



VN Q3 GDP
5.1% y-o-y



HCMC Q3 GDP
10.3% y-o-y



HANOI Q3 GDP
7.9% y-o-y



VNINDEX
17.7% y-o-y



LOCAL GOLD PRICE
19.7%



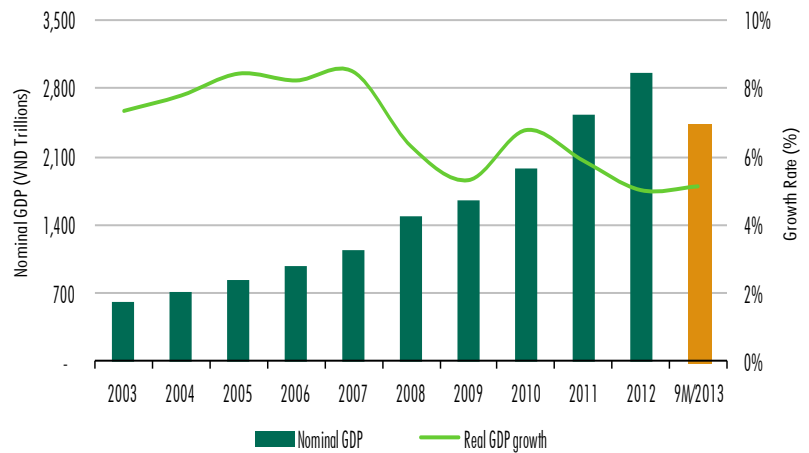
VN Q3 TRADE BALANCE
US\$1.3 billion

IMPROVING LEGISLATION AND INFRASTRUCTURE PROVIDES FURTHER IMPETUS FOR GROWTH.

Quick stats

VIETNAM	Q3 2013	Q-o-Q	Y-o-Y
Real GDP Growth	5.5%	↑	↑
Registered FDI	\$4.5 Bil	↑	↑
Exports	\$34.4 Bil	↑	↑
Imports	\$33.1 Bil	↓	↑
CPI (e.o.p)	6.3%	↓	↓
Tourism (arrivals)	2.0 Mil	↑	↑
Base Rate	9%	↔	↔
Exchange Rate (e-o-p)	21,036	↔	↔
HCMC	Q3 2013	Q-o-Q	Y-o-Y
Real GDP Growth	10.3%	↑	↑
CPI (e.o.p)	5.1%	↑	↑
Registered FDI	\$765 Mil	↑	↑
Exports	\$6.1 Bil	↓	↓
Imports	\$6.0 Bil	↓	↓
Retails and Services Turnover (VND Tril)	152.2	↑	↑
Tourism (arrivals)	0.8 Mil	↓	↓
Hanoi	Q3 2013	Q-o-Q	Y-o-Y
Real GDP Growth	7.88%	↑	↑
CPI (e.o.p)	6.68%	↑	↑
Registered FDI	\$540Mil	↑	↑
Exports	\$2.34Bil	↓	↓
Imports	\$5.3Bil	↓	↓
Tourism (arrivals)	0.43 Mil	↓	↑

Chart 1: Gross domestic product



Source: Vietnamese General Statistics Office

Continued review and evolution of legislation

The Government's continued vocal support for increased foreign investment in the country is heartening, but to be truly effective, swift and concise deliverables must be seen as opposed to speculation as to possible changes. Nevertheless, applause is necessary where steps in the right direction are being made. Discussions for improving the foreign investment climate in Vietnam have included:

- Raising the ceiling for foreign investors in listed companies from 49% to 60%;
- Loosened requirements for foreign buyers to acquire residential property in Vietnam;
- A potential single visa for tourists to Vietnam, Thailand and Cambodia.

Further emphasis on the macro-economic progress

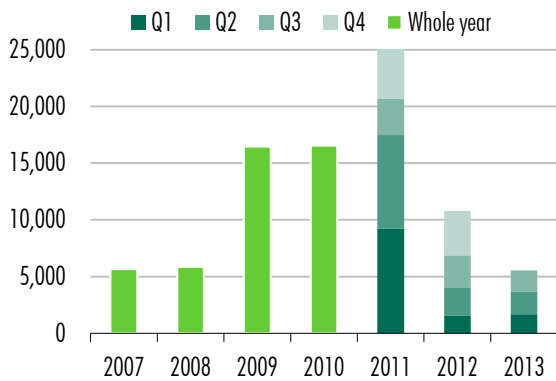
Mirroring the progress made in the legislative environment, progress continued to be made with HCMC's infrastructure network. Notable achievements included:

- A five-kilometre section of the Tan Son Nhat – Binh Loi Outer Ring Road opened to traffic on September 27, 2013.
- After 17 months of construction, the Saigon 2 Bridge that links D2 and Binh Thanh was completed on September, which will be opened for traffic in early November.

The successful purchase by the VAMC of a batch of VND1.6 tril of impaired loans from Agribank is a sign that real and genuine progress can be made to truly reform Vietnam's economy.

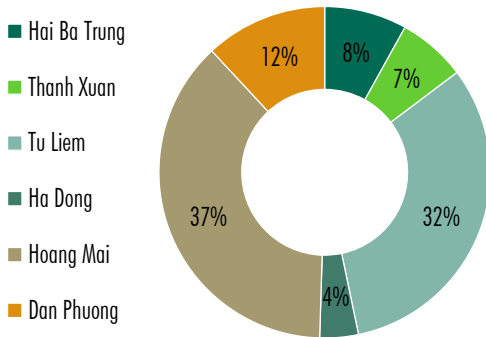
HANOI CONDOMINIUM FOR SALE HIGH-END PROJECTS IN DEMAND AGAIN!

Chart 3: New Launch Supply (Units)



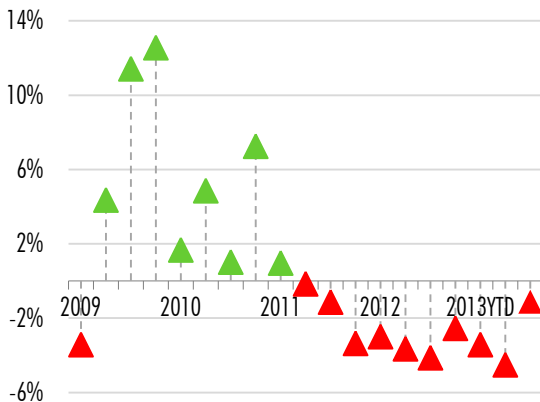
Source: CBRE

Chart 4: New Launch Supply By District



Source: CBRE

Chart 5: Secondary Price Change



Source: CBRE

Same old stories...

The condominium market in Q3/2013 remained unchanged relative to previous quarters in two respects. Firstly, cautious launch activities were observed, with only 1,900 units newly-released in the third quarter, representing a 6% reduction q-o-q. Secondly, primary prices continued on a downward trend, with certain developer's further lowering prices by 10% from previous launches, or up to 50% from original launches.

... With good changes

However, the market did observe several positive developments. New completion in Q3/2013 was a record high with 13,000 units, mostly due to two mega residential projects by Vingroup, Royal City and Times City. This represents 15% of the overall completed supply in the market (76,000 units). Unlike the downward trend in primary prices, secondary asking prices appeared to have stabilized, the first time since the start of the market downturn in early 2011.

ALSO, SALES VOLUMES WERE MUCH IMPROVED RELATIVE TO THE PREVIOUS QUARTER

Positive sales were recorded in both the lower-end segment of the market (US\$750 psm price point) and the upper-end segment (US\$2,000 psm price point).

Good-value-for-money is the key to selling

High-priced products (from US\$2,000 psm) had gone through several quarters of stagnant sales activity. However, recent market movements have presented changes. Positive sales in upper-end projects such as Lancaster, Indochina Plaza Hanoi, and especially Royal City were recorded. Another highlight is Hoang Thanh Tower project, which has made over 10 transactions of large units at over US\$4,100 psm since its launch one week ago. The sudden surge in market appetite for High-end products might indicate a few things. Firstly, demand and affordability for High-end products still exists, especially as standards of living continually improve. Secondly, good-value-for-money presents as a key to selling. Market has recently focused more on price reductions than value of the product. The mentioned projects provide good construction quality and a modern lifestyle, which can be verified as three out of four projects are operational. More than ever, seeing is believing, and the best way to convince buyers of product quality is to let them "walk the actual property". There have been low-priced products with stagnant sales, and high-priced products with good sales, which is evident that good-value-for-money rather than a particular "magical" price point will facilitate sales. This hopefully will direct developers' efforts on pricing and quality rather than a simple price reduction approach.

HANOI LANDED PROPERTY

ACTIVE LAUNCHES BY LOCAL DEVELOPERS SEEN AS A NEW TREND

Public launch vs. discreet launch!

The sector has witnessed several launches of landed property products by local developers over the last six months, including Sudico in the second quarter, and Viglacera in the third quarter launching 44 dwellings in Xuan Phuong NUA. This is seen as a new trend in Hanoi as previously "silent" launch approach was usually preferred by local developers. In such launches, developers have adjusted both price points and unit sizes to be more attractive and affordable to buyers.

IT SHOULD BE NOTED THAT DEVELOPERS OF SEVERAL PROJECTS HAVE SET ASKING PRICES LOWER THAN THEIR RESPECTIVE SECONDARY PRICES IN THE MARKET. THIS IN THE PAST WAS NOT A COMMON PRACTICE.

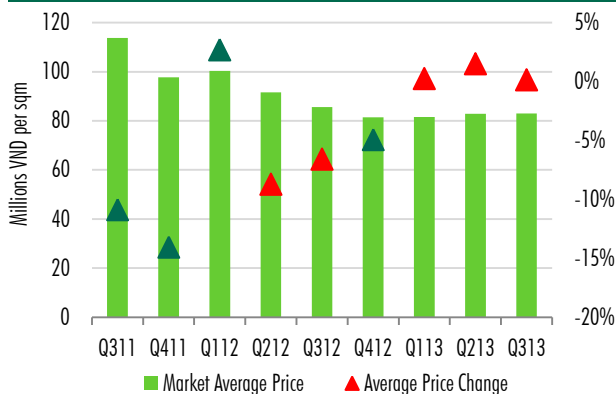
Stabilization of secondary asking prices

Secondary asking prices started stabilizing in several districts after many quarters of decline. In certain districts, asking prices either remained unchanged or saw an increase of 3%-5% q-o-q. Y-o-Y prices lowered by about 10%-15% across all projects.

More M&A activities expected

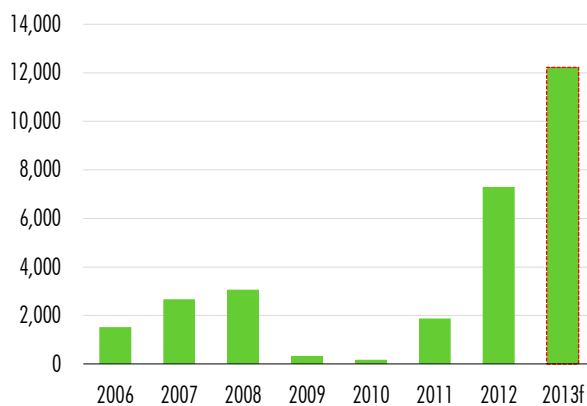
Notable M&A transaction in the review quarter is the acquisition of the 8-ha Alaska Garden City project in Tu Liem district by FLC for VND300 billion. M&A activities are expected to continue in the future.

Chart 6: Villa Secondary Prices (Mil VND/sm)



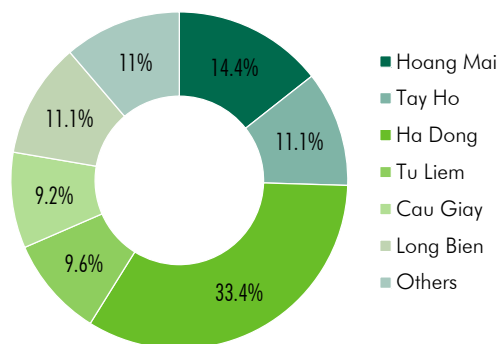
Source: CBRE

Chart 7: Historical and Exp. Completion (Units)



Source: CBRE

Chart 8: Existing supply by district Q3/2013



Source: CBRE

HANOI OFFICE

QUALITY UPGRADE AND SPACE CONSOLIDATION DROVE TENANT MOVEMENT DECISIONS

Chart 9: Office Supply (sq m NLA)

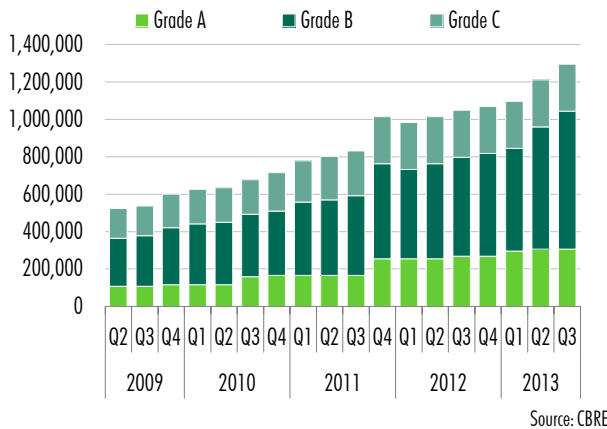
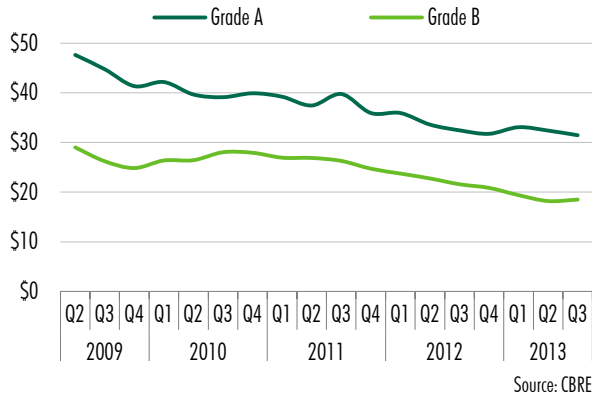
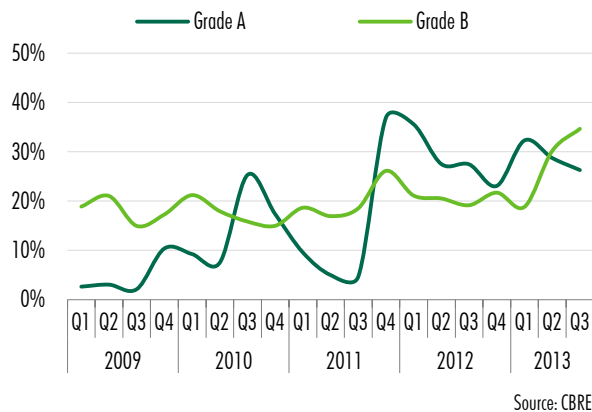


Chart 10: Office Asking Rents (US\$ per sq m)



Rents quoted on NLA, incl service charges and excl VAT

Chart 11: Office Vacancy by Grade



Grade A vs. Grade B: a sharp contrast

Four Grade B buildings were completed in the review quarter, supplying approximately 90,000 sqm.

Market performance varied between Grade A and Grade B. Grade A average asking rents recorded a slight decrease of 2.8% q-o-q, while Grade B slightly improved by 1.5% q-o-q. However, Grade A had a better performance on an annual basis, where it observed a 3% reduction y-o-y. Grade B, on the other hand, recorded a fall of 14% over the same period. Average rents stood at US\$31.5 per sq m per month for Grade A buildings, and US\$18.5 per sq m per month for Grade B.

Given a stable supply of office space, more attractive rental rates helped reduce Grade A vacancy to 26% from 28% of the previous quarter. Grade B buildings, however, saw vacancy increase to 34.7%, 4.5 percentage points higher than the previous quarter, as a result of the four new Grade B buildings entering the market.

THE DECENTRALIZING TREND CONTINUED, DUE TO A LACK OF LARGE FLOOR PLATES AND HIGHER ASKING RENTS IN THE CBD.

What attracts tenants?

Major occupiers moved to new buildings as this has been an opportunity to upgrade the quality of their office and consolidate their office space at lower rents. Before making their decisions, tenants consider key factors including rental rates, location of the building, lease terms and incentives, quality of management and flexibility of the landlord. Price competition is currently the most widely used strategy to attract tenants. In addition to that, certain landlords have offered attractive promotions and incentives, while at the same time improving the quality of services and supporting facilities, to win over tenants. Safety conditions have also received increasing attention from both foreign and local occupiers.

Pressure to continue, but some will be safe!

Approximately 95,000 sqm of office space is expected to come online in the final quarter of 2013, 71% of which is in the West. This will put downward pressures on rents in this area, especially Grade B office space. Despite the forthcoming supply, asking rents in mature buildings with professional property management services are expected to maintain competitive as high quality and good location office space will continue to be in demand.

HANOI RETAIL

THE GRAND OPENING OF THE LARGEST UNDERGROUND MEGA MALL IN ASIA – ROYAL CITY

The official opening of Vincom Mega Mall – Royal City (VMMRC) is the highlight of Hanoi’s retail market in Q3/2013. The development of 230,000 sqm (GFA) not only dramatically boosted retail stock in Hanoi, but also introduced a new concept of entertainment and shopping to the city. On the other side, Mipec shopping center was closed to re-open later as a Lotte Mart in Q1/2014.

Decline in average rent of CBD yet improvement for rents of non-CBD

The average market rent was US\$46 per sqm per month, dropping 8.2% q-o-q. Reduction was driven by average rental decline in CBD, since average rents in non-CBD areas actually recorded an increase. Average rents for ground floors in shopping centres decreased 2% to US\$89 per sqm per month in the CBD, while increasing 23.7% to US\$38 per sqm per month in non-CBD area.

The overall occupancy in Hanoi’s retail developments in Q3/2013 was 88%, increasing 3 pp q-o-q and 2 pp y-o-y. Looking more closely at each retail format, occupancy in shopping centres increased 4 pp q-o-q to 89% due to Royal City achieving 90% occupancy during the quarter. Department stores witnessed a sharp decline in occupancy, down 2 pp q-o-q and 18 pp y-o-y to 77%. Retail podiums no longer enjoyed 100% occupancy as in previous quarters, due to many tenants relocating, ending the quarter at 90%.

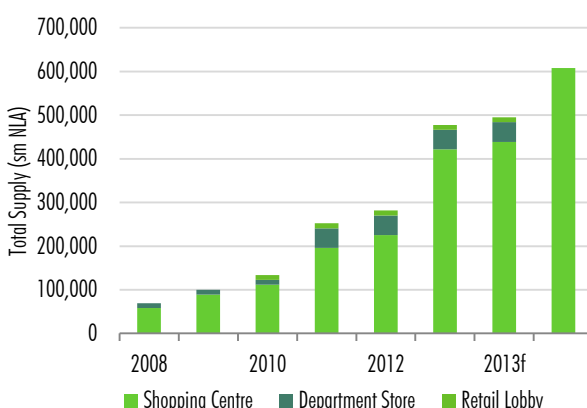
INTERNATIONAL RETAILERS CONTINUE TO EYE VIETNAM AS SUPPLY INCREASES

During Q3/2013, Vietnam’s retail market reported expansion plans of international retailers. French Auchan, one of the world’s largest hypermarket chains, is considering channelling US\$500 million into Vietnam in the next 10 years. In July, the world leading fast-food group McDonald’s announced to select a franchise partner in Vietnam and expects to open its first store in Vietnam in early 2014. These moves indicate international retailers’ confidence in Vietnam’s retail market and also suggest further developments in this potential market.

Good news for local retailers was that Saigon Co.op was listed among top 500 Asian retailers. Its second outlet in Hanoi will open by the end of 2013, supplying 10,000 sm. Saigon Co.op and Singaporean retailer Fairprice have got approval for a commercial joint-venture, and will open two supermarkets named Co.opXtra and Co.opXtraPlus in 2014.

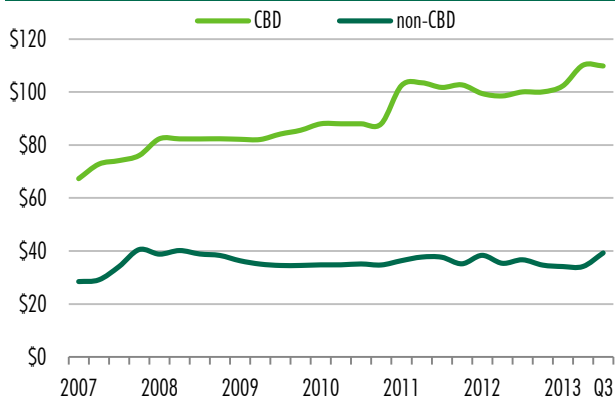
After the launch of VMMRC, Vingroup is expected to reinforce its leading position in Hanoi’s retail market by introducing phase 1 of another large-scale underground shopping center, VMM – Times City. This project with 80 restaurants – 12,200 sqm, Vinpearl Aquarium – 4,000 sqm, Vinpearl Games – 2,000 sqm, Platinum Cineplex – 5,400 sqm, will create another combined shopping, lifestyle and recreation center.

Chart 12: Retail Supply



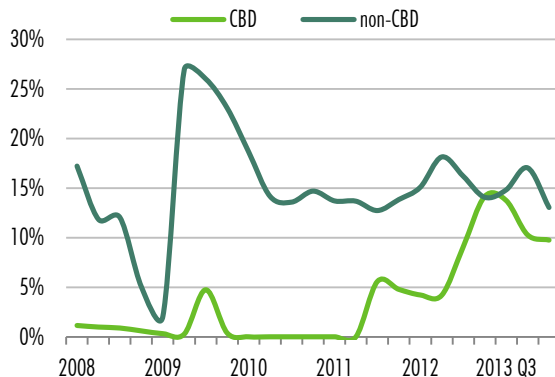
Source: CBRE

Chart 13: Retail Ground Floor Rents



Source: CBRE

Chart 14: Retail Vacancy



Source: CBRE

HANOI SERVICED APARTMENT

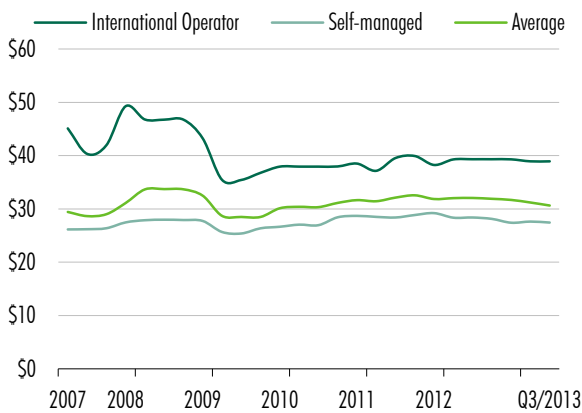
STRENGTHENING OF THE SELF-MANAGED GROUP AGAINST INTERNATIONAL OPERATORS

Chart 15: Serviced Apartment Supply



Source: CBRE

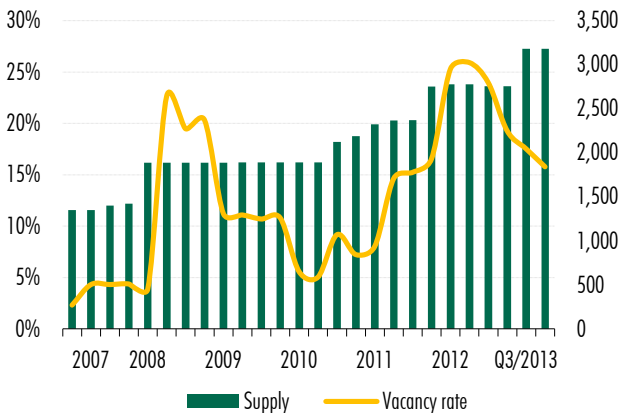
Chart 16: Asking Rents (US\$/sqm/month)



Source: CBRE

Rents quoted on NLA, including service charges and VAT

Chart 17: History vacancy and supply



Source: CBRE

Improved occupancy at the expense of lower rents

Performance in the review quarter was more in favour of self-managed group than international operators. Overall vacancy increased 1.9 ppt q-o-q to 17.6%. Such an increase was driven by the international operator group, which reported a vacancy increase of 3.7 ppt to 12.6%, while self-managed group occupancy improved by 1.6 ppt q-o-q.

Regarding asking rents, self-managed group were down by 0.7% q-o-q, or 3.4% y-o-y, while international operator group decreased 2.9% q-o-q, or a 3.9% fall y-o-y. Asking rents market-wide dropped by 2.9% q-o-q, or 5.5% y-o-y.

DEMAND IS STILL STABLE IN TERMS OF NUMBER OF INQUIRIES BUT TENANTS' BUDGETS HAVE DECLINED BY APPROXIMATELY 10% Q-O-Q.

The strengthening of the Western submarket

Serviced apartments in the West continue to be in high demand, especially for units in the range of US\$1,000-\$2,000 due to the emergence of the office hub along Pham Hung Corridor, the strengthening of the Japanese and Korean communities in this area, and competitive rents. Strong inquiries have been generated from Japanese and Korean clients. The upcoming Samsung's factory in Thai Nguyen is also expected to generate increased demand for serviced apartment in Hanoi and on the edge of the city.

Pressures from new supply, and more!

Rents are expected to be more competitive due to companies' tightened budget policy. In terms of location, Tay Ho area will face pressures to reduce rents as more supply comes on line, particularly when Lotte Center Hanoi will open in Q2/2014. Projects in the CBD still face competition from new projects in the West.

Trend has emerged where unsold condominiums or part of hotels are converted into serviced apartments and other serviced apartment projects are considering expansion possibilities, especially those in Tay Ho area. The buy-to-let trend will also continue to persist but this cannot compete with specialized serviced apartments in terms of service quality and the range of available amenities.

HANOI HOTEL

A CHALLENGING YEAR FOR HOSPITALITY AS KEY INDICATORS ON A DOWNWARD TREND

Total supply reduced

Q3/2013, Dai Duong Hotel (3-star) was closed, taking out 50 rooms from total supply. By the end of Q3/2013, accumulated stock stood at approximately 8,800 rooms, mostly located in Hoan Kiem and Ba Dinh districts.

Number of tourist arrivals still on the rise

First 9 months of 2013, international arrivals to Hanoi reached 1.36 million, increasing 20% y-o-y. The number of domestic visitors rose by 11.3% y-o-y. This has to some extent helped ease the pressure to filled rooms considering the ongoing economic recession and tightened spending by travellers and businesses.

Improved RevPAR thanks to higher occupancy

Occupancy market-wide was approximately 57%, which was unchanged q-o-q but improved y-o-y by 4.1%. All 3 sectors witnessed improvements in occupancy y-o-y, with 3-star sector recording the highest increase of 5.6 ppt, followed by 5-star 3.6 ppt, and then 4-star 3.2 ppt. Meanwhile, ADR for the whole market was approximately US\$72.5/room/night, declining 0.8% q-o-q and 1.6% y-o-y.

IN SPITE OF LOWER ADR, IMPROVED OCCUPANCY HELPED BOOST REVPAR UP BY 6% Y-O-Y.

The average RevPar in Q3/2013 was US\$41.4/room/night, a slight decrease of 0.8% q-o-q.

A challenging year ahead for the hospitality industry

The last 3 months of 2013 expects its total supply to increase to 9,840 rooms, up 13.5% y-o-y. The most significant project to enter Hanoi's market includes JW Marriot (450 rooms). Meanwhile, several hotels have been up for sale as investors are concerned about return prospects.

Chart 18: Historical supply and forecast

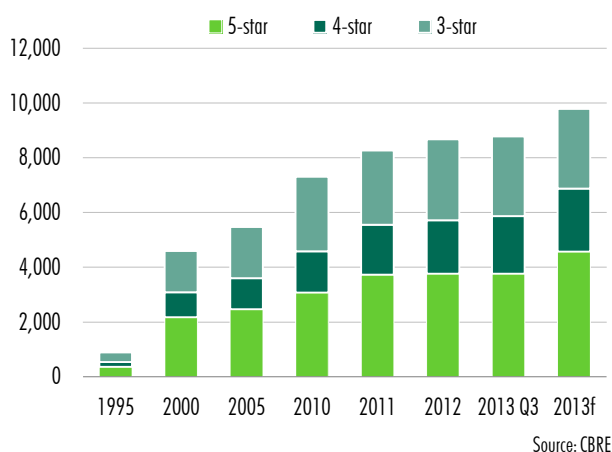


Chart 19: Y-o-Y Changes by Grade (Q3/2013)

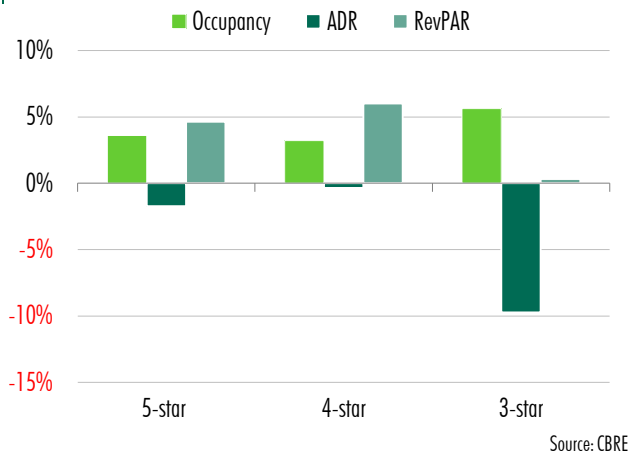
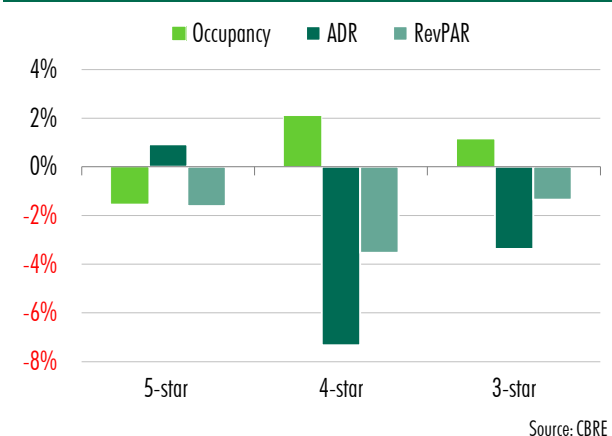


Chart 20: Q-o-Q Changes by Grade (Q3/2013)



Map 1: Hanoi City**CONTACTS**

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