

Market Insights from CBRE's Hanoi Quarterly Report



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CBRE RESEARCH & CONSULTANCY

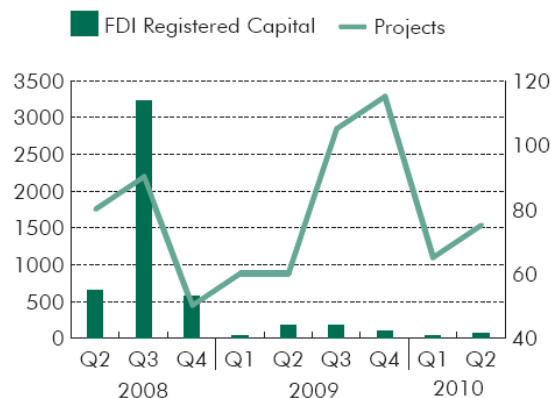
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HANOI ECONOMIC OVERVIEW

Real GDP (% y-o-y Growth Rate)



Hanoi FDI - Projects (Mill. US\$)



- **H1/2010 GDP growth : 10.1% y-o-y**
 - Significantly exceeded the national average GDP (approx. 6.16%)
 - industry-construction sector (11.5%),
 - service sector (9.1%)
 - agricultural sector (7.3%).
 - 10.1% growth rate: comparable to levels recorded in 2007-2008 prior to the financial crisis.
- **FDI in Q2/2010 alone: US\$70 million, 75 projects**
 - Q1/2010: US\$30 million, 60 projects

HANOI ECONOMIC OVERVIEW

■ Trade Balance Q2/2010:

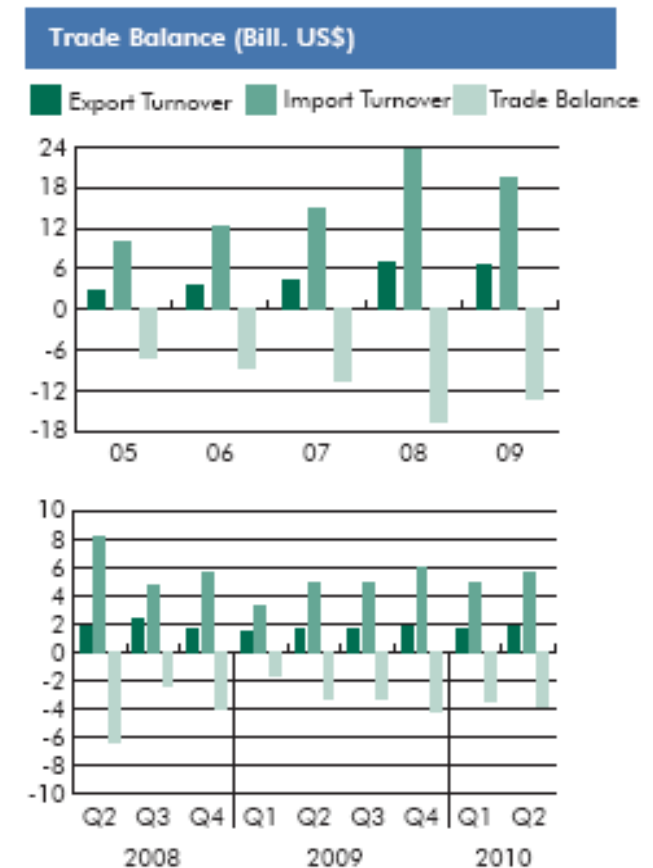
- Import turnover: US\$5.6 billion, increased 16.67% y-o-y
- Export turnover: US\$1.8 billion, increased 11.39% y-o-y

■ CPI H1/2010: 9.44% (national avg.: approx. 5.13%)

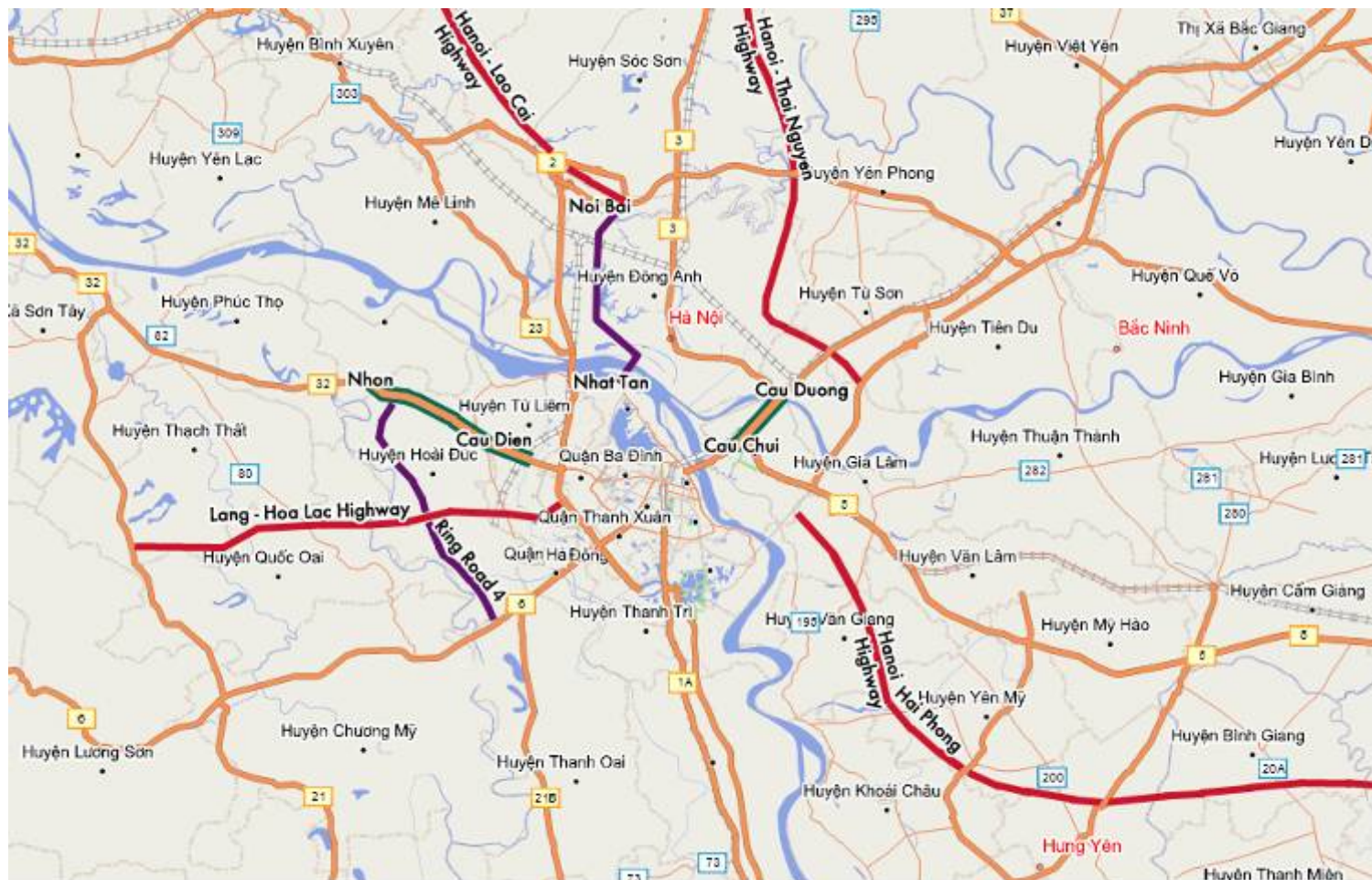
- Little change q-o-q (Q1/2010: 9.58%)
- Government measures aimed to keep annual inflation around 8%.

■ Tourism sector recorded strong numbers:

- International arrivals increased 31.87% y-o-y from 229,000 to 302,000
- Domestic arrivals increased 33% y-o-y from 1.3 million to 1.85 million



HANOI INFRASTRUCTURE



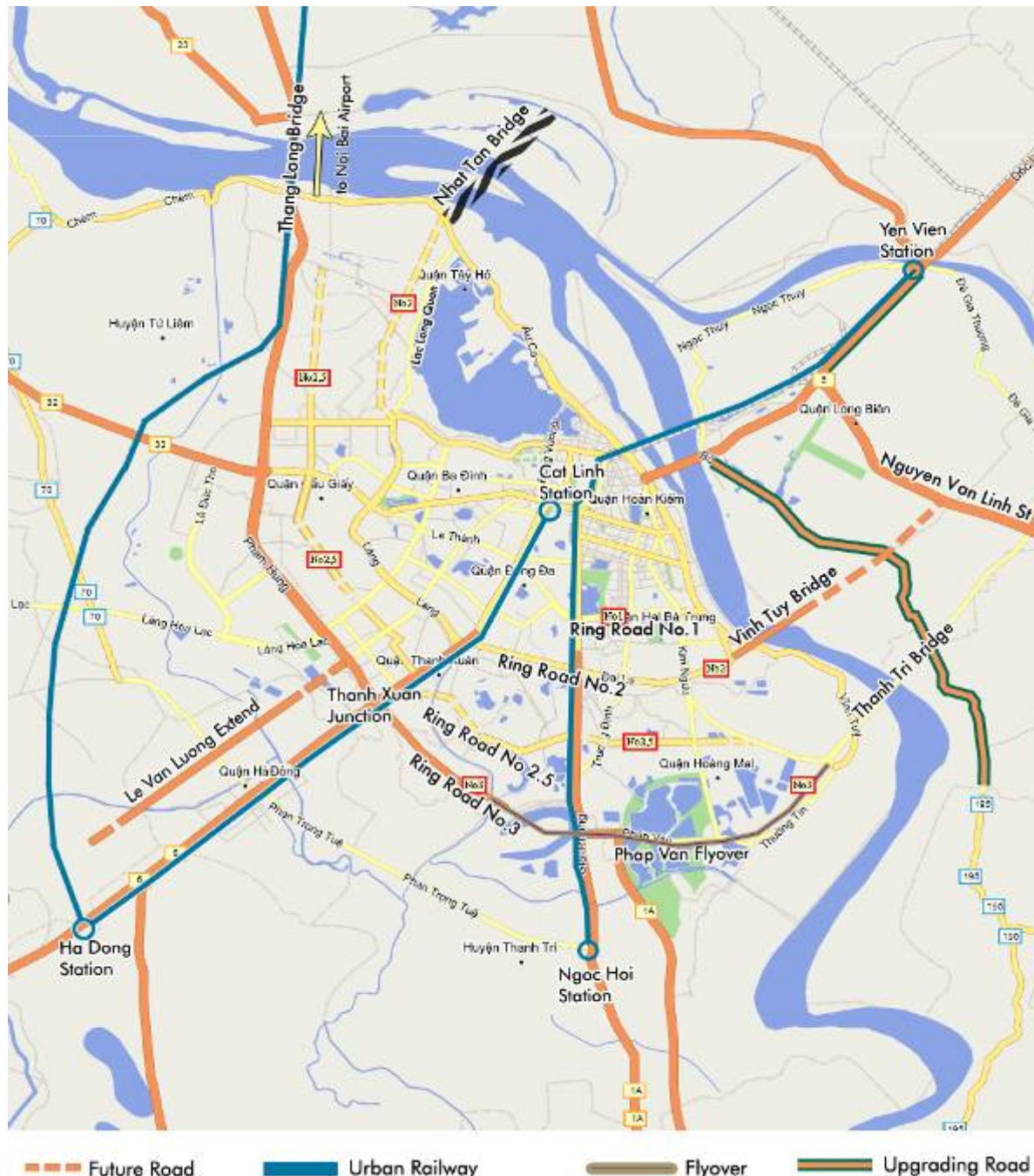
■ Upgrade of the Hanoi – Noi Bai Railway approved: stretching 38 km from Ha Dong to Noi Bai International Airport

■ The Phap Van – Cau Gie Road to be upgraded to a highway and connect to Cau Gie – Ninh Binh Highway

■ Song Da Corporation has offered to build the remaining sections of Ring Road 3.5, from National Road 32 to National Road 1A.

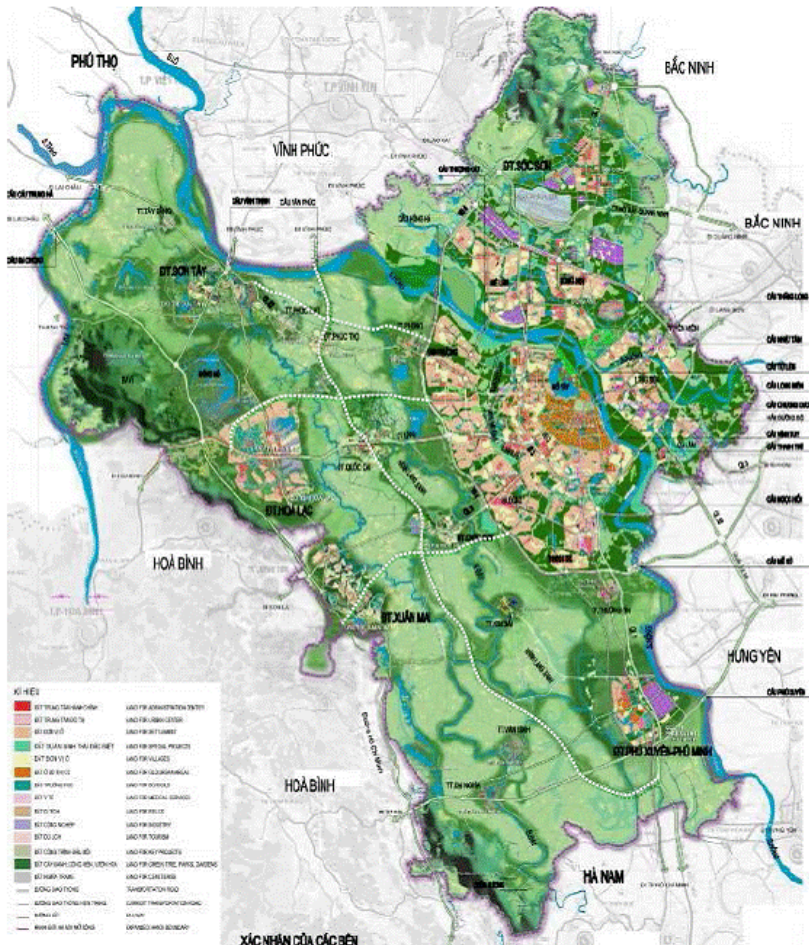
■ Upgrading Road ■ Under Construction Road ■ Under Planning Road

HANOI INFRASTRUCTURE



- Cat Linh – Ha Dong Urban Railway clearing ground to finish in Q2/2011.
- In June, Phase 2 of Ring Road 3 started construction: Hanoi's first raised highway stretching 8.9 km from North Linh Dam to Mai Dich above the existing Pham Hung road .
- Construction started on upgrading the 10 km Hanoi – Hung Yen Dyke Road, completion: late 2010.

HANOI INFRASTRUCTURE



■ The Proposed Hanoi Capital Construction Master Plan for 2030 with a Vision to 2050

■ The Master Plan proposal was released to the general public for comments in late April 2010.

■ Emphasis on development to the west of Hanoi facilitated by:

- The Green Corridor
- 5 Satellite towns of Hanoi
- The Thang Long Axis



CONDOMINIUM FOR SALE

■ HIGHLIGHTS

- Land prices fluctuated significantly in Q2/2010 in the Western area, especially in Ba Vi, drawing public attention away from other sectors including condominium sector
- Condominium new supply in Q2/2010: 4,600 units, (Q1/2010: 5,100 units, Q2/2009: 2,100 units)
- On the secondary market, asking prices increased in all segments: rising 3% in the mid-end, high-end and luxury segment, and 9% in the low-end segment.
- Decree 23/2010/NQ-CP lending rate to drop to 12%-13% (current rate: 14%-17%): ease financing and boost residential demand
- Decree 71/2010/ND-CP:
 - Before the foundation is completed, developers can mobilize capital from multiple sources. But capital can only be exchanged for a maximum of 20% of residential units; this share can be sold outside trading floors
 - The remaining 80% of residential units must be traded under purchase contracts via trading floors.

CONDOMINIUM FOR SALE



Vincom Royal City



302 Cau Giay



The Pride

MARKET SNAPSHOT, Q2 2010

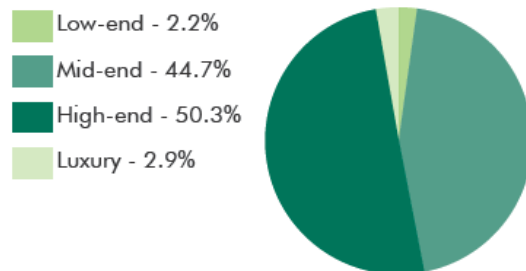
CONDOMINIUMS	LUXURY	HIGH-END	MID-END	LOW-END	TOTAL
Total supply (units)	2,186	12,709	44,403	12,671	71,969
New supply (units)	132	2,306	2,050	99	4,587
Average secondary asking price (US\$ psm) exclusive of 10% VAT	\$3,104	\$1,936	\$1,331	\$956	\$1,832
% change in secondary asking price (q-o-q)	3.5%	3.3%	3.0%	8.8%	4.0%

Current classification of condominium was heavily based on price with consideration of location, quality, brand...

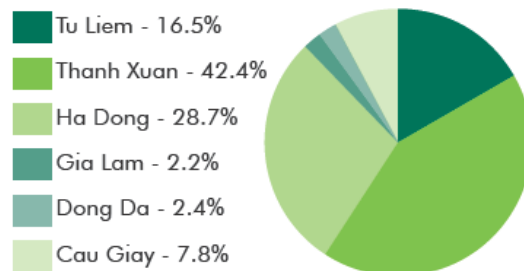
- E.g by price: luxury (>\$2,500 psm), high-end (US\$1,300-\$2,500) mid-end (US\$800-\$1,500) low-end (<\$900 psm)

CONDOMINIUM FOR SALE

Units Launched in Q2 2010 (% by Grade)



Units Launched in Q2 2010 (% by District)



Source: CB Richard Ellis Vietnam

■ SUPPLY

- **New supply in Q2: 4,587 units**
 - **By grade:** 3% luxury, 50% high-end, 45% mid-end, 2% low-end
 - Mid-end continues to be a strong segment
 - Low-end continues to be small
 - **By district:** 42% in Thanh Xuan, 29% in Ha Dong, 24% in Cau Giay & Tu Liem combined, 5% others
 - Thanh Xuan's share is made up entirely of the Royal City project with 2,000 units launched
 - Ha Dong continues to be home to a significant share of residential developments.
 - High rise developments in core districts, namely Hoan Kiem, Ba Dinh, Hai Ba Trung, Dong Da have been on temporarily stopped by the Government for inspection since Q1

CONDOMINIUM FOR SALE

■ DEMAND

Primary market:

- Strong demand for affordable units:
 - 99 units of Dang Xa NUA, launched at US\$622 psm (excluding VAT) were bought within two days of launch.
- Low demand for units priced at US\$1,500 psm and above:
 - High-end projects launched in previous quarters offer discounts, bank financing support, and favourable payment terms to quicken sales progress.
 - A positive development is the launch of Royal City late June (2,000 units, US\$2,000 psm):
 - Buyers queued on the first few days to deposit money
 - It remains unclear whether most buyers are end-users, or investors.

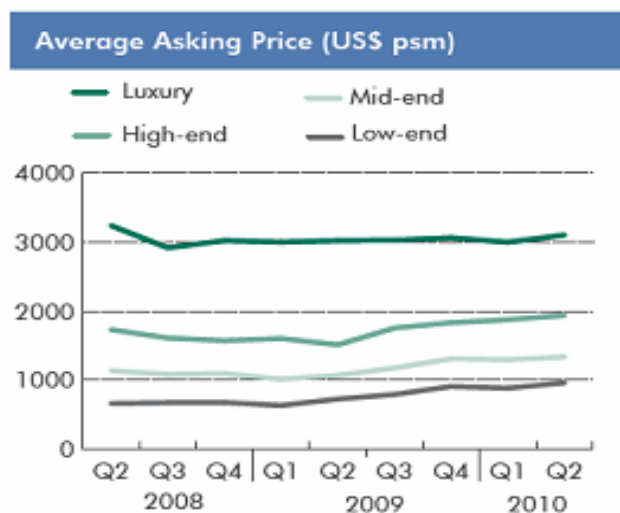
■ Secondary market prices:

- Low-end segment, averaging at US\$950 psm, attained highest growth (9%), further supporting the idea of stronger demand for units priced below US\$1,000 psm.



CONDOMINIUM FOR SALE

District	Grade	Average launch price (US\$ psm VAT exclusive)
Tu Liem	Luxury	-
Cau Giay	High-end	1,650
Thanh Xuan	High-end	1,950
Tu Liem	Mid-end	800
Dong Da	Mid-end	1,350
Ha Dong	Mid-end	1,100
Gia Lam	Low-end	650



Source: CB Richard Ellis Vietnam

■ CAPITAL VALUES

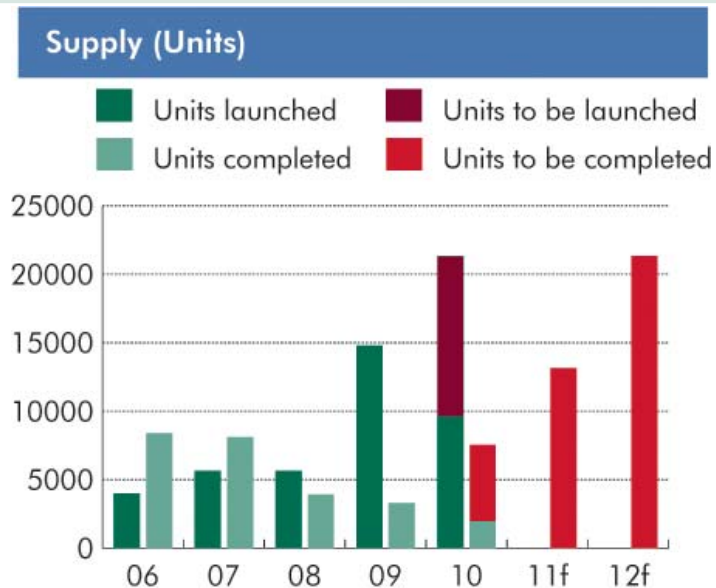
■ Primary market:

- 55% of newly-launched projects are priced at below US\$1,100 psm, 45% at above US\$1,100 psm.
- 40% of newly-launched units are priced at below US\$1,100 psm, 60% at above US\$1,100 psm.
 - Upper-end: fewer projects, more units in each project.
Royal City: 2,000 units launched in June

■ Secondary market:

- Small increase of around 3% in mid-end, high-end and luxury segments.
- Low-end segment: highest growth of 9%
 - Price adjustments were small as greater attention was paid to the land market for more than half of Q2 2010.

CONDOMINIUM FOR SALE



Source: CB Richard Ellis Vietnam



OUTLOOK

- H2/2010 new supply: Approx. 10,000 units
- 2010 total new supply: close to 20,000 units
- The greatest share of units will be in Ha Dong. Currently, more projects are being planned in Ha Dong than any other districts from 2010 till 2012.
- More competition is expected in the future, forcing developers to differentiate projects by offering better quality construction and design, a commitment to development progress, at the same price.
 - 2005-2009 annual supply growth rate: 20% p.a.
 - H1/2010 total supply is 41% higher than H1/2009 total supply

OFFICE

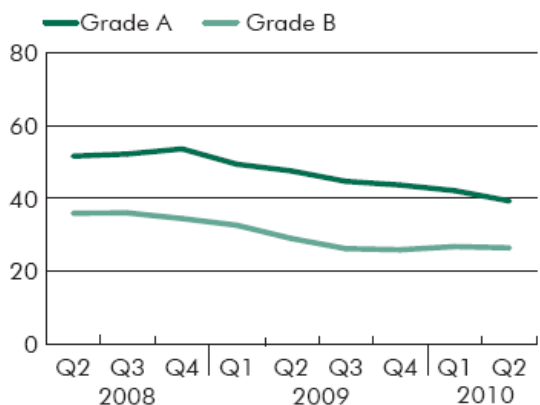
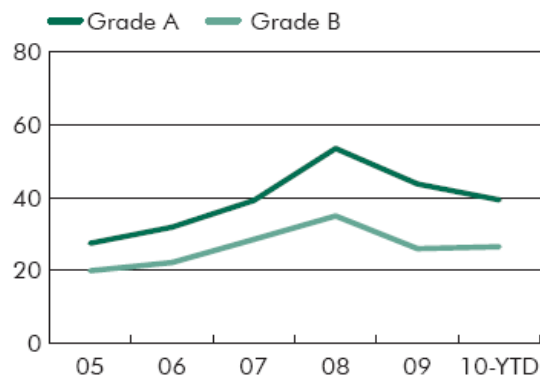
MARKET SNAPSHOT, Q2 2010

	GRADE A	GRADE B	GRADE C	TOTAL
Number of Buildings	12	35	65	112
Supply (NLA)	116,680	319,898	195,000	631,500
New supply (NLA)		7,600	5,000	
Vacancy	7.51%	18.24%	N/A	15.42%
Average asking rents (US\$ per net square metre per month, inc. service charge, exc. VAT)	\$39.66	\$26.42	\$15-\$20	\$28.89
% change (q-o-q)	-5.90%	0%	N/A	-3.20%
Average asking rents (US\$ per net square metre per month, inc. service charge, exc. VAT) as at Q2/2009	\$47.61	\$29.00	N/A	\$34.44
% change (y-o-y)	-16.70%	-8.90%	N/A	16.10%

(*): Data on Grade C office space is difficult to gather owing to lack of transparency in the market. Most Grade C buildings are developed, owned, and operated by small local developers.

OFFICE

Average Asking Rents (US\$ psm per month)



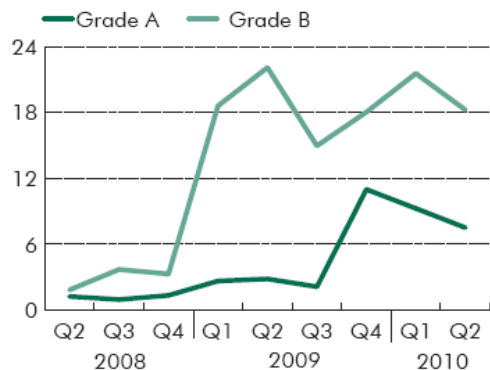
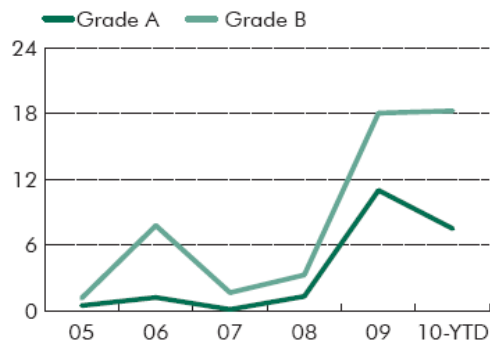
Source: CB Richard Ellis Vietnam

HIGHLIGHTS

- One new project came on stream: HanoiTourist Building (Grade B), 7,600 sm NLA
- Rents
 - Grade A: US\$39.66 psm, dropped 5.9% q-o-q
 - This is the first time since Q3/2007 that the overall asking rents in Grade A building stayed below US\$40 psm.
 - Grade B: US\$26.42 psm (unchanged)
- Net absorption improved significantly this quarter from last quarter
 - Grade A: approx. 2,000 sm
 - Grade B: approx. 17,000 sm
- Average vacancy: 15.42%, approx. 70,000 sm vacant (Grade A and B)

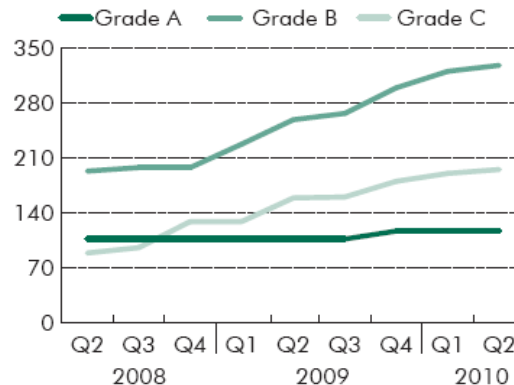
OFFICE

Vacancy Rate (%)



Source: CB Richard Ellis Vietnam

Total Supply ('000 sm)



Source: CB Richard Ellis Vietnam

OUTLOOK

- In the western districts , supply will continue to rise
- Hanoi Grand Plaza (45,000 sm, 2011)
- Crowne Plaza (17,000 sm, 2011)
- Keangnam Hanoi Landmark Tower (98,000 sm, 2011)
- In the CBD: little change in supply, the achieved office rents will remain stable
- Long-term leases in premium office space in the west is becoming a better option for companies with long-term plans in Hanoi
- Tenants anticipating various options: to renew the current lease, or to relocate, or opening dual offices

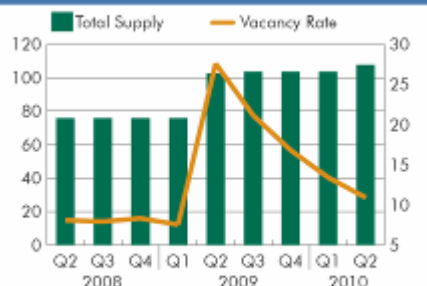
RETAIL

MARKET SNAPSHOT, Q2 2010

	DEPARTMENT STORES	SHOPPING CENTRES	RETAIL LOBBIES
Total supply (NLA, sm)	37,700	59,566	10,310
New supply (NLA, sm)	0	4,000	0
Vacancy Rate (%)	24.79%	1.75%	11.64%
Average asking rents (US\$ psm per month)			
CBD	-	\$54.62	\$65.64
% change (q-o-q)	-	0.00%	0.00%
Non-CBD	\$37.47	\$38.18	\$18.00
% change (q-o-q)	1.82%	0.00%	0.00%
Q2 2009 average asking rents (US\$ psm per month)			
CBD	-	\$53.15	\$57.29
% change (y-o-y)	-	2.59%	14.58%
Non-CBD	\$41.26	\$38.17	\$18.00
% change (y-o-y)	-9.17%	0.03%	0.00%

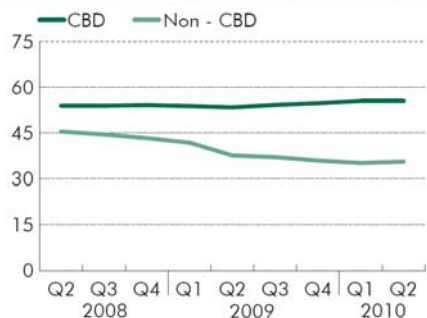
RETAIL

Retail Market Supply & Vacancy Rate ('000 sm, %)



* Hanoi Shopping Centres
Source: CB Richard Ellis Vietnam

Average Rents* (US\$ psm per month)



* Hanoi Shopping Centres
Source: CB Richard Ellis Vietnam

HIGHLIGHTS

- Hanoi's retail sales increased 28.2% y-o-y in H1 2010
- The 1st Saigon Co.opmart in Hanoi opened (Ha Dong), 7,500 sm GFA
- Total supply ↑ 3.86% q-o-q, 13.14 % y-o-y
- Major announcements and progress:
 - Royal City (200,000 sm GFA)
 - Grand Plaza (18,000 sm GFA) launching rescheduled to Jul 2010
 - Hang Da Market & Cua Nam Market expected to open in Q3 2010
 - PICO Mall to launch leasing activities in Q3 2010
- F&B & fashion brands continued exposure:
 - F&B: Kichi Kichi; Jollibee, Co.op Bakery (Saigon Co.opmart)
 - Fashion: Everbest (Vincom City Towers)
- Average Vacancy rate decreased by 2.5% q-o-q.
 - CBD: 0%
 - Non-CBD: 20%, ↓ 10% q-o-q (Saigon Co.opmart)
- Average rental rate: US\$45.80 psm per month
 - CBD: US\$55.50 psm per month, unchanged from Q1/2010
 - Non-CBD: US\$35.68 psm per month, ↑ 1.59% q-o-q

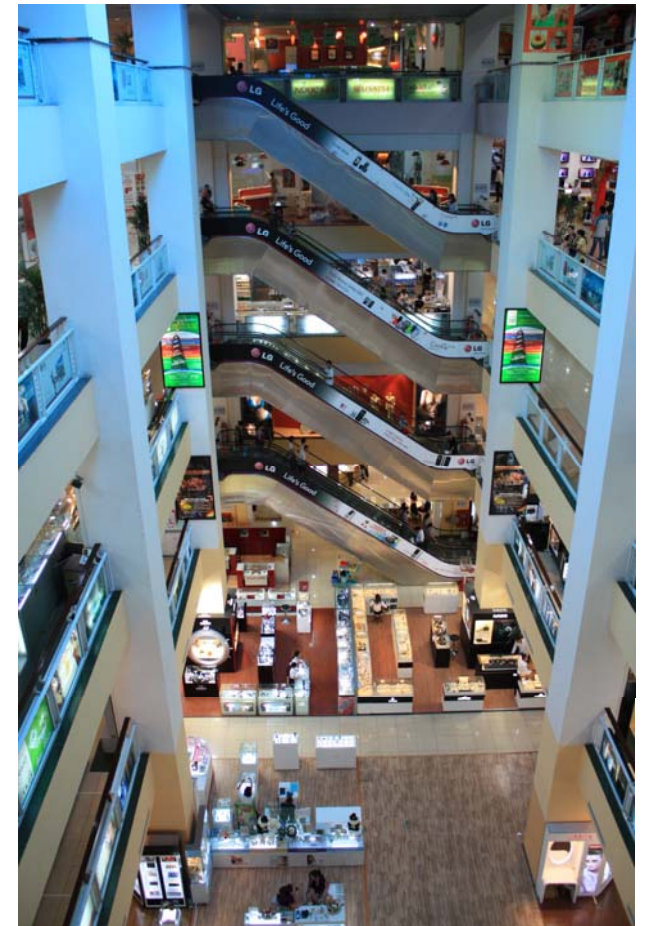
RETAIL

■ OUTLOOK

- A new trend begins: underground retail space
 - Hanoi: Savico Plaza, Royal City, Big C in The Garden
 - HCMC: C.T Plaza, Vincom Centre, etc.
- More foreign brands will expand to Hanoi following penetration into HCMC market
- New retail supply developed in non-CBD districts will continue to exceed supply added in the CBD.
- More real shopping centres in the non-CBD opening over next three years. Available stock may create competition among new projects
- The combination of wet market and modern retail space (Hang Da market, Cua Nam market) will create a safer and more hygienic environment as well as a new shopping experience for consumers



RETAIL



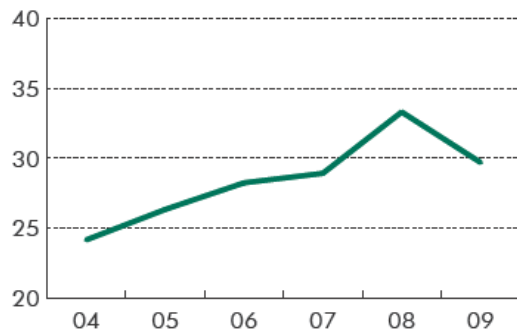
SERVICED APARTMENTS

MARKET SNAPSHOT, Q2 2010

	International operator	Self-managed	Serviced Apartments
Supply (units)	685	1,205	1,890
New supply (units)	0	0	0
Vacancy rate (%)	0.70%	7.50%	5%
Average asking rents (US\$ psm per month, including service charge and VAT) as at Q2/2010	\$41.21	\$26.62	\$30.38
% change (q-o-q)	0%	1.40%	0.40%
Average asking rents (US\$ psm per month, including service charge and VAT) as at Q2/2009	\$38.84	\$24.71	\$28.60
% change (y-o-y)	5.75%	7.20%	5.90%

SERVICED APARTMENTS

Average Asking Rents (US\$ psm per month)



Source: CB Richard Ellis Vietnam

HIGHLIGHTS

- Average asking rent: US\$ 30.38 psm per month
 - increased 0.4% q-o-q
 - dropped 6.26% y-o-y
- Internationally managed buildings had no change in asking rents.
- Self-managed buildings stabilised raising rates by 1.4% q-o-q
- Average occupancy rate improved to 95%.
- Internationally managed projects had vacancy rates below 1%.
- The majority of enquiries this quarter were from European expatriates showing interest in the Truc Bach & West Lake areas

SERVICED APARTMENTS



Fraser Suites Serviced Apartments

■ OUTLOOK

- Strong demand for serviced apartments has remained stable in the next few quarters.
- Consumer's budgets allocated for accommodation continue to stay strong.
- New projects expected this year include Charmvit's Hanoi Grand Plaza and Crowne Plaza in the Western submarket.
- In the long term, the market will receive a major supply when mixed-use projects such as Keangnam Hanoi Landmark Tower come on stream.

HOTELS



MARKET SNAPSHOT, Q2 2010

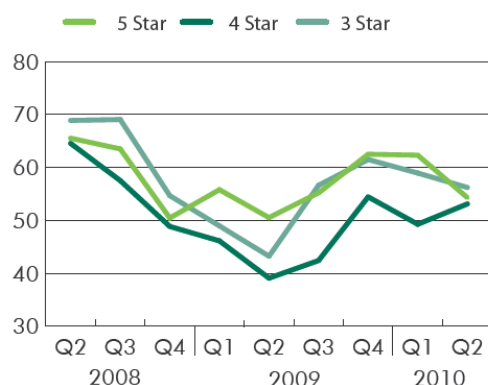
	3-STAR	4-STAR	5-STAR
Total Supply (rooms)	1,882	1,404	2,830
New supply (rooms)	0	0	0
Average Room Rate (US\$/night)	\$39.17	\$65.74	\$119.90
% change (y-o-y)	4.93%	-1.54%	-20.36%
% change (q-o-q)	1.01%	2.72%	1.27%
Average Occupancy Rate (%)	56.20%	53.09%	54.28%
% change (y-o-y)	-2.71%	14.02%	3.78%
% change (q-o-q)	12.99%	3.83%	-8.02%
Revenue per Available Room (US\$/night)	\$22.42	\$36.58	\$65.25
% change (y-o-y)	26.01%	6.26%	-8.63%
% change (q-o-q)	-1.73%	12.51%	-11.03%

Source: CB Richard Ellis (Vietnam)

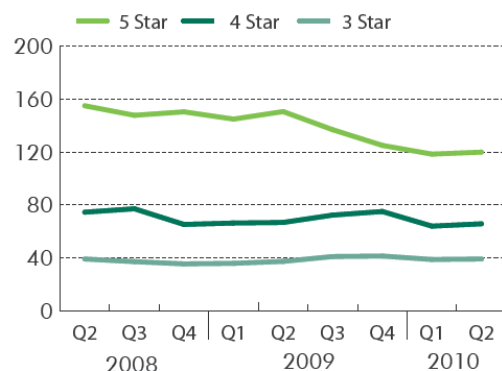
Note: Hotel 'star' rankings are awarded by the Vietnam National Administration of Tourism. Figures are preliminary

HOTELS

Hotel Occupancy Rates by Quarter (%)



Average Daily Rates (US\$)



Source: CB Richard Ellis Vietnam

HIGHLIGHTS

- Tourist arrivals to Hanoi (in Q2 2010, compared to Q2 2009):
 - Domestic arrivals: 1.85 mil, ↑ 33% y-o-y
 - International arrivals: 0.30 mil, ↑ 32% y-o-y
 - » compared to the country's level: 1.59 million, ↑ 20.26% y-o-y
- No new supply or official rankings. Total stock of 5-star hotels remained at 2830 rooms.
- Average occupancy rates: ↑ 10.26% y-o-y, in which 4-star hotels experienced the highest growth of 14.02% y-o-y
- Average daily rate (ADR): US\$ 74.94 ↓ 11.72% y-o-y, ; 5-star hotels ↓ 20.36% y-o-y.
- RevPAR: ↑ 4.40% y-o-y; 3-star and 4-star posted growths of 26.01% & 6.26% respectively while 5-star saw a decrease by 8.63%.
- Vietnam Airlines joined SkyTeam (the 1st airline in Southeast Asia joined SkyTeam)

HOTELS

■ OUTLOOK

- The 1,000th year anniversary in October is expected to help improve tourist arrivals, occupancies, ADRs & RevPARs of all hotel subsectors.
- New supply in H2/2010 will consist of 1,160 rooms; in which Crowne Plaza (386) rooms and Hanoi Grand Plaza (564) are both fitting out with openings expected by the end of the year. Their abilities to fill rooms should serve as a good measure for the capability of the western region to act as a full-fledged business district.
- More international hoteliers are aggressively pursuing projects in Hanoi (Accor, InterContinental, Marriott)

Keangnam Hanoi Landmark Tower



NEXT CBRE EVENT....

HOSPITALITY INVESTMENT AND DEVELOPMENTS, LESSONS FROM ESLEWHERE IN ASIA FOR VIETNAM'S FUTURE STRATEGY

Presented by **Mr. Robert McIntosh**

**Head of CBRE Hotel Division Across the Asia Pacific based in Singapore,
over 30 years of real estate experience**

Tuesday, July 20, 2010

5:30 pm – 7:30 pm

Movenpick Hotel

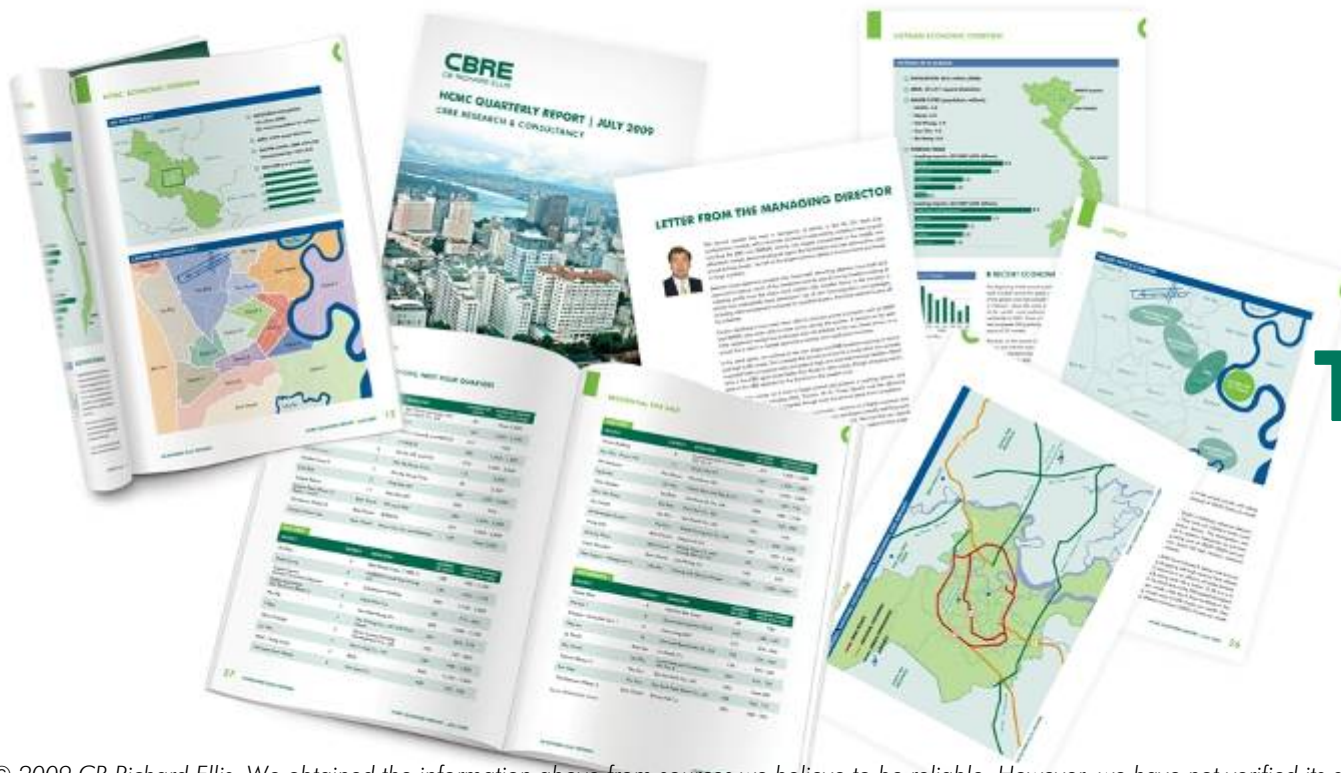
**83A Ly Thuong Kiet Stree,
Hoan Kiem District, Hanoi**

Presented in English with Vietnamese simultaneous translation

As seats are limited, please RSVP by email to Ms. Hien at hien.nguyen@cbrevietnam.com

For further information and order details, please contact....

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