Ho Chi Minh City
MarketView

Q4 2012 | CBRE Global Research and Consulting

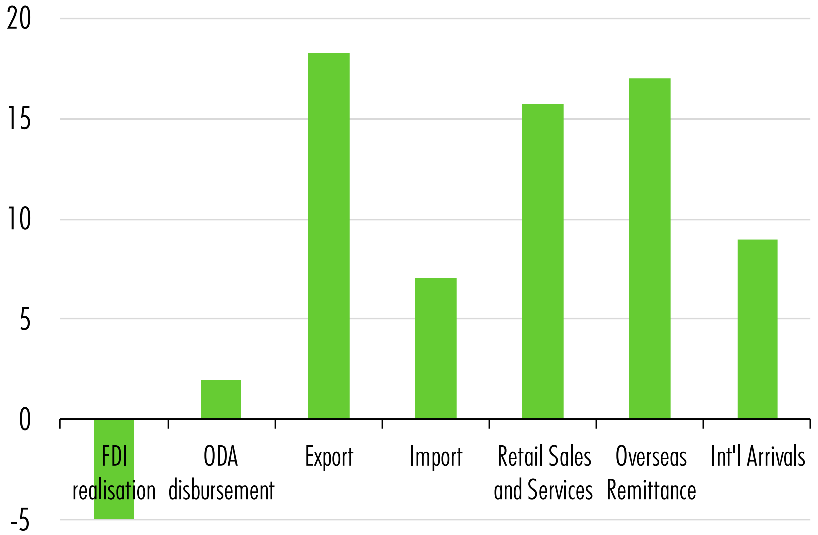
VN 12M GDP	5.0%
HCMC 12M GDP	9.2%
HANOI 12M GDP	8.1%
VN PMI	49.3 e-o-p
VN RETAIL AND SERVICES TURNOVER	16% y-o-y

INFLATION CONTROL OPENS THE DOOR FOR MONETARY EASING – SUPPORTING GROWTH HEADING TO 2013

Quick stats

VIETNAM	2012	Y-o-Y
Real GDP Growth	5.0%	↓
Implemented FDI	$10.5 Bil	↓
Exports	$114.6 Bil	↑
Imports	$114.3 Bil	↑
CPI (e.o.p)	6.8%	↓
Tourism (arrivals)	6.6 Mil	↑
Base Rate	9%	↔
Exchange Rate (e-o-p)	20,828	↔
HCMC	**2012**	**Y-o-Y**
Real GDP Growth	9.2%)	↓
CPI (e.o.p)	4.0%	↓
Registered FDI	$1.3 Bil	↓
Exports	$30.0Bil	↑
Imports	$26.1 Bil	↓
Retails and Services Turnover	VND 539.7 Tril	↑
Tourism (arrivals)	3.8 Mil	↑
Hanoi	**2012**	**Y-o-Y**
Real GDP Growth	8.1%	↓
CPI (e.o.p)	6.3%	↓
Registered FDI	$985 Mil	↓
Exports	$10.3 Bil	↑
Imports	$24.6 Bil	↓
Tourism (arrivals)	1.6 Mil	↑

Chart 1: Vietnam Economic Indicators (% growth y-o-y)



Source: General Statistics Office

Some good news

2012 ended with CPI at 6.8% y-o-y, better than target of 8%, thanks to the Government's efforts in keeping price pressure down, which in turn opens the door for further monetary easing in 2013. Rediscounting and refinancing rate have been cut 1% in the final weeks of the year while the base rate unchanged. The motion is leading to a decrease in deposit interest rate cap by 1% to 8% in an attempt to lower lending costs by reducing banks' financing costs.

Owning to low imports, Vietnam witnessed the first trade surplus in the last 20 years, which was USD284 million.

2012 Concerns

GDP growth reached only 5.03%, lower than the revised target of 5.5%. In the midst of sluggish economy, FDI disbursement unavoidably dropped by 5% y-o-y. It shows the first sign of losing Vietnam's competitiveness, which is more a concern.

Bad debts reached VND250 trillion, equal to 8.8 % of total debt. Resolving bad debts together with prioritising sustainability over rapid growth are challenges for 2013.

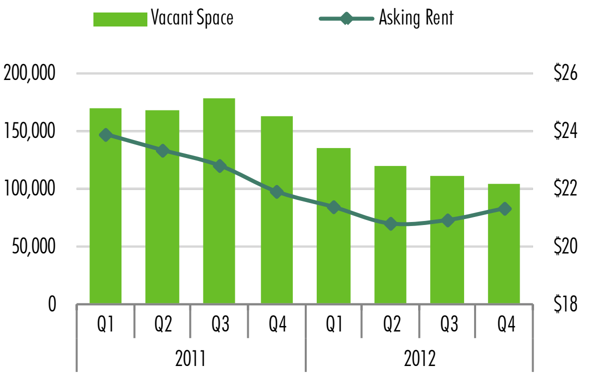
VNIndex moved out of the downward trend in December as investors regained confidence on risky assets due to recent releases of CPI, trade balance, interest rates cut and sealed M&A deals between the large local firms and strategic foreign investors.

CBRE

HCMC OFFICE

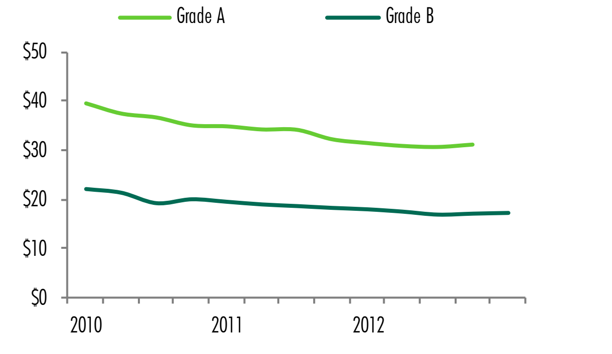
STOCK BEING GRADUALLY ABSORBED PUSHED RENTS UP SLIGHTLY

Chart 2: Office Vacant Space & Asking Rent



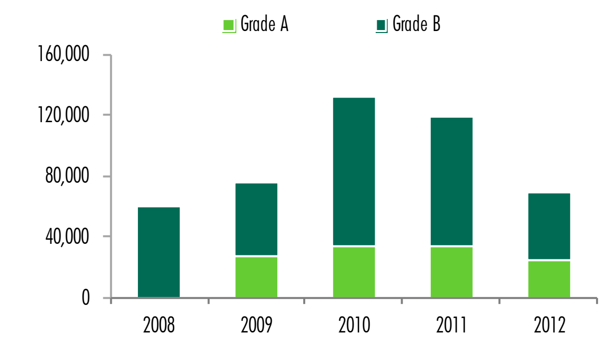
Source: CBRE

Chart 3: Office Average Asking Rent



Source: CBRE

Chart 4: Office Net Absorption (sm)



Source: CBRE

Rent increased softly in both Grade A & Grade B segments

The market continued to show the signs of bottoming as expected in the previous quarter. On average, the asking rent across both Grade A and Grade B increased 1.5%.

Mature Grade A buildings held firm rents while younger properties started to increase their asking rent as their vacant space becoming limited.

Grade B asking rent continued moving on an upwards trend in Q4, however at a slower pace (by 0.8% q-o-q, much lower than the recorded number of 1.4% q-o-q in Q3), due to new supply in the review quarter.

AS STOCK HAS BEEN ABSORBED GRADUALLY, AVERAGE ASKING RENTS IN BOTH GRADE A AND B MARKETS INCREASED SLIGHTLY. THE MARKET-WIDE ASKING RENT ROSE TO US$21.2 PSM PER MONTH, AN INCREASE OF 1.5% Q-O-Q.

Demand came from new entrants, company expansion and relocation

Pharmaceutical, legal, and oils & gas still enjoyed wealthy budget and played a major role in driving demand for new office spaces.

A notable trend of consolidating offices from has been noted in recent quarters. This has obvious efficiencies .

New supply gradually come online – market maintain stable

Source of new supply in Q4/2012 and Q1/2013 come from delayed projects (Empress Tower, Times Square and President Place) rather than from projects originally intended to be released at this time.

Office stock continues to be absorbed gradually, both options and availabilities for tenants become limited. Upon these factors, the market has been stable during Q4 and it is expected that the same pattern will occur in Q1/2013.

At press time, although no grand opening ceremonies have been held for Empress Tower, Times Square and President Place, these building have been lease out and part of their space have been committed.

Saigon Airport Plaza, Lim Tower and Le Meridien are other notable buildings expected to come the market in early 2013.

CBRE

HCMC RETAIL
RENTAL GAP BETWEEN CBD AND NON-CBD INCREASED.

Q4 new supply

New supply in Q4/2012 came from Vincom Center A (District 1) and Pandora City (Tan Phu District), providing a total of 78,000 sm GFA to the market. Taking advantage of its prime location, Vincom Center A has asking rents on the ground and first floor quoting 10% higher than the average of CBD shopping centres, leading to an increase of 2.6% q-o-q in CBD shopping centre rental rates. It remains to be seen whether this rent is sustainable.

Pandora City has achieved a notable success with 80% committed occupancy at opening, as it is the only shopping centre in Tan Phu District, and has successfully incorporated large anchor tenants such as Big C, Payless, Megastar, Nguyen Kim Electronics Supermarket.

CBD SHOPPING CENTRE'S AVERAGE ASKING RENTS INCREASED DUE TO THE OPENING OF VINCOM CENTER A.

Demand from branded retailers

Demand was seen from high-end retailers with flagship store opening in Vincom Center A, including Hugo Boss, Hermes, Ermenegildo Zegna, Ralph Lauren, Christian Dior.

Net absorption was four times larger than that in Q3/2012.

F&B, daily necessities, FMCG and entertainment are expected continue driving the market in 2013. Expansion of fast food chains is witnessed with Burger King (opening 5 stores nationally as the end of 2012); while Subway has announced the plan to open 10 shops in 2013 and Lotteria and KFC both strive to have 200 shops in the coming years. Mc Donald and 7 - Eleven are seeking franchisees to enter Vietnam in 2013. Starbucks is set to open its first store next month as it continues expanding in Asia.

Retail Vacancy

Despite increasing total supply, vacancy rates in shopping centres have stayed unchanged q-o-q, which is evident to support retail demand with good location and careful project positioning.

Vacancy rate in department stores increased substantially in the review quarter, by 5.5 percentage points q-o-q to 7.5% due to outlying stores struggling to attract tenants.

Opportunities at Non-CBD projects still exist for active players

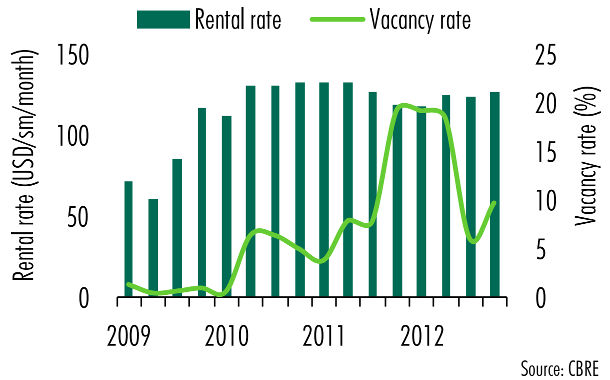
Non-CBD department store's rent increased 2.5% q-o-q thanks to the increase in Parkson Hung Vuong, which has just changed layout and tenant mix in the review quarter. The department store now features new brands including Mango, Mo&Co, DFML, JS. From and the new food court in the sixth floor. CBD department store's rent stayed stable during the quarter.

Table 1: Retail New Entrance/Expansion

Category	New brand entrance	New brand expansion
Retail centre (Department Store, Shopping centre, Supermarket/ Hypermarket)	- Committed to open: Takashimaya; Aeon; NTUC FairPrice; SC Vivo City; Payless	
F&B	Pepper Lunch; Banana Leaf; Starbucks	Burger King; Baskin Robbins; Paris Baguette
Health, Beauty & Fashion	7 for all mankind; Banana Republic; Sisley; Stefanel; Benefit; Topshop; Promod;; Springfield; Bibigo; Oasis; Havaianas	Mango (Mango He, Mango Touch)
Luxury Brands	Hugo Boss; Hermes; Christian Dior; Ermenegildo Zegna	

Source: CBRE

Chart 5: CBD Shopping Centre's Asking Rents



Source: CBRE

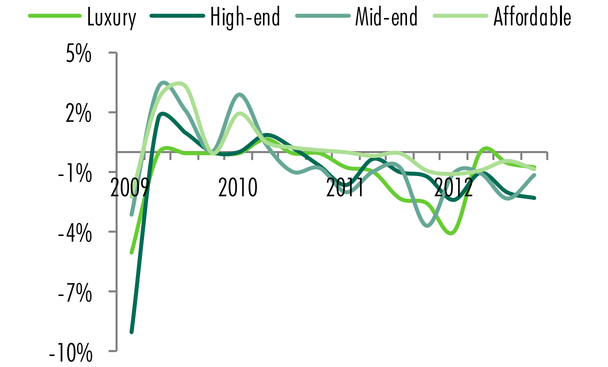
Chart 6: Retail Vacancy

Source: CBRE

HCMC CONDOMINIUM FOR SALE

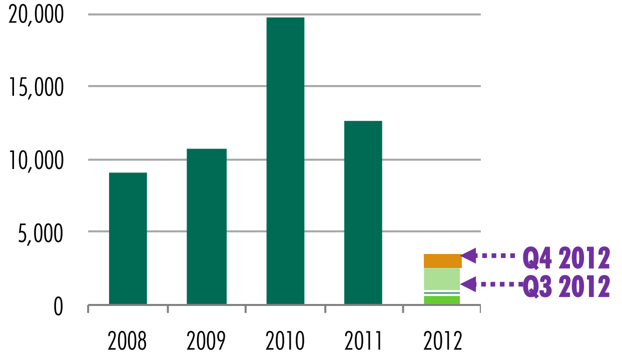
MARKET SENTIMENT REMAINED WEAK, PUTTING PRESSURE ON PRICES

Chart 7: Condominium Asking Price (% q-o-q)



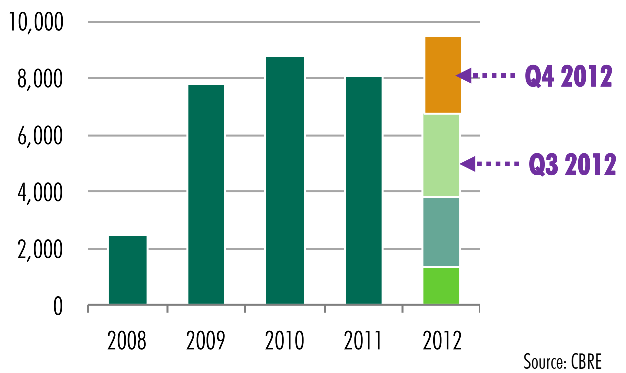
Source: CBRE

Chart 8: Condominium Launch by Year



Source: CBRE

Chart 9: Condominium Completed by Year



Source: CBRE

Prices kept decreasing at stable rates in recent quarters

The market was not surprised with continued decreases in the high-end sector. This sector had the highest decline (2.3% q-o-q and 7.3% y-o-y) among the others. This was mainly due to the low demand driven by the limited financial capacity. It was followed by the mid-end segment (1.2% q-o-q and 5.7% y-o-y).

Unlike the previous quarter, there was no official price cut in Q4 2012. Prices were indirectly reduced through discount on upfront payment, giving vouchers, overseas holidays, gold, interior furniture or lending rate support.

Mixed story in the supply: launches and completions

As with the previous quarter, buyers felt reluctant to buy uncompleted projects. This has pushed developers to complete their developments in attempts to attract buyers. New completion in 2012 increased by 17.2% y-o-y to 9,508 units. However, the number in Q4 2012 showed a decrease of 9.0% q-o-q to 2,718 units, as many developers still faced with the shortage of capital.

Launches in the primary market continued to fall in the review quarter. Q4 2012 recorded the contraction of 18.5% q-o-q to 893 units, resulting in a fall of 72.8% y-o-y for the whole year 2012 (3,441 units). A stagnant market and buyers' weak confidence have discouraged developers to launch new projects. To "refresh" projects already launched, developers have recently nominated trading floors to introduce the flowing launches.

COMPLETIONS INCREASED IN 2012 SHOWING DEVELOPERS' POSITIVE INTENTION TO REVIVE THE MARKET SENTIMENT.

Transactions appear to be broken into two distinct brackets. The top tier was transactions at affordable and mid-end developments where the prices were suitable to buyers' budget. The second group were those in the high-end segment. Most transactions of this tier were concentrated at projects with good location, developed to a high quality and developed by well-known developers.

The nature of these transactions have partly reflected the market's sentiment. Buyers felt doubtful about the project completions given recent failures of developers to delivery. They felt reluctant to spend money on project under construction unless it is developed by prestigious companies. This is particularly true for the high-end segment.

It is expected that there would not have significant turnaround in the residential market in the next six months as it takes time for the market to recover and for the Government's policies to take effective.

CBRE

HCMC LANDED PROPERTY
SAIGON SOUTH CONTINUES TO BE A PREFERRED LOCATION FOR VILLA BUYERS

Table 2: My Phu 3, District 7, Launched in Q4 2012

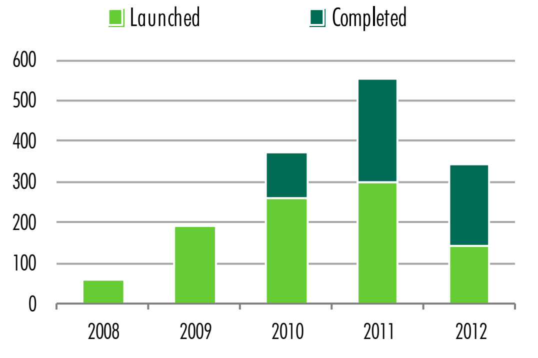
Project Name	Total Unit	Detached Villa (Unit)	Townhouse (Unit)	Detached Villa Size		Townhouse Size	
				Land area (sm)	GFA (sm)	Land area (sm)	GFA (sm)
Phu My 3 (Phase 1+2)	81	22	59	271 - 304	308.4 - 333.7	123 - 206	201 - 209
My Phu 3 (Phase 1 - S17A)	46	14	32	271 - 285	308.4 - 333.7	141 -143 - 223	201 - 209
My Phu 3 (Phase 2 - S18-2-2)	35	8	27	276 – 304	308.4 - 333.7	123 - 197 - 206	201 - 206 - 209

"Branded" properties remained a bright spot

Despite the stagnant market, branded property still attracted buyers. Phu My Hung New Urban Area maintained its preferred location for villa buyers.

The last quarter was notable for the launch of My Phu 3 developed by Phu My Hung Corporation. The project is located next the luxury villa project, Chateau . It includes 22 detached villas (308sm – 334sm GFA) and 59 townhouses (123sm – 206sm GFA). Although the project has just launched in October, its sales rate reached over 70%. This positive result was mainly thanks to the developer's brand name and preferred location.

Chart 10: Villa & Townhouse Supply by Year



Source: CBRE

DISTRICT 7 SHOWED BRIGHT SPOTS, EASTERN DISTRICTS REMAINED QUIET IN Q4 2012.

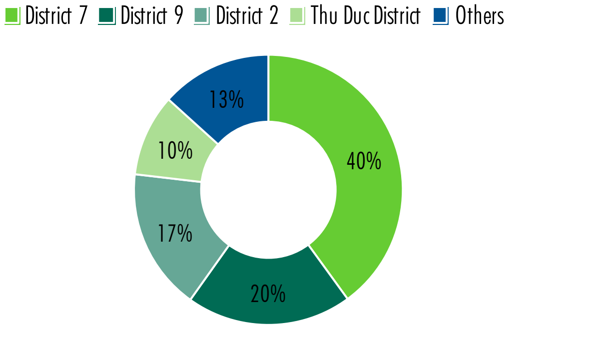
District 9 and Thu Duc District have not showed noticeable improvements yet

There have not been any new launches from villa developments in these two districts for three consecutive quarters. This was due to the lack of buyers' interest in these areas driven by the current long distance from the city centre and few residents actually living there.

Under the pressure of unfavourable sales results, a villa project in District 9 was converted into a land plot project. As reported, the project was launched in the last quarter of 2011 but only a few units were sold. The land price was offered at VND11 million psm plus VND200-300 million for the foundations. Sales results are not yet apparent.

Price cuts were an alternative solution to stimulate sale. A price reduction of 50%-60% q-o-q was reported at selected villas of a project in Thu Duc District. Accordingly, the lowest unit price was US$257,700 per unit (236sm in land and 182sm GFA). Slow sales rates, financial pressure and deteriorating units were considered the key reasons for the price cut.

Chart 11: Villa/Townhouse Supply until Q4/12



Source: CBRE

Hopes for the future

Despite the current gloomy picture of the eastern districts, it is expected that these districts would be improved when the future infrastructure (Metro line, and Saigon 2 Bridge) is completed and economic conditions improve.

HCMC SERVICED APARTMENT

RECENT DECLINES IN RENTS SECURED OCCUPANCY

Table 3: Expected Launches in 2013

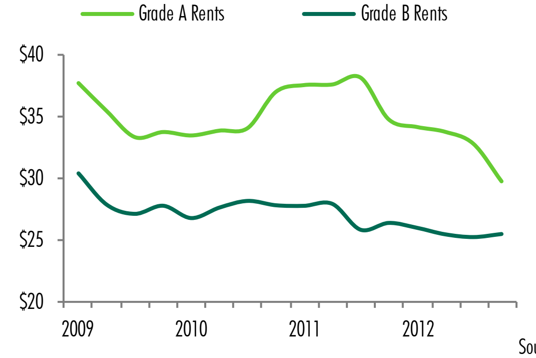
PROJECT NAME	DIST.	GRADE	NO. OF UNITS	OPERATOR
Capri by Fraser @ D.7, HCMC	7	B	175	Fraser Hospitality
Somerset Vista Ho Chi Minh City	2	B	100	The Ascott Limited
Times Square	1	A	78	WMC Group

Table 4: Major Ground-breakings in 2012

PROJECT NAME	DIST.	DEVELOPER	REMARKS
Saigon Centre, Phase 2	1	Keppel Land	Over 200+ unis, operated by Sedona Hotels International
The One Ho Chi Minh City	1	Bitexco	With a Ritz Carlton hotel
Saigon South Place Complex	7	Mapletree and SCID	Its retail, SC VivoCity, broke-ground in March 2012. In the original plan, this project also has serviced apartment.

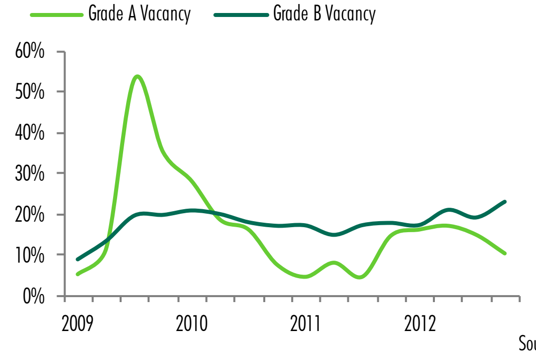
Source: CBRE

Chart 12: Serv. Apt. Asking Rents (US$/sm/mth)



Source: CBRE

Chart 13: Serviced Apartment Vacancy (%)



Source: CBRE

Q4 continued to see new supply coming online in District 3, with the addition of 114 units.

- An Phu Plaza is a Grade B mixed-use building at 117 - 119 Ly Chinh Thang, developed by An Phu Corp. (also known for An Phu Superior Villa in D.2) and operated by CBRE Vietnam. The top 9 floors boasts 54 luxury units of two bedrooms (93-116 sm) and three bedrooms (154 sm). The building offers an intelligent parking lot and a well-equipped gymnasium.
- Q Residence is a Grade C project at 157 Pasteur. The building offers 60 fully-furnished apartments of one bedroom (43-45 sm) and two bedrooms (53-67 sm). It also offers a gymnasium, concierge and laundry service.

In order to compete with an increasing addition of new or newly-renovated projects, landlords of the established serviced recidences have become more flexible by offering 10%-15% discount on asking rents and free car parking, daily breakfast or higher utility allowance.

RECENT SHARP DECLINES (-9.3% Q-O-Q AND -14.5% Y-O-Y) IN GRADE A ASKING RENTS SECURED A GAIN OF 4.6 PERCENTAGE POINTS Q-O-Q FOR OCCUPANCY.

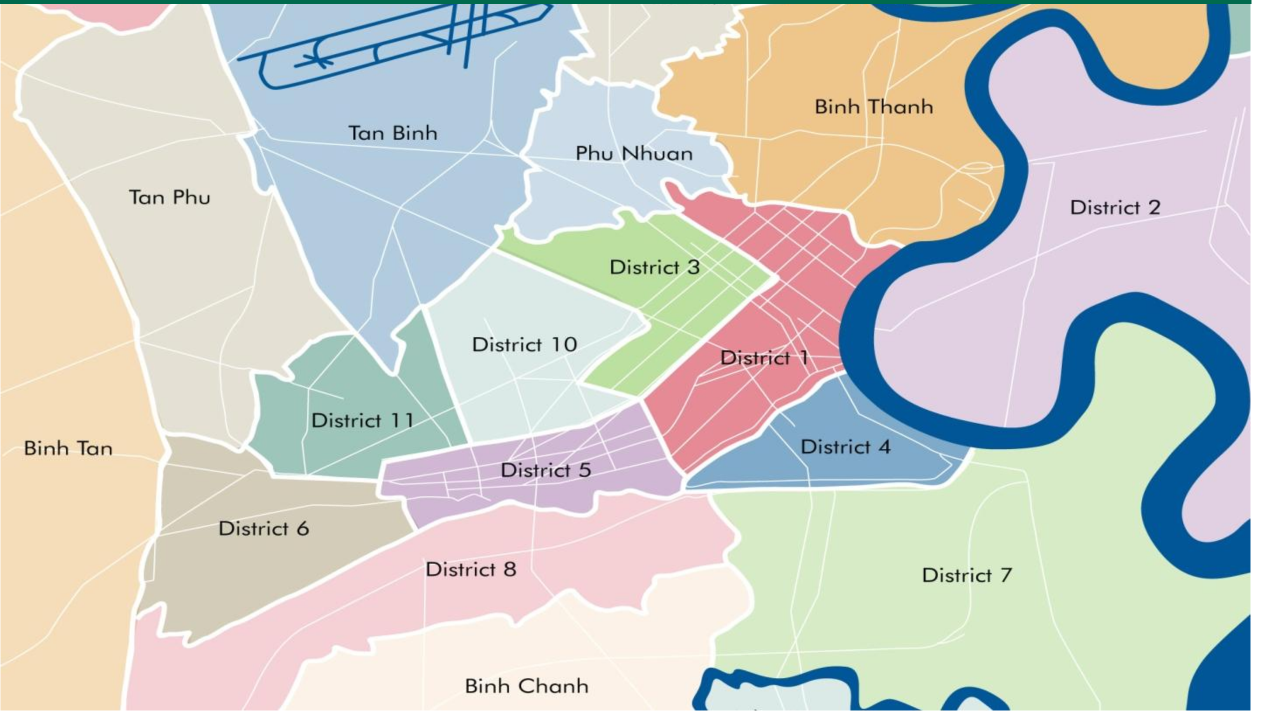
Although Grade B asking rents increased by 1.0% q-o-q after sliding for three quarters, we must be cautious in concluding market bottom since vacancy is still reported being high (over 23%), due to the continued new supply throughout 2012 and the competition from buy-to-let substitutes.

Major projects kept delaying their grand opening and 2013 will see the most-awaited launches.

These include Capri by Fraser @ District 7, Somerset Vista Ho Chi Minh City and Times Square. 2012 also witnessed major ground-breaking ceremonies, with expected completion beyond 2014. Projects include Saigon Centre – Phase 2, The One Ho Chi Minh City, and SC VivoCity – the retail component of Saigon South Place Complex. It is interesting that most projects have moved out of the traditional core (the CBD) to the decentralised area (District 2 and District 7) with an emerging expat community and also home to a lot of buy-to-let competition. Moreover, these projects involve international players, which promises to bring in the world-class experience for a better-shaped market.

CBRE

Figure 2: Central Ho Chi Minh City



CONTACTS

For more information about this HCMC MarketView, please contact:

HCMC Research

Marc Townsend
Managing Director
HCMC Research
CBRE Vietnam
Unit 1201, Melinh Point Tower,
2 Ngo Duc Ke Street, District 1
t: +84 903 006 790
e: marc.townsend@cbre.com

Dung Duong
Senior Manager
HCMC Research
CBRE Vietnam
Unit 1201, Melinh Point Tower,
2 Ngo Duc Ke Street, District 1
t: +84 913 38 1118
e: dung.duong@cbre.com

Ngoc Le
Publications Manager
HCMC Research
CBRE Vietnam
Unit 1201, Melinh Point Tower,
2 Ngo Duc Ke Street, District 1
t: +84 908 6666 35
e: ngoc.le@cbrevietnam.com

+ FOLLOW US

GOOGLE+
https://plus.google.com/110640413332542089478#110640413332542089478/posts

FACEBOOK
http://www.facebook.com/pages/CBRE/85277065893

TWITTER
https://twitter.com/Townsend_Marc

Global Research and Consulting

This report was prepared by the CBRE APAC Research Team which forms part of CBRE Global Research and Consulting – a network of preeminent researchers and consultants who collaborate to provide real estate market research, econometric forecasting and consulting solutions to real estate investors and occupiers around the globe.