

Digital Media City (DMC), Korea



DMC Office Market Summary Table, Q4/2009

Rent(KRW/ 3.3058sq.m. gross leasable area)	Rent(KRW/ 3.3058sq.m. net leasable area)	Increase compared with Q4/2008	Vacancy Rate	Short-term Vacancy Forecast
43,900	83,000	0.5%	19.3%	↘

Source: Savills Korea

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1. New Supply

New supply comprises two buildings, both developed entirely for owner occupation. Woori Financial Group Sangam Center, and CJ Entertainment & Media Center, were completed in the second half of 2009. Woori Financial Group Sangam Center houses the financial group's data centre and business process re-engineering centre. Six companies in the CJ Group (CJ Media, CJ CGV, Mnet Media, CJ Entertainment, CJ Internet and CJ Hello Vision) moved into the CJ Entertainment & Media Center between December 2009 and February 2010. Most of these tenants relocated from small and medium-sized buildings located outside the DMC, although CJ Media relocated from DMC's Sangam IT tower.

Buildings Supplied in 2H/2009

Completion	Building Name	Floors	GFA (sq.m.)
Sep. 2009	Woori Financial Group	B5/F to 15/F	81,475
Nov. 2009	CJ E&M Center	B6/F to 19/F	69,333

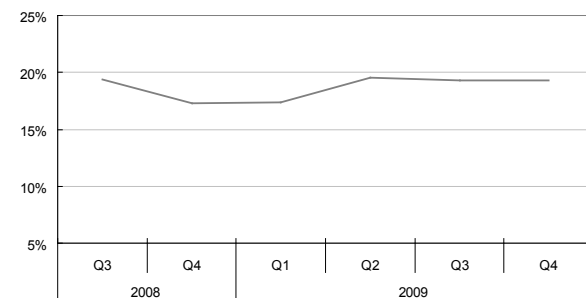
Source: Savills Korea

No new supply is planned for the DMC area in 2010 and 2011.

2. Vacancy Rate

Despite the relocation of tenants to buildings in the DMC area, the vacancy rate remained at 19.3 per cent in Q4.

DMC Office Vacancy Rates, Q3/2008-Q4/2009



Source: Savills Korea

In Q4, half of the ten buildings analyzed showed vacancy rates of over 20 per cent, with the rest below 10 per cent.

Major Tenancy Changes, Q3/2009 - Q4/2009

Time	Tenant	From	To	New leased area (sq.m.)	Remarks
Q3	LG CNS	Trutec Building, DMC	LG CNS' Building, Gasandong	N/A	Relocated to its own new office building
Q3	Byzantium	Trutec Building, DMC	N/A	N/A	Cancelled lease agreement due to liquidation
Q3	Osolar (Conergy Korea)	KGIT3, DMC	N/A	N/A	Reduced lease area
Q3	Honeywell	LS Yongsan Tower	Sangam IT Tower, DMC	7,577	For cost reduction
Q4	Edustock	Daewoo Foundation Building, CBD	Woori Technology's company building, DMC	1,455	
Q4	Poonglim Construction	New	Woori Technology's company building, DMC	681	

Source: Savills Korea

The high vacancy rate in DMC, which has seen significant supply since 2007, is mainly attributable to the delay in infrastructure development for public transport, resulting in low accessibility, and limits on the types of business allowed to relocate into the area. Even businesses that find DMC attractive for its state-of-the-art facilities and competitive rent are not permitted to move there if they are not in the requisite industries allowed in the area: broadcasting, IT/software, online development, educational organisations, gaming and animation. Currently, DMC buildings are subject to such restrictions for five years, but for constructions on sites acquired from the Seoul Metropolitan Government after February 2008, the term is ten years.

Vacancy is likely to fall gradually in DMC over the next two years, with no new office buildings coming onto the market up until the end of 2011, and access improvement through public transportation. The supply of new office buildings is expected to resume from 2012, but at a slower pace than originally planned, as some of the companies that have already acquired construction sites are delaying starting works, due to difficulties in securing project financing.

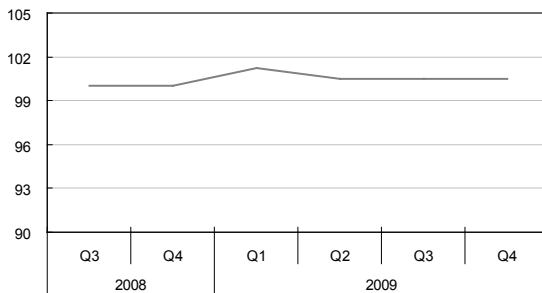
The double track of the Gyeong-ui railroad stretching from Munsan to DMC Station came into service in July 2009, and the second section of the New Airport Railway (Gimpo Airport to Seoul Station) is set to open at the end of 2010. This will enable easy access to DMC. In addition, the opening of the double track section of Gyeong-ui railroad running from Seongsan to Yongsan, planned for 2012, will provide a subway service connecting DMC with Yongsan to the south and Ilsan and Munsan to the north, thus greatly improving access to DMC through public transportation.

3. Rental Trends

Economic recession, along with a slight increase in vacancy, translated into unchanged rent levels in the second half of 2009. However, buildings with high vacancy rates offered rent-free periods and the effective rents are thought to be 20 per cent lower than face rents.

DMC Office Rental Index (Face Rents), Q3/2008 - Q4/2009

Index(Q3 2008=100)



Source: Savills Korea

Although vacancy rates are predicted to fall gradually in 2010, rent increases are likely to be modest until average vacancy falls below 10 per cent.

Appendix

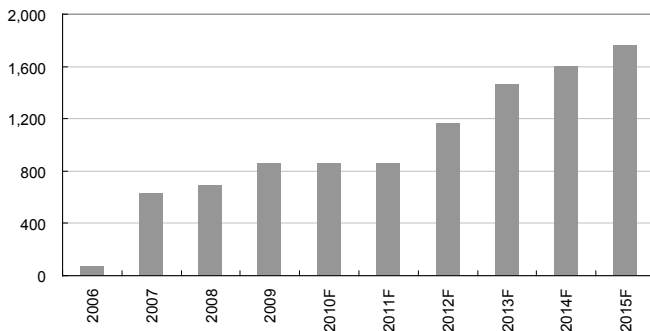
1. Overview of DMC Office Market

DMC is a development for digital media businesses in the housing development district of Sangam New Millennium City. Designed to serve as a new sub-centre of Seoul, the Seoul Metropolitan Government started to sell development sites in DMC in May 2002. DMC represents a total land area of 560,000sq.m., accounting for around 10 per cent of Sangam New Millennium City, which measures 6,610,000sq.m. in total land area. The government has allocated about 200,000sq.m. of land for office development, divided into 33 parcels, 30 of them having been sold for development. The remaining 3 parcels left unsold were initially planned for sale at the end of 2009. However, in the wake of the slow economy and Seoul city government's policy review. This has been put back to the end of 2010.

In December 2009, a total office space of 860,000sq.m. had been offered on 16 lots. Between 2012 and 2015, an additional 1,100,000sq.m. of office buildings on 17 lots will be available. Considering the total area available for office supply, DMC is expected to develop into the fourth largest office district in Seoul by 2015.

DMC Office Stock Forecast, 2006-2015F

Unit: Ths.m²



Source: Savills Korea

2. DMC Office Stock & Sample Basket

Savills Korea has surveyed and analyzed DMC office market trends involving 10 of the 17 buildings in the area in December 2009. Buildings which are used only by their owner (four buildings) or for public purposes (three buildings) are excluded. Buildings used as industry-academia cooperation centres and digital and cultural centres used to support the business operations of other companies are not included, because their rents are set at strategically low levels.

Subjects of DMC Office Market Analysis

	Stock	Sample Basket
Number of buildings	17	10
Average number of above-ground floors	17	19
Average floor area of a standard floor (sq.m.)	2,215	1,792
Average GFA (sq.m.)	49,341	48,075
Total GFA (sq.m.)	789,462	432,679

Source: Savills Korea

Survey period: September 1 to 30 and December 1 to 31, 2009

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