

ECONOMIC OVERVIEW

As the financial turmoil in the US spread worldwide, the downturn in the Korean economy was accelerated during the fourth quarter of 2008. Although in the wake of the financial turmoil in the third quarter, the Korean economy sustained a GDP growth of over 4% y-o-y. However, the GDP growth fell sharply during the fourth quarter, as the global economy was falling into an even deeper recession. According to the BOK, the GDP growth appeared at -3.4% y-o-y, and the Korean economy grew only 2.5% in 2008, the worst growth since the Asian financial crisis in the 1997-1998.

As the recession spread worldwide, the downturn in the Korean economy was accelerated. Korea Q4 GDP growth downed 3.6% y-o-y. The Korean government announced various counter-plans to stimulate many sectors. However, the economic downturn is expected to persist for certain period along with the global recession.

As a result, the Korean government announced counter-plans to reinvigorate the depressed residential market and financial sector. And, the BOK cut the benchmark call rate four times during the fourth quarter. The benchmark call rate reached a record low of 3% in December. Meanwhile, the pace of falling mortgage rates appeared to be slow compared to that

of the benchmark call rate due to the cautious stance of commercial banks, and the mortgage rate remained at a relatively high rate, impairing the sentiment in the residential market.

Amid mounting fears of a global recession and a widening deficit of sluggish exports, the won/dollar rate continued to rise in the fourth quarter, and it surged to KRW 1,509 per US dollar on Dec. 24th. With continuing volatility in the exchange market, the Korean government accomplished the currency

swap deal between the US and Korea for USD 30 billion. Subsequently, the Korean government raised the currency swap amount to USD 30 billion with China and Japan. Meanwhile, oil prices, which surged over USD 100 in early 2008, plunged to approximately USD 40 due to the gloomy outlook in oil demand, are expected to decrease along with the global recession. Thus, CPI fell to 4.5% in the fourth quarter from 5.5% in the third quarter. Looking ahead, in 2009, CPI is expected to remain lower than 2008.

QUICK STATS

	Change in Q4 2008	Change in Q3 2008
Prime Rents	↑	↑
Vacancy Rates	↑	↑

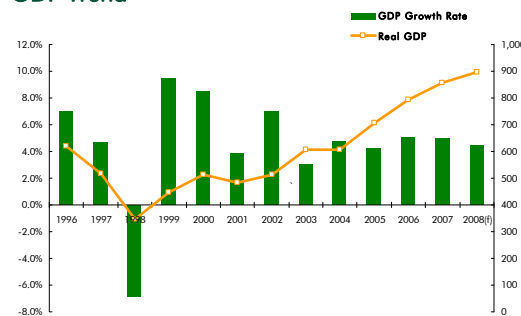
* Source: CBRE Research

Capital Value

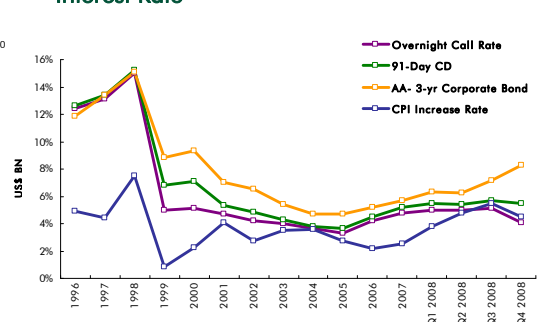
	Q4 2008	6 mths Trend
CBD	4.9 Mil	→
Gangnam	4.4 Mil	→
Yeouido	3.6 Mil	→

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

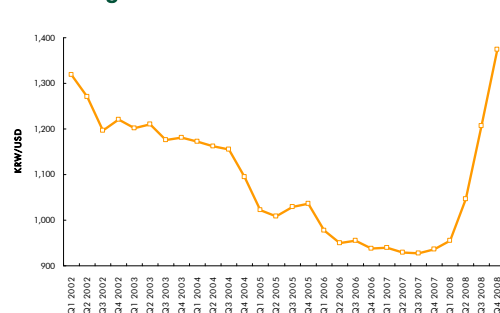
GDP Trend



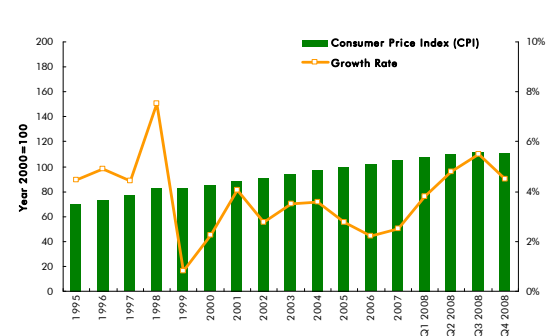
Interest Rate



Exchange Rate

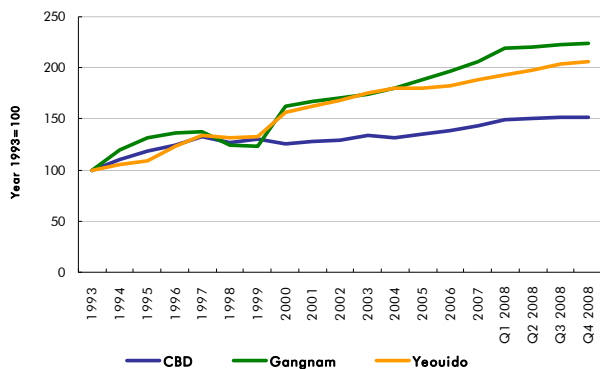


Consumer Price Index



RENTAL TREND

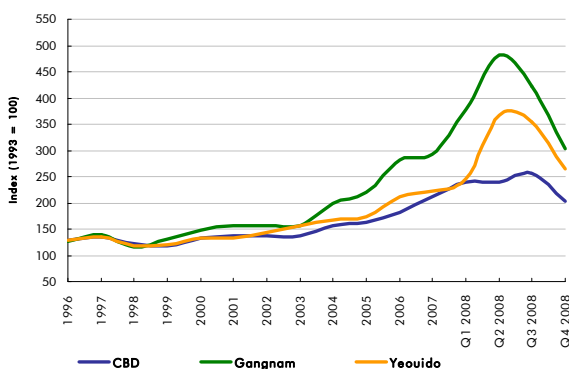
Prime Office Rental Index



The overall rental in Seoul office markets continued to climb up to 0.47% q-o-q with recording 22,794/ m² despite the weak sentiment in office markets owing to the ripple effect of the economic slump. The rental level, recording the highest growth rate of 7.67% y-o-y in Korean history, was pushed up on factors such as lack of new supply, a steep increase in capital value and high inflation rate. Given the facts that companies deferred expansionary plans to save costs or plan to restructure organizations, leasing demands will show signs of easing in 2009. However, upward rental correction is expected through the annual adjustment given lack of available office space coupled with no new supply in 2009.

CAPITAL VALUE

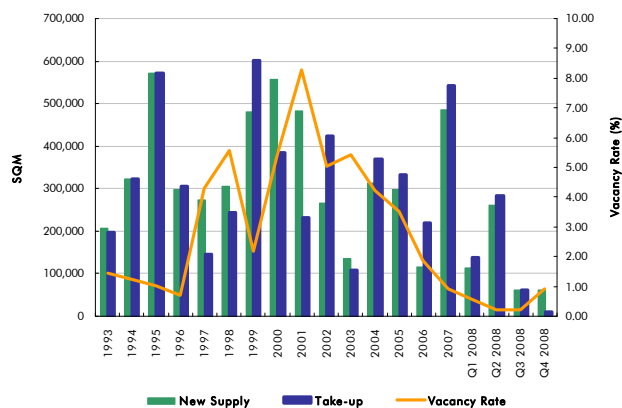
Prime Office Capital Value Index



As widening opportunities of investment in commercial properties at depreciated values amid the ongoing gloomy economic conditions and growing liquidity risk, domestic investors hunted aggressively to buy office buildings for self-use purposes. Mesa building, owned by ARA Investment, was purchased by Shinsegae group for KRW 130 billion for Shinsegae's HQ. Hyundai Shipping purchased the Eunsuk building from ING RE for KRW 200 billion and Mirae Asset Life purchased the Stardia building at a cost of KRW 77 billion for 100% owner-occupied. As an influx of supplies for sale is expected to pour out, capital value is expected to undergo further correction in 2009.

VACANCY TREND

Supply, Take-up and Vacancy of Prime Office Properties



All three major markets saw rises in overall vacancy rates, recording a raise of 0.7% point q-o-q in Q4 2008. The YBD market, the top financial hub in Korea, was directly influenced by the global credit squeeze. Due to the downsizing in the financial sector, the vacancy rate in YBD surged from 0.06% in the third quarter to 1.24% in the fourth quarter. The vacancy rate in CBD and GBD, however, sustained a low level at 0.9%, 0.76% respectively. Without a significant new supply until 2010, the surge in vacancies is unlikely to occur. But, tenant migration to cheaper properties will be inevitable since office properties transacted recently raised the rent somewhat drastically to secure the return on investment.

LEASING ACTIVITY

Since the contraction in the Korean economy accelerated along with the global recession during the fourth quarter of 2008, the business environment for corporations was deteriorated substantially. The financial sector, which is directly hit by the global financial turmoil, prepares for the worst business situation through downsizing and voluntary layoffs. Likewise, other sectors plan layoffs and reductions in new hires, and the demand for office space is expected to decrease gradually. However, there is no substantial plunge in leasing activities since no significant new supplies are scheduled to come on the stream until 2010 and uncertainties are growing over new supplies due to developers and investors faltering.

Despite the profit tumble, not many corporations are planning to actually transfer from the Grade A office property to the Grade B or C office property or the office property located in the secondary market. But, the demand for the Grade B or C office property and the office property located in the secondary market would increase if the economic downturn persists longer than expected, and the related leasing activities would increase subsequently.

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	Q3 2008	Q2 2008	Q4 2007	6 mths Trend
CBD	57.84	447.97	65,361	0.21 %	0.99%	5.74 %	→
Gangnam	58.56	453.44	66,159	0.43 %	1.98 %	6.97 %	→
Yeouido	50.4	390.35	56,953	0.94 %	4.06 %	7.92 %	→

Source : CBRE Research

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

CBRE Index – Vacancy Trend

	Q4 2008	%-pt Change*	6 mths Trend
CBD	0.90 %	▲ 0.64 %	↗
Gangnam	0.76 %	▲ 0.52 %	↗
Yeouido	1.24 %	▲ 1.18 %	↗

Source : CBRE Research

* Quarter-on-quarter percentage-point change

CBRE Index – Capital Value**

	Q4 2008	6 mths Trend
CBD	4.9	→
Gangnam	4.4	→
Yeouido	3.6	→

Source : CBRE Research

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

Economic Indicator – Q4 2008

	Latest Release	2005	2006	2007
Real GDP Growth	Q4 2008 (-) 3.4 %	4.2 %	5.1 %	5.0 %
Unemployment	Q4 2008 3.3 %	3.7 %	3.5 %	3.2 %
Inflation	Q4 2008 4.5 %	2.8 %	2.2 %	2.5 %
Exchange Rate (KRW/USD)	Q4 2008 1,362.79	1,024.31	955.51	929.2

Source : Bank of Korea

KEY LEASING TRANSACTIONS

- Kolon Bldg (CBD)	Bandai Korea Leased approx. 1,058 m ² (320 pyung)
- Kolon Bldg (CBD)	Creative B Works Leased approx. 338 m ² (102 pyung)
- Premier Place (CBD)	Sojitz Korea Leased approx. 1,038 m ² (314 pyung)
- Daeryung Seocho Tower (GBD)	Skinfood Leased approx. 2,519 m ² (762 pyung)
- Hibrand (GBD)	Tyco Healthcare Korea Leased approx. 3,338 m ² (1,010 pyung)
- Gangnam Finance Center (GBD)	Hungkuk Life Insurance Leased approx. 374 m ² (113.18 pyung)
- Prudential Bldg (GBD)	Brady Korea Leased approx. 846 m ² (256 pyung)
- Pacific Tower (GBD)	Mitsubishi Heavy Industry Leased approx. 536 m ² (162 pyung)
- Hansol Bldg (GBD)	Samsung Life Insurance Leased approx. 803 m ² (243 pyung)
- Tongyang Securities (YBD)	HMC Investment and Securities Leased approx. 995 m ² (301 pyung)
- M City (Ilsan)	SG 1 Leased approx. 165 m ² (50 pyung)
- M City (Ilsan)	Edutainer Leased approx. 334 m ² (101 pyung)
- M City (Ilsan)	Goyang City Leased approx. 4,509 m ² (1,364 pyung)
- E&Tech Bldg (Bundang)	Magnum Leased approx. 569 m ² (172 pyung)

KEY INVESTMENT TRANSACTIONS

No Transaction of Grade A Office Building

PRIME OFFICE DISTRICTS IN SEOUL

CBD (CENTRAL BUSINESS DISTRICT - CBD)

The CBD is the oldest and largest business district. It was 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 the 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 a rapid rent increase and followed the rent level up with CBD's.

YBD (YEUIDO BUSINESS DISTRICT - YBD)

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