

Analysis of Korean Real Estate Investment Trusts and Share Price Determinants

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ABSTRACT

Korean REITs started as CR-REITs, vehicles with specific objectives to relieve real estate liabilities off the balance sheets of distressed companies and liquidize them back into the real estate market. CR-REITs were finite-lived, closed-end, passively managed vehicles with public offerings heavily weighed to institutional investors. Not only was REITs a new investment vehicle but CR-REITs and its AMC were also brand new companies with no proven track records.

A finite-lived REIT has two sources of income, the first being monthly rental income which is paid out as dividends and the second being the capital gain redistributed at reversion when the REIT is terminated. Analysis shows that Korean REIT prices are more connected with appreciation earnings than rental income earnings specifically due to their finite-lived, passively managed structure. Not to be mistaken, average annual dividend yields were at historically around 9% giving them the highest REIT returns in the Asian market.

This thesis aims to study the overall REITs market in Korea and conduct detailed analysis on REITs stock price determinants using various factors in the Korean financial and real estate market. Individual Korean REITs were analyzed in detail sorting out categories such as stock price, shareholder characteristics, underlying assets, Net Asset Value, Earnings and Dividends. REITs Linear regression analysis on Korean REIT stock returns were conducted to show performance relation with the financial market. Further P/NAV analysis were focused on analyzing the different P/NAV patterns and eventually developed into REIT price connected with its underlying assets, especially with the appreciation value of the land. Additional analysis on Korean REIT P/E ratios were conducted using various factors such as sales & lease back, buy-back options and asset composition.

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CH. 1. REAL ESTATE CAPITAL MARKET IN KOREA

1.1 Real Estate Rental Market

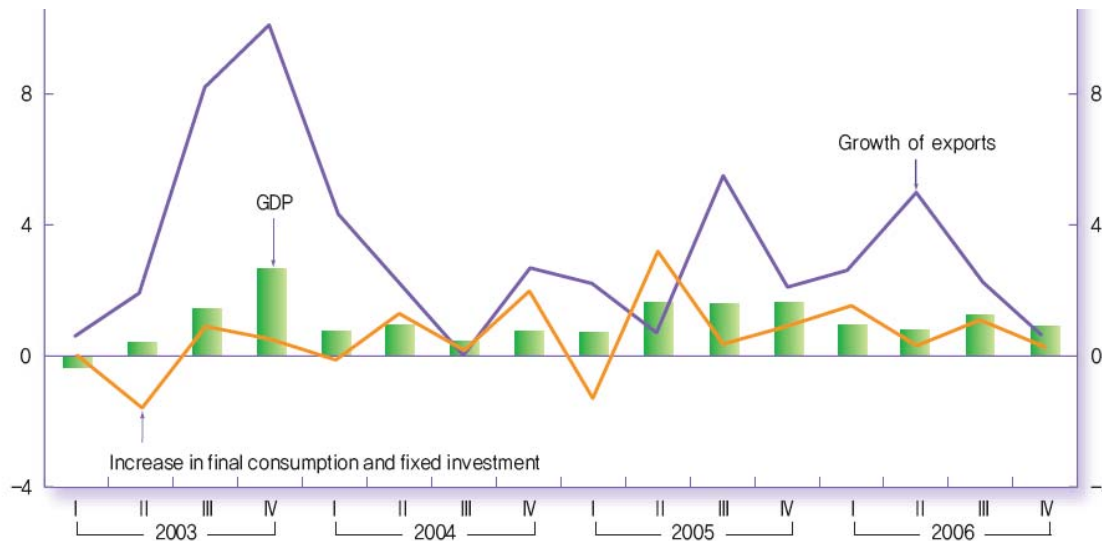
1.1.1 Economy Overview

Korea's economy is well on its way to recovery from the Asian economic crisis of 1998. The Government is continuing to pursue financial and corporate restructuring and in July 1998 introduced the Foreign Investment Promotion Act, relaxing its rules on foreign ownership of property. This has created numerous opportunities for international companies wishing to enter this important Asian market.

Index	Latest Release	Index	2006 Average
GDP Growth	4Q 2006	4.00%	5.00%
CPI	February 2007	2.20%	2.30%
3 Yr Corporate Bond	February 2007	5.20%	5.10%
Exchange Rate	June 2007	1 USD = 926.1 KRW	1 USD = 952.9 KRW
Unemployment Rate	February 2007	3.70%	3.40%

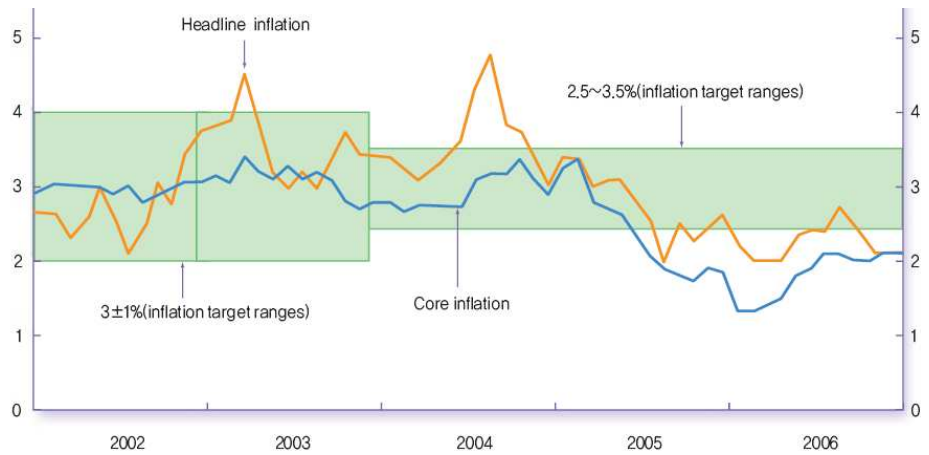
< Table 1, Korea economic overview >

During 2006, the GDP growth rate of the Korean economy rose from the previous year's 4.2 percent to 5.0 percent as domestic demand exhibited a recovery trend driven by private consumption and facilities investment while exports maintained their strong expansion.



< Graphs 1, Growth rate of real GDP(%) >

Construction investment decreased by 0.4 percent due to the slowdown in building construction, which served to offset the recovery of civil engineering. The number of persons employed increased by 295,000, a similar level as the 299,000 of the previous year, and the employment rate(the ratio of persons employed to the population aged 15 or above) also remained the same as 2005 to stand at 59.7 percent. The consumer price index (CPI) rose by 2.2 percent on average, slowing down from the previous year's 2.8 percent. Long-term market interest rates showed a downward trend, affected by worries over an economic slowdown and an increase in demand for purchases of long-term bonds.



< Graphs 2, Consumer Price Index(%) >

Long-term market interest rates shifted to a downward trend from the beginning of the year owing to the rise in oil prices, worries over an economic slowdown following the won's appreciation against the dollar and expanded purchases of bonds by asset management companies, and this trend continued until May.



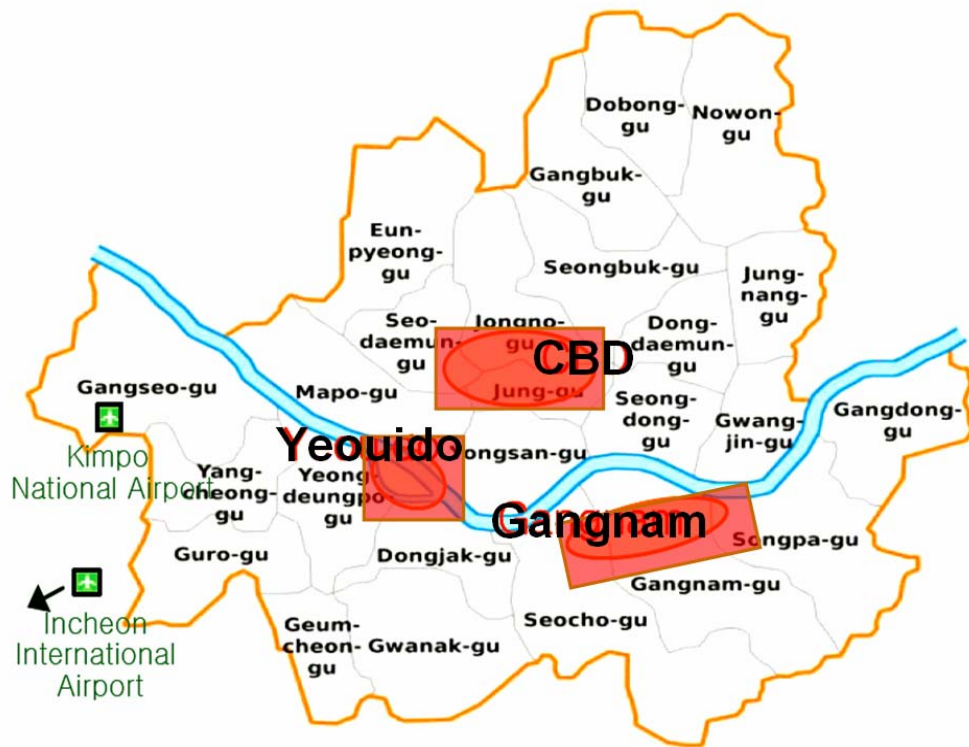
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1.1.2 Seoul Office Market

Overview

Since the start of office development in the 1960s, total stock of office space in Seoul increased continually reaching approximately 10,300,000 pyung¹(366,504,900 sqft) in 5,394 buildings over 6 stories in height. Of this stock, 789 buildings were over 11 stories high and 35% of these 789 buildings which is about 1,900,000 pyung(67,607,700 sqft) were considered Class A office² space. This stock exceeds the Class A office market of Hong Kong which is estimated to be approximately 1,100,000 pyung(39141300 sqft) but the overall grade of the underlying buildings are still not considered to be of world class level. In an investor's perspective, Seoul's class A office market is attractive due to its limited supply, low vacancy rate, stable returns, and increasing rent but in a tenant's perspective, there is still a long way to go to be regarded as international level Class A office due to its overall quality and out of date facilities.

Major Office Markets in Seoul



< Figure 1, Major three Seoul Office area >

¹ pyung: unit measurement of area in Korea (1 pyung is equal to approximately 3.3058sqm or 35.58sqft)

² Class A office Building: gsf over 10,000 pyung(355,830 sqft) / over 15 stories high / under 15 years old / credit tenants.

Seoul Office Market Information

The office market in Seoul is mainly divided into three main business districts, the Central Business District (“CBD”), the Gangnam Business District (“GBD”) and the Yeouido Business District

(“YBD”). CBD is the oldest and largest business district developed in the 1960s, followed by the GBD, and YBD. The CBD is generally considered to be the premier business district in Seoul where the majority of Korean Chaebol head offices and foreign multinational corporations are located. Foreign banks, securities houses, embassies and consulting companies dominate the CBD.

The Central Government designated GBD, formerly an agricultural area, as the second business district of Seoul. In the middle of the 1990s GBD was gaining popularity centering on or around Gangnam Rd and Teheran Rd as the IT valley of Seoul or so called “Teheran valley.” GBD is considered to be a very close second to the CBD as the premier business district in Seoul. After the IMF crisis, GBD showed rapid rent hike resulting in rental levels and management fees becoming very similar with those of CBD. GBD attracts the new economy type businesses particularly the IT, venture capital industries and pharmaceutical. GBD is also a premier retailing district in Seoul.

In the late 1970s through early 1980s, YBD was encouraged to be developed as the ‘Manhattan of Seoul.’ YBD is located to the west of the city and is considered to be the third most desirable business district in Seoul. Finance industries such as securities business and asset management business and also broadcasting stations can be mainly found in YBD. The occupational cost³ in YBD is comparatively cheaper than CBD and GBD. In Korea, building efficiencies tend to be very low due to the fact that the entire building is measured and the tenant is charged on the gross area which includes all common areas such as underground parking, lift shafts, stairwells and toilets. The typical efficiency ratios range between 45%-65%.

³ Net occupancy cost: The actual cost of occupation per month of gross rental income which takes into consideration rent, management fees and interest on initial deposit.

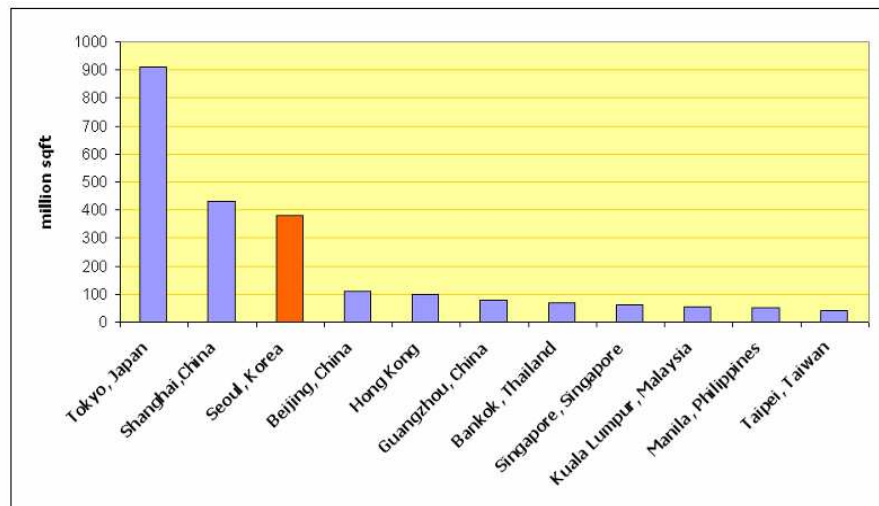
- Net occupancy cost = Net effective rent + gross management fee/efficient rate
- Net effective rent = (Deposit*interest rate/12 + monthly rent)/efficient rate

	Central Business District CBD	Yeouido Business District YBD	Gangnam Business District GBD
Initial Establishment	1960s	1970s	1990s
Class A office space	783,000 pyung 27,861,489 sqft	414,000 pyung 14,731,362 sqft	697,000 pyung 24,801,351 sqft
Class A office			
avg. efficiency rate	59.4%	45.5%	52.7%
avg. deposit	871,462 KRW/pyung 26.45 USD/sqft	544,227 KRW/pyung 16.52 USD/sqft	798,316 KRW/pyung 24.23 USD/sqft
avg. net rent	88,938 KRW/pyung/month 32.39 USD/sqft/yr	54,423 KRW/pyung/month 19.82 USD/sqft/yr	79,831 KRW/pyung/month 29.07 USD/sqft/yr
avg. maint. fee	34,108 KRW/pyung/month 12.42 USD/sqft/yr	24,603 KRW/pyung/month 8.96 USD/sqft/yr	33,212 KRW/pyung/month 12.09 USD/sqft/yr
net occupancy cost	214,510 KRW/pyung/month 78.11 USD/sqft/yr	180,714 KRW/pyung/month 65.81 USD/sqft/yr	220,191 KRW/pyung/month 80.18 USD/sqft/yr
avg. vacancy rate	1.5%	0.8%	0.4%
Class B office			
avg. efficiency rate	66.6%	53.4%	52.8%
avg. deposit	755,950 KRW/pyung 22.94 USD/sqft	501,300 KRW/pyung 15.21 USD/sqft	975,658 KRW/pyung 29.61 USD/sqft
avg. net rent	77,095 KRW/pyung/month 28.07 USD/sqft/yr	50,680 KRW/pyung/month 18.46 USD/sqft/yr	58,028 KRW/pyung/month 21.13 USD/sqft
avg. maint. fee	31,266 KRW/pyung/month 11.39 USD/sqft/yr	25,070 KRW/pyung/month 9.13 USD/sqft/yr	27,334 KRW/pyung/month 9.95 USD/sqft/yr
net occupancy cost	168,409 KRW/pyung/month 61.33 USD/sqft/yr	148,049 KRW/pyung/month 53.91 USD/sqft/yr	169,086 KRW/pyung/month 61.57 USD/sqft/yr
avg. vacancy rate	1.7%	1.3%	0.3%
currency conversion rate: 1 USD = 926.1 KRW			

< Table 2, Breakdown of the three Major Office Markets in Seoul >

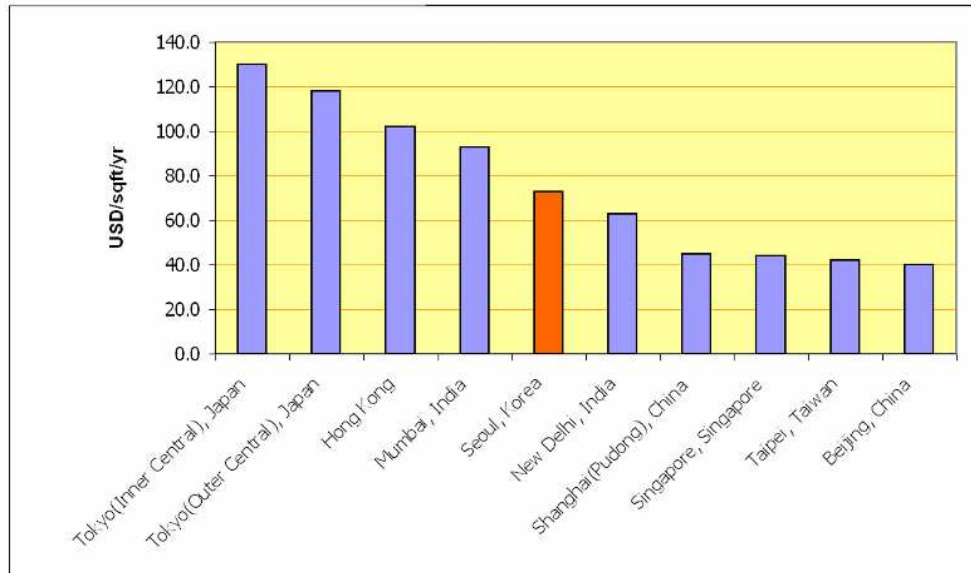
Comparison with Asian cities

Seoul ranks third in office market size behind Tokyo, Japan and Shanghai, China, while fourth and fifth ranking Beijing and Hong Kong is only approximately 30% of the current Seoul office market.



< Graphs 4, Source: CBRE Market Research (Aug 2006) >

As for rental income current Class A rent levels in Seoul are stable, ranking 5th in Asia and 14th internationally. As of May 2006, Seoul Class A rents have increased 8.6% compared to the previous year which is higher than 7.7% of Tokyo and 5.3% of Hong Kong.



< Graphs 5, Source: CBRE Market Research (Aug 2006)>

1.1.3 Cheon-Sae System

One of the most unique factors in Korea's real estate rental market is the Cheo-Sae system. With the Cheo-Sae system, the tenant puts down a large initial deposit which is calculated from the value of the property and does not pay rent for their occupancy. Instead of receiving monthly rental income, the property owner will reinvest the deposit and earn a certain return.

The Cheo-Sae system was traditional way to finance the property market in Asia. However, as interest rate decrease and other financing systems are being developed, the economic reasoning for the Cheon-Sae market is now being reviewed in the market by both owners and tenants. Based on related studies, the ratio of Cheo-Sae system in total space market is decreasing continuously⁴.

Also, there is a hybrid rental system between the Cheon-Sae market and rental market where an initial deposit, usually smaller than that of the Cheo-Sae system is received with monthly rent. The percentage of this deposit-rent system constitutes approximately 60% of all office leases in Seoul.

⁴ Lee Jaewo and Lee Changmo, 「An analysis of structure of the office rental market」 (2004)

Among the three major office areas in Seoul, the CBD's ratio of deposit-rent contract is highest at 95%, compared to YBD's 30% and KBD's 40% respectively.

Considering the Cheo-Sae and deposit-rent market, the properties cap rate is calculated, using current market interest rate. If we assume ten thousand USD per square meters as property value, seven hundred USD per square meter as deposit, 5.5% money market interest rate and seventy USD monthly rent per square meters, then the cap rate is $(70*12+5.5\%*700) / 10000 = 8.79\%$.

Lee's research shows the historic trend of opportunity cost of capital in the Seoul office market. It says the range of the conversion rate is from 12% to 20%, which shows there is a preference for deposit in the space market.

1.2 History of the Korean Real Estate Capital Market

1.2.1 Legislative History of REITs, REF, MBS

The Real Estate Investment Market in S. Korean started with a new "Real Estate Trust Act" in 1991 followed by an "Asset Securitization Act" in 1998. After the foreign exchange crisis in 1997, values of real estate properties in Korea plummeted and corporations began selling off real estate assets in order to pay off debts. Discussions on the introduction of REITs were raised in the effort to create a real estate vehicle that would support in the restructuring of corporate and financial institutions.

REITs were additionally attractive due to its nature of securitizing real estates, dividing it into small investment units and giving them liquidity through public listings, thus attracting individual investors to the failing real estate market. The US version of Korean REITs was introduced in 2001 with the new "Real Estate Investment Trust Act" followed by a revision in the same year to introduce Corporate Restructuring-REITs⁵ which was desperately needed to incorporate defaulted and sold off assets by corporate institutions. An "Indirect Investment Asset Management Business Act" in 2004 introduced the start of Real Estate Funds in Korea which is fueled by capital from the private equity market.

⁵ Noted as CR-REITs

Date	Item	Notes
February 1991	Real Estate Trust Act	Introduction of Real Estate Trusts
September 1998	Asset Securitization Act	Introduction of Asset Backed Securities (ABS) - main objective was to liquify Non Performing Loans
January 1999	Mortgage Backed Securities Business Act	Introduction of Mortgage Backed Securities(MBS)
1999	Permitted ownership of land by foreigners	Permit land ownership by foreigners for investment purpose - main objective was to revitalize real estate market - from deflation due to the financial crisis - other measures taken were liberalization of aptment sales prices, lifting restrictions on Greenbelt development
April 2001	Real Estate Investment Trust Act	Introduction of REITs in Korea (K-REITs) - jurisdiction: Ministry of Construction & Transportation - REITs defined as a vertically integrated management company
May 2001	Real Estate Investment Trust Act (Revision I)	Introduction of Corporate Restructuring REITs (CR-REITs)
December 2003		K-REITs Market Cap reaches USD 500 million
January 2004	Indirect Investment Asset Management Business Act (IIAMBA)	Introduction of Real Estate Funds(REF) - jurisdiction: Ministry of Finance & Economy
April 2005	Real Estate Investment Trust Act (Revision II)	REITs defined as a passive entity (paper company)
April 2006		K-REITs Market Cap reaches USD 2 billion
August 2006		K-REF Market Cap reaches USD 3.4 billion
March 2007	Blind Fund	Meps Asia Pacific Real Estate Public Offering 1 Fund - USD 400 million

< Table 3, Legislative history of the Korean Real Estate Capital Market >

1.2.2 Historical Overview of K-REITs, REF, MBS

Financial Market

The financial market is a mechanism that allows people to easily buy and sell (trade) financial securities such as stocks and bonds, commodities such as precious metals or agricultural goods, and other fungible items of value at low transaction costs and at prices that reflect efficient markets. The role of a financial market is the raising of capital (in the capital markets), the transfer of risk (in the derivatives markets); and international trade (in the currency markets). However, the essence of this market is the placement of many interested sellers in one place thus improving liquidity.

Capital Asset Markets and Investment Products

Capital Market:

The Capital Market(Securities Market) is the market for [securities], where companies and government can raise long term funds. The Capital Market includes mainstream financial markets

such as the Stock Market and the Bond Market but also alternative investment markets such as the real estate capital market. The Real Estate Capital Market can be divided into the equity market and debt market in terms of the type of capital that is involved. Major investment vehicles within the real estate capital market are Real Estate Trusts(RETs), Real Estate Investment Trusts(REITs), Listed Property Trusts(LPTs), Real Estate Funds(REFs) and Asset Backed Security products such as Mortgage Backed Securities(MBS) and Commercial Mortgage Backed Securities(CMBS).

	Public Markets:	Private Markets:
Equity Assets:	Stocks REITs RETs LPTs Mutual funds	Real Property Private firms Oil & Gas Partnerships Real Estate Funds
Debt Assets:	Bonds MBS Money instruments	Bank loans Whole Mortgages Venture Debt

< Table 4, Real estate capital market classification >

Korean Real Estate Trusts (RETs)

Real Estate Trusts were introduced in Korea in the early 1990s as a specialized vehicle that would prevent increasing real estate market speculation and promote the efficient and publicly beneficial use of land. Other initial objectives of RETs was to create a specialized real estate companies somewhat linked with the government either legally or structurally that would prepare the Korean real estate market when it is opened to international competition.

From the onset, the government controlled the real estate trust business by licensing. The basic requirements of obtaining a license for the real estate trust business were expertise combined with adequate capital, together with a stated intention to work in the public interest. Expertise was defined as an ability to carry out real estate trust business and employ professional staff. Adequate capital was simply the requirement to be a large company that had the credibility to operate a real estate trust business without incurring failure. To satisfy the requirement for acting in the public interests, an applicant RET company (parent company) for a RET company had to be one of the followings: (1) A Government enterprise or a government funded enterprise. (2) A Company which could be audited directly or indirectly by the National Assembly or the Board of Audit and Inspection. (3) A Company which was government controlled, either directly or indirectly, in the process of licensing, product development, public offer, and the articles of association.

	KOREA Real Estate Trust (KRET)	HANKOO K Real Estate Trust (HRET)	KOREA Real Estate Investment Trust (KOREIT)	KB Real Estate Trust (KBRET)	DAEHAN Real Estate Investment Trust (DREIT)	SAENGBO Real Estate Trust (SRET)	DAOL Real Estate Trust (DRET)	KOREA Asset Investment Trust (KAIT)
Previous Name				Jooeun Real Estate Trust Company	Housing Cooperative Real Estate Trust			
Parent company	Korea Asset Management Corporation	Korea Appraisal Board	Korea Land Corporation	Kookmin Bank	The Military Mutual Aid Association	Three Life Insurance Companies	Private Three Banks	Korea Asset Management Corporation
Gov'n't Affiliation	✓	✓	✓					✓
Est.	1991	1991	1996	1996	1997	1998	1999	2001
Notes	went bankrupt	went bankrupt						

< Table 5, List of Real Estate Trusts >

Currently there are six RET companies, Korea Real Estate Investment Trust (KOREIT), KB Real Estate Trust (KBRET), Daehan Real Estate Investment Trust (DREIT), Saengbo Real Estate Trust Company (SRET), Korea Asset Investment Trust (KAIT) and DAOL Real Estate Trust (DRET).⁶

K-REITs

With the REITs act introduced in 2001, there have been three REIT structures in Korea. Initial K-REITs, CR-REITs and the new revised K-REITs. The Korean REIT sector has been dominated by the CR-REIT model, which has been a non-operating company that distributes the majority of its profits to investors in the form of dividends, employs no internal staff, and management is entrusted to a specialized asset management company.

As of June, 2007, there has been a total of 16 REITs incorporated in Korea, 4 of which were privately offered. Of the 12 public REITs, two have reached maturity. Kyobo Meritz 1 CR-REIT matured on 20 December 2006, and KOCREF 1 reached maturity in May 2007. Kyobo Meritz 1 CR-REIT will be the first K-REIT to be liquidated after payment of the special maturity dividend in accordance with its trust deed. KOCREF 1 outperformed all K-REITs during the period under review. Property type was mostly concentrated in office with minimal retail and residential investments.

⁶ Kim, 「A Study of Real Estate Trust in Korea」 (2000)

Company name	1 Kyobo- Meritz 1	2 KOCREF1	3 K1	4 KOCREF 2	5 Realty Korea 1	6 Ures- Meritz 1	7 KOCREF 3	8 Macquarie Central Office	9 KOCREF 4	10 KOCREF 5	11 KOCREF 6	12 KOCREF 7	13 KOCREF 8
REITs Type	CR-Reit	CR-Reit	CR-Reit	CR-Reit	CR-Reit	CR-Reit	CR-Reit	CR-Reit	CR-Reit	CR-Reit			
Flotation method	Public	Public	Private	Public	Public	Public	Public	Public	Private	Private	Private	Public	Public
Approval date	01/2002	05/2002	10/2002	10/2002	04/2003	08/2003	08/2003	12/2003	04/2004	12/2004	07/2005	10/2005	05/2006
Date Listed	01/30/02	05/30/02	non- applicable	11/11/2002	05/13/03	08/29/03	08/29/03	01/08/04	non- applicable	non- applicable	non- applicable	11/11/05	06/15/06
Maturity	5 years	5 years	n/a	5 years	5 years	5 years	n/a	5 years	5 years	n/a	7 years	5 years	7 years
Offer Price (KRW)	₩5,000	₩5,000	₩5,000	₩5,000	₩5,000	₩5,000	₩5,000	₩5,000	₩5,000	₩5,000	₩5,000	₩5,000	₩5,000
Total assets (₩ billion)	89.9	227.8	182.6	92.5	143.6	118.3	159.7	166.5	183.8	100.7			
Underlying Asset	n/a	Office	n/a	Office/Retail	Office/Retail	Retail	Office	Office	Office	Office	Retail	Office	Office
Principal shareholders													
AMC	Koreits	Koramco	Koreits	Koramco	RAK	Koreits	Koramco	Macquarie	Koramco	Koramco	Koramco	Koramco	Koramco

< Table 6, REITs current status, June 2007 >

The three REITs that are not shown in the chart above are KOCREF NPS 1, KOCREF NPS 2, and KOCREF 11. These are the most recent REITs in Korea, incorporated 20 September 2006, 22 December 2006, and 24 April 2007. K-REITs will be explained and analyzed in depth in the next chapters to come.

Real Estate Funds

Korea's Real Estate Fund(REF) was based on June, 2004 Indirect Investment Asset Management Business Act to promote various specialized financial product based on private equity. Real Estate Fund situation as of Jan 2007 is as below.

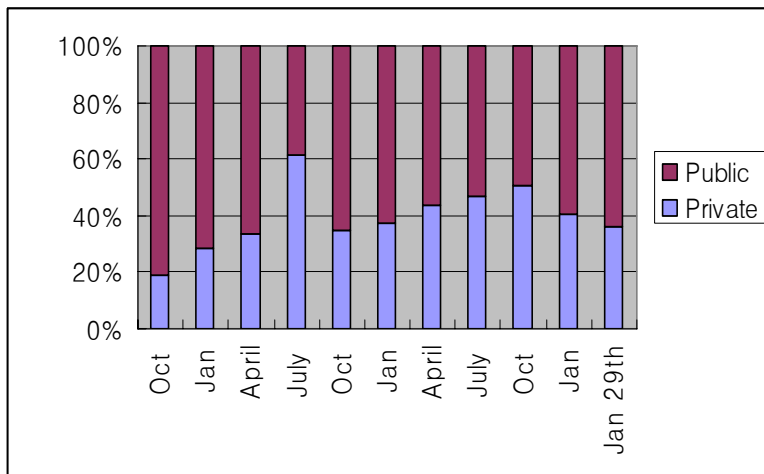
(Parameter : 0.1 billion Won)

Classification			Hedge Fund		Ordinary Fund		Total			
Fund Type	Source	Asset type	#	₩	#	₩	#	%	₩	%
Development	Private	real estate	1	113	1	300	2	0.5%	413	0.3%
	Private	Special Asset	1	35	0	0	1	0.3%	35	0.0%
Rent	Public	real estate	1	152	11	4024	12	3.0%	4,176	3.0%
	Private	real estate	2	160	33	9072	35	8.8%	9,232	6.7%
PF	Public	real estate	25	9,587	17	9696	42	10.6%	19,283	13.9%
	Private	real estate	30	3,953	71	19758	101	25.5%	23,711	17.1%
Special Asset	Public	Special Asset	29	4,264	38	7860	67	16.9%	12,124	8.8%
PF	Private	Special Asset	59	20,065	37	5581	96	24.2%	25,646	18.5%
Foreign real estate	Public	real estate	1	20	30	41004	31	7.8%	41,024	29.7%
	Private	real estate	1	2	8	2668	9	2.3%	2,670	1.9%
			150	38,351	246	99963	396	100.0%	138,314	100.0%

< Table 7, Real estate fund current status, Jan 29 2007 >

As of Jan 2007, there have been a total of three hundred and ninety six Real Estate Funds in Korea and the total amount of depository is around thirteen billion USD. Among the real estate funds, 77% have been project financing type fund, which lend most of its capital as debt. This type of fund is usually recourse loan, and could be classified as debt investment. Excluding this debt type real estate fund, the biggest fund based on total investment amount are foreign real estate funds which generally invest in REITS and stock of foreign development companies. Domestic real estate funds investing in development and rental properties constitute around 10%.

In terms of financing source, total public real estate fund decreased continuously by number of issued funds and amount of investment. In addition, considering the fact that most of increase of public real estate fund is invested to foreign real estate, the portion of private real estate fund in domestic real estate market outweigh further the public sourcing real estate fund.



< Graphs 6, Real estate fund source trend, quarterly investment amount from 2004 to 2007 >

The amount of public foreign real estate fund increased 11times from 2006 as 4.2 billion USD dollars, compared to 1.2 times increase in private foreign real estate fund. However, in domestic property market, the private real estate fund increased 2.5 times, and public real estate fund showed almost zero growth. Current public real estate fund excluding foreign investment shows generally 3 year investment period and 7% yield. This performance explained as one reason for private sector growth in real estate fund, because private institutional investor satisfied 3 year investment period and stable income stream, but not for public investor in Korea. And the lack of investible property in Seoul office market is second factor for public real estate fund's decrease. Under the limited investible properties, the more regulation of public real estate fund leads the domestic capital to move using private type vehicles.

RMBS

History of the Korean Housing Finance Market

For 30 years since 1967, the role of housing finance in Korea which includes individual housing purchase loans and construction loans for new housing developments was the sole role of the Korean Housing & Commercial Bank(KHCB). Until its merger with Kookmin Bank in 1997, the KHCB used commercial bank deposits and housing savings accounts as main sources of capital and additionally issued housing bonds in the financial market. Also, the KHCB had sole control over subscription deposits and subscription installments on sales of newly constructed apartments and also housing installments for housing loans. The KHCB invested capital from these sources to issue long term low interest loans in the housing market.

The industrialization of the 1960s and the increase of population in the major cities brought huge increases in land and property appreciation, creating more difficulty for middle to low income households to purchase homes in the metropolitan area. However, compared to the high social and economical demand for long term low interest rate housing loans, savings rates were low in the financial market and priority for government finances were given elsewhere such as investing in the promotion of the heavy chemical industry.

In the first 10 years of housing finance from 1957 to 1966, total housing finance loans amounted to only USD 5.4 million to 48,698 households which is about 1.7% of GNP. In the mid 1960s with the start of the Second 5 year Economic Development Stage⁷, the government realized the need for a specialized housing finance institution that would effectively manage the supply of capital needed in the housing industry. The result was the establishment of the Korean Housing Union in 1967 which was renamed to Korean Housing & Commercial Bank in 1969. One of the main sources of capital for the KHCB was the introduction of a lottery system where the small expenditures from individuals can be pooled to use as investment capital in the housing finance market. In September 1969, the KHCB issued 500,000 lottery tickets priced 100KRW(USD 0.1) each which would reap 3,000,000KRW(USD 3,000) for first place⁸. In the early 1980s, a new 1988 Seoul Olympic lottery was established with a 100,000,000KRW(USD 100,000) jackpot. The tickets were sold out instantaneously in the first 2 days and 63,900,000,000KRW(USD 63.9 Billion) of a total of 182,700,000,000KRW(USD 182.7 Billion) in profits were allocated to the National Housing Fund.

⁷ Initiated from 1962-1981 in 4 continuous periods as the “5-year Economic Development Plan” and from 1982-1996(5th-7th period) the name was changed to “5-year Economic & Social Development Plan”.

⁸ The average single family house at the time were 900,000KRW(USD 900)

The 1980s and 1990s, the Korean housing market can be defined as a period of enormous growth in housing supply and housing financial capital originating from aggressive supply policies by the government⁹.

Recent Events in the Korean Housing Finance Market

After the financial crisis in 1997, the Korean financial market opened its gates to internationalization liberalizing interest rates and privatizing government financial institutions such as the KHCB. Most of the Korean commercial banks rushed into the housing financial market and thus the mortgage business which created natural market competition. The year 1997 was the start of a transition from government enforced policies to market fundamentals in the housing market. These events on one hand helped in the growth of the housing finance market creating more opportunity for loans but drastically decreased market stability because of credit risks. The main issue was that the new loans were all 3 year floating rate loans. An increase in interest rates or a fall in residential property prices could increase the risk of mortgage defaults and thus bring along another financial crisis.

	(% of newly issued mortgages)				
	1998	1999	2000	2001	2002 1Q
less than 3 yrs	4.1	55.4	62.6	70.8	75.6
3yrs - 10 yrs	12.7	19.5	20.5	12.4	9.3
10 yrs - 20 yrs	9.1	3.7	4.4	4.9	1.7
over 20 yrs	74.1	21.5	12.5	11.8	13.4

< Table 8, Change in Residential mortgage lengths: Kookmin Bank >

In the time of the Korean Housing & Commercial Bank, a government run bank, all residential loans were long term loans with periodic installments, but after the financial crisis all loans were quickly changed into short term instant amortization loans. In 1998 almost 75% of all newly issued loans were 20 years plus long term loans but by 2002 short term loans of 3 years or less made up more than 75% of the residential loan market. The loan market structure at that time was highly susceptible to even the smallest changes in the economy that could result in mortgage defaults and insolvency of financial institutions. This was very similar to the short term instant amortization loans that created problems during the Great Depression in the US.

⁹ Majority of housing were apartment buildings from both private and public developments. An example is the 2,000,000 housing development public pledge given by Roe Taewoo’s campaign in 1987.

Creation of the Korea Housing Finance Corporation

Therefore in 2003 the Korea Housing Finance Corporation Act was submitted to the National Assembly and the Korea Housing Finance Corporation(KHFC) was established in 2004. The purpose of this bill was to create a government entity that would overlook the housing policies and thus stabilize the residential market mortgage rates of low to mid income households. Various commercial banks would issue long term fixed rate mortgage loans under the policies of the KHFC and the KHFC would pool these mortgages and use them as collateral to issue Mortgage Back Securities(MBS). The MBS would in turn be liquefied in the bond market where it would be bought by institutional investors such as pension funds, insurance companies, and investment trusts as long term fixed income investments. The proceeds from the MBS would then be re-supplied into the mortgage market for new loans to low to mid income households.

In 2003 first discussions arose about converting the 3 year floating rate mortgage loans into 20 year plus fix rate mortgages. This would increase debt payment abilities and decrease default risks for the borrower but consequently bring demand for the financial institutions to securitize the ever increasing mortgages and liquefy it into the market. MBS issued by the KHFC would naturally have a high credit rating due to its government affiliated nature and because it can issue 50 times its total capital presumably it will be able to issue USD 100 billion in MBS when its capital is USD 2 billion.

	(1 million USD)			
	2004	2005	2006	2007 1Q
MBS Issued	3,016	3,861	1,753	349
SLBS Issued	-	517	1,643	-
Total	3,016	4,378	3,396	349

< Table 9, Current Status of MBS in Korea >

		(1 million USD)		
Name		Issued amount	Avg. Interest Rate	Max. Maturity (years)
2004	MBS 2004-1	552	5.00%	20
	MBS 2004-2	407	5.00%	20
	MBS 2004-3	570	4.50%	20
	MBS 2004-4	402	4.26%	20
	MBS 2004-5	360	4.20%	20
	MBS 2004-6	315	4.09%	20
	MBS 2004-7	410	4.06%	20
	Sub-Total	3,016	4.44%	
2005	MBS 2005-1	408	5.18%	20
	MBS 2005-2	405	4.84%	20
	MBS 2005-3	467	4.71%	20
	MBS 2005-4	453	4.41%	20
	MBS 2005-5	459	4.72%	20
	MBS 2005-6	454	4.89%	20
	MBS 2005-7	484	5.16%	20
	MBS 2005-8	400	5.56%	20
	MBS 2005-9	331	5.87%	20
	Sub-Total	3,861	5.04%	
2006	KHFC MBS 2006-1	380.01	5.72%	15
	KHFC MBS 2006-2	341.51	5.62%	20
	KHFC MBS 2006-3	312.51	5.40%	20
	KHFC MBS 2006-4	329.57	5.02%	20
	KHFC MBS 2006-5	389.52	5.09%	20
	Sub-Total	1,753	5.37%	
	KHFC SLBS 2006-1	415.01	5.57%	20
	KHFC SLBS 2006-2	421.31	5.39%	20
KHFC SLBS 2006-3	404.91	4.92%	20	
KHFC SLBS 2006-4	401.71	5.00%	20	
	Sub-Total	1,643	5.22%	
2007	MBS2007-1	349	5.17%	20

< Table 10, Breakdown of MBS / SLBS per year >

Ch. 2. Structure & Policy of REITs and REF in Korea

2.1 Legislative frameworks between CR-REITs, K-REITs, REFs

In June of 2006, the Ministry of Construction and Transportation announced the details of the second revision of the REITs Act, designed to further simplify and ease regulations governing the establishment and operations of REITs. The amended Act was approved by the Cabinet in October 2006, and the new rules will take effect in July 2007. Major elements of the revised Act include the reduction of the initial capital requirement from KRW 25 billion to KRW 10 billion, the simplification of regulatory approval procedures by eliminating the requirement for preliminary approval, and the removal of both the restriction on investing in development projects and the cap on leverage (presently set at twice the equity capital). The reduction in the minimum capital requirement is expected to expand the scope of REI investment, since it will enable smaller properties to be included in REIT portfolios.

Along with the acceleration of the approval process, the transaction time involving the transfer of underlying property and the balance payment period is expected to be reduced from 60 to 40 days, thereby resulting in higher liquidity in the property market. Combined with the lifting of the former restrictions on property development and the present influx of foreign funds into the Korean real estate market, this improvement in the policy environment is likely to encourage more developers to raise funds via launching REITs in future.

	REITs			REF	
	CR-REITs	K-REITs		Contractual REF (Trust REF)	Corporate REF
		Corporate REITs (2001)	Trust Mgmt REITs (2005)		
Business Operation	Corporate Restructuring assets	all real estate	all real estate		
Company Characteristics	finite paper company	permanent company, w/ employees	paper company, no employees		
Minimum required Initial Capital	25 billion KRW	25 billion KRW	10 billion KRW		none
Offering	Public / Private	Public (at least 30% of capital)	Public (at least 30% of capital)		Public / Private
Major shareholder	no restrictions	no restrictions	max 30% single inv. holding		no restrictions
Dividend distribution	at least 90% of earnings	at least 90% of earnings	at least 90% of earnings		not applicable
In-kind contribution (est. stage)	max 30% of paid-in capital	prohibited	max 50% of paid-in capital		no restrictions
Real Estate Development	max 30% of total assets	max 30% of net equity	max 30% of total assets		max 30% of total assets
Asset composition	min 70% inv. in real estate	min 70% inv. in real estate	min 70% inv. in real estate	Almost no regulation	max 70% in real estate
Asset disposition	no restrictions	disposition prohibited within 3 years			disposition prohibited within first 3 years
Debt	max 200% of total equity	prohibited	max 200% of total equity		max 200% of total equity
Acquisition & Registration Tax	100% exemption	50% exemption	Acquisition Tax: 1.1% Registration Tax: 1.2%	Acquisition Tax: 1.1% Registration Tax: 1.2%	Acquisition Tax: 1.1% Registration Tax: 2.4%
Corporate Income Tax		Exempt if 90% of distributable income is paid out as dividend			not applicable
Asset Mgmt Company	required	exempt (must have at least 5 professional asset managers)	required		required
Governing Ministry		Ministry of Construction and Transportation / Financial Supervisory Commission			Ministry of Finance and Economy Indirect Investment Asset Management Business Act(IAMBA)
Legislation		Real Estate Investment Trust Act			

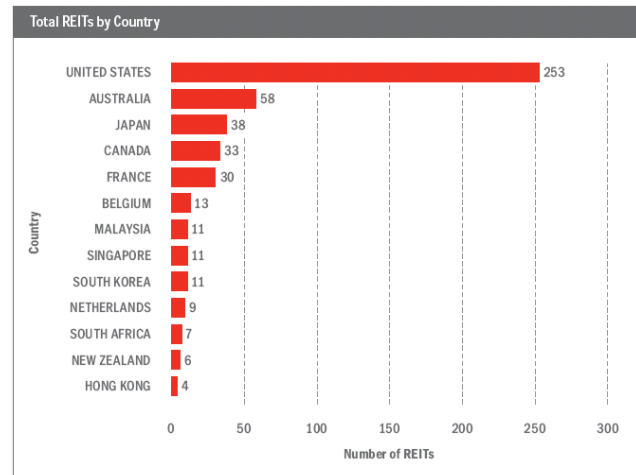
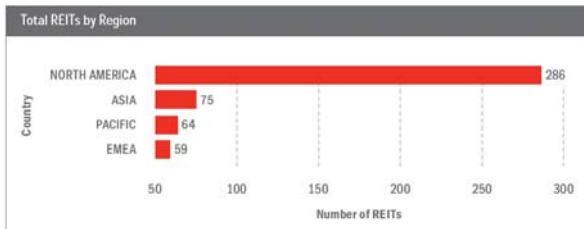
< Table 11, Legislative Comparison between CR-REITs, K-REITs and REFs >

2.2 Comparison of K-REITs to US-REITs and other Asian REITs

Global REITs Market

The Global REIT market has grown exponentially over the past few years. More and more countries have embraced a tax efficient property listing structure to encourage private commercial property investment. There have been several key factors driving this growth. Global investors have become increasingly disappointed by poorly performing equity markets and have been eager to access investments offering lower risks and steadier returns. The world's major economies have also experienced lower investment returns in a generally low inflation and low interest rate environment. More and more countries are discovering the benefits of REITs. They offer tax transparency, liquidity, improved corporate structures, simpler tax structures, easier access to all forms of capital including unsecured debt, and greater overall property market efficiency, and are altering their laws to create REIT-like vehicles to realise these benefits.

However, the main disadvantage is that one of the key benefits of owning direct property, that of lower volatility, is reduced through the use of a directly listed vehicle such as REITs.



< Graphs 7, Source: Ernst & Young Global REIT Report 2006 >

Comparison of K-REITs to US-REITs

The major structure and characteristics that govern Korean REITs were based on the US REIT model. However there are many differences between the two vehicles once examined in detail. The legal status of US REITs is basically based on the Internal Revenue Code, while Korean REITs were legislated as a special act. Thus, while US REITs charted as entities such as corporations, trust, etc., Korean REITs have to follow very strict requirements. Korean REITs also are different from US REITs in income requirements. While 75% of or more of the US REIT's annual income must come directly or indirectly from real properties(including mortgages, partnership and other REITs), there are no such restrictions for Korean REITs. Also, while US REITs are actively managed, vertically

integrated¹⁰ real estate firms dealing with the entire spectrum of real estate from land acquisition, development, ownership and operation, Korean REITs are more or less passively managed entities.

Korean REITs are paper companies or pass through entities that out source management to asset management companies. Besides these, there are also differences in limitations to development projects, prohibition to borrowing, and restrictions to raw land investments.

	K-REITs	US-REITs
Structure	Paper company	Chartered as Corporation or business trust
Offering	Public / Private	Public
Major shareholder	max 30% single inv. holding	"Five or fewer rule" - No five or fewer can own more than 50% of REIT stock, must be atleast 100 different shareholders
Asset composition (Investment)	at least 70% inv. In real estate	at least 75% of assets inv. in real estate, REITs, mortgages, gov. securities, cash
Asset composition (Income)		at least 75% of revenue from rent income, REITs stock profit, mortgage interest, capital gain from property sales
Earnings Payout	Exempt of corporate tax if 90% of distributable income is paid out as dividend	must payout 90% of distributable income as dividend
AMC	required	not required - Assets operated/managed internally

< Table 12, Structural Comparison between K-REITs and US-REITs >

Comparison of K-REITs to other Asian REITs

Real Estate Investment Trusts (REITs) emerged in Asia in 2001, with Japan and Singapore as the market leaders and South Korea, Taiwan, Hong Kong and Malaysia being second tier markets. Japan led the way with the launch of two J-REITs in September 2001. This was followed by Singapore, which saw its first S-REIT launched in July 2002. By June 2005, seventeen J-REITs have been listed on the Tokyo Stock Exchange and five S-REITs listed on the Singapore Exchange. Both the Japanese and Singaporean REITs have fared relatively well, with a market capitalization of around US\$ 19.9 billion and US\$ 5.2 billion respectively as of June 2005. Taiwan saw the successful launch of its first REIT in March 2005. After initial legal difficulties, Hong Kong launched the Link REIT in November 2005, which was the first HK-REIT and the largest REIT IPO in the world (US\$ 2.6billion). While having LPTs in Malaysia since 1989, Malaysia liberalized its REIT framework in early 2005, and the Axis REIT was listed under the new REIT guidelines in August 2005. Thailand also established REITs in 2005. Other Asian countries, such as India and China, are also considering and deliberating on the legislative frameworks for setting up REITs.

The future for REITs in Asia is extremely bright. The case is compelling from both the supply and demand side given that a large percentage of global real estate assets are in Asia. A vast amount of

¹⁰ Vertically integration means that it creates value from all spectrum of the real estate industry from land acquisition, development, ownership/operation, and strategic disposition.

these assets are held in private hands, or within companies that do not specialize in property, and are thus inefficient from a management and tax perspective.

REITs provide a more efficient ownership alternative for leased assets and also create liquidity in the property market which allows companies in other industries to lighten their balance sheets and improve returns on equity by selling their property assets to REITs. On the demand side, the attractive returns delivered with low risk makes them extremely competitive from an asset allocation perspective for investors. The risk and return characteristics also make them suitable to generate the kind of inflation-hedged income streams required by pensioners.

MARKET	STOCK MARKET INDICES	STOCK INDEX CHANGE FROM END APR 2006	NO. OF LISTED REITS	DIVIDEND YIELD	10-YR GOVT BOND YIELD	REIT MARKET CAP (US\$ MILLION)
Japan	16,274.33	-3.74%	40	3.6% (weighted avg.)	1.66%	39,177
Singapore	2,838.53	8.73%	13	4.9% (avg.)	3.01%	12,847
Hong Kong	18,960.48	13.80%	4	5.0% (avg.)	3.97%	6,458
South Korea	1,432.21	0.88%	8	7.7% (avg.)	4.98%	840
Taiwan	7,567.72	5.52%	7	3.8% (avg.)	1.95%	1,756
Thailand	739.06	-3.80%	9	7.4% (avg.)	4.80%	835
Malaysia	1,080.66	13.85%	8	6.9% (avg.)	3.80%	657

< Table 13, Market Comparison among Asian REITs countries, Source: CBRE >

As such, the Asian real estate markets offer long-term diversification benefits for international real estate securities funds that have invested in real estate companies in several Asian countries. The emergence of REITs in Asia offers new opportunities for international funds to diversify into real estate assets in these Asian countries.

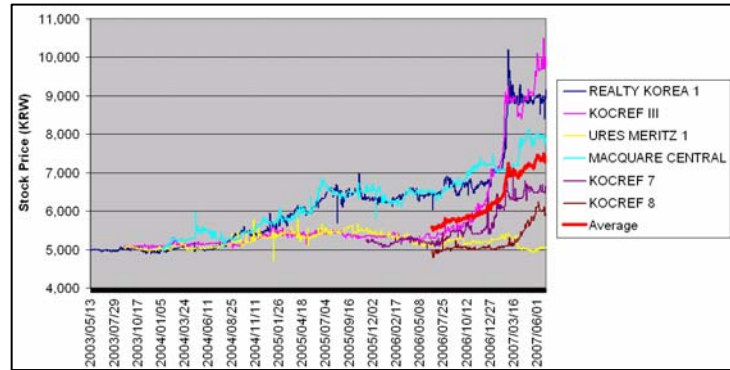
	Korean REITs	Japan REITs	Singapore REITs	Hong Kong REITs
Year Introduced	July 2001	November 2000	May 1999	August 2003
First REIT established	January 2002	September 2001	2002	November 2005
Market Capitalism	USD 941 million	USD 30,726 million	USD 7,501 million	USD 6,307 million
Structure	Paper company	Chartered as Corporation or business trust		
Min. initial capital requirement	KRW 10 billion	JPY 100million	none	none
Offering	Public	Only closed ended J-REITs are eligible for listing on the TSE.	Public	Public
Major shareholder	max 30% single inv. holding	10 largest shareholders must own less than 75% of shares, total shareholders must be more than 1000, 3 largest shareholder groups must own 50% or less	n/a	n/a
Asset composition	at least 70% inv. in real estate	at least 75% of total assets must be invested in real estate or real estate-backed securities	at least 70% of total assets must be invested in real es-tate or real estate-related securities	Investment activities are limited to investment in real es-tate.
Earnings payout	distribute more than 90% of income to receive tax deduction.	distribute more than 80% of adjustable tax-able income to receive tax deduction.	distribute at least 90% of taxable income each year on operative income.	distribute at least 90% of annual net income after tax both on op-erative income and on capi-tal gain on disposed invest-ments.
Geographic Restrictions	none	at least 50% of total shares must be offered in Japan to receive tax deduction. All invested real estate must be in Japan for listing on TSE.	none	none
Debt	max 200% of total equity	The lender must be a qual-fied institutional investor	Gearing is limited to 35% of total assets	Gearing is limited to 35% of gross asset value.
AMC	required externally	required externally or internally	required externally	required externally or internally

< Table 14, Structural Comparison between K-REITs, J-REITs, S-REITs and H-REITs >

Ch. 3. Analysis of K-REITs

3.1 Analysis of Individual K-REITs

This chapter provides a summary of all Korean REITs focused on important characteristics of the REIT itself and also historical performance data.



< Graphs 8, Korean REITs Stock Price >

Asset Management Companies

Koramco

Established	10/24/2001
Chartered	REITs AMC, RET
Total Capital	10,000 million KRW
Major Shareholders	Individual Investors, Woori Bank, Korea Development Bank, Hanhwa Securities Co., Dongyang E&C, Shinhan Bank, Hana Bank
REITs	KOCREF series

Realty Advisors Korea

Established	07/30/2001
Chartered	REITs AMC
Total Capital	7,000 million KRW
Major Shareholders	American Realty Investors, Korean Exchange Bank, Woori Securities & Investment Co.
REITs	Realty Korea 1

Korea Real Estate Investment Trust (Koreit)

Established	04/19/2000
Chartered	REITs AMC
Total Capital	7,000 million KRW
Major Shareholders	Kira Asset Inc., Resolution & Finance Co., LIG Insurance Co., Dongwoo Management Consulting Co., Woorim E&C.
REITs	Kyobo-Meritz, Urez-Meritz

Macquarie Property Advisor Korea (Macquarie International AMC)

Established	07/01/2002
Chartered	REITs AMC
Total Capital	70,000 million KRW
Major Shareholders	Macquarie Bank
REITs	Macquarie Central Office

KOCREF 1

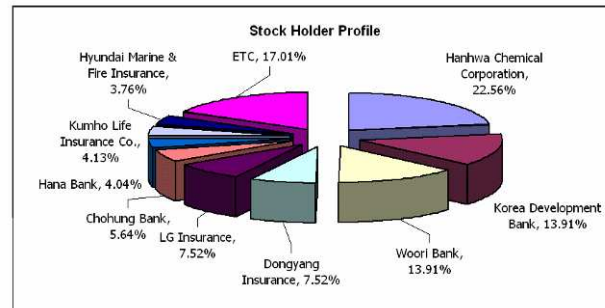
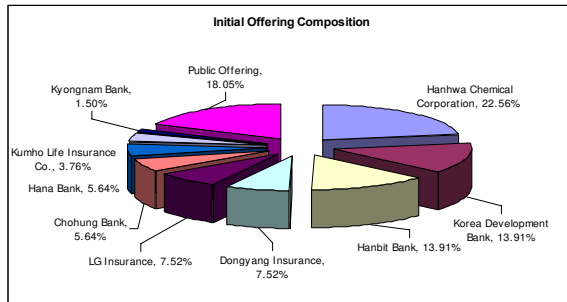
Date Incorporated	4/30/2002
Date Listed on the Exchange	5/30/2002
Finite Length of Corporation	5 years

REIT Characteristics

KOCREF 1 is the first public REITS and the first case to be terminated successfully. It is under finalizing process and estimated to achieve average 10.37% dividends return. And the reversion sales price is 1.91 times than initial purchased price. The major purchaser of the asset is the previous owner who has priority right to purchase. And during the operation years, the previous owner acted as a major stock holder of the REITS, retaining 22.56% of shares. This REITS shows general Corporate Restructuring REITS characteristics in that the previous owner sold the property under the governments control after IMF and has the right to purchase after 5year operating years.

Promoters & Stock Holders

	percentage of total shares	number of shares	Initial share price (KRW)	Total amount (KRW, million)
Institutional Investors	81.95%	21,800,000	5,000	109,000
Individual Investors	18.05%	4,800,000	5,000	24,000
Total	100%	26,600,000		133,000



Performance

Total Invested Capital	229,942,000,000
Equity	143,139,000,000
Debt	86,802,000,000
Market Capitalization	229,226,000,000

P/NAV	1.13	(Average)
P/E	17.89	
Dividend Yields	5.75%	

KOCREF 2

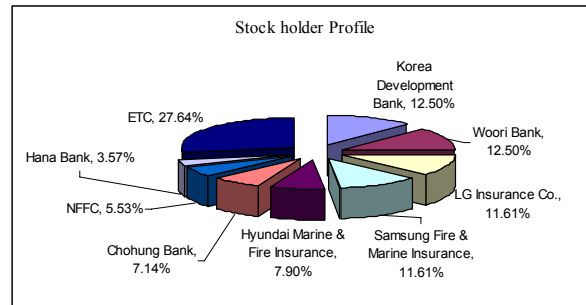
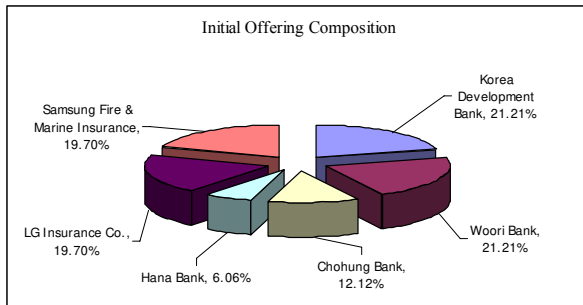
Date Incorporated	10/17/2002
Date Listed on the Exchange	11/11/2002
Finite Length of Corporation	5 years

REIT Characteristics

KOCREF 2 is the only one case that the properties were sold before its 5 years operating term had ended. The smaller asset of the two was sold at 1.16 times the acquisition price only after one and half year of offering. And the major asset was sold at 1.17 times price after the one year from first reversion sales process. The potential priority purchasers of the two assets are both local development companies. However, the potential purchaser of the major asset was proved not to have financial ability, so the final purchaser became Lehman Brothers. Compared to KOCREF 1, KOCREF 2 did not have re-sales rights with previous owner and the previous owner itself did not possess any ownership shares. KOCREF failed to achieve high reversion capital gains as KOCREF 1. The average dividends return is 10.85%.

Promoters & Stock Holders

	percentage of total shares	number of shares	Initial share price (KRW)	Total amount (KRW, million)
Institutional Investors	58.93%	6,600,000	5,000	33,000
Individual Investors	41.07%	4,600,000	5,000	23,000
Total	100%	11,200,000		56,000



Performance

Total Invested Capital	72,967,000,000
Equity	68,505,000
Debt	4,462,000,000
Market Capitalization	58,380,000

P/NAV	0.94	(Average)
P/E	15.00	
Dividend Return	6.70%	

KOCREF 3

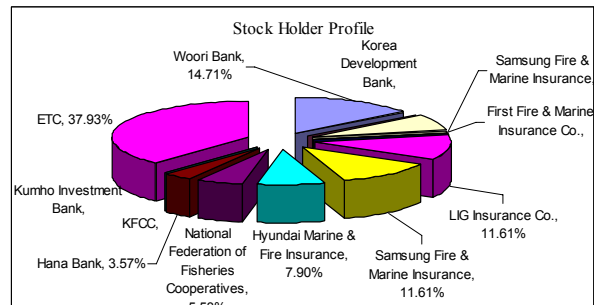
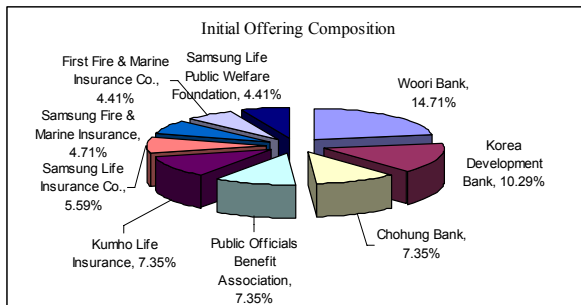
Date Incorporated	08/05/2003
Date Listed on the Exchange	08/29/2003
Finite Length of Corporation	5 years

REIT Characteristics

Land assets in KOCREF 3 were initially purchased 3 times more than the appraisal value because of those prime location premiums. This high purchase price was secured by the contract with the precious owner in that the previous owner guarantees to buy back the property at least at the purchased price. However as of June 2007, P/NAV ratios remain stable at below one level, although other P/NAV of other REITs have generally tended to rise from below one level to above one rapidly.

Promoters & Stock Holders

	percentage of total shares	number of shares	Initial share price (KRW)	Total amount (KRW,)
Institutional Investors	66.18%	9,000,000	5,000	45,000,000,000
Individual Investors	33.82%	4,600,000	5,000	23,000,000,000
Total	100.00%	13,600,000		68,000,000,000



Performance

Total Invested Capital	154,793,000,000
Equity	71,062,000,000
Debt	83,732,000,000
Market Capitalization	73,678,000,000

P/NAV	0.97	(Average)
P/E	13.16	
Dividend Return	4.41%	

KOCREF 4

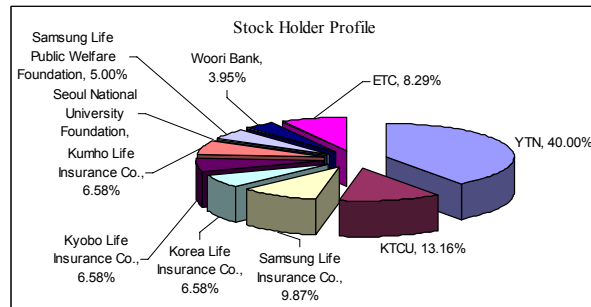
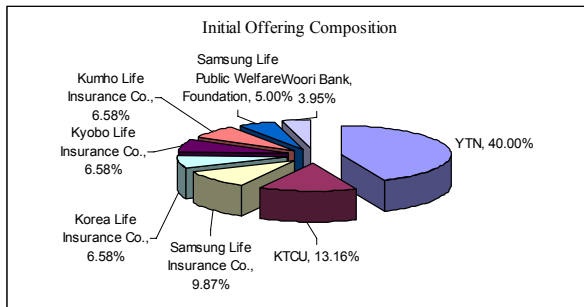
Date Incorporated	04/02/2004
Date Listed on the Exchange	Private REIT
Finite Length of Corporation	5 years

REIT Characteristics

KOCREF 4 is the first private REITs of KORAMCO, performing approximately 12% in dividend return as of June 2007. The largest share holder is the tenant in the major asset, owning 40% of shares. As the main tenants participated as the major investor of REITS, the asset's vacancy risk is minimized. The major tenant has the priority right to purchase the property

Promoters & Stock Holders

	percentage of total shares	number of shares	Initial share price (KRW)	Total amount (KRW,)
Institutional Investors	91.71%	13,940,000	5,000	69,700,000,000
Individual Investors	8.29%	1,260,000	5,000	6,300,000,000
Total	100.00%	15,200,000		76,000,000,000



Performance

Total Invested Capital	186,091,000,000
Equity	79,957,000,000
Debt	106,135,000,000
Market Capitalization	n/a (private REIT)

P/NAV	n/a (private REIT)	(Average)
P/E	n/a (private REIT)	
Dividend Return	n/a (private REIT)	

KOCREF 5

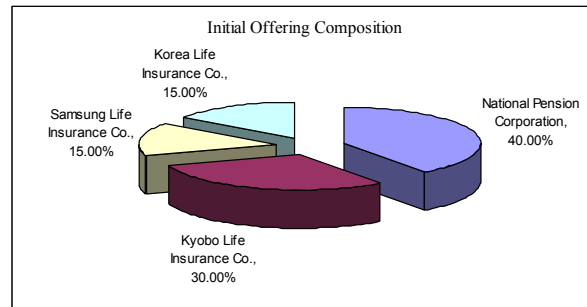
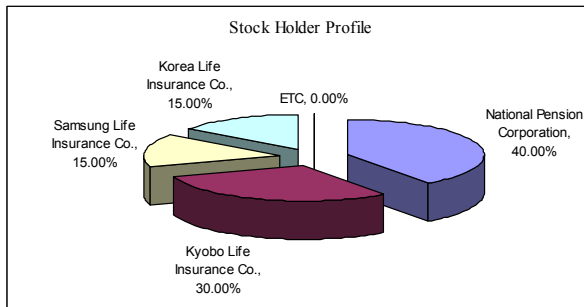
Date Incorporated	12/13/2004
Date Listed on the Exchange	Private REIT
Finite Length of Corporation	5 years

REIT Characteristics

KOCREF 5 is a private REITS whose major share holder is the Korean National Pension Fund. Dividends return is medium 8%, lower than average REIT returns of other REITs. Starting from KOCREF 5, the national pension fund became a major investor of ongoing KOCREF series. The previous owner has the priority right to purchase.

Promoters & Stock Holders

	percentage of total shares	number of shares	Initial share price (KRW)	Total amount (KRW,)
Institutional Investors	100.00%	10,000,000	5,000	50,000,000,000
Individual Investors	0.00%	0	5,000	0
Total	100.00%	10,000,000		50,000,000,000



Performance

Total Invested Capital	108,778,000,000
Equity	51,701,000,000
Debt	57,077,000,000
Market Capitalization	n/a (private REIT)

P/NAV	n/a (private REIT)	(Average)
P/E	n/a (private REIT)	
Dividend Return	n/a (private REIT)	

KOCREF 6

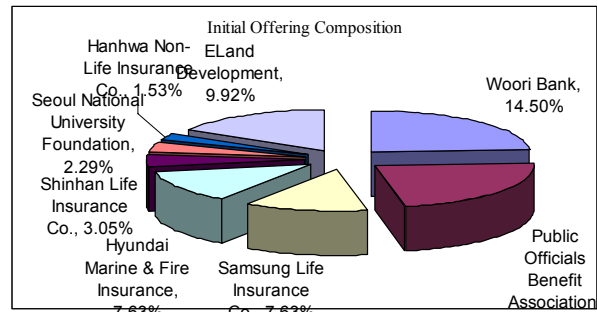
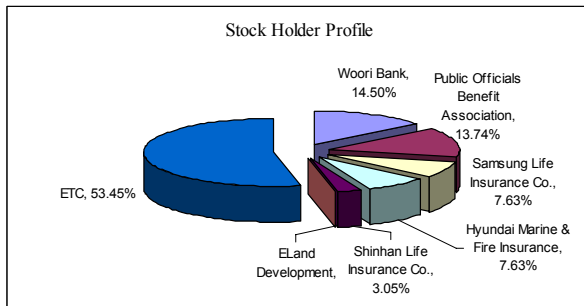
Date Incorporated	07/26/2005
Date Listed on the Exchange	Private REIT
Finite Length of Corporation	5 years

REIT Characteristics

KOCREF 6 is the first KOCREF REITs series whose assets are retail shopping malls and not located in Seoul. Average dividends yield have been 10.25% as of June 2007. The assets are retail branches of the previous owner and the previous owner participated in as a promoter and shareholder with 9.92% shares.

Promoters & Stock Holders

	percentage of total shares	number of shares	Initial share price (KRW)	Total amount (KRW,)
Institutional Investors	50.38%	13,200,000	5,000	66,000,000,000
Private Offering	39.69%	10,400,000	5,000	52,000,000,000
Individual Investors	9.92%	2,600,000	5,000	13,000,000,000
Total	100.00%	26,200,000		131,000,000,000



Performance

Total Invested Capital	328,482,000,000
Equity	331,457,000,000
Debt	193,132,000,000
Market Capitalization	n/a (private REIT)

P/NAV	n/a (private REIT)
P/E	n/a (private REIT)
Dividend Return	n/a (private REIT)

(Average)

KOCREF 7

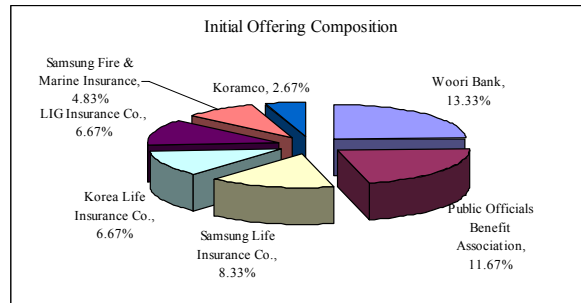
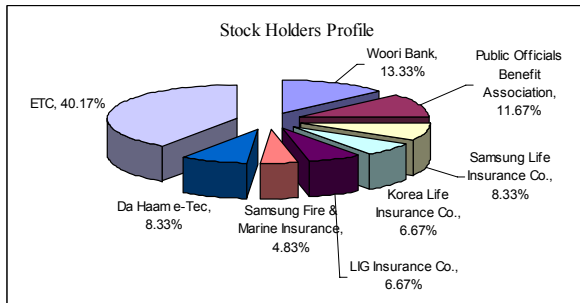
Date Incorporated	10/26/2005
Date Listed on the Exchange	11/11/2005
Finite Length of Corporation	5 years

REIT Characteristics

KOCREF 7 is newly issued REITs and average returns have been 12% as of June 2007. There is a sales and lease back contract for the smaller asset. The risk from resale price and lease is higher than other KOCREF series.

Promoters & Stock Holders

	percentage of total shares	number of shares	Initial share price (KRW)	Total amount (KRW,)
Institutional Investors	54.17%	6,500,000	5,000	32,500,000,000
Individual Investors	36.67%	4,400,000	5,000	22,000,000,000
Etc	9.17%	1,100,000	5,000	5,500,000,000
Total	100.00%	12,000,000		60,000,000,000



Performance

Total Invested Capital	126,883,000,000
Equity	61,723,000,000
Debt	65,161,000,000
Market Capitalization	63,890,000,000

P/NAV	1.00	(Average)
P/E	12.95	
Dividend Return	6.15%	

KOCREF 8

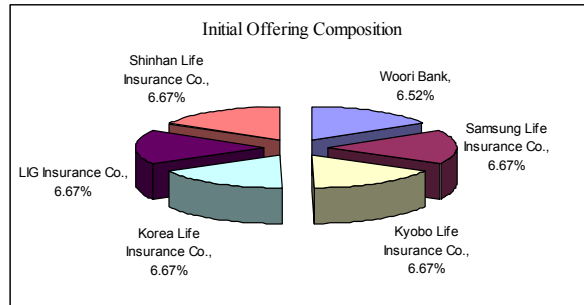
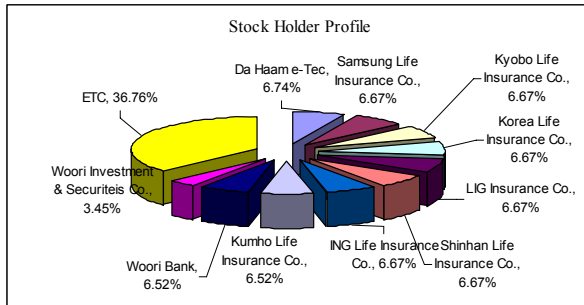
Date Incorporated	05/18/2006
Date Listed on the Exchange	06/14/2006
Finite Length of Corporation	7 years

REIT Characteristics

KOCREF 8 is the first REITs with a finite length of more than 5 years. Compared to other KOCREF series, KOCREF 8 has no risk hedge contract such as option for reversion sales or sales and lease back.

Promoters & Stock Holders

	percentage of total shares	number of shares	Initial share price (KRW)	Total amount (KRW,)
Institutional Investors	39.86%	3,667,000	5,000	18,335,000,000
Individual Investors	46.73%	4,299,600	5,000	21,498,000,000
Etc	13.41%	1,233,400	5,000	6,167,000,000
Total	100.00%	9,200,000		46,000,000,000



Performance

Total Invested Capital	123,888,000,000
Equity	46,514,000,000
Debt	77,373,000,000
Market Capitalization	46,161,000,000

	(Average)
P/NAV	0.98
P/E	13.85
Dividend Return	3.69%

KOCREF NPS 1

Date Incorporated	09/20/2006
Date Listed on the Exchange	Private REIT
Finite Length of Corporation	Infinite

REIT Characteristics

KOCREF NPS 1 is the first ongoing REITs in Korea. The shares are owned 100% by the national pension fund.

KOCREF NPS 2

Date Incorporated	12/22/2006
Date Listed on the Exchange	Private REIT
Finite Length of Corporation	Infinite

REIT Characteristics

KOCREF NPS 2 is an ongoing REITs, owned 100% by national pension fund. KOCREF NPS 2 is the second REITs that is diversified by region, based on retail shopping malls whose previous owner is the same with KOCREF 6.

KOCREF 11

Date Incorporated	04/24/2007
Date Listed on the Exchange	
Finite Length of Corporation	6 years

REIT Characteristics

KOCREF 11 is the most recent REIT in Korea within a 6 year operating term.

Realty Korea 1

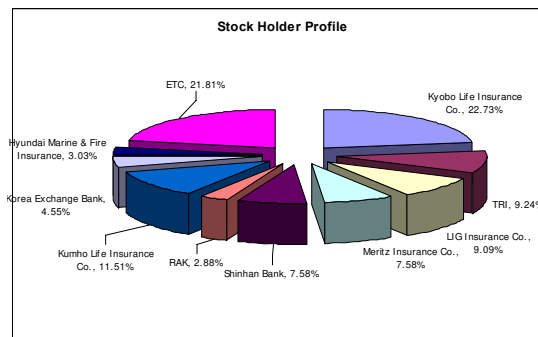
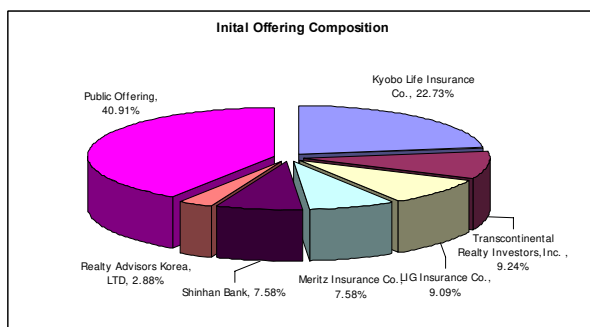
Date Incorporated	4/17/2003
Date Listed on the Exchange	5/13/2003
Finite Length of Corporation	5 years

REIT Characteristics

The underlying assets of Realty Korea 1 are department stores. It shows the lowest yield performance base on E/NAV, averaged at 6%. However, average P/E ratio was the highest at 15.87. It is the most regionally diversified REIT. Realty Korea set the leasing contract with each department store during the 5 years.

Promoters & Stock Holders

	percentage of total shares	number of shares	Initial share price (KRW)	Total amount (KRW, million)
Institutional Investors	59.09%	7,800,000	5,000	39,000
Individual Investors	40.91%	5,400,000	5,000	27,000
Total	100%	13,200,000		66,000



Performance

Total Invested Capital	143,459,000,000
Equity	70,172,000,000
Debt	73,287,000,000
Market Capitalization	86,933,000,000

P/NAV	1.05
P/E	15.87
Dividend Return	4.60%

(average)

Urez-Meritz

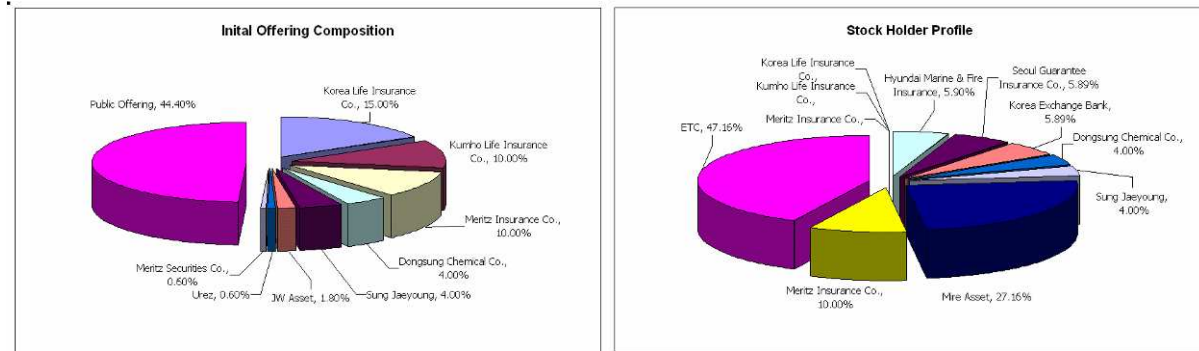
Date Incorporated	7/29/2003
Date Listed on the Exchange	8/29/2003
Finite Length of Corporation	5 years

REIT Characteristics

Urez-Meritz is the first REITS whose assets are diversified in both region and property types. Dividends return are 9.58%. Compared to KOREF 6, the retail malls are not operated under same brand and previous owners are different. Among publicly traded REITS, the P/NAV and dividend returns show the lowest performances. However, the reversion sales price is expected to be much higher than purchased price, because its land appraisal value overweighs the purchased price. Urez-Meritz set the leasing contracts with previous owners for 5years for each properties.

Promoters & Stock Holders

	percentage of total shares	number of shares	Initial share price (KRW)	Total amount (KRW, million)
Institutional Investors	46.00%	4,600,000	5,000	23,000,000,000
Individual Investors	44.40%	4,440,000	5,000	22,200,000,000
ETC	9.60%	960,000	5,000	4,800,000,000
Total	100.00%	10,000,000		50,000,000,000



Performance

Total Invested Capital	119,244,000,000
Equity	52,587,000,000
Debt	66,657,000,000
Market Capitalization	51,833,000,000

	(average)
P/NAV	0.95
P/E	11.10
Dividend Return	4.10%

Macquarie Central Office

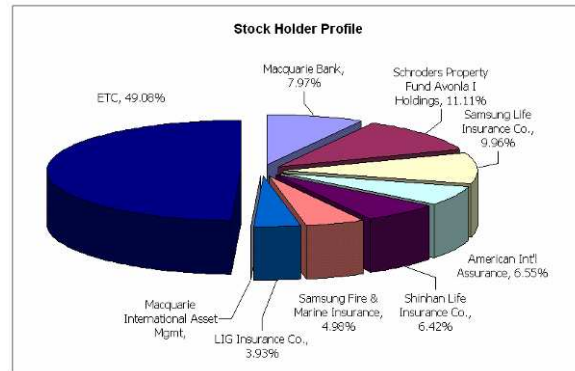
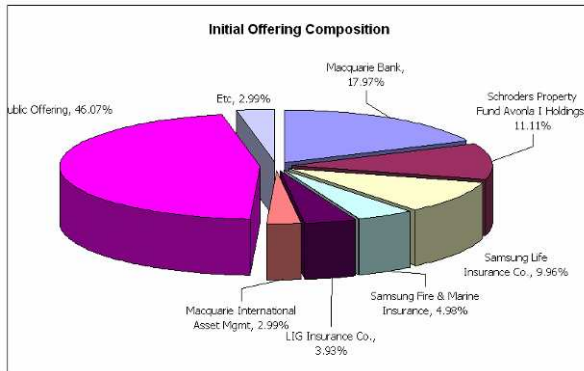
Date Incorporated	12/12/2003
Date Listed on the Exchange	1/8/2004
Finite Length of Corporation	5 years

REIT Characteristics

As with KOCREF 3, Macquarie Central Office is a REIT whose land value is much lower than purchased price. However, there is no contract to guarantees against capital loss or hedge leasing risk.

Promoters & Stock Holders

	percentage of total shares	number of shares	Initial share price (KRW)	Total amount (KRW, million)
Institutional Investors	50.94%	7,774,010	5,000	38,870,050,000
Individual Investors	46.07%	7,030,300	5,000	35,151,500,000
ETC	2.99%	456,290	5,000	2,281,450,000
Total	100.00%	15,260,600		76,303,000,000



Performance

Total Invested Capital	171,700,000,000
Equity	81,397,000,000
Debt	90,303,000,000
Market Capitalization	104,929,000,000

P/NAV	1.12	(average)
P/E	13.36	
Dividend Return	5.80%	

3.2 Cross Analysis Methods

REITs and other publicly traded real estate companies can be evaluated using the same tools and techniques used to assess other public companies. The data used in the analysis methods below were derived from public notices such as public stock prices, periodical management reports, investment reports and audit reports. The analysis methods considered for analyzing the Korean REITs market are listed below.

PRICE / NET ASSET VALUE (P/NAV):

The current market capitalization of outstanding shares (P) and the net asset value or shareholder's equity (NAV) is an important indicator of REIT status. The difference reflects the stock market's current perception regarding the REIT's fundamental growth opportunities. If the REIT's share price exceeds its NAV, the stock market apparently perceives positive growth opportunities for the REIT. Because NAV incorporates an estimate of the market value of REITs assets, most REIT analysts consider NAV rather than book value as a more appropriate measure of a REIT's net worth and calculate the ratio of price divided by NAV to determine share price premiums and discounts.

DIVIDEND YIELD / YIELD SPREAD OVER JGBs:

Dividends per share price or so called dividend yields show the return generated by REIT stocks. This benchmark can be compared with alternative financial market assets, in particular yields on government bonds, corporate bonds and certificate of deposits. These dividends are generated from the contractual rents paid by tenants that occupy the properties.

PRICE vs. EARNINGS MULTIPLES:

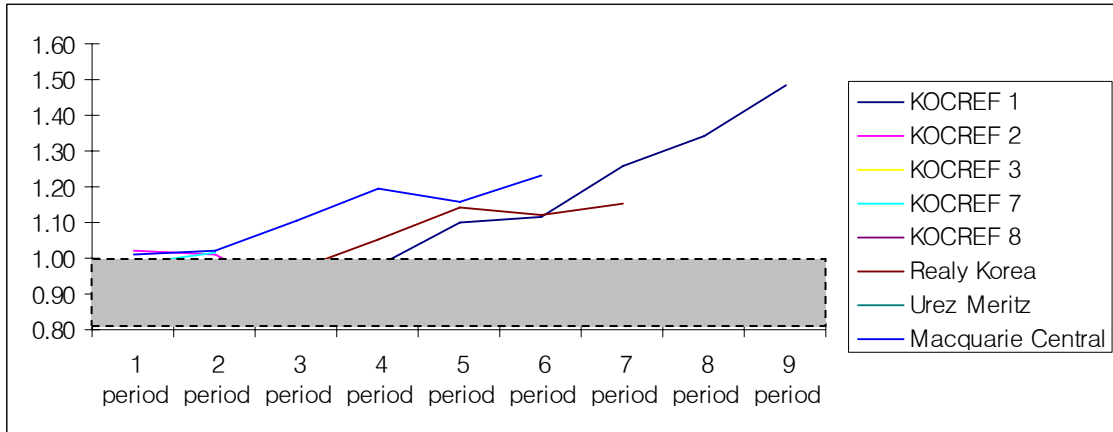
A stock's P/E ("multiple") tells us how much investors are willing to pay per dollar of earnings. In general, growth stocks are defined by high P/E ratios and income stocks generally have low P/E ratios. However, simply comparing P/E ratios is not enough, it is important to also consider the Company's growth of the company and the overall industry.

ASSET COMPOSITION:

Underlying asset characteristics of each individual REITs variations among locations and product type and size, and investment strategies among the JREITs were considered.

3.2.1 Price / Net Asset Value

As we can see in the P/NAV ratio of each REITS, current CR-REITS shows two different patterns.



< Graphs 9, P/ NAV ratio of CR-REITS in stock market >

The first group shows higher stock price than net asset value and a continual increase in P/NAV ratio as the termination date of CR-REITS draws near. The second group shows constant P/NAV ratio below one, during the entire period. The stock price was calculated as the arithmetic average of maximum and minimum price during each period. Net asset value is total asset value minus debt amount and the total asset value is the sum of asset value on balance sheet and accumulated depreciation. Because the depreciation amount is paid to stock holders as dividends, net asset value has to include this depreciation amount.

P/NAV analysis aims to reveal the reason for these two different trends, and explain the factor which determines CR-REITS stock price. The basic assumption is that the issuing date of each REITS does not affect REITS price and we can generalize the CR-REITS lifecycle as 9 period based on its contractual 5 years lifetime. This assumption that the CR-REITS is almost independent with time variables will be strengthened in the following chapter which concentrate on the relationship with the difference of price yield and general financial market movement by stock index, bond yield and interest rate. In addition, Byoungky Chang & Sunghoon Sim's research "Does Korean REITS Act Like Real Estate or Stock?" revealed that CR-REITS aren't affected by macro-economical factor and financial variables. Based those two observations, we can compare each REITS price's trend along with those lifecycle.

KOCREF 1, Realty Korea, and Macquarie Central's P/NAV increasing from 0.95 to 1.5, can be explained by the expectation of real estate appreciation and capital gain from reversion sales. The appreciation effect will be analyzed more in following chapter, focusing on land appreciation. For the second group whose P/NAV remains stable or decrease slightly, we will compare their market yield with first group's and market's valuation for the earnings, expressed by P/E.

3.2.2 Dividend Yield Spread over other Financial Assets

REIT Dividend yields were calculated to see yield spreads against other financial market assets such as 3 year, 5 year Korean government bonds, CDs, and corporate bonds returns. REIT dividends come from income earnings that are mostly generated from contractual rents. Because these rent incomes are based on contracts they can be considered stable considering the credit ratings of the tenants.

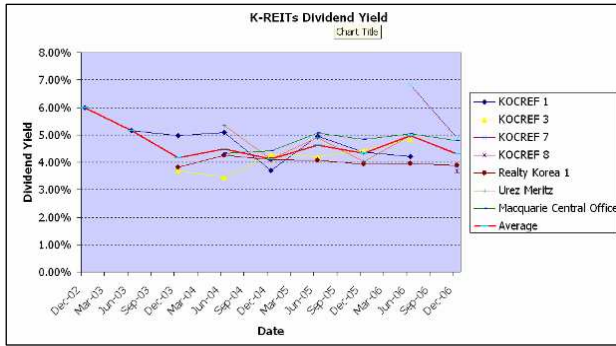
Dividends for Korean REITs are paid out semi-annually so dividend yields were also calculated semi-annually. Dividend yields ranged from 2.92% to 5.99% for individual REITs, but on average ranged between 4.3% to 5.14% for any given period (excluding December, 2002). On average for each individual REIT, dividend yields ranged between 3.68% to 5.79%. KOCREF 2 showed unusual dividend yields due to large fluctuations in dividend payouts. This is mostly due to irregularities in net profit.¹¹

	KOCREF 1	KOCREF 2	KOCREF 3	KOCREF 7	KOCREF 8	Realty Korea 1	Urez Meritz	Macquarie Central Office	Average
12/2002	5.99%								5.99%
06/2003	5.14%	2.92%							5.14%
12/2003	4.98%	0.00%	3.70%			3.82%			4.17%
06/2004	5.08%	7.13%	3.45%			4.25%	5.34%	4.33%	4.49%
12/2004	3.70%	1.51%	4.27%			4.08%	4.13%	4.42%	4.12%
06/2005	4.95%	17.38%	4.21%			4.06%	4.89%	5.06%	4.64%
12/2005	4.38%		4.43%			3.93%	4.02%	4.83%	4.32%
06/2006	4.22%		4.84%	6.83%		3.96%	4.97%	5.04%	4.98%
12/2006				4.87%	3.68%	3.89%		4.78%	4.30%
Average	4.80%	5.79%	4.15%	5.85%	3.68%	4.00%	4.67%	4.74%	

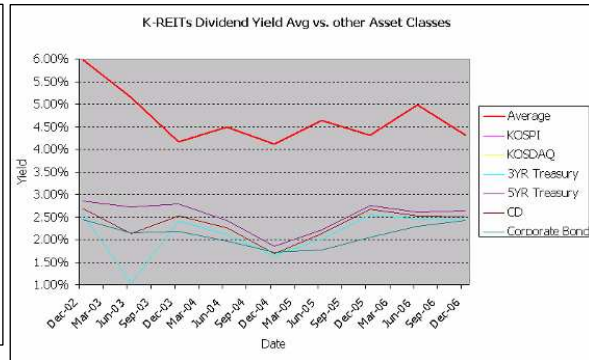
< Table 15, Dividend Yields, semi-annual >

The average dividend yields were charted against semi-annual returns of other financial assets such as the 3 year, 5 year KGBs, Certificate of Deposits and Corporate Bonds. REIT dividend yields showed an average of about 214 to 257 basis points spread above these other financial assets giving it very attractive returns.

¹¹ Details can be checked in individual REIT reports in annex.



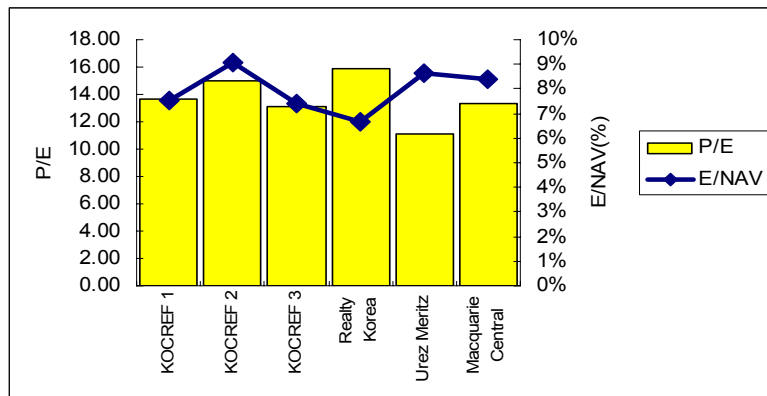
< Graphs 10, Dividend Yields >



< Graphs 11, Dividend Yield spreads against other financial assets >

3.2.3 Price vs. Earnings Multiples

The P/E analysis has meaning in that it evaluates the price based on earnings. Each REITs P/E ratio shows similar patterns except KOCREF 2 which has transaction history during its operation period.



< Graphs 12, P/ E ratio and E/ NAV of REITs >

With P/E and P/NAV, we can calculate E/NAV^{12} which shows actual yield from asset. Urez Meritz and Macquarie Central Office have high E/NAV yield compared to others. The E/NAV range from 6% to 9%, and the average REITs performance is the level of market yield around 7%.

However, the previous observation about dividends yield show that those average yield is approximately 10%. This means that the added dividends by adding back the accumulated depreciation amount is greater than interest rate costs, resulting in levered yield being greater than unlevered return.

This result can explain Ures Merits' low P/E. Although Ures Merits has high E/NAV yield, the market's preference for that earnings is lower than others which have lower E/NAV yield. This market's valuation on Ures Merits earning could be explained by the fact that Ures Merits' dividend

¹² $P/NAV = P/E \times E/NAV$

rate is around 90% which is rather lower than others' above 115%. This low dividend rate offsets its high unlevered return, when it comes to levered yield. Therefore, this lower level of final return could lead P/E ratio lower than others. However, this yield effect should be considered with the asset's appreciation factor, which has significant influence to stock price. The low P/E of Urez Merits could depend more on the low appreciation of its underlying asset. Therefore these two variables will be examined further following chapters through regression test.

3.2.4 Asset Composition

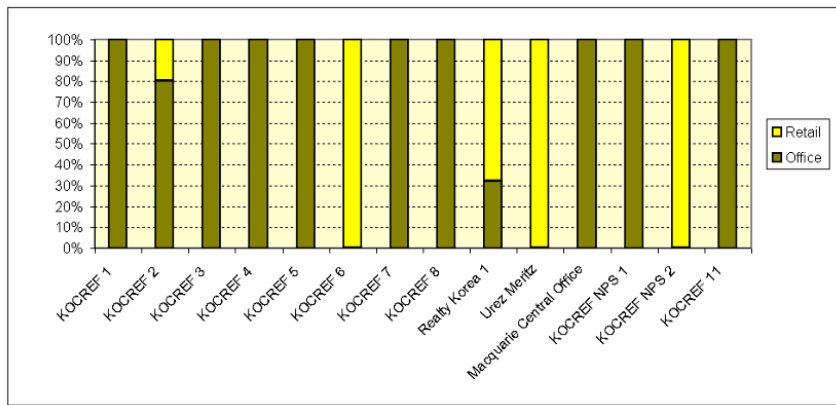
A cross analysis of all asset related information can be essential in determining REIT performances and eventually REIT strategies. These asset related variables may include property type, size measured in gross rentable area and/or total floors, and geographic locations.

	name	Property				location
		type	Area (pyung)	Area (sqft)	Height (floors)	
KOCREF 1	Hanhwa Building	office	22,499	800,564	29	CBD
	Dae-Ah Building	office	4,239	150,848	17	North other
	Dae-Han Building	office	4,424	157,404	14	YBD
KOCREF 2	Myungdong Tower	office	4,316	153,592	22	CBD
	Hanaro Building	Retail	2,053	73,057		
KOCREF 3		office	3,933	139,930	13	South other
	Hanhwa-Stock Building	office	18,041	641,966	27	YBD
	lwill-hill Town	office	1,516	53,957	7	South other
KOCREF 4	YTN tower	office	12,802	455,544	27	CBD
	Hansol M.com Building	office	7,875	280,203	20	GBD
KOCREF 5	Dacom Building	office	10,424	370,931	20	GBD
KOCREF 6	Newcore Yatab branch	Retail	23,254	827,453	8	other
	Newcore Ilsan branch	Retail	18,047	642,156	7	other
	Newcore Pyungchon branch	Retail	21,104	750,946	12	other
	Newcore Incheon branch	Retail	17,192	611,737	12	other
KOCREF 7	LG Dadong Bldg	office	7,518	267,524	17	CBD
	Kolon Building	office	8,125	289,126	10	other
KOCREF 8	Geoyang Building	office	4,979	177,176	12	CBD
	Sinyoung Tower	office	7,207	256,434	12	other
Realty Korea 1	Rosedale Building	office	13,183	469,093	20	South other
		Retail	3,594	127,898		
	TurboTec Building	office	2,944	104,739	10	other
	Say Department Store	Retail	30,294	1,077,959	8	other
Urez Meritz	Save Zone Seongnam	Retail	10,037	357,162	6	other
	Save Zone Nowon	Retail	6,386	227,220	5	North other
	Save Zone Daejeon	Retail	10,810	384,669	6	other
	Hanshin Sports Center	Retail	1,744	62,057	2	North other
	Jangyoo Aqua Wave	Retail	3,422	121,765	2	other
Macquarie C O	Kukdong Building	office	18,859	671,060	23	CBD
KOCREF NPS 1	Sigma Tower	office	8,413	299,360	30	South other
KOCREF NPS 2	10 Home ever branches	Retail	31,943	1,136,628		South other
		Retail	111,274	3,959,463		other
KOCREF 11	STX namsan tower	office	20,356	724,328	23	CBD
Total			472,809	16,823,948		

< Table 16, REITs Underlying Asset information >

Property Type

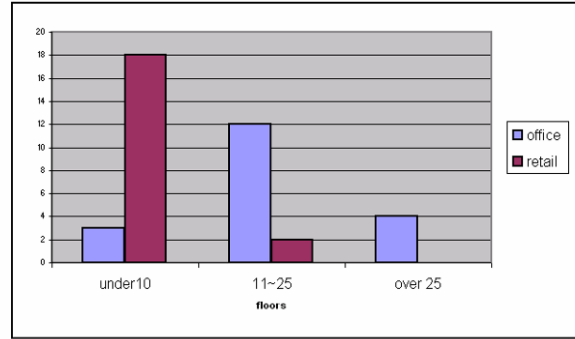
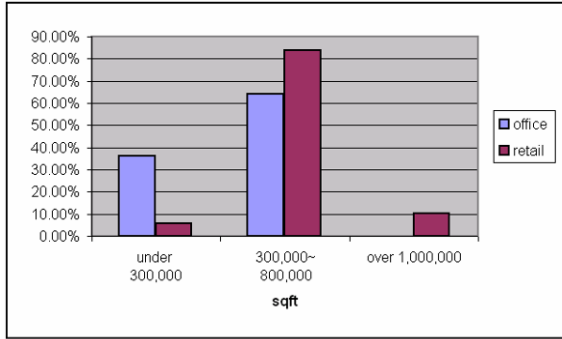
Due to the rental market characteristics of Korea, there have only been office and retail assets included in REITs. The Korean REIT industry has been made up of 9 office REITs, 3 retail REITs and two mixed REITs. In terms of number of buildings, there have been 19 office buildings compared to 20 retail buildings included as REITs assets. When compared in gross rentable area, retail constitutes 61.5% of all REIT assets compared to 38.5% of office. However, this imbalance is due to the introduction of 5 million sqft of retail by KOCREF NPS 2 and before that the ratio was almost half each. The majority of the retail assets are included in KOCREF 6, Urez Meritz 1 and KOCREF NPS 2 which are all completely retail REITs.



< Graphs 13, Asset type distribution by Type >

Size measured in gross rentable area and/or total floors

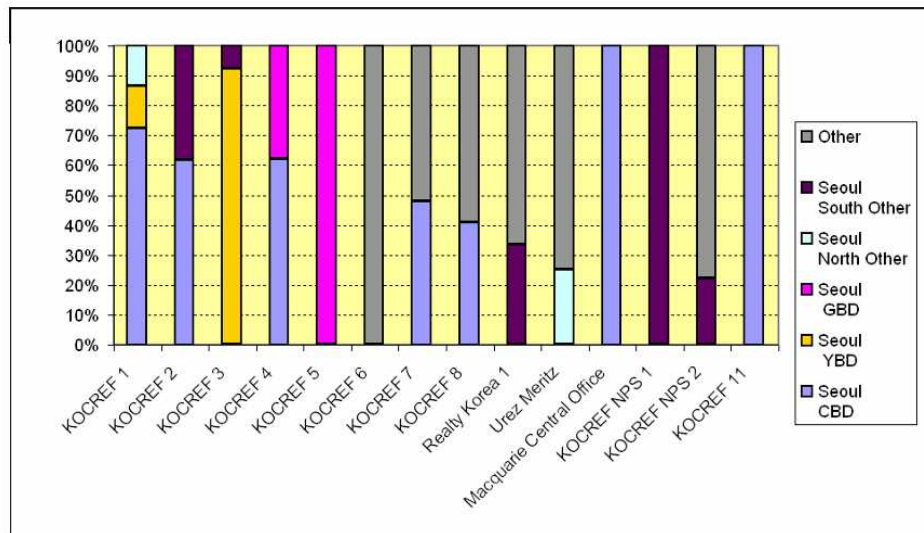
In terms of sizes of the assets included in the REITs, the majority were between 300,000 to 800,000 sqft. In terms of gross rentable sqft, there was only one asset, a department store than exceeded 1 million sqft while none for office properties. 64% of all REIT office properties and 84% of retail properties were between 300,000 to 800,000 sqft in size. In terms of height, majority of the buildings for retail were under 10 stories and between 11 to 25 floors for office.



< Graphs 14, Asset type distribution by Type >

Geographic locations

As mentioned in the rental market materials covered in Chapter 1, the strongest and most stable real estate market is by far that of Seoul, and more specifically those of the three major business districts. In terms of gross rental area of all assets included in the REITs, 44.2% were in Seoul while 55.78% were scattered in other areas. The reason for the high percentage of assets outside of Seoul is due to the large big-box retail properties included in KOCREF 6, Realty Korea 1, Urez Meritz and last but not least KOCREF NPS 2 with more than 5 million sqft.



< Graphs 15, Asset distribution by location >

Ch. 4. Quantitative Analysis on K-REITs

4.1 Correlation of K-REITs returns with Financial Market

REITs are specialized public real estate companies that derived its equity from the public equity market, namely the stock exchange. REIT companies go through the same process such as being listed on the exchange going through initial public offerings. As a financial investment vehicle, an essential method of analyzing how the REITs move within the financial market is to compare it with other financial assets. With this objective, REITs returns were cross examined with the Korea Composite Stock Price Index(KOSPI), Korea Securities Dealers Automated Quotation (KOSDAQ), 3year, 5 year Korean Government Bonds(KGB), Corporate Bonds, and Certificate of Deposits.

Methodology

Monthly REITs stock and stock index returns were calculated using daily stock price data. The daily stock price data used was from May 13, 2003 to June 29, 2007 and monthly stock returns were calculated by subtracting end of the month stock prices.¹³ The monthly REITs return data was then regressed against monthly return data of the 6 different financial assets¹⁴. Regressions were done for 6 individual REITs and also for the average of the 6 REITs.

Results

The results of the regression are shown in the table below.

monthly	REALTY KOREA 1	KOCREF III	URES MERITZ I E	MACQUAR CENTRAL	KOCREF 7	KOCREF 8	SIX REITS TOTAL
R ²	0.02	0.08	0.16	0.17	0.37	0.74	0.27
T INTERCEPTS	1.40	2.61	0.45	1.61	1.73	-0.21	1.70
- KOSPI	0.31	-0.31	0.19	0.50	-0.44	1.25	0.58
S KOSDAQ	-0.31	-0.02	-1.23	-0.39	0.22	0.76	-0.88
t T-BOND(3 YR)	-0.17	-1.70	-0.33	1.98	1.83	2.49	0.78
a T-BOND(5 YR)	0.16	1.37	1.51	-1.27	0.28	-1.80	-0.61
t CD	-0.05	1.20	-0.17	-0.99	-2.03	-0.32	-0.11
s COPORATE BOND	0.10	0.97	-1.44	-1.79	-1.00	1.44	0.13

< Table 17, Regression of K-REITs returns with Financial Market >

All six regressions showed very low R Square stats, meaning that the relation of the independent variable(ther monthly REITs returns) to the independent variables(returns of the 6 financial assets) are not a linear function of the parameters. In other words, the results of the regression were far from

¹³ $\ln(P_1) - \ln(P_2)$

¹⁴ Linear Regression; monthly stock return = $\alpha + (\beta_1)\text{KOSPI return} + (\beta_2)\text{KOSDAQ return} + (\beta_3)\text{3yr KGB} + (\beta_4)\text{5yr KGB} + (\beta_5)\text{CD} + (\beta_6)\text{Corporate Bonds}$

being linear when plotted. In Also, the t-statistics which shows the relationship between each independent variable to the dependent variable were mostly between ± 2 .

Another method in finding out the relationship between two variables is to calculate the correlation. The correlation between individual REITs and correlation between individual REITs and other financial market assets were conducted to see if there were any inter-relationships.

CORRELATION	INTER REITS					
	REALTY KOREA 1	KOCREF III	URES MERITZ I	MACQUARE CENTRAL	KOCREF 7	KOCREF 8
REALTY KOREA 1						
KOCREF 3	0.67					
URES MERITZ 1	0.30	0.24				
MACQUARE CENTRAL	0.06	0.08	0.01			
KOCREF 7	0.29	0.12	0.35	0.10		
KOCREF 8	(0.09)	(0.07)	(0.44)	0.41	(0.07)	

< Table 18, Correlation of K-REITs returns with K-REITs >

CORRELATION	MARKET INDEX					
	KOSPI	KOSDAQ	TREASURY BOND(3 YR)	TREASURY BOND(5 YR)	CD	COPORATE BOND
REALTY KOREA 1	(0.02)	(0.07)	(0.14)	(0.13)	(0.14)	(0.04)
KOCREF 3	(0.02)	0.00	0.04	0.08	0.06	0.05
URES MERITZ 1	(0.05)	(0.06)	0.14	0.18	0.15	(0.09)
MACQUARE CENTRAL	0.04	0.10	0.17	0.13	0.17	(0.08)
KOCREF 7	(0.22)	(0.04)	0.17	0.13	0.04	(0.01)
KOCREF 8	0.53	0.44	0.32	0.26	0.23	0.24

< Table 19, Correlation of K-REITs returns with Financial Market >

Table 18 shows the correlation between the historical stock price returns of any two individual REITs and it can be seen that there are no obvious correlation between any two REITs. Table 19 shows the correlation between the historical stock price return of any one REIT and financial market assets. There is very little correlation in all instances

It can be concluded that REITs stock prices have not historically moved with any relationship or correlation with the financial market and their mainstream assets. This could be interpreted in many ways. Due to the fact that Korean REITs especially CR-REITs have been more or less closed-end, passively managed, fund-like entities, and their stock prices have not been influenced by financial market factors. CR-REITs have historically not bought or sold assets during their short 5-year finite lives, were not actively managed by high profile AMCs with proven track records, and most importantly REITs themselves were very new and unknown investment vehicles to the market and its investors. CR-REITs also did not have high transaction volumes because high percentage of share

holders were institutional investors seeking capital gains at the end, giving them less stock market volatility. stock prices have been benched on the values of their underlying assets and there have not been any stock premium added to the prices.

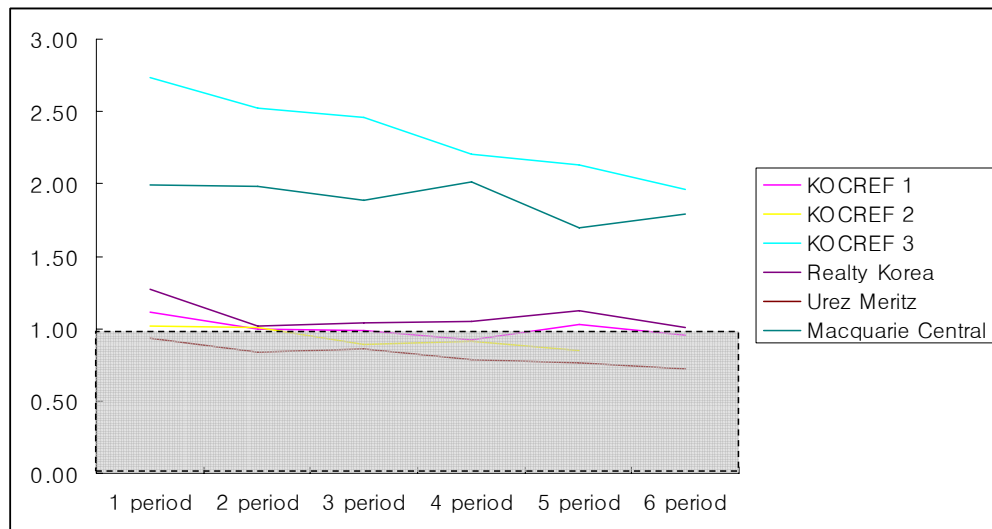
4.2 Stock pricing Analysis

4.2.1 Premium to NAV, Increase in REIT share prices

In previous section, we figure out that stock market’s systematic risk and bond’s yield don’t affect the CR-REITS price. In addition, “Byoung-Ky Chang and Sung-Hoon Sim’s [Does Korea REITS act like real estate or sotck?]” revealed that CR-REITS price has no statistical relationship with macroeconomic variables such as exchange rate, inflation, and GDP.

However, CR-REITS has had the price traded in stock market, and the price itself can’t completely explain the asset value of each REITS.

First of all, we check land price for difference between price and net asset value. Land value is accounted as tangible asset with no appreciation or depreciation. The value of land is constant during the operating years as acquisition value. However, CR-REITS yield depend on capital gain by reversion sale, and the market price for REIT would be affected by the expected land appreciation value. As we can see the below graphs, a fter applying the difference the land transaction price and appraisal value including land appreciation, except KOCREF 3 and Macquarie Central, rest of REITs shows constant P/NAV ratio near by one.



< Graphs 16, Adjusted P/ NAV ratio by appraisal land price >

After getting rid of land appraisal factor from REITS stock price, KOCREF 1, 2 and Realty Korea, Urez Meritz stock price almost exactly reflect the net asset value. For the four REITS, the average volatility measured by standard deviation of the P/NAV decrease 39% to 8%.

In the case of KOCREF 3 and Macquarie Central Office, the appraisal land value is 2.82 and 1.82 times each bigger than acquisition price, compared to from 0.75 to 1.05 of other four's. In other words, KOCREF 3 and Macquarie Central Office have purchased land with highly over-priced land, and the stock price is inflated by this land value difference. However, in case of KOCREF 3, there is priority right for initial owner to re-purchase the property with sales price. And also when the initial owner gives up their right to purchase, the initial owner has to pay difference amount under the purchased price. Therefore, the appraisal value has no effect for P/NAV.

4.2.2 P/E Ratio

Corporate Level

We set the variables to explain this different P/E ratio. First of all, as return base, we expect the dividend yield and dividend rate would have the strong relationship with P/E ratio. And also, the REITS own characteristic such as LTV and company size using asset value would have influenced the P/E ratio. The underlying properties' characteristics may influence the market expectation for REITS yield. We will consider it later as separately part.

The results using regression shows 86% R square which means each variables we set have influence to P/E ratio with statistical test.

	Coefficient	T-statistics
intercepts	26.97	1.75
LTV	-42.05	-1.79
ASSET SIZE	-0.01	-1.85
Dividends Yield	-65.53	-0.56
Payout ratio	23.59	2.03

< Table 20, Results of regression for P/ E ratio and LTV, asset size, dividends yield and Payout ratio >

As we can see above graphs, the P/E ratio has positive relationship with payout ratio. However, it shows low correlation with dividends yield. This result can be interpreted that the market prefers the REITS structure having low debt and small REITS size. And absolute amount of dividends is main

factor for stock prices. However, the dividends yield itself has both positive and negative relationship with dividends rate and asset size, resulting in offsetting the dividends rate effect for price. Excluding dividend yield, the t-statistics for each variable shows -2.9, -2.3, and 2.5 which implies a strong relationship with P/E ratio, LTV, asset size, and payout ratio. Considering dividends yield, the price is almost half of reasonable price. That means the dividends yield is actually not reflected to stock prices. This fact is consistent with above regression results, showing that market does not consider the dividends yield for REITS price.

Asset Composition and Risk hedging Contract

Including corporate level variables, there are underlying property’s characteristics, as we can see the REITS individual analysis. The first unique factor is reversion sale price option which the previous owner or tenant guarantee certain amount of reversion price based on transaction price. The second one is whether there are secured leasing contract such as sales and lease back and pre-leasing contract.

Third one is properties’ use type which is either office or retail. And the fourth one is location of properties. Majority of underlying assets are located in Seoul area, and some are in the other cities diversifying the location factor. In this analysis, we set the contractual difference as dummy variables. And for property type, we set REITS composed of whole office use 100% office use and REITS composed of whole retail use 0%. And the intermediate is calculated, based on gross rental square feet. Because the outer are from Seoul’s average market yield is below half, we classify the location as Seoul and other area. In REITS portfolio, we can get the ratio of gross rentable area in both Seoul and other area to indicate the difference of location. For each variable, the value is as below.

REITS	P/E	Stock Price	Leasing contract	Put back option	Property Type	Location
KOCREF 1	13.70	5596.81	1.00	1.00	100.00%	86.40%
KOCREF 2	15.00	5002.42	1.00	1.00	80.07%	61.83%
KOCREF 3	13.16	5299.58	1.00	1.00	100.00%	92.25%
REALTY KOREA	15.87	5617.94	1.00	0.00	32.24%	0%
MACQUARIE CENTRAL	13.36	6094.31	0.00	0.00	100.00%	100%
URES MERITZ	11.10	5255.99	1.00	0.00	0.00%	0%

< Table 21, the data set of each REITS’ underlying assets characteristics >

The result is that the existence of put back option influence P/E ratio positively and the higher office property ratio is, the higher P/E ratio is. And the stock price is higher for earnings from REITS as more properties in portfolio located outer Seoul. And previous leasing contract for entire operating years affects price negatively.

	Coefficient	t-statistics
Intercept	14.81848433	10.83355728
Leasing contract	-3.693019384	-2.752761079
Reversion Options	2.062515533	1.88498366
Property Type	14.63996286	11.50880671
location	-16.09451194	-10.311613

< Table 22, the result of regression with underlying asset's characteristics >

4.2.3 The application of The Cross-Section analysis of Expected Stock Returns by ugene F. Fama and Kenneth R. French

As we can see previous P/E analysis, the dividends has little statistical meaning as determinant for stock price. The next step is the underlying assets characteristics influence to REITS return. Therefore we adapt the “The Cross-Section analysis of Expected Stock Returns by ugene F. Fama and Kenneth R. French”, which tells that the difference between market value and book value, interest rate, and asset size are major factor for stock price.

This model is well adjustable for our case, because it analyze stock price, mainly base on corporate characteristics themselves. The CR-REITS tend to be influenced not by exogenous factors but by indigenous factors such as its underlying asset or corporate level variables. We already check the interest rate as the determinant for stock price and get results that it has no relationship with stock price itself. Therefore we choose the LTV as indigenous factor for stock's return. First of all, “The Cross-Section analysis of Expected Stock Returns by ugene F. Fama and Kenneth R. French” is cross sectional base for analysis, we choose 2004 when there are most data for analysis. And stock return is calculated by growth percentage between current year's termination price and the same one of last year's. The market value for the REITS is the sum of average price multiplied by number of issued stocks and debt amount. And the book value is asset value on balance sheet plus accumulated depreciation amount. And the difference between book value and market value is how much percentage the stock market over-valued the REITS than its net asset value.

Results

The R square for “The Cross-Section analysis of Expected Stock Returns by ugene F. Fama and Kenneth R. French” is 99%, showing strong statistical evidence for this models application.

	Coefficient	t-statistics
intercepts	0.05	1.18
LTV	-0.81	-4.36
Asset size	0.00	-1.15
MV/BV	0.55	3.92

< Table 23, Results of "The Cross-Section analysis of Expected Stock Returns by ugene F. Fama and Kenneth R. French" >

As we can see, the stock price return could be explained well with LTV and MV/BV. But asset size's t-statistics show little statistical evidence for stock price return. Excluding asset size, the results is as below with 98% R square.

	Coefficient	t-statistics
intercepts	0.02	0.48
LTV	-0.61	-8.60
MV/BV	0.39	13.29

< Table 24, refined Results of "The Cross-Section analysis of Expected Stock Returns by ugene F. Fama and Kenneth R. French">

Therefore, based on our 2004 data set, we can get the cross sectional factors for price change, as below.

$$\frac{P_t}{P_{t-1}} - 1 = (0.02) - (0.61) \times LTV + (0.39) \times \frac{P_t}{NAV_t}$$

Ch. 5. Conclusion

Korean REITS emerged and developed rapidly, after the IMF crisis, as vehicles to liquidize corporate real estate assets. Now as corporate restructuring assets have almost been exhausted within the market, Korean REITS encounters a new phase to broaden its business to the general real estate market. To discuss practical utility of the REITS system in the Korean real estate market, we analyzed the historical Korean REITS, comparing them with other countries' REITS and different real estate vehicles in the same market.

While comparing CR-REITS with other real estate vehicles, we recognized that CR-REITS' closed end structure derives unique features such as buy-back option, sales and lease back contract, and the independence from the financial market. The independence of CR-REITS from the financial market exposed the importance of land appreciation, REITS' corporate financial structure and underlying assets features.

Most of all, our analysis shows that CR-REITS' stock price moves with land appreciation. We can verify appreciation determinant on stock price by simply adapting the appraisal value's appreciation portion to net asset value. In this perspective, CR-REITS is a passive pass through vehicle that capitalizes on asset's capital gains. However, analysis shows that CR-REITS have originated option premiums, which is not explained by net asset value appreciation. This premium depends on buy-back options or sales and lease back contracts, hedging the uncertainty in forecasting future transaction value of properties.

Our cross sectional regression analysis show more detail about inconsistency with $P/NAV=1$ by using P/E ratio, the simple measurement for REITS stock's premium over appreciation portion. In corporate finance perspective, payout ratio was the first determinant for stock premium, which depends most on payback propensity from accumulated depreciation of assets. LTV's negative correlation with P/E multiples showed that there is no active advantage for using leverage. Lastly, the size of REITS influence over the premiums appeared strong negative, which might be related to the efficiency of composing portfolios. However, research is needed to reveal how much the efficiency of forming property portfolios affect to REITS stock premium. Among physical features of underlying assets, location and property type showed strong influence to P/E ratio. The implication of these two factors could be easily expected by its direct influence to property yields.

To sum up, we organized the Korean REITs stock price and its determinants, explaining both appreciation portion and extra premiums simultaneously, using Eugene F. Fama and Kenneth R. French's stock return analysis. As a result, the next period stock price is matched with the previous net asset value minus cost of capital which depends on REITS capital structure.

A major issue Korean REITs face currently is the ambiguity in the role that it faces compared to private equity investment vehicles, mainly Real Estate Funds. If REITs continue to maintain its current characteristics as a finite-lived, passive, closed-end vehicle with the same earning structure as REFs, there are no advantages.

REITs must find methods to create more stock price premiums other than the NAV of its underlying assets to give it a reason to continue to be a vehicle fueled by public equity. The main step is to restructure itself as an ongoing corporate structure with vertically integrated management. The REIT must be able to produce more growth expectations other than that of simple appreciation of their assets. This must be achieved through growth expectations of dividend returns and thus through increase in earnings and stock price increase.

As an investor the main advantage of investing in REITs over REFs is the ownership aspect of buying shares of a company that actively manages real estate assets. The other is the $P/NAV > 1$ factor where stock prices are traded at a premium of NAV which can never be achieved with REFs. Investors have the option to buy and sell shares according to P/NAV fluctuations.

As a business structure, the advantage of REITs is that it can be a vertically integrated and actively managed corporation. The management can make strategic decisions to buy undervalued assets off the market or sell underperforming assets as market conditions or internal investment preferences change which is the essence of creating efficient portfolios. The option or opportunity of active management and creation of efficient portfolios increase earnings, dividends and growth opportunities of the company, creating a stock price premium. Also as a REIT, the management can decide to pursue second or third offerings creating more capital for growth.

There are many key aspects of Korean REITs that we have fallen short of touching upon. Some of these are the ambiguity of Private REITs and Real Estate Funds and new possibilities for Korean REITs in the future.

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Sams Co., LTD. <http://www.samsnet.co.kr>

Korea Housing Finance Corporation <http://www.khfc.co.kr/>

Korea Exchange <http://www.krx.co.kr/>

KOCREF 1

Incorporation	2002-04-30
Listed on the Exchange	2002-05-30
Finite length of corporation	5 years

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	81.95%	21,800,000	5,000	109,000,000,000
Individual Investors	18.05%	4,800,000	5,000	24,000,000,000
Total	100.00%	26,600,000		133,000,000,000

Promoters	%	# shares	total amt(KRW)
Hanhwa Chemical Corporation	22.56%	6,000,000	30,000,000,000
Korea Development Bank	13.91%	3,700,000	18,500,000,000
Hanbit Bank	13.91%	3,700,000	18,500,000,000
Dongyang Insurance	7.52%	2,000,000	10,000,000,000
LG Insurance	7.52%	2,000,000	10,000,000,000
Chohung Bank	5.64%	1,500,000	7,500,000,000
Hana Bank	5.64%	1,500,000	7,500,000,000
Kumho Life Insurance Co.	3.76%	1,000,000	5,000,000,000
Kyongnam Bank	1.50%	400,000	2,000,000,000
Sub-Total	81.95%	21,800,000	109,000,000,000
Public Offering	18.05%	4,800,000	24,000,000,000
Total	100%	26,600,000	133,000,000,000

Stockholder	1 period	2 period	3 period	4 period	5 period	6 period	7 period	8 period	9 period
Hanhwa Chemical Corporation	22.56%	22.56%	22.56%	22.56%	22.56%	22.56%	22.56%	22.56%	22.56%
Korea Development Bank	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%
Woori Bank	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%
Dongyang Insurance	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%
LG Insurance	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%
Chohung Bank	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%
Hana Bank	5.64%	4.04%	4.04%	4.04%	4.04%	4.04%	4.04%	4.04%	4.04%
Kumho Life Insurance Co.	3.73%	4.13%	4.13%	4.13%	4.13%	4.13%	4.13%	4.13%	4.13%
Hyundai Marine & Fire Insurance	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
ETC	15.81%	17.01%	17.01%	17.01%	17.01%	17.01%	17.01%	17.01%	17.01%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Underlying Asset	Acquisition Price		
	Land	Building	Total
Hanhwa Building	99,226	84,549	183,775
Dae-Ah Building	10,136	14,202	24,338
Dae-Han Building	9,289	13,834	23,123
Total (BV)	118,651	112,585	231,236

Asset Value	1 period	2 period	3 period	4 period	5 period	6 period	7 period	8 period	9 period
Hanhwa Building	183,950	184,393	184,520	184,520	184,520	184,606	184,654	184,749	184,949
Dae-Ah Building	24,357	24,383	24,388	24,388	24,394	24,426	24,426	24,426	24,459
Dae-Han Building	23,146	23,176	23,214	23,294	23,297	23,386	23,393	23,467	23,467
Total (BV)	231,453	231,952	232,122	232,202	232,211	232,418	232,473	232,642	232,875

Appendix_CR REITS Individual Materials

Accumulated Depreciation	1 period	2 period	3 period	4 period	5 period	6 period	7 period	8 period	9 period
Hanhwa Building	1,276	2,233	3,194	4,158	5,123	6,088	7,053		8,989
Dae-Ah Building	166	291	416	541	666	791	916		1,168
Dae-Han Building	177	311	444	579	713	848	984		1,256
Total(I)	1,619	2,835	4,054	5,278	6,502	7,727	8,953	10,182	11,413

Balance Sheet	1 period	2 period	3 period	4 period	5 period	6 period	7 period	8 period	9 period
Total Asset based on B.S.(II)	247,865	236,532	235,504	231,802	232,782	233,841	233,066	229,203	229,942
Total Asset(III=II+I)	249,484	239,367	239,558	237,080	239,284	241,568	242,019	239,385	241,355
Total Debt based on B.S.(IV)	105,743	96,272	93,529	88,575	90,268	89,616	89,463	85,960	86,802
Net Asset Value (=III-IV)	143,741	143,094	146,029	148,505	149,016	151,952	152,556	153,425	154,552
# of Stock issued	26,600,000	26,600,000	26,600,000	26,600,000	26,600,000	26,600,000	26,600,000	26,600,000	26,600,000
NAV per share (KRW)	5,404	5,379	5,490	5,583	5,602	5,712	5,735	5,768	5,810
P/NAV	0.96	0.96	0.94	0.98	1.10	1.12	1.26	1.34	1.48

Profit and Loss	1 period	2 period	3 period	4 period	5 period	6 period	7 period	8 period	9 period
Operating Profit	19,944	16,555	16,629	16,557	16,526	16,372	16,377	16,468	8,750
Operating Cost	6,847	5,047	5,982	5,395	6,983	6,079	6,059	6,086	3,075
Operating Income	13,097	11,508	10,646	11,162	9,543	10,293	10,317	10,383	5,675
Other Income	472	251	119	137	727	130	155	171	66
Other Cost	4,115	3,159	2,890	2,871	2,688	2,645	2,688	2,508	1,248
PBTFCF	9,454	8,600	7,875	8,428	7,582	7,778	7,784	8,045	4,493
Tax	332	813	314	303	908	-	-	-	-
Net Profit	9,122	7,787	7,561	8,125	6,674	7,778	7,784	8,045	4,493
Price/Earning	10.57	11.96	12.96	13.04	17.18	16.49	18.61	19.81	40.39

Dividends Outlook	1 period	2 period	3 period	4 period	5 period	6 period	7 period	8 period	9 period
Net Profit	9,122	7,787	7,561	8,125	6,674	7,778	7,784	8,045	4,493
Earnings per share (won)	343	293	284	305	251	292	293	302	169
Contingency	829	708	687	739	607	-	-	-	-
Total Dividends	8,293	7,079	6,874	7,387	6,068	8,405	8,405	8,672	-
Dividends per share	312	266	258	278	228	316	316	326	-
Payout Ratio	90.91%	90.91%	90.91%	90.91%	90.91%	108.06%	107.98%	107.79%	-
Dividend returns	6.24%	5.32%	5.17%	5.55%	4.56%	6.32%	6.32%	6.52%	-

Stock Price	1 period	2 period	3 period	4 period	5 period	6 period	7 period	8 period	9 period
Maximum Price	5,263	5,225	5,258	5,560	6,295	6,583	7,368	7,922	8,887
Minimum Price	5,148	5,122	5,115	5,380	6,030	6,182	7,065	7,545	8,348
Average Price	5,206	5,173	5,187	5,470	6,163	6,383	7,217	7,733	8,618
Monthly traded amount	58,996	136,191	55,261	157,564	45,274	298,113	47,670	37,579	250,982
Daily traded amount	2,818	6,833	2,657	7,801	2,086	14,836	2,275	#DIV/0!	11,752

Portfolio

Hanhwa Building



Location: CBD (1 Janggyodong, Junggu, Seoul)
Building Size: 29 floors OG / 4 floors BG
Property type: Office
Completion Date: 1987
Major Tenants: Hanwha Group, BOA, Greece Embassy, etc.
Characteristics: CBD Class A Building
 Used as Headquarters by top 10 Korean Conglomerate
Previous Owner: Hanwha Chemical Corporation

Dae-Ah Building



Location: 165-5 Donggyodong Mapogu, Seoul
Building Size: 17 floors OG / 4 floors BG
Property type: Office
Completion Date: 1998
Major Tenants: Good People Co., Korea Life Insurance Co., Pizza Hut, etc.
Characteristics: Subway Access
Previous Owner: Dae-a E&C

Dae-Han Building



Location: YBD (25 Yeouidodong, Yeongdeungpogu, Seoul)
Building Size: 14 floors OG / 4 floors BG
Property type: Office
Completion Date: 1993
Major Tenants: Taihan Textile Co., Hanmag Futures Co., Paris Baguette, etc.
Characteristics: Subway Access, YBD prime location
Previous Owner: Taihan Textile Co.

KOCREF 2

Incorporation	2002-10-17
Listed on the Exchange	2002-11-11
Finite length of corporation	5 years

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	58.93%	6,600,000	5,000	33,000,000,000
Individual Investors	41.07%	4,600,000	5,000	23,000,000,000
Total	100.00%	11,200,000		56,000,000,000

Promoter	%	# shares	total amt(KRW)
Korea Development Bank	21.21%	1,400,000	7,000,000,000
Woori Bank	21.21%	1,400,000	7,000,000,000
Chohung Bank	12.12%	800,000	4,000,000,000
Hana Bank	6.06%	400,000	2,000,000,000
LG Insurance Co.	19.70%	1,300,000	6,500,000,000
Samsung Fire & Marine Insurance	19.70%	1,300,000	6,500,000,000
Sub-Total	100.00%	6,600,000	33,000,000,000
Public Offering	0.00%	0	0
Total	100%	6,600,000	33,000,000,000

Stockholder	1 period	2 period	3 period	4 period	5 period
Korea Development Bank	12.50%	12.50%	12.50%	12.50%	12.50%
Woori Bank	12.50%	12.50%	12.50%	12.50%	12.50%
LG Insurance Co.	11.61%	11.61%	11.61%	11.61%	11.61%
Samsung Fire & Marine Insurance	11.61%	11.61%	11.61%	11.61%	11.61%
Hyundai Marine & Fire Insurance	7.90%	7.90%	7.96%	7.96%	7.96%
Chohung Bank	7.14%	7.14%	7.14%	7.14%	7.14%
NFFC	5.53%	5.53%	5.53%	5.53%	5.53%
Hana Bank	3.57%	3.57%	3.57%	3.57%	3.57%
ETC	27.64%	27.64%	27.58%	27.58%	27.58%
	100.00%	100.00%	100.00%	100.00%	100.00%

Underlying Asset	Acquisition Price		
	Land	Building	Total
Myungdong Tower	70,795	10,549	81,344
Hanaro Building	11,737	15,438	27,175
Total (BV)	82,532	25,987	108,519

Asset Value	1 period	2 period	3 period	4 period	5 period
Myungdong Tower	81,843	82,406	83,187	83,381	Sales
Hanaro Building	27,046	27,305	Sales		
Total (BV)	108,889	109,711	83,187	83,381	

Appendix_CR REITS Individual Materials

Accumulated Depreciation	1 period	2 period	3 period	4 period	5 period
Myungdong Tower	176	322	472	628	
Hanaro Building	259	453	-		
Total(I)	436	775	472	628	

Balance Sheet	1 period	2 period	3 period	4 period	5 period
Total Asset based on B.S.(II)	113,479	112,915	92,332	88,733	72,967
Total Asset(III=II+I)	113,914	113,690	92,804	89,361	72,967
Total Debt based on B.S.(IV)	57,309	57,548	31,773	31,299	4,462
Net Asset Value (=III-IV)	56,606	56,142	61,031	58,061	68,505
# of Stock issued	11,200,000	11,200,000	11,200,000	11,200,000	11,200,000
NAV per share (KRW)	5,054	5,013	5,449	5,184	6,117
P/NAV	1.02	1.01	0.89	0.91	0.85

Profit and Loss	1 period	2 period	3 period	4 period	5 period
Operating Profit	7,364	6,276	9,020	4,310	15,738
Operating Cost	3,744	3,907	1,840	2,017	2,631
Operating Income	3,620	2,369	7,181	2,294	13,107
Other Income	390	220	152	117	146
Other Cost	2,081	1,720	1,393	886	979
PBT/CF	1,929	869	5,940	1,524	12,274
Tax	58	988	748	505	276
Net Profit	1,871	-119	5,192	1,019	11,998
Price/Earning	15.98	23.94	7.56	23.08	4.45

Dividends Outlook	1 period	2 period	3 period	4 period	5 period
Net Profit	1,871	-119	5,192	1,019	11,998
Earnings per share (won)	167	-11	464	91	1,071
Contingency	170	0	414	93	0
Total Dividends	1,701	0	4,145	926	11,998
Dividends per share	152	0	370	83	1,071
Payout Ratio	90.91%	0.00%	79.82%	90.91%	100.00%
Dividend returns	3.04%	0.00%	7.40%	1.65%	21.43%

Stock Price Outlook	1 period	2 period	3 period	4 period	5 period
Maximum Price	5,207	5,093	4,949	4,743	5,403
Minimum Price	5,122	5,032	4,743	4,711	5,022
Average Price	5,164	5,063	4,846	4,727	5,213
Monthly traded amount	55,990	92,288	85,160	122,985	230,594
Daily traded amount	2,566	4,491	4,307	5,874	11,275

Portfolio

Myungdong Tower



Location: CBD (31-1 2Ga Myungdong, Junggu, Seoul)
Building Size: 22 floors OG / 2 floors BG
Property type: Retail / Office mixed use
GFL: 299,467 sqft
Completion Date: 1971
Major Tenants: Department Store(U2 Zone), Mcdonalds, Coffee Bean & Tea Leaf, Hurest FitnessClub
Previous Owner: Shinwon Co.

Hanaro Building



Location: 70-6 Nonhyundong, Gandnamgu, Seoul
Building Size: 13 floors OG / 4 floors BG
Property type: Office
GFL: 139,948 sqft
Completion Date: 2002
Major Tenants: Dongindang Traditional Hospital, Dentist, Fitness Center, Neo Plastic Surgeon
Previous Owner: Dusan Heavy industrial Co.

KOCREF 3

Incorporation	2003-08-05
Listed on the Exchange	2003-08-29
Finite length of corporation	

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	66.18%	9,000,000	5,000	45,000,000,000
Individual Investors	33.82%	4,600,000	5,000	23,000,000,000
Total	100.00%	13,600,000		68,000,000,000

Promoter	%	# shares	total amt(KRW)
Woori Bank	14.71%	2,000,000	10,000,000,000
Korea Development Bank	10.29%	1,400,000	7,000,000,000
Chohung Bank	7.35%	1,000,000	5,000,000,000
Public Officials Benefit Associati	7.35%	1,000,000	5,000,000,000
Kumho Life Insurance	7.35%	1,000,000	5,000,000,000
Samsung Life Insurance Co.	5.59%	760,000	3,800,000,000
Samsung Fire & Marine Insurance	4.71%	640,000	3,200,000,000
First Fire & Marine Insurance Co.	4.41%	600,000	3,000,000,000
Samsung Life Public Welfare Fou	4.41%	600,000	3,000,000,000
Sub-Total	66.18%	9,000,000	45,000,000,000
Public Offering	33.82%	4,600,000	23,000,000,000
Total	100%	13,600,000	68,000,000,000

Stockholder	1 period	2 period	3 period	4 period	5 period	6 period
Woori Bank	14.71%	14.71%	14.71%	14.71%	14.71%	14.71%
Korea Development Bank		10.00%	10.29%	10.29%	10.29%	10.29%
Chohung Bank	7.14%	7.00%	7.35%	7.35%	7.35%	7.35%
Public Officials Benefit Association		7.00%	7.35%	7.35%	7.35%	7.35%
Kumho Life Insurance		7.00%	7.35%	7.35%	7.35%	7.35%
Samsung Life Insurance Co.		6.00%	5.59%	5.59%	5.59%	5.59%
Samsung Fire & Marine Insurance			4.71%	4.71%	4.71%	4.71%
First Fire & Marine Insurance Co.		4.00%	4.41%			
Samsung Life Public Welfare Foundation		4.00%	4.41%	4.41%	4.41%	4.41%
LIG Insurance Co.	11.61%					
Samsung Fire & Marine Insurance	11.61%	5.00%				
Hyundai Marine & Fire Insurance	7.90%	4.00%	4.38%	4.38%	4.38%	4.38%
National Federation of Fisheries C	5.53%					
Hana Bank	3.57%					
Kumho Investment Bank		3.00%				
KFCC		3.00%			5.83%	5.83%
ETC	37.93%	25.29%	29.45%	33.86%	28.03%	28.03%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Appendix_CR REITS Individual Materials

Underlying Asset

	Acquisition Price		
	Land	Building	Total
Hanhwa-Stock Building	61,442	78,199	139,641
Ivill-hill Town	4,729	8,413	13,142
Total (BV)	66,171	86,612	152,783

Asset Value

	1 period	2 period	3 period	4 period	5 period	6 period
Hanhwa-Stock Building	140,672	141,069	141,069	141,069	141,069	141,069
Ivill-hill Town	13,516	13,516	13,516	13,517	13,516	13,516
Total (BV)	154,188	154,585	154,585	154,586	154,585	154,585

Accumulated Depreciation

	1 period	2 period	3 period	4 period	5 period	6 period
Hanhwa-Stock Building	802	1,566	2,332	3,098	3,863	4,629
Ivill-hill Town	93	137	268	357	445	533
Total(I)	895	1,703	2,600	3,455	4,308	5,162

Balance Sheet

	1 period	2 period	3 period	4 period	4 period	6 period
Total Asset based on B.S. (II)	158,858	159,679	157,064	154,326	154,007	154,793
Total Asset(III=II+I)	159,753	161,382	159,664	157,781	158,315	159,955
Total Debt based on B.S. (IV)	88,479	89,106	85,690	82,963	82,850	83,732
Net Asset Value (=III-IV)	71,274	72,276	73,974	74,818	75,465	76,224
# of Stock issued	13,600,000	13,600,000	13,600,000	13,600,000	13,600,000	13,600,000
NAV per share (KRW)	5,241	5,314	5,439	5,501	5,549	5,605
P/NAV	0.98	0.97	0.98	0.98	0.96	0.97

Profit and Loss

	1 period	2 period	3 period	4 period	5 period	6 period
Operating Profit	8,723	8,817	8,974	8,758	8,859	9,041
Operating Cost	3,152	3,517	3,246	3,250	3,592	3,539
Operating Income	5,571	5,300	5,728	5,515	5,267	5,502
Other Income	153	126	99	48	39	70
Other Cost	2,630	2,516	2,572	2,479	2,410	2,444
PBTCF	3,094	2,910	3,255	3,084	2,897	3,128
Tax	146	140	39	-7	0	0
Net Profit	2,948	2,770	3,216	3,091	2,897	3,128
Price/Earning	12.50	13.23	12.69	13.35	13.81	13.39

Dividends Outlook

	1 period	2 period	3 period	4 period	5 period	6 period
Net Profit	2,948	2,770	3,216	3,091	2,897	3,128
Earnings per share (won)	217	204	236	227	213	230
Contingency	258	242	310	310	322	356
Total Dividends	2,576	2,415	3,102	3,102	3,223	3,563
Dividends per share	189	178	228	228	237	262
Payout Ratio	87.40%	87.18%	96.46%	100.35%	111.28%	113.92%
Dividend returns	3.79%	3.55%	4.56%	4.56%	4.74%	5.24%

Stock Price Outlook

	1 period	2 period	3 period	4 period	5 period	6 period
Maximum Price	5,170	5,198	5,437	5,482	5,397	5,553
Minimum Price	5,068	5,110	5,252	5,348	5,298	5,282
Average Price	5,119	5,154	5,344	5,415	5,348	5,418
Monthly traded amount	85,124	66,275	57,707	112,223	177,153	100,913
Daily traded amount	4,235	3,167	2,847	5,248	8,643	4,836

Portfolio

Hanhwa-Stock Building



Location:	YBD (23-5 Yeoidodong Yeongdeungpogu, Seoul)
Building Size:	27 floors OG / 7 floors BG
Property type:	Office
GFL:	641,953 sqft
Completion Date:	1995
Major Tenants:	Hanhwa Securities Co., Deloitte, retail, etc.
Previous Owner:	Hanhwa-Stock

Ivill-hill Town



Location:	152-5 Nonhyundong, Gangnamgu, Seoul
Building Size:	7 floors OG / 4 floors BG Acquired only 1F-2F
Property type:	Retail / Office mixed use
GFL:	53,944 sqft of 227,304 sqft
Completion Date:	2003
Major Tenants:	LG Chem, Ltd.
Previous Owner:	Ivill-hill Town

KOCREF 4

Incorporation	2004-04-02
Listed on the Exchange	n/a (Private REIT)
Finite length of corporation	n/a

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	91.71%	13,940,000	5,000	69,700,000,000
Private Offering	8.29%	1,260,000	5,000	6,300,000,000
Etc	0.00%	0		0
Total	100.00%	15,200,000		76,000,000,000

Promoter	%	# shares	total amt(KRW)
YTN	40.00%	6,080,000	30,400,000,000
KTCU	13.16%	2,000,000	10,000,000,000
Samsung Life Insurance Co.	9.87%	1,500,000	7,500,000,000
Korea Life Insurance Co.	6.58%	1,000,000	5,000,000,000
Kyobo Life Insurance Co.	6.58%	1,000,000	5,000,000,000
Kumho Life Insurance Co.	6.58%	1,000,000	5,000,000,000
Samsung Life Public Welfare Founc	5.00%	760,000	3,800,000,000
Woori Bank	3.95%	600,000	3,000,000,000
Sub-Total	91.71%	13,940,000	69,700,000,000
Private Offering	8.29%	1,260,000	6,300,000,000
Total	100.00%	15,200,000	76,000,000,000

Stockholder	1 period	2 period	3 period	4 period
YTN	40.00%	40.00%	40.00%	
KTCU	13.16%	13.16%	13.16%	
Samsung Life Insurance Co.	9.87%	9.87%	9.87%	
Korea Life Insurance Co.	6.58%	6.58%	6.58%	
Kyobo Life Insurance Co.	6.58%	6.58%	6.58%	
Kumho Life Insurance Co.	6.58%	6.58%	6.58%	
Seoul National University Foundation				6.58%
Samsung Life Public Welfare Founc	5.00%	5.00%	5.00%	
Woori Bank	3.95%	3.95%	3.95%	
ETC	8.29%	8.29%	1.71%	
Total	100.00%	100.00%	100.00%	

Underlying Asset	Acquisition Price		
	Land	Building	Total
YTN tower	45,723	68,571	114,294
Hansol M.com Building	31,615	32,877	64,492
Total (BV)			

Asset Value	1 period	2 period	3 period	4 period
YTN tower	114,996	114,996	114,996	
Hansol M.com Building	64,538	64,601	64,631	
Total (BV)	179,534	179,597	179,627	

Accumulated Depreciation	1 period	2 period	3 period	4 period
YTN tower	865	1,442	2,019	
Hansol M.com Building	463	774	1,086	
Total(I)	1,328	2,216	3,105	

Balance Sheet

	1 period	2 period	3 period	4 period
Total Asset based on B.S.(II)	185,821	186,666	186,091	
Total Asset(III=II+I)	187,149	188,882	189,196	
Total Debt based on B.S.(IV)	105,495	105,701	106,135	
Net Asset Value (=III-IV)	81,654	83,181	83,062	
# of Stock issued	15,200,000	15,200,000	15,200,000	
NAV per share (KRW)	5,372	5,472	5,465	

Profit and Loss

	1 period	2 period	3 period	4 period
Operating Profit	12,479	9,690	10,273	
Operating Cost	5,469	3,421	4,441	
Operating Income	7,010	6,269	5,832	
Other Income	141	117	112	
Other Cost	2,674	1,818	1,936	
PBTCF	4,478	4,568	4,008	
Tax	152	-4	0	
Net Profit	4,326	4,572	4,008	

Dividends Outlook

	1 period	2 period	3 period	4 period
Net Profit	4,326	4,572	4,008	
Earnings per share (won)	285	301	264	
Contingency				
Total Dividends	3,933	5,016	4,452	
Dividends per share	259	330	293	
Payout Ratio	90.91%	109.71%	111.09%	
Dividend returns	5.17%	6.60%	5.86%	

Portfolio

YTN tower



Location: CBD (6-1 5Ga Namdaemunro, Junggu, Seoul)
Building Size: 27 floors OG / 7 floors BG
Property type: Office
GFL: 455,533 sqft
Completion Date: 2003
Major Tenants: YTN, Korea Housing Finance Corporation, etc.
Previous Owner: Daewoo E&C

Hansol M.com Building



Location: GBD (1321-11 Seochodong, Seochogu, Seoul)
Building Size: 20 floors OG / 7 floors BG
Property type: Office
GFL: 279,956 sqft of 400,224 sqft
Completion Date: 1997
Major Tenants: KTF, Kyungdong Navien, Telecom Infrastructure
Previous Owner: Hansol development

KOCREF 5

Incorporation	2004-12-13
Listed on the Exchange	n/a (Private REIT)
Finite length of corporation	n/a

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	100.00%	10,000,000	5,000	50,000,000,000
Private Offering	0.00%	0	5,000	0
Etc	0.00%	0	5,000	0
Total	100.00%	10,000,000		50,000,000,000

Promoter	%	# shares	total amt(KRW)
National Pension Corporation	40.00%	4,000,000	20,000,000,000
Kyobo Life Insurance Co.	30.00%	3,000,000	15,000,000,000
Samsung Life Insurance Co.	15.00%	1,500,000	7,500,000,000
Korea Life Insurance Co.	15.00%	1,500,000	7,500,000,000
Sub-Total	100.00%	10,000,000	50,000,000,000
Private Offering	0.00%	0	0
Total	100%	10,000,000	50,000,000,000

Stockholder	1 period	2 period	3 period
National Pension Corporation	40.00%	40.00%	40.00%
Kyobo Life Insurance Co.	30.00%	30.00%	30.00%
Samsung Life Insurance Co.	15.00%	15.00%	15.00%
Korea Life Insurance Co.	15.00%	15.00%	15.00%
ETC	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%

Underlying Asset	Acquisition Price		
	Land	Building	Total
Dacom Building	58,120	47,501	105,621
Total (BV)	58,120	47,501	105,621

Asset Value	1 period	2 period	3 period
Dacom Building	106,381	106,381	106,381
Total (BV)	106,381	106,381	106,381

Accumulated Depreciation	1 period	2 period	3 period
Dacom Building	507	946	1,384
Total(l)	507	946	1,384

Balance Sheet

	1 period	2 period	3 period
Total Asset based on B.S.(II)	108,845	108,492	108,778
Total Asset(III=II+I)	109,352	109,438	110,163
Total Debt based on B.S.(IV)	57,276	56,646	57,077
Net Asset Value (=III-IV)	52,077	52,792	53,085
# of Stock issued	10,000,000	10,000,000	10,000,000
NAV per share (KRW)	5,208	5,279	5,309

Profit and Loss

	1 period	2 period	3 period
Operating Profit	5,852	5,441	5,855
Operating Cost	1,992	1,737	2,039
Operating Income	3,860	3,704	3,817
Other Income	42	43	68
Other Cost	1,775	1,648	1,711
PBTCF	2,127	2,099	2,174
Tax	0	0	0
Net Profit	2,127	2,099	2,174

Dividends Outlook

	1 period	2 period	3 period
Net Profit	2,127	2,099	2,174
Earnings per share (won)	213	210	217
Contingency			
Total Dividends	2,381	2,319	2,393
Dividends per share	238	232	239
Payout Ratio	111.92%	110.45%	110.09%
Dividend returns	4.76%	4.64%	4.79%

Portfolio

Dacom Building



Location:	GBD (706-1 Yeoksamdong, Gangnamgu, Seoul)
Building Size:	20 floors OG / 7 floors BG
Property type:	Office
GFL:	370,931 sqft
Completion Date:	1999
Major Tenants:	Daecom, TheFaceShop Korea
Previous Owner:	Shinwon Co.

KOCREF 6

Incorporation	2005-07-26
Listed on the Exchange	n/a (Private REIT)
Finite length of corporation	7 years

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	50.38%	13,200,000	5,000	66,000,000,000
Private Offering	39.69%	10,400,000	5,000	52,000,000,000
Etc	9.92%	2,600,000	5,000	13,000,000,000
Total	100.00%	26,200,000		131,000,000,000

Promoter	%	# shares	total amt(KRW)
Woori Bank	14.50%	3,800,000	19,000,000,000
Public Officials Benefit Association	13.74%	3,600,000	18,000,000,000
Samsung Life Insurance Co.	7.63%	2,000,000	10,000,000,000
Hyundai Marine & Fire Insurance	7.63%	2,000,000	10,000,000,000
Shinhan Life Insurance Co.	3.05%	800,000	4,000,000,000
Seoul National University Foundati	2.29%	600,000	3,000,000,000
Hanhwa Non-Life Insurance Co.	1.53%	400,000	2,000,000,000
ELand Development	9.92%	2,600,000	13,000,000,000
Sub-Total	60.31%	15,800,000	79,000,000,000
Private Offering	39.69%	10,400,000	52,000,000,000
Total	100.00%	26,200,000	131,000,000,000

Stockholder	1 period	2 period
Woori Bank	14.50%	14.50%
Public Officials Benefit Association	13.74%	13.74%
Samsung Life Insurance Co.	7.63%	7.63%
Hyundai Marine & Fire Insurance	7.63%	7.63%
Shinhan Life Insurance Co.	3.05%	3.05%
ELand Development		9.92%
ETC	53.45%	43.53%
Total	100.00%	100.00%

Underlying Asset	Acquisition Price		Total
	Land	Building	
Newcore Yatab branch	45,775	33,132	78,907
Newcore Ilsan branch	35,094	35,787	70,881
Newcore Pyungchon branch	38,456	40,007	78,463
Newcore Incheon branch	30,555	31,158	61,713
Total (BV)	149,880	140,084	289,964

Asset Value	1 period	2 period
Newcore Yatab branch	78,907	78,907
Newcore Ilsan branch	70,881	70,881
Newcore Pyungchon branch	78,463	78,463
Newcore Incheon branch	61,713	61,713
Total (BV)	289,964	289,964

Accumulated Depreciation	1 period	2 period
Newcore Yatab branch	360	720
Newcore Ilsan branch	381	761
Newcore Pyungchon branch	408	817
Newcore Incheon branch	339	677
Total(I)	1,488	2,975

Balance Sheet	1 period	2 period
Total Asset based on B.S.(II)	328,093	328,482
Total Asset(III=II+I)	329,581	331,457
Total Debt based on B.S.(IV)	192,478	193,132
Net Asset Value (=III-IV)	137,103	138,325
# of Stock issued	26,200,000	26,200,000
NAV per share (KRW)	5,233	5,280

Profit and Loss	1 period	2 period
Operating Profit	10,899	12,750
Operating Cost	2,472	2,661
Operating Income	8,427	10,089
Other Income	592	827
Other Cost	4,405	5,078
PBTCF	4,615	5,838
Tax	0	0
Net Profit	4,615	5,838

Dividends Outlook	1 period	2 period
Net Profit	4,615	5,838
Earnings per share (won)	176	223
Contingency		
Total Dividends	6,103	7,326
Dividends per share	233	280
Payout Ratio	132.24%	125.48%
Dividend returns	4.66%	5.59%

Portfolio

Newcore Yatab branch



Location: 356 Yatapdong, Bundanggu, Seongnam-si, Gyeonggi-do
Building Size: 8 floors OG / 7 floors BG
Property type: Bigbox Retail
GFL: 827,447 sqft
Completion Date: 1995
Major Tenants: Newcore Outlet
Previous Owner: Newcore
Purchase Priority: Newcore

Newcore Ilsan branch



Location: 797 Madudong, Ilsan-gu, Gyeonggi-do
Building Size: 7 floors OG / 10 floors BG
Property type: Bigbox Retail
GFL: 642,131 sqft
Completion Date: 1996
Major Tenants: Newcore Outlet
Previous Owner: Newcore
Purchase Priority: Newcore

Newcore Pyungchon branch



Location: 1039-3 Hogaedong, Dongang-gu, Anyang-si, Gyeonggi-do
Building Size: 12 floors OG / 7 floors BG
Property type: Bigbox Retail
GFL: 750,944 sqft
Completion Date: 1998
Major Tenants: Newcore Outlet
Previous Owner: Newcore
Purchase Priority: Newcore

Newcore Incheon branch



Location: 1465-1 Guweoldong, Namdong-gu, Incheon
Building Size: 12 floors OG / 7 floors BG
Property type: Bigbox Retail
GFL: 611,707 sqft
Completion Date: 1995
Major Tenants: Newcore Outlet
Previous Owner: Newcore
Purchase Priority: Newcore

KOCREF 7

Incorporation	2005-10-26
Listed on the Exchange	2005-11-11
Finite length of corporation	5 years

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	54.17%	6,500,000	5,000	32,500,000,000
Individual Investors	36.67%	4,400,000	5,000	22,000,000,000
Etc	9.17%	1,100,000	5,000	5,500,000,000
Total	100.00%	12,000,000		60,000,000,000

Promoter	%	# shares	total amt(KRW)
Woori Bank	13.33%	1,600,000	8,000,000,000
Public Officials Benefit Association	11.67%	1,400,000	7,000,000,000
Samsung Life Insurance Co.	8.33%	1,000,000	5,000,000,000
Korea Life Insurance Co.	6.67%	800,000	4,000,000,000
LIG Insurance Co.	6.67%	800,000	4,000,000,000
Samsung Fire & Marine Insurance	4.83%	580,000	2,900,000,000
Koramco	2.67%	320,000	1,600,000,000
Sub-Total	54.17%	6,500,000	32,500,000,000
ETC	9.17%	1,100,000	5,500,000,000
Public Offering	36.67%	4,400,000	22,000,000,000
Total	100.00%	12,000,000	60,000,000,000

Stockholder	1 period	2 period
Woori Bank	13.33%	13.33%
Public Officials Benefit Association	11.67%	11.67%
Samsung Life Insurance Co.	8.33%	8.33%
Korea Life Insurance Co.	6.67%	6.67%
LIG Insurance Co.	6.67%	6.67%
Samsung Fire & Marine Insurance	4.83%	4.83%
Da Haam e-Tec	8.33%	8.33%
ETC	40.17%	40.17%
Total	100.00%	100.00%

Underlying Asset	Acquisition Price		Total
	Land	Building	
LG Hwajae Dadong building	57,393	28,765	86,158
Kolon Building	15,808	32,938	48,746
Total (BV)	73,201	61,703	134,904

Asset Value	1 period	2 period
LG Hwajaedadong building	86,159	86,159
Kolon Building	48,747	48,747
Total (BV)	134,906	134,906

Accumulated Depreciation	1 period	2 period
LG Hwajaedadong building	7	339
Kolon Building	239	776
Total(I)	246	1,115

Balance Sheet	1 period	2 period
Total Asset based on B.S.(II)	128,993	126,883
Total Asset(III=II+I)	129,239	127,998
Total Debt based on B.S.(IV)	65,673	65,161
Net Asset Value (=III-IV)	63,566	62,838
# of Stock issued	12,000,000	12,000,000
NAV per share (KRW)	5,297	5,236
P/NAV	0.98	1.02

Profit and Loss	1 period	2 period
Operating Profit	8,307	7,366
Operating Cost	3,216	2,679
Operating Income	5,092	4,687
Other Income	162	80
Other Cost	1,476	1,748
PBTCF	3,778	3,018
Tax	169	177
Net Profit	3,608	2,842
Price/Earning	12.28	13.63

Dividends Outlook	1 period	2 period
Net Profit	3,608	2,842
Earnings per share (won)	301	237
Contingency	0	0
Total Dividends	4,269	3,112
Dividends per share	356	259
Payout Ratio	118.32%	109.51%
Dividend returns	7.12%	5.19%

Stock Price Outlook	1 period	2 period
Maximum Price	5,270	5,438
Minimum Price	5,148	5,210
Average Price	5,209	5,324
Monthly traded amount	84,613	39,232
Daily traded amount	4,890	1,941

Portfolio

LG Hwajae Dadong building



Location: CBD (85 Dadong, Junggu, Seoul)
Building Size: 17 floors OG / 5 floors BG
Property type: Office
GFL: 267,513 sqft
Completion Date: 1986
Major Tenants: LIG Insurance, Co.
Previous Owner: LIG Insurance, Co., Hesung Electronics Co., Hana Bank

Kolon Building



Location: 1-22 Byulyangdong, Gwacheon
Building Size: 10 floors OG / 5 floors BG
Property type: Office
GFL: 289,112 sqft
Completion Date: 2001
Major Tenants: Kolon
Previous Owner: Kolon Industries Inc., Kolon E&C, Kolon Chemical Co.

KOCREF 8

Incorporation	2006-05-18
Listed on the Exchange	2006-06-14
Finite length of corporation	7 years

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	39.86%	3,667,000	5,000	18,335,000,000
Individual Investors	46.73%	4,299,600	5,000	21,498,000,000
Etc	13.41%	1,233,400	5,000	6,167,000,000
Total	100.00%	9,200,000		46,000,000,000

Promoter	%	# shares	total amt(KRW)
Woori Bank	6.52%	600,000	3,000,000,000
Samsung Life Insurance Co.	6.67%	613,400	3,067,000,000
Kyobo Life Insurance Co.	6.67%	613,400	3,067,000,000
Korea Life Insurance Co.	6.67%	613,400	3,067,000,000
LIG Insurance Co.	6.67%	613,400	3,067,000,000
Shinhan Life Insurance Co.	6.67%	613,400	3,067,000,000
Sub-Total	39.86%	3,667,000	18,335,000,000
ETC	13.41%	1,233,400	6,167,000,000
Public Offering	46.73%	4,299,600	21,498,000,000
Total	100.00%	9,200,000	46,000,000,000

Stockholder	1 period
Da Haam e-Tec	6.74%
Samsung Life Insurance Co.	6.67%
Kyobo Life Insurance Co.	6.67%
Korea Life Insurance Co.	6.67%
LIG Insurance Co.	6.67%
Shinhan Life Insurance Co.	6.67%
ING Life Insurance Co.	6.67%
Kumho Life Insurance Co.	6.52%
Woori Bank	6.52%
Woori Investment & Securitization Co.	3.45%
ETC	36.76%
Total	100.00%

Underlying Asset	Acquisition Price		
	Land	Building	Total
Geoyang Building	48,668	11,791	60,459
SeoHyun Sinyoung Tower	24,320	36,520	60,840
Total (BV)	72,988	48,311	121,299

Asset Value	1 period
Geoyang Building	60,708
SeoHyun Sinyoung Tower	60,840
Total (BV)	121,548

Accumulated Depreciation	1 period
LG Hwajaedadong building	291
Kowlong Building	529
Total(I)	820

Balance Sheet	1 period
Total Asset based on B.S.(II)	123,888
Total Asset(III=II+I)	124,708
Total Debt based on B.S.(IV)	77,373
Net Asset Value (=III-IV)	47,334
# of Stock issued	9,200,000
NAV per share (KRW)	5,145
P/NAV	0.98

Profit and Loss	1 period
Operating Profit	5,858
Operating Cost	2,524
Operating Income	3,334
Other Income	79
Other Cost	2,442
PBT/CF	970
Tax	0
Net Profit	970
Price/Earning	13.85

Dividends Outlook	1 period
Net Profit	970
Earnings per share (won)	105
Contingency	0
Total Dividends	1,700
Dividends per share	185
Payout Ratio	175.14%
Dividend returns	3.69%

Stock Price	1 period
Maximum Price	5,083
Minimum Price	4,952
Average Price	5,018
Monthly traded amount	124,974
Daily traded amount	7,406

Portfolio

Geoyang Building



Location: CBD
(51-8,9 Susongdong, Jongrogu, Seoul)

Building Size: 12 floors OG / 2 floors BG

Property type: Retail / Office mixed use

GFL: 176,954 sqft

Completion Date: 1978

Major Tenants: Hana Bank,

Previous Owner: Copper Properties LLC

SeoHyun Sinyoung Tower



Location: 265-3,4 Seohyngdong, Bundanggu,
Seongnamsi, Gyeonggido

Building Size: 12 floors OG / 6 floors BG

Property type: Retail / Office mixed use

GFL: 256,411 sqft

Completion Date: 1997

Major Tenants: n/a

Previous Owner: ShinyoungMS LLC

KOCREF NPS 1

Incorporation	2006-09-20
Listed on the Exchange	n/a (Private REIT)
Finite length of corporation	Infinite

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	100.00%	0	5,000	0
Individual Investors	0.00%	0	5,000	0
Total	100.00%	0		0

Promoter	%	# shares	total amt(KRW)
National Pension Service	100.00%		
Total	100.00%		

Stockholder	1 period	2 period
National Pension Service		
Total		

Underlying Asset	Acquisition Price		
	Land	Building	Total
Sigma Tower			
Total (BV)			

Portfolio

Sigma Tower



Location:	7-19 Shinchundong, Songpagu, Seoul
Building Size:	30 floors OG / 7 floors BG Acquired 1-2F, 4-11F
Property type:	Retail / Office / Residential mixed use
GFL:	299,360 sqft of 738,774 sqft
Completion Date:	1996
Major Tenants:	Halla Corporation, Kyobo Life Insurance Co., etc.
Previous Owner:	n/a

KOCREF NPS 2

Incorporation 2006-12-22
 Listed on the Exchange 11 years
 Finite length of corporation **Infinite**

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	86.70%	15,779,400	5,000	78,897,000,000
Individual Investors	13.30%	2,420,600	5,000	12,103,000,000
Total	100.00%	18,200,000		91,000,000,000

Promoter / Stock Holder	%	# shares	total amt(KRW)
National Pension Service	86.70%		
Private Offering	13.30%		
Total	#####		

Portfolio

Major Tenants
 : Eland Retail

Gross Rental Area	
1	447,546
2	606,573
3	516,384
4	486,288
5	376,200
6	381,876
7	489,456
8	519,981
9	492,789
10	409,365

Property Type
 : Retail Shopping Mall

Previous Owner
 : Eland Retail



KOCREF 11

Incorporation 2007-04-24
 Listed on the Exchange
 Finite length of corporation

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	-		5,000	0
Individual Investors	-		5,000	0
Total	-	0		0

Promoter	%	# shares	total amt(KRW)
Woori Bank			
Korea Life Insurance Co.			
Total	0%		

Stockholder	1 period	2 period
Woori Bank		
Korea Life Insurance Co.		
Total		

Underlying Asset	Acquisition Price		
	Land	Building	Total
STX namsan tower			
Total (BV)			-

Asset Value	1 period	2 period
STX namsan tower		
Total (BV)		

Accumulated Depreciation	1 period	2 period
STX namsan tower		
Total(I)		

Portfolio

STX namsan tower



Location: CBD (631 Namdaemunro 5Ga, Junggu, Seoul)
Building Size: 23 floors OG / 6 floors BG
Property type: Retail / Office mixed use
GFL: 724,363 sqft
Completion Date: 2007
Major Tenants: n/a
Previous Owner: Daewoo E&C

Macquarie Central Office

Incorporation	2003-12-12
Listed on the Exchange	2004-01-08
Finite length of corporation	5 years

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	50.94%	7,774,010	5,000	38,870,050,000
Individual Investors	46.07%	7,030,300	5,000	35,151,500,000
Etc	2.99%	456,290	5,000	2,281,450,000
Total	100.00%	15,260,600		76,303,000,000

Promoter	%	# shares	total amt(KRW)
Macquarie Bank	17.97%	2,742,098	13,710,490,000
Schroders Property Fund Avonla I H	11.11%	1,695,622	8,478,110,000
Samsung Life Insurance Co.	9.96%	1,520,000	7,600,000,000
Samsung Fire & Marine Insurance	4.98%	760,000	3,800,000,000
LIG Insurance Co.	3.93%	600,000	3,000,000,000
Macquarie International Asset Mgm	2.99%	456,290	2,281,450,000
Sub-Total	50.94%	7,774,010	38,870,050,000
Public Offering	46.07%	7,030,300	35,151,500,000
Etc	2.99%	456,290	2,281,450,000
Total	100.00%	15,260,600	76,303,000,000

Stockholder	1 period	2 period	3 period	4 period	5 period	6 period
Macquarie Bank	17.97%	17.97%	7.97%	7.97%	7.97%	7.97%
Schroders Property Fund Avonla I H	11.11%	11.11%	11.11%	11.11%	11.11%	11.11%
Samsung Life Insurance Co.	9.96%	9.96%	9.96%	9.96%	9.96%	9.96%
American Int'l Assurance	6.55%	6.55%	6.55%	6.55%	6.55%	6.55%
Shinhan Life Insurance Co.	6.42%	6.42%	6.42%	6.42%	6.42%	6.42%
Samsung Fire & Marine Insurance	4.98%	4.98%	4.98%	4.98%	4.98%	4.98%
LIG Insurance Co.	3.93%	3.93%	3.93%	3.93%	3.93%	3.93%
Macquarie International Asset Mgm	2.99%	2.99%				
ETC	36.09%	36.09%	49.08%	49.08%	49.08%	49.08%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Underlying Asset

	Acquisition Price		
	Land	Building	Total
Kukdong Building	102,398	57,641	160,039
Total (BV)	102,398	57,641	160,039

Asset Value

	1 period	2 period	3 period	4 period	5 period	6 period
Kukdong Building	161,270	162,515	163,654	164,601	164,740	164,794
Total (BV)	161,270	162,515	163,654	164,601	164,740	164,794

Accumulated Depreciation

	1 period	2 period	3 period	4 period	5 period	6 period
Kukdong Building	675	1,270	1,884	2,511	3,140	3,769
Total(I)	675	1,270	1,884	2,511	3,140	3,769

Balance Sheet

	1 period	2 period	3 period	4 period	5 period	6 period
Total Asset based on B.S. (II)	167,875	168,341	170,258	170,908	170,788	171,700
Total Asset(III=II+I)	168,550	169,611	172,142	173,419	173,928	175,469
Total Debt based on B.S. (IV)	88,479	88,207	89,312	89,790	89,749	90,303
Net Asset Value (=III-IV)	80,071	81,404	82,830	83,628	84,179	85,166
# of Stock issued	15,260,600	15,260,600	15,260,600	15,260,600	15,260,600	15,260,600
NAV per share (KRW)	5,247	5,334	5,428	5,480	5,516	5,581
P/NAV	1.01	1.02	1.11	1.19	1.16	1.23

Profit and Loss

	1 period	2 period	3 period	4 period	5 period	6 period
Operating Profit	10,092	10,395	10,384	11,039	11,318	11,059
Operating Cost	3,661	3,810	3,503	3,780	4,247	3,622
Operating Income	6,430	6,585	6,881	7,260	7,071	7,438
Other Income	205	150	198	172	240	452
Other Cost	2,363	2,287	2,585	2,617	2,575	2,617
PBTCF	4,273	4,448	4,494	4,814	4,736	5,273
Tax	231	207	-	-	-	-
Net Profit	4,042	4,241	4,494	4,814	4,736	5,273
Price/Earning	12.58	12.64	13.33	13.74	13.78	14.11

Dividends Outlook	1 period	2 period	3 period	4 period	5 period	6 period
Net Profit	4,042	4,241	4,494	4,814	4,736	5,273
Earnings per share (won)	264.90	277.88	294.50	315.47	310.35	345.50
Contingency						
Total Dividends	3,502	3,683	4,643	4,814	4,914	5,015
Dividends per share	229.50	241.31	304.26	315.47	322.02	328.60
Payout Ratio	86.64%	86.84%	103.31%	100.00%	103.76%	95.11%
Dividend returns	4.59%	4.83%	6.09%	6.31%	6.44%	6.57%

Stock Price Outlook	1 period	2 period	3 period	4 period	5 period	6 period
Maximum Price	5,365	5,543	6,163	6,655	6,495	6,978
Minimum Price	5,235	5,365	5,862	6,418	6,278	6,773
Average Price	5,300	5,454	6,013	6,537	6,387	6,876
Monthly traded amount	116,856	57,504	580,631	40,082	68,992	75,415
Daily traded amount	6,386	2,661	31,231	1,901	3,405	3,648

Portfolio

Kukdong Building



Location:	CBD (60-1 3Ga Chungmuro, Junggu, Seoul)
Building Size:	23 floors OG / 3 floors BG
Property type:	Office
GFL:	810,011 sqft
Completion Date:	1978
Major Tenants:	n/a
Previous Owner:	Kukdong E&C

Realty Korea

Incorporation	2003-04-17
Listed on the Exchange	2003-05-13
Finite length of corporation	5 years

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	59.09%	7,800,000	5,000	39,000,000,000
Individual Investors	40.91%	5,400,000	5,000	27,000,000,000
Total	100.00%	13,200,000		66,000,000,000

Promoter

	%	# shares	total amt(KRW)
Kyobo Life Insurance Co.	22.73%	3,000,000	15,000,000,000
Transcontinental Realty Investors	9.24%	1,220,000	6,100,000,000
LIG Insurance Co.	9.09%	1,200,000	6,000,000,000
Meritz Insurance Co.	7.58%	1,000,000	5,000,000,000
Shinhan Bank	7.58%	1,000,000	5,000,000,000
Realty Advisors Korea, LTD	2.88%	380,000	1,900,000,000
Sub-Total	59.09%	7,800,000	39,000,000,000
Public Offering	40.91%	5,400,000	27,000,000,000
Total	100.00%	13,200,000	66,000,000,000

Stockholder

	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Kyobo Life Insurance Co.	22.73%	22.73%	22.73%	22.73%	22.73%	22.73%	22.73%
TRI	9.24%	9.24%	9.24%	9.24%	9.24%	9.24%	9.24%
LIG Insurance Co.	9.09%	9.09%	9.09%	9.09%	9.09%	9.09%	9.09%
Meritz Insurance Co.	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%
Shinhan Bank	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%
RAK	2.88%	2.88%	2.88%	2.88%	2.88%	2.88%	2.88%
Kumho Life Insurance Co.	11.51%	11.51%	11.51%	11.51%	11.51%	11.51%	11.51%
Korea Exchange Bank	4.55%	4.55%	4.55%	4.55%	4.55%	4.55%	4.55%
Hyundai Marine & Fire Insurance	3.03%	3.03%	3.03%	3.03%	3.03%	3.03%	3.03%
ETC	21.81%	21.81%	21.81%	21.81%	21.81%	21.81%	21.81%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Underlying Asset

	Acquisition Price		
	Land	Building	Total
Rosedale Building	31,639	47,458	79,097
TurboTec Building	7,350	7,351	14,701
Say Department Store	18,557	27,835	46,392
Total (BV)	57,546	82,644	140,190

Asset Value

	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Rosedale Building	79,340	79,341	79,346	79,829	79,828	77,751	77,317
TurboTec Building	14,701	14,733	14,732	14,732	14,772	14,434	14,367
Say Department Store	46,392	46,392	46,392	46,392	46,392	45,124	44,873
Total (BV)	140,433	140,466	140,470	140,953	140,992	137,309	136,557

Appendix_CR REITS Individual Materials

Accumulated Depreciation	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Rosedale Building	436	868	1,305	1,737	2,179	2,615	3,051
TurboTec Building	68	135	202	289	336	403	470
Say Department Store	255	507	762	1,012	1,268	1,521	1,774
Total(I)	759	1,510	2,269	3,038	3,783	4,539	5,295

Balance Sheet	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Total Asset based on B.S.(II)	145,098	143,684	143,991	144,196	144,471	143,683	143,459
Total Asset(III=II+I)	145,857	145,194	146,260	147,234	148,254	148,222	148,754
Total Debt based on B.S.(IV)	76,822	74,747	75,414	74,978	74,448	73,581	73,287
Net Asset Value (=III-IV)	69,035	70,447	70,846	72,257	73,806	74,641	75,467
# of Stock issued	13,200,000	13,200,000	13,200,000	13,200,000	13,200,000	13,200,000	13,200,000
NAV per share (KRW)	5,230	5,337	5,367	5,474	5,591	5,655	5,717
P/NAV	0.96	0.94	0.97	1.05	1.14	1.12	1.15

Profit and Loss	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Operating Profit	7,989	7,873	8,117	8,369	8,648	8,557	8,410
Operating Cost	3,415	3,113	3,318	3,668	3,694	3,638	3,645
Operating Income	4,574	4,760	4,800	4,701	4,954	4,919	4,764
Other Income	45	72	69	68	85	86	229
Other Cost	1,604	1,495	1,531	1,539	1,569	1,560	1,602
PBTCF	3,015	3,337	3,337	3,229	3,469	3,446	3,391
Tax	138	151	151	34	54	-	12
Net Profit	2,877	3,186	3,186	3,195	3,416	3,446	3,380
Price/Earning	14.43	13.87	14.32	16.20	17.01	17.02	18.25

Dividends Outlook	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Net Profit	2,877	3,186	3,186	3,195	3,416	3,446	3,380
Earnings per share (won)	217.98	241.34	241.34	242.05	258.77	261.08	256.03
Contingency							
Total Dividends	2,525	2,805	2,805	3,095	3,316	3,317	3,380
Dividends per share	191.26	212.50	212.50	234.46	251.18	251.29	256.03
Payout Ratio	87.74%	88.05%	88.05%	96.86%	97.07%	96.25%	100.00%
Dividend returns	3.83%	4.25%	4.25%	4.69%	5.02%	5.03%	5.12%

Stock Price	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Maximum Price	5,032	5,055	5,270	5,878	6,525	6,350	6,742
Minimum Price	4,970	4,952	5,141	5,662	6,245	6,336	6,430
Average Price	5,001	5,003	5,205	5,770	6,385	6,343	6,586
Monthly traded amount	131,370	90,762	68,337	25,588	23,590	48,233	45,852
Daily traded amount	7,117	4,504	3,175	1,238	1,134	2,282	2,249

Portfolio

Rosedale Building



Location: 724 Suseodong, Kangnam, Seoul
Building Size: 20 floors OG / 6 floors BG
 Acquired 1-10F
Property type: Retail / Office mixed use
GFL: 596,982 sqft of 1,049,751 sqft
Completion Date: 2000
Major Tenants: Kookmin Bank, Samsung Securities FN Center, Pulmuone, Sinsege E-Mart, Coffee Bean & Tea Leaf, etc.
Previous Owner: Valuetec Corporate



TurboTec Building



Location: 16-6 Sunedong, Bundanggu, Seongnamsi, Gyeonggi-do
Building Size: 10 floors OG / 5 floors BG
Property type: Office
GFL: 104,731 sqft
Completion Date: 1997
Major Tenants: Turbotek, Kyobo Life Insurance Co., etc.
Previous Owner: MBUYN Corporate



Say Department Store



Location: 1-16 Munhwadong, Junggu, Daejeon
Building Size: 8 floors OG / 6 floors BG(main bldg)
Property type: Office
GFL: 1,077,995 sqft
Completion Date: 1996(main bldg), 2001(annex)
Major Tenants: Say Department Store, CGV Theaters, Woori Bank, etc.
Previous Owner: SAYDIYES Corporate



Urez Meritz

Incorporation	2003-07-29
Listed on the Exchange	2003-08-29
Finite length of corporation	5 years

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	46.00%	4,600,000	5,000	23,000,000,000
Individual Investors	44.40%	4,440,000	5,000	22,200,000,000
Etc	9.60%	960,000	5,000	4,800,000,000
Total	100.00%	10,000,000		50,000,000,000

Promoter	%	# shares	total amt(KRW)
Korea Life Insurance Co.	15.00%	1,500,000	7,500,000,000
Kumho Life Insurance Co.	10.00%	1,000,000	5,000,000,000
Meritz Insurance Co.	10.00%	1,000,000	5,000,000,000
Dongsung Chemical Co.	4.00%	400,000	2,000,000,000
Sung Jaeyoung	4.00%	400,000	2,000,000,000
JW Asset	1.80%	180,000	900,000,000
Urez	0.60%	60,000	300,000,000
Meritz Securities Co.	0.60%	60,000	300,000,000
Sub-Total	46.00%	4,600,000	23,000,000,000
Public Offering	44.40%	4,440,000	22,200,000,000
ETC	9.60%	960,000	4,800,000,000
Total	100.00%	10,000,000	50,000,000,000

Stockholder	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Korea Life Insurance Co.	15.00%	15.00%	15.00%	15.00%	15.00%		
Kumho Life Insurance Co.	10.00%	10.00%	10.00%	10.00%	10.00%		
Meritz Insurance Co.	10.00%	10.00%	10.00%	10.00%	10.00%		
Hyundai Marine & Fire Insurance	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	
Seoul Guarantee Insurance Co.	5.89%	5.89%	5.89%	5.89%	5.89%	5.89%	
Korea Exchange Bank	5.89%	5.89%	5.89%	5.89%	5.89%	5.89%	
Dongsung Chemical Co.	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	
Sung Jaeyoung	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	
Mire Asset						27.16%	
Meritz Insurance Co.						10.00%	
ETC	39.32%	39.32%	39.32%	39.32%	39.32%	47.16%	
Total	100.00%	100.00%	100.00%	100.00%	100.00%	110.00%	

Underlying Asset	Acquisition Price		
	Land	Building	Total
Save Zone Seongnam	25,195	22,987	48,182
Save Zone Nowon	-	14,302	14,302
Save Zone Daejeon	-	30,169	30,169
Hanshin Sports Center	2,114	2,902	5,016
Jangyoo Aqua Wave	6,031	10,559	16,590
Total (BV)	33,340	80,919	114,259

Appendix_CR REITS Individual Materials

Asset Value	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Save Zone Seongnam	48,181	48,181	48,181	48,182	48,181	48,182	
Save Zone Nowon	14,302	14,302	14,302	14,302	14,302	14,302	
Save Zone Daejeon	30,169	30,169	30,169	30,169	30,169	30,169	
Hanshin Sports Center	5,035	5,035	5,035	5,035	5,035	5,035	
Jangyoo Aqua Wave	16,591	16,591	16,591	16,590	16,591	16,591	
Total (BV)	114,278	114,278	114,278	114,278	114,278	114,279	0

Accumulated Depreciation	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Save Zone Seongnam	306	536	766	996	1,226	1,456	
Save Zone Nowon	191	334	477	620	763	906	
Save Zone Daejeon	402	704	1,006	1,307	1,609	1,910	
Hanshin Sports Center	39	68	97	127	156	185	
Jangyoo Aqua Wave	141	246	352	458	563	669	
Total(I)	1,079	1,888	2,698	3,508	4,317	5,126	0

Balance Sheet	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Total Asset based on B.S.(II)	118,455	118,294	118,986	119,098	119,765	119,244	
Total Asset(III=II+I)	119,534	120,182	121,684	122,606	124,082	124,370	
Total Debt based on B.S.(IV)	66,305	66,319	66,284	66,475	66,598	66,657	
Net Asset Value (=III-IV)	53,229	53,863	55,400	56,131	57,484	57,713	
# of Stock issued	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	
NAV per share (KRW)	5,323	5,386	5,540	5,613	5,748	5,771	
P/NAV	0.95	0.95	0.97	0.97	0.94	0.90	

Profit and Loss	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Operating Profit	7,460	6,125	6,207	6,256	6,365	6,409	
Operating Cost	1,790	1,542	1,353	1,631	1,612	2,224	
Operating Income	5,669	4,583	4,854	4,626	4,753	4,185	
Other Income	73	101	114	125	212	190	
Other Cost	2,397	2,005	2,063	2,074	2,062	2,073	
PBTCF	3,346	2,680	2,905	2,676	2,903	2,302	
Tax	185	165	76	129	172	195	
Net Profit	3,161	2,515	2,829	2,548	2,731	2,107	
Price/Earning	8.89	11.11	11.07	11.76	11.38	12.39	

Dividends Outlook	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Net Profit	3,161	2,515	2,829	2,548	2,731	2,107	
Earnings per share (won)	316.09	251.47	282.93	254.78	273.05	210.74	
Contingency							
Total Dividends	2,690	2,102	2,627	2,186	2,688		
Dividends per share	268.98	210.23	262.72	218.60	268.81	0.00	
Payout Ratio	85.10%	83.60%	92.86%	85.80%	98.45%	0.00%	
Dividend returns	5.38%	4.20%	5.25%	4.37%	5.38%	0.00%	

Stock Price Outlook	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Maximum Price	5,070	5,168	5,460	5,530	5,482	5,258	
Minimum Price	5,009	5,020	5,282	5,348	5,337	5,108	
Average Price	5,039	5,094	5,371	5,439	5,409	5,183	
Monthly traded amount	30,088	34,914	64,736	153,362	61,082	598,610	
Daily traded amount	1,508	1,763	3,064	7,292	2,877	28,227	

Portfolio

Save Zone Seongnam



Location: 2463-5 Sinhungdong, Sujunggu, Seongnam, Gyeonggido
Building Size: 6 floors OG / 4 floors BG
Property type: Retail
GFL: 357,146 sqft
Completion Date: 1993
Major Tenants: Save Zone
Previous Owner: URES

Save Zone Nowon



Location: 284 Hagedong, Nowongu, Seoul
Building Size: 5 floors OG / 2 floors BG
Property type: Retail
GFL: 227,197 sqft
Completion Date: 1988
Major Tenants: Save Zone
Previous Owner: URES

Save Zone Daejeon



Location: 991 Samchundong, Seogu, Daejeon
Building Size: 6 floors OG / 4 floors BG
Property type: Retail
GFL: 384,652 sqft
Completion Date: 1992
Major Tenants: Save Zone
Previous Owner: URES

Hanshin Sports Center



Location: 256-5 Hagedong, Nowongu, Seoul
Building Size: 2 floors OG / 3 floors BG
Property type: Retail
GFL: 62,056 sqft
Completion Date: 1993
Major Tenants: Save Zone
Previous Owner: URES

Jangyoo Aqua Wave



Location: 562-12 Sammunri, Jangyumyeon, Kimhae, Kyungnam
Building Size: 2 floors OG / 2 floors BG
Property type: Retail / Recreation
GFL: 102,265 sqft
Completion Date: 2002
Major Tenants: Jangyoo Acqua Wave
Previous Owner: Jangyoo waterpia

Realty Korea

Incorporation	2003-04-17
Listed on the Exchange	2003-05-13
Finite length of corporation	5 years

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	59.09%	7,800,000	5,000	39,000,000,000
Individual Investors	40.91%	5,400,000	5,000	27,000,000,000
Total	100.00%	13,200,000		66,000,000,000

Promoter

	%	# shares	total amt(KRW)
Kyobo Life Insurance Co.	22.73%	3,000,000	15,000,000,000
Transcontinental Realty Investors	9.24%	1,220,000	6,100,000,000
LIG Insurance Co.	9.09%	1,200,000	6,000,000,000
Meritz Insurance Co.	7.58%	1,000,000	5,000,000,000
Shinhan Bank	7.58%	1,000,000	5,000,000,000
Realty Advisors Korea, LTD	2.88%	380,000	1,900,000,000
Sub-Total	59.09%	7,800,000	39,000,000,000
Public Offering	40.91%	5,400,000	27,000,000,000
Total	100.00%	13,200,000	66,000,000,000

Stockholder

	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Kyobo Life Insurance Co.	22.73%	22.73%	22.73%	22.73%	22.73%	22.73%	22.73%
TRI	9.24%	9.24%	9.24%	9.24%	9.24%	9.24%	9.24%
LIG Insurance Co.	9.09%	9.09%	9.09%	9.09%	9.09%	9.09%	9.09%
Meritz Insurance Co.	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%
Shinhan Bank	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%
RAK	2.88%	2.88%	2.88%	2.88%	2.88%	2.88%	2.88%
Kumho Life Insurance Co.	11.51%	11.51%	11.51%	11.51%	11.51%	11.51%	11.51%
Korea Exchange Bank	4.55%	4.55%	4.55%	4.55%	4.55%	4.55%	4.55%
Hyundai Marine & Fire Insurance	3.03%	3.03%	3.03%	3.03%	3.03%	3.03%	3.03%
ETC	21.81%	21.81%	21.81%	21.81%	21.81%	21.81%	21.81%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Underlying Asset

	Acquisition Price		
	Land	Building	Total
Rosedale Building	31,639	47,458	79,097
TurboTec Building	7,350	7,351	14,701
Say Department Store	18,557	27,835	46,392
Total (BV)	57,546	82,644	140,190

Asset Value

	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Rosedale Building	79,340	79,341	79,346	79,829	79,828	77,751	77,317
TurboTec Building	14,701	14,733	14,732	14,732	14,772	14,434	14,367
Say Department Store	46,392	46,392	46,392	46,392	46,392	45,124	44,873
Total (BV)	140,433	140,466	140,470	140,953	140,992	137,309	136,557

Appendix_CR REITS Individual Materials

Accumulated Depreciation	1 period	2 period	3 period	4 period	5 period	6 period	7 period
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TurboTec Building	68	135	202	289	336	403	470
Say Department Store	255	507	762	1,012	1,268	1,521	1,774
Total(I)	759	1,510	2,269	3,038	3,783	4,539	5,295

Balance Sheet	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Total Asset based on B.S.(II)	145,098	143,684	143,991	144,196	144,471	143,683	143,459
Total Asset(III=II+I)	145,857	145,194	146,260	147,234	148,254	148,222	148,754
Total Debt based on B.S.(IV)	76,822	74,747	75,414	74,978	74,448	73,581	73,287
Net Asset Value (=III-IV)	69,035	70,447	70,846	72,257	73,806	74,641	75,467
# of Stock issued	13,200,000	13,200,000	13,200,000	13,200,000	13,200,000	13,200,000	13,200,000
NAV per share (KRW)	5,230	5,337	5,367	5,474	5,591	5,655	5,717
P/NAV	0.96	0.94	0.97	1.05	1.14	1.12	1.15

Profit and Loss	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Operating Profit	7,989	7,873	8,117	8,369	8,648	8,557	8,410
Operating Cost	3,415	3,113	3,318	3,668	3,694	3,638	3,645
Operating Income	4,574	4,760	4,800	4,701	4,954	4,919	4,764
Other Income	45	72	69	68	85	86	229
Other Cost	1,604	1,495	1,531	1,539	1,569	1,560	1,602
PBTCF	3,015	3,337	3,337	3,229	3,469	3,446	3,391
Tax	138	151	151	34	54	-	12
Net Profit	2,877	3,186	3,186	3,195	3,416	3,446	3,380
Price/Earning	14.43	13.87	14.32	16.20	17.01	17.02	18.25

Dividends Outlook	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Net Profit	2,877	3,186	3,186	3,195	3,416	3,446	3,380
Earnings per share (won)	217.98	241.34	241.34	242.05	258.77	261.08	256.03
Contingency							
Total Dividends	2,525	2,805	2,805	3,095	3,316	3,317	3,380
Dividends per share	191.26	212.50	212.50	234.46	251.18	251.29	256.03
Payout Ratio	87.74%	88.05%	88.05%	96.86%	97.07%	96.25%	100.00%
Dividend returns	3.83%	4.25%	4.25%	4.69%	5.02%	5.03%	5.12%

Stock Price	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Maximum Price	5,032	5,055	5,270	5,878	6,525	6,350	6,742
Minimum Price	4,970	4,952	5,141	5,662	6,245	6,336	6,430
Average Price	5,001	5,003	5,205	5,770	6,385	6,343	6,586
Monthly traded amount	131,370	90,762	68,337	25,588	23,590	48,233	45,852
Daily traded amount	7,117	4,504	3,175	1,238	1,134	2,282	2,249

Urez Meritz

Incorporation	2003-07-29
Listed on the Exchange	2003-08-29
Finite length of corporation	5 years

Initial Offering	%	# shares	price	total amt(KRW)
Institutional Investors	46.00%	4,600,000	5,000	23,000,000,000
Individual Investors	44.40%	4,440,000	5,000	22,200,000,000
Etc	9.60%	960,000	5,000	4,800,000,000
Total	100.00%	10,000,000		50,000,000,000

Promoter	%	# shares	total amt(KRW)
Korea Life Insurance Co.	15.00%	1,500,000	7,500,000,000
Kumho Life Insurance Co.	10.00%	1,000,000	5,000,000,000
Meritz Insurance Co.	10.00%	1,000,000	5,000,000,000
Dongsung Chemical Co.	4.00%	400,000	2,000,000,000
Sung Jaeyoung	4.00%	400,000	2,000,000,000
JW Asset	1.80%	180,000	900,000,000
Urez	0.60%	60,000	300,000,000
Meritz Securities Co.	0.60%	60,000	300,000,000
Sub-Total	46.00%	4,600,000	23,000,000,000
Public Offering	44.40%	4,440,000	22,200,000,000
ETC	9.60%	960,000	4,800,000,000
Total	100.00%	10,000,000	50,000,000,000

Stockholder	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Korea Life Insurance Co.	15.00%	15.00%	15.00%	15.00%	15.00%		
Kumho Life Insurance Co.	10.00%	10.00%	10.00%	10.00%	10.00%		
Meritz Insurance Co.	10.00%	10.00%	10.00%	10.00%	10.00%		
Hyundai Marine & Fire Insurance	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	
Seoul Guarantee Insurance Co.	5.89%	5.89%	5.89%	5.89%	5.89%	5.89%	
Korea Exchange Bank	5.89%	5.89%	5.89%	5.89%	5.89%	5.89%	
Dongsung Chemical Co.	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	
Sung Jaeyoung	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	
Mire Asset						27.16%	
Meritz Insurance Co.						10.00%	
ETC	39.32%	39.32%	39.32%	39.32%	39.32%	47.16%	
Total	100.00%	100.00%	100.00%	100.00%	100.00%	110.00%	

Underlying Asset

	Acquisition Price		
	Land	Building	Total
Save Zone Seongnam	25,195	22,987	48,182
Save Zone Nowon	-	14,302	14,302
Save Zone Daejeon	-	30,169	30,169
Hanshin Sports Center	2,114	2,902	5,016
Jangyoo Aqua Wave	6,031	10,559	16,590
Total (BV)	33,340	80,919	114,259

Appendix_CR REITS Individual Materials

Asset Value	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Save Zone Seongnam	48,181	48,181	48,181	48,182	48,181	48,182	
Save Zone Nowon	14,302	14,302	14,302	14,302	14,302	14,302	
Save Zone Daejeon	30,169	30,169	30,169	30,169	30,169	30,169	
Hanshin Sports Center	5,035	5,035	5,035	5,035	5,035	5,035	
Jangyoo Aqua Wave	16,591	16,591	16,591	16,590	16,591	16,591	
Total (BV)	114,278	114,278	114,278	114,278	114,278	114,279	0

Accumulated Depreciation	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Save Zone Seongnam	306	536	766	996	1,226	1,456	
Save Zone Nowon	191	334	477	620	763	906	
Save Zone Daejeon	402	704	1,006	1,307	1,609	1,910	
Hanshin Sports Center	39	68	97	127	156	185	
Jangyoo Aqua Wave	141	246	352	458	563	669	
Total(I)	1,079	1,888	2,698	3,508	4,317	5,126	0

Balance Sheet	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Total Asset based on B.S.(II)	118,455	118,294	118,986	119,098	119,765	119,244	
Total Asset(III=II+I)	119,534	120,182	121,684	122,606	124,082	124,370	
Total Debt based on B.S.(IV)	66,305	66,319	66,284	66,475	66,598	66,657	
Net Asset Value (=III-IV)	53,229	53,863	55,400	56,131	57,484	57,713	
# of Stock issued	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	
NAV per share (KRW)	5,323	5,386	5,540	5,613	5,748	5,771	
P/NAV	0.95	0.95	0.97	0.97	0.94	0.90	

Profit and Loss	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Operating Profit	7,460	6,125	6,207	6,256	6,365	6,409	
Operating Cost	1,790	1,542	1,353	1,631	1,612	2,224	
Operating Income	5,669	4,583	4,854	4,626	4,753	4,185	
Other Income	73	101	114	125	212	190	
Other Cost	2,397	2,005	2,063	2,074	2,062	2,073	
PBTCF	3,346	2,680	2,905	2,676	2,903	2,302	
Tax	185	165	76	129	172	195	
Net Profit	3,161	2,515	2,829	2,548	2,731	2,107	
Price/Earning	8.89	11.11	11.07	11.76	11.38	12.39	

Dividends Outlook	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Net Profit	3,161	2,515	2,829	2,548	2,731	2,107	
Earnings per share (won)	316.09	251.47	282.93	254.78	273.05	210.74	
Contingency							
Total Dividends	2,690	2,102	2,627	2,186	2,688		
Dividends per share	268.98	210.23	262.72	218.60	268.81	0.00	
Payout Ratio	85.10%	83.60%	92.86%	85.80%	98.45%	0.00%	
Dividend returns	5.38%	4.20%	5.25%	4.37%	5.38%	0.00%	

Stock Price Outlook	1 period	2 period	3 period	4 period	5 period	6 period	7 period
Maximum Price	5,070	5,168	5,460	5,530	5,482	5,258	
Minimum Price	5,009	5,020	5,282	5,348	5,337	5,108	
Average Price	5,039	5,094	5,371	5,439	5,409	5,183	
Monthly traded amount	30,088	34,914	64,736	153,362	61,082	598,610	
Daily traded amount	1,508	1,763	3,064	7,292	2,877	28,227	