

### ECONOMIC OVERVIEW

In the second quarter of 2008, concerns about stagflation rose amid the slowing economy growth in Korea accompanied with quickening inflation. With reference to the Bank of Korea, the consumer price surged to 4.8%. The rise, compared to the last period, was 1.0% and was recorded the highest growth since Sept. 2004. Even the very fast pace in soaring consumer prices deepened amid the worries of inflation risk. IMF forecasted that the global economy would slowdown further in the second half of 2008, due to the less than expected growth and inflation risk continuing along the steep price in oil and raw materials. During the second half of year, the Bank of Korea held the call rate as 5%, expecting it to be raised in the near future due to the mounting concern over inflation risk. Oil prices continued rise steeply in the second half, reaching USD 140 per barrel. Likewise, the appreciation of the Korea Won/ US dollar

In the second quarter of 2008, the concerns about stagflation continued mounting as the rising unemployment and inflation risks persisted due to soaring oil and raw material prices amid a steep appreciation of the Korean Won/US Dollar exchange rate.

exchange rate was accelerated to 1,016.72, the highest rate recorded since 2006, in spite of government intervention in the foreign exchange market.

The mix of inflation risk amid the record high oil price, the steep appreciation in the Korea Won/US dollar exchange, the upsurge in borrowing rate, and the rising unemployment deteriorated the Korea economy even further. Despite the weak domestic economy in the first half, strong exports offset the deficit. However, exports for the second half has gloomy prospects due to the rise in uncertainty for the global economy, resulting in the widening trade deficit. The financing sector recently warned the economic growth in the second half of year is expected to record below 4%, as a consequence of the weakening exports and the delay in the mitigation of the sluggish economy.

### QUICK STATS

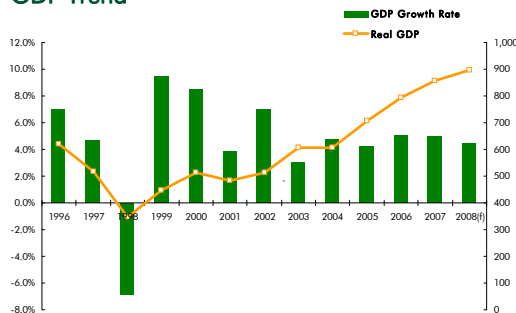
|               | Change in Q1 2008 | Change in Q2 2008 |
|---------------|-------------------|-------------------|
| Prime Rents   | ↑                 | ↑                 |
| Vacancy Rates | ↓                 | ↓                 |

\* Source: CBRE Research

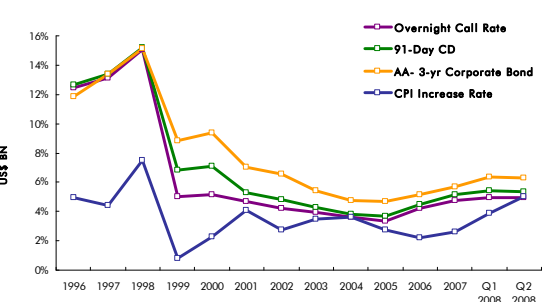
| Capital Value | Q2 2008 | 6 mths Trend |
|---------------|---------|--------------|
| CBD           | 6.4 Mil | →            |
| Gangnam       | 6.1 Mil | →            |
| Yeouido       | 5.1 Mil | →            |

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

### GDP Trend



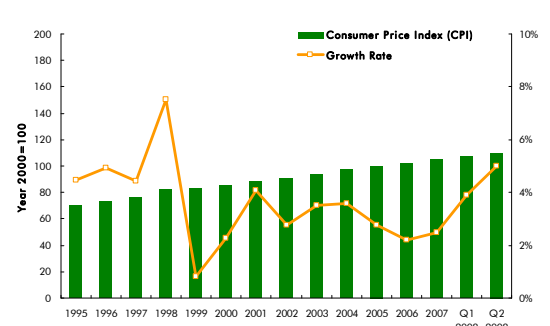
### Interest Rate



### Exchange Rate

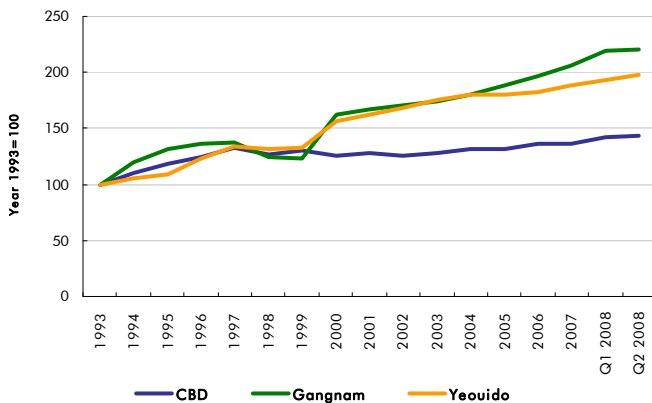


### Consumer Price Index



## RENTAL TREND

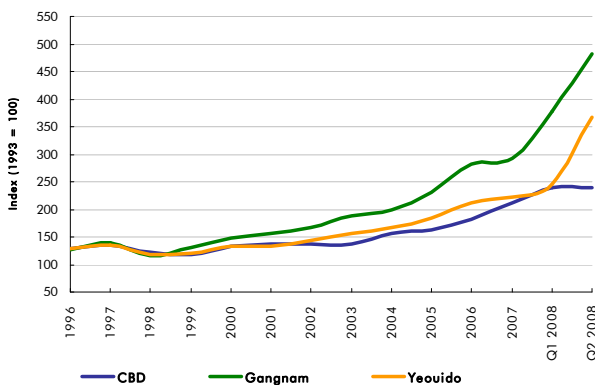
### Prime Office Rental Index



Overall Seoul office market remained buoyant in the second quarter of 2008. In spite of the financial market turmoil, the financial sector continued the expansion of their business, bolstering the demand for Grade A office space. Overall rent in Grade A office amid high demand rose 1.07% q-o-q. The rental growth rate in CBD and GBD decelerated after upsurge in the first quarter of 2008, and the rent in CBD and GBD recorded 0.82% and 0.31%. Otherwise, YBD recorded relatively high rental growth of 2.49% since the office property which hasn't raised the rent associated with the annual rent adjustment in the early year raised the rent. Overall rent in Seoul office market expects to ratchet upward in the future, since the robust demand along with a lack of Grade A office space persists

## CAPITAL VALUE

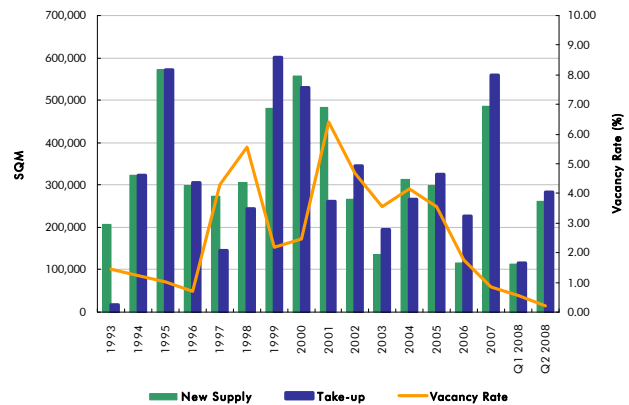
### Prime Office Capital Value Index



The transactions of Grade A office premises occurring in the second quarter of 2008 drove the overall capital value to a record high. The overall growth in the capital value was 21.64% q-o-q. Three transactions were witnessed within three major districts. The increase in transactions relative to the first quarter of 2008 and the high acquisition price, gave the evidence for the existence of the latent demand to acquire Grade A office premises. According to the acquisition of Hansol building by MAPS, especially, the capital value in GBD reached a level equivalent to CBD's unit price of office property.

## VACANCY TREND

### Supply, Take-up and Vacancy of Prime Office Properties



The overall vacancy rate fell to the record low of 0.22%. Even though two Grade A properties, of approx. 2.46 million sf, came on the stream, the new supplies did not alleviate the tight market conditions with the low vacancy. Since the new supplies were injected into GBD and both properties were planned to be used for headquarters, the impact on the overall vacancy was limited. The vacancy rate in CBD and YBD fell to 0.04% and 0%, reflecting a high demand and a vicious lack of available Grade A office space. While the vacancy rate in GBD recorded the highest among three major districts, the vacancy rate declined steadily from the level of 1% to 0.51% albeit two new properties. The office market remained steady since the overall vacancy rate in Grade A office properties remained below 1%.

## LEASING ACTIVITY

Stagnant leasing activities in the Grade A office market continued in the second quarter of 2008 along with the shortage of available office space. The leasing activities for Grade A offices in Seoul was dominated by the financial sector albeit the turmoil in the global financing market. In particular, the insurance companies absorbed all the available Grade A & B office in the major districts. Besides CBD and YBD, the leasing activity remained brisk in GBD, bolstered by the expansionary demand of insurance companies in the somewhat large available office spaces, relative to other districts. Along with the relocation of headquarters to newly supplied office properties, increasing vacancy rates in the Grade B office properties became a great alternative for the lack of available Grade A office space. For instance, Samsung Life Insurance and Kyobo Life Insurance immediately took up the vacant space of approx. 2,853 sqm and approx. 1,427 sqm in the Pacific Tower (a Grade B office property) which was previously occupied by NC Soft and affiliates.

**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 | Q1 2008                | Q4 2007 | Q2 2006 | 6 mths Trend |
| CBD      | 69.00              | 471.63       | 64,775         | 0.71 %                 | 4.80 %  | 5.89 %  | →            |
| Gangnam  | 69.24              | 472.78       | 64,933         | 0.35 %                 | 4.99 %  | 7.57 %  | →            |
| Yeouido  | 58.32              | 398.83       | 54,777         | 2.15 %                 | 3.79 %  | 5.83 %  | →            |

Source : CBRE Research

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

**CBRE Index – Vacancy Trend**

|         | Q2 2008 | %-pt Change* | 6 mths Trend |
|---------|---------|--------------|--------------|
| CBD     | 0.04 %  | ▼ 0.10 %     | →            |
| Gangnam | 0.51 %  | ▼ 0.80 %     | →            |
| Yeouido | 0.00 %  | ▼ 0.05 %     | →            |

Source : CBRE Research

\* Quarter-on-quarter percentage-point change

**CBRE Index – Capital Value\*\***

|         | Q2 2008 | 6 mths Trend |
|---------|---------|--------------|
| CBD     | 6.4     | ↗            |
| Gangnam | 6.1     | ↗            |
| Yeouido | 5.1     | ↗            |

Source : CBRE Research

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

**Economic Indicator – Q2 2008**

|                         | Latest Release | 2005     | 2006     | 2007   |       |
|-------------------------|----------------|----------|----------|--------|-------|
| Real GDP Growth         | Q1 2008        | 5.8%     | 4.2 %    | 5.1 %  | 5.0 % |
| Unemployment            | Q2 2008        | 3.1 %    | 3.7 %    | 3.5 %  | 3.2 % |
| Inflation               | Q2 2008        | 3.9 %    | 2.8 %    | 2.2 %  | 2.5 % |
| Exchange Rate (KRW/USD) | Q2 2008        | 1,016.72 | 1,024.31 | 955.51 | 929.2 |

Source : Bank of Korea

**KEY LEASING TRANSACTIONS**

- Namdaemun Mesa (CBD)
  - Gangnam Finance Center (Gangnam)
  - Gangnam Finance Center (Gangnam)
  - Gangnam Finance Center (Gangnam)
  - M Tower(Gangnam)
  - Sigma Tower (Jamsil)
  - Namdaemun Mesa (CBD)
  - Gangnam Finance Center (Gangnam)
  - Gangnam Finance Center (Gangnam)
  - Pacific Tower (Gangnam)
  - Pacific Tower (Gangnam)
  - Pacific Tower (Gangnam)
  - Narae Building (Gangnam)
  - Prudential Tower(Gangnam)
  - Tongyang Securities bldg (YBD)
  - Pacific Tower (GBD)
  - Pacific Tower (GBD)
- Shinhan Life Insurance** Leased approx. 1,119 m<sup>2</sup> (339 pyung)
  - Kumho Life Insurance** Leased approx. 2,380 m<sup>2</sup> (720 pyung)
  - PS Holdings Investment** Leased approx. 630 m<sup>2</sup> (190 pyung)
  - Samsung Life Insurance** Leased approx. 2,530 m<sup>2</sup> (765 pyung)
  - Dongbu Life Insurance** Leased approx. 1,087 m<sup>2</sup> (329.48 pyung)
  - Samsung Card** Leased approx. 666 m<sup>2</sup> (202 pyung)
  - Shinhan Life Insurance** Leased approx. 1,119 m<sup>2</sup> (339 pyung)
  - NGK** Leased approx. 140 m<sup>2</sup> (42.56 pyung)
  - Solar World** Leased approx. 641 m<sup>2</sup> (194.11 pyung)
  - Donga Golf** Leased approx. 2,900 m<sup>2</sup> (887.63 pyung)
  - Donga G&L** Leased approx. 1,427 m<sup>2</sup> (431.53 pyung)
  - Tozai Capital Korea** Leased approx. 1,300 m<sup>2</sup> (387.16 pyung)
  - Mirae Asset Life** Leased approx. 430 m<sup>2</sup> (130.12 pyung)
  - POSCO E&C** Leased approx. 2,590 m<sup>2</sup> (783.52 pyung)
  - Tongyang Securities** Leased approx. 492 m<sup>2</sup> (149 pyung)
  - Samsung Life** Leased approx. 2,583 m<sup>2</sup> (781 pyung)
  - Kyobo Life Insurance** Leased approx. 1,427 m<sup>2</sup> (431.67 pyung)

**KEY INVESTMENT TRANSACTIONS**

- Hanwha Non Insurance Building (49,610 m<sup>2</sup>, CBD)
- Hansol Building (61,699 m<sup>2</sup>, GBD)
- Hanwha Securities Building (59,640 m<sup>2</sup>, YBD)
- Daehan Life Insurance
- MAPS Investment Management
- Hanwha 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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\*18 offices throughout Japan

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### Mumbai, India

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### Bangalore, India

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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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