

ECONOMIC OVERVIEW

According to the Korea government had given more weight on stemming the inflation risk than booming economy, the

Bank of Korea raised the benchmark call rate by 25 basis point to 5.25

percent in August since the inflation risk continued growing, marking the first time since August in 2007.

Raising 25 basis point

benchmark call rate, the effort to avoid inflation, seemed to trigger a surge in borrowing rate

associated with the growing uncertainty in global and local credit market. Thus, the borrowing rate surged to the record high to 7.31% in August since

2001. As reflecting an economic slowdown, the GDP continued to plunge to 3.9% y-o-y in the third quarter from 5.8% y-o-y in the first quarter of 2008, the lowest year-on-year growth since the second quarter of 2005.

In the third quarter of 2008, the concerns about the inflation risk eased on the growing uncertainty in global economy. Otherwise, the market concerns about the country's economic outlook have been growing amid a steep appreciation of the Korean Won/US Dollar exchange rate.

Furthermore, volatility in the FX market has put more weight on the concerns over the Korea economic since Korea had terrible experiences with respect to upsurge in KRW/USD exchange rate

during Asia Financial Crisis.

In the third quarter, the KRW/USD exchange rate increased by 15.3% q-o-q comparing to the second quarter.

However, commodity prices have recently plunged on worries about global

economy downturn. Accordingly, the BOK, which was quite restrained from lowering the benchmark call rate due to inflationary pressures and recent depreciation of KRW in FX market, has decreased the benchmark call rate by 25-bp to 5.00% in October amid heightened market concerns about the country's economic outlook. In addition, the Korean government is planning the stimulus package to reinvigorate the gloomy economy.

QUICK STATS

	Change in Q3 2008	Change in Q2 2008
Prime Rents	↑	↑
Vacancy Rates	↓	↓

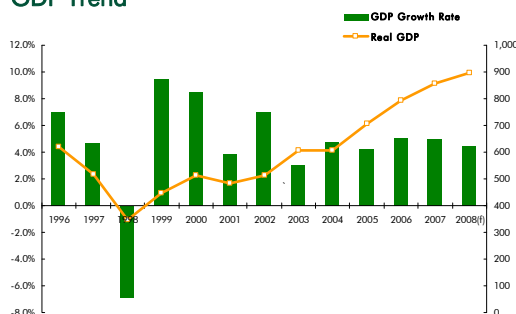
* Source: CBRE Research

Capital Value

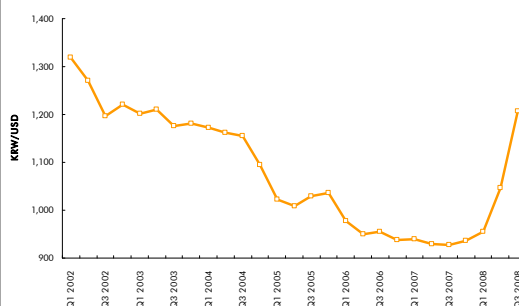
	Q3 2008	6 mths Trend
CBD	6.2 Mil	→
Gangnam	6.1 Mil	→
Yeouido	5.0 Mil	→

* Note: In KRW, ps m GFA
* Source: CBRE Research

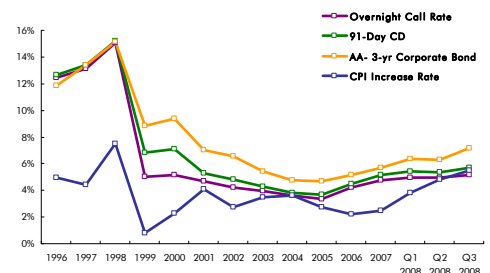
GDP Trend



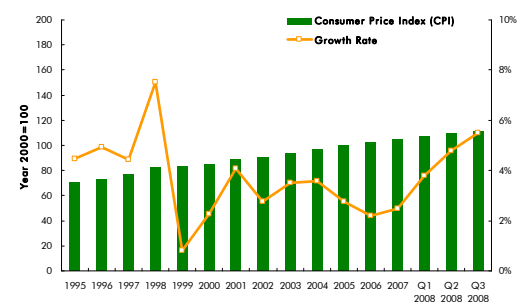
Exchange Rate



Interest Rate

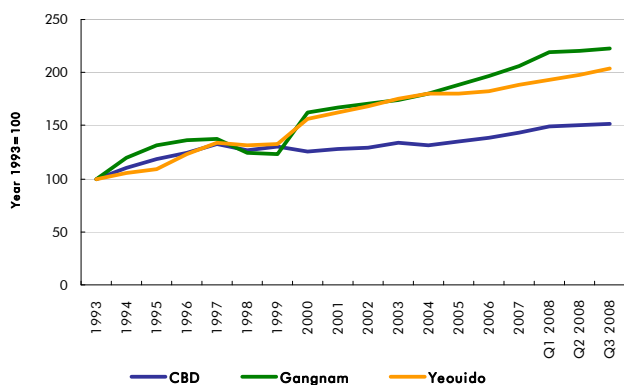


Consumer Price Index



RENTAL TREND

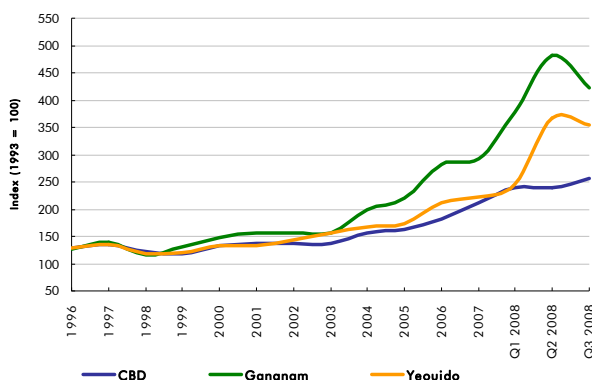
Prime Office Rental Index



Although the sentiment in the office market was cooled, the overall rental was still climbing with an average growth rate of 1.35% q-o-q to KRW 22,688 psm (US \$1.75 psf) due to the ripple effect of the strong office market up to the second quarter of 2008. The rental growth rate in CBD continued to decelerate, recording 0.43% q-o-q. Otherwise, the rental growth rate in GBD and YBD recorded 1.29% and 2.83% respectively. The recent transactions at the record high price within GBD and YBD have put upward pressure on the rents in a bid to achieve investors' target yields. Even though the latest bleak sentiment associated with global economic turmoil, a sudden plummet in the rents is not expected due to the shortage of new supplies until 2010.

CAPITAL VALUE

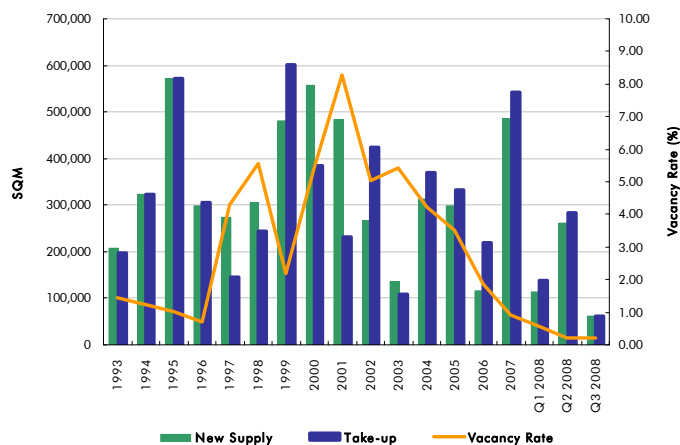
Prime Office Capital Value Index



Less aggressive investment activities were witnessed as the gap between asking prices and selling prices had been widened due to expecting depreciation in commercial properties' values. Daewoo Securities acquired back Daewoo Securities Building in YBD for KRW 180 billion from DBREI. The property was disposed to resolve a credit crunch being faced by Daewoo conglomerate in 2001. Ajia Partners, Hong Kong based fund, acquired K1 REITs Building located in the fringe of CBD for KRW 104 billion from GE Real Estate. Under the tightened credit condition, the highly leveraged investors or the deteriorated US and Europe based investors would dispose their assets to mitigate their debt and it would bring a readjustment of capital values.

VACANCY TREND

Supply, Take-up and Vacancy of Prime Office Properties



The overall Grade A vacancy rate decreased merely by 0.01% point q-o-q. Otherwise, the vacancy rate in CBD and YBD increased first time after the fourth quarter of 2007 when the subprime mortgage crisis in US became apparent. The relevance between the impact of the global economic turmoil and vacancy trend was minimal with respect to insignificant vacancies, comparing to total leasable office space in both districts. One new Grade A office property (Namdemun District Tax Office, GFA 26,939 sqm) supplied to CBD, but its impact on vacancy rate was limited since the more than 60% has been allocated for the government office. The vacancy rate in GBD declined 0.27% point q-o-q even though new Grade A office property, Korea Life Insurance Seocho HQ, came on the stream with GFA 33,554 sqm.

LEASING ACTIVITY

Contrary to the last quarter when the financial sector, especially insurance companies, dominated the leasing activities in the office market, the financial sector planned withdrawing their expansionary plan and they were taking a wait-and-see mode as approaching October. Subsequently, the number of leasing activities by financial sector dropped relatively in the third quarter, and the take-up levels in three major office districts were dwindling during the third quarter of 2008.

Even though the latest sentiment did not bring a sudden meltdown to the office market due to the shortage of new supplies until 2010, the market could face the stagnant if declines in job creation would continue and finance sector or multi-national companies would address the layoff plan or downsizing office space with respect to current economic slowdown.

Accordingly, filling up vacancies is expected to take more time relatively as result of a sluggish business sentiment and an absence of expansionary demand by financial sector.

SUMMARY OF SEOUL OFFICE MARKET TREND

CBRE Index – Grade A Office Rents

District	Net Occupancy Cost			% Change From (In KRW)			
	US\$/Sq-F/Yr	Euro/Sq m/Yr	KRW /Sq m /Mth	Q2 2008	Q1 2008	Q3 2007	6 mths Trend
CBD	60.24	461.65	65,222	0.78 %	1.841%	5.91 %	→
Gangnam	60.84	466.26	65,873	1.53 %	1.80 %	7.24 %	→
Yeouido	52.08	399.38	56,424	3.09 %	5.23 %	7.42 %	→

Source : CBRE Research

Note: Net Occupancy Cost: $\{(Deposit * interest\ rate) / 12 + (Monthly\ Rent + Maintenance\ Fee)\} / Efficiency\ Rate$

CBRE Index – Vacancy Trend

	Q3 2008	%-pt Change*	6 mths Trend
CBD	0.26 %	▲ 0.22 %	→
Gangnam	0.24 %	▼ 0.27 %	→
Yeouido	0.06 %	▲ 0.06 %	→

Source : CBRE Research

* Quarter-on-quarter percentage-point change

CBRE Index – Capital Value**

	Q3 2008	6 mths Trend
CBD	6.2	→
Gangnam	6.1	→
Yeouido	5.0	→

Source : CBRE Research

** Note: In KRW(million), psm GFA

Economic Indicator – Q3 2008

	Latest Release	2005	2006	2007	
Real GDP Growth	Q3 2008	3.9 %	4.2 %	5.1 %	5.0 %
Unemployment	Q2 2008	3.1 %	3.7 %	3.5 %	3.2 %
Inflation	Q3 2008	5.5 %	2.8 %	2.2 %	2.5 %
Exchange Rate (KRW/USD)	Q3 2008	1,206.95	1,024.31	955.51	929.2

Source : Bank of Korea

KEY LEASING TRANSACTIONS

- Seoul Finance Center (CBD)	Barclays Global Investors Leased approx. 347 m ² (105 pyung)
- Kolon Bldg (CBD)	Samsung Life Insurance Leased approx. 400 m ² (121 pyung)
- Gangnam Finance Center (Gangnam)	Pan Asian Mortgage Company Leased approx. 309 m ² (93.57 pyung)
- Gangnam Finance Center (Gangnam)	Korea Life Insurance Leased approx. 1,213 m ² (367.06 pyung)
- Gangnam Finance Center (Gangnam)	Kumho Life Insurance Leased approx. 2,310 m ² (698.76 pyung)
- M Tower (Gangnam)	KB Life Insurance Leased approx. 1,088 m ² (329 pyung)
- Gangnam Finance Center (GBD)	ArderPro Leased approx. 660 m ² (200 pyung)
- Gangnam Finance Center (GBD)	Aberdeen Leased approx. 330 m ² (100 pyung)
- Gangnam Finance Center (GBD)	Corning Korea Leased approx. 1,322 m ² (400 pyung)
- Daeryung Seocho Tower (GBD)	LIG Leased approx. 1,213 m ² (367.06 pyung)
- Pacific Tower (Gangnam)	Kedcom Leased approx. 1,428 m ² (432 pyung)
- Tongyang Securities bldg (YBD)	HMC Securities Leased approx. 1,322 m ² (400 pyung)
- KT Tower (YBD)	The Federation of Korean Industries Leased approx. 5,100 m ² (1,541 pyung)
- Tongyang Securities Bldg (YBD)	Deloitte Anjin Leased approx. 1,960 m ² (593 pyung)

KEY INVESTMENT TRANSACTIONS

- Daewoo Securities Building (38,599 m ² , YBD)	Daewoo Securities
- K1 REITs Building (25,983 m ² , CBD)	Ajia Partners

PRIME OFFICE DISTRICTS IN SEOUL

CBD (CENTRAL BUSINESS DISTRICT - CBD)

CBD is the oldest and the largest business district developed in the 1960's, followed by GBD, and YBD. The CBD is still the most preferred location for MNCs and Chaebols because of tradition and well-established supporting facilities. Foreign banks, securities houses, embassies, and consulting companies dominate the CBD.

GBD (GANGNAM BUSINESS DISTRICT - GBD)

The Central Government designated GBD, formerly an agricultural area, as the second business district of Seoul. In the middle 1990's, GBD was gaining popularity centering around Gangnam Rd and Teheran Rd as the IT valley of Seoul and the "Teheran Valley." After IMF, GBD showed rapid rent hike and followed the rent level up with CBD's.

YBD (YEUIDO BUSINESS DISTRICT - YBD)

In the late 1970's through early 1980's, YBD was encouraged to be developed as the 'Manhattan of Seoul.' YBD remains as the center of securities trading and broadcasting activities. Local securities, media, and IT companies dominate the district due to its close proximity to Korea Stock Exchange, broadcasting stations, and Yongsan Electronic Market

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TERMINOLOGY

PRIME OFFICE

Modern facility with high quality finishes; flexible layout; large floor plates; spacious lobbies and circulation areas; effective central air-conditioning; good lift services zoned for passengers and goods deliveries; good management and parking facilities are normally available.

NEW SUPPLY

The total GFA of buildings completed (including redevelopment) in a period.

TAKE-UP

The net absorption of office space let, or sold to the acquirer for occupation.

VACANCY RATE

The amount of vacant space divided by the total stock.

RENT

Rents are presented in KRW on a gross basis, unless otherwise specified.

CAPITAL VALUE

Capital values are presented in KRW on a gross basis, unless otherwise specified.

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