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Ministry of Construction and Transportation
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URBAN DESIGN & GREEN BUILDING

Market Overview

The population of South Korea has grown rapidly since the Republic's establishment in 1948 and now stands at over 48 million. This growth has placed enormous burdens on Korea's major cities. Seoul, the capital, has a population of over 10 million. The Seoul National Capital Area, which includes the major port city of Incheon and many satellite towns in Gyeonggi-do has almost 23 million inhabitants making it the second most populous metropolitan area in the world.

Korea's rapid economic growth has influenced the nation's construction industry. As the Korean market opens up, foreign enterprises trying to enter the Korean market, and Korean companies trying to exploit the

international market, will have greater possibilities to expand their businesses.

The Korean housing market has experienced rapid growth and change. The shorter work week and growing interest in alternatives to urban living have spurred demand for both comfortable and healthy living space, while growing awareness of environmental issues and rising energy costs, necessitate the use of technologies. These market forces have created opportunities in areas such as R&D collaboration, environmental engineering and architecture, ventilation equipment, wood flooring and related wood finishing and low VOC paints and adhesives sub-sectors.

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Opportunities

In addition to large urban renewal projects underway in Korea may present business opportunities for B.C. companies, the rapidly expanding residential market. The demand for environmentally friendly building products is growing, particularly for wood frame housing, reflecting the growing popularity of townhouses in Korea.

The City of Seoul has launched the Seoul City Green Building Standard which regulates new construction and remodelling projects to reduce green house gas emissions, through the use of green technologies.

The retrofit market, valued at US\$250 million in 2006, is expected to grow rapidly, and presents opportunities for B.C. companies specializing in green technologies and products.

New regulations that curb destruction of ageing apartment complexes are also expected to increase repair and remodelling activities, as owners are no longer permitted to tear down and rebuild older buildings. The Korea Remodelling Association estimates that repair and remodelling activity will grow at a rate of about 6-8 per cent per year through 2010, rising to more than US\$17 billion by 2010.

DEMAND GROWTH

Until recently "green" was scarcely seen in the Korean urban landscape, but today sustainable construction and urban design have become top priorities of the government, which is working hard to make the nation's cities more sustainable. A number of major mega-projects are underway that will make Korea a showcase for green buildings.

A consortium led by Samsung Construction is developing the Yongsan Project, a US\$31 billion new business district in central Seoul. It will feature a 620-metre high skyscraper, expected to be the world's second tallest building. Additional buildings, apartments, hotels and shopping malls will also be built. Samsung must integrate green building

technologies and products into the project, which will create opportunities for B.C. firms.

The Songdo City International Business District being developed in Incheon is Korea's first "new" city designed as an international business district. Built on 1,500 acres of reclaimed land, it will be connected to Incheon International Airport by a 7.4 mile highway bridge. The plan includes fifty million square feet of office space - including a landmark 65-story tower and convention centre, and 30 million square feet of residential space.

MARKET ENTRY STRATEGIES

Since 1997, the Korean government procurement market has been open to foreign companies. The most effective way for companies to tap into the Korean construction market is to identify a well-qualified local agent.

The Korean Public Procurement Service and the Construction Association of Korea maintain a list of qualified service providers. The Public Procurement Service is responsible for all major turn-key construction projects and projects that require prequalification by the central and regional governments. It is important for B.C. companies to become familiar with current market

data, government and private sector development plans, and related regulatory issues.

COMPETITIVE ENVIRONMENT

According to the Korea Engineering and Consulting Association the Korean market for construction and engineering was worth an estimated US\$65 billion in 2004 and featured explosive growth of 17 per cent in 2005 and 26 per cent in 2006. Presently, the sector is valued in excess of US\$100 billion.

The rapid rise of the urban construction market has seen a shift to more technology intensive projects. The pattern of ordering is also changing from conventional Design-Bid-Build (DBB) to Build-Operate-Transfer (BOT) or turn-key orders, which need the full responsibility of a contractor throughout the project life cycle. Due

to this new trend, many leading Korean companies are reorganizing to be more competitive. According to the data from National Statistical Office, the import market accounts for only 1 per cent of the total construction and engineering market.

The Korean market will require higher financing capabilities and new design and engineering technologies for major urban developments. Generally these are not available in Korea and foreign real-estate developers, project management companies and engineering companies will have opportunities to fill these important gaps.

The top 5 Korean construction companies are: Daewoo Engineering & Construction Co. Ltd., Samsung Corporation, Hyundai Engineering & Construction Co. Ltd., GS Engineering & Construction Co. Ltd., and Daelim Industrial Co. Ltd.

Major foreign companies in Korea include: Bouygues Construction, Toyo Engineering Korea Ltd., Taisei Construction, Gale International, CH2MHill, Parsons Brinckerhoff Asia Ltd., Portman Holdings, and Bechtel International Corporation.

Korea's Construction Industry Market (Unit: USD billions)

	2000	2001	2002	2003	2004	2005	2006
Construction Market Size	37	40	54	68	65	76	96
Market Growth Rate	N/A	8%	35%	26%	-5%	17%	26%

Source: Korea Engineering & Consulting Association (KENCA) and the Korea Construction Consulting Engineers Association (KCCEA).

REGULATORY ENVIRONMENT

Construction of buildings requires a huge amount of energy and resources and generates correspondingly huge amounts of carbon monoxide, waste and other pollutants. As such, the entire construction process, from material production, design and construction to maintenance and disposal, is subject to impact assessment in relation to its energy and resource conservation, reduction of pollutants and

environmental amenity. Buildings with superb environmental performance are certified by the Green Building Certificate System, which has been in force since January 2002.

Initially, the Green Building Certificate System primarily targeted residential buildings, however, the system has been extended to semi-residential buildings, office buildings (public and private),

commercial buildings including schools and hospitals and remodelled buildings. When this system is firmly in place, it is expected to foster the development and use of environment-friendly materials, reduce environmental pollution generated during the building life cycle and provide accurate information to consumers on the qualities of green buildings.