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## Intercontinental Trek: South Korea

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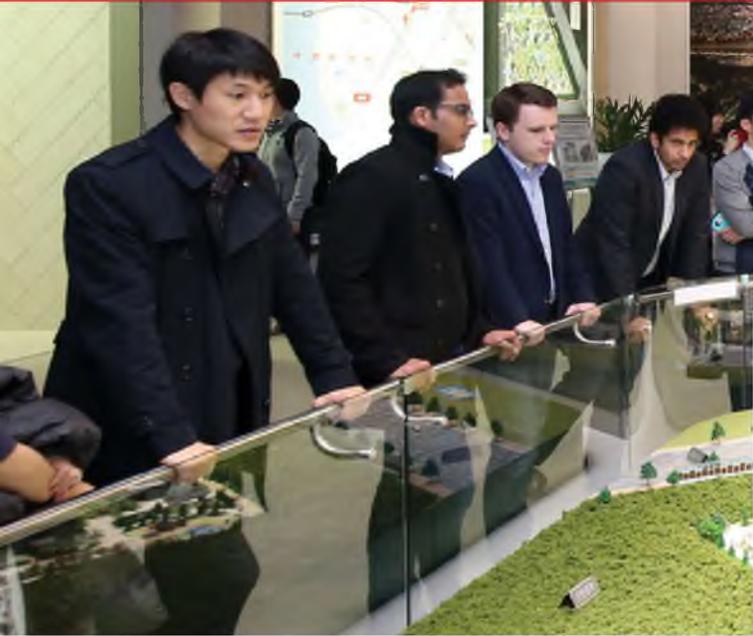
### Abstract

With an exciting revised curriculum highlighting the importance of the global economy in real estate, second year Baker students participated in the first intercontinental real estate trek from December 19-22, 2016. For this inaugural intercontinental trek, students visited Seoul, South Korea. On the evening of December 18, 2016, Baker students were hosted by the Alumni Association of the Baker Program in Real Estate - Seoul, South Korea chapter at Spark Plus Yeoksam. The keynote speakers from the organization included Chaewook Im '05, Executive VP of Genstar, and Sungmok Ryu '01, CEO of Hwasung ENC, who spoke of their fondness for the program's history and future. They reminisced on their time with previous Program Director, Brad Olson, whose inspiring remarks followed. Brad spoke of the genuine relationships he developed with the Korean alumni, and his desire to solidify the connection between Ithaca and Seoul.

### Keywords

Cornell, Real estate, real estate trek, Seoul, South Korea, Alumni Association of the Baker Program in Real Estate - Seoul South Korea chapter, D-Tower, Mirae Asset Global, Investments, Yonsei University, Yeouido, Gangnam

# Intercontinental Trek: South Korea



*“Walking through the 4-acre 5M site, I was amazed by the vision of an urban mixed-use development consisting of open public place, affordable housing, market-rate housing, traditional office buildings, co-working space, and retail space. It was definitely a unique experience to see firsthand the zoning, planning and development process we’ve read about in our textbooks.”*

**-Yang Yang, Baker '17**



## 1. OPENING CEREMONIES

With an exciting revised curriculum highlighting the importance of the global economy in real estate, second-year Baker students participated in the first intercontinental real estate trek from December 19-22, 2016. For this inaugural intercontinental trek, students visited Seoul, South Korea. On the evening of December 18, 2016, Baker students were hosted by the Alumni Association of the Baker Program in Real Estate - Seoul, South Korea chapter at Spark Plus Yeoksam. The keynote speakers from the organization included Chaewook Im '05, Executive VP of Genstar, and Sungmok Ryu '01, CEO of Hwasung ENC, who spoke of their fondness for the program's history and future. They reminisced on their time with previous Program Director, Brad Olson, whose inspiring remarks followed. Brad spoke of the genuine relationships he developed with the Korean alumni, and his desire to solidify the connection between Ithaca and Seoul.

Seoul, South Korea has three distinct business districts. These are known as the Central Business District (CBD), Yeouido Business District (YBD), and Gangnam Business District (GBD). These, along with the Songdo International Business District, will be highlighted.

## 2. DAY ONE: CITY HALL (ROBERT LATHAN)

To understand most capital cities and urban areas, starting at the City Hall provides the requisite knowledge of its vision. Baker students initiated their trek meeting with Seoul's senior city officials. At the lowest levels of Seoul City Hall, students were able to peer into the communication, monitoring, and vision of city planning for Korea's largest urbanized area. Through the integration of technology, Seoul has developed a central system that not only provides clear communication between the military and policy in case of terrorism or encroachment from the north, but additionally:

1. Controls Traffic
2. Monitors Public Transit
3. Tracks heights of water through canals in the city

With the Baker Program's diverse education backgrounds and expertise, the Master's candidates pursuing dual degrees in City and Regional Planning had poignant comments and perspectives of Seoul's burgeoning urban area. Caitlin Elliott (Dual Baker/CRP '17) "was blown away by their public transit system - definitely a dream for any planner. The use of technology to create an integrative system is something to admire. It is incredibly efficient and has removed a lot of unnecessary work for the city (i.e.



meter maids replaced by the smart technology cameras on the fronts of buses catching illegally parked cars)."

Interestingly, these technologies allow parents to track children on their way home from school, and the Minister in charge of the execution of the system noted, to many laughs, that both he and his wife track each other with the technology. Some unmarried candidates from the Baker Program were not too keen with this capability being installed in the United States or their respective home countries.

Throughout the trek students were able to see how the management of traffic has come to fruition. Whitney St. Charles (Dual Baker/CRP '18) noted there "was terrible traffic like in San Francisco (witnessed during last year's domestic trek), but people weren't losing their minds in frustration. It was almost like a choreographed dance to see how traffic moved to and fro."

Rising from the depths of City Hall, Baker Program candidates traveled to the upper floors of City Hall to learn and discuss housing policy for Seoul and South Korea as a whole. Although the country experienced the effects of the world coming to their aid in the 1950s to fight against the spread of communism, South Korea did not receive the scale of international aid like more recent countries ravaged by war, namely Iraq.

As the country has moved forward, always aware of the dangers across the Demilitarized Zone (DMZ) to the north, the senior officials of the government have brought forth a planned city vision for Seoul. Through the aid received, the country established an organization to provide sustainable housing supply (this is seen further in the discussion of Songdo in Part 3). The country looked to remove the previous shantytowns and replace with more urban-focused cities and sectors. The Gangnam District, where Sye coined the song Gangnam Style, represents this redevelopment focus.

With many Western influences throughout Seoul, the central government hopes to provide eight types of housing, where they target 10% of the population through public housing. Their focus means producing small housing in mass production. This solution to publicly-funded housing looks to overcome the problem of class incongruity. Within these housing projects, the influence of Le Corbusier is evident.

Caitlin made mention to this theme as she discussed, “It’s pretty interesting how they do housing—it’s very much the Corbusier ‘tower in the park’ model, but it has become so socially acceptable to live in high rise towers that it works much better in Seoul than I think it ever will in America. In my opinion, I would prefer more of a mix of densities and uses versus tower after tower. I think diversity is what makes a place interesting and attractive.” Interestingly, this theme to maintain consistent densities was prevalent throughout the remaining tour.

### 3. D-TOWER

Proceeding to the Gwanghwannun Area of the CBD, the Master’s candidates received a tour of the D-Tower from a local broker with Cushman-Wakefield. Being one of four major office towers in Seoul, the mixed-use space, restaurants on 1<sup>st</sup> – 5<sup>th</sup> floors and office on the superior floors, looks to satisfy joint needs in the market. Although the theme for the trek consisted of understanding that the office supply market has over-saturation, the developers have focused on providing the necessary speculative space for IT organizations hopefully returning to the area.

The Master’s candidates considered the development from many different viewpoints. Interestingly, Sameer Godiwala (Dual M.P.S./MBA) drew pleasure in seeing “how the developers carefully constructed the varying uses, while painstakingly made sure the uses and overall aesthetic blended in with the surroundings. The developers very thoughtfully cultivated a savory restaurant scene in the first few floors proving the mantra ‘location, location, location’.”

Further, the building owned by Thirteen Group overcomes the apparent office demand constraint by targeting food and beverage within the retail portion of the development. With 3 terrace floors of simulated open air dining, the development increased its value through unique design (lobby on B2 and escalator down to it) and popular restaurants on the 5<sup>th</sup> floor, patrons get to experience all that the building has to offer. Having self-sustainable retail enables the mixed-use construction to move past the constrained demand office market driver.

### 4. MIRAE ASSET GLOBAL INVESTMENTS

Following lunch at Top Cloud in the G-Tower, students gained understanding of South Korea’s global investment influence at the offices of Mirae Asset Global Investments. Having over \$100 billion under management, Mirae currently has a real estate value allocation of \$11.6 billion with \$6.2 billion consisting of private equity. Founded in 1997, the organization focused on emerging markets from 2006-2012, taking advantage of the depressed real estate values during the global financial crisis.

Scott Guo (Dual M.P.S./MBA) perspective reflected his investment background noticing how “Mirae gave a direct look at how Korean institutional investors thought about commercial real estate in the context of a global economy. It was exciting to see that, though the real estate team at Mirae commanded expertise in the market of their own backyard in Seoul, they had equal appetite to grow their multibillion-dollar portfolio overseas. As a future real estate professional in America, getting to know the folks at Mirae provided an unparalleled opportunity to understand business from the Korean LP perspective.”

Targeting both a five-year holding period and capital stacks consisting of 50-60% leverage, Mirae was the first organization to set up a dedicated real estate fund in Korea. Currently, they are looking to both diversify their cash flow durations and maximize the potential of Chinese tourism throughout the Asia-Pacific region by acquiring hotels. Interestingly, Mirae’s current location was the historical place in the palace where currency and business occurred during the historic Korean monarchy. This extended history of investment explains Mirae’s continued success.

### 5. CORNELL-YONSEI SYMPOSIUM



Finally, the day ended with students participating in a symposium hosted by Yonsei University. Here, Baker candidates learned that Seoul's population represents 20% of South Korea's total population count, confirming Seoul's significance to the country. During the symposium the Master's candidates received presentations from Chaewook Im, Richard Lee, and Taejong Kim, Senior Manager of GS E&C. The main considerations from the speakers encompassed the need to discover solutions to overcome the elevated vacancy rates in the office sector of Seoul, the hospitality sector focusing on Chinese tourists, particularly gaming tourists, and the Korea's changing age demographic. Of the topics, Korea's aging population represents similarities with the United States. Korea's culture of respecting the older generations, has led it to make a concerted effort to develop not just assisted housing, but full residential housing that provides the elder population with the ability to transition from elderly housing communities to full care as they age.

## **6. DAY 2: YEUIDO BUSINESS DISTRICT (HARRISON WILLIS)**

The second day of the Baker Program's intercontinental real estate trek began with a pick up from our hotel. Our bus twenty minutes south across the Han River. As one of the largest cities in Asia, Seoul is a bustling city, and we could witness this on our morning commute to the YBD. As we neared Yeouido, the multiple towers of the International finance center, completed in 2012, came into view.

Soon we were greeted by our hosts, (Korean Real Estate Developer AIG), who ushered us to the top floor of IFC 3. At 284 meters, the International Finance Center's third tower is the second tallest building in Seoul, and offers spectacular views of the Han River and the National Assembly Building,



which houses Korea's governing body. The International Finance Center also houses the 5-Star Conrad brand Hilton hotel, and IFC mall.

After heading to the top of IFC 3 and taking in the views, we listened to a presentation and became involved in a quick Q&A. We discussed multiple development topics involving retail, office, and hotel development. We were then ushered back down and shown the largest underground mall in Korea. It was explained to us that the mall was constructed underground due to zoning requirements. We discussed technical details of the construction, and enjoyed a leisurely stroll through the mall. After a brief discussion and tour of the Conrad, their brand new 5-Star hotel, we were off to Gangnam.

## **7. GBD: GANGNAM BUSINESS DISTRICT**

The first stop in Gangnam was a visit to Samsung D'light, an interactive space accentuating their current and future technology. It was a treat for everyone and was made possible by Junghwan Kang '17, a current Baker Program Candidate. In Samsung D'light, students got a glimpse of how people would live in the future, and how large a role technology will play in the living environment. We also got our hands on Samsung's new VR headsets.

After Samsung, and lunch on our own, the Baker Candidates headed to visit Parnas Tower, a 183 meter tall, luxury office tower with hotel and retail. With the CEO Hongseop Song and his executive team in attendance, Bakers were given a royal welcome; Hongseop Song's son currently attends Cornell's undergraduate program in the Architecture, Art, and Planning College (AAP). Having formal ownership of the Parnas tower by the Parnas hotel group, the executive team presented the organization's vision for the site, the future excavation of a massive underground train station, and the possibility of Hyundai's plans for a new building across the street.

The Parnas Investment Committee confidently projects the site as a transformative transit oriented development opportunity, an investment providing long term growth. They felt that the new rail station, in particular, could provide an opportunity for new retail and increased foot traffic on the lower levels. In addition, the new rail system would cut commute times to their office tower, which would help their commercial rents.

After this stunning presentation, Baker candidates were afforded a trip around the tower. The tower allowed Bakers to see exceptional city views, and to take in a very impressive lobby, with exceptionally high ceilings. Then the Parnas team bade us farewell and students headed outside to get a group picture at the world famous “Gangnam Style” statue. After a brief walk around Gangnam, and a tour of the Google campus, we boarded a bus to head to Lotte Tower, the largest tower in Korea, and the 5th largest building in the world. Students were provided a Q&A with Ray Kim, marketing director at Genstar, who is intimately involved in the leasing of the tower. We discussed the design style, zoning issues, and the technical features of the massive core. As we looked over the Han River, students were buzzing with discussions comparing the different towers. As passionate future real estate professionals, we could not have asked for better hosts and experiences throughout the day.

After a long and exciting day of Real estate, Baker candidates capped off the evening with a trip to Phil Kyung Jae, indulging in the pleasure of Royal Korean Cuisine. This restaurant is famous for its food, and is the epitome of traditional Korean Architecture, as it is housed in a residence for Korean royal descendants. Sitting around the table, enjoying food and friends, Baker candidates had a chance to reflect on all seen and heard. What a day! What a time to be part of the Baker Program!

### **8. DAY THREE: SONGDO INTERNATIONAL BUSINESS DISTRICT (MATTHEW R. GREEN)**

The Songdo International Business District is equal parts prototype and real-life project. More than anything, it is the result of the multi-century trend of the human population increasingly congregating in cities, which shows no sign of slowing down. According to the World Bank, the percentage of the world's population living in urban areas is currently around 54%, having passed 50% in 2007 and up from 34% in 1960. In South Korea, that figure stands at 82%, up from just 28% in 1960. With the rapid urbanization of South Korea from 1950 to the present, the country's leaders have



looked to technology and urban planning for solutions to the long-term challenges of building sustainable, healthy cities that will last for centuries to come. The Songdo project was advanced as part of former President Lee Myung-Bak's effort to promote green and low-carbon growth as an avenue for future development. Accordingly, many city and national governments from around the world will be looking to such pioneering, large-scale projects for answers to their own future challenges.

In the early 2000s, the South Korean government was finishing construction on Incheon International Airport, built on a landfill in the Yellow Sea approximately 45 miles west of Seoul due to the lack of available land closer to the city. Knowing that this would shift the trends of development between Seoul's center and Incheon, the government began planning a city from scratch, one that would propel forward the extent to which technology could be integrated into daily life, both in the sustainable materials that a city is constructed with and its use in citizens' day-to-day routines.

From 2001-03, the Korean government filled in a 1500-acre stretch of marshy tidal flats with 500 million tons of sand. This new city of Songdo has gradually emerged from the ground, and is currently about 60-65% complete according to majority developer Gale International, which has built Songdo in partnership with Korean steelmaker POSCO and Morgan Stanley. More than 70,000 people have moved to Songdo, and its 108 buildings and more than 22 million square feet of LEED-certified space comprise more than 40% of all “green” developed space in South Korea.

Gale International and the other developers have seized the opportunity to push the envelope on technology integration. Cisco and other international technology firms have signed on to the project to apply their systems into places of work and residences of the future. Songdo has been designed with sensors to monitor temperature, energy use, and traffic flow. Such sensors can alert one's smartphone via

an app when, for example, a bus or subway is arriving, and automatically let the transit authority know about other issues. Provisions have been made for the large-scale use of electric charging stations and a water recycling system that will clean water as well as segregate uses such that drinking water will not be used for purposes like flushing toilets.

Songdo's vision to bridge the gap to the future remains evident in its waste disposal system. There are no garbage bins or garbage trucks on Songdo's streets. Instead, the waste management system has the ability to direct from office, kitchens, and other areas. A vast network of underground tunnels usher waste to processing centers where recyclable and compostable material are separated efficiently. In the future, plans have been made to build a system with the ability to convert household waste into renewable energy.

For Baker candidates, the day began with a 45-minute bus ride to Songdo and a visit to Gale International. The developer offered a comprehensive overview of the multi-decade project, highlighting both its achievements and challenges. Notably, as the city has grown rapidly, the necessity of a high-speed rail connection to Seoul has become apparent. Songdo has experienced robust growth despite the Korean government not offering tax breaks and other incentives for businesses and citizens to move there. Despite being next to South Korea's main international airport, transport links into the capital itself are rudimentary, and the incentives for companies moving to a new smart city don't always outweigh the costs. Currently in the planning stages, the railway is expected to open by 2024-25.

At the top of the tower in which Gale's office is situated, students were able to get a bird's eye view of Songdo. A park and canal system, inspired by New York City's Central Park and Venice's canal system, were constructed. It was apparent just why Songdo has had an easier time drawing young families and students away from Seoul than attracting businesses. A full 40% of Songdo's land will be developed for open space, parkland, and urban farming, one of the highest percentages of any municipality in the world. From the observation floor, students could also get a sense of the large tracts of land that remain to be developed. For many students, the vacant land conjured a sense of the great place Songdo will be in the future. place Songdo will be in the future. After lunch, students were able to visit a model apartment from one of the many residential developers that



are currently building or planning complexes in the city, many of which will fill those currently dormant parcels of land.

For the last stop of the day, students visited the Jack Nicklaus Golf Club. For decades, golf's popularity has been on the rise in Korea, the opposite scenario of many other countries around the world. In recent years, Korean women have come to dominate the ranks of the LPGA, with several notable male golfers on the PGA Tour. Therefore, it was fitting to feature a significant golf club as part of Songdo's green space program. There was no firm more appropriate to design the course than Nicklaus Design. Since opening in 2010, it has quickly attained the status as of one of Korea's most exclusive golf clubs. Its rise in prominence was helped by hosting the eleventh President's Cup in 2015.

**As the day and trek drew to a close, the Baker candidates had gained great perspective from the trip to South Korea. By observing and experiencing one of the world's most advanced, urbanized societies, Baker candidates gained perspective on all property types: residential, office, retail and hospitality. The joint vision of Director of Graduate Studies, Michael Tomlan, and Program Director, Dustin C. Jones, ESQ., revolved around immersing Baker candidates into unfamiliar cultural and social surroundings to plant the seeds of greatness. The hope being the Master's candidates of the Baker Program will have the proverbial waters from this trek to provide the requisite nutrients and energy to fuel their impending and promising professional careers.**