

Spotlight on...

Mapo Office Market

March 2010

Mapo, Korea



Mapo 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
46,600	88,200	3.1%	2.9%	↗

Source: Savills Korea

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1. New Supply

There has been no new supply in the Mapo office market since Q1/2002, but a total of 96,000 sq.m. of new office space is predicted for 2010 and 2011. This represents 14 per cent of the current office stock in Mapo, and 33 per cent of the survey basket.

Office Supply Planned for 2010 and 2011

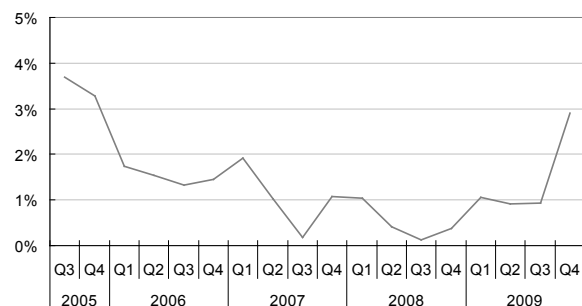
Completion	Building Name	Floors	GFA (sq.m.)	Remarks
Nov. 2010	SNUA Scholarship Building	B6/F to 18/F	21,278 (office area: 19,800)	Retail: B1/F to 4/F
Apr. 2011	S-Oil Company Building	B7/F to 23/F	40,175	100% owner occupied
Jun. 2011	Police Mutual Aid Fund Building	B8/F to 20/F	34,474	85% for lease 15% for owner occupied

Source: Savills Korea

2. Vacancy Rate

In Q4 the vacancy rate increased to 2.9 per cent. Despite this being the highest level since the 3.7 per cent posted in Q3/2005, the rate is similar to the average vacancy rate of Yeouido (3.5 per cent). Only two buildings had vacancy rates above 5 per cent in Q3, but there were four buildings with vacancy rates of higher than 5 per cent in Q4.

Mapo Office Vacancy Rates, Q3/2005-Q4/2009



Source: Savills Korea

In Q1/2010, some relocation of tenants out of Mapo is predicted, for example Woongjin Chemical, currently located in the Private Postal Service Building, will move to Kukdong Building in Chungmuro for integration with its affiliates. Despite the anticipation of economic recovery, the vacancy rate in the Mapo office market is likely to remain around 3 per cent until November 2010 when the SNUA Scholarship Building will be completed, causing the vacancy rate to rise.

Major Leasing Transactions, Q3/2009 - Q4/2009

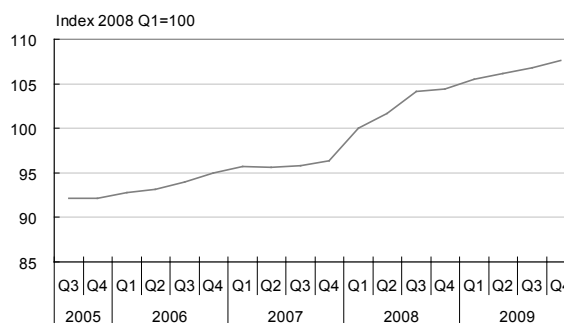
Time	Tenant	From	To	New leased area (sq.m.)
Q3	Wisdom House	Chang-gang Building, Mapo	Central Plaza, Kyunggi-do	N/A
Q3	Thyssen Krupp	63 Building, Yeouido	Chang-gang Building, Mapo	Approx. 350
Q4	Mirae Asset Life Insurance	Mirae Asset Life Insurance Building, Mapo	Kyungbang Time Square, non-core	Approx. 3,300
Q4	Korea Investors Service	Private Postal Service Association Building, Mapo	KT Building, CBD	N/A

Source: Savills Korea

3. Rental Trends

At the end of 2009, the year-on-year rent increase was 3.1 per cent, and remains higher than the average 1.7 per cent increase reported for prime office buildings in Seoul, reflecting the relatively tighter supply conditions in Mapo.

Mapo Office Rental Index (Face Rents), Q3/2005 - Q4/2009



Source: Savills Korea

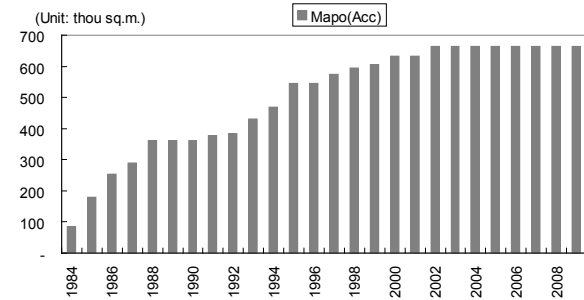
Generally, landlords raise rents at the beginning of a year. However, with the high vacancy rate and weak demand, nine out of the 13 buildings surveyed in Mapo are planning to freeze their rents in 2010. We therefore expect the Mapo office market will probably see an overall rent increase of around 2 per cent in 1H/2010.

Appendix

1. Overview of Mapo Office Market

In December 2009, there were 35 buildings with a GFA of over 3,000sq.m.; their combined GFA amounting to 668,850sq.m. Of these buildings, 70 per cent were concentrated in the Gongdeok and Mapo Stations area, and 30 per cent in the area around Hongdae and Hapjeong Stations. In the Mapo area, office buildings were first built in the mid-1980s and development continued steadily until the early 2000s. With buildings currently under construction and planned for completion in 2010 and 2011, Mapo is expected to develop into a larger and more vibrant office market.

Supply of Buildings over 3,000 sqm, 1984 - 2009



Source: Savills Korea

	Stock	Sample Basket
Number of buildings	35	13
Average floors	15	16
Average year of completion	1991	1993
Average GFA (sq.m.)	19,110	22,369
Total GFA (sq.m.)	668,850	290,801

Source: Savills Korea



The overall Mapo office market has a combined GFA of 668,850sq.m.. The average rental rate stands at about 57 per cent of CBD prime building levels.

3. Survey Subjects

Of the 35 buildings in Mapo, only buildings leased out based on security deposit (normally equal to 10 months' rent) and monthly rent payments were selected for market analysis. Officetels (studio apartment buildings), government offices, neighbourhood amenities, strata-owned and 100% owner-occupied buildings are excluded.

*Survey period: September 1 to December 31, 2009

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