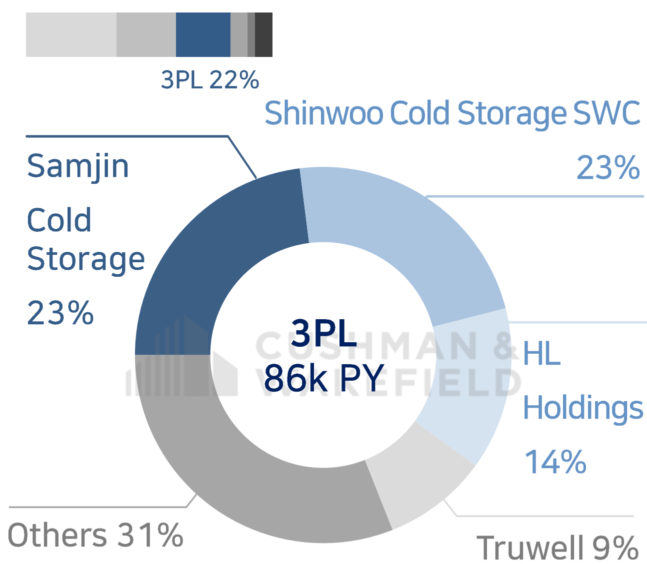
Proportion of e-commerce companies



Proportion of parcel service companies



Proportion of 3PL companies



*Samjin Cold Storage: Leasing and operating refrigerated warehouses
*Shinwoo Cold Storage SWC: Operating refrigerated warehouse and distributing agricultural products
*Truwell: 3rd party logistics for convenience stores, supermarkets, supermarkets, etc.

Source: C&W Research

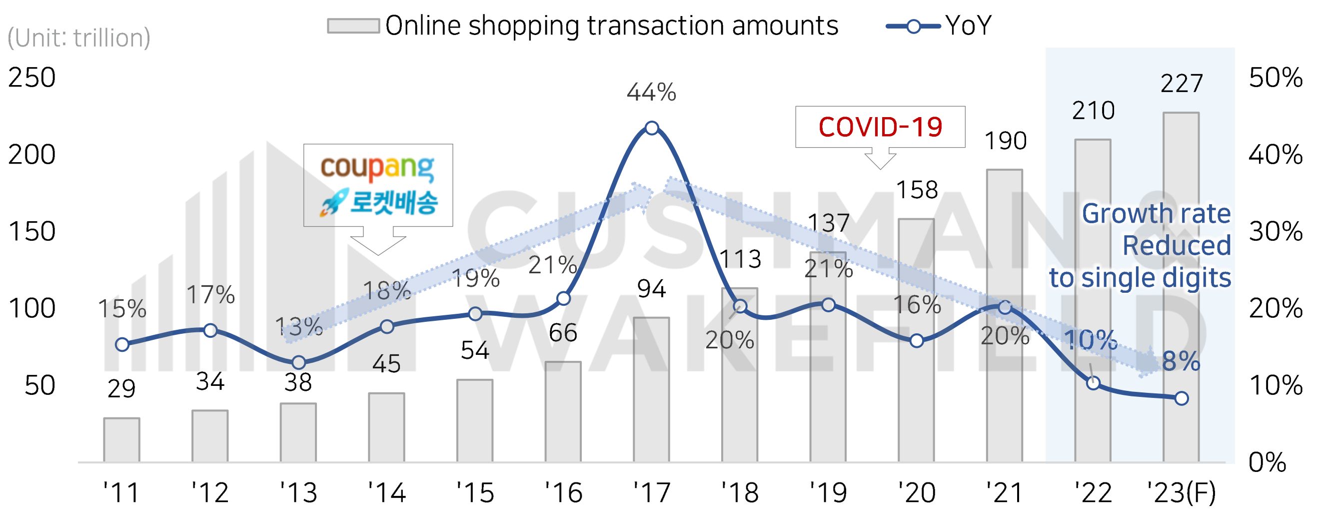
How can e-commerce players survive?

C. E-Commerce market growth slowdown

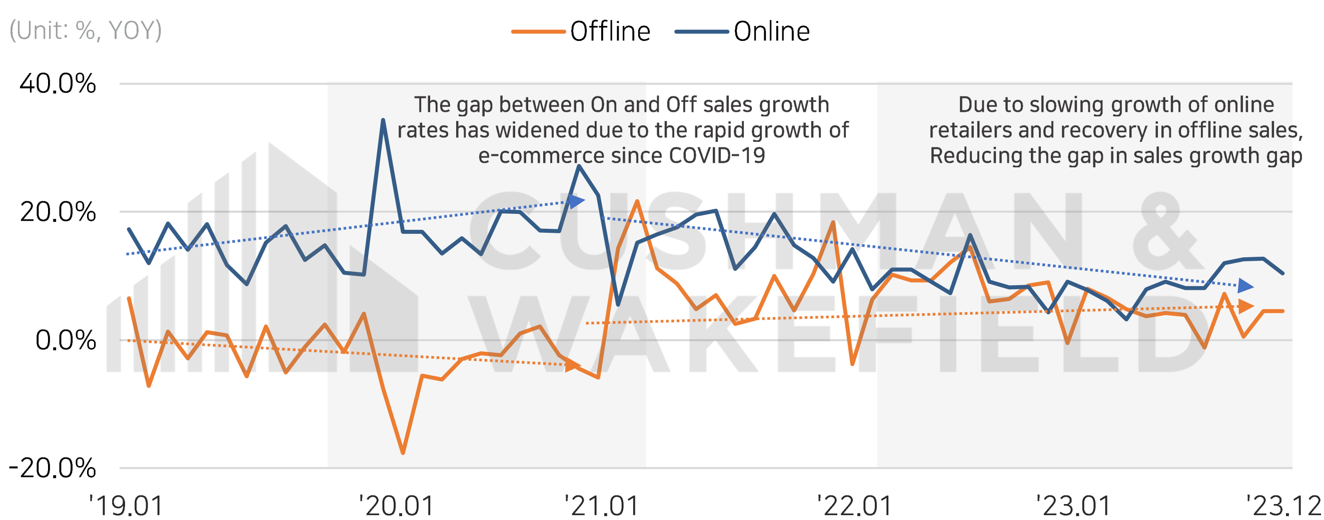
- The domestic e-commerce market has seen **explosive growth at an annual average of 20.7% over 10 years from 2011 to 2021**, but it is showing signs of entering a low-growth phase as **the growth rate slows to a single digit from 2022.**
- After the Covid19, **the gap in the growth rate of online and offline sales of major retailers is gradually narrowing** due to the slowdown in online sales growth and the recovery of offline sales.

E-commerce market growth slowdown

*Online commerce trend



*Major retailer sales growth rate



Source: Statistics Korea, Ministry of Trade, Industry and Energy, C&W Research

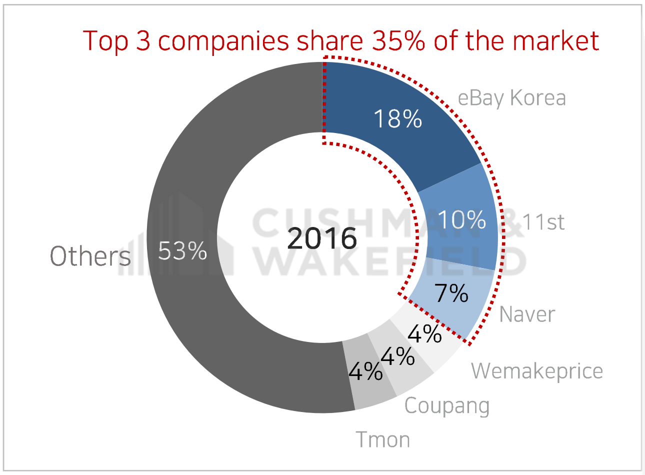
How can e-commerce players survive?

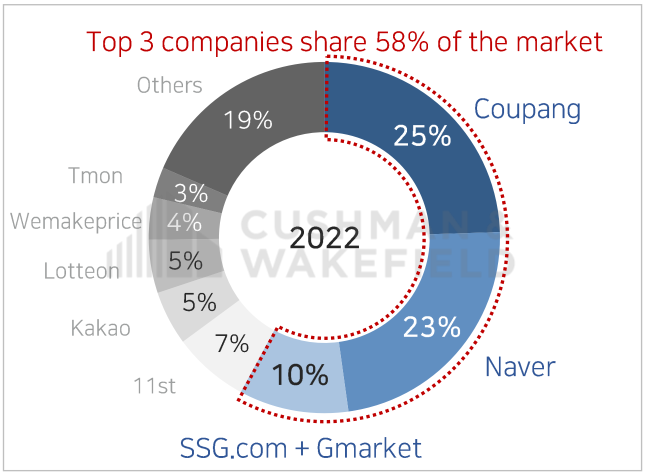
D. The advent of e-commerce oligopoly

- As of 2022, the domestic e-commerce market, which had been fragmented by various players, is **solidifying into a monopoly structure, with a 58% market share held by three companies: Coupang, Naver, and SSG.com+Gmarket.**
- In this monopolistic situation, **e-commerce companies are focusing more on solid management** rather than expansion, putting all their efforts into **improving profitability through logistics efficiency, marketing cost reduction, and the promotion of new businesses.**

Oligopoly of e-commerce

*E-Commerce M/S estimation





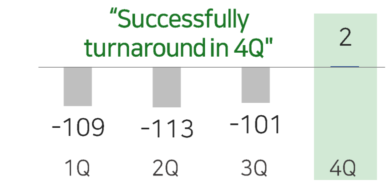
2016	Fragmented by different players
2022	Coupang, Naver, SSG.com + Gmarket Oligopolization with 3 players

*Profitability Improvement Cases

Gmarket

- Improvement of logistics efficiency by utilizing AI, 10% cost reduction via Smile Delivery
- Reduction of one-time promotions, cost savings through marketing efficiency
- Diversification of product colors and expansion of delivery capabilities through cooperation with SSG.com

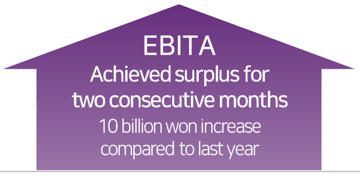
*Quarterly operating profit in 2023



Kurly

- Stabilization and optimization of logistics operations through the operation of new logistics centers and the demolition of existing Songpa logistics centers
- Logistics cost savings through improved delivery density
- Increase in new business sales such as Beauty Curly, Fulfillment services, etc.

*Performance as of January 2024



Source: C&W Research

How can e-commerce players survive?

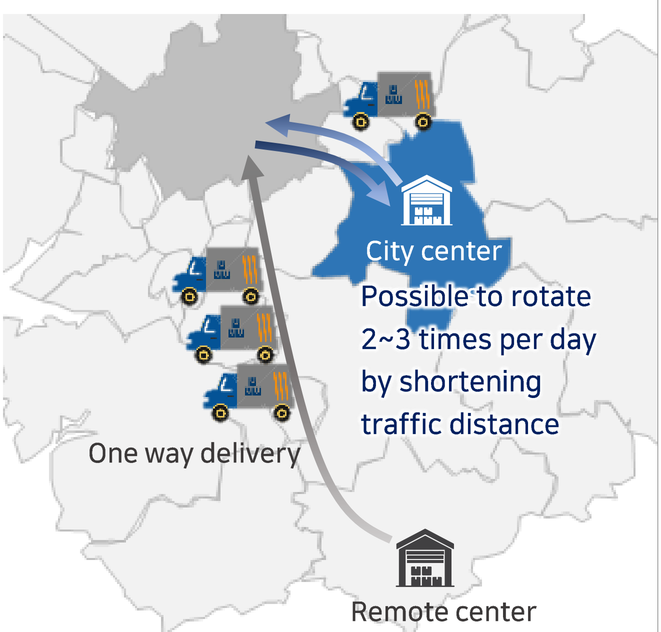
E. Pattern of Logistics demand change due to improve profitability

- As e-commerce companies focus on improving profitability, **it is expected that there will be an increasing demand for large peripheral centers** that can enjoy economies of scale by integrating small warehouse and **urban logistics hubs** that can save transportation costs through multiple round-trip delivery.
- Gwangju, Gyeonggi-do is **a region with relatively excellent access to the city center**, and **it is expected to be able to absorb the demand for the e-commerce company's urban logistics hub**.

Changes in warehouse demand

To reduce delivery costs
last-mile delivery point

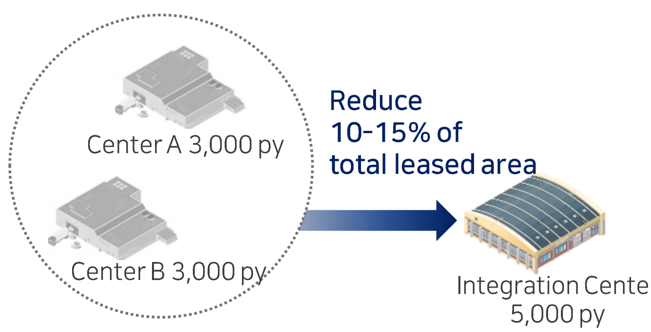
Savings in transportation costs through multiple round-trip deliveries based on urban delivery bases



	Remote center	City center
Average DT (Driving Time) To destination	40 to 60 minutes (one-way basis)	20 to 40 minutes (one-way basis)
Delivery cycle (days)	1 time	2~3 times
Number of vehicles (days)	100 units	30 units

To reduce operational costs
Integrated HUB center

Possible reduction in rental fee due to space efficiency
possible labor cost savings due to automated equipment



Reduce labor costs with automation

Source: C&W Research

The online distribution market, which has undergone rapid growth, is taking a breather after Covid19.

Distribution logistics companies are re-establishing a logistics base strategy for cost savings rather than business expansion.

Gyeonggi Gwangju, adjacent to major demand areas, has the optimal logistics location conditions that allow for cost savings through same-day, rapid delivery services and multiple round trips.

Though the land prices are rising and development is not easy due to permit regulations, anything is possible in the rapidly changing South Korea.

This is why 'Cushman & Wakefield' is interested in Gyeonggi Gwangju logistics.

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Disclaimer

The data used in the analysis was calculated and analyzed based on our logistics real estate DB, and are source data that are not available to other companies.
If you have any questions about data, please contact us through the contact below.

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