

Market Insights from CBRE

HCMC Quarterly Report

Q1/2013

Presented by:

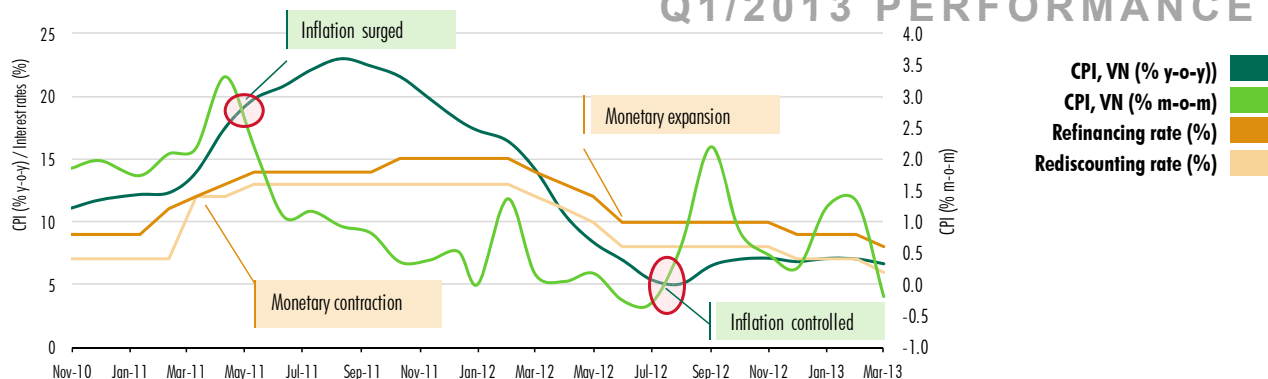
Dung Duong
Senior Manager

CBRE (Vietnam) Co., Ltd.
Thursday, April 4, 2012

CBRE

VIETNAM ECONOMY

Q1/2013 PERFORMANCE



	Q1/2013	Q4/2012 Q-o-Q	Q1/2012 Y-o-y
GDP (% y-o-y)	4.9%	5.4%	4.6%
CPI (% y-o-y, e-o-p)	6.6%	6.8%	13.9%
Exchange rate (e-o-p)	20,828	20,828	20,828
Export (US\$ Bn)	29.7	-3.7%	19.7%
Import (US\$ Bn)	29.2	-4.5%	17.0%
FDI Implemented (US\$ Bn)	2.7	14.4%	7.1%
International Arrivals (million arrivals)	1.0	-9.6%	8.0%
Retail and Services Turnover (trillion dong)	636.1	4.1%	11.7%

VIETNAMESE ECONOMY

More competitive business environment

Decree 02

SBV to provide VND30 trillion loan at 6% interest rate for:

- Governmental employees and people of the armed forces to rent and buy social houses.
- Or rent and buy commercial houses with a small area of less than 70 sm

Decrease in lending rate

Lending rates decreased to 11% - 12%

→ More psychological support, real effect remain to be seen.

Vietnam Central Bank May Ask Banks to Make Home Loans at 6%: Draft Circular

The State Bank of Vietnam (SBV) may direct banks to make loans to homebuyers at 6% per annum, according to a draft circular released Mar 13 by the central bank, the local newswire Gafin.vn reported.

As stipulated in the draft regulation, state-run lenders shall spare at minimum 3% of total credits at the end of the preceding year to lend to civil officers, armed forces, low-income people for home purchase; investors of social housing projects; etc. with appropriate interest rates and terms. The SBV will support VND30 trillion to these banks through refinancing loans.

The central bank asks banks to maintain a fixed interest rate of 6% per annum for such loans until April 15, 2016 (3 years). After that, borrowers will continue to enjoy supporting interest rate policies as announced by the SBV.

Customers seeking to purchase or lease homes can borrow at least 80% of their loan applications while the figure for firms is 70%.

The minimum loan term is 10 years for homebuyers and 5 years for businesses.

The circular, if approved, will take effect from April 15, 2013.



Source: StoxPlus

Source: Stockbiz, FPTs, SJC

	Current	% y-o-y
VN-Index	505.9	12.5%
Real Estate Holding & Development - listed stocks	46.2	4.3%
Real Estate Services - listed stocks	24.1	-5.1%
Gold price (VND mil per tael)	43.6	-0.5%

VIETNAMESE ECONOMY

Interest rates are finally at levels which encourage people to move money out of deposits.

Cut main policy rates by 100bp

- Refinancing rate: lowered to 8% from 9%
- Discount rate: to 6% from 7%
- Cap on VND deposit interest rate: cut to 7.5% from 8%

Gradual recovery in domestic demand

- Better credit conditions
- Robust FDI inflow (129% y-o-y)
- Improved income from rising exports (19.7% y-o-y)



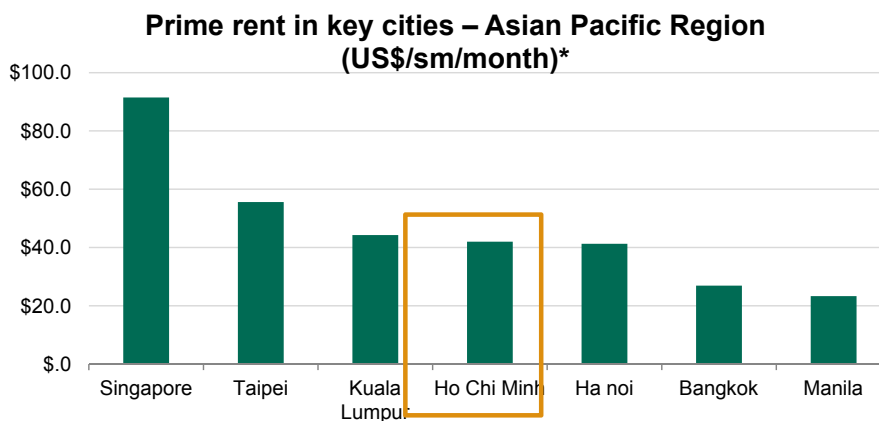
- ◆ Non performing loans:
 - NPL ratio: decreased from 8.6% (by end of 2012) to 6% (Feb 2013) of outstanding loans as the latest public number from SBV

- ◆ The government will establish an Vietnam Asset Management Company (VAMC) in April 2013
 - Initial capital: USD 4.78 billion
 - Target to resolve NPL (less than 3%) by VAMC bond

=> NPL's have finally been acknowledged with the AMC – they remain a long way from being resolved acknowledgement is a step in the right direction.

HCMC OFFICE MARKET

HCMC BECOMES REGIONALLY COMPETITIVE AGAIN



*Prime Rent represents the top open market rent that is achievable
 *Rents are quoted on NLA basic.



Budget constraints remain a consideration for clients, but rental levels are now attractive

- ◆ Rent of prime offices in HCMC is becoming comparable with regional neighbours-> the city is therefore more attractive in terms of cost and pricing for foreign companies.
- ◆ Demand is spread across the Grade A and B market as there has been a range of space available which can suit differing budgets.

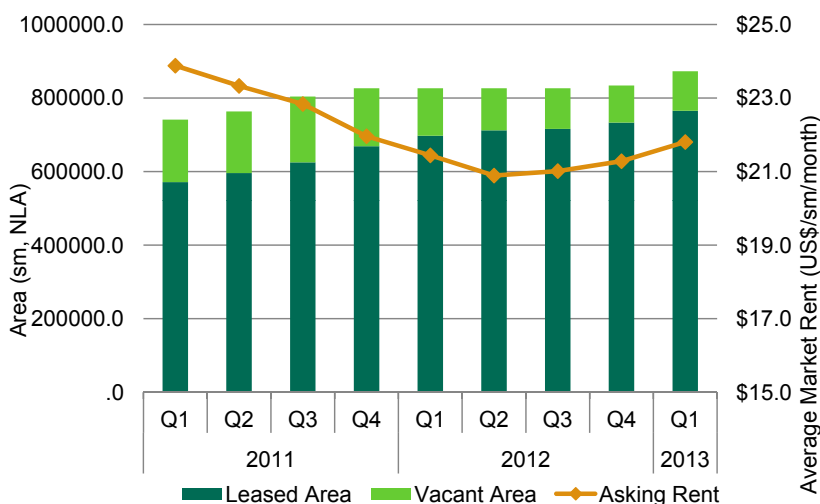
HCMC OFFICE MARKET

RENTS PASS THE BOTTOM

The market wide rental increased by 2.5% q-o-q, ending the quarter at US\$21.8psm/pm.

The vacancy rate of Grade A properties continued to decrease as new properties leased space. The vacancy space in the Grade B market increased slightly owing to new supply but this did not create downwards pressure on rentals.

HCMC Office Market Performance – Grade A & B



HCMC OFFICE MARKET

STRONG TAKE-UP

- ◆ **STRONG** take up in both Grade A and Grade B segment, especially in new buildings.
- ◆ Demand mainly derived from existing tenants who want to **UPGRADE** or **EXPAND**.
- ◆ Deal size **INCREASED** during the quarter with a notable number of deals being completed that were larger than 1,000sm. A trend of **CONSOLIDATION** was witnessed as existing occupiers took the opportunity to recognise cost efficiencies through re-aligning their space requirements to single buildings as oppose to multiple locations.
- ◆ Demand comes from a range of tenant groups including legal, pharmaceutical, oil & gas, garment companies and sourcing groups.

(Q1/2013)
31,873 sm



17,133 sm
(Q4/2012)

HCMC OFFICE MARKET

Q1 MAJOR EVENTS – NEW LAUNCH



January 2013 – Express Tower officially came online, providing 26,049 sm GFA Grade B office market



January 2013 – President Place, the first LEED office building was launched officially. The building is already over 50% occupied.



January 2013 – Pico Saigon Plaza in a complex project in Tan Binh was put into operation, brought to the market 11,400 sm GFA.

HCMC OFFICE MARKET

OUTLOOK

- ➔ Given tightening supply and existing demand, the market wide average asking rent is expected to be stable or increase marginally through 2013.
- ➔ Even though vacancy rate in Grade B segment increased slightly during Q1/2013, the space available will be absorbed going forward and will create minimal, if any, downwards pressure on rentals.

FUTURE SUPPLY

- ◆ Saigon Airport Plaza – Tan Binh District
- ◆ Grade B
- ◆ Area: 11,000 sm NLA



- ◆ Times Square– D1
- ◆ Grade A
- ◆ Area: 12,704 sm NLA



- ◆ Lim Tower– D1
- ◆ Grade A
- ◆ Area: 22,000 sm NLA



- ◆ Le Meridien – D1
- ◆ Grade A
- ◆ Area: 9,125 sm NLA



HCMC RESIDENTIAL MARKET

NEW LAUNCHES – HIGH END



- Project: Happy Valley
- Developer: Phu My Hung
- Location: Phu My Hung NUA
- Total unit: 541
- Launch: March 2013
- Unit launched: 163



- Project: The Prince Residence
- Developer: Novaland
- Location: Phu Nhuan District
- Total unit: 277
- Launch: March 2013
- Unit launched: 277

HCMC RESIDENTIAL MARKET

NEW LAUNCHES - AFFORDABLE



- Project: SREC 2
- Developer: Saigon Corp. + Hung Thinh
- Location: District 2
- Total unit: 104
- Launch: Q1 2013
- Unit launched: 104



- Project: Nhat Lan 3
- Developer: BCCI
- Location: Binh Tan District
- Total unit: 240
- Launch: January 2013
- Unit launched: 240

HCMC RESIDENTIAL MARKET

NEW LAUNCHES

- ◆ More new launches: 4 projects in Q1/2013 vs 3 in Q4 2012;
- ◆ More new units: up by 21.0% y-o-y; but down 11.9% q-o-q to 784 units owing to smaller scale of the project.
- ➔ Developer's positive view about the market;
- ➔ Lunar New Year had certain positive impacts;

TRANSACTIONS

Project	Total unit launched	Sold rate
Happy Valley (P1)	163 (total 541)	80%
The Prince Residence	277	7.2% (38.6% committed)
Metro Apartment (SCREC 2)	104	85%
Nhat Lan 3	240	72%

Source: CBRE

- ◆ Reasonable transaction levels at newly-launched projects thanks to competitive pricing;
- ◆ Transactions also witnessed at existing projects which have good location, significant construction progress and attractive payment schedules: Sunrise City, City Garden, Thao Dien Pearl;
- ◆ Affordable segment: continued to see stable demand;

HCMC RESIDENTIAL MARKET

PRICES

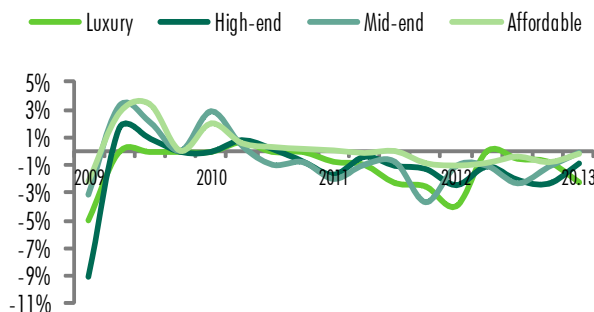
◆ Primary market:

- ◆ Newly launched developments: launch prices more realistic and competitive:
 - High-end apartments in Phu My Hung NUA: from **US\$1,300 psm (bare unit)**;
 - Affordable apartments: price close to US\$600 psm;
 - Low management fee (Phu My Hung case): VND6,000-VND12,000 psm / month including parking;

◆ Secondary market:

- ◆ Luxury : ↓ 2.2% q-o-q; ↓ 8.9% y-o-y
- ◆ High-end: ↓ 0.8% q-o-q; ↓ 5.3% y-o-y
- ◆ Mid-end: ↓ 0.1% q-o-q; ↓ 7.1% y-o-y
- ◆ Affordable stayed flat throughout the year.

Secondary price changes (q-o-q change)



Source: CBRE

2013 FORECAST

Challenges remain, investments opportunities exist.

Finance continues to be developers major challenge;

The effects of the solutions for saving real estate i.e. the VND30 trillion credit package not to be seen until Q3 2013 at the earliest;

There would have no room for further price reductions in the primary market but flexible payment terms, gift, some discounts expected to continue;

Hand-over condition: shift from semi-finished to bare unit.

PROJECTS TO BE LAUNCHED

- ◆ Happy Valley – P2
- ◆ District 7
- ◆ 143 high-end units



- ◆ Delta River Tower
- ◆ District 1
- ◆ 182 luxury units



- ◆ SSG Tower
- ◆ Binh Thanh District
- ◆ 78 high-end units

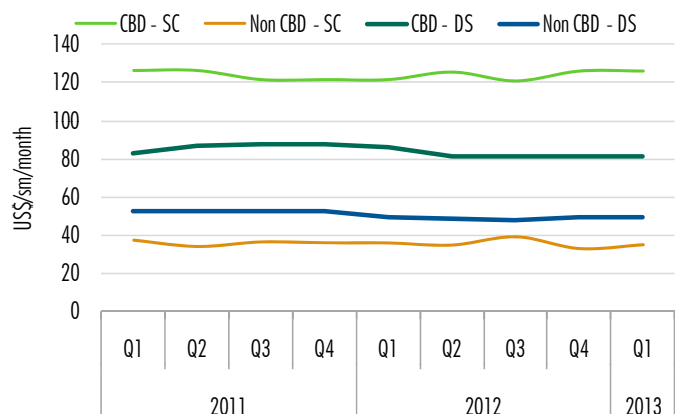


HCMC RETAIL

Q1 2013 HIGHLIGHTS

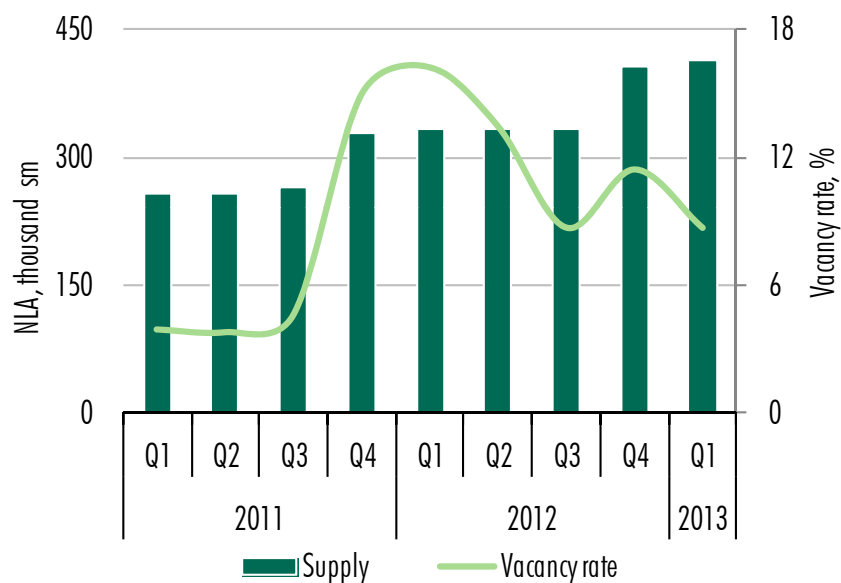
- Shopping centres with high rental rate start to suffer from tenant turnover in short term => **PRICING** is key factor.
- CBD rents stayed stable for both shopping centre and department store during the quarter.
- In non-CBD, shopping centre's rent increased 6.2% q-o-q owing to the introduction of Pico Plaza while department store rent stayed unchanged.

Q1/2013 (q-o-q)	Shopping centre	Department store
Rent – CBD	↔	↔
Rent – Non CBD	↑	↔
Vacancy	↓	↔



In spite of the increased supply and a downward trend in vacancy, it may take a while for new projects to prove their long term success.

HCMC Retail Market



* All rents are quoted on NLA, exclusive of VAT and service charges

Source: CBRE

HCMC RETAIL

REVISED CONCEPT TO BE MORE COMPETITIVE

- Saigon Square, 'bazaar' concept proving to be a preferable alternative for weakly-performing shopping centre. (Saigon Superbowl, Thuan Kieu Plaza)
- Shopping centres that failed to attract tenants are changing their design and unit size to meet demand (Crescent Mall)
- Zen Plaza will reserve more spaces for F&B.



PICO PLAZA – TAN BINH



LOTTE CINEMA

**CALIFORNIA
FITNESS & YOGA**



Pico Electronics Supermarket



- Open: 10 January 2013
- Retail GFA: 18,000 sm
- Number of floor: 5

BITEXCO FINANCIAL TOWER

Icon 68 Shopping Centre



**TOPSHOP
TOPMAN**



MANGO

FRENCH CONNECTION

promod

**CHARLES & KEITH
FOOTWEAR AND ACCESSORIES**

- Re-launch: 28 January 2013
- Retail GFA: 12,000 sm
- Number of floor: 5



- Cantavil Premier - Parkson and Lotte Cinema
- Fitting out
- Expected open: Q4/2013
- Retail GFA: 24,000 sm
- Number of floor: 6



- Times Square
- Leasing
- Expected open: Q3/2013
- Retail GFA: 3,200 sm
- Number of floor: 2



- Saigon Airport Plaza – Tan Binh
- Leasing
- Expected open: September 2013
- Retail GFA: 3,700 sm
- Number of floor: 2



- Thao Dien Pearl – D2
- Leasing
- Expected open: Q4/2013
- Retail GFA: 20,400 sm
- Number of floor: 3

- ◆ Future supply in 2013 includes :
- 4 projects with nearly 22,500 sm
 - 1 department store
 - 3 retail arcade/podium

HCMC SERVICED APARTMENTS

Q1 REVIEW

◆ NEW SUPPLY – 2 international branded projects:



Somerset Vista Ho Chi Minh City, District 2, 100 units
(20 of which are ready for move in)

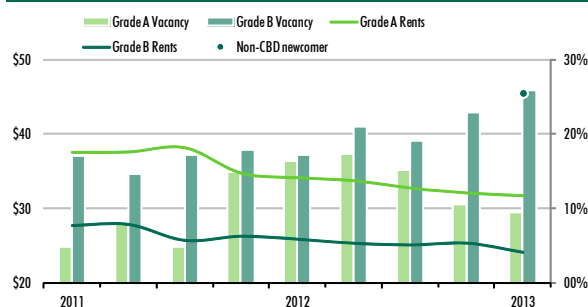


Capri Hotel Residence, District 7, 175 units



March 2013, Buy-to-let – Five fully-furnished Sky Villas of 4 bedrooms are ready for lease at Imperia An Phu, District 2

Historical Market Performance, HCMC



Source: CBRE

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◆ RENTS:

- Grade A rent saw a minor decrease of 1.2% q-o-q as 8/9 projects adjusted their quoting rents downwards in Q1. Grade A rentals have witnessed a drop of 16.8% from their recent peak.
- Grade B average rentals decreased by 4.5% q-o-q.

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HCMC SERVICED APARTMENTS

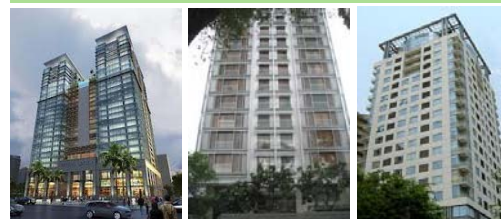
COMPETITION FROM BUY-TO-LET



- ◆ **BIGGEST & FIERCEST COMPETITOR:**
 - ◆ Good quality accommodation
 - ◆ At cheaper and very flexible rents
- ◆ Individually owned, so landlord is flexible on leasing terms and conditions

◆ FAVOURABLE BUY-TO-LET OPTIONS:

CBD projects – CEO/Management level tenants



Vincorm Center B

Avalon

The Lancaster

Non-CBD projects – Newer options with good performance



The Vista

The Estella

Imperia An Phu

Non-CBD projects – Top favourite with frequent unavailability



Xi Riverview Palace

City Garden

Saigon Pearl

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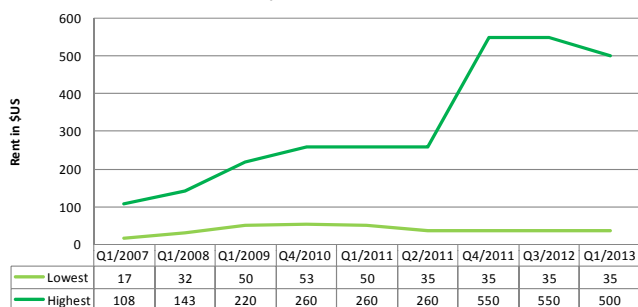
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INDUSTRIAL & LOGISTICS

Q1/2013 MARKET OVERVIEW

SKER - Historical Land Rates

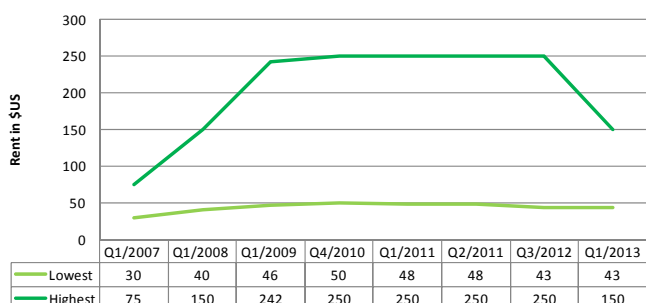
Key Industrial Parks



- Government to halt the opening of new economic zones and industrial parks and close down empty industrial parks across the country.

NKER - Land Rental

Key Industrial Parks



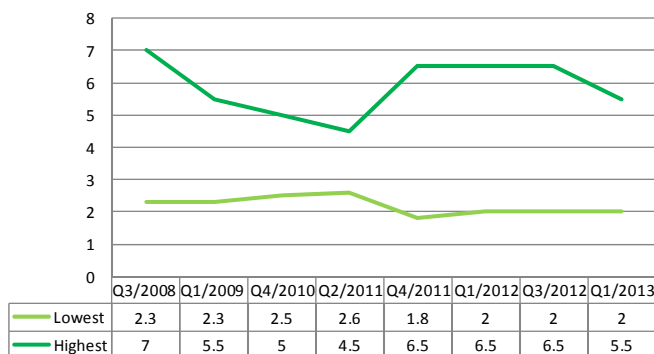
- 2012 has seen inefficient FDI projects axed.
- Foreign companies not financially viable / not proceeding on projects have investment certificates withdrawn.

INDUSTRIAL & LOGISTICS

Q1/2013 MARKET OVERVIEW

SKER - RBF Historical Rates

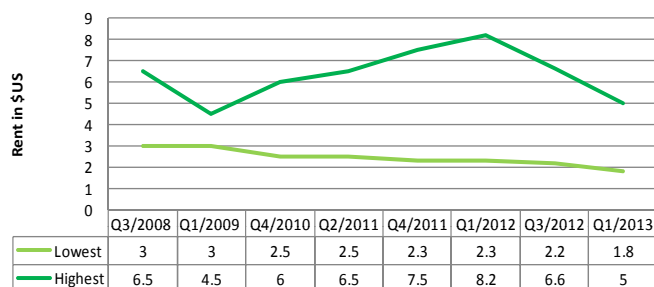
Key Industrial Parks (\$US / sqm / month)



- The declining demand from both local and FDI business have forced developers at less desirable locations to drop their rent significantly to attract more interest while average land rental rates in key industrial parks and locations remain steady or slightly down compared with 2012.

NKER - RBF Historical Rates

Ready Built Factory / Warehouse rental range



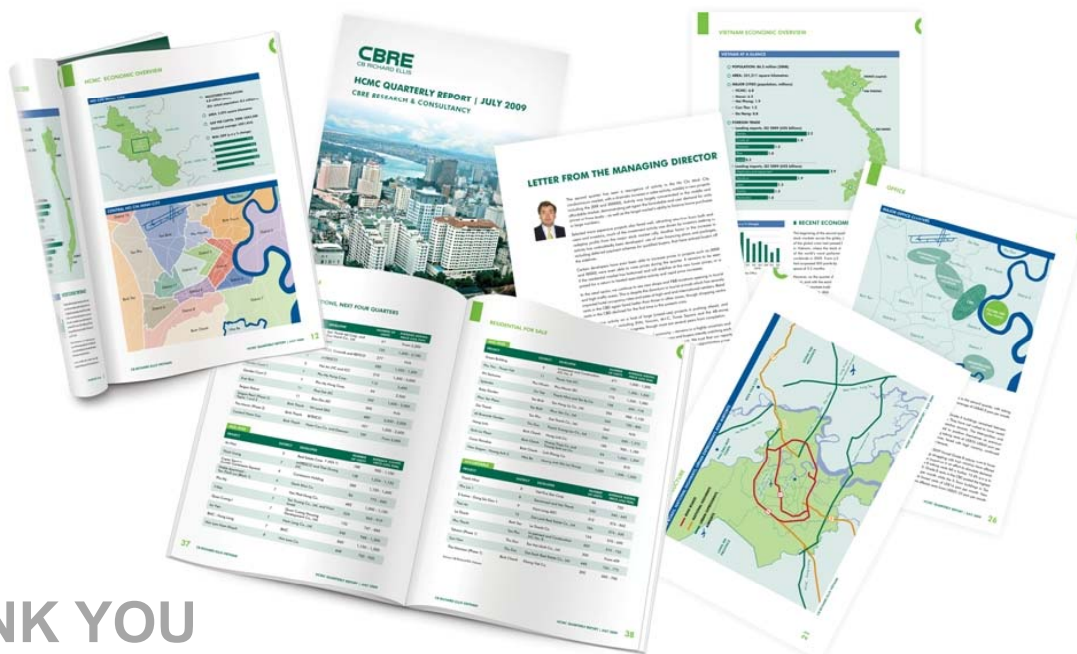


- ◆ Expansion from existing established projects continue to drive FDI in Q1/2013
 - Panasonic expanded to Binh Duong out of Hanoi'
 - Sanofi Aventis expanded to SHTP out of D4 / Thu Duc
 - Samsung started construction of the 2nd campus in Thai Nguyen out of its existing campus in Bac Ninh.
- ◆ First tier cities such as HCMC, Hanoi and Da Nang capture the lion share of the emerging industries including R&D, labs, software development and Business Process Outsourcing.
- ◆ Third tier provinces such as Long An (South Vietnam) and Bac Giang, Hung Yen (North Vietnam) or Quang Nam (Central Vietnam) continue to attract traditional sectors like garment, footwear, furniture thanks to their more relaxed industry restriction and inexpensive resources (land & labour).
- ◆ Logistics operators are in expansion mode to meet rising demand from FMCG & F&B

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