

HCMC MARKET INSIGHTS Q3/2013

Presented by: Ngoc Le (Ms.)

Thursday, 3rd October, 2013

CBRE



ECONOMIC OVERVIEW

Q3/2013 Key Economic Indicators

	Q3/2012 Y-o-Y	Q2/2013 Q-o-Q	Q3/2013 Y-o-Y
GDP (% y-o-y)	5.1%	4.8%	5.1%
CPI (% y-o-y, e-o-p)	6.5%	6.6%	6.3%
Exchange rate (USD/VND, e-o-p)	20,828	20,828	21,036
Export (US\$ Bn)	30.7	29.7	34.9
Import (US\$ Bn)	29.9	29.2	34.1
FDI Implemented (US\$ Bn)	2.7	2.7	2.9
International Tourist Arrivals (million arrivals)	1.5	1.8	2.0
Retail and Services Turnover (tril. VND)	575.7	636.1	656.6

FDI: Foreign Direct Investment

Y-o-Y: year on year

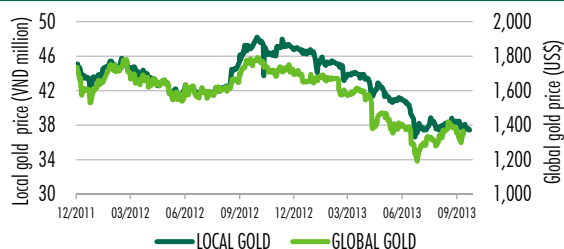
E-o-p: end of period

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ECONOMIC OVERVIEW

Gold and Bank Deposits Become Less Attractive, Stock Market Recovers

Gold price movements



Indicators	2013
Gold price	
• Global gold price (US\$, e-o-p)	↓ 18.1% YTD
• Gold price (SJC, US\$, e-o-p)	↓ 19.7% YTD
Deposit rates	↓ 200 bp YTD

Residential real estate again becomes attractive to Vietnamese investors as other alternatives (gold and deposit accounts) offer limited returns.

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Source: Arial 8pt, Dark Grey

Regional stock market



Vietnam stock market



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LEGISLATION OVERVIEW

The Government is Listening

Supporting legislation from the government:

- Resolution 19 on allowing foreign individuals to buy property in Vietnam;
- Submitted draft on raising the ceiling for foreign ownership ratio in listed companies from 49% to 60%;
- A single visa for tourists to Vietnam, Thailand and Cambodia.

Vietnam eyes joint tourism visa with Thailand, Cambodia



Vietnamese tourism and foreign relations authorities are set to work with their counterparts from Thailand and Cambodia to introduce a single visa for tourists to the three countries.

Huang Thi Diem, deputy head of the Vietnam National Administration of Tourism, was quoted by Thai Bao Kim Toi Nguon (Sageen Economic Times) as saying Thailand and Cambodia get a large number of tourists, are close to Vietnam, and already have a common visa for tourists.

The two countries signed an agreement last year to allow tourists from 35 countries and regions including Europe, Australia, the US, Hong Kong.

ECONOMIC NEWS

Opportunities for Overseas Vietnamese Owning Houses

National Times: There has been more than one hundred foreigners owned houses in Vietnam since Resolution No. 19/2008/QH12 regulating on the pilot programme that allowed foreigners and overseas Vietnamese to buy houses in Vietnam.

This figure was too small compared to the big amount of more than 85,000 foreigners who are living and working in Vietnam and approximately 1.7 million overseas Vietnamese immigrated in HCM city yearly.

One of the most important reason was housing price is too expensive.

Furthermore, the Resolution No. 19 has many binding criteria such as: prohibition of transferring houses within 12 months and leasing. In addition, the foreigners were not allowed to use their houses as a offices or for other purposes.

This means that the foreigners did not have the right to invest in Vietnam's real estate market.



Last update: 10:55 | 25/09/2013

Foreign ownership ratio in listed firms may rise to 60%

Vietnam/Viet Bridge - The State Securities Commission (SSC) has submitted to the government the plan on raising the ceiling foreign ownership ratio, which aims to encourage the transactions on the stock market.



The information has been confirmed by Vu Bang, Chair of SSC. Prior to that, the Ministry of Finance, Stock Exchanges and relevant bodies all expressed their agreements with the plan.

What will happen on the stock market, if the suggestion gets approval?

The watchdog agency hopes that a higher ceiling foreign ownership ratio in listed companies would help improve the liquidity in the market. This would also help attract more foreign investment, a more important goal.

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LEGISLATION OVERVIEW

More Opportunities for Foreigners to Buy Houses in Vietnam

	Current Law (Resolution No.19, effective 2009 - 2013)	Proposed Amended Law (effective 2014 IF approved)
Foreign Individual Buyers	YES with restrictions such as: <ul style="list-style-type: none"> Individual investors who make direct investment in Vietnam; Expatriates at managerial positions; Individuals who possess special skills that are needed in Vietnam; Individuals who are married to Vietnamese citizens; 	YES for all foreigners who have a visa to the country that is valid for at least three months
Foreign Organisations	ONLY foreign-invested companies operating in Vietnam which are not in the real estate business but have the need to provide accommodation to their employees.	YES to all foreign investment funds, banks, Vietnamese branches and representative offices of overseas companies.
Sub-lease	NO	YES
Products	Apartments only.	Apartments + landed property (less than 500 sm)
Number of Products	One unit only	For individuals: <ul style="list-style-type: none"> Option 1: Unlimited Option 2: Limited to one or two For organisations: <ul style="list-style-type: none"> Dependant on the number of foreign employees
Maximum Lease Term	50 years	<ul style="list-style-type: none"> Option 1: 50 years with the possibility of another 50-year extension; Option 2: 70 years with no extension.



LEGISLATION OVERVIEW

Foreign Ownership of Houses – Regional Comparison

	Thailand	Singapore
Foreign Individual Buyers	YES with some restrictions: <ul style="list-style-type: none"> Holding a residency permit under Thai Immigration law. Permitted to stay in Thailand under the Investment Promotion law (BIO) A foreigner or foreign entity remitting a foreign currency into Thailand, or withdrawing money from a Thai Baht account of the persons residing abroad, or withdrawing from a foreign currency account 	YES Some important notes: <ul style="list-style-type: none"> They have to pay an additional buyer's stamp duty (ABSD) on the higher of the total purchase price or market valuation. Only citizens and Permanent Residents of some countries which have signed free trade agreements (FTAs) with Singapore are exempted from ABSD.
Sublease	YES	YES for condo only
Foreign Organisation	YES with some restrictions: <ul style="list-style-type: none"> Only joint-ventures between a foreign and a local company with at least 51% of share held by Thai Foreign juristic entity in receipt of a promotion certificate under the Investment Promotion Law. 	YES with higher ABSD rate
Products	Condominium: as long as the building has not already sold its 49% foreign quota.	Condominium of a six- or more- storey. Landed house with condition: <ul style="list-style-type: none"> Approval from the Controller of Residential Property For accommodation purpose only.
Number of Products	N/A	<ul style="list-style-type: none"> Condominium: unlimited but a single foreign party cannot buy all the units in a condominium development without prior approval. Landed house: 1
Maximum Lease Term	30 years with another 30-year extension	99-year lease



DASHBOARD

Produced Monthly by CBRE Vietnam

30 September, 2013

Vietnam Economic Indicators

ECONOMIC INDICATORS	2Y	1Y	6M	3M	1M	Current
CPI (%) y-o-y	22.4	6.5	6.6	6.7	7.5	6.3
Trade balance (US\$, bil)	(6.8)	(0.1)	(0.3)	(0.2)	(0.3)	(0.3)
Retail & services Turnover (VND, tril)	145.4	195.4	211.3	212.9	217.2	226.1

Source: GSO

Real Estate Companies

REAL ESTATE INDEX	2Y	1Y	6M	3M	1M	Current
Real Estate Holding & Development Listed Companies	43.8	45.6	46.2	42.2	41.5	41.2
Real Estate Services Listed Companies	56.7	44.4	27.8	24.3	21.1	19.8

Source: Stockbiz

Banking & Finance

BANKING & FINANCE	2Y	1Y	6M	3M	1M	Current
VN-Index	447.9	392.6	491.0	484.8	473.3	487.1
USD/VND (inter-bank)	20,828	20,828	20,828	21,036	21,036	21,036
Local gold (VND mil/tael)	44.10	47.23	43.81	34.85	38.65	37.50
Lending Rate (%)*	20.7	15.5	15.3	15.3	13.3	13.2
Deposit rate (%)** (1-year term)	13.9	11.4	10.5	9.6	8.4	8.2

Source: GSO, SBV, SJC & HSX

New Launches(***) (Condominium for sales)

NEW LAUNCHES	2Y	1Y	6M	3M	1M	Current
HCMC New launches (unit)	19,232	9,091	3,069	2,351	1,104	870
HN New launches (unit)	8,054	4,936	3,584	3,142	1,946	1,061

Source: CBRE

(*) Current lending rate is the average lending rate surveyed at ten banks, applied for home loan only. The back-dated numbers are the average rate which was announced publicly at that point of time, applied for all sectors and all banks.

(**) Deposit rate is the average deposit rate of a basket of ten banks in which the rates are announced publicly on their websites and can be tracked backwards.

(***) New launches is the number of units that were released to the market by developers and calculated on a monthly basis.



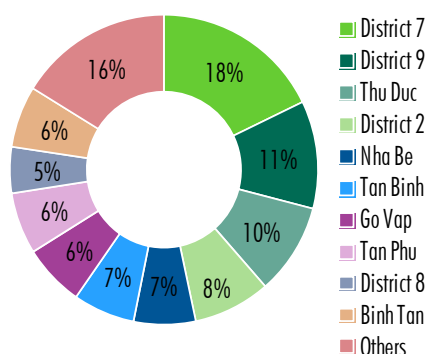
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NEWSPAPER ADVERTISEMENT UPDATE - HCMC

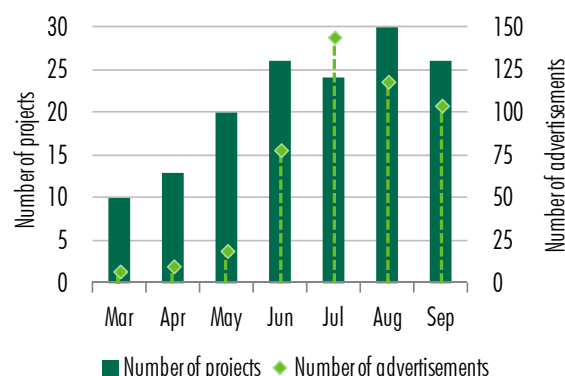
Produced Weekly by CBRE Vietnam

Advertised by District, HCMC, YTD 2013



Source: CBRE

Advertised by Month, Southern Vietnam*, 2013



(*): HCMC, Binh Duong and Dong Nai, BR-VT

Developers spend more on adverts. Sharp increase in the numbers of projects advertised, advertisements and launches.



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HCMC INFRASTRUCTURE

Headlines during the Quarter



SAIGON 2 BRIDGE COMPLETED CONSTRUCTION

TUOITRENEWS - After 17 months of construction, the Saigon 2 Bridge that links District 2 and Binh Thanh District in Ho Chi Minh City was completed on 12th Sep, 2013. The bridge will be opened for traffic in early November, significantly contributing to easing traffic congestion.



PART OF TAN SON NHAT – BINH LOI RING ROAD OPEN TO TRAFFIC

HCM CITY (VNS) – A five-kilometre section of the Tan Son Nhat – Binh Loi Outer Ring Road in HCM City opened to traffic on Saturday, September 27, 2013.



VIETJET HAS AGREED TO BUY UP TO 92 AIRBUS

(Reuters) - Ambitious low-cost airline VietJet has agreed to buy up to 92 Airbus jets worth about \$8.6 billion between 2014 and 2022 in a move to beef up its presence in a fast-growing regional market.



HCMC INFRASTRUCTURE

Moving Forward...



Metro line 5 - HCMC

€850 million pledged for metro line No.5 in HCMC

TUOITRENEWS

UPDATED : 09/12/2013 13:09 GMT + 7

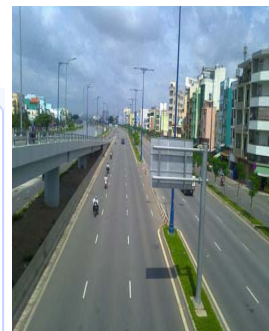
Most of the €857 million in capital needed for the first phase of the No.5 metro line in Ho Chi Minh City will be provided by the Asia Development Bank (ADB), the European Investment Bank (EIB) and the Spanish Government.

HO CHI MINH CITY

Monday, Jul 22, 2013, Posted at: 22:17(GMT+7)

City plans to build first BRT route by 2017

The City has studied the feasibility of building the first Bus Rapid Transit (BRT) route and plans to make it operational by 2017, said Duong Hong Thanh, Deputy Director of the City Department of Transport.



HCMC OFFICE

Highlights

Vacancy rate

- In Q3/2013, the Grade A vacancy rate continued decreasing by 0.3 percentage points q-o-q to 11.8%(*)
- Grade B vacancy rate improved in the quarter as there is no new supply in this segment while demand is still present.
- On y-o-y basis, vacancy rate in both Grade A and B decreased by 3.5% and 0.3% respectively.

Asking rent

- Average asking rent across Grade A and B increased in the report quarter. The asking rent in the Grade A and Grade B segment has improved by 3.0% q-o-q and 3.2% q-o-q respectively.
- It is noted that group of seven or eight mature properties are already raising rents whilst those in the next tier down, be A- or B+, are maintaining their rents.

New supply

- The current quarter welcomed new top-tier building into the market which is Lim Tower located on Ton Duc Thang, D1.
- New supply from Times Square is also taken into survey basket in the quarter. This buildings bring to the market additional 14,076 sm GFA office space.

(*) Excluding new supply of Times Square. The Grade A average vacancy rate will be 13.8% after taking Times Square into account.



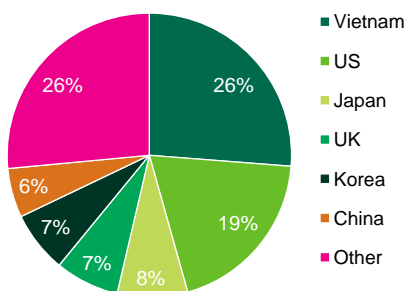
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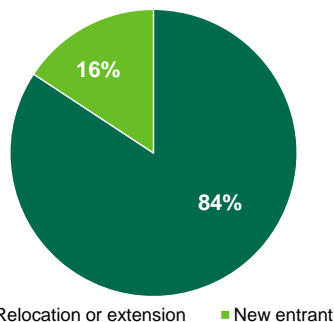
HCMC OFFICE

Tenant Profile

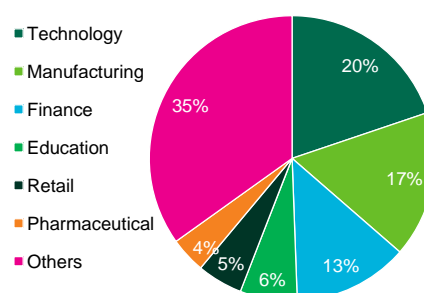
CBRE office enquiries breakdown - by nationality



CBRE office enquiries breakdown - by transaction type



CBRE office enquiries breakdown - by industry



Source: CBRE

- Significant demand derived from tenants who wish to extend their current office space rather than from those who are new entrants in the market.
- Fringe and New CBD buildings have given occupiers the flexibility to upgrade and consolidate. The focus has been consolidation and taking advantage of limited / remaining cost effective opportunities in NEW buildings with keen developers offering good deals to fill up buildings promptly.



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New Supply Dominated by Vietnamese Banks



SUNNY TOWER
259 Tran Hung Dao, D1
GFA: 16,500 sm
(18% of space being occupied by Military Bank (MB) and its subsidiaries)

Expected completion: 2014



VIETINBANK TOWER
93-95 Ham Nghi, D1
GFA: 28,629 sm
(For Vietinbank only)

Estimated completion: 2014



VIETCOMBANK TOWER
5 Melinh Square, D1
GFA: 77,000 sm
(Office for lease: 55,000 sm)

Expected completion: 2H2014

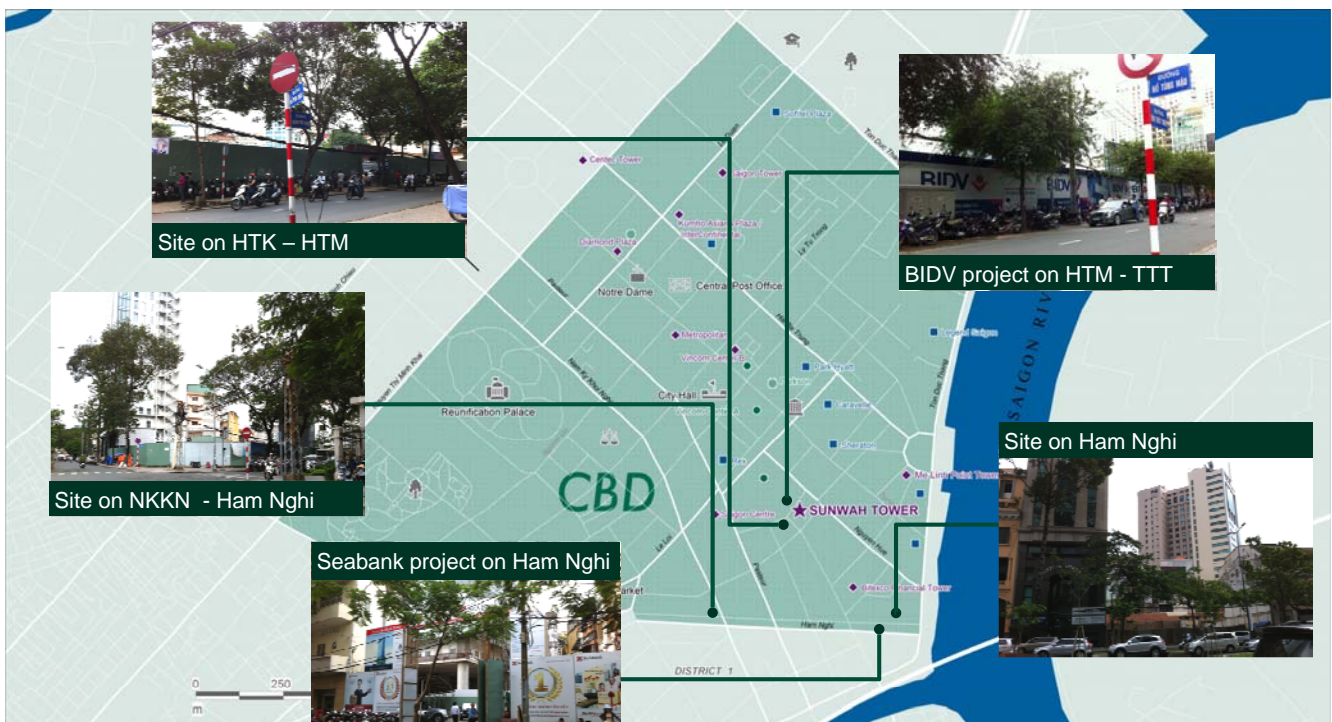
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HCMC OFFICE

Limited Supply - Silence at Notable Development Sites



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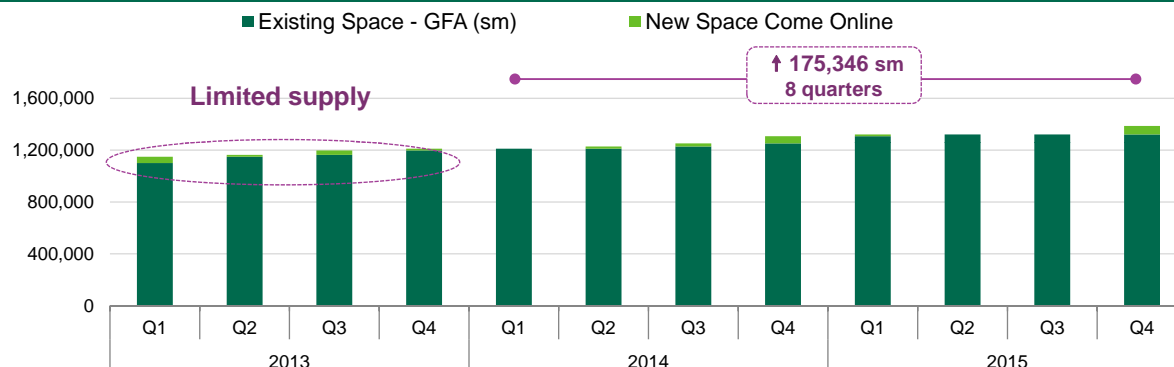
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HCMC OFFICE

Outlook

HCMC Office Supply Forecast (Grade A & B), GFA sm – 2013 to 2015



Source: CBRE

2013 AND THE FIRST HALF OF 2014 WILL END WITH STABILITY FOR OFFICE SEGMENT.

- Tenants continue upgrading to NEW buildings and consolidating in the market. This trend will continue until the end of the year. HOWEVER 2014 will require a strategic approach with major occupiers NOW planning and negotiating for expiries in mid to late 2014.
- Asking rents in mature buildings with quality asset management services will maintain good performance even though there will be additional new supply in the next few quarters as demand for high quality and good location office space continues.
- Flexible leasing terms and high quality services are still the keys to attracting or retaining tenants.



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CBRE MARKET INSIGHTS | Q3/2013

HCMC CONDOMNIUM FOR SALES

Highlights

New launch

- 1,726 units newly launched in Q3/2013, up 45.8% q-o-q and 11.6% y-o-y.
- Affordable segment : 74.7%
- High-end segment: 19.3%
- Mid-end segment: 6.0%
- No newly launched projects in luxury segment

Asking Prices

- Secondary asking prices going down at a marginal pace, 2%-5% y-o-y.
- Primary prices remained stable but terms included longer payment terms and prolonged incentives.
- Primary price ranges in the high-end segment are getting closer to buyers expectations, US\$1,300-\$1,600 psm plus other incentives.

Market sentiment

- Transactions in Q3/2013 remained stable despite of the "Ghost month".
- Newly launched projects are more attractive than the old ones.
- District 2 and District 7 are still preferred given softening prices, potential for leasing and good connections to the CBD.



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CBRE MARKET INSIGHTS | Q3/2013

HCMC CONDOMNIUM FOR SALES

New Launches



Happy Valley (Phase 2)

Dist. 7, 192 units (Blk. K & M)
by Phu My Hung Corp.
@ \$1,700/sm



The Vista (Tower 4)

Dist. 2, 141 units
by Capitaland + partners
@ \$1,350/sm - \$1,700/sm



SGC Nguyen Cuu Van

Binh Thanh Dist., 104 units
by SGC
@ \$1,069/sm

- 2 high-end projects: Happy Valley & The Vista – Tower 4
- 1 mid-end project: SGC Nguyen Cuu Van
- 4 affordable projects: Phuc Yen 2, Dream Home, Ehome 3 and I-Home 1



Phuc Yen 2

Dist. 12, ~234 units
by Phuc Yen Co., Ltd.
@ \$767/sm



Dream Home

Go Vap Dist., 518 units
by Dream Home Co., Ltd.
@ \$567/sm



Ehome 3 (Block A3 & A4)

Binh Tan Dist., 392 units
by Nam Long
@ \$667-\$738/sm



I-Home 1 (Block B)

Go Vap Dist., 145 units
by CT Group –Thien Loc
@ \$643-690/sm

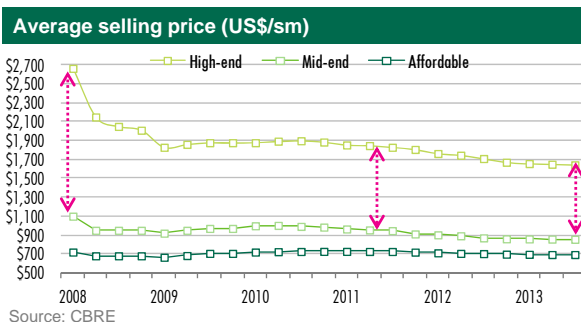


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HCMC CONDOMNIUM FOR SALES

Developers More Flexible – Price Gap Narrowed



- Newly launched projects attracted more buyers than old ones: Happy Valley, The Vista – Tower 4, SGC Nguyen Cuu Van, Phuc Yen 2.
- Developers were more flexible in terms of hand-over conditions and payment terms.
- The price gap between High-end and Mid-end narrowed.

Sunrise City Project	Phase 1 – South Towers	Phase 3 – North Towers
Location / View	By Rach Bang Canal → Cooler air → Phu My Hung view	City view → Him Lam residential area
Price	VND40-50 mil psm	VND23-30 mil psm
Hand-over condition	Semi-furnished	Bare-shell
No. of Units/floor	4-6 units/floor	11 units/floor (Block X2)
Main contractor	Kumho E&C 1	Hoa Binh Corp.
Status	In operation	Under construction; Expected completion: 2015



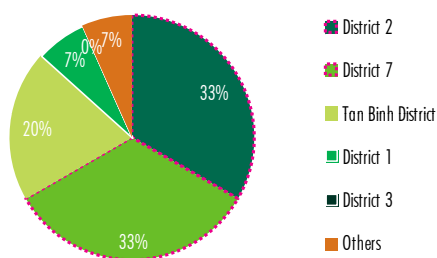
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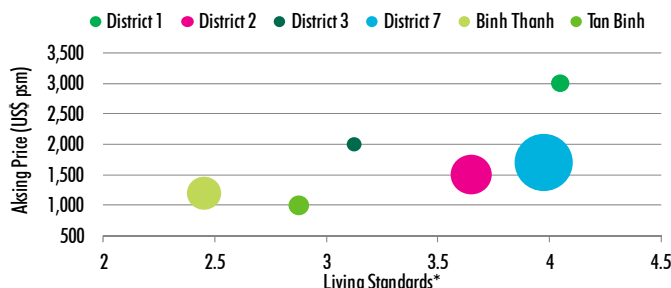
HCMC CONDOMNIUM FOR SALES

District 2 and District 7 – A Bright Spot in the High-end Segment

CBRE's enquiry - Condo for Sales , Q3/2013

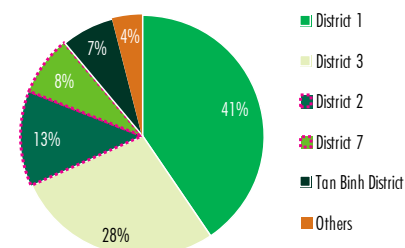


Ranking of Location of selected District



*Including infrastructure, greenery space, well-planned area, full scale of facilities: healthcare and school

CBRE's enquiry - Condo for lease, Q3/2013



Source: CBRE

CBRE

District 2 and District 7 showed that there can still be a bright spot for the condominium market, due to:

- Prices have reduced and payment terms are much more flexible and longer;
- High living standards with adequate premium housing options
- Close to the city centre;
- Easy to lease out – District 2 is the third most sought-after area for apartments for renting;
- Supported by infrastructure development: Saigon Bridge 2, Metro Lines, Thu Thiem Tunnel

HCMC CONDOMNIUM FOR SALES

Outlook

- District 2 and District 7 will continue to attract buyers with high incomes while outlying districts like Binh Tan, and Thu Duc are primarily destinations for middle-low income people.
- The Tan Son Nhat Binh Loi ring-road will benefit the residential projects of some districts such as Go Vap, Thu Duc and Binh Thanh.
- 2014 is expected to see more groundbreaking and launched projects.
- Buy-to-let investors are expected to be back to the market given current low capital values and easy payment terms.



Saigon 2 Bridge



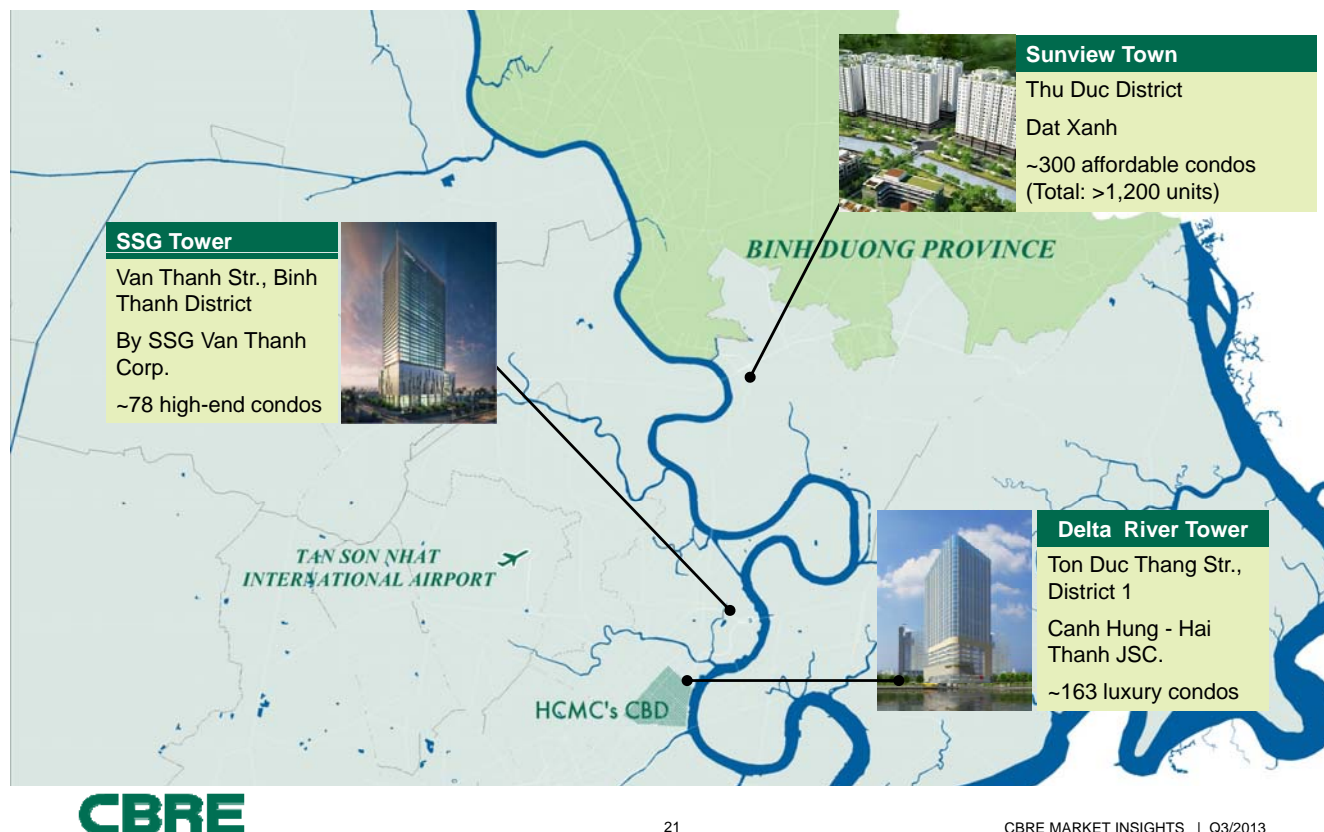
Metro Line No 2



Tan Son Nhat – Binh Loi Ringroad

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NOTABLE CONDO PROJECTS TO LAUNCH BY 2014



HCMC RETAIL

Highlights

Vacancy rate

- Increase is due to limited foot traffic and unsustainably high rental rates.
- Very few vacant spaces from last quarter were filled by new tenants.
- Net absorption was negative for two consecutive quarters, equivalent to -4,133 sm.

Rental rate

- In CBD: rent stayed stable. Developers with prime locations are holding rents firm and waiting for the best deal.
- In non-CBD: rents continued to decrease to attract new tenants.

Performance by retail format

- Shopping centres, department stores: Some developments successfully retained tenants as well as maintaining rental rates. These included Diamond Plaza, Parkson Saigontourist, Bitexco Financial Tower, Parkson Hung Vuong.
- The Bazaar retail format, once a strong business sector, is facing increasing vacancies. Rental rates are also on a downward trend.
- F&B and convenience stores still remain active. High-street leasing still dominates the market.
- Conversion of fashion outlets to F&B, e.g. Zen Plaza.

Vincom Center A



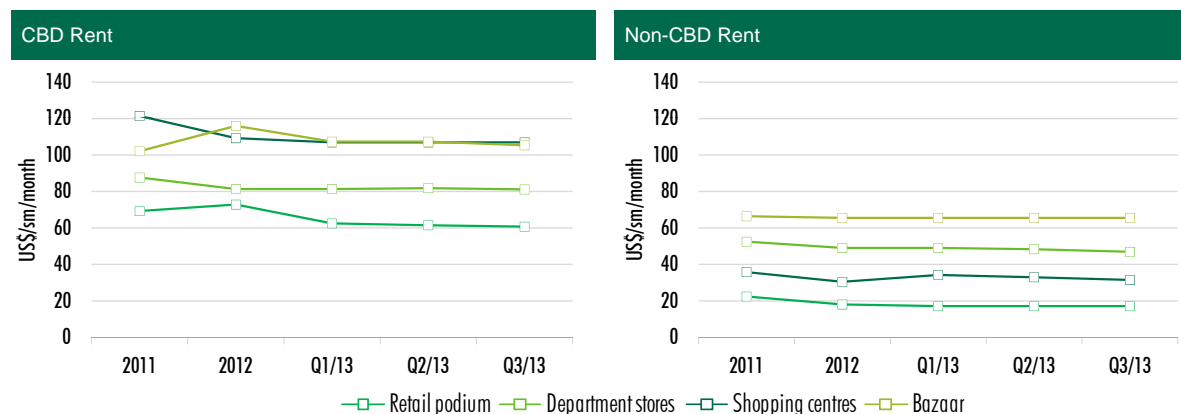
Saigon Square 2



HCMC RETAIL

Developers Slowly React to the Market

■ Decrease in rent



All rents are the average rents quoted on ground floor and first floor, exclusive of VAT and service charge.
Source: CBRE

- Wait for new tenants
- Upgrade: by redesigning layout, offering turnover shares and rent free periods



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HCMC RETAIL

Future Supply – Dominated by Podiums



Times Square	Saigon Airport Plaza	Thao Dien Pearl	Cantavil Premier	SC VivoCity
GFA, sm 4,000	GFA, sm 6,980	GFA, sm 20,400	GFA, sm 30,000	GFA, sm 72,000
Estimated 3,200	Estimated 5,884	Estimated 16,320	Estimated 24,000	Estimated 40,500
NLA, sm	NLA, sm	NLA, sm	NLA, sm	NLA, sm
Floor 2	Floor 2	Floor 3	Floor 6	Floor 6
Expected completion Q4/2013	Expected completion Q4/2013	Expected completion Q2/2014	Expected completion Q2/2014	Expected completion 2H2014
Anchor tenant Luxury furniture	Anchor tenant N/A	Anchor tenant N/A	Anchor tenant Parkson Lotte Cinema	Status Construction at full pace



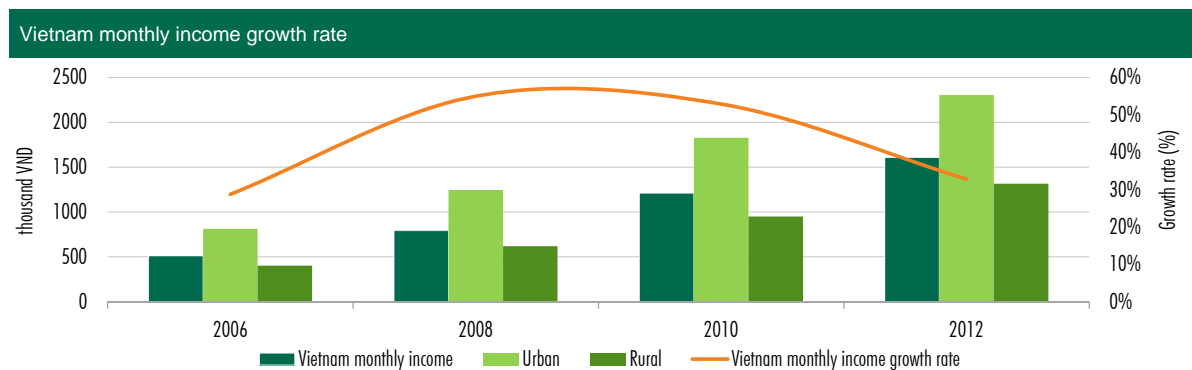
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CBRE MARKET INSIGHTS | Q3/2013

HCMC RETAIL

Outlook

- According to GfK, economic matters appear to top the list of concerns for today's Asia Pacific consumers. Consumers reduce spending amid worries about recession, unemployment and high prices.
- Future supply will be limited in the next four quarters.
- Monthly income growth has slowed down from 2009 in conjunction with downward retail rental rate. Retail market will pick up after economic recovery, not before.



Source: Vietnamese General Statistics Office

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HCMC SERVICED APARTMENTS

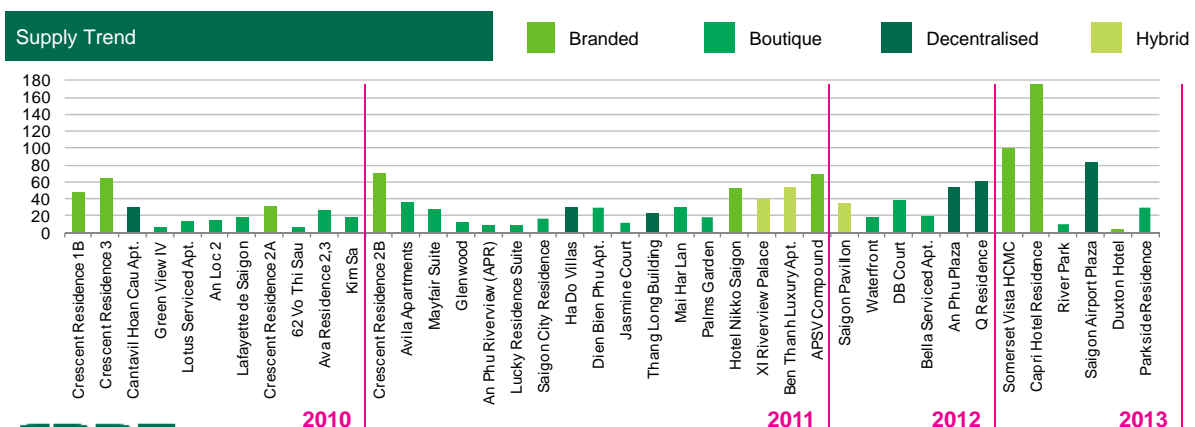
Highlights

New supply - PARKSIDE RESIDENCE

- CBD fringe, boutique, 30 units, 9 storeys
- Type: 1 bedroom, 45 - 50sm
- Near Reunification Palace
- Managed and leased by Dragon Fly



With limited supply of new large-scale projects on the horizon, HCMC is expected to see the continued addition of boutique developments, especially in the CBD.



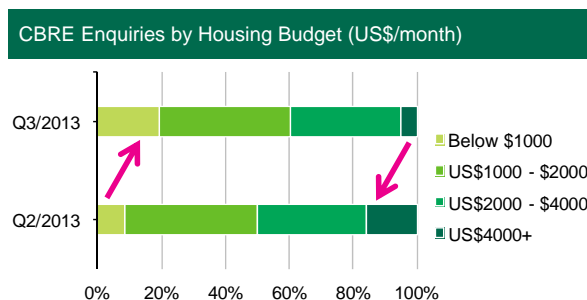
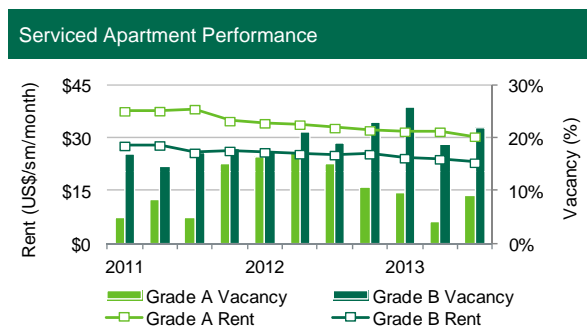
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HCMC SERVICED APARTMENTS

Performance



Source: CBRE

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- Both grades experienced the same trend in terms of rents and vacancies.
- Rents reflected a minor slide while vacancies increased again, reflecting a challenging market:
 - Demand has not picked up yet. CBRE enquiries of the housing budget below \$1,000 nearly tripled while decreasing by one third in the deep-pocket range (US\$4,000+) as compared to Q2/2013.
 - There is fierce competition from buy-to-let options. As soon as sales were initiated in several high-end projects such as Xi Riverview Palace, The Vista, The Estella, Sunrise City, Saigon Airport Plaza, etc., the rental market at these projects became more active.

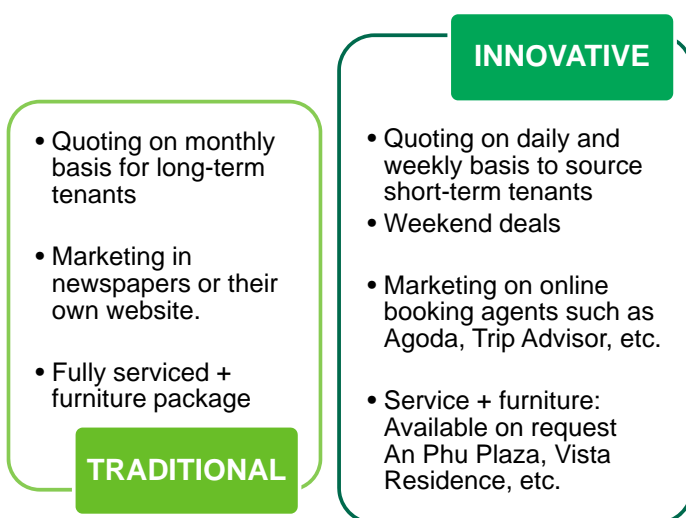
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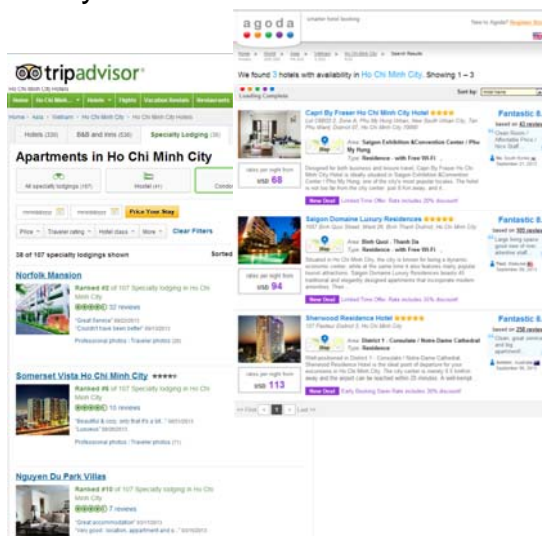
HCMC SERVICED APARTMENTS

Adapting to Survive

- Budget tightened, rents decreased, vacancies hiked, landlords of all grades have been seen to implement different ways to survive:



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CBRE MARKET INSIGHTS | Q3/2013

AND FINALLY... HOTELS

September – The Month of New Completions



Liberty Central Saigon Riverside Hotel

17 Ton Duc Thang, D1
No. of room: 170
Commencing date: 10th Sep, 2013
Expected grade: 4-star



Pullman Hotel

148 Tran Hung Dao, D1
No. of room: 350
Commencing date: 24th Sep, 2013
Expected grade: 5-star



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