

RENTAL TREND

Grade A Office Rental

Overall rental in Grade A office properties rose slightly by 0.23% during August 2008. The rental in CBD remained unchanged from last month. The rental growth in GBD and YBD recorded marginal growths of 0.12% and 0.7% respectively. Overall rental in Grade A office properties is unlikely to be changed until later this year. Amid a high demand and a shortage in new supplies, the rental growth in 2009 could exceed or remain around the same level as this year.

VACANCY TREND

Supply, Take-up and Vacancy of Grade A Office Properties

The average vacancy rate within three major districts recorded 0.29% with a slight bounce-back of 0.09% point m-o-m, leaving a long rally of the decrease in the vacancy rate behind. However, the vacancy rate still remained below 1% and a shortage in the leasable office space has continued during August 2008. The vacancy rate in CBD and GBD climbed to 0.10% and 0.62% respectively. The vacancy rate in YBD recorded 0.06%, which could be considered as 0% with respect to total leasable space. The vacancy rate in overall Grade A offices is expected to be persistent in the current low level.

CAPITAL VALUE

Grade A Office Capital Value

In August 2008, one Grade A office property was transacted in YBD. Daewoo Securities acquired Daewoo Securities Building for KRW 180 billion, previously owned by DBREi for 16 months. DBREi expects to receive more than KRW 70 billion in proceeds from asset sale. Otherwise, the investors adopted 'wait-and-see' mode due to the growing concern over a credit squeeze in the US and a tight rein on Project Financing by the Korean government.

LEASING ACTIVITY

Grade A Office Leasing Market

Due to a shortage of available Grade A office space within three major districts, leasing activities were weak during August 2008. Beside CBD and YBD, the leasing activities in GBD were relatively strong. ArderPro and Aberdeen leased 660 m² (200 pyung) and 330 m² (100 pyung) of Gangnam Finance Center, and LIG Insurance leased 3,000 m² (907 pyung) of Daeryung Seocho Tower. The Federation of Korean Industries leased 5,100 m² (1,540 pyung), and Deloitte Anjin LLC leased 1,960 m² (593 pyung) of Tongyang Securities Building in YBD. Samsung Life Insurance leased 400 m² (121 pyung) of KOLON Building in CBD.

	Change in August 2008	Change in July 2008
Grade A Rents	↑	↑
Vacancy Rates	↑	↓

* Source: CBRE Research

Capital Value (Grade A)

	August 2008	6 mths Trend
CBD	6.1 Mil	→
Gangnam	6.1 Mil	→
Yeouido	5.0 Mil	→

* Note: In KRW, per sq m GFA
* Source: CBRE Research

Key Issues of the Month

- Songdo ConvensiA, the main facility of International Business Centre project within Songdo, is revealed in the ceremony of the completion with an exquisite structure. Songdo ConvensiA is built as a 4-floor building including a basement floor with a total GFA of 54,000 sqm on the 100,000 sqm land in IFEZ. Songdo ConvensiA is a magnificent convention centre which consists of an exhibition hall with capacity of 450 booths, a premier ballroom with a capacity of 2000 people, and 23 conference rooms. (Seoul Economy, 2008-08-04)
- Ilsan Project Co., Ltd. is designated as the preferred bidder to develop the complex within 2nd district of Hallyu Wood Project at Ilsan, Gyeonggi-do. Eight premier properties (26-50 floors and 8 basement floors) consisted of 1,130 public housings, officetels, offices, and retail shops are planned to be built upon a land area of 83,220 sqm. The commencement of properties is Aug. 2010 with an expected completion by 2013. With the completion, the properties are likely to be recognized as the landmark properties in northern Gyeonggi province. (JoongAng Ilbo, 2008-08-21)
- A 14-story office property is planned to be built upon the KT&G site located at 21-1 Migeun-dong Seodaemun-gu, Seoul. The property is consisted of 14 floors and 5 basement floors with a land area of 6,123.8 sqm. The building coverage ratio and the floor area ratio are 33.66% and 295.74% respectively. The project is admitted with regard to an approval of the detailed development plan associated with the special planning district within the first category district unit plan for Chungjeong district. Along with the new exquisite property, the reinvigoration of the obsolete Seodaemun station area is anticipated. (Herald Business, 2008-08-21)

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	Last month	6 month	12 month	6 mths Trend
CBD	69.48	499.19	64,959	0.00 %	1.24 %	5.48 %	↗
Gangnam	69.96	502.70	65,416	0.19%	1.25 %	6.71 %	↗
Yeouido	60.24	432.61	56,296	0.56 %	5.09 %	7.27 %**	↗

Source : CBRE Research

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

1 square meter=10.76 square feet

** New additions to and deletions from the list of office buildings were made

CBRE Index – Grade A Vacancy Trend

	August 2008	% Change**	6 mths Trend
CBD	0.10%	▲ 0.06%	→
Gangnam	0.62%	▲ 0.15 %	→
Yeouido	0.06%	▲ 0.06 %	→

Source : CBRE Research

** Month-on-Month percentage change

CBRE Index – Grade A Capital Value*

	August 2008	6 mths Trend
CBD	6.1 Mil	→
Gangnam	6.1 Mil	→
Yeouido	5.0 Mil	→

Source : CBRE Research

* Note: In KRW, per sq m GFA

Economic Indicator – August 2008

	Latest Release	2005	2006	2007	
Real GDP Growth	2008 Q2	4.7 %	4.2 %	5.0 %	4.9 %
Unemployment	August 2008	3.1 %	3.7 %	3.5 %	3.2 %
Consumer Price Index	August 2008	5.6 %	2.8 %	2.2 %	2.5 %
Exchange Rate (KRW/USD)	August 2008	1041.54	1,024.31	955.51	929.20

Source : Bank of Korea

*Same period of previous year % change

KEY LEASING TRANSACTION

- Gangnam Finance Center (GBD) **ArderPro** Leased approx. 660 m² (200 pyung)
- Gangnam Finance Center (GBD) **Aberdeen** Leased approx. 330 m² (100 pyung)
- Daeryung Seocho Tower (GBD) **LIG** Leased approx. 1,213 m² (367.06 pyung)
- KT Tower (YBD) **The Federation of Korean Industries** Leased approx. 5,100 m² (1,541 py)
- Tongyang Securities Bldg (YBD) **Deloitte Anjin** Leased approx. 1,960 m² (593 pyung)
- Kolon Bldg (CBD) **Samsung Life Insurance** Leased approx. 400 m² (121 pyung)

KEY INVESTMENT TRANSACTION

- Daewoo Securities Building (38,599 m², YBD) **Daewoo Securities**



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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CBRE
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TERMINOLOGY

GRADE A OFFICE (Including Prime)

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 quoted in KRW per square meter per month, unless otherwise specified.

CAPITAL VALUE

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

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