

RENTAL TREND

Grade A Office Rental

The downturn in Korea economic appears to be picking up speed during the review period. Nevertheless, the drop in rents was not witnessed within Seoul Grade A office market; moreover, the rent remained stable, since most Grade A office properties have one month left until the annual rent adjustment for 2009. Overall rent in Grade A office properties climbed marginally by 0.11% m-o-m during November 2008. According to the gloomy economy outlook, overall rent in Grade A office properties for 2009 does not appear to have a strong upward tendency like that in 2008.

VACANCY TREND

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

Along with the economic downturn, the demand for Grade A office space has been diminished. The vacancies of Grade A office space within three major districts continued to climb relative to falling demand. The average vacancy rate for Grade A office property leapt 0.41% point to 0.72% during November 2008. The vacancy rate in YBD, which is the cluster of financial sectors in Seoul accelerated upward following the surge in October, and recorded 1.47%. Likewise, the vacancy rate in CBD and GBD increased to 0.81% and 0.22% respectively.

CAPITAL VALUE

Grade A Office Capital Value

Transactions of Grade A office properties were not witnessed during the reviewed period, while the inventory of office properties for sale increased. Likewise, the capital values of Grade A office properties continued its downward trajectory, since the gap between asking prices and purchasing prices continued to widen, due to the bleak investment market sentiment.

LEASING ACTIVITY

Grade A Office Leasing Market

Due to the gloomy economy outlook, potential tenants withdrew their expansionary plans and current tenants considered downsizing to reduce operating costs. Meanwhile, leasing activities in sub-market such as Ilsan and Bundang were relatively buoyant during November 2008. SG 1 and Edutainer leased 165 m² (50 pyung) and 334 m² (101 pyung) of M City in Ilsan respectively. Magnum leased 569 m² (172 pyung) in E&Tech Building. In GBD, Skinfood leased 2,519 m² (762 pyung) of Daeryung Seocho Tower.

QUICK STATS

	Change in November 2008	Change in October 2008
Grade A Rents	↑	↑
Vacancy Rates	↑	↑

* Source: CBRE Research

Capital Value (Grade A)

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

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

Key Issues of the Month

- Massive projects, which are favourites among foreign investors seeking higher yields, are facing difficulties due to the foreign investors' setback associating with the global financial turmoil and the economic downturn. Redwood Group dropped its participation in a project to develop Eco-Desigh City in Pocheon, and a development project for a tourism town in Anmyeon island has been suspended by faltering investors like AIG. The collapse of Lehman Brothers has left a culture complex development project in Ansan adrift. In addition, a project to build hotels and an aquarium in the KINTEX are looking for new investors besides UAD and Australia's Oceana Group.(Maeil Economics 2008-11-20)
- The city of Seoul announce its the plan to develop the 3.97 million m² area besides the National Assembly Building area in Yeouido in a bid to be designated as the financial hub. In addition, the designation of the financial hub by the government is expected to benefit from the government diverse support measures such as tax reduction.(Maeil Economics 2008-11-07)
- The city of Seoul allows the development for over 10,000 m² plots of land that had been used as plants, garages, and terminals. Meanwhile, the city of Seoul sanctions to donate a part of profits earned from the development to the public. Subsequently, Hyundai Motor's land in Dduk-seom, Lotte Chilsung's land in Seocho-dong, Korea Electric Power Corporation's land in Samseong-dong, and an additional 96 plots owned by private or public sectors are now allowed for development.(Maeil Economics 2008-11-12)

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	52.44	443.28	65,342	0.00 %	1.00 %	5.74 %	→
Gangnam	53.04	448.68	66,140	0.37 %	1.98 %	7.44 %	→
Yeouido	45.72	386.28	56,937	0. %	4.07 %	7.91 %	→

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

	November 2008	% Change**	6 mths Trend
CBD	0.81%	▲ 0.59%	↗
Gangnam	0.22%	▲ 0.05 %	↗
Yeouido	1.47 %	▲ 0.72 %	↗

Source : CBRE Research

** Month-on-Month percentage change

CBRE Index – Grade A Capital Value*

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

Source : CBRE Research

* Note: In KRW, per sq m GFA

Economic Indicator – November 2008

	Latest Release	2005	2006	2007	
Real GDP Growth	2008 Q3	3.9 %	4.2 %	5.0 %	4.9 %
Unemployment	November 2008	3.1 %	3.7 %	3.5 %	3.2 %
Consumer Price Index	November 2008	4.5 %	2.8 %	2.2 %	2.5 %
Exchange Rate (KRW/USD)	November 2008	1390.09	1,024.31	955.51	929.20

Source : Bank of Korea

*Same period of previous year % change

KEY LEASING TRANSACTION

- Daeryung Seocho Tower (GBD)
 - Prudential Bldg (GBD)
 - Pacific Tower (GBD)
 - Hansol Bldg (GBD)
 - Tongyang Securities (YBD)
 - M City (Ilsan)
 - M City (Ilsan)
 - E&Tech Bldg (Bundang)
- Skinfood** Leased approx. 2,519 m² (762 pyung)
 - Brady Korea** Leased approx. 846 m² (256 pyung)
 - Mitsubishi Heavy Industry** Leased approx. 536 m² (162 pyung)
 - Samsung Life Insurance** Leased approx. 803 m² (243 pyung)
 - HMC Investment and Securities** Leased approx. 995 m² (301 pyung)
 - SG 1** Leased approx. 165 m² (50 pyung)
 - Edutainer** Leased approx. 334 m² (101 pyung)
 - Magnum** Leased approx. 569 m² (172 pyung)

KEY INVESTMENT TRANSACTION

No Transaction of Grade A Office Building



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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