QUARTERLY REPORT
HO CHI MINH CITY JULY 2011

CB RICHARD ELLIS VIETNAM | RESEARCH & CONSULTING

CBRE
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LETTER FROM THE MANAGING DIRECTOR

With optimism, we are seeing the post-tsunami situation in Japan moving from a state of crisis to recovery. The daily drumbeat of news about the state of the Fukushima Daiichi reactor has slowed to a trickle, with the plant coming under control and the immediate challenges being met.

The important news to watch in this phase of the story is not the specifics regarding the reactor, or the recovery, but rather the politics surrounding each. Japan, although the world's third largest economy, has had its share of economic troubles in the last 20 years. From the lost decade of the 1990s, to the lost generation of the 2000s, Japan faces persistent economic and social challenges. Japan's leaders have an opportunity to rise to the challenge of the moment. This may be an opportunity to break with the conflicts of the past, or continue to let generational politics direct the country's future.

Looking further south in Asia, the politics and policies of Vietnam are also making headlines. The State Bank of Vietnam started raising interest rates late in the last quarter, and the effects of the new policies are now trickling through the economy. As monetary policy is revised to prioritise stability over growth, the economy is necessarily slowing down.

While regional superstars Hong Kong and Singapore are posting double digit GDP numbers, we can take a measure of comfort that the challenges we are dealing with in Vietnam are not unique. China is now grappling with increasing inflation, and through its policies is also slowing growth.

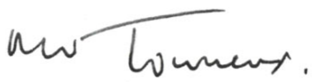
With different markets facing some of the same challenges, the global economy is further integrated and more co-dependent than anyone previously believed. When mining of rare earth metals in China are able to affect the share price of Apple in California, you know globalisation has woven its lace across the planet. The rise in global commodity prices is not expected to ebb anytime soon. While this is an easy target to explain the currently tight economy, Vietnam has domestic challenges that are proving important enough.

Since the beginning of the global financial crisis media outlets have been predicting its end. While the global economy has moved on from the crisis, and like Japan is moving to a state of recovery, righting this ship will require more hard work. As the drumbeat of a double-dip recession increases in the United States, and Europe continues struggling to contain its disparate economy, we are all learning hard lessons.

Vietnam did successfully weather the global financial crisis. While we do not think the depths of the slowdown are back to haunt us, the upheaval we are going through now is laying the groundwork for a healthy domestic economy in the future.

As I have said before, change brings opportunity in the market. It was widely reported that executives from the Las Vegas Sands casino group were in Vietnam on a fact-finding tour. Those pounding the pavement in HCMC may question the judgement of a company of such stature trying to make inroads in the current economy. But perhaps there is more opportunity if we stop looking at the pavement and start looking up.

Yours sincerely,



Marc Townsend

Managing Director, CB Richard Ellis (Vietnam) Co., Ltd.

July 20, 2011

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ECONOMIC OVERVIEW

- In the second quarter of 2011 real GDP growth was 5.57% y-0-y, as inflation hit 16% in a six month moving average. The real estate industry has been hit hard by the Government's policies to control inflation since the beginning of the year. With loan interest rates now ranging between 20% - 25%, access to capital is limited. CPI in June reached 20.82% y-o-y.
- However, as the chart on page 10 illustrates, the m-o-m CPI started declining in May and June, as the policies to control inflation work their way through the economy.
- Industrial production rose on both a y-o-y and q-o-q basis. Both implemented and registered FDI decreased in the second quarter of 2011 when compared with the same period last year, with approximately US$305.3 million of FDI being registered in the real estate sector. In the review quarter the real estate sector accounts for the fifth largest share of FDI. The trade deficit grew 3.14%, with a trade deficit of US$3.6 billion. Retail and services turnover rose 5.7% after accounting for inflation. Y-o-y tourist arrivals for the second quarter increased 25.3%. There was a notable increase in the number of visitors arriving from Russia.

INFRASTRUCTURE

- The Nhieu Loc - Thi Nghe Canal Road widening project is completed, although landscaping will continue for eight months. The Thu Thiem tunnel is expected to open by November, 2011 at the latest. Repairs to the Saigon Bridge are expected to be completed by October, 2011. A number of projects received funding commitments including the Ben Luc - Long Thanh Highway, the HCMC - Long Thanh - Dau Giay Highway and the Da Nang - Quang Ngai Highway.
- The expected cost of Metro Line 1 has almost doubled.
- The Government is restructuring the entire Tramway Line No. 1, recommending a Bus Rapid Transit (BRT) system. BRT could be implemented for between US$1 - $2 million, much less than the cost of building a tram, and can later be developed into a tramway if demand is sufficient.

OFFICE

- Two Grade B and four Grade C buildings came online, adding a total of 37,865 sm GFA to supply. Through the end of 2011 six Grade B and eight Grade C buildings are expected to come online. Times Square, the mixed-use project with 8,800 sm NLA of Grade A office space in District 1, celebrated its topping out late in the second quarter.
- In the second quarter of 2011, rents fell across all grades, continuing their long-term slide. This is the seventh straight quarter of Grade A rental declines, and rents are now at a level not seen since 2006. Rental rates in the mature Grade A buildings tended to be stable in the review quarter due to their high occupancy rates.
- Grade B rental rates are now at a level not seen since 2003, and there continues to be a disparity between Grade B rents in District 1 and decentralised locations of approximately US$8.50.
- Overall, vacancy rates declined as landlords prioritise occupancy. The Mature Grade A buildings have very low vacancy; Vincom Center increased its occupancy by 15% to 20%. The Flemington's vacancy dropped dramatically to 30%, only two quarters after coming online. A&B Tower in District 1 is now 100% occupied after being open for a year and a half.
- Overall net absorption in the second quarter was 37,083 sm. Incentives are playing a more important role as landlords grow increasingly competitive with some tenants want to negotiate parking before rental rates.
- The next two quarters of 2011 are unlikely to see large gains in net absorption, however, looking towards late 2012 and 2013, we expect to see Grade A rents stabilise and possibly improve due to tight supply.
- Only 38.8% of future supply is actually under construction, and this number will decrease.

RESIDENTIAL FOR SALE

- Primary and secondary prices across all segments generally declined in the second quarter, however, bucking the trend, primary asking prices in the high-end segment increased by 5.5% q-o-q due to the location of the project, the available amenities, and the reputation of the developer.
- The number of new launches decreased by 12.5% q-o-q, with sales rates ranging from 20% to 40%. Completions declined 74% q-o-q and 92% y-o-y. Both enquiries and deals closed decreased significantly, approximately 30% q-o-q.
- Villa resale asking prices decreased by 2% q-o-q. Anecdotal evidence suggests that some motivated sellers, those owning more than two villas and looking to increase their liquidity, are willing to reduce their asking prices by 5% to 10%. Some projects reduced asking prices for premium villas by 20%, allowing the developer to meet their sales targets.

RETAIL

- There was no new retail supply in the second quarter of 2011, and the Bitexco Financial Tower retail space, which is 11,090 sm GFA, is the only anticipated CBD supply in the next four quarters.
- Department store rents in the CBD increased 5.8% q-o-q. This is only 0.5% lower than the most recent high of US$110.00 recorded in the first quarter of 2009.
- In non-CBD locations, department store rents were flat q-o-q. Rents in non-CBD shopping centres, declined by 5.4% q-o-q, and non-CBD shopping centre rents have been declining for the last 11 quarters.
- Increased activity to satisfy demand is seen in shophouses. CBD shophouses are becoming more competitive, due to their limited floor space and ability to satisfy future expansion.
- Non-CBD shopping centre rents are not expected to increase over the next four quarters due to the abundant new supply coming online, over 155,000 sm GFA in the next eight quarters. The Crescent Mall in District 7, and the Dragon City development in Nha Be District, add space equivalent to 31% of current supply citywide, or over twice the retail space in Vincom Center.
- In the next eight quarters it is unlikely that there will be an exceptional increase in either supply or rental rates outside of the CBD. In the next eight quarters rental rates in the CBD are expected to increase, although not markedly. While there is enough demand from international retailers to support a rise in rental rates, not enough will chose market entry in the next two years to significantly affect the rents they pay.

SERVICED APARTMENTS

- The second quarter of 2011 welcomed 81 new units to the serviced apartment supply. There was no new Grade A supply in the review quarter.
- In the review quarter, Grade A rents softened slightly, while Grade B and C rents increased by less than 2.0%. The biggest story in the review quarter was the launch of the Saigon City Residence project, which was 75% pre-leased. This boutique Grade B project was renovated from a downmarket hotel and is skewing average rents, with asking rents quoted at US$39.00 psm per month. This is almost 5.0% higher than average Grade A rents.
- More boutique serviced apartment projects are expected to be developed in the CBD due to the lack of available land for developing large-scale projects. Some projects will be able to provide a combination of central location, five-star service, attractive design, and a luxurious fit-out similar to that of Grade A, but most hope to attract tenants with more affordable rents compared to the most premium projects.

3-5 STAR HOTELS

- As the second quarter is the beginning of the low season, q-o-q declines are usually seen across all metrics and segments. Y-o-y comparisons are more informative.
- Five star occupancy rose 5 percentage points y-o-y, while four-star occupancy rose 3 percentage points. Three-star occupancy dropped 4 percentage points y-o-y, due to the increase in new supply. Room rates in the three- and four-star segments were softer than in the same period last year. The three-star segment saw a y-o-y decrease of 14.3%, while the four-star segment saw a decrease of 9.3%. The five-star segment saw a slight increase of 3.3%.
- There was no new 3-5 star hotel supply in the second quarter of 2011. In April, the 112-room New Pacific hotel, which was previously a three-star hotel, was upgraded to four stars. The second half of the year is expected to welcome 630 five-star hotel rooms from three projects. This is in addition to another 751 three-star rooms.
- Plans to develop the complex at 2-4-6 Dong Khoi Street and 21 Ngo Duc Ke Street have been announced. The project is planned to be a 20-storey building with 2,000 square meters for offices, 6,000 square meters for commercial services on the first seven levels and the remaining 13 levels are planned for a five-star hotel with 220 guest rooms.
- Five-star hotels continued to prove their position as the market leader with the highest RevPAR in the surveyed quarter, the least q-o-q RevPAR reduction and the only segment having y-o-y increase in RevPAR. In a y-o-y comparison, RevPAR increased by 11.9% in the five-star segment. The four-star segment saw a reduction in RevPAR of 5.4% and the three-star segment saw a reduction in RevPar of 19.6%.
- Taking the first six months of the year into account, the international arrivals to HCMC totalled around 1.65 million, up 10% y-o-y.

VIETNAM ECONOMIC OVERVIEW

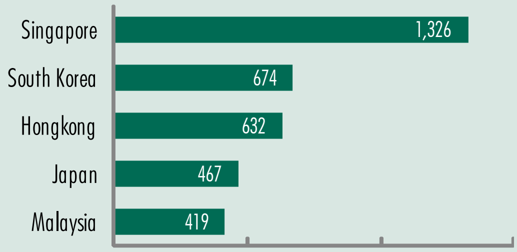
HIGHLIGHTS

- **Real GDP growth was only 5.57% y-o-y, as cost-driven inflation hit 16.03% y-o-y in a six-month moving average.**
- **Loan interest rates now range between 20% - 25%.**
- **The m-o-m CPI in May and June 2011 started decreasing, however, a sharp drop in m-o-m CPI in June does not necessarily paint a healthy economic picture. If the SBV keeps key rates at their current levels, given that the exchange rate gaps are strictly monitored, inflation is expected to continue trending down.**
- **CPI in June reached 20.82% y-o-y. Price escalation has forced the Government to reset the inflation target in 2011 to 15% - 17%.**
- **Although the effects of these tools helped to slow down inflation in May (2.21% m-o-m) and June (1.09% y-o-y), only the rate of escalation is decreasing, prices are invariably going to increase in the long term.**
- **Industrial production in the second quarter of 2011 reached VND219.7 trillion dong, rising 14.5% y-o-y and 10.6% q-o-q.**
- **Both implemented and registered FDI decreased in the second quarter of 2011 when compared with the same period last year. About US$3.29 billion was committed in the review quarter, a 32.5% y-o-y decrease, while US$2.76 billion in implemented FDI was poured into the country, representing a 4.8% y-o-y decrease. About US$305.3 million in FDI was registered in the real estate sector, which came in at the fifth position on the FDI sectors.**
- **Export revenue in first six months of the year increased by 30.3% y-o-y. Imports also increased but with a lower growth rate of 25.8% y-o-y. In the first six months of 2011 the trade deficit grew 3.14% y-o-y. The trade deficit was US$3.6 billion in the second quarter.**
- **Retail and services turnover in the second quarter of 2011 gained 22.6% y-o-y to VND459.9 trillion, a slight increase of 1.8% compared to the previous quarter. In first six months of 2011, total retail and services turnover rose 22.6% y-o-y, or 5.7% after eliminating inflation, reaching a total value of VND911.7 trillion.**
- **In the second quarter of 2011, Vietnam welcomed 1.47 million international arrivals, a 3.6% q-o-q decrease and a 25.3 y-o-y increase. The second quarter often records less international tourists as it is the beginning of the low season.**
- **In first six months of the year Vietnam welcomed 2.97 million international arrivals, an increase of 18.1% y-o-y. Business arrivals dropped 1.7% y-o-y while tourist arrivals increased 11.2% y-o-y and arrivals visiting family vastly increased by 77.6% y-o-y.**

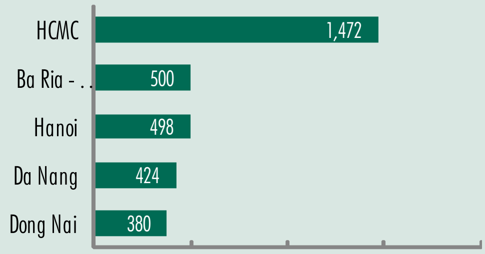
Vietnam at a Glance

- **POPULATION: 86.93 million (2010)**
- **AREA: 331,211 square kilometres**
- **MAJOR CITIES (population 2010, millions)**
  - HCMC: 7.4
  - Hanoi: 6.6
  - Hai Phong: 1.9 (2009)
  - Can Tho: 1.2 (2009)
  - Da Nang: 0.9 (2009)

FDI BY NATIONS, 6M/2011 (US$ Millions)



FDI BY DESTINATIONS, 6M/2011 (US$ Millions)

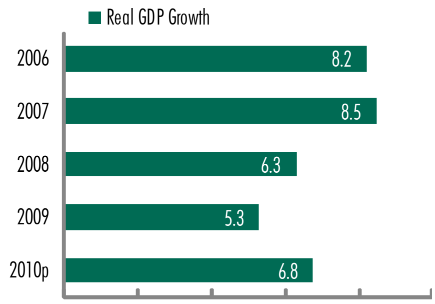


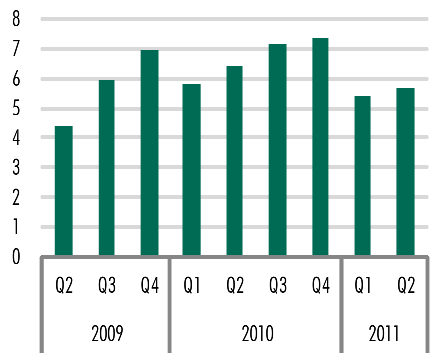
Key Economic Indicators

	2003	2004	2005	2006	2007	2008	2009p	2010p	2011f
Real GDP (y-o-y % change)	7.3	7.8	8.4	8.2	8.5	6.3	5.3	6.8	6.0
GDP per Capita (US$)	490	552	640	729	835	1,024	1,074	1,160	1,290
FDI (US$ millions)	3,191	4,548	6,840	12,004	21,347	71,726	22,626	18,595	20,000
Exports (US$ billions)	20.1	26.5	32.4	39.8	48.6	62.7	57.1	71.6	69.7
Imports (US$ billions)	20.1	26.5	32.4	39.8	62.8	80.7	70.0	84.0	78.4
CPI (end-period %)	3.1	9.5	8.4	6.6	12.6	19.9	6.5	11.8	N/A
CPI (average %)	3.2	7.7	8.3	7.5	8.3	23.0	6.9	9.2	12.9
Exchange Rate (US$/VND, eop)	15,608	15,739	15,875	16,101	16,114	16,977	17,941	18,932	21,800

Source: Vietnamese General Statistics Office, (1) forecasted by BMI and (2) by Vietnamese Ministry of Planning and Investment, (3) by Government's discussion, (4) Vietnam Government Target

Real GDP Growth (% y-o-y)





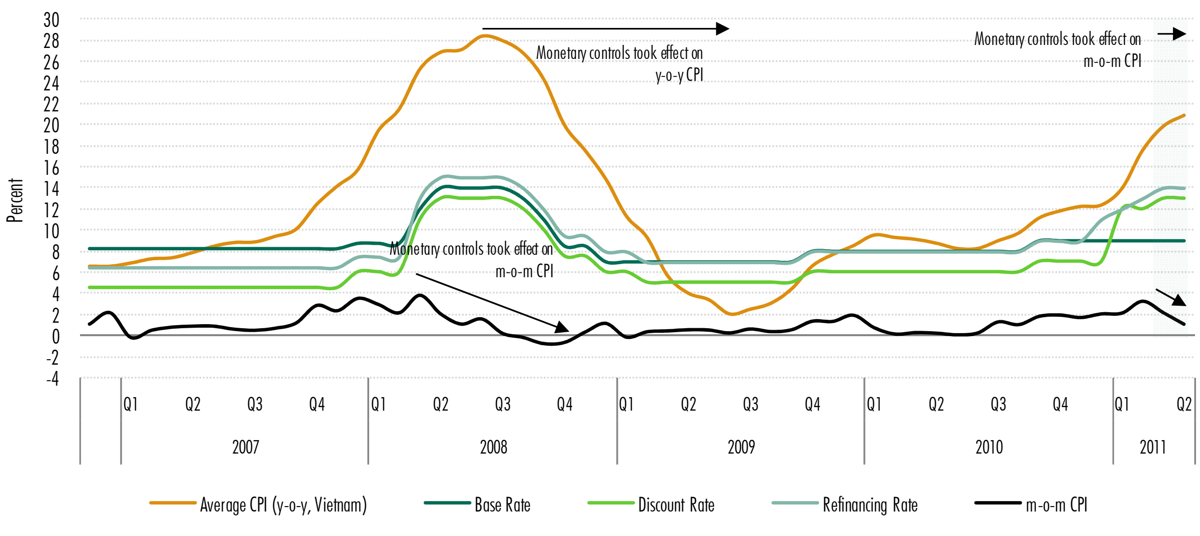
Source: Vietnamese General Statistics Office

RECENT ECONOMIC HIGHLIGHTS AND OUTLOOK

The economy was again in the headlines in second quarter of 2011 with the central story returning to the issue of inflation. While the real GDP growth was only 5.57% y-o-y, cost-driven inflation hit 16.03% y-o-y in a six-month moving average. Aimed at capping a 20% credit growth and curbing inflation, the Government simultaneously executed various tools to stabilise the macroeconomy in the quarter, including interest rates, compulsory reserve ratios and foreign currency trading policies. While the base rate was kept at 9%, the refinancing rate was increased to 14% and the rediscounting rate was adjusted upward to 13%. Given no choice in using the deposit interest rate, the policy of tightening crediting has forced commercial banks to raise lending rates. Loan interest rates are now offered at around 20% - 25%, resulting in more challenges to investment projects in real estate - classified as a non-production sector.

The effort of buying US dollars on the open market led the SBV to have its highest foreign currency reserve ever with US$13.5 billion on hand by May, 2011. A large quantity of dong was poured into the economy and thus inflationary pressures will leverage the worsening situation.

Monetary Control and Effects



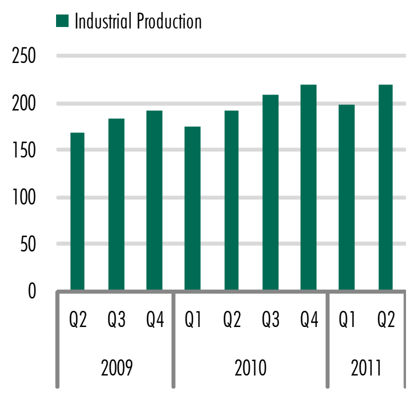
Source: Vietnamese General Statistics Office, CB Richard Ellis Vietnam

Observing the movement of monthly and yearly CPI in correlation with monetary policy controls, it is noted that from the final quarter of 2007 to the third quarter of 2008, interest rate adjustment played a crucial role in shifting inflation downward. This time the SBV once again used interest rate tools to stabilise the market by adjusting refinancing and rediscounting rates. Immediate action was carried out following signs that inflation could reach similar levels seen in 2008. This is likely due to the fact that the SBV learned from previous inflation control experience, and applied the same tools, albeit in a more consistent and strict manner. Unlike the previous trend, the base rate has not yet been adjusted, however, the m-o-m CPI in May and June 2011 had already shifted downward, possibly as a result of the strict control of the US dollar and gold trading activities in the second quarter of 2011.

However, such a sharp drop in m-o-m CPI in June does not necessarily paint a healthy economic picture for the next quarter. If the SBV keeps key rates at their current levels, given that the exchange rate gaps are strictly monitored, inflation is expected to continue shifting downward. If the market receives no positive news regarding inflation in July and August, it is more likely that the base rate will be taken into account and further adjustments on the deposit rate cap will be made.

INDUSTRIAL PRODUCTION

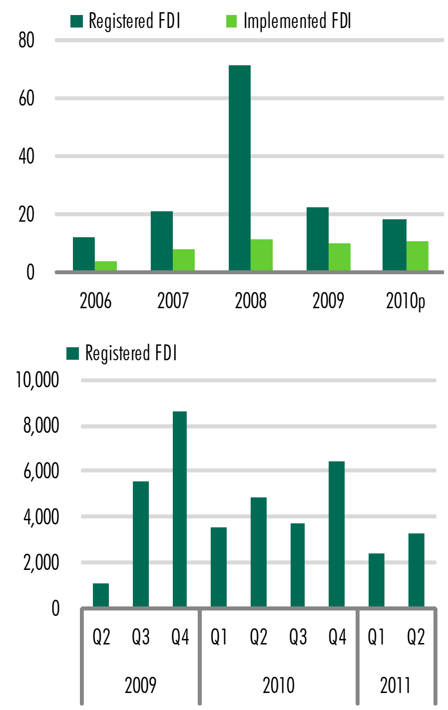
Industrial Production (Trillions dong)



Source: Vietnamese General Statistics Office

Industrial production in the second quarter of 2011 reached VND219.7 trillion dong, rising 14.5% y-o-y and 10.6% q-o-q. Generally, industrial production growth has been relatively stable. In the first six months of 2011 total industrial production value reached VND418.5 trillion dong, up 14.3% y-o-y. However, in June, 2011, the Vietnamese General Statistics Office applied a new method of recording growth of industrial production by applying Indexes of Industrial Production (IIP) to replace the previous method which valued industrial production at its 1994 price. The IIP method aims to reflect a more realistic view on the industry's added value as well as to fall in compliance with the international statistic standards of other countries. As such, IIP in the first half of 2011 increased to 9.7% from 8% in the first half of 2010. Industries with strong IIP growth include sugar production (43.5% y-o-y), products with ready-metal (38.1% y-o-y), ceramics (35.3% y-o-y) and non-alcoholic beverages (35.0% y-o-y).

Registered FDI (US$ Billions)



Source: Vietnamese General Statistics Office

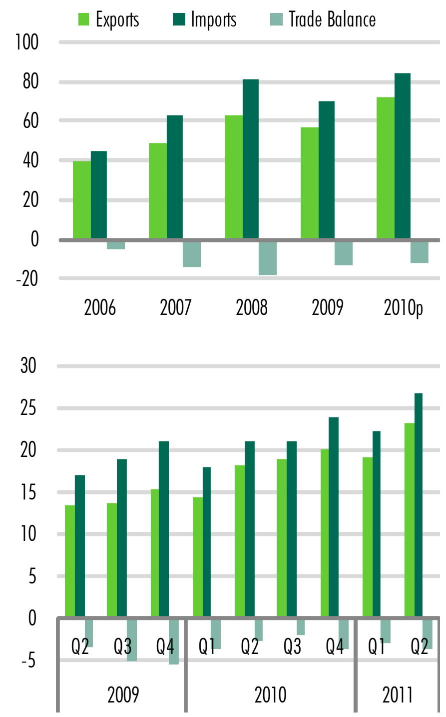
FOREIGN DIRECT INVESTMENT (FDI)

Both implemented and registered FDI decreased in the second quarter of 2011 when compared with the same period last year. About US$3.29 billion was committed in the review quarter, a 32.5% y-o-y decrease, while US$2.76 billion in implemented FDI was poured into the country, representing a 4.8% y-o-y decrease. Registered FDI in first half of 2011 was US$5.67 billion, a 32.8% y-o-y decrease from US$8.43 billion seen in first half of 2010. However, with a 1.9% y-o-y drop from US$5.40 billion to US$5.30 billion, implemented FDI flow is getting close to registered FDI. Such disbursement of FDI capital shows real investment flows and strong investor commitment in investing into Vietnam.

FDI inflow mostly went into the manufacturing sector (US$3.33 billion) followed by the construction sector with US$474.8 million in 60 projects. About US$305.3 million was registered in the real estate sector, which came in at the fifth position in the top FDI sectors list. Singapore, Korea and Hong Kong are the top FDI investors in Vietnam in terms of investment value, investing about US$2.63 billion in total registered FDI. Meanwhile, Ho Chi Minh City, Ba Ria - Vung Tau, Hanoi, Da Nang, and Dong Nai are among the top five most attractive destinations in Vietnam, receiving about US$3.27 billion in FDI.

FOREIGN TRADE

Trade Balance (US$ Billions)



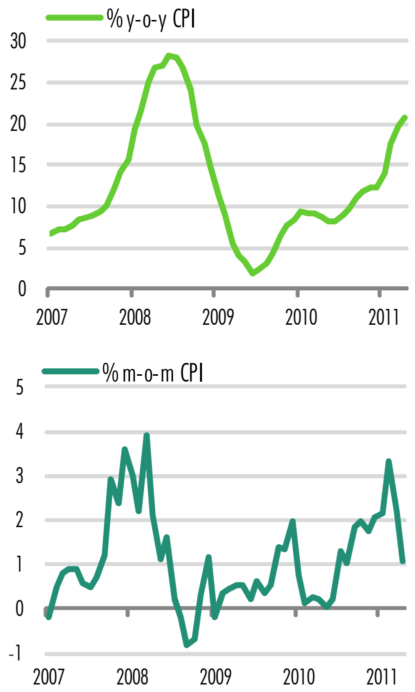
Source: Vietnamese General Statistics Office

Trading activities also witnessed positive movements. Due to the effects of rising global prices, as well as having advantages from the USD/VND exchange rate, export revenue in first six months of the year increased by 30.3% y-o-y. Imports also increased but with a lower growth rate of 25.8% y-o-y. Though the trade deficit persists in Vietnam, only 3.14% y-o-y of the deficit was made in first six months.

In the second quarter of 2011, total exports reached US$23.09 billion, showing growth of 19.97% q-o-q and 27.6% y-o-y, whilst imports increased by 19.93% q-o-q and 27.5% y-o-y, reaching US$ 26.71 billion, US$3.6 billion of which was made from the trade deficit. The results show that trading businesses have become more developed despite Vietnam's economy and the regional economy still battling the residual effects of the global financial crisis. The exchange rate is considered an important factor of trading activities, however, during the second quarter export and import values were much higher than in the first quarter of 2011. This was due to an improvement in trading relations and strong domestic production demand even though the USD/VND exchange rate experienced such low volatility that it decreased slightly. Yet, while exports received high revenues; manufacturing costs continued to increase, thus putting into question the performance of local exporters.

INFLATION

CPI (% change)



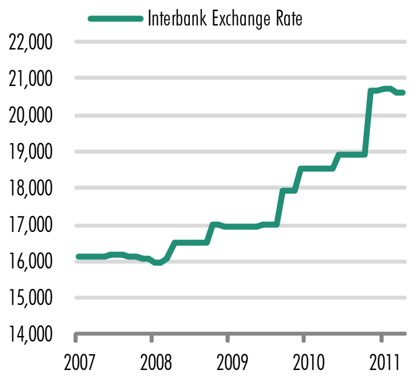
Source: Vietnamese General Statistics Office

Inflation remained at the centre of the macroeconomic story in the first half of 2011 with CPI in June reaching 20.82% y-o-y. The average figure for first half of the year was 16.03%, three times the real GDP growth rate of 5.57% y-o-y during the same period. Price escalation has forced the Government to reset the inflation target in 2011 to 15% - 17%. While the increase in CPI has not been offset by GDP growth rate, it has raised concerns regarding the future of the economy, especially the expected rate of return from investors in Vietnam. Prices on food and food stuffs surged upward to 22.39% y-o-y in the first half of 2011 while housing and construction materials' costs rose by 18.04% y-o-y. Education costs also jumped 24.14% y-o-y. All of these items are the most necessary consumer goods of the economy and thus lead the inflation to escalate higher.

The price-hike began in the final quarter of 2010 and peaked in April, 2011 with m-o-m inflation rising to 3.32%. Efforts by the Government to curb the rise in inflation include the use of stabilising tools such as interest rates, tightened credit policies, strictly supervised gold and US dollar transactions. Although the effects of these tools helped to slow down inflation in May (2.21% m-o-m) and June (1.09% y-o-y), only the escalation rate is decreasing, and prices are invariably going to increase in the long term. In other words, the market is still looking for signs of price stabilisation over the next several months with controls being carried out consistently and strictly on track to hit the original target of 15% y-o-y. However, it is unlikely that this will be met.

EXCHANGE RATE

Exchange Rate (USD/VND)



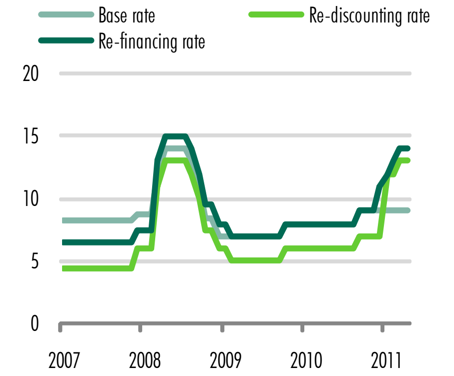
Source: State Bank of Vietnam

The efforts of the SBV to control gold and US dollar transactions showed movement when the interbank exchange rate shifted slightly downward from VND20,703/USD at the end of the first quarter of 2011 to VND20,618/USD by end of the second quarter of 2011. On April 9, the SBV set the USD deposit rate cap at 1% and 3% applied to institutions and individuals respectively from April 13. In order to reduce dollarisation in the economy, and to limit speculation for stabilising the foreign exchange market, the SBV enacted Circular 11/2011/TT-NHNN on April 29 prohibiting gold deposits and loan offers at credit institutions. As such, credit institutions are not allowed to offer loans in gold, to deposit gold at other credit institutions or to collect gold deposits. Credit institutions are also prohibited from transferring outstanding gold deposits into dong or into other monetary payments. In the second quarter of 2011, the compulsory reserved ratio on foreign currency deposits was readjusted two times, increasing 3 percentage points in total.

Strict controls on US dollar and gold transactions have created a smaller gap between the official and unofficial exchange rates. As gold shops are currently under the scrutiny of the local SBV authority, USD selling and buying activities have lessened as a consequence.

INTEREST RATE

SBV Interest rates (%)



Source: State Bank of Vietnam

In the second quarter of 2011, the SBV continued to tighten monetary by adjusting the rediscounting and refinancing rates upward. In accomplishing the mission to reduce dollarisation and curb inflation, within the first six months of the year, operational interest rates were continuously re-adjusted. The refinancing rate increased to 14% while the rediscounting rate increased to 13% and the base rate remained at 9%.

Lending interest rates in commercial banks are fluctuating around 20% - 25% on average, depending on the terms and purposes. Due to being marked as a non-production sector, in addition to preventing bubbles in the market, the real estate sector is now facing more difficulties in applying for loans, as well as accepting unaffordable interest rates. This causes obstacles for both developers and investors. Readjusting the compulsory reserve ratio two times within the same quarter places pressure on the commercial banks in foreign currency lending. Thus, commercial banks are now very conscious of offering credit. However, limiting loans on property developments also results in the filtering of more feasible and efficient investment projects. It is notable that in May and June, when tightened monetary policy began to take effect, m-o-m inflation was reduced, especially in June when inflation rose by only 1.09% m-o-m. This presents a less serious scenario for the economy if all stabilising tools are implemented reasonably and consistently in the next period.

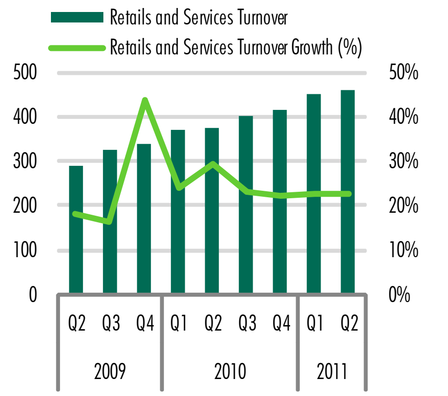
SBV Interest Rates

2011	Base Rate	Rediscounting rate	Refinancing rate
January	9.0	7.0	9.0
February	9.0	7.0	11.0
March	9.0	12.0	12.0
April	9.0	12.0	13.0
May	9.0	13.0	14.0
June	9.0	13.0	14.0

Source: State Bank of Vietnam

RETAIL AND SERVICES TURNOVER

Retails and Services Turnover (Trillions dong)



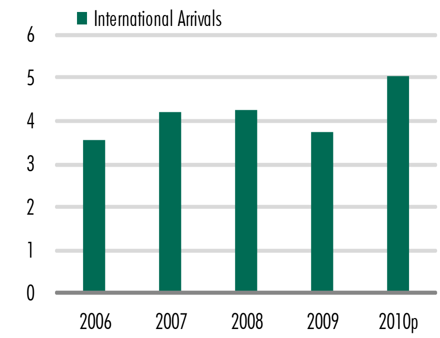
Source: Vietnamese General Statistics Office

Retail and services turnover in the second quarter of 2011 gained 22.6% y-o-y to VND459.9 trillion, a slight increase of 1.8% compared to the previous quarter. In first six months of 2011, total retail and services turnover rose 22.6% y-o-y, or 5.7% after eliminating inflation, reaching a total value of VND911.7 trillion. However, the real growth rate of the retail and services sector was under 6%, much lower than the figure recorded in the same period last year (16.4%). The Global Retail Development Index (GRDI) by A.T.Kearney shows that Vietnam's retail sector has fallen nine positions from 14th place in 2010 to 23rd place in 2011 out of the 30 most attractive retail markets.

Turnover on food and beverage, tourism and other services all rose from 19% - 23% y-o-y, partly due to rising prices and transportation costs. These disadvantages may place pressure on retail businesses for the time being, however, the consumption demand of Vietnam, a country with a large and young population, and strong labour force, should be seen as a long term advantage. If inflation in the second half of 2011 can be kept at a similar level to that recorded in June, opportunities to kick start consumption demand will be seen.

TOURISM

International Arrivals (Millions)



Source: Vietnamese General Statistics Office

In the second quarter of 2011, Vietnam welcomed 1.47 million international arrivals, a 3.6% q-o-q decrease and a 25.3 y-o-y increase. The second quarter often records less international tourists due to the nature of the low tourism season. Considering that the global economy has yet to fully turn the corner on the road to recovery, the performance of the tourism industry in the second quarter, which was relatively the same as the previous quarter, can be deemed a positive achievement.

In first six months of the year Vietnam welcomed 2.97 million international arrivals, an increase of 18.1% y-o-y. Business arrivals dropped 1.7% y-o-y while tourist arrivals increased 11.2% y-o-y and arrivals visiting family vastly increased by 77.6% y-o-y. Most arrivals were from China, Korea, the US, Japan and Cambodia. The Vietnam Tourism Development Master Plan Seminar stated that the tourism industry is oriented to be the top economic sector of Vietnam by 2020, aiming to welcome 10.3 million arrivals that year. Between 2011 - 2020, the tourism sector will target the local market with resorts, entertainment and shopping centers, as well as specifically focusing on attracting more international arrivals. This, in turn, will create a potential opportunity for the long term development of the tourism real estate sector.

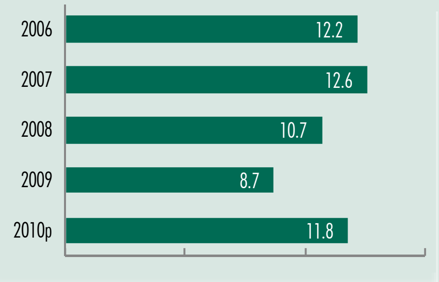
HCMC ECONOMIC OVERVIEW

HIGHLIGHTS

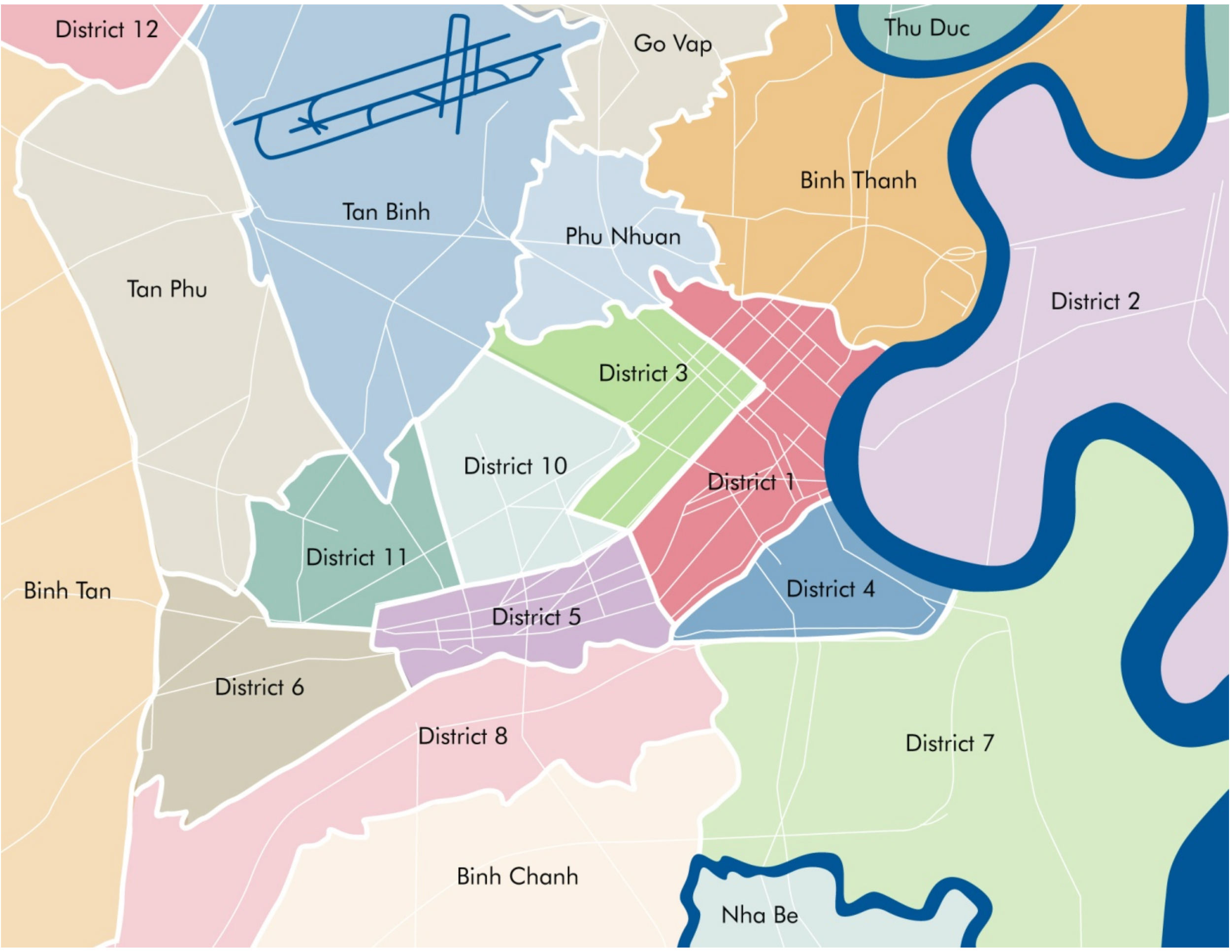
- **9.9% y-o-y GDP growth seen in the second quarter of 2011. The services sector was again the leading performer.**
- **The second quarter recorded a 1.6 percentage point drop in y-o-y GDP growth, from 11.1% y-o-y in the second quarter of 2010 to 9.5% y-o-y in the second quarter of 2011.**
- **Total FDI inflows into HCMC continued to increase with US$1.64 billion registered in first half of 2011although there was a 50.5% q-o-q decrease in registered projects.**
- **HCMC has witnessed a trade deficit for four straight quarters, albeit on a downward trend. The second quarter's deficit decreased to US$144.2 million and a total trade deficit of US$294 million was recorded in the first six months of 2011.**
- **In the second quarter of 2011, retail and services turnover was approximately VND108.9 trillion, representing 24.4% y-o-y growth. However, after accounting for inflation, the sector achieved only 8.8% y-o-y growth in the first half of 2011, which is much lower than the growth of 21.3% y-o-y achieved in 2010.**
- **HCMC continued to be successful in implementing the price stabilisation programme, helping to keeping CPI growth at only 0.69% m-o-m in June. In first half of 2011, the average CPI rose 11.54% y-o-y due to the rising costs of foodstuffs (16.28% y-o-y) and postal and telecommunication services (20.8% y-o-y).**
- **HCMC attracted 1.65 million out of 2.91 million total international arrivals in the first half of 2011. This represents an increase of approximately 10% y-o-y, and 47% of the annual target for 2011. As reported by the HCMC Department of Tourism, the number of arrivals from Russia increased by 39% y-o-y, and this is the first time Russia has been listed in the top 10 international arrivals to the city. The second quarter alone welcomed 750,000 international arrivals, a 15.4% y-o-y increase.**

Ho Chi Minh City

- **REGISTERED POPULATION: 7.4 million (2010) (Est. actual population: 8.5 million+)**
- **AREA: 2,095 square kilometres**
- **GDP PER CAPITA, 2010: US$2,800 (National average: US$1,160)**
- **REAL GDP (y-o-y % change)**



Central Ho Chi Minh City



HCMC Key Economic Indicators

	2003	2004	2005	2006	2007	2008	2009p	2010p
Real GDP (y-o-y % change)	11.2	11.6	12.2	12.2	12.6	10.7	8.7	11.8
GDP per Capita (US$)	1,364	1,531	1,732	1,744	2,180	2,497	2,606	2,800
FDI (US$ millions)			666	1,801	2,829	8,678	1,400	2,080
Exports (US$ millions)	9,415	12,578	15,259	17,277	19,412	24,081	20,079	20,967
Imports (US$ millions)	9,257	10,923	12,399	14,610	18,101	23,284	19,477	21,064
Retails and Services Turnover (Billions dong)	77,971	90,514	107,977	143,528	193,268	244,635	291,780	372,152
International Arrivals (Millions)	1.5	1.6	2.0	2.4	2.7	2.8	2.6	3.1

Source: HCMC Statistics Office

OVERVIEW

Located in the Southern Key Economic Region (SKER), which also includes Dong Nai, Ba Ria - Vung Tau, Binh Duong, Tay Ninh, Binh Phuoc and Long An provinces, HCMC is considered Vietnam's financial centre and a major economic and cultural hub.

The city's economic development has focused on financial and commercial services, tourism, transport and communications, cultural activities, health care, high-tech worker training and real estate services.

To facilitate the rapid economic development, there has been continuing investment in infrastructure in many parts of the city and the SKER. Some projects expected to start construction this year include Tan Kien Depot and Metro Line No.1.

Real GDP Growth (% y-o-y)

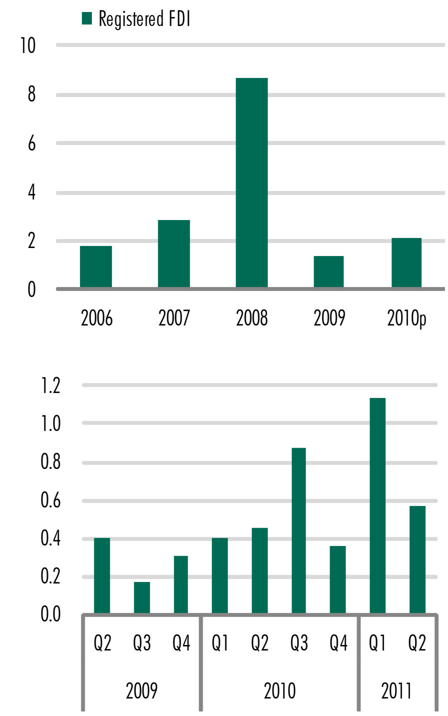
Source: HCMC Statistics Office

GDP

HCMC continues to be at the forefront at Vietnam's economic and commercial development, as shown by the 9.9% y-o-y GDP growth seen in the second quarter of 2011. However, in first half of 2011, the city's economy experienced more challenges, especially with input material costs, prices of goods and services, and bank interest rates. About VND200 trillion of nominal GDP was made in first half of 2011, in which services was again the leading sector performer.

The second quarter alone recorded a lower y-o-y GDP growth of 9.5%, as opposed to y-o-y growth of 11.1% in the corresponding quarter in 2010.

Registered FDI (US$ Billions)



Source: HCMC Statistics Office

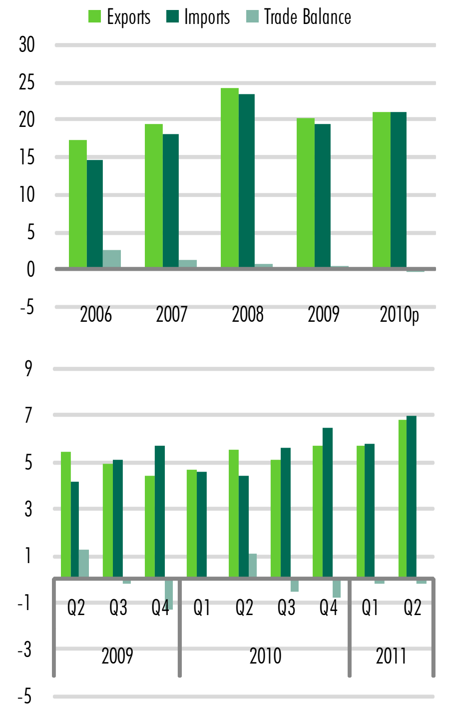
FDI

FDI inflows into HCMC continued to increase with US$1.64 billion registered in first half of 2011, of which US$1.46 billion was from newly licensed projects. However, only US$560 million was registered in the second quarter, representing a 50.5% q-o-q decrease. On a more positive note, registered FDI recorded 23.8% y-o-y growth.

In first six months of 2011, Singapore, with its investment in energy project, remained the top FDI investor in terms of investment value. Taiwan, with four projects amounting to US$129.9 million followed. With a total investment capital of US$25.5 million in 30 projects, Korea was ranked top in terms of number of invested projects. The real estate trading, services and consulting sector received 58 projects with total registered FDI of US$224.6 million.

FOREIGN TRADE

Trade Balance (US$ Billions)



Source: HCMC Statistics Office

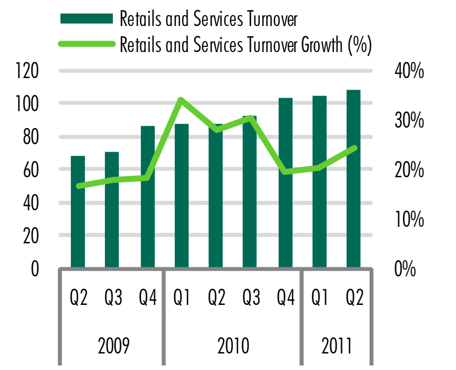
In the first half of 2011, exports recorded a growth rate of 14.7% to US$12.5 billion. Major export items were again crude oil (US$3.4 billion, 26.8% y-o-y rise), garments (US$1.04 billion, 18.1% y-o-y rise), rice (US$724 million, 5.7% decrease), shoes and seafood. In the second quarter, export value reached US$6.83 billion, rising 20.5% q-o-q and 28.8% y-o-y. Due to the continued increase of import items, import value surged to US$12.8 billion, recording 28.6% y-o-y growth, of which US$6.98 billion and a 58.5% y-o-y growth rate was recorded in the second quarter alone.

HCMC has continued to witness a trade deficit for four straight quarters, albeit on a downward trend. The second quarter's deficit decreased to US$144.2 million and a total trade deficit of US$294 million was recorded in the first six months of 2011. This performance, however, places pressure on trading activities in the last two quarters of 2011 to perform better than the previous year when the city made a US$96 million trade deficit.

While HCMC is the most active trading centre in Vietnam, the trade balance is one of the key factors that represents the economic wealth and business potential of the city. In line with the efforts to stabilise prices of local goods and services, it is expected that demand for domestic goods will continue to rise and domestic supply will not be enough to meet the consumption demand of the city. This leaves challenges for local manufacturers who may seek financing from banks in the context of credit growth limitation.

RETAIL AND SERVICES TURNOVER

Retail and Services Turnover (Trillions dong)



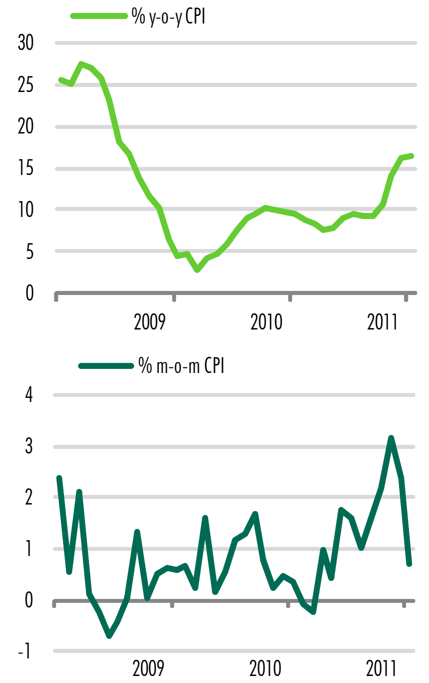
Source: HCMC Statistics Office

As the heart of commercial development in Vietnam, HCMC's retail and service sector drives the city's economic performance. With a population of over 7.4 million people, consumption demand plays a crucial role in retail business development. In the second quarter of 2011, retail and services turnover was approximately VND108.9 trillion, representing 24.4% y-o-y growth.

In the first half of 2011, this sector achieved revenue of VND214.2 trillion, rising 22.5% compared to the same period last year. However, after eliminating inflation, the sector achieved only 8.8% y-o-y growth, much lower than the growth of 21.3% y-o-y achieved in 2010.

Remarkably, tourism turnover reached 9.24 trillion dong, a 29.9% y-o-y increase, and this sector achieved the highest turnover among other retails and services businesses.

CPI (% change)

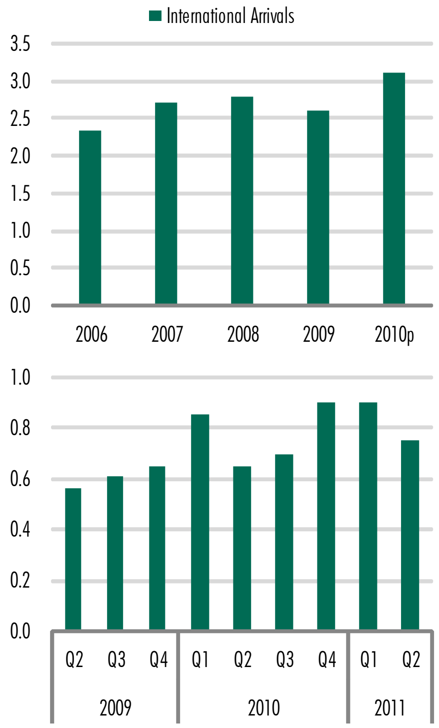


Source: HCMC Statistics Office

CPI

Increasing global prices, upward adjustment of the price of electricity, and the devaluation of the USD/VND exchange rate were the major factors that directly influenced the prices of consumption goods. HCMC was again the leader in the price stabilising programme as the city succeeded in keeping the CPI growth at only 0.69% m-o-m in June. Due to inflation in first half of 2011, the average CPI rose 11.54% owing to rising costs in foodstuffs (16.28% y-o-y) and postal and telecommunication services (20.8% y-o-y).

International Arrivals (Arrivals)



Source: HCMC Statistics Office

TOURISM

In first six months of 2011, HCMC continued to be the most attractive tourist destination in Vietnam with 1.65 million out of 2.97 million international arrivals coming to HCMC. This represents approximately a 10% y-o-y increase, and 47% of the annual target for 2011. Many of the international arrivals came from the US, Japan, Australia, Taiwan, Korea and China. According to the HCMC Department of Tourism, the number of arrivals from Russia increased dramatically by 39% y-o-y. Consequently, this is the first time Russian arrivals have been listed in the top 10 international arrivals to the city. As the largest tourism destination in the country, HCMC adds value to its tourism industry by holding various annual tourism events, including the Lunar New Year Celebration, 7th Annual Ho Chi Minh City Tourism Day, Dat Phuong Nam Food Festival, and the 9th Southern Fruits Festival. These events subsequently pushed domestic demand for Vietnam in the first half of 2011.

The second quarter alone welcomed 750,000 international arrivals, a 16.7% decrease from the previous quarter due to the low tourism season, but a 15.4% y-o-y increase compared to the same period last year.

HCMC INFRASTRUCTURE

AN OVERVIEW OF MAJOR PROJECTS THAT ARE UNDERWAY OR ABOUT TO COMMENCE, AND THE MOST SIGNIFICANT PROJECTS PLANNED FOR THE FUTURE BUT NOT YET UNDER DEVELOPMENT

HIGHLIGHTS

- **Ben Luc - Long Thanh Highway : Vietnam Expressway Corporation received funding commitments worth US$1.27 billion for the construction of Ben Luc - Long Thanh Highway.**
- **HCMC - Long Thanh - Dau Giay Highway and the Da Nang - Quang Ngai Highway : an inter-governmental letter of credit, worth ¥58.18 billion or US$720 million, was signed between Vietnam and Japan.**
- **Elevated Expressway Route 4: Construction Corporation 1 expects this route to come online in early 2015, requiring total investment capital of approximately VND11.4 trillion exclusive of compensation expenses.**
- **Ring Road No. 2: This project is nearing completion. Two small sections totalling 7.2 km, remain.**
- **Ring Road No. 3: The Ministry of Transport is proposing to divide this project into parts. The parts will be divided by province, and each province will be responsible for the investment within their section.**
- **Go Dua Intersection: On April 19, the main contractor started the final phase of construction, with completion expected within 240 days at an investment cost of VND60 billion.**
- **Nhieu Loc - Thi Nghe Canal Road: This project, widening the road from 5 m to 9 m is completed.**
- **Thu Thiem Tunnel: The tunnel is expected to be put into operation in November, 2011, at the latest. At press time, the contractor is installing various interior systems.**
- **Saigon Bridge Repair: On May 12, 2011, the contractor Freyssinet Vietnam started Saigon Bridge repairs, which are expected to be completed in October, 2011.**
- **Metro Line 1: Due to some adjustments, the expected cost of this project has almost doubled. After a site review in early June, the Chairman of the People's Committee of HCMC requested all land transfer be completed by September.**
- **Metro Line 2: The second funding agreement for Metro Line No. 2, worth** €212.75 million, has been approved.
- **Tramway Line 1: The Government is restructuring this entire project, recommending a Bus Rapid Transit (BRT) system. BRT could be implemented for between US$1 - $2 million, and later developed into a tramway if demand is sufficient.**

INFRASTRUCTURE OVERVIEW OF HO CHI MINH CITY

Ho Chi Minh City is Vietnam's key economic region. According to the HCMC Ministry of Transport, the city has approximately 4.5 million vehicles. This, combined with nearly 8 million people, makes HCMC among the most crowded cities in the world. Many streets in the city are narrow and in disrepair, and master planning is neither synchronised nor far-sighted. The construction of infrastructure cannot keep up with the rate of urbanisation. Transport in the city continues to face major problems including gridlock and delays from road construction. Statistics show that the average speed of motorbikes in HCMC during rush hour is about 10 km/h, whilst cars average a much slower 8 km/h. Continuing construction worsens traffic jams. Although construction is necessary for development of infrastructure, roads are frequently in a worse condition than before construction.

There are three main challenges impacting transport and infrastructure. Firstly, many universities, ports and industrial zones are still located within the city, adding to the gridlock as a large number of people and large vehicles compete for space. Container traffic is frequently stuck at the port or in traffic jams, which drags on overall growth and development. The city Government has agreed to move universities and industrial zones outside of the city, however, progress is slow. Approved solutions include Government approval of the Cai Mep - Thi Vai International Port in Vung Tau, reducing the burden on Saigon Port and Cat Lai Port. They have also approved expansion of Provincial Road No. 25B to ease the traffic to Cat Lai Port.

The second challenge is that HCMC does not have an efficient public transportation system. The current bus system, although extensive and frequent, cannot satisfy the transport needs of the city. Six metro lines and three tramways have been planned, with two metro lines already under construction. Although there are continual challenges with funding and compensation, progress continues. Improved public transport will aid follow-on development, such as improved retail and new residential developments with close proximity to future metro and tram stations. This will support the overall development of the city's economy.

The third major problem is a lack of high capacity roads. Large lorries and container lorries must pass through the city, using internal streets. Lorries are restricted from the city centre during rush hour, increasing the time it takes for containers or trucks to get in or out of the city. To ease lorry transport HCMC is planning more highways and ring roads to facilitate transport in and around the city. Two highways, the Trung Luong Highway, which is already completed, and the East - West Highway, which is under construction, will also reduce travel time. Two more major highways are planned, connecting HCMC to satellite areas such as Bien Hoa City, Nhon Trach Province, Dong Nai Province and Vung Tau City. Four ring roads are planned linking major satellite areas of the metropolitan area together when completed.

Despite the measured progress, the Government is prioritising infrastructure and taking advantage of opportunities, including ODA and favourable loan terms from partners, including Japan, Europe and ADB. The biggest challenge in implementing the development is adhering to strict schedules, quality control, and managing bribery and corruption.

Below are the latest updates on major projects in the city during the second quarter of 2011.

HIGHWAYS

- **Southern Interprovincial Highway (Ben Luc - Long Thanh Highway) (58 km, expected completion 2017)**

This 58-km highway will form part of HCMC's Ring Road No. 3. The highway will connect Ben Luc District (Long An Province), HCMC's Binh Chanh and Nha Be districts and Nhon Trach and Long Thanh districts in Dong Nai Province. The highway will begin at the HCMC - Trung Luong Highway and connect important infrastructure nodes, including the Hiep Phuoc and Long Hau industrial parks, Binh Khanh Bridge, Saigon Premier Container Terminal and the proposed Long Thanh International Airport, ending at the Bien Hoa - Vung Tau Highway.

The project will cost US$1.6 billion and will be funded jointly by the Asian Development Bank (US$636 million), the Japan Bank for International Cooperation (US$635 million), and the Vietnamese Government (US$337 million). This project is expected to start in 2012 and complete in 2017.

SECOND QUARTER 2011 UPDATE

During the second quarter of 2011, the Vietnam Expressway Corporation (VEC) received funding commitments worth US$1.27 billion for the construction of Ben Luc - Long Thanh Highway. In early May, during the 44th annual meeting of ADB held in Vietnam, VEC and ADB signed the Ben Luc - Long Thanh Highway construction project agreement which worth up to US$636 million.

According to VEC, early in June, the Japan International Cooperation Agency (JICA) sent a team of experts for a final investigation before officially agreeing to loan Vietnam US634.8 million for this project. Assuming there is no change, the procedure for choosing a main contractor, using an international competitive auction, will be held at the end of 2011. Construction should start in early 2012.

- **HCMC - Long Thanh - Dau Giay Highway (55 km, expected completion 2013)**

This 55-km highway started construction in October 2009 and the estimated completion date is 2013. The main developer of this project is the Vietnam Expressway Corporation (VEC) with a the total investment of US$932.4 million. This project is funded by a combination of ODA from Japan (US$516.5 million), a loan from ADB (US$410.2 million) and the remaining US$5.7 million from VEC. Phase one of this highway will have four lanes and start from An Phu in District 2, run through Long Thanh transportation areas and end at the Dau Giay Intersection in Dong Nai Province. The first phase will require an investment of approximately US$550 million, which will connect the future Long Thanh International Airport with HCMC, Bien Hoa City and also ease the traffic on the National Road No. 1A section running from Bien Hoa City to HCMC. The second phase will expand the highway to eight lanes from HCMC to Long Thanh and six lanes from Long Thanh to Dau Giay.

Through the first quarter of 2011, this project is 9% complete due to a compensation problem in Dong Nai Province. The construction schedule is expected to be revised accordingly.

Currently, construction is underway on the section from District 2 to Long Thanh, which is 23.9 km in length. This is according to HCMC's suggestion that the highway connect the project with the East - West Highway, Thu Thiem and Phu My bridges. A site clearance committee is being arranged for the 4-km section in districts 2 and 9. Thus far, 90% of the site clearance process has been completed; however, some packages constructed by foreign contractors need 100% site clearance before work can start. Therefore, Mr. Ngo Thinh Duc, the Deputy Minister of the Ministry of Transport, announced that provinces should complete all site clearance procedures by August, 2011.

Six of seven construction packages on the 55-km highway have already started, along with construction of the Long Thanh Bridge. This 1,700 m long bridge, spanning XXX, will be the biggest bridge on this highway.

According to the Ministry of Planning and Investment, on June 14 the diplomatic exchange note confirming the Japanese Government's favourable first loan phase was signed. This agreement, between the Minister of Planning and Investment and the Japanese Ambassador to Vietnam, covers the 2011 fiscal year. Subsequently, on June 15, the loan agreement was signed between the Ministry of Finance and the JICA.

This diplomatic credit exchange note, an inter-governmental letter of credit, is worth ¥58.18 billion or US$720 million. This funding will be used for construction of the HCMC - Long Thanh - Dau Giay Highway and the Da Nang - Quang Ngai Highway. These two projects are portions of the larger North - South National Highway project. The Japanese Government insists their ODA funding for Vietnam will continue despite the challenges facing Japan.

ELEVATED EXPRESSWAYS

Four elevated arterial expressways are planned for HCMC.

- Route 1: Cong Hoa - Nhieu Loc - Thi Nghe Canal - Nguyen Huu Canh - Thu Thiem No. 1 Bridge (4 lanes, 10.8 km)

  Elevated expressway No. 1, which will run above the Nhieu Loc - Thi Nghe Canal, will facilitate travel between Tan Son Nhat International Airport, the CBD, and Thu Thiem New Urban Area in District 2. This project is currently calling for investment.

- Route 2: To Hien Thanh (Route 1 Junction) - Lu Gia - Binh Thoi - Lac Long Quan - Road No. 3 - Ring Road No. 2 (4 lanes, 10 km)

  Elevated expressway No. 2 will run from central to western HCMC, ending at National Road No. 1A. This project is currently calling for investment.

- Route 3: To Hien Thanh (intersection with Line 2) - Le Hong Phong - Ly Thai To - Nguyen Van Cu - Le Van Luong - Nguyen Van Linh (4 lanes, 7.3 km)

  Elevated expressway No. 3 will run from central to southern HCMC. This project is currently calling for investment.

- Route 4: Binh Phuoc Intersection - National Road No. 13 - Vuon Lai - Nguyen Xi - Dinh Bo Linh - Dien Bien Phu - Elevated express way Route 1 (4 lanes, 9.6 km)

  Elevated expressway No. 4 will run from central to northern HCMC, ending at National Road No. 13 in Binh Duong Province. The Government has selected Construction Company No. 1 as the investor.

The HCMC Government assigned Construction Corporation 1 (CC1) the feasibility study for Elevated Expressway Route 4. CC1 expects this route to come online in early 2015. The final report, which has been submitted to the HCMC People's Committee for approval, indicates this route can be constructed under BOT or BT form. With a total investment capital of approximately VND11.4 trillion (approximately US$558 million), exclusive of compensation expenses, CC1 expects to spend VND6 trillion to build the entire elevated expressway.

RING ROADS

HCMC's ring road master plan calls for four ring roads to facilitate transport between HCMC and industrial areas, ports and other areas of Vietnam, while easing congestion in central HCMC.

In the final quarter of 2010, the Ministry of Transport met My Thuan Project Management Unit and related authorities to prepare for the construction of Ring Road No. 3 and No. 4. The total investment cost of VND154,000 billion (approximately US$7.9 billion) will be from ODA and other sources under BOT or PPP form.

Ring Road No. 1 (6-10 lanes, 56 km)

HCMC is calling for investment for the final 8.9-km section running from the Bon Xa Intersection (Binh Tan District) to Nguyen Van Linh Boulevard in District 7. The total investment cost is estimated to be US$118 million. To complete Ring Road No. 1, HCMC is building the Eastern Ring Road (expected completion in 2011), which will connect the Phu My Bridge with the Hanoi Highway.

Ring Road No. 2 (8-10 lanes, 65 km)

Two sections are currently calling for investment. HCMC is calling for investment for the final 5.2-km section from the An Lac Intersection (Binh Chanh District) to Nguyen Van Linh Boulevard in District 7. The total investment cost is estimated to be US$146 million. The Government is calling for investment to build the section from the Binh Thai Intersection (on the Hanoi Highway) to Go Dua Intersection (on National Road No. 1A, the end point of the Tan Son Nhat - Binh Loi Highway, which is currently under construction), with an estimated cost of US$85 million by BOT or PPP form. This section will be 60 - 63 m wide, with 8 - 10 lanes and 4.7 km in length.

Another section of the Ring Road No. 2, which is the Eastern Ring Road, from Phu My Bridge to Rach Chiec Bridge, is 80% complete.

On April 5, the Chairman of HCMC People's Committee held a meeting with the HCMC Department of Transport, and other related authorities to update the progress of Ring Road No. 2. According to the results of the meeting Ring Road No. 2 is nearing completion. Two small sections remain, including the 5.2-km section from An Lac Intersection in Binh Chanh District to Nguyen Van Linh Boulevard in District 7, and the 2-km section from the Phu My Bridge to the Hanoi Highway.

A potential investor is proposing to construct the section from An Lac Intersection to Nguyen Van Linh Boulevard under BT form. The other section is now calling for investment. The Chairman of HCMC People's Committee has requested the HCMC Department of Transport and related authorities to support the procedures necessary for investors to start the project soon.

- **Ring Road No. 3 (6-8 lanes, 90 km)**

This ring road will connect the Ben Luc - Long Thanh Highway (Nha Be District) with the HCMC - Trung Luong Highway (Binh Chanh District), going through HCMC and the provinces of Dong Nai, Binh Duong and Long An. The HCMC Government is calling for investment for two important sections due to their expected impact on new urban projects. The first section connects the Tan Van Intersection (Binh Duong Province) with the Nhon Trach Bridge (spanning the Dong Nai River). It will have 6 - 8 lanes, be 7.6 km long, and the estimated investment cost is US$185 million by BOT or PPP form. This section has been identified by the Government as the first priority to be built. The second section connects the Binh Gioi Bridge (Hoc Mon District) with the HCMC - Trung Luong Highway (Binh Chanh). This section is expected to have 6 - 8 lanes, be 39.8 km long and have an estimated investment cost of US$987million, also by BOT or PPP form. The entire road is expected to be built from 2011 - 2020 with a total investment cost of VND55,805 billion (equivalent to US$2.86 billion).

On May 10, at the meeting regarding the construction of Ring Road Nos. 3 and 4, the Deputy Prime Minister requested the Ministry of Transport to push the process of preparing and calling for investment for these two projects. Due to the large amount of investment required, the Ministry of Transport proposes to divide projects into parts. The parts will be divided by province, and each province will be responsible for the investment within their section. The Government is also encouraging provinces to implement BT, BOT or PPP forms. The Ministry of Transport will facilitate joint investment with ODA in some special sections or pieces of the project. This plan, which is waiting for approval from the Prime Minister, is considered appropriate by both reducing the burden on the national budget and enabling local and foreign investors to participate.

- **Ring Road No. 4 (10 lanes, 196.5 km)**

This ring road will start from Trang Bom District (Dong Nai Province) and end at Hiep Phuoc Industrial Park (Nha Be District, HCMC), going through HCMC and the four provinces of Binh Duong, Dong Nai, Long An and Ba Ria - Vung Tau. Two sections are being called for investment. The first section runs from the Phu Thuan Bridge (Cu Chi District) to Duc Hue District (Long An Province). This section will be 10 lanes, 15.8 km long and is expected to cost US$311million. Also 10 lanes, the second section runs from Can Giuoc District (Long An Province) to Hiep Phuoc Industrial Park (Nha Be District), is 6.8 km long and is expected to cost US$129 million. Both sections are being offered under BOT or PPP form. The entire road is expected to be built from 2011 - 2020 with a total investment cost of VND98,537 billion (equivalent to US$5.05 billion).

OTHER MAJOR ROADS

East - West Highway (6 - 10 lanes, 21.9 km, road completed Q1/2011)

This is the most important east - west axis in the city. The East - West Highway's first section (from National Road No. 1A in Binh Chanh District to the Thu Thiem Tunnel in District 1) opened to traffic in 2009. The completed highway will run through districts 1, 2, 5, 6, Binh Tan and Binh Chanh, linking north-eastern and south-western HCMC, using the Thu Thiem tunnel to cross the Saigon River from District 1 to District 2. The entire road was completed in the first quarter of 2011, however, it is still waiting to be connected to the Thu Thiem Tunnel.

In October 2010, the Ministry of Transport issued Decision No. 2877/QD - BGTVT approving the East - West Highway extension to the HCMC - Trung Luong Highway. This section will start at the crossroad of the East - West Highway and National Road No. 1A and run to the Tan Kien Intersection. This section will be 2.7 km long with a total estimated cost of VND2,371 billion (equivalent to US$121 million). The three year construction project is expected to start in 2011.

Early in March 2011, the Thu Thiem Tunnel was over 90% complete and is expected to be completely finished in November, 2011. The tunnel will be prepared for trial operation in September, and will be opened to the public two months later. The completion of Thu Thiem Tunnel is very important and highly anticipated as it will further the completion of the East - West Highway.

The East - West Highway plays a very important role in the development of Thu Thiem New Urban Area and also Binh Chanh District. This highway will significantly improve access to these areas and, accordingly, many new residential projects are appearing along the East - West Highway, both in Binh Chanh District and Thu Thiem.

Tan Son Nhat - Binh Loi - Ring Road 2 (6 - 12 lanes, 13.7 km, expected completion 2013)

In June 2008, Korea's GS Engineering & Construction Company began initial construction work. This is the first road in HCMC to be built under the Build - Transfer method. Connecting Tan Son Nhat Airport with the districts of Go Vap, Binh Thanh and Thu Duc, ending at National Road No. 1A, this highway will facilitate transport between Tan Son Nhat Airport and the industrial and logistics hub of Song Than. The road includes three bridges and four intersections with a width of 30 - 65 m and 6 - 12 lanes. At the end of the first quarter of 2011, Binh Loi Bridge (near Binh Trieu Bridge) was still under construction. The entire project is planned to complete in 2013.

This project has finished compensation in Binh Thanh District and compensation continues in Tan Binh District (82% finished), Go Vap District (92% finished) and Thu Duc District (83% finished). The compensation was not completed in the first quarter of 2011, as previously expected, and due to the complexities of the issue, an estimated timeframe for its resolution cannot be specified. Also, the transfer of relating infrastructure is underway parallel with the construction of projects such as Binh Loi Bridge and Go Dua Bridge. The Government has appointed the main contractor to accelerate progress, especially compensation work, attempting to complete the entire project on schedule. Currently, the project is expected to complete in 2013, one year later than originally planned.

The Tan Son Nhat - Binh Loi - Ring Road 2, one of the major infrastructure projects in Thu Duc District, is now behind schedule. The People's Committee of HCMC has repeatedly requested that compensation procedures be completed, but there are still 32 households that have yet to move. With the extended deadline, Thu Duc District is to complete compensation before June 30.

Nguyen Van Linh - Nguyen Huu Tho Intersection

In November 2010, the HCMC Department of Transport met with related authorities to determine the scale of the Nguyen Van Linh - Nguyen Huu Tho Intersection. This intersection is a very important crossroad in southern HCMC and provides access to the Hiep Phuoc Port Urban Area and Saigon South. This project will cost VND2,400 billion (equivalent to US$120 million), of which VND1,400 billion is allocated for compensation and clearance costs. An area with a radius of 200 m will be affected by this project. No schedule has been announced.

Go Dua Intersection

On April 19, the main contractor authorised for the project started construction to finish the Go Dua Intersection in Thu Duc District. This project commenced in early 2000 but has not finished as all land for the on and off ramps has not been transferred. In March 2011, the Chairman of the HCMC People's Committee made a strong request for completion of land transfer for construction. As of June 1, Thu Duc District has essentially completed transferring the in question to investors. Go Dua Intersection is expected to be completed within 240 days, with an investment of VND60 billion. After completion, it will ease the congestion at Tam Binh Intersection, one of the main entrances from Thu Duc District into the city.

Nhieu Loc - Thi Nghe Canal Road (5.5 km, completed Q2/2011)

In December 2010, the Transport Management Unit No. 1 announced that construction commenced on the expansion of the Nhieu Loc - Thi Nghe Canal road. This project will run from Ut Tich Street in Tan Binh District to Le Van Sy Bridge in District 3 and is split into four packages. The road on either side of the canal will be 9 m in width.

This project, widening the road from 5 m to 9 m is completed. This project will help ease the traffic for vehicles on the 8.8-km road. Supporting HCMC's plan to increase foliage along heavily travelled roads, many trees are being planted along this street. Landscaping is expected to cost VND148 billion and will finish after eight months. Once totally completed, this road, along the canal, will be uniquely beautiful yet also facilitate accessibility from Tan Binh District to District 3. This route is heavily travelled as it helps connect the CBD with residential areas in Tan Binh District, areas west of the airport and points beyond, including National Road 22, leading to Cambodia.

TUNNELS AND BRIDGES

The Thu Thiem Tunnel and Thu Thiem Bridges will connect the existing CBD with Thu Thiem New Urban Area in District 2, HCMC's planned future CBD. Other planned bridges, including Binh Trieu, Rach Dia and Rach Chiec, will facilitate traffic between HCMC and new residential development areas outside the city centre. As planned, HCMC intends to build 50 new bridges to meet existing transportation needs.

Thu Thiem Tunnel (6 lanes, 2.25 km, expected completion Q4/2011)

As previously reported, on September 5, 2010, the four tunnel sections were joined. This tunnel under the Saigon River forms a significant portion of the East - West Highway project and, according to the East - West Highway Management Unit, 90% of the entire project's construction is finished. The four tunnel segments were placed in a dredged trench between March 7, and June 5, 2010. The tunnel sections were constructed in Nhon Trach District (Dong Nai Province) and towed to their current positions under the Saigon River. In mid-January 2011, the expected completion date was changed from the first quarter of 2011 to the third quarter of 2011.

At press time, the contractor is installing the interior system of the tunnel including a ventilation system, water pumping, water supply, moisture control, lighting, alarm communication, fire control and automatic equipment to measure noise, humidity, dust and smoke levels. The control centre will be equipped with a camera system to monitor traffic and control all systems inside the tunnel in order to provide immediate management of any possible situations. The tunnel is expected to be put into operation in November, 2011, at the latest.

Thu Thiem Bridge No.2 (approved)

The proposal for building Thu Thiem Bridge No. 2 was approved by the Prime Minister of Vietnam. The future bridge will be located on Ton Duc Thang Street, running through the Ba Son shipyard, over the Saigon River, connecting to the Thu Thiem New Urban Area. This project is executed under BT form, with the main contractor being Vinacomex. This bridge will be 1.2 km in length with four lanes. The total investment capital for this project is approximately VND1,600 billion (equivalent to US$77 million). Some renderings of the project have been released in preparation for the final design to be chosen. Construction of this bridge is expected to start within the next six quarters.

- **Thu Thiem Pedestrian Bridge and Thu Thiem Central Square (under planning)**

This pedestrian bridge, crossing the Saigon River, and connecting the west bank of the Saigon River to the future Thu Thiem Central Square, is planned to be a symbol of the development of HCMC in the 21st Century. This bridge will be lit in the evening creating an easy connection between the current CBD and the planned 13-hectare Thu Thiem Central Square in the Thu Thiem New Urban Area. This square will be the largest public space in Vietnam. Envisioned as a major tourist attraction, the planning calls for a public space to hold festivals and offer recreation options to both tourists and residents.

- **Rach Chiec Bridge (8 lanes, undetermined length, phase 2 expected completion Q2/2012)**

The existing Rach Chiec Bridge, although in very poor condition, is an important part of the Hanoi Highway and connects District 2 with District 9, Thu Duc District and National Road No. 13. Construction began in October 2009. On December 25, 2010, the first phase was opened three months ahead of schedule, consisting of two segments built around the existing bridge. Each segment has two 295 m lanes.

Although construction was planned to start on the same day of the first phase's completion, it was not until late February, 2011, that construction of phase two of the bridge was officially started. In phase two of the project, the existing six-lane, 26.5 m wide bridge is being rebuilt. The new bridge will have a length of 735 m and is expected to be completed in the middle of 2012 (not 2013 as before). When the entire project is completed the new bridge will be 48 m wide. This bridge will ease traffic congestion in the northeast corridor of HCMC, improving accessibility to the Cat Lai Junction and Hanoi Highway. This project is presently making very good construction progress and therefore it is expected to be completed on schedule.

- **Binh Tien Bridge**

This bridge will be built from Pham Van Chi Street (District 6), over the East - West highway and the Tau Hu and Doi canals, connecting with Nguyen Van Linh Boulevard in Binh Chanh District. The bridge will also have connections to Ward 14 in District 8. In November 2010, the Prime Minister agreed that the HCMC People's Committee should select the developer and contractor, and Construction Company No.1 was chosen as the developer of this project. The project will be built under BT form with an estimated total investment of VND3,300 billion. In March 2011, the HCMC People's Committee directed the developer and District 6 People's Committee of District 8 and Binh Chanh District to start the project in May 2011. However, through the end of the second quarter, there has been no further information regarding the commencement of this project.

- **Saigon Bridge Repair**

On March 21, 2011, the Government approved plans for repairs and upgrades to the existing Saigon Bridge, starting in early April. Completion is expected by the end of 2011. The total amount of investment for the repair and upgrade is about VND68.6 billion.

On May 12, 2011, the contractor Freyssinet Vietnam started Saigon Bridge repairs, which are expected to be completed in October, 2011. The total final investment is expected to be VND64 billion. To facilitate construction there is currently a 25-tonne limit on the bridge to reduce vibration. Once completed, the Saigon Bridge will remove the 25-tonne limitation and allow every kind of vehicle to use the bridge.

- **Saigon Bridge No. 2**

The current Saigon Bridge was built in 1961 and although it has been upgraded and repaired many times, it is over capacity and deteriorating. Concurrently with the upgrade of the current Saigon Bridge, Saigon Bridge No.2 is also scheduled to start construction. The Phu My Bridge BOT Company is being considered as the developer of this project, with a total investment amount of VND1,600 billion. This bridge is still under planning and no news has been announced recently.

METROS AND TRAMS

Master planning calls for a network of six metro and three tram lines in HCMC. Work on Metro Line 1 started in the final quarter of 2010. Lines 4 and 6 are presently calling for investment although their construction timetables have not been announced.

Work on tramway Line 1 was expected to commence by the end of 2010, but as of the date of publication work had not commenced and no revised schedule has been released. Timetables for Line 2 and Line 3 have not been announced.

METROS

- Line 1: Ben Thanh - Suoi Tien (14 stations, 19.7 km, expected completion 2015)

  This metro line is expected to ease traffic congestion along the route and provide a boost to developments in districts 2 and 9, Thu Duc District (HCMC) and Di An District (Binh Duong Province). Investment of US$1.09 billion is required with funding provided by Japanese government loans. The Ministry of Construction has also agreed to extend Metro Line No. 1 to the Cong Hoa Roundabout (District 1) to link Metro lines No. 1 and No. 3.

  Construction of the underground 110KV cable, supplying electricity for the metro, has started. The sewage system of some streets along the route is being relocated, which will speed future construction progress. As reported previously, the only part of the bid-package currently under construction is the Long Binh Depot in District 9.

  A correction to information previously reported in this Quarterly Report is necessary. Although it was reported in late December, 2010 that the Saigon Bus Station was being torn down to prepare for construction of the Ben Thanh Central Metro Station, the work is in fact a remodelling of the current station. Our apologies for this error.

  After a site review in early June, the Chairman of the People's Committee of HCMC set a deadline for all land transfer in districts 2, 9 and Thu Duc to be completed by September. Previously, total investment of this project was US$1.09 billion; however, due to some adjustments of components, the total investment is expected to top US$2.07 billion.

- Line 2: Ben Thanh - Tham Luong (11 stations, 21.3 km, expected completion 2016)

  The funding for Metro Line 2 is coming together from the loan agreement, worth US$540 million, which was signed on March 11, 2011, between the State Bank of Vietnam and ADB. On the same day, the first loan contract was signed, worth US$40 million. The official signing ceremony for the first loan from the German government was held. Germany is funding €28 million. This is a part of the total amount of €240.75 million.

  On August 24, 2010, construction of phase one officially commenced with the groundbreaking of the Tham Luong Depot, covering an area of 25 hectares. Phase one is 9.3 km long, connecting the Ben Thanh Station in District 1 with Pham Van Bach Station in Tan Binh District. Ten stations will be underground with the Tan Binh Station being elevated. Investment for phase one is expected to be US$1.24 billion. Phase two is 10 km long and will connect Ben Thanh - Thu Thiem and Tham Luong - An Suong. The planned route begins at Thu Thiem New Urban Area (District 2) and connects districts 1, 3, 10, 12, Tan Binh and Tan Phu with the An Suong Crossroad (District 12). Estimated travel time for the first phase of this line is 25 minutes, with the travel time between two stations averaging one minute at a maximum speed of 80 km/h. The capacity of the first phase is 40,000 pax per hour and 140,000 pax per day. As planned, construction of main works will start in 2011 and is scheduled to be completed in 2016. In December 2010, the European Investment Bank (EIB), ADB, and KfW Entwicklungsbank (a German development bank) announced that they will be the main lenders for this line, with the European Union lending US$195 million.

  As reported by United Press International, on June 1, the German Foreign Minister announced, and Vietnam's Prime Minister approved, the second funding agreement for Metro Line No. 2, worth €212.75 million. Previously, the First Funding Agreement from Germany was signed was worth €28 million.

- Line 3: Ben Thanh - Mien Tay (29 km)

  The Ministry of Construction and the HCMC People's Committee divided Metro Line No. 3 into two lines, 3A and 3B. Line 3A will connect the Cong Hoa Roundabout in Tan Binh District with the Mien Dong Bus Station (Binh Thanh District), continuing to the Hiep Binh Phuoc Depot in Thu Duc District. Line No. 3B will connect the Cong Hoa Roundabout to Mien Tay Bus Station continuing to the Tan Kien Depot in Binh Chanh District. Although construction on the Tan Kien Depot was expected to start in the second quarter of 2011, construction work has yet to be seen.

- Line 4: Go Vap Roundabout - Khanh Hoi (33.7 km)

  This line will connect Go Vap District (northern part of the city) with District 4 (southern part of the city). At the time of going to press no further information is available.

- Line 5: Saigon Bridge - Can Giuoc Bus Station (26 km)

  In March 2010, the Vietnamese and Spanish governments signed an MOU to fund Metro Line No. 5. This line will connect the eastern, northern and southern parts of the city. The first section, from Saigon Bridge to Bay Hien Intersection, Tan Binh District, has a total investment cost of US$727 million. The section from Bay Hien Intersection to Can Giuoc Bus Station will be funded by the Spanish government and ADB. The total investment cost of the entire Metro Line No. 5 is estimated to be US$1.85 billion. It is expected that the Government will sign a contract with contractors appointed by the Spanish government in the final quarter of 2011 to commence compensation for a train station at Hoang Thu Park in Tan Binh District. At the time of going to press no further information is available.

- Line 6: Au Co - Luy Ban Bich - Phu Lam Roundabout (6 km)

  This line will connect Tan Phu District with District 6 and ease traffic congestion in the western part of the city. At the time of going to press no further information is available.

TRAMWAYS

- Line 1: Saigon - Cho Lon - Mien Tay Bus Station. This 12-km line will run from Ton Duc Thang Street in the CBD to Mien Tay Bus Station in Binh Tan District. Construction was set to begin in August 2010 but is now delayed due to adjustment of the investment structure.

  The HCMC People's Committee has agreed to terminate negotiation under BOT form for tramway Line 1 with a joint venture between Thanh Danh Company and Titanium (Malaysia). The termination was made because the proposals for the implementation plan issued by the venture lacked true feasibility and were deemed unreasonable.

  For a replacement, the Government has recommended developing a Bus Rapid Transit (BRT) system due to its efficiency and much lower investment cost compared to metros and trams. BRT could be implemented for between US$1 - $2 million. A successful BRT system can transport a large number of passengers quickly, taking advantage of the 10% of roads in the city that have more than six lanes.

  This is the first BRT project in Vietnam, which will be 26 km long. This development will comprise two phases: phase one will run from Mien Tay Bus Station to Ben Thanh Market, and phase two will run from Ben Thanh Market to Suoi Tien Cultural Park in Thu Duc District. The first phase is expected to come online in 2013.

  This infrastructure development structure is common in both Australia and the United States. As BRT and tramways are similar in that they both run at street level with a dedicated right-of-way, BRT is implemented first. If BRT proves successful, based on the level of ridership, the much more expensive tramways can be developed in the future. If the level of ridership does not meet expectations, the right-of-way can be relinquished to cars and lorries, saving the massive development cost of trams.

  According to the HCMC Department of Transport, the World Bank has proposed to provide US$300 million in funding to improve the public transport system of the city. US$150 million of the total capital will be used to develop BRT. The remaining funds will be used for infrastructure developments and to upgrade public means of transportation.

- Line 2: Nguyen Van Linh - Phu My Hung - Thu Thiem. This tramway line will connect the existing Phu My Hung New Urban Area and the planned Thu Thiem New Urban Area, two major development areas in HCMC.
- Line 3: Quang Trung Software Park - Go Vap. This tramway line will connect Go Vap District and District 12, two heavily residential districts of northern HCMC.

Binh Trieu - Hoa Hung elevated railway

On November 24, 2010, the HCMC People's Committee prompted the Ministry of Transport to start construction on the elevated railway from Hoa Hung (central station in District 3) to Binh Trieu Station (in Thu Duc District), over the Saigon River. This current section is 9.4 km long and intersects with 14 roads in the inner city. This elevated railway will limit the impact on street traffic as well as river traffic on the Saigon River. This project will eliminate congestion at the intersections between road and rail. Hoa Hung Station in District 3 will benefit from its ideal location and will not have to be moved outside of the city. At the time of going to press no further information is available.

ADDITIONAL INFRASTRUCTURE DEVELOPMENT

Nguyen Hue Pedestrian Street

The HCMC People's Committee requested Saigontourist to prepare procedures for creating a pedestrian area on Nguyen Hue Street. The planned area will be from the corner of Nguyen Hue and Le Loi streets to the corner of Nguyen Hue and Ton Duc Thang streets. Pedestrian hours will be from 6pm - 12am on Saturday and Sunday. In the second phase, Saigontourist will build two basements under Nguyen Hue Street for retail shops. This project has been announced, but there is still no official decision from the Government. In May 2011, a seminar between authorised offices was held to discuss the concept of developing the pedestrian area, comprising three sections in the CBD. The purpose of this is to create a significant tourist attraction for HCMC that features the ancient traditional culture of the city.

U Cay Canal Dredging

In early October 2010, the Government started to dredge the U Cay Canal in District 8. This section will be more than 1,171 m long, 15 m wide and 2 m deep with an investment cost of VND12 billion. Resco (Saigon Real Estate Corporation) is the developer of this project. Once this project is completed, the area along the canal is slated to be developed into high rise condominiums and office buildings. At press time, this project is ongoing.

Underground Power Lines

In November 2010, the HCMC Power Corporation announced that from 2011 - 2015 they will relocate the power lines in the city centre underground. Power lines slated for relocation are on high priority roads such as Ton Duc Thang, Ly Tu Trong, Nam Ky Khoi Nghia, Pham Ngoc Thach, Hai Ba Trung, Ham Nghi, Dong Khoi, Nguyen Hue, Le Loi and near the 23/9 Park. Outlying districts are also scheduled to have some power lines relocated. A total length of 700 km of cable will be relocated underground. The total investment cost is estimated to be US$150 million.

The People's Committee has approved to allow EVN HCMC to start relocating power lines underground from 2011 - 2020 with a total investment of VND10,000 billion. In order to manage such a large amount of investment, EVN HCMC will call for investment from funds and companies as well pursuing the opportunity to receive favourable loans from the Government.

Development of Traffic Control Center

HCMC intended to use US$131 million in ODA from France to build a Traffic Control Center. According to the design, the future Traffic Control Center will connect the traffic lights citywide with a high technology communication system.

The equipment is planned to be installed simultaneously for ease of operation and management. This modern system, to be installed at 1,400 intersections, includes remote controls, cameras, and recording devices. No further information has been announced during the second quarter of 2011.

- **Difficulties in funding infrastructure projects**

In 2011 HCMC is trying to raise capital for infrastructure development as many projects are waiting for investment capital. The 2011 national budget reduced the ratio of capital that HCMC will receive to 23% from 26% in the previous budget. As such, HCMC has a severe shortage of capital for infrastructure development. The HCMC Government has proposed a solution to the National Congress to experiment with investment under a Public - Private Partnership (PPP) form.

This new form of investment has not been used by any other cities in Vietnam. This investment model partners the Government and the private sector to share in the benefits and also the risks during a project's lifetime. As some of the potential risks are directly under the responsibility of the Government, there must be careful implementation to ensure the project is of a high quality. This will encourage the private sector to invest as they no longer have to bear the risks alone.

- **Replacement of the bus system**

HCMC is investing VND1,878 billion for 1,680 new buses to replace the current buses, which are now showing signs of severe degradation. This replacement plan is planned to be completed in 2013.

- **Expansion of the South West gate**

The city is working to invest VND1,200 billion to expand the 1.5 km street in order to solve the congestion in the South West gate of the city and to develop the economy in Tan Binh District and Tan Phu District. The extension is on Truong Chinh Street, from Au Co Street to Cong Hoa Street, with 60 m in width, and Tan Ky Tan Quy will be expanded to 30 m from its current 12 m.

Early in the second quarter of 2011, the relevant Government office announced that the Truong Chinh and Tan Ky Tan Quy expansion will not commence this year due to a deficiency in capital.

- **HCMC will have more new bridges and streets through 2015**

HCMC has set a target to bring more than 210 km of new streets and 50 new bridges online through 2015. The goal will improve road density to 1.87 km per square km, with the proportion of land allocated for traffic to reach 8.18%. This increase in road density, along with public transit options, is expected to meet 15% of the total demand of urban transportation.

- **Relocation of three first universities**

The People's Committee of HCMC has recently approved the relocation of three universities to North West Cu Chi New Urban Area. The first new modern university area in the city is planned to be 131 hectares. Universities volunteering to relocate will receive favourable loans worth up to VND300 billion for developing new facilities.

AIRPORT

Long Thanh International Airport

In November 2010, the Southern Airports Corporation submitted a plan to the Ministry of Transport regarding the Long Thanh International Airport in Dong Nai Province. According to the plan, the first phase of the airport will be built from 2018 - 2020 with an investment cost of US$6 billion (not including compensation and resettlement costs). The first phase will comprise two runways and one terminal with a capacity of 25 million passengers and 1.5 million tonnes of cargo per year. The second phase will be constructed between 2020 - 2035. In the second phase a third runway and a new terminal will be built with a capacity of handling 52 million passengers and 1.5 million tonnes of cargo per year. As planned, from 2030 - 2035 all civil aviation activities at Tan Son Nhat Airport will transfer to Long Thanh International Airport.

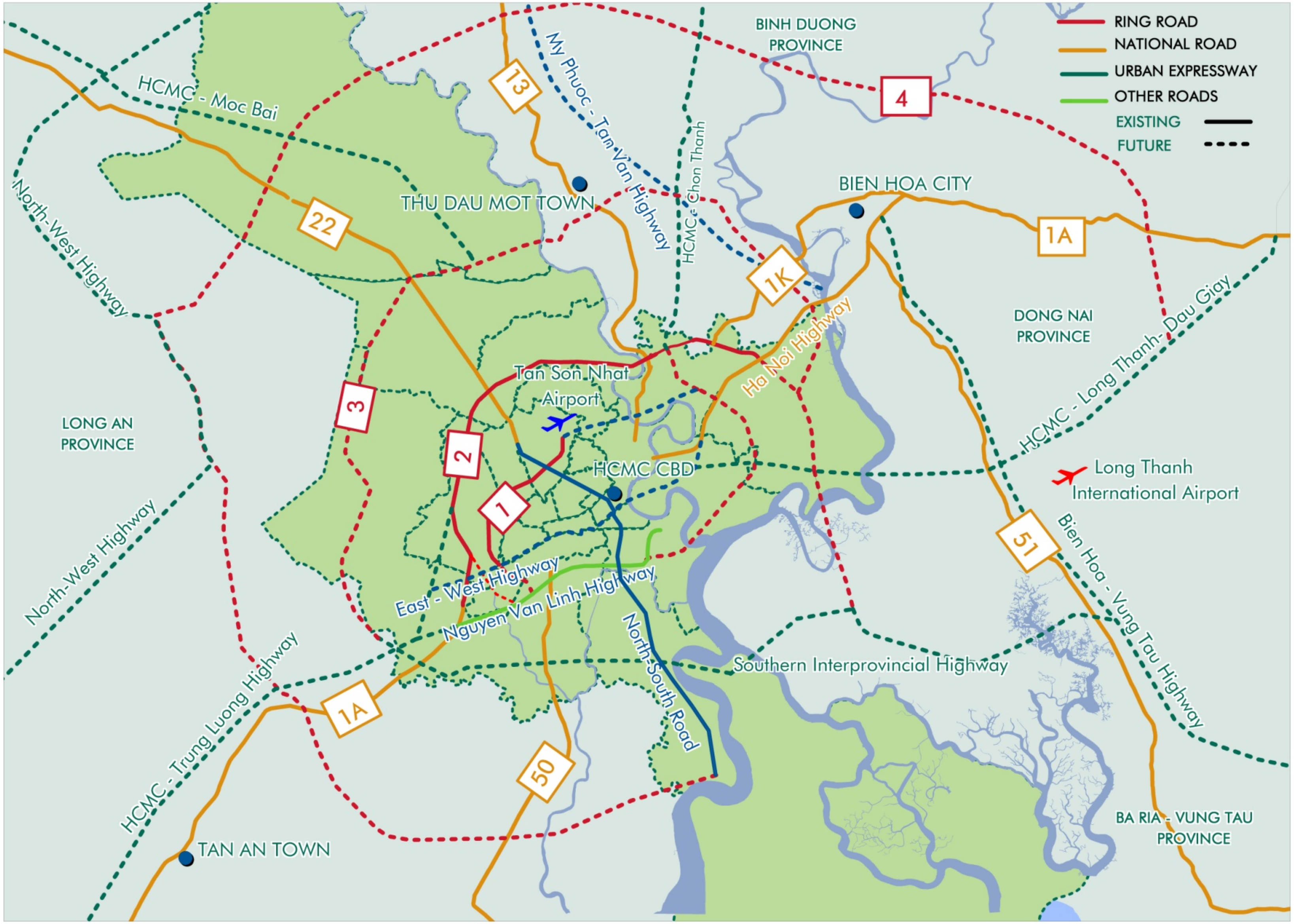
Long Thanh International Airport was submitted by the Ministry of Transport to the Prime Minister for approval in the first quarter of 2011. It was reported that Japan will provide about JPY500 billion in financial assistance to help Vietnam undertake this major infrastructure project, as well as Lach Huyen Port in the north. The airport is expected to open around 2016. Building of the key facilities, including runways, a control tower and passenger terminals, is expected to cost over JPY300 billion. The HCMC Government anticipates the project will start construction in late 2011. At press time only the announcement has been made and any official contract has yet to be drawn up and signed.

On Jun 14, 2011, the Prime Minister approved the Long Thanh International Airport Project in the southern province of Dong Nai, according to the concept from the Ministry of Transport. Estimated total investment of the first phase is approximately US$6.722 billion, of which the compensation is expected to cost about US$696.5 million. Also, the Prime Minister has appointed the Ministry of Planning and Investment to cooperate with the Japanese government regarding ODA funding. The Vietnam Airlines Corporation (the holding company which includes Vietnam Airlines) has been assigned as the project's investor.

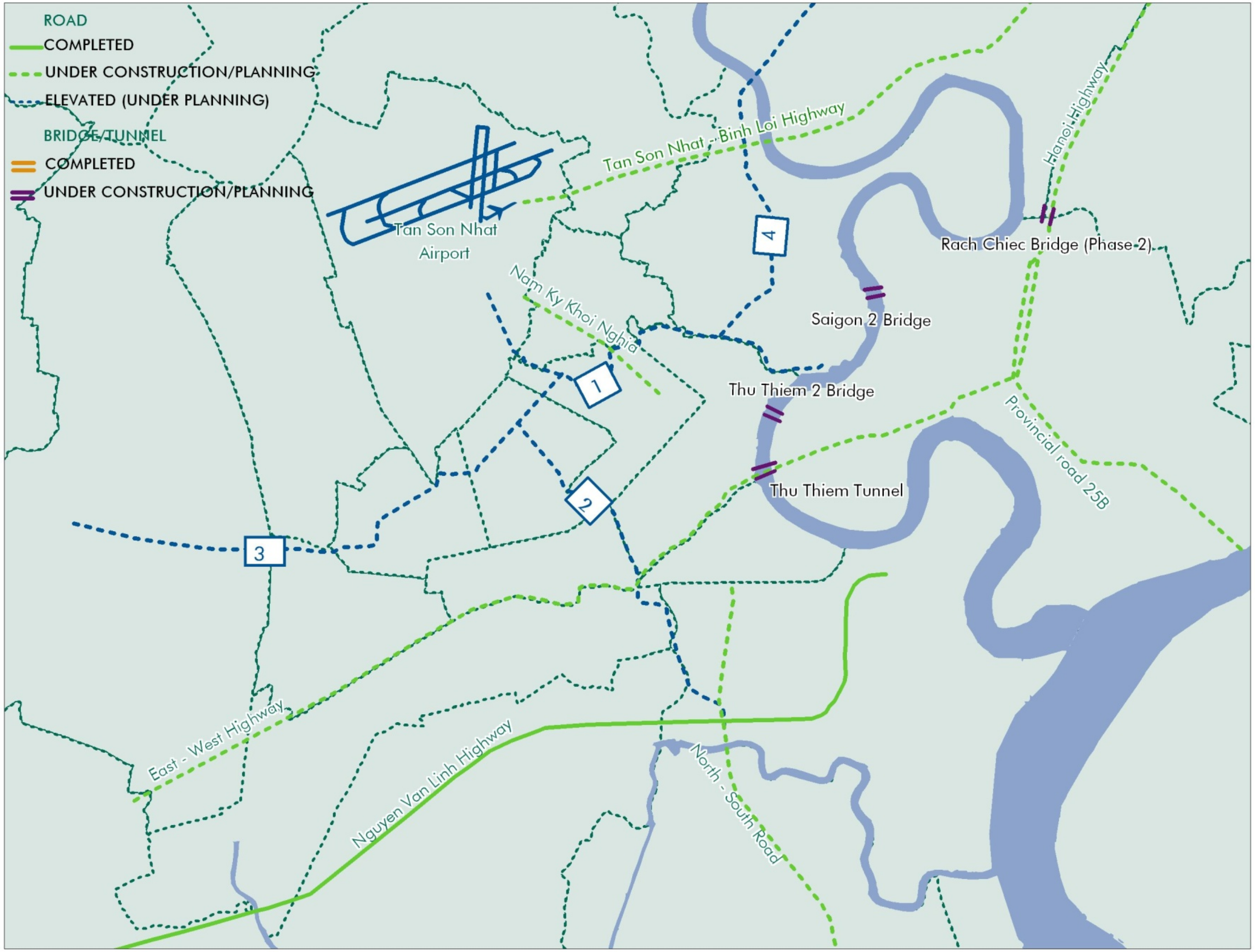
Tan Son Nhat International Airport Upgrade

The Southern Airports Corporation has planned a project of upgrading and expanding the domestic terminal of Tan Son Nhat International Airport in 2011 in order to meet requirements from the rapid development of the aviation’s industry’s market of Vietnam in the coming years. It has also been announced that this project should improve capacity to upwards of 15 million passengers per year. Components that are going to be upgraded include the 59,000 sm terminal. In addition, the domestic terminal will be expanded by more than 1,500 sm, in the direction of the international terminal. This new space will be used as a waiting room for the shuttle busses, which ferry passengers to planes not parked at a jetway. As planned, the project will commence in late 2011.

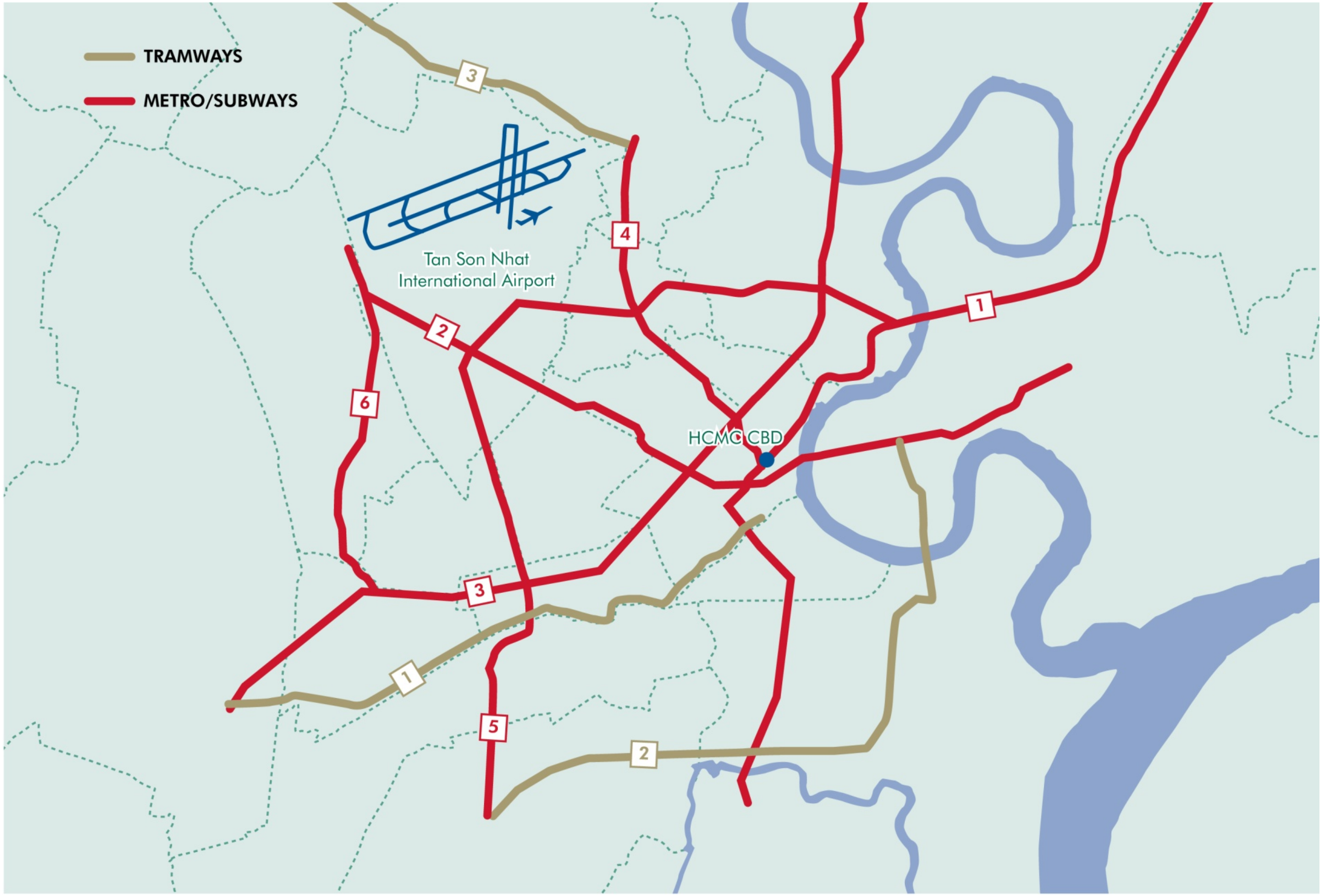
HCMC Interprovincial Infrastructure



HCMC Infrastructure



Tramways and Metros/Subways



OFFICE

HIGHLIGHTS

- **There was little new supply in the second quarter of 2011. Two Grade B and four Grade C buildings came online, adding a total of 37,865 sm GFA to supply. Total supply equals 1,762,203 sm GFA or 1,339,171 sm NLA.**

- **Through the end of 2011 there are six Grade B and eight Grade C buildings expected to come online. Times Square, the mixed-use project with 8,800 sm NLA of Grade A office space in District 1, celebrated its topping out late in the second quarter.**

- **In the second quarter of 2011, rents fell across all grades, continuing their long-term slide. Average Grade A asking rents declined 1.9% to US$34.21 in the second quarter, now at a level not seen since 2006.**

- **Grade B rents fell 1.7% q-o-q to US$18.72 psm per month. This is the third straight quarter of rental rate declines. Grade B rental rates are now at a level not seen since 2003. There is a disparity between Grade B rents in District 1 and decentralised locations. Grade B rents in District 1 stand at US$22.05 psm per month, and Grade B rents in outlying districts, range from US$13 - $14 psm per month.**

- **Overall, vacancy rates in the second quarter of 2011 declined. Mature Grade A buildings have very low vacancy, and Vincom Center's occupancy increased by 15% to 20% in the review quarter.**

- **Grade B demand was surprisingly strong. The Flemington's vacancy rate is now down to 30%, only two quarters after coming online. A&B Tower in District 1 is now 100% occupied after being open for a year and a half.**

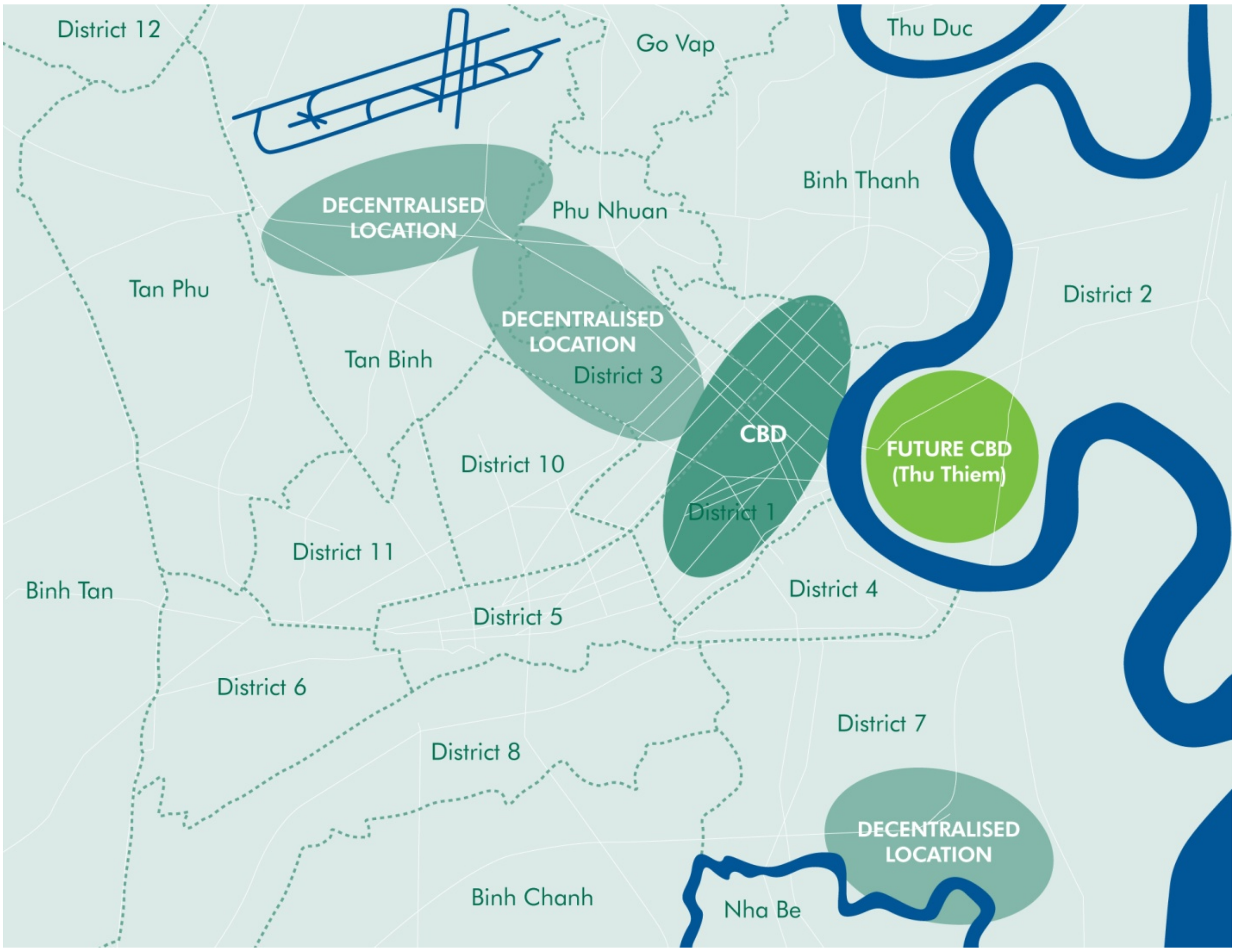
- **Overall net absorption in the second quarter was 37,083 sm. Landlords are adjusting their letting strategy to prioritise occupancy over rental rates. Incentives are playing a more important role as landlords grow increasingly competitive, and a larger basket of incentives can offset the cost of fitting out new office space.**

- **Parking and signage are priorities for expanding companies. Some tenants want to negotiate parking before rental rates, and creating brand awareness in this market makes highly visible signage a necessity.**

- **The next two quarters of 2011 are unlikely to see large gains in net absorption. With Grade A vacancy dropping, and the legacy Grade A buildings being upwards of 90% full, there is a small quantity of Grade A space left to occupy. Looking towards late 2012 and 2013, we expect to see Grade A rents stabilise and possibly improve due to tight supply.**

- **Only 38.8% of future supply is actually under construction. We expect this number to decrease. As more projects face delays, the addition of new supply will shift into the future, and this will lead to Grade B and C rents also stabilising, although not as quickly as Grade A as there are 14 Grade B and C buildings in District 1 which are actually in some phase of construction.**

Major Office Clusters



Market Snapshot, Q2/2011

OFFICE	GRADE A	GRADE B	GRADE C	TOTAL
Number of buildings	9	43	220	272
GFA (sm)	304,380	708,936	748,887	1,762,203
NLA (sm)	232,728	532,957	573,486	1,339,171
Net absorption (sm)	9,005	15,129	12,948	37,083
Vacancy rate (%)	34.2%	15.8%	10.3%	16.6%
Q-o-q change (pts)	-3.9 pt	0.7 pt	-1.2 pt	-1.0 pt
Y-o-y change (pts)	2.3 pt	5.5 pt	-2.7 pt	1.6 pt
Average asking rent (US$ psm per month)	$34.21	$18.72	$15.65	$20.10
Q-o-q change (%)	-1.9%	-1.7%	-1.4%	-1.9%
Y-o-y change (%)	-8.8%	-2.9%	-6.3%	-6.1%

*All office rents are quoted on gross floor area, excluding VAT and service charges.

Source: CB Richard Ellis Vietnam

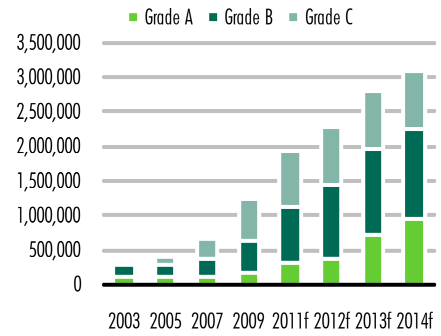
MARKET OVERVIEW

District 1 is HCMC's commercial and administrative centre. The area bounded by Ton Duc Thang, Ham Nghi, Nam Ky Khoi Nghia and Nguyen Thi Minh Khai streets is considered the central business district (CBD) and prime office location. More than half (55%) of the city's office supply is located in the CBD, including all Grade A buildings and the majority of Grade B buildings. Clusters of Grade B buildings are also located in Tan Binh District and Phu My Hung New Urban Area in District 7.

HCMC has nine Grade A buildings. Two Grade A buildings came online in 2010, Vincom Center in the second quarter, and Bitexco Financial Tower in the final quarter. Prior to that, Kumho Asiana Plaza and Centec Tower, the only Grade A office building in District 3, came online in 2009. To demonstrate the balance of Grade A supply, five buildings came online between 1996 and 1999. These five buildings are referred to as *mature* Grade A. It has been announced that Saigon M&C Tower will complete in 2011, although developer's schedules can encounter delays.

Rents as reported in this section are asking rents based on gross floor area, not including service charges or VAT.

Total Supply (GFA, sm)



Source: CB Richard Ellis Vietnam

SUPPLY

New Supply

There was less new supply in the second quarter of 2011. Two Grade B and four Grade C buildings came online, adding a total of 37,865 sm of GFA to supply. Grade B new supply decreased 10% q-o-q compared to the 42,102 sm of supply which came online in the first quarter of 2011.

One new Grade B building, developed by Nam A Bank, is located on Cach Mang Thang Tam (CMT8) Street, District 3. Opening nearly 50% owner occupied, this building adds a total of 16,500 sm of GFA to supply. The other Grade B building is located at 43 Mac Dinh Chi, District 1, invested by PVFC (Petro Vietnam Financial Corporation), with nearly 12,000 sm of GFA.

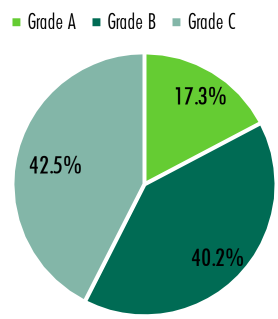
Four Grade C buildings came online, one each in districts 3, 6, Phu Nhuan and Tan Binh. Together these add nearly 10,000 sm of GFA to supply.

Existing Supply

At the end of the second quarter of 2011, the HCMC office market had 272 office buildings that meet or exceed the minimum standard required to be considered Grade C. Total supply equals 1,762,203 sm of GFA or 1,339,171 sm NLA.

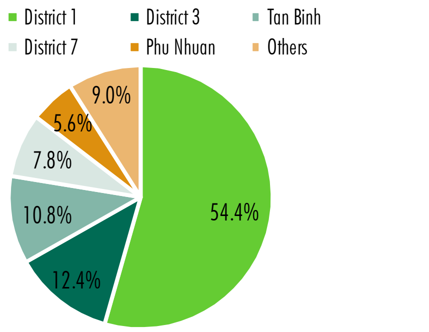
District 1 accounts for 54.4% of total office supply, including 958,617 sm of GFA across 125 office buildings. In District 1 there are eight Grade A office buildings, 27 Grade B buildings and 90 Grade C buildings. District 3 accounts for the second largest quantity of supply with 218,488 sm of GFA over 51 buildings. District 3 has one Grade A building, two Grade B buildings and

Existing Supply by Grade



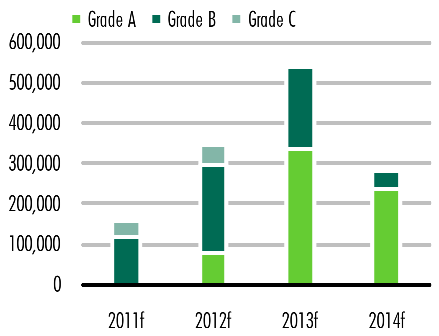
Source: CB Richard Ellis Vietnam

Existing Supply by District



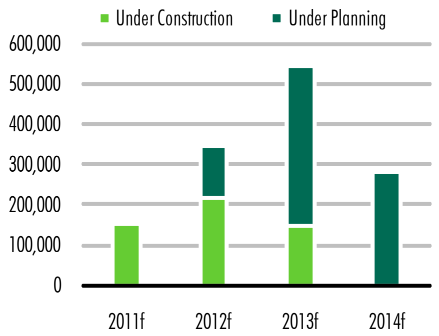
Source: CB Richard Ellis Vietnam

Future Supply (GFA, sm)



Source: CB Richard Ellis Vietnam

Future Supply (GFA, sm)



Source: CB Richard Ellis Vietnam

48 Grade C buildings. District 3 accounts for 12.4% of the total supply in HCMC.

Phu Nhuan and Tan Binh districts, along with District 7 account for 24.2% of supply. Tan Binh District has 21 office buildings providing 189,774 sm of GFA to supply. This accounts for 10.8% of HCMC's supply. District 7 accounts for 7.8% of citywide supply with 137,972 sm of GFA in 14 buildings. Phu Nhuan District has 28 office buildings, which account for 5.6% of supply and 97,973 sm of GFA in office space.

- **Future Supply**

Through the end of 2011 there are six Grade B and eight Grade C buildings expected to come online. The Vista in District 2 and Dragon Tower in Nha Be District are still in the fitting out stage and were not put into operation in the review quarter. REE Tower, a Grade B building with 26,694 sm of GFA in District 4 is topping out and if construction progress continues at the current rate it may complete next quarter.

Times Square, the mixed-use project with 8,800 sm NLA of Grade A office space in District 1, celebrated its topping out late in the second quarter. There is expected to be an extended fit-out period, with completion expected in 2012.

Two Grade A buildings in District 1 have shown no construction progress. BIDV Tower on Nguyen Hue Street is currently being used as a car park, and there is no demonstrated construction on the SJC Tower site, located on Le Loi Street.

The Vietnam Financial Centre, being developed by Berjaya on Ba Thang Hai (3/2) Street in District 10, has also had no construction progress.

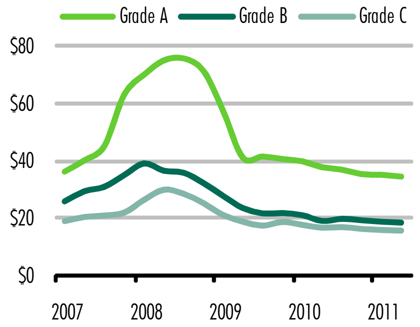
Projects making construction progress include the Ben Thanh Twin Towers, Vietcombank Tower, and Lim Tower. Compensation with local residents is progressing in the area of the Ben Thanh Twin Towers, and some buildings have recently been demolished in preparation for construction. Lim Tower, which previously suffered some construction issues in relation to nearby buildings, is back on track and the developer is pushing to open this building in 2012. Construction on Vietcombank Tower's basements is continuing with the top-down construction method.

Looking further into the future, one project in the Thu Thiem New Urban Area, which was started previously, is now calling for investment to solidify their financing. With the Thu Thiem tunnel expected to open later this year, the rate of land clearance across the river from the CBD has increased.

38.8% of over 1.3 million sm of GFA of new supply through to 2014 from all three grades was truly under construction at the time of going to press. Through to 2014, the market expects to receive approximately 652,000 sm of GFA in Grade A office space , of which 21.7% is currently under construction, and 587,000 sm of GFA in Grade B office space, of which 56.6% is currently under construction.

RENTS

Asking Rents (US$/sm/month)



Source: CB Richard Ellis Vietnam

In the second quarter of 2011, rents fell across all grades, continuing their long term slide. Due to the long term nature of the rental rate softening there is a systemic market reorientation in effect, which includes both an increase in supply and reduced absorption. While global and regional factors cannot be discounted when examining the market, the continuing macroeconomic instability in Vietnam also shares responsibility. As noted in the Economics section, the Government shifted its priority to contain inflation, and thereby promote macroeconomic stability. While the policies to affect that change wind their way through the economy, there is increased instability as market players try to gauge the long term significance of the shift in priorities.

Grade A office rents continued their slide, again softening in the second quarter of 2011. Average Grade A asking rents declined 1.9%, from US$34.85 in the first quarter to US$34.21 in the second quarter. This is the seventh straight quarter of Grade A rental declines, and rents are now at a level not seen since 2006. The decline is a y-o-y decrease of 8.8%. While overall Grade A rents declined, rental rates in the mature Grade A buildings tended to be stable in the review quarter due to their high occupancy rates. Considering the challenging economy, landlords are shifting their focus to prioritise high occupancy rates. Kumho Asiana Plaza and Vincom Center lowered their rental rates in the review quarter, and this helped to successfully boost Vincom's occupancy rate by approximately 15% - 20%. Bitexco Financial Tower continues to post the highest asking rents in the market.

Grade B rents fell 1.7% q-o-q, from US$19.04 psm per month in the first quarter to US$18.72 psm per month in the second quarter. This is a y-o-y decline of 2.9% and similar to the Grade A sector, continuing the downward trend for the last three quarters. Grade B rental rates are now at a level not seen since 2003. In the last two years Grade B rents have seen more resiliency than the Grade A sector. In the last eight quarters, rental rates increased in two quarters, and declined in six.

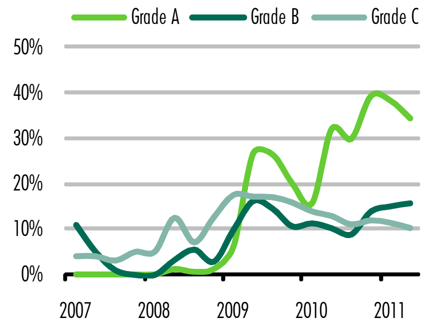
There is a disparity between Grade B rents in District 1 and decentralised locations. Grade B rents in District 1 stand at US$22.05 psm per month, and Grade B rents in outlying districts, including districts 7, 11, Tan Binh and Binh Thanh are between US$13 - $14 psm per month.

Grade C rents fell 1.4% q-o-q, from US$15.87 in the first quarter of 2011 to US$15.65 in the second quarter. This is a y-o-y decline of 6.3%. Rents in the Grade C sector are now at a level not seen since 2004. Due to the wide variety of Grade C buildings, the large number of landlords, and their small scale, Grade C rents fluctuate more than either Grade A or Grade B.

District 1 continues to command the highest Grade C rents, US$17.87 psm per month. There is a wide disparity in Grade C rents, with decentralised Grade C space being up to 27% lower than prime District 1 locations.

VACANCY

Vacancy Rate (%)



Source: CB Richard Ellis Vietnam

Overall, vacancy rates in the second quarter of 2011 declined. Grade B vacancy increased slightly by 0.7 percentage points, due to the completion of Nam A Office Building on Cach Mang Thang Tam Street and PVFC Building in District 1. As the 18-storey Nam A Office Building and 14-storey PVFC Building opened with approximately half their space owner-occupied, vacancy did not increase as much as it otherwise would have.

Grade A vacancy declined 3.9 percentage points from the first quarter of 2011 as the two new Grade A buildings continued their push to attract tenants and fill their vacant space. As seen previously, new buildings, especially Grade A, quote asking rents much higher than the market rate upon opening. Shortly thereafter, as market forces keep the buildings empty, landlords begin to decrease their rents to attract tenants. This is also reflected in rents, with Grade A rents declining q-o-q and y-o-y, leading more tenants to choose the more affordable Grade A space. While the mature Grade A buildings already have very low vacancy, with some buildings less than 5% vacant, Vincom Center increased its occupancy by 15% to 20% in the review quarter.

In the Grade B sector, as mentioned, vacancy increased slightly to 15.8% in the second quarter of 2011 from the 15.1% vacancy rate recorded in the first quarter. Despite this increase, which is due mainly to the addition of new supply, Grade B demand was surprisingly strong in District 11. The Flemington's vacancy rate is now down to 30%, only two quarters after coming online. A&B Tower in District 1 is now 100% occupied after being open for a year and a half.

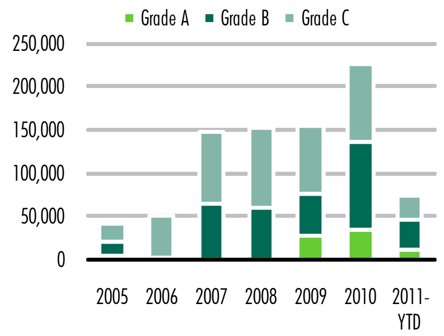
Grade B vacancy in District 3 increased 29.2 percentage points q-o-q with the addition of new supply from the Nam A building. Nam A is the second Grade B building in District 3. As mentioned, vacancy in District 11 dropped dramatically, 50 percentage points q-o-q with the strong take up in the Flemington.

The Grade C vacancy rate declined 1.2 percentage points to 10.3% in the second quarter of 2011 from the 11.5% recorded in the first quarter. Districts 4, 5, 7 and Binh Thanh saw the largest declines in vacancy in the review quarter. Vacancy in District 4 declined by 8.4 percentage points from 27.9% in the first quarter to 19.5% in the second quarter. Districts 5 and 7 both saw vacancy drop 3.9 percentage points q-o-q. District 5 saw vacancy drop from 11.2% in the first quarter to 7.3% in the review quarter. Vacancy in Binh Thanh District dropped 3.8 percentage points to 5.8% vacancy in the second quarter.

The trends in HCMC reflect the trends seen in the wider global office market, although not for the same reasons. Overall vacancy in Asia was down 3.2 percentage points in the first quarter of 2011, to 10.3%, as companies in the region both expand their operations and consolidate their space.

DEMAND

Net Absorption (sm)



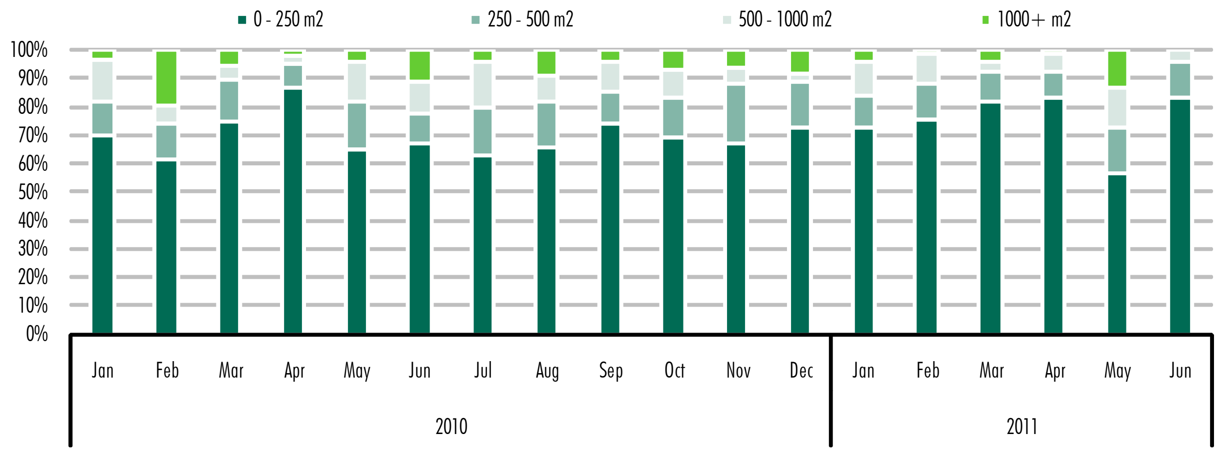
Source: CB Richard Ellis Vietnam

Enquiries to CBRE Office Leasing were down in the second quarter of 2011. Due to a combination of well known factors, including high inflation, high interest rates and tightened credit, companies are reluctant to expand or move into new space.

Overall net absorption in the second quarter was 37,083 sm. This is a decline of only approximately 200 sm since the last quarter, slowing the long term trend of declining net absorption from the most recent peak of 72,303 sm absorbed in the second quarter of 2010.

As the vacancy rate in mature Grade A buildings is declining to less than 10%, available Grade A supply is limited to the two new buildings that came to the market in 2010, Bitexco Financial Tower and Vincom Center. These buildings are expected to fill in the next two to four quarters. Some tenants are continuing to seek higher quality space while rental rates are declining. Landlords are also more motivated. In the current market, landlords with higher vacancy rates are adjusting their letting strategy to prioritise occupancy over rental rates. Incentives are playing a more important role as landlords grow increasingly competitive. A larger basket of incentives can offset the sometimes enormous cost of fitting out new office space. In the currently challenging economy, cash flow is king, and longer rent free periods and steep rents entice those who hold the purse strings.

CBRE Office Leasing Enquiries



Source: CB Richard Ellis Vietnam

As reported in previous quarters, demand from local banks continued in the review quarter, as Nam A Bank took half the space in their new building. This demand is expected to wane as upcoming Government policies are expected to restrict the ease with which banks are able to open new branches.

Educational centres continue their expansion, despite the challenging economy, searching every corner of the city for suitable space. Educational centres catering to English language training and vocational training schools are active and aggressive. Insurance companies are also expanding. Educational centres face restrictions from the city Government regarding where they can operate due to the high volume of traffic they generate, among other factors. Demand from educational centres is expected to continue. According to data from the TNS Consumer Confidence Poll in January, 2009, 95% of surveyed households said spending on education would remain the same or increase. In January, 2010, the number was 91%. Insurance companies are also expanding and taking office space.

The Flemington tested the office market in District 11 when it opened last quarter. Surprising the market, occupancy soared to 70% at the end of the second quarter 2011. One of the main factors in this soaring occupancy was parking. Offering a large floor plate, a proportionally large quantity of available parking, and attractive rental rates combined to reduce the vacancy in this building.

Parking is becoming an increasingly important issue for tenants. Providing onsite parking supports employee morale as employees prefer to avoid searching for parking and walking to offsite parking, especially during the rainy season. Onsite parking is also more secure than alternatives.

Another factor driving demand is signage. As insurance companies expand in Vietnam, creating brand awareness is important and insurance companies are driven to buildings that accommodate large rooftop signs. Insurance companies also require office space with available on-street parking, which supports a large number of customers making short visits, i.e., to make monthly payments.

Major Leasing Transactions, Q2/2011

PROPERTY	GRADE	DISTRICT	SIZE (SM)	TENANT
Metropolitan	A	1	254	Nokia
Green Power	B	1	945	Beton 6
A&B	B	1	135	Casa
Green Power	B	1	214	Descon
Green Power	B	1	130	Worldwide agency
Etown	B	Tan Binh	631	NSN
Gilimex	C	Binh Thanh	572	Asian Beverage
Sea Gull	C	Tan Binh	124	Boston Pharma

Source: CB Richard Ellis Vietnam

In the current economy, demand from new companies, especially new foreign invested companies, has declined. Currently, demand is coming from companies relocating or looking to take advantage of the softening rents. Government regulations restrict certain businesses from operating out of shop houses, especially in areas with high residential demand. Companies that were previously located in shop houses are stepping up into purpose built office space. Likewise, companies that were in Grade C space have an opportunity to move into newer Grade C buildings, or Grade B buildings with more affordable rents.

OUTLOOK

The next two quarters of 2011 are unlikely to see large gains in net absorption. With Grade A vacancy dropping, and the legacy Grade A buildings being upwards of 90% full, there is a small quantity of Grade A space left to occupy. In Grades B and C, net absorption is also expected to be temperate in the next two quarters as companies are reluctant to move or expand in the current economy. When the economy stabilises and begins to improve, the majority of net absorption will be confined to Grades B and C, due to the lack of Grade A supply.

In 2012 there is limited new supply in the Grade A sector. The two Grade A buildings expected are Times Square, developed by Times Square (Vietnam) Investment JSC, and Saigon M&C Tower, which is developed by M&C Holding Corporation. Times Square does not provide a tremendous quantity of new office supply, adding a little over 8,000 sm NLA to supply. Saigon M&C Tower adds more, a total of 49,000 sm of GFA to office supply. Times Square is dominated by serviced apartments and hotel space, and Saigon M&C Tower has a large residential component.

Also in 2012 the next level of trade liberalisation will come into effect according to Vietnam's WTO accession schedule. As the economy opens up and barriers to trade liberalise there is expected to be an increase in the number of multinational and foreign companies that enter the market. With a moderate amount of new Grade A supply coming online in 2012, some new market entrants are expected to take space in premium Grade B buildings or Grade C space in prime locations adjacent to Nguyen Hue in the heart of the CBD.

Looking towards late 2012 and 2013, we expect to see Grade A rents stabilise and possibly improve due to tight supply.

With the Government currently focusing on stabilising the economy, some projects that were expected to come online in the second half of 2012 and in 2013 will experience delays. As noted last quarter, only 38.8% of future supply is actually under construction, and we expect this number to decrease. As more projects face delays, the addition of new supply will shift into the future, and this will lead to Grade B and C rents also stabilising. While Grade B and C rents are expected to stabilise, the rent in these sectors will not stabilise as quickly as Grade A. There are 14 Grade B and C buildings in District 1 alone that are actually in some phase of construction. This is planned to add over 165,000 sm of GFA to Grade B and C supply and is expected to delay the stabilisation of Grade B and C rents.

ANTICIPATED COMPLETIONS, NEXT FOUR QUARTERS

Grade A

PROJECT	DISTRICT	DEVELOPER	GFA (SM)	STATUS	EXPECTED COMPLETION
Saigon M&C Tower	1	M&C Corp.	49,000	Construction	Q1 2012
Times Square	1	Times Square Investment JSC	14,076	Topping out	Q1 2012

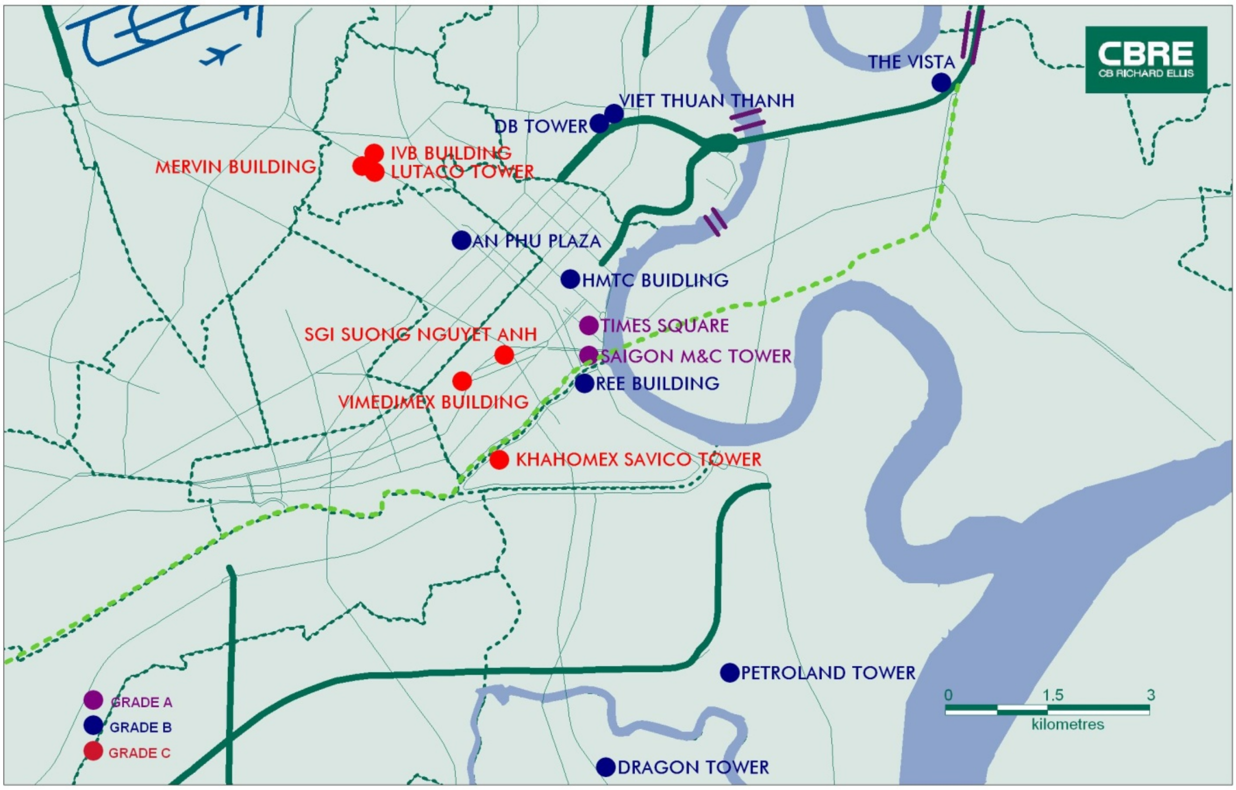
Grade B

PROJECT	DISTRICT	DEVELOPER	GFA (SM)	STATUS	EXPECTED COMPLETION
Dragon Tower	Nha Be	Phu Long	26,800	Fitting out	Q3/2011
The Vista	2	Capitaland	12,413	Fitting out	Q3/2011
Petroland Tower	7	Petroland	33,600	Fitting out	Q3/2011
REE Building	4	REE Corp.	31,640	Fitting out	Q3/2011
An Phu Plaza	3	An Phu	10,000	Topping out	Q4/2011
DB Tower	Binh Thanh	SPN Corp.	19,129	Construction	Q1/2012
Viet Thuan Thanh	Binh Thanh	Viet Thuan Thanh	12,500	Construction	Q2/2012
HMTC Buidling	1	HMTC	31,288	Construction	Q2/2012

Grade C

PROJECT	DISTRICT	DEVELOPER	GFA (SM)	STATUS	EXPECTED COMPLETION
Lutaco Tower	Phu Nhuan	Luong Tai	2,500	Topping out	Q3/2011
Mervin Building	Phu Nhuan	Dosaco	4,000	Topping out	Q3/2011
Vimedimex Building	1	Vimedimex	7,732	Construction	Q4/2011
Khahomex Savico Tower	4	Khahomex & Savico	16,282	Construction	Q4/2011
IVB Building	Phu Nhuan	Vietin Bank	6,737	Construction	Q1/2012

Office Projects to be Launched, Next Four Quarters



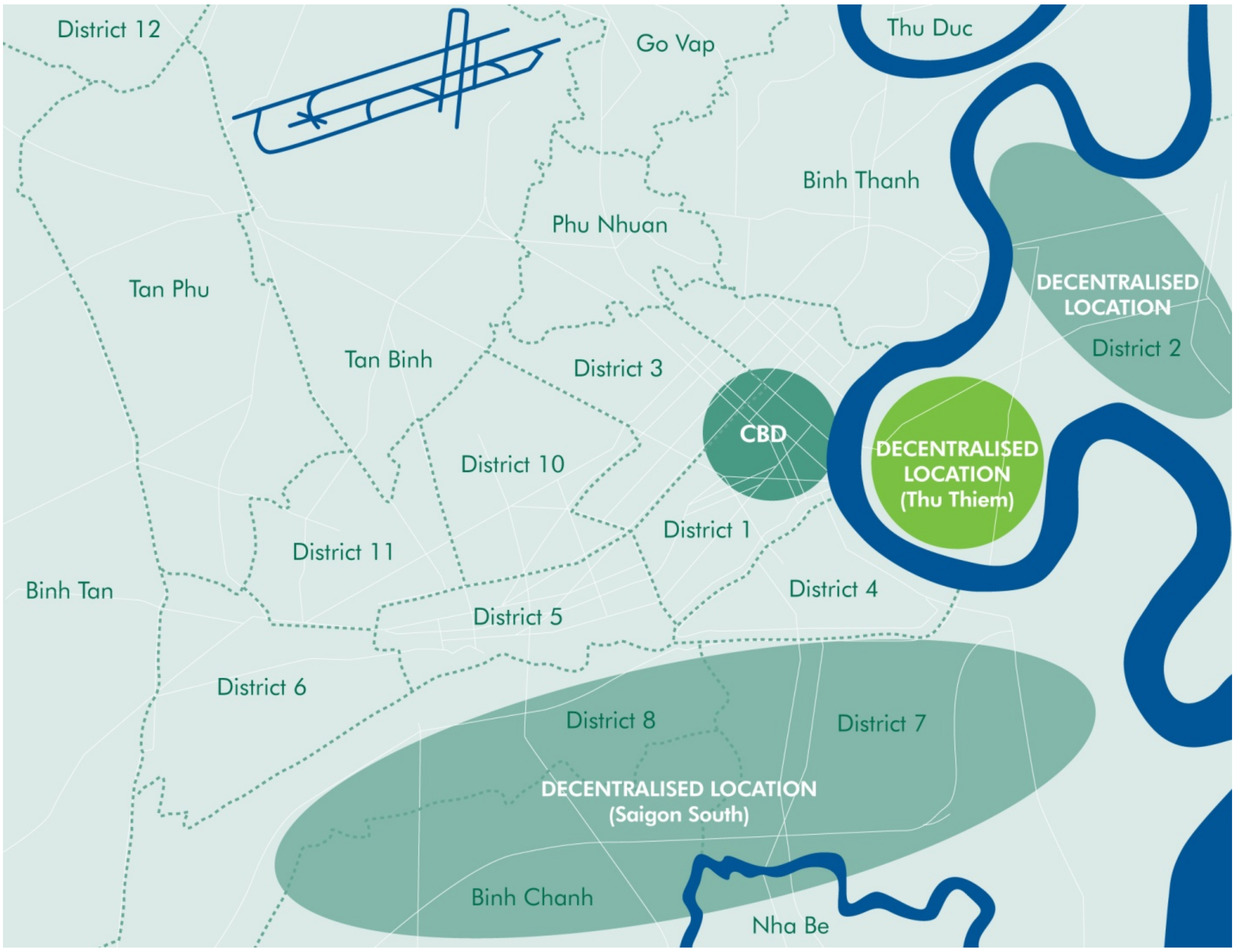
Source: CB Richard Ellis Vietnam

RESIDENTIAL FOR SALE

HIGHLIGHTS

- **Prices across all segments continued to decline in the second quarter of 2011 due to macroeconomic uncertainty, high inflation and the challenges in accessing capital.**
- **Bucking the trend, primary asking prices in the high-end segment increased by 5.5% q-o-q due to the location of the project, the available amenities, and the reputation of the developer. Potentially offsetting the increased price the developer is also offering a discount of 5% to 10%. Mid-end segment primary asking prices decreased by 15.3% q-o-q while affordable asking prices decreased 13.4% q-o-q.**
- **Secondary prices decreased across all segments. Average luxury asking prices were US$4,329 psm, a 0.9% decline q-o-q, and a 1.6% decline y-o-y.**
- **High-end prices were US$1,848 psm in the review quarter, declining 0.3% q-o-q and 2.5% y-o-y.**
- **Mid-end prices in the review quarter were US$954 psm, declining 1% q-o-q, and 4.8% y-o-y.**
- **Affordable segment prices were US$726 psm in the review quarter, a slight decrease of 0.2%, yet a y-o-y increase of 0.2%**
- **The number of new launches decreased by 13.2% q-o-q, with a total of 4,926 units launched in the second quarter of 2011. Sales rates ranged from 20% to 40%.**
- **While two projects started construction in the review quarter, adding a total of 1,058 units to supply, only 286 units were completed and handed over. This represents a decline in completions of 74% q-o-q and 92% y-o-y.**
- **Transactions are occurring in the market but at a slower pace. Both enquiries and closed deals decreased significantly by approximately 30% q-o-q in the second quarter of 2011. Buyers have the upper hand in the current market, and due to their attention to detail, closing a deal has become more time consuming.**
- **Villa resale asking prices decreased by 2.0% q-o-q. Anecdotal evidence suggests that some motivated sellers, those owning more than two villas and looking to increase their liquidity, are willing to reduce their asking prices by 5% to 10%. Some projects reduced asking prices for premium villas by 20%, allowing the developer to meet their sales targets.**

Major Residential-For-Sale Clusters



Market Snapshot, Q2/2011

	LUXURY	HIGH-END	MID-END	AFFORDABLE	TOTAL
Total supply (units)	417	13,595	12,081	10,935	37,028
New completion (units)	0	0	286	0	286
New launch (units)	200	1,030	1,751	1,945	4,926
Primary market - Average asking price (US$ psm)	$4,600	$1,541	$1,016	$584	
Q-o-q change (%)		5.5%	-15.3%	-13.4%	
Y-o-y change (%)	-27.0%	-14.4%	-7.6%	-18.9%	
Secondary market - Average asking price (US$ psm)	$4,329	$1,848	$954	$726	
Q-o-q change (%)	-0.9%	-0.3%	-1.0%	-0.2%	
Y-o-y change (%)	-1.6%	-2.5%	-4.8%	0.2%	

*All prices are quoted exclusive of VAT and service charges.

"Existing supply": the total number of units that have been handed over for occupation.

"New completion": the total number of units that were handed over for occupation in the review quarter - these are added to existing supply.

"New launch": the number of units that were released to the market by developers (official start of sales for a project) in the review quarter. All units in each development are included in the calculations, however, the developer may divide sales into numerous phases and thus not all units may come online at launch date.

Source: CB Richard Ellis Vietnam

MARKET OVERVIEW

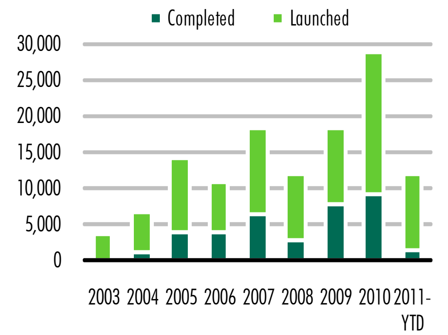
The modern condominium sector emerged in HCMC in the late 1990s. At the end of the second quarter of 2011, 146 projects had been completed and 204 projects were either under construction or in the planning phase. Existing luxury condominium projects are in prime locations of District 1 and District 3, while high-end and mid-end projects are within 7 km of the CBD and concentrated in District 2 and the Saigon South New Urban Area, including portions of District 7 and District 8, as well as Nha Be District and Binh Chanh District.

HCMC's master plan restricts further residential development in District 1. Due to these policies, upcoming projects, including Vincom Center and M&C Tower, received licenses for leasehold instead of free hold sales. Therefore, new luxury and high-end developments are shifting to District 2, Saigon South and districts with close proximity to the city centre. The general trend is that new residential developments are being built in suburban areas such as District 12, as well as Binh Chanh, Binh Tan, Tan Phu, Go Vap, Hoc Mon, Cu Chi, Nha Be and Thu Duc districts.

Grade is based on initial asking price, as well as location, the reputation of the developer, the standard of interior materials, and the variety and quality of facilities and amenities, and the quality of management, among other factors.

The first modern villas in HCMC emerged in 2003. The initial projects were focused in the Phu My Hung area of District 7 and Thao Dien Ward of District 2, catering to high net-worth individuals. Through 2007, a total of 1,636 villas were completed. In 2008 and 2009, no villa projects were completed. In 2010, 113 villas were completed, with 256 villas expected to be delivered to the market in 2011. HCMC's master planning calls for villa development to shift to suburban districts and areas in surrounding provinces as land is more readily available. Developers are making this shift, and some projects in outlying districts, including District 9, Thu Duc District, or provincial locations close to HCMC are seeing reasonable sales rates. Presently, the vast majority of villa projects are still concentrated in Phu My Hung and District 2. To date, approximately 25 prime projects, with 2,204 villas and townhouses have been offered for sale.

Units Launched and Units Completed



Source: CB Richard Ellis Vietnam

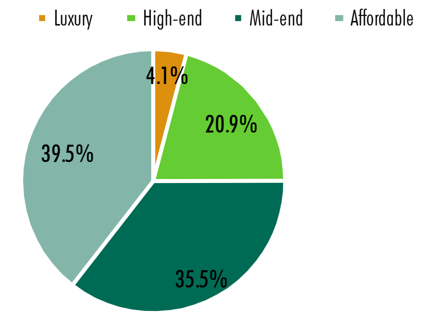
CONDOMINIUM SUPPLY

NEW LAUNCHES

The number of new launches decreased by 13.2% q-o-q, with a total of 4,926 units launched in the second quarter of 2011. The Léman Apartment component of the CT Plaza Nguyen Dinh Chieu project is the only luxury project to launch in the review quarter. These 200 units, in District 1, are being offered with prices ranging from US$4,500 - $4,800. A 7% discount was offered at launch, and 24% of available units have been sold.

In the review quarter the affordable Everville project launched on Nguyen Cuu Phu Street in Binh Tan District. Developed by ECI

Units Launched in Q2/2011 (% by Segment)



Source: CB Richard Ellis Vietnam

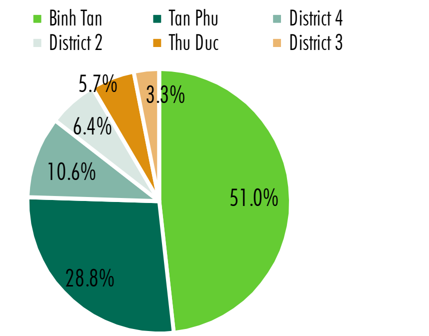
Land and MCAMC, the final development will include residential, retail, a kindergarten as well as open space. Testing the market, ECI Land launched 105 units in May, 2011, of which 43 were sold. Asking prices ranged from US$572 - $649 psm, with units ranging from 53.6 sm to 100.5 sm. Completion is expected in 2014.

Phat Tai Apartment in Thu Duc District launched 90 out of 345 affordable units. The developer, Tahami Co., Ltd., released primary asking prices ranging from US$534 - $582 psm. Discounts of 1% were offered to buyers of two units, while buyers of four units were offered a 2% discount. The initial sales rate was 14% of the units launched and 4% of the total 345 units.

The next phase of the Happy City development in District 7 launched in the review quarter. Developed by CC1, 120 units over 18 floors are offered with unit sizes of 76 sm - 100 sm. The average asking price for this project is US$700 psm. The first launch for this project was in the third quarter of 2010.

Two mid-end projects were launched in the review quarter. Celadon City, in Tan Phu District, is being developed by Gamuda Land and Sacomreal. Due to the large scale of this project it is being launched in many phases, and in the review quarter the 288 units in Zone A2 (1,500 units) launched. The completed project will have 8,879 units, with the current block of units ranging from 66 sm to 97 sm. Asking prices range from US$850 - $1,300 psm. This 16-hectare master planned community will feature schools, retail, sports facilities, recreational facilities as well as entertainment and cultural facilities.

Units Launched in Q2/2011 (% by District)



Source: CB Richard Ellis Vietnam

Investco Babylon, also a mid-end project, launched 250 units also in Tan Phu District. The developer, Investco, is offering units of 68 sm - 185 sm with asking prices of US$907 - $970 psm. Completion is expected in the final quarter of 2012.

Three high-end projects launched in the review quarter. Tropic Garden, developed by Nova Land Investment JSC, soft launched 194 out of 388 units in phase one. Asking prices of US$1,407 - $1,601 psm came with a discount of 5% for the first 50 buyers. A wholesale discount of 5% - 10% was also offered. There was an impressive 20% sales rate, and construction is expected to begin in July of this year. Approximately 80% of the units sold were bought by wholesalers.

GS E&C launched the third tower of the Xi Riverview Palace development in the popular Thao Dien Ward of District 2. This high-end launch includes 90 units spread across 27 floors with units ranging from 145 sm - 205 sm. There are four units per floor and asking prices range from US$2,300 - $2,600. At press time, approximately 10% of the third tower was sold. The first launch for this project was in the final quarter of 2008.

Two other launches this quarter include Lotus Garden and Petro Landmark. Lotus Garden is in Tan Phu District, and the most recent launch, the fourth for this project, was in April, 2011. The entire project has a sales rate of 75%. Petro Landmark launched 120 units of block B and D to the market. The first launch for this project was in 2010.

CONSTRUCTION WORKS

Two projects started construction in the review quarter. Moon Garden, developed by the joint venture between Casumina and Vietcomreal, broke ground in District 4. The 358 high-end units in the project are expected to be completed in 2012.

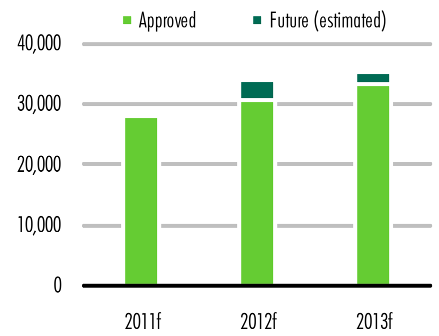
The 700 units in the high-end Azure City project broke ground. Azure City Co., Ltd., released introductory information about this project in District 9. According to the current plan, this project will have three condominium blocks of 19 - 25 storeys each, and is expected to complete in 2014.

COMPLETIONS

Only 286 units were added to existing supply in the review quarter. After two years of construction, Ruby Garden started handing over units in the early part of the second quarter of 2011. This mid-end project, located in Tan Binh District, was developed by Tan Hoang Thang JSC. Handover started in early April, and units are being handed over to owners on a rolling basis as they are completed.

While the number of completions is less affected by the macroeconomic conditions than other aspects of the industry, the 286 units completed in the review quarter declined by 74% q-o-q and 92% y-o-y. The number of completions has been declining for the last three quarters, and this is the lowest number of units completed since the second quarter of 2008. As financing for construction is becoming more difficult to obtain, and the cost of financing increases, delays are expected to be more routine in the next two to four quarters.

Forecasted Completions (units)



Source: CB Richard Ellis Vietnam

Condominium Completions (Units)

GRADE	2003	2004	2005	2006	2007	2008	2009	2010	Q1/2011	Q2/2011
Luxury (over US$3,500 psm)	-	-	-	141	-	150	68	208	0	0
High-end (US$1,200-$3,500 psm)	-	451	1,428	1,574	1,924	740	1,919	3,671	580	0
Mid-end (US$800-$1,200 psm)	124	210	2,259	1,627	2,886	1,216	3,593	968	336	286
Affordable (below US$800 psm)	-	392	274	536	1,619	376	2,218	3,960	489	0

Source: CB Richard Ellis Vietnam

FUTURE SUPPLY

Approved projects are expected to add an additional 28,000 units to supply in 2011. A little less than half of these units, 13,417, will be in the affordable segment. Through the end of 2013 over 58,000 new units are expected to be added to the market. While the market has been shifting to the affordable segment, future supply in 2012 and 2013 is increasingly less concentrated in this segment.

In 2012 and 2013, a total of 400 units are expected in the luxury segment. Discounting those units, in 2012 66% of new supply is expected to be in the mid- and high-end segments. In 2013, again discounting the luxury segment, a full 76% of new supply is expected to be in the mid- to high-end segments.

Forecasted Completions in Approved Projects (Units)

GRADE	2011f	2012f	2013f
Luxury	817	200	200
High-end	5,986	9,454	10,089
Mid-end	7,378	5,881	13,376
Affordable	13,417	12,139	7,495
TOTAL	**27,598**	**27,674**	**31,160**

Source: CB Richard Ellis Vietnam

CONDOMINIUM CAPITAL VALUES

Primary Market

In general, prices across all segments continued to decline in the second quarter of 2011. This is due to widely known factors including macroeconomic uncertainty, high inflation and the challenges in accessing capital.

Average primary asking prices decreased by 15.3% q-o-q in the mid-end segment. The affordable segment also saw a price decline, albeit at a lower rate. Affordable asking prices decreased 13.4% q-o-q.

Bucking the trend, primary asking prices in the high-end segment increased by 5.5% q-o-q due to the location of the project, the available amenities, and the reputation of the developer. While the price increased, the developer is also offering a discount of 5% to 10%, potentially offsetting the increased price.

The Sun City - Saigon Complex project in District 4 had the highest asking price, US$2,250 psm, among the three high-end projects launched in the review quarter. This is due to the desirability of the high quality interior finishings and the project's location in an established residential neighbourhood. Although this was a soft launch, 80 units sold of the 194 offered.

In District 2, Xi Riverview Palace is asking US$2,300 - $2,600 psm, and Diamond Island is asking US$3,300 psm.

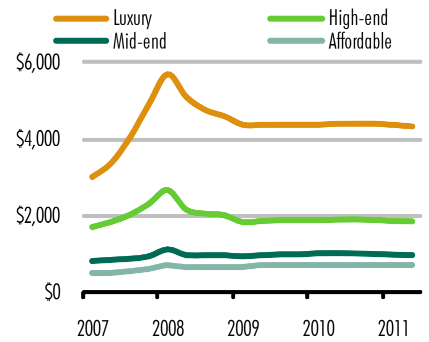
As seen in previous quarters, developers offered discounts to stoke sales. Celadon City offered a 5% discount off the primary prices for those registering within the first week of launch. Discounts off the purchase price and flexible payment plans are the most common incentives, while some developers were offering to waive or reduce the management, parking or swimming pool fees.

Some developers have more stable business models; others are trying more elaborate techniques to push sales. Sunrise City, developed by Novaland in District 7, is offering a flexible lease-to-own option. Customers put down a deposit of 20%, which secures them the right to take possession of a unit upon completion. When the unit is completed the customer pays 60%, at which time they can move in, or sublease the unit. Within a two year period, customers can either live in the unit themselves, sublease the unit, or arrange for Novaland to sublease the unit for them. At the end of two years, customers can choose to either purchase the unit, or return the unit to the developer. If they purchase the unit, they will owe the remaining 20% of the purchase price. If customers choose not to purchase the unit, they will receive a refund of the amount they already paid. This is being advertised as attractive to potential end-users as they live in the unit and try out the neighbourhood, facilities and amenities without committing to owning the unit long term. For investors, this is being advertised as attractive as they can realise the income from renting out the unit without committing to owning it long term. Other developers are allowing buyers to move in after paying a deposit of 30% or 40% of the price.

Some projects saw sharp price declines of 15% to 30%. At The Imperia project in District 2, prices have decreased by up to US$200 psm since the most recent launch.

- **Secondary Market**

Secondary Asking Price (US$/sm/month)



Source: CB Richard Ellis Vietnam

Secondary prices decreased across all segments. Luxury and high-end projects saw the largest q-o-q declines, a result of the challenging financial conditions. The average luxury asking price is US$4,329, a 0.9% decline q-o-q, and a 1.6% decline y-o-y. Luxury prices are now at a level not seen since the third quarter of 2007. In the final quarter of 2007, and the first quarter of 2008 there was a large increase in luxury prices, from US$4,032 in the third quarter of 2007 to US$5,700 in the first quarter of 2008. Luxury price trends have been declining since.

In the high-end segment, prices were US$1,848 psm in the review quarter, a decline of 0.3% q-o-q and 2.5% y-o-y. High-end prices are now at a level not seen since the second quarter of 2009, however, prices have only fluctuated by US$50 psm in that time.

Mid-end prices in the review quarter were US$954 psm, a decline of 1.0% q-o-q, and 4.8% y-o-y. Similar to the high-end segment, mid-end prices have not been at this level since the second quarter of 2009. Mid-end prices have fluctuated approximately US$52 in that time.

Affordable segment prices were US$726 in the review quarter, a slight decrease of 0.2%, yet a y-o-y increase of 0.2%. In the last eight quarters affordable prices have seen much less volatility compared to the other segments, with prices fluctuating only US$21 psm in that time.

Secondary prices in the CBD are fluctuating between US$4,000 and $5,300 psm. In the high-end segment prices range from US$1,676 - $2,200 psm.

Secondary asking prices in District 2 range from US$945 to $2,200 psm. Motivated sellers who need to increase their cash flow are reportedly willing to discount their asking price by up to US$500 psm from the market averages. Prices in District 7 are approximately US$1,400 - $2,300 psm. Prices of Sunrise City and Garden Court are the highest in the high-end segment, approximately US$2,000 - $2,300 psm.

Prices for affordable projects, usually located more than 8 km from the CBD, range from US$450 - $850 psm.

The few buyers who originally planned to finance part of their purchase with bank loans are now facing high interest rates and may suffer losses. To regain liquidity, these buyers must sell at a loss. Some investors are also motivated to sell their real estate, even at a loss, due to the lacklustre performance of the stock market. Investors who are not realising returns in the stock market but need to increase their cash flow may be motivated to revise their overall investment strategy, which includes liquidating their real estate holdings. Investors who own completed units are fairing better as they realise the benefit of leasing out their units.

CONDOMINIUM DEMAND

Transactions are occurring in the market but at a slower pace. Both enquiries and closed deals decreased significantly by approximately 30% q-o-q in the second quarter of 2011. Buyers have the upper hand in the current market, and due to their requirements, closing a deal has become more challenging and time consuming. The market has shifted to approximately 50% of buyers being end-users. These buyers have many more requirements and pay attention to every minor detail of the transaction, including payment terms, handover conditions, and the specifics of the unit's finishings. As such, end-user buyers need more time to finalise their decisions. Buyers who are investors, as opposed to end users, pay less attention to each detail of the transaction.

In the luxury segment, 47 units at CT Plaza were sold. These units account for 24% of the total 200 units in the development. In the high-end segment, Tropic Garden sold 80 units out of the 194 units launched for a sales rate of 41%. 64 of the 80 units were sold wholesale. Also in the high-end segment, Moon Garden sold 231 of 358 available units, with 65% of those units being sold wholesale. These figures suggest that those with strong buying power are able to negotiate a discount, and the expectation is that they can resell these units for a profit in the future.

In the mid-end segment, 93 units out of the 251 total units in the Investco Babylon project were sold, with a sales rate of 37.1%. Celadon City, also in the mid-end segment, registered buyers for 143 out of the 288 units launched in the review quarter.

In the affordable segment, 43 units out of the 105 units launched in the Everville project were sold. This yields a sales rate of 41%. The Phat Tai development, also in the affordable segment, sold 14.4% of their units launched, or 13 units out of 90.

FINANCING

Mortgage rates increased from the first to the second quarter of 2011. As the SBV continued to increase both the discount and refinancing rate, lending interest rates are now approaching 25% at some banks. This rate is considered prohibitively expensive for most prospective end-users. Banks, on the other hand, have no incentive to lower borrowing rates, and they are trying to comply with new regulations limiting credit growth to 20% this year. Despite these realities, demand for loans remains with some banks recording credit growth exceeding 20% per year through the first five months of 2011.

Contributing to the lacklustre residential market is the increasing deposit rate for Vietnamese dong, and the continued strength of gold. With some deposit rates exceeding 14%, investors and speculators are staying out of the real estate market and putting their money elsewhere.

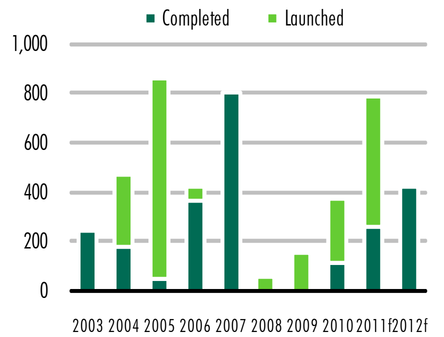
Annual Mortgage Rates

Banks	Annual mortgage rate	Maximum term (years)	Credit limitation (% of home value)	Note
Vietcombank	23.3%	5 - 7	70%	Floating
BIDV	22.7%	15	70%	Adjusted every 6 months. Only private house and condo of projects cooperated with BIDV are accepted as mortgages.
BIDV	21.7%	<5	70%	Adjusted every 6 months. Only private house and condo of projects cooperated with BIDV are accepted as mortgages.
Sacombank	22.56% - 23.72%	30	70%	Currently stop lending to non-production sector. 1.88%/year for the first three months. Then deposit rate of 12-month term + 0.81%.
HSBC	3-month floating: 20.75%	25	70%	Minimum net salary VND10 mil per month
HSBC	6-month floating: 21.25%			Minimum net salary VND10 mil per month
ANZ	1- or 3- month floating: 21.25%	20	70%	Minimum net salary VND15 - 20 mil per month
ANZ	6-month floating: 20.75%	20	70%	Minimum net salary VND15 - 20 mil per month

Source: Commercial Banks

VILLA SUPPLY

Villa, Units Launched and Units Completed

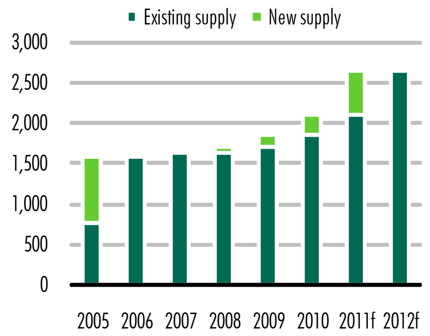


Source: CB Richard Ellis Vietnam

The only project to launch in the second quarter of 2011 was the Goldora Villa project. The 119 units include 30 semi-detached villas with size areas from 203 sm - 390 sm. 89 detached villas are offered with size areas from 192.4 sm - 581.1 sm. Block D of this project has two distinguished villas with large areas of 798.1 sm and 1,069.3 sm. These villas are located on corner lots, providing better views and space. The launch event was held at the site in District 9, and also introduced in Hanoi in the same quarter. The project is under construction and is expected to finish in 2012.

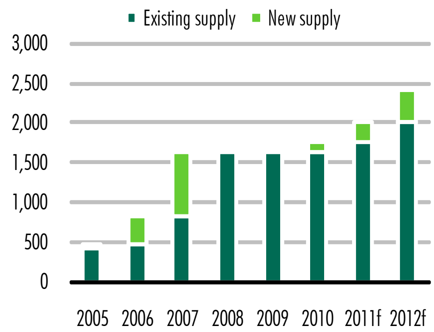
Two villa projects started construction this quarter. The Azure Villa project in District 9 will include 122 villas in a master planned community. There will also be 64 duplex villas and 58 townhouses, as well as condominiums, and schools. This project, developed by Azure City Co., Ltd. is expected to be launched in the final quarter of 2011, with completion anticipated in 2014. The second project, Arista Villa, is being developed by Sacomreal in District 9. This project will add approximately 200 villas to the market. The groundbreaking was held in June, with completion scheduled for May 2013. This project offers villas with a land area of 100 sm - 500 sm on National road 12, in Hiep Binh Chanh Ward.

Villa, Total Launches (units)



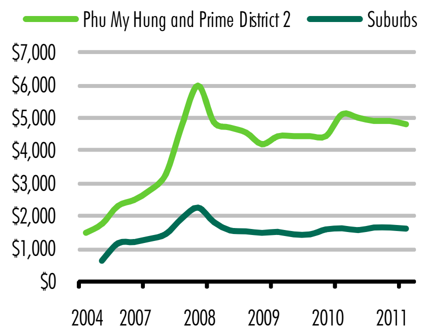
Source: CB Richard Ellis Vietnam

Villa, Total Completions (units)



Source: CB Richard Ellis Vietnam

Villa, Secondary Asking Price (US$/sm/month)



Source: CB Richard Ellis Vietnam

Introduced to the market but not yet officially launched, An Tay HQ is a project of 46 villas in District 7. Developed by Tay Co. Ltd., the villas will have a site area of 614 sm to 1,813 sm. Villas will have four floors and one basement. Unique to this project, the basements of all the units will connect, which will provide parking for six cars per villa. The column free first floors can be used for offices, a gallery or showrooms. The interior designer is Marcia Codinachs from Barcelona, Spain. Security is a priority at this development with each villa having its own security system, in addition to the security system throughout the complex. At press time the basement was under construction, completion is expected in the first quarter of 2013.

VILLA CAPITAL VALUES

As the villa market is still immature, when considering the number of projects and villas brought online in the last decade, developers continue to adjust their products to meet demand.

Resale asking prices decreased by 2% q-o-q. Anecdotal evidence suggests that some motivated sellers, those owning more than two villas and looking to increase their liquidity, are willing to reduce their asking prices by 5% to 10%.

In the primary market, prices remain flat. There was a slight increase in prices at the Ventura development. Since the project was launched in the first quarter of 2011, prices have increased 4%, by an average of US$48,520 per unit.

The Goldora Villas project launched in the review quarter. Developed by Khang Dien House JSC, this project is located in District 9. Testing the market, the developer launched only 36 of 119 villas (blocks F, J and L). These villas have site areas ranging from 269 sm to 311 sm. Initial prices are from US$313,229 - $513,880 per unit (or US$1,543 - $1,615psm) for semi-detached villas and US$422,888 - $458,892 per unit (or US$1,611 - $1,632psm) for detached-villas. Although the project has just been launched, approximately 11 units have been sold.

Developers continue to use incentives to stoke sales. For example, Riviera Cove in District 9 offered a lucky draw for a new BMW. The Garland, also in District 9, has a sales rate of 85%. Despite this the more expensive riverside villas were not selling, so the developer reduced their price by 20% off the list price. This strategy allowed the developer to meet their sales target.

OUTLOOK

The residential market has been hard hit by the Government's tightening monetary policies. The majority of developers depend on bank loans to finance their projects, and with loans into real estate restricted, there are significant challenges in this sector.

The residential market is quite different from other sectors, such as the office sector. Companies must have a space from which to operate, and this latent demand fuels the office market even through a downward market cycle. Transactions in the residential market are more often a matter of choice, and now buyers continue to take a wait and see attitude. Fewer buyers can complete all cash transactions, and bank loans are increasingly difficult to obtain, so buyers are putting tremendous pressure on developers to offer big discounts or flexible payment terms. Purchasing power is not expected to increase when interest rates are eventually relaxed as buyer's confidence is lower than in the first quarter of 2011, and those buyers who are able to complete all cash transactions are reluctant to engage the market.

Through the end of 2011, new developments in the mid-end and affordable segments will wait to launch until the final quarter of the year or the first quarter of 2012. Developers will continue to try new strategies to stoke sales, and developers will be increasingly willing to lease out unsold units to increase their cash flow.

The second half of 2011 will see residential developers diverge into two main categories. First, developers with strong financials will persevere through the rebalancing of the market. Developers who are facing challenges with regards to their cash flow or the take up of their products in the market will either fail outright, be bought, or continue to face delays in their projects. Mergers and acquisitions activity will continue, although this may not be in strict M&A form. Developers may pursue M&A transactions in the form of en block or wholesale sales, or in less transparent ways.

As discussed in previous quarters, developers continue the shift from the CBD and areas near the city centre to more affordable projects in suburban locations. At the same time new developments are shifting from the more expensive market segments to more affordable and landed projects. Buyers who previously were considering purchasing a condominium closer to the city centre are increasingly amenable buying landed property further out. There are two main reasons for this shift in attitude. Firstly, people like to own land. Secondly, what may seem like a long commute into the city centre today will get continually shorter as infrastructure projects are completed.

Although most investors are not engaging the market, an increase in investors from Hanoi is expected. The HCMC real estate market is thought to be more transparent than in Hanoi. That, combined with a greater diversity of products at lower asking prices combines to make HCMC an attractive place for people from Hanoi to invest.

Q2/2011

Projects Brokeground, Q2/2011

PROJECT	DEVELOPER	DISTRICT	COMPLETION	UNITS	GRADE
Moon Garden	Casumina - Vietcomreal	4	2012	358	High-end
Azure City	Azure City Co., Ltd.	9	2014	700	High-end

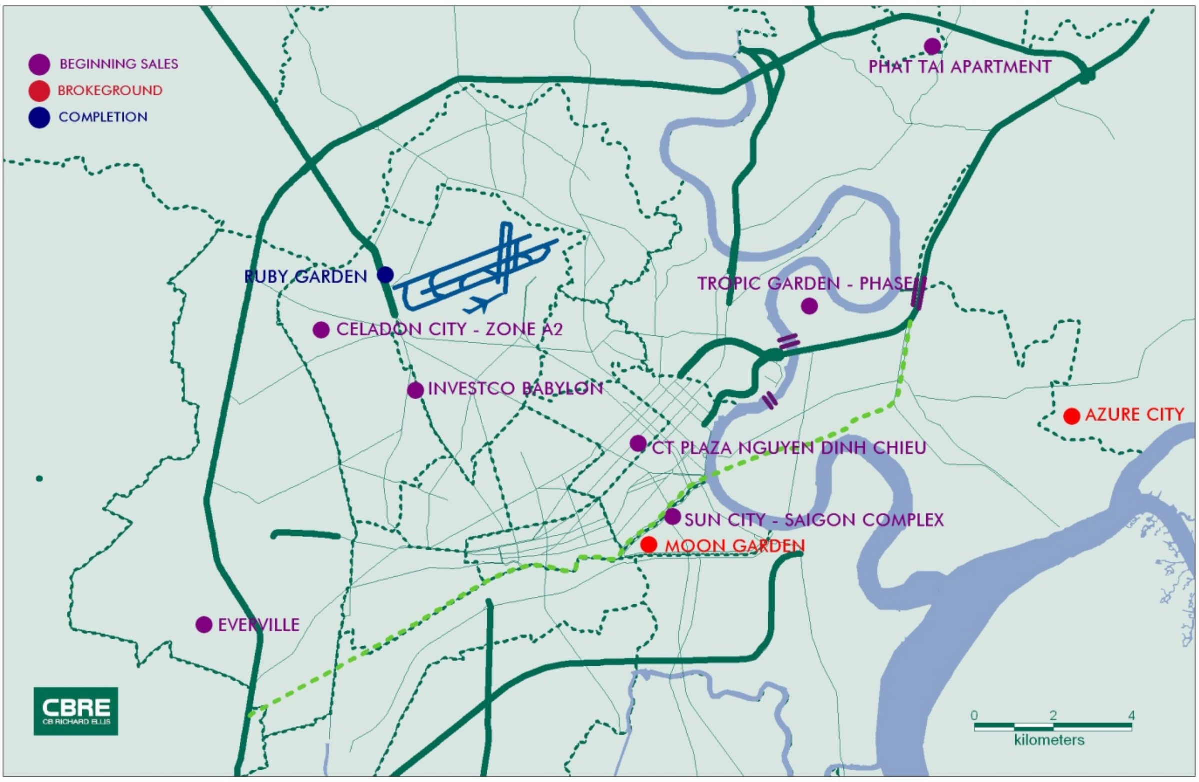
Projects Beginning Sales, Q2/2011

PROJECT	DEVELOPER	DISTRICT	ASKING PRICE (US$ PSM)	UNITS	AVG. UNIT SIZE (SM)	GRADE
CT Plaza Nguyen Dinh Chieu	Phuong Nam Corp.	3	4,500 - 4,800	200	72 -118	Luxury
Sun City - Saigon Complex	Sun Group	4	2,250	284	56 - 174	High-end
Tropic Garden - Phase 1 (Block C1 & C2)	Nova Land Investment JSC	2	1,407 - 1,601	388	75 - 132	High-end
Moon Garden	Casumina - Vietcomreal	4	1,189 - 1,262	358	55.1 - 105.2	High-end
Investco Babylon	Investco	Tan Phu	907 - 970	251	68 - 107	Mid-end
Celadon City - Zone A2	Gamuda and Sacomreal	Binh Tan	850 - 1,340	1,500	66 - 97	Mid-end
Everville	ECI Land & MB AMC	Binh Tan	572 - 649	1,600	53.6 -100.5	Affordable
Phat Tai Apartment	Tahami Co., Ltd.	Thu Duc	534 - 582	345	58 - 109	Affordable

Completions, Q2/2011

PROJECT	DEVELOPER	DISTRICT	ASKING PRICE (US$ PSM)	UNITS	AVG. UNIT SIZE (SM)	GRADE
Ruby Garden	Tan Hong Uy Co., Ltd.	Tan Binh	800 - 1,000	286	75 - 120	Mid-end

Residential Projects to be Launched, Next Four Quarters



Source: CB Richard Ellis Vietnam

ANTICIPATED LAUNCH, NEXT FOUR QUARTERS

Luxury - High-end

PROJECT	DISTRICT	DEVELOPER	NO. OF UNITS
VRG Riverview	1	Vietnam Rubber Industry Group	300
Golden Hill 1	1	Ngan Binh Investment Construction Co.	444
M&C Tower	1	M&C and Saigon Tourist	180
Pavilion Square	1	Vinacapital Real Estate Co., Ltd.	564
Vietcomreal Riverside	2	Vietcomreal	210
The Prince (former River Garden 2)	2	Hai An JVC	336
Regency Park	2	Allgreen Property Co., Ltd.	651
Metropolis - Thao Dien	2	Thao Dien Investment Company	1,000
Tropic Garden - Phase 2 (Block B)	2	Nova Land Investment Jointstock Company	232
Beau Rivage	2	Capitaland & Thien Duc Co., Ltd.	962
Sài Gòn Mansion	3	JV between Resco and Saigon Mansion	60
The Lancaster Residence	4	Trung Thuy Co. and Saigon Beer Transportation & Forwarding Co.	1,000
CIENCO	5	CIENCO	400
Soai Kinh Lam Complex	5	Phu An Hung Co and District 5 Housing Trading Co.	200
Southern Palace	7	Phuong Nam Co.	200
The Mark	7	VK housing	2,064
The Oasis	7	Vinacapital Real Estate Co., Ltd.	420
Star Hill	7	Phu My Hung Corp.	435
Sao Mai (Thang Long)	7	Thang Long Saigon JSC	76
Canh Vien 3	7	Phu My Hung Corp.	116
Azure City	9	Azure City Co., Ltd.	700
XI Grand Court	10	GS Saigon Development	800
Water Front	Binh Thanh	An Phu Corp. & Keppel Land	650
Dai An Saigon Riverside	Binh Thanh	Dai An - Saigontourist House	636
Phu Hoang Anh Phase 2	Nha Be	Hoang Anh Gia Lai Group	648
Dragon Hill	Nha Be	Phu Long Real Estate Corp.	329
Dragon PVFC Land	Nha Be	Phu Long Real Estate Corp. and PVFC Land	280
Milano Apartmento/ Cong Hoa Garden	Tan Binh	Thai Son Co.	364

Mid-end

PROJECT	DISTRICT	DEVELOPER	NO. OF UNITS
Rong Vang	2	Rong Thai Binh Duong Co., Ltd.	10
Spring Life	2	Khang Dien House	975
Binh Phu Compound (Phase 2)	6	An Phu Corp	160
OPC Eximland	6	OPC and Exim land	445
Hoang Anh Phu Dinh	6	Hoang Anh Gia Lai Group	895
Hoang Anh Phan Van Khoe	6	Hoang Anh Gia Lai Group	250
Tan Thuan	7	Tan Thuan Investment and Construction Co	448
Hoang Anh Incomex	7	Hoang Anh Gia Lai Group	396

PROJECT	DISTRICT	DEVELOPER	NO. OF UNITS
Binh An	8	Hoa Binh Construction and Real Estate Trading Co. and Vinh Tien Paper Co. and Chip Eng Sheng Singapore	750
Gia Hoa	9	Nam Long Co., Ltd.	1,000
The Boat Club Residences	9	Vietnam House Corp.	726
The Garland	9	Vinacapital Real Estate Co., Ltd.	170
Quoc Te	9	Vinacapital Real Estate Co., Ltd.	2,077
TDH - Phuoc Long	9	Thu Duc House	122
Riverscape South	9	Samland	232
Thanh Thai	10	Long Giang Corp.	416
Garden City	Binh Chanh	Tamouh & Asia Phu My	600
An Lac Plaza	Binh Tan	BCCI	284
SGC Nguyen Cuu Van	Binh Thanh	SGC	104
The Adonis 1 (sales was stopped)	Go Vap	Van Thinh Hung Real Estate JVC	63
Blue Diamond	Nha Be	Van Phat Hung Co.	634
Tanimex Building	Tan Binh	TANIMEX	300
Saigon Dragon Residence	Tan Binh	Thanh Nien Real	925
Carillion Apartment	Tan Binh	N/a	396
Hoang Anh Phuc Bao Minh	Tan Phu	Hoang Anh Gia Lai Group	474
Thao Loan Dong Phuong Phat	Tan Phu	Binh Phat Corp.	800
Serene Court	Thu Duc	Vinacapital Real Estate Co., Ltd.	330
Aquila Plaza	Thu Duc	Thu Duc House and Vinatex Land	627

Affordable

PROJECT	DISTRICT	DEVELOPER	NO. OF UNITS
Elys Garden - P1	8	Van Thai Co.	1,212
99 Ben Binh Dong Apartment	8	Cho Lon Real Estate Corp.	308
PVG Green Towers - Block A1	8	Van Phuc Gia Investment Corp.	232
PVG Green Towers - Block A2	8	Van Phuc Gia Investment Corp.	260
PVG Green Towers - Block A3	8	Van Phuc Gia Investment Corp.	260
Bella Vista	8	N/A	544
RCL - Bui Minh Truc	8	Cho Lon Real Estate Corp.	640
TDH - Phuc Thinh Duc	9	Thu Duc House and Vinatex Land	751
Tho Nam Sang	12	Tho Nam Sang Construction Trading Service Ltd.,	232
Thien Quy	12	Dat Xanh Real Estate Service & Construction Corp. and Truong Son Youth Volunteer	216
Gia Dinh Plaza	12	Gia Dinh Development Investment Corporation (GDI)	302
Thanh Loc	12	Gia Phu Co-operative	336
A24	Binh Chanh	Hong Quang JSC	284
Binh Tan Complex (Block D & E)	Binh Tan	Khang An Co. and Van Phat Hung Co.	288
Hocmon Plaza	Hoc Mon	Hoc Mon Trading Corp.	502
Hoang Anh Hoc Mon	Hoc Mon	Hoang Anh Gia Lai Group	1,308
28ha Nhon Duc - Nha Be Apartments	Nha Be	Nha Be Public Service Co. and Cho Lon Real Estate Corp. and Bac Trung Nam Housing Co.	435
Thanh Cong Tower	Tan Binh	Thanh Cong Garment Co. and Tan Hoang Thang Co.	309
Hoa Binh	Tan Phu	Dai Do Thanh Co., Ltd.	1,020
Viet Phat Tower	Tan Phu	Viet Phat Co., Ltd.	407
The Arisen	Thu Duc	Dat Xanh Real Estate Service and Construction Corp.	714

Source: CB Richard Ellis Vietnam

ANTICIPATED COMPLETION, NEXT FOUR QUARTERS

Luxury - High-end

PROJECT	DISTRICT	DEVELOPER	NO.OF UNITS	AVERAGE ASKING PRICE (US$ PSM)
Horizon Tower	1	FICO and Vinamilk and REFICO	277	1,698
M&C Tower	1	M&C and Saigon Tourist	180	Delayed
The Vista	2	Phu Hung Gia Co. and Thien Duc Co. and Capitaland	750	945
Imperia An Phu/ Blooming Park	2	Kien A Co.	700	1,415
XI Riverview Palace	2	GS Saigon Development	258	2,300 - 2,600
Diamond Island (Phase 1)	2	BTA Developments (Vietnam)	313	3,387
Thao Dien Pearl	2	SSG	466	1,500-1,700
An Phu Plaza	3	An Phu Corp.	54	2,300 - 2,800
Saigon Mansion	3	RESCO and Saigon Mansion JVC	60	N/A
New Pearl	3	Ky Nguyen Real Estate Corp.	120	4,000
Saigon Pavillon	3	Phu Hung Gia Co.	87	4,500 - 5,322
CIENCO's retail and condo compound	5	CIENCO	400	Delayed
Him Lam Riverside	7	Him Lam Trading Corp.	314	1,436-1,737
Riverside Residence - P3&4 Block B,D & C	7	Phu My Hung Corp.	364	1,600 - 2,400
Riverpark Residence	7	Phu My Hung Corp.	304	2,000 - 2,300
Canh Vien 3	7	Phu My Hung Corp.	116	N/A
Saigon Pearl (Phase 3) Sapphire 1&2	Binh Thanh	VN Land SSG	515	N/A
Phu Hoang Anh	Nha Be	Hoang Anh Gia Lai Group and Phu Long Real Estate Co.	802	1,000 - 1,350
Dragon PVFC Land	Nha Be	Phu Long Real Estate Corp. and PVFC Land	280	N/A
Phu Hoang Anh Phase 2	Nha Be	Hoang Anh Gia Lai Group	648	Delayed
Satra Cityland Plaza	Phu Nhuan	Satra and Dat Thanh Real Estate Corp.	136	1,553-1,625
Indochina Airport Tower	Tan Binh	Indochina Group	192	N/A
Saigon Airport Plaza	Tan Binh	SSG Tan Binh	286	1,691

Mid-end

PROJECT	DISTRICT	DEVELOPER	NO. OF UNITS	AVERAGE ASKING PRICE (US$ PSM)
An Hoa	2	Real Estate Corp. 7 (RES 7)	188	1018
Thai Binh	2	Thai Binh Co.	364	Delayed
Rong Vang	2	Rong Thai Binh Duong Co., Ltd.	10	Delayed
Petro Vietnam Landmark - P1	2	Petro Land	280	966
Cheery	2	Hoang Quan Co.	99	1,250
Spring Life	2	Khang Dien House	975	N/A
Richland Emerald	6	Hong Quang JSC and Thai Thinh Capital	144	1000
BMC - Hung Long	7	BMC	860	N/A
Ngoc Lan 1	7	SAVIMEX and EVN Land	275	858
Tulip	7	Van Phat Hung Co.	68	1,050 - 1,100
Belleza	7	Sacomreal	968	820
Hoang Anh Incomex	7	Hoang Anh Gia Lai Group	396	N/A
City Gate Towers	8	NBB and CII	842	810
Ngoc Phuong Nam	8	An Dien Investment - Construction Corp.	192	939 - 1,011
Chanh Hung (Block A2 + B1)	8	Giai Viet Corp.	642	946
Lugia Plaza	11	Lu Gia Machenics Electric JSC (75%) and HCMC Infrastructure Investment JSC (CII)	166	N/A
Quoc Cuong II	Binh Chanh	Quoc Cuong Housing Development Co., Ltd.	688	N/A
Hoang Kim The Gia (The Golden Dynasty)	Binh Tan	Vinh Phong Thai Co.	348	N/A
An Lac Plaza	Binh Tan	BCCI	284	Delayed
Long Phung Residence	Binh Tan	Binh Tan Real Estate Corp.	105	N/A
M-Star	Binh Thanh	Hong Ha Investment and Development Corp. and HCMC Export-Import Co. & Dat Xanh Real Estate Co., Ltd.	189	N/A
Samland River View	Binh Thanh	Sacom Real Estate Corp.	70	N/A
Phu Dat	Binh Thanh	Phu Dat Co.	125	N/A
SGC Nguyen Cuu Van	Binh Thanh	SGC	104	N/A
Eco Residence	Binh Thanh	Nam Thi Real Estate Co.	60	1,385 - 1,540
Hoang Anh - No Trang Long	Binh Thanh	Hoang Anh Gia Lai Group	256	Delayed
Golden House/ An Tien	Nha Be	BIDV (Hoang Anh Gia Lai Group sold the project to BIDV)	1,000	Delayed
Thang Long - Luxury Tower	Tan Binh	Thang Long Co.	170	1,200 - 1,350
Harmona	Tan Binh	Thanh Nien Corp.	537	960
85B Au Co	Tan Binh	Tacomse - Cityland JSC	150	Delayed
Au Co Tower	Tan Phu	CIENCO 5 & 557 CO.	288	N/A
4S Riverside Linh Dong Block C	Thu Duc	Thanh Truong Loc Co.	224	N/A
4S Riverside Linh Dong Block B	Thu Duc	Thanh Truong Loc Co.	336	829-582

Affordable

PROJECT	DISTRICT	DEVELOPER	NO. OF UNITS	AVERAGE ASKING PRICE (US$ PSM)
Thu Thiem Star I	2	Thu Thiem Investment JSC (TCITY)	269	825
Petroland	2	Petroland	378	659-704
Thu Thiem Xanh	2	Thu Thiem Investment JSC (TCITY)	269	750 - 850
Blue Sapphire	6	COTECLAND	140	737
My Phu	7	Petroland	286	783
Carina Plaza	8	NBB Investment Corp.	736	752
Good House	8	Le Minh MC	252	530 - 600
99 Ben Binh Dong Apartment	8	Cho Lon Real Estate Corp.	308	N/A
Peridot	8	Power Investment - Trade - Service JSC	99	647 - 690
Green Building D9	9	Investment and Construction JVC No.8	471	630 - 720
Pho Dong - Hoa Sen	9	Hoa Sen Group	210	642 - 838
TDH - Phuoc Binh	9	Thu Duc House	86	833-880
E-Home Dong Saigon 2	9	Nam Long Co., Ltd.	621	632
Vo Dinh	12	Vo Dinh Construction Co., Ltd.	208	500 - 600
Kim Tam Hai	12	Kim Tam Hai Co.	168	670 - 800
Lori Plaza	12	Lori Property Co.	212	Delayed
Tin Phong	12	Tin Phong Co., Ltd.	408	582 - 752
Everluck Plaza	12	CDO	240	661 -761
Tan Kien 584 - Block A	Binh Chanh	Investment and Construction Co. 584	489	565
Happy City	Binh Chanh	CC1	218	700
Terra Rosa	Binh Chanh	Khang Nam Real Estate Co.	366	723
Happy Plaza	Binh Chanh	Thanh Tung Co.	644	607 - 655
Conic Gateway	Binh Chanh	Linh Phong Construction - Investment & Development Co., Ltd.	286	873 - 1,019
Nguyen Quyen Plaza	Binh Tan	Nguyen Quyen Co., Ltd.	156	552 - 600
BCCI - Tan Tao 1	Binh Tan	BCCI	480	576 - 667
Le Thanh - Lot B	Binh Tan	Le Thanh Co.	624	N/A
Green Hills 5 (Phase 1)	Binh Tan	IDE Vietnam Ltd Co.	276	735 - 840
Binh Tan Complex - Block D & E	Binh Tan	Khang An Co. and Van Phat Hung Co.	288	N/A
Tan Mai	Binh Tan	Tan Binh Construction - Investment JSC	752	N/A
Binh Tri Dong B	Binh Tan	Hai Thanh Co. and Vinaconex Xuan Mai Co.	352	N/A
Phu Hung Gia	Go Vap	Ha Thuan Hung Co., Ltd.	234	0
Khang Gia (Block 2)	Go Vap	Khang Gia JSC	308	600 - 650
Blue Star (Phase 1)	Nha Be	Long Viet An Corp.	160	577 - 704
Hung Phat	Nha Be	Hung Loc Phat Co., Ltd.	354	679 - 776
Dai Thanh	Tan Phu	Dai Thanh Co., Ltd.	442	N/A
584 Lilama SHB	Tan Phu	Lilama SHB Corp.	418	582
Saigon Lilama SHB Town	Tan Phu	Lilama SHB Corp.	340	660 - 700

PROJECT	DISTRICT	DEVELOPER	NO. OF UNITS	AVERAGE ASKING PRICE (US$ PSM)
Hiep Tan	Tan Phu	Dai Thanh Co., Ltd.	500	607 - 615
Quang Thai	Tan Phu	Quang Thai Co.	272	645 - 708
Lucky Apartment	Tan Phu	Khang Gia JSC	232	742
Chuong Duong Garden	Tan Phu	Chuong Duong Corp.	320	595 - 619
Trung Dong Plaza	Tan Phu	N/A	120	657 - 676
An Binh Apartment	Tan Phu	Saigonres	196	690 - 861
Lotus Garden	Tan Phu	Au Viet Corp.	596	873
Newtown Apartment	Thu Duc	CIENCO 135	120	859
Lan Phuong MHBR	Thu Duc	MHB Realty & Lan Phuong Co.	214	694
Gia Phu Land	Thu Duc	Gia Phu Co.	156	571 - 742
Tecco Tower	Thu Duc	TECCO	238	571 - 676
My An	Thu Duc	Construction Corp. No 5	196	714 - 785
Babylon Residence	Thu Duc	NVT Corp.	554	680 - 714

Source: CB Richard Ellis Vietnam

RETAIL

HIGHLIGHTS

- **There was no new retail supply in the second quarter of 2011. In the next four quarters, the only anticipated supply in the CBD is the Bitexco Financial Tower retail space, which is 11,090 sm GFA.**

- **Department store rents in the CBD increased 5.8% q-o-q to US$109.35 in the review quarter. This is only 0.5% lower than the most recent high of US$110.00 recorded in the first quarter of 2009. CBD department store rents have fluctuated less than US$15 since the fourth quarter of 2008.**

- **In non-CBD locations department store rents, currently at US$49.28, were flat compared to last quarter. Non-CBD department store rents have been declining since the most recent high of US$79 recorded in the first quarter of 2009.**

- **Rents in non-CBD shopping centres, currently US$33.13, declined by 5.4% q-o-q. Non-CBD shopping centre rents have been declining for the last 11 quarters, from the most recent high of US$72.20 in the third quarter of 2008. Non-CBD shopping centre rents are not expected to increase over the next four quarters due to the abundant new supply coming online.**

- **Shopping centres recorded a steep increase in vacancy of 6.4 percentage points to 14.7% in the review quarter.**

- **Non-CBD shopping centre vacancy has fluctuated slightly over the last year, between 6.8% and 8.7%. Non-CBD shopping centres understand the disadvantage of their location, and this is reflected in the lower rental rates.**

- **Preleasing activity is reportedly strong at the Crescent mall in District 7. Increased activity to satisfy demand is seen in shophouses. CBD shophouses are becoming more competitive, due to their limited floor space and ability to satisfy future expansion.**

- **In non-CBD locations, over 155,000 sm GFA of new supply is expected in the next eight quarters. The two largest developments, the Crescent Mall in District 7, and the retail component of the Dragon City development in Nha Be District, will supply 110,000 sm GFA to the market. These two projects alone will add space equivalent of 31% of current supply citywide, or over twice the retail space in Vincom Center.**

- **In the next eight quarters it is unlikely that there will be an exceptional increase in either supply or rental rates outside of the CBD. In the next eight quarters rental rates in the CBD are expected to increase, although not markedly. While there is enough demand from international retailers to support a rise in rental rates, not enough will choose market entry in the next two years to significantly affect the rents they pay.**

Major Retail Clusters

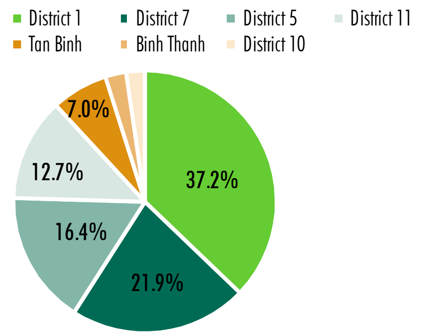
Market Snapshot, Q2/2011

	DEPARTMENT STORES	SHOPPING CENTRES	TOTAL
Total supply (GFA, sm)	113,840	238,950	352,790
New supply (GFA, sm)	0	0	0
Vacancy rate (%)	0.0%	14.7%	
CBD average asking rents (US$ psm per month)	$109.35	$124.96	
Q-o-q change (%)	6.1%	0.0%	
Y-o-y change (%)	13.2%	0.9%	
Non-CBD average asking rents (US$ psm per month)	$49.28	$33.13	
Q-o-q change (%)	0.0%	-5.4%	
Y-o-y change (%)	-11.5%	-16.1%	

*All rents are the average asking rents quoted on the ground and first floors, exclusive of VAT and service charges.

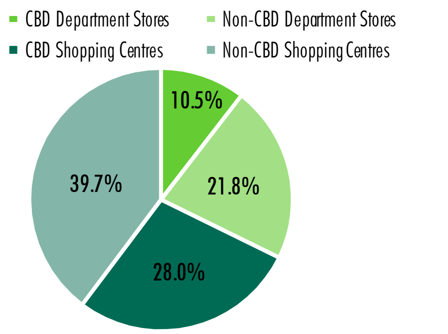
Source: CB Richard Ellis Vietnam

Existing Supply by District



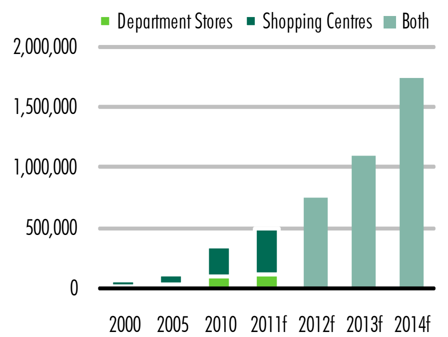
Source: CB Richard Ellis Vietnam

Existing Supply by Retail Format



Source: CB Richard Ellis Vietnam

Total Supply (GFA, sm)



Source: CB Richard Ellis Vietnam

MARKET OVERVIEW

District 1 is HCMC's traditional retail centre, with smaller concentrations of retail in districts 5 and 7. The majority of large scale retail developments are in District 1, with smaller concentrations in District 5. Saigon South has an emerging concentration of retail, with a number of new developments opened over the last four quarters, and a large concentration of future supply expected in the next two quarters.

Districts 1 and 5 account for 61.2% of citywide retail supply while District 7 accounts for 18.1% of citywide retail supply.

Due to the continuing lack of modern, purpose built retail space in HCMC, shop houses continue to account for a large proportion of overall retail space. Future retail supply is slowly being developed across the city, for example, the Dragon City development in Nha Be District is planned to include 25,000 sm of GFA retail space.

SUPPLY

NEW SUPPLY

There was no new retail supply in the second quarter of 2011.

The most recent new supply was the soft-launch of the Paragon department store under the Parkson brand in the first quarter of 2011. As noted last quarter, this adds 15,000 sm of GFA to retail supply in the city. Parkson Paragon celebrated their grand opening in May, 2011.

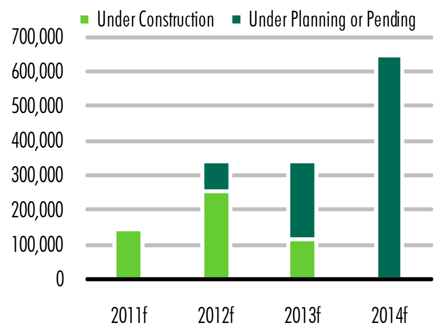
EXISTING SUPPLY

There is a healthy quantity of retail supply that is nearing completion or has finished construction but has yet to open. This eagerly anticipated retail includes Bitexco Financial Tower, Capitaland Vista and The Flemington. In the next four quarters, the only anticipated supply in the CBD is the Bitexco Financial Tower retail space, with 11,090 sm of GFA.

While the grand opening ceremony for Bitexco Financial Tower was celebrated in the final quarter of 2010, it was not until the first quarter that tenants actually started occupying the office space. Regarding the retail, the landlord continued the process of selecting the tenant mix, as well as reconfiguring some of the space to be more efficient for particular tenants.

The Flemington in District 11 saw strong office absorption in the review quarter, which will likely contribute to the success of the retail there. The office space at the Vista, in District 2, is not completed yet, but the Vista has a large catchment area to draw from and its proximity to the predominately wealthy An Phu ward, may contribute to its success.

Future Supply (GFA, sm)



Source: CB Richard Ellis Vietnam

FUTURE SUPPLY

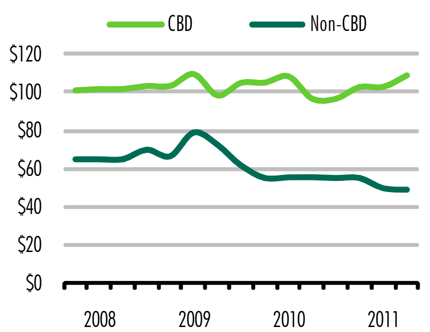
As noted in the last quarter, Parkson Pargon was the most recent new supply. In the CBD, shop houses continue to be occupied and shop house conversions continue to absorb demand from retailers.

The market is still anticipating the completion and opening of the retail component at Bitexco Financial Tower. While the demand from retailers to occupy the space is there, there have been delays in the process of selecting the tenant mix. Fitting out the space for appropriate use has also caused delays as different occupiers, such as food and beverage, have unique requirements compared to fashion retailers. The retail space at Bitexco Financial Tower is the only new supply in the CBD expected in the next four quarters.

In non-CBD locations, over 155,000 sm of GFA in new supply is expected in the next eight quarters. The two largest developments, the Crescent Mall in District 7, and the retail component of the Dragon City development in Nha Be District, will supply 110,000 sm of GFA to the market. These two projects alone will add space equivalent to 31% of the current supply citywide, or over twice the retail space in Vincom Center.

RENTS

Department Store Asking Rents (US$/sm/month)



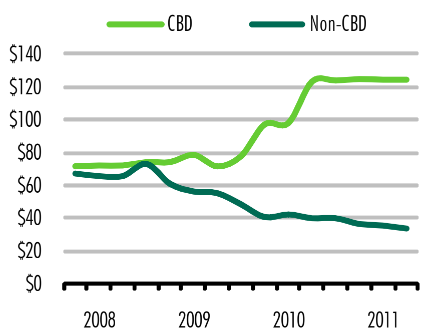
Source: CB Richard Ellis Vietnam

Rents are tracked in two main sectors, department stores, and shopping centres. Within each sector, rents are tracked by CBD and non-CBD locations. Due to the high demand for retail space within the CBD, there can be a wide disparity in the rental rates between retail space within and outside of the CBD.

Department store rents in the CBD increased 5.8% q-o-q, from US$103.10 in the first quarter of 2011 to US$109.35 in the review quarter. This is a y-o-y increase of 11.7%. This is only 0.5% lower than the most recent high of US$110.00 recorded in the first quarter of 2009. CBD department store rents have fluctuated less than US$15 since the final quarter of 2008.

In non-CBD locations department store rents, currently at US$49.28, were flat compared to the last quarter. In this sector rents were down 11.5% y-o-y, and although q-o-q rents have been flat in some recent quarters, non-CBD department store rents have been declining since the most recent high of US$79, recorded in the first quarter of 2009. While department stores and shopping centres are tracked separately, and the format of each location is not known until it opens, with the large quantity of future supply in non-CBD locations coming online over the next eight quarters, non-CBD department store rents are not expected to show any appreciation in that time.

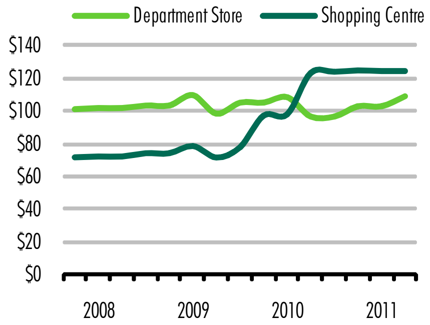
Shopping Centre Asking Rents (US$/sm/month)



Source: CB Richard Ellis Vietnam

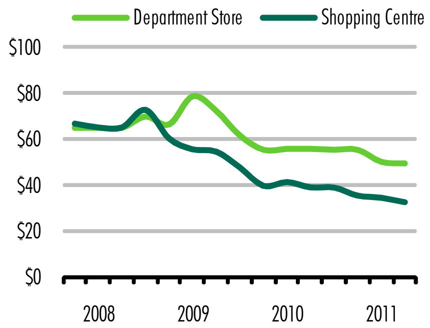
Shopping centre rents in the CBD, currently at US$124.96, were flat compared to the last quarter. The current rental rate is a 0.9% increase y-o-y. Over the last eight quarters CBD shopping centre rents have been trending upwards. In the next four quarters, with a small quantity of new supply coming online in the CBD, and considering the currently sluggish economy, retail landlords are unable to dictate the high rental rates as before. Therefore, shopping centre rents are expected to see slight declines.

CBD Asking Rents (US$/sm/month)



Source: CB Richard Ellis Vietnam

Non-CBD Asking Rents (US$/sm/month)



Source: CB Richard Ellis Vietnam

Vacancy Rate (%)

Source: CB Richard Ellis Vietnam

Rents in non-CBD shopping centres, currently US$33.13, declined by 5.4% q-o-q and 16% y-o-y. This continues the long decline in non-CBD shopping centre rents. While at times showing slight increases, non-CBD shopping centre rents have been declining for the last 11 quarters, from the most recent high of US$72.20 in the third quarter of 2008.

Just as price decreases in CBD shopping centres are not expected in the next four quarters due to a lack of new supply, non-CBD shopping centre rents are not expected to increase over the next four quarters due to the abundant new supply coming online.

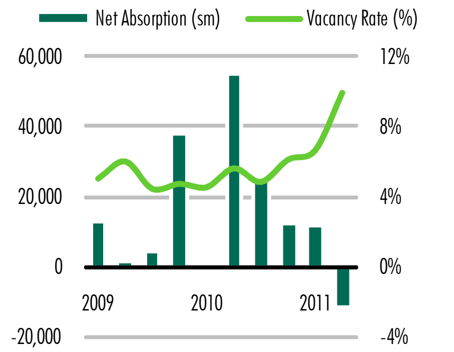
New retail projects are being developed in districts 2, 7, 8, 11, and Nha Be. This addition of over 155,000 sm of GFA in non-CBD locations provides no incentive for retailers to accept higher rental rates in these locations.

VACANCY

Due to the structure of the leasing arrangements between Parkson and their tenants, there was again no vacancy in department stores citywide. Historically, Parkson required retailers desiring space in one of their department stores to take space in all of their locations, although this structure has reportedly changed. Discounting the last quarter, with the Megastar Cinema unable to open concurrently with Parkson Paragon, leading to a 3.1% department store vacancy rate, there has been no recorded department store vacancy back to the first quarter of 2008.

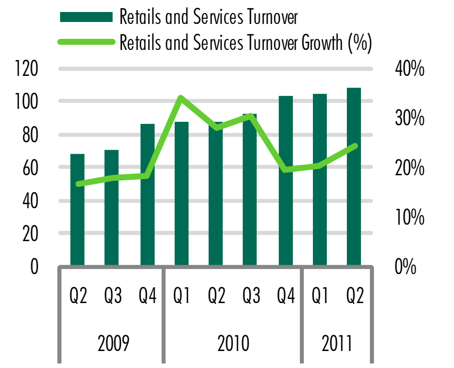
Shopping centres recorded a steep increase in vacancy of 6.4 percentage points, from 8.4% in the first quarter of 2011 to 14.7% in the review quarter. This is an increase of 6.6 percentage points y-o-y. Non-CBD shopping centre vacancy had fluctuated slightly over the last year, between 6.8% and 8.7%. Non-CBD shopping centres understand the disadvantage of their location, and catchment areas, and this is reflected in the lower rental rates as these landlords continue to search for ways to fill their space. Non-CBD shopping centres are expected to rebalance their tenant mix and spend more on advertising and promotions to increase foot traffic. With increased foot traffic, landlords hope to be able to entice more tenants to locate in their space and eventually close the vacancy gap with their CBD peers.

Net Absorption (GFA, sm)



Source: CB Richard Ellis Vietnam

Retail and Services Turnover (Trillions dong)



Source: HCMC Statistics Office

DEMAND

Preleasing activity is reportedly strong at the Crescent mall in District 7, although overall leasing transactions in the review quarter were subdued. Leasing activity at the Flemington is ongoing with reasonable interest. Currently, space is being taken by an educational facility and a kindergarten. Leasing activity at the Vista is in the initial phases, with the opening expected in the second quarter of 2012. Increased activity to satisfy demand is seen in shop houses. CBD shop house rents are becoming more competitive with modern retail due to their limited floor space and ability to satisfy future expansion. On Dong Khoi Street, a 240 sm shop house had an asking rent of US$75 psm per month, structured at US$10,000 per month for the entire space. Also on Dong Khoi Street, a shop house with 150 sm spread across two floors had an asking rent of US$46.67 psm per month, structured as US$7,000 per month for the entire space.

Shophouse asking rents are increasingly competitive compared to CBD shopping centres and department stores, especially on Dong Khoi, Nguyen Hue and Dong Du streets. In these locations rents are averaging US$45 psm per month. Overall shop house rents in the review quarter increased 10% - 20% compared to the first quarter of 2011.

Some space was absorbed at the Saigon Pearl retail podium in Binh Thanh District, with the opening of a supermarket and spa. This location is approaching full occupancy.

Major leasing transactions in the review quarter include BreadTalk, an expanding F&B brand from Singapore taking 300 sm in a private shop house on Nguyen Van Cu Street in District 10. This is BreadTalk's fourth shop in HCMC. Levi's, the American jean brand, took 300 sm in a private shop house on Nguyen Trai Street in District 1. Shop houses on Nguyen Trai Street have a large concentration of fashion retailers. Two new shops opened in the retail lobby of the New World Hotel in District 1, namely Durrance Cosmetis and Honeyta, which sells high-end luxury brands including Hermes. Chanel, the cosmetics brand, took 65 sm in Diamond Plaza.

Major Leasing Transactions, Q2/2011

PROPERTY	DISTRICT	SIZE (SM)	TENANT
Retail Lobby - New World Hotel	1	45	Durrance Natural Cosmetis
Retail Lobby - New World Hotel	1	85	Honeyta (selected high fashion brands i.e. LV, Hermes, Rolex)
Diamond Plaza	1	65	Chanel Cosmetis
Parkson SaigonTourist	1	50	Christian Dior Cosmetis
Private shop house - Dong Khoi	1	160	Christian Louboutin shoes
Private shop house - Nguyen Trai	1	300	Levi's
Private shop house - Nguyen Trai	1	75	Nine West Outlet
Private shop house - Nguyen Van Cu	10	300	BreadTalk
Private shop house - Nguyen Trai	5	500	The Blues (Vietnamese fashion brand)

Source: CB Richard Ellis Vietnam

OUTLOOK

Retail in HCMC is coming to a crossroad. There is an endless line of international retailers looking to enter the market, based on the well known market metrics (large population, increasing disposable income.) The demand for prime CBD space is not expected to wane in the next four quarters.

However, the market is diverging into three segments. The first segment is CBD retail space, which is composed of department stores, shopping centres, and other retail, which for the most part are shop houses. The second market segment is in the Saigon South New Urban Area. The third market segment is HCMC excluding the CBD and District 7.

With the Crescent Mall expected to open at the end of the third quarter of 2011, adding 85,000 sm of GFA to supply, there will be an even higher concentration of retail in this area. As noted last quarter, there is a large concentration of new retail located at the corner of Nguyen Van Linh and Nguyen Luong Bang streets. The Crescent shop houses and mall, Parkson Paragon and Thien Son Plaza are all less than 600 m from each other. Knowing the history of this submarket, including the failure of the previous Saigon Paragon shopping centre, the viability of this area is far from certain.

Currently, the situation in District 7 is akin to the chicken and egg problem. Retailers do not want to lease space in an area without demonstrated foot traffic, while shoppers do not find half-empty shopping centres an attractive place to shop. With the opening of the Crescent Mall expected in the final quarter of 2011, and as it is already reportedly over two-thirds leased, this could provide the incentive needed for shoppers to make a destination out of this area. If shoppers are provided with a wide range of shopping and entertainment options, they are more likely to linger.

As with any investment in Vietnam, the prospects when looking five years into the future are much more certain. But with the currently soft rents in this area, and the addition of new supply coming with the Crescent Mall, the next four quarters should give a better indication of the viability of ex-CBD retail space in the city.

In the next four quarters, if all the retail space under construction and in the planning phase comes online as expected, consumer spending will not keep up with the growth in retail space. Retail space is expected to triple to over 900,000 sm by the end of 2014. However, y-o-y growth in retail and services turnover for the first five months of 2011 was only 6.4% when adjusted for inflation. Evidence of this disparity is being justified by discounting and promotions, once reserved for holidays or special occasions but now becoming commonplace, and even turning into weekend sales, albeit every weekend. However, if the economy comes around in the next four quarters, rents in prime locations could increase due to a lack of available space.

In the next eight quarters it is unlikely that there will be an exceptional increase in either supply or rental rates outside of the CBD. Any large new supply outside of the CBD will be part of a residential or multi-use development, which will support the retail, but probably not provide enough demand to capture high rental rates. In the next eight quarters rental rates in the CBD are expected to increase, although not markedly. While there is enough demand from international retailers to support a rise in rental rates, not enough will choose market entry in the next two years to significantly affect the rents they pay.

ANTICIPATED COMPLETION, NEXT FOUR QUARTERS

PROJECT	DISTRICT	DEVELOPER	GFA (SM)	STATUS
Bitexco Financial Tower	1	Bitexco	11,090	Fitting out
CapitaLand Vista	2	CapitaLand (Singapore)	7,000	Fitting out
Flemington 2	11	Pau Jar	6,509	Fitting out
Petroland Financial and Commercial Centre	7	Petroland Corporation	9,000	Construction
The Crescent	7	Phu My Hung Corporation	85,000	Construction
Carina Plaza	8	Hung Thanh Co., Ltd.	9,000	Construction
Royal Tower	7	IC Real (Dong Duong)	9,775	Construction
Dragon City	Nha Be	Phu Long Real Estate Co., Ltd.	25,000	Construction
Estella	2	Keppel Land (Singapore)	4,000	Construction
Saigon M&C Tower	1	JV of M&C Co. and Saigontourist and Eastern Asia Commercial Bank (VN)	23,000	Construction
Khai Thong Building	1	Futa Land	17,000	Construction

Source: CB Richard Ellis Vietnam

Retail Projects to be Launched, Next Four Quarters

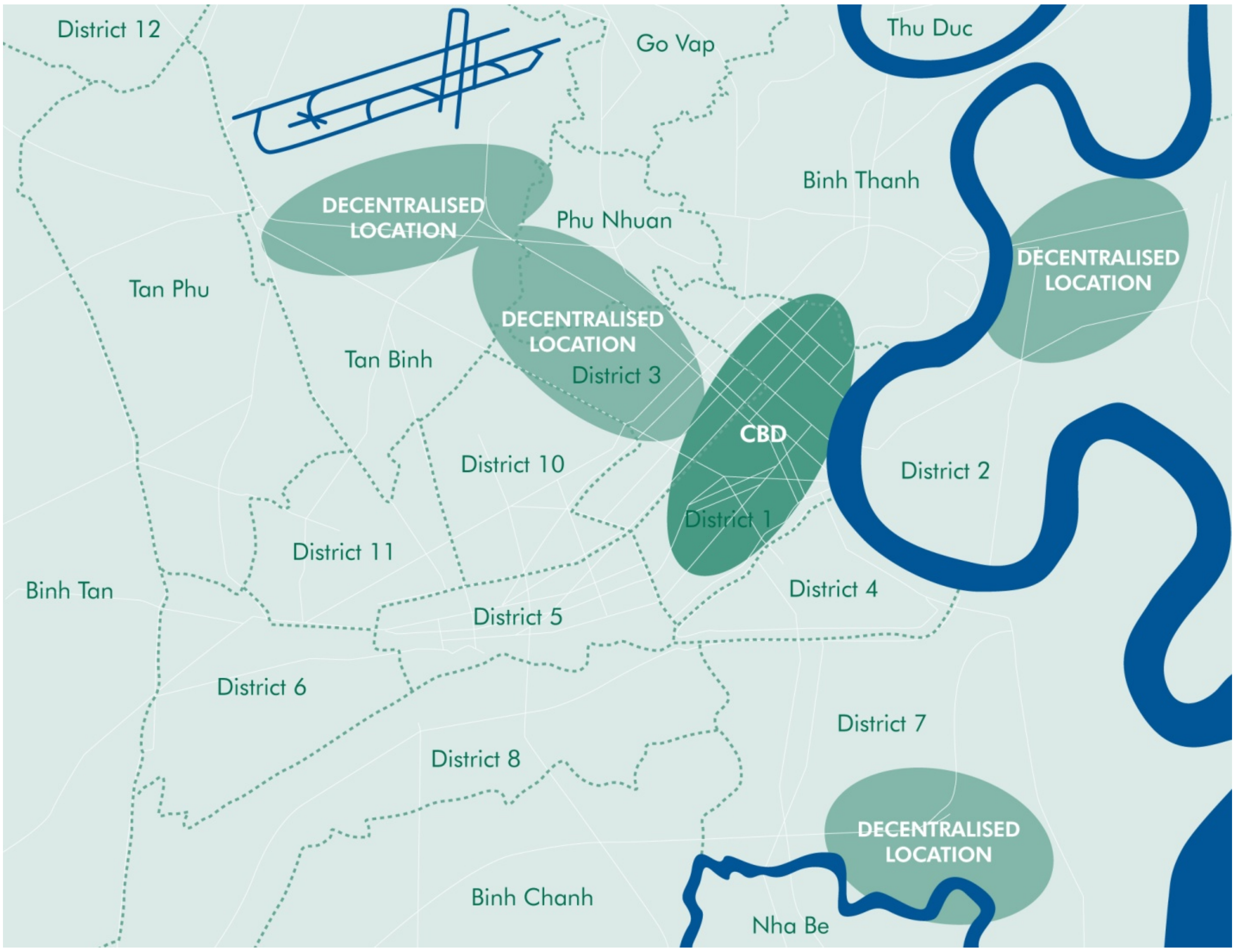
Source: CB Richard Ellis Vietnam

SERVICED APARTMENTS

HIGHLIGHTS

- The second quarter of 2011 welcomed 81 new units to the serviced apartment supply. There was no new Grade A supply in the review quarter, but 16 Grade B units and 65 Grade C units came online. Continuing a trend seen in previous quarters, private Vietnamese developers were most active in the market.
- In the review quarter, Grade A rents softened slightly, while Grade B and C rents increased by less than 2.0%. The largest y-o-y increase in asking rents was recorded in the Grade A sector, with growth of 10.1% compared to the 4.9% of growth seen in Grade B, proving that premium quality units under more prestigious brand names continue to command higher asking prices.
- The biggest story in the review quarter was the launch of the Saigon City Residence with 75% pre-occupied. The fact that this Grade B boutique building was renovated from a hotel is skewing the market with asking rents quoted at US$39.00 psm per month, which is almost 5.0% higher than average Grade A rents.
- The second quarter was characterised by top executives with higher budgets looking for villas. Thus, Grade A vacancy increased by 3.5 percentage points q-o-q to 8.3%.
- More boutique serviced apartment projects are expected to be developed in the CBD due to the lack of available land for developing large-scale projects. Some projects will be able to provide a combination of central location, five-star service, attractive design, and a luxurious fit-out similar to that of Grade A, but most hope to attract tenants with more affordable rents compared to the most premium projects.
- Some residential developers, with projects in the CBD or CBD-fringe, are reserving some of their units to use as serviced-apartments. Market realities, including the lack of new CBD residential supply, give developers encouragement that retaining some units to let will provide a long-term stable source of income.

Major Serviced Apartment Clusters



Market Snapshot, Q2/2011

SERVICED APARTMENTS	GRADE A	GRADE B	GRADE C	TOTAL
Total supply (units)	689	1,926	950	3,565
New supply (units)	0	16	65	81
Vacancy rate (%)	8.3%	15.1%	20.2%	15.1%
Q-o-q change (pts)	3.5 pp	-2.1 pp	1.8 pp	-0.4 pp
Y-o-y change (pts)	-10.5 pp	-4.9 pp	4.6 pp	-2.9 pp
Average asking rents (US$ psm per month)	$37.16	$28.10	$18.61	
Q-o-q change (%)	-0.6%	1.6%	1.9%	
Y-o-y change (%)	10.1%	1.8%	-0.3%	

*All rents are quoted on NLA and inclusive of VAT and service charges.

Source: CB Richard Ellis Vietnam

MARKET OVERVIEW

Premium Grade A serviced apartment projects are usually located in the prime office, residential and shopping areas of districts 1 and 3, typically with attractive city or river views. Grade B and C serviced apartments are usually located on the CBD fringe and in suburban areas. Serviced apartment units generally have one-, two- or three-bedrooms with gross floor areas of 60 - 100 sm. Grade A and Grade B projects have the largest diversity of floor plans and sizes with Grade C buildings offering fewer options. Grading of serviced apartments is based on location, the scale of the project, overall quality, management quality and the level of services and amenities, among other factors. Currently, boutique projects on a scale of Grade C but with a fit-out and finishings equivalent to Grade A projects are included in the Grade B sector.

MARKET PRACTICE

Rents are normally inclusive of 10% VAT, a 5% management charge and basic utilities (water, local telephone and satellite or cable TV). A US$1 psm electricity allowance is common in Grade A and B projects, while internet access, cooking gas and parking are charged separately. For some branded projects, the asking rents are set at the beginning of a year and kept unchanged throughout the year.

In mid-2009, with rising vacancy rates, some serviced apartments began competing with hotels for short-term guests. Operators of these projects reserved a specific number of units for daily guests in an effort to increase revenue and occupancy. The share of daily guests and short-term tenants is difficult to verify. Therefore, it should be noted that the vacancy rates in this analysis cover all tenants, regardless of the duration of their stay.

Although the Government continues to push for dong dominated pricing, rents are commonly quoted in US dollars and signed in Vietnamese dong. Thereafter, rents are converted into VND at the Vietcombank exchange rate or set by the landlord at the time of signing. The common term of lease is from six months to one year or above. This is why we expected to see some improvements in asking rents after the dong was devalued in February 2011, which had not happened widely in the market. It is due to a stipulation commonly used in every VND-dominated lease contract, that if the exchange rate devalues by a specified percent, the rental rate will reset accordingly to insulate the landlord from VND devaluation throughout the lease term.

Serviced apartments offer contemporary layouts, design and furnishings with options available for various tenants depending on their preferences (for example, open kitchens for western tenants and enclosed kitchens for Asian tenants; feng-shui considerations for Chinese guests). Serviced apartments also offer the status or self-image important to some tenants for networking and business. Additionally, serviced apartments offer immediate check-in or check-out and avoid any problems with private buy-to-let owners selling their unit. Tenants also avoid the effort of lease negotiations and the challenges of obtaining a VAT invoice, necessary for reimbursement from their employer. The ability to obtain one VAT invoice that includes various costs (rent, electricity, water, phone, cable TV, Internet, cleaning, security, parking, gardening, pest control, maintenance, laundry and meals), as opposed to separate invoices for each service, simplifies accounting for companies providing a housing allowance to their employees. Promotions and incentives offered at serviced apartment buildings are systematic and professional.

Competition for serviced apartments is increasingly coming from buy-to-let apartments, semi-serviced and non-serviced apartments, and villas. Among these, the fiercest competitor is buy-to-let apartments, which are leased out by individual owners of a condominium building to increase their cash flow while they wait for favourable market conditions to sell their unit. Cost-sensitive tenants with mid-level budgets increasingly prefer buy-to-let units over serviced apartments. Buy-to-let apartments offer more affordable rental rates (up to half the cost of a serviced apartment), adequate security and comparable facilities. However, serviced apartments still hold advantages with their value-added services such as a maid service, shuttle bus services, libraries, mini-cinemas, and systematic promotions.

DEMAND CHARACTERISTICS/ TENDENCIES

Demand for serviced apartments in HCMC derives from three main sources: professional expatriates, returning overseas Vietnamese and wealthy local residents. Therefore, the HCMC market reacts to both global and domestic economic shifts.

Usually, professionals on short visits or expatriates relocating to HCMC use hotel-style residences to ease the transition of moving to a foreign country. This demand supports premium projects with branded operators, where tenants plan to stay for several months before relocating to cheaper long-term alternatives.

TENANT'S PREFERENCE

Tenants' preferences differ depending on their nationality and lifestyle. For example, Japanese tenants prefer small accommodation with an intimate warm atmosphere, modern-looking dark-coloured furniture, bath tub, wooden flooring, and a central location; fewer facilities are not a big issue for them. This is proved by the 75% pre-commitment rate within only three weeks of marketing before the official launch of Saigon City Residence, a boutique project targeted particularly at Japanese tenants, which offers only a gymnasium and a small sauna room.

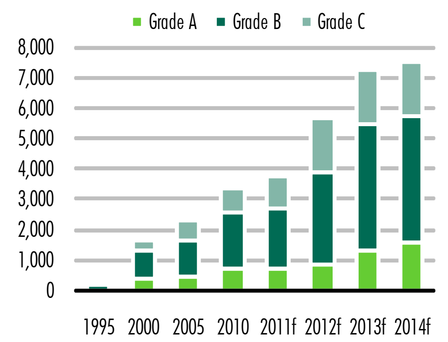
On the other hand, western tenants prefer natural light and fresh air with a breeze, therefore they tend to acquire a spacious well-equipped accommodation with a garden and wide range of facilities, especially for sports. They are not too picky when it comes to furniture, and travelling back and forth between their workplace and accommodation is not a real headache for them.

SEASON OF SERVICED APARTMENT DEMAND

Both the first and final quarters of the year are considered the low season for serviced apartment demand since most tenants prefer not to move during the holiday season, leading to stable occupancy at most projects. Therefore, from September until April the next year, the number of enquiries received usually decreases in comparison with that in the rest of the year. However, the strong demand reflected through the increase in enquiries, which occurs in the second and third quarters, is also considered as the season of move when tenants tend to move out to look for better accommodation, resulting in a drop or fluctuation in occupancy.

Having analysed the season of demand by nationality of tenants, it is widely recognised that enquiries from the incoming Asian tenants, especially Japanese, were high in the first quarter as Japanese traditionally rotate in for the start of the new fiscal year in April. Europeans tend to move in before August when the international schools start their new school year, looking for bigger accommodation of two- or three-bedroom units for their family. They tend to look for a villa, which provides much green space and generous accommodation. Therefore, the period between May and September is also known as the villa season.

Total Supply (units)



Source: CB Richard Ellis Vietnam

SUPPLY

NEW SUPPLY

The second quarter of 2011 welcomed 81 new units to serviced apartment supply. There was no new Grade A supply in the review quarter, but 16 Grade B units and 65 Grade C units came online.

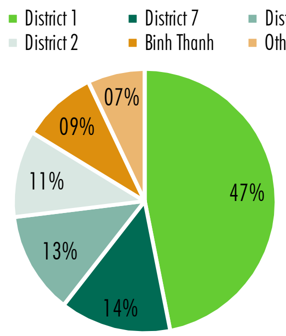
All new supply in the review quarter was developed by private developers. Continuing a trend seen in previous quarters, private Vietnamese developers are most active in the market. The exception this quarter is Dien Bien Phu Apartments, which was developed by Dong Tay TCI.

The boutique Saigon City Residence on Thai Van Lung Street in District 1 added 16 units to supply. This Grade B project was redeveloped from a one-star hotel. As this project offers only one-bedroom units, the target market is young expatriates who desire to live in a central CBD location. The interior finishings were designed by BWA Architects from the United States. This project continues the trend of smaller-scale projects being developed with finishings at a Grade A standard. While this project does not meet the minimum standard for Grade A due to a lack of scale and facilities (such as a swimming pool), it does offer a gym and sauna, roof-top garden, and an on-site ATM and convenience store. Interior finishings include Jacuzzi bathtubs, 40-inch LCD TVs, king-size beds and Electrolux home appliances.

Three Grade C projects came on to the market in the review quarter. Jasmine Court in Tan Binh District added 12 units to supply, while Thang Long Building in Tan Binh District added 23 units to supply, and Dien Bien Phu Apartments in Binh Thanh District added 30 units to supply.

EXISTING SUPPLY

Existing Supply by District

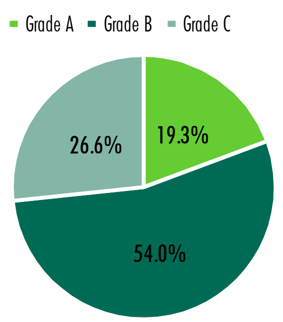


Source: CB Richard Ellis Vietnam

Similar to the first quarter, District 1 had the largest proportion of supply with 1,672 units in 30 projects, accounting for 46.9% of total supply. After District 1, District 7 had the next largest number of units, with 487 across 5 projects, accounting for 13.7% of supply. District 3 had almost the same proportion of units as District 7. With 446 units spread across 15 projects, District 3 accounts for 12.5% of total supply. District 2 and Binh Thanh District round out the top five districts for serviced apartment supply. District 2 has 379 units across 9 projects, accounting for 10.6% of citywide supply, and similarly Binh Thanh District has 330 units, also across 9 projects, accounting for 9.3% of supply.

The remaining 10 projects offer 251 units, which account for 7.0% of supply. These projects are spread across districts 10, 12, Tan Binh and Phu Nhuan.

Existing Supply by Grade



Source: CB Richard Ellis Vietnam

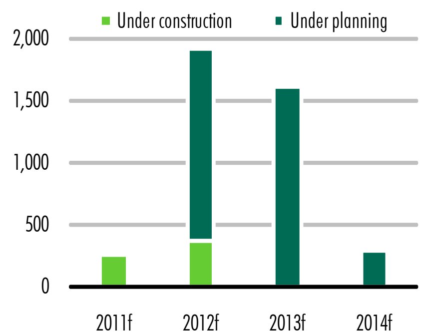
Analysed by grade, Grade A projects account for the smallest proportion of supply at 19.3%. Grade A includes 7 projects with a total of 689 units. Grade B projects account for over half of the supply, 54%, from 20 projects providing 1,926 units to the market. The 51 Grade C projects in the market account for 26.6% of supply from 950 units.

FUTURE SUPPLY

Through the end of 2011, four projects are expected to complete, adding 248 units to supply. Mai.Har Lan, located in District 1 and developed by a private owner, already fixed their pricing and started marketing, despite not opening until early July 2011. This project has 30 units and is expected to be Grade C.

Two projects in District 2 are expected to come online in the third quarter. The Vista, a Grade B project developed by a consortium of CapitaLand Group, Thien Duc Trading Construction Co., Ltd. and Phu Gia Investment JSC, will add 100 units to supply. The second project, An Phu Compound, will add 68 Grade B units to supply. These two projects hint at the trend of an increased number of projects being developed in District 2, an area already popular with western expatriates. District 2 supply had been stable at around 350 units from the end of 2008 through the third quarter of 2010. In the last three quarters, supply in District 2 has increased each quarter.

Future Supply (units)



Source: CB Richard Ellis Vietnam

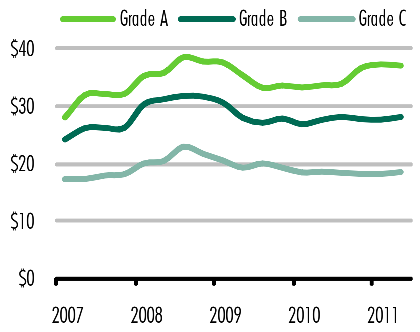
In District 3, one project, An Phu Plaza, is expected to come online in the final quarter of this year. This Grade C project, developed by An Phu Corporation, will add 50 units to supply.

Through 2014, an additional 19 serviced apartment projects are expected to come online, adding 4,042 units to the market. Of these 19 projects, only 7 projects, accounting for 15.0% of future supply, were actually under construction at the end of the second quarter 2011. Although supply is expected to double in the next three years, fears of oversupply may be unwarranted due to the proportion of supply that is actually under construction compared to that which is still in the planning phase. Moreover, the recent credit restriction on real estate developments and high inflation on materials may become part of the reason why the market saw no commencement of new projects, while those under construction usually signed the lump sum construction contract and therefore still saw activity or construction progress on site.

The most significant upcoming projects include The Vista (District 2, 2011), Times Square (District 1, 2012), Royal Centre (District 1, 2012), Tan Phong Shopping Complex (District 7, 2013) and Vietnam Financial Centre (District 10, 2014).

RENTS

Asking Rents (US$/sm/month)



Source: CB Richard Ellis Vietnam

In the second quarter of 2011, Grade A rents softened ever so slightly, while Grade B and C rents increased by less than 2.0%.

Grade A rents declined 0.6% from US$37.37 in the first quarter to US$37.16 in the second quarter. While this is a slight q-o-q decline, Grade A rents are still up 10.1% y-o-y. This biggest y-o-y increase in asking rents, as compared to 1.8% in Grade B and -0.3% in Grade C, in the review quarter shows that Grade A represents the strongest recovery in the market. Grade A vacancy rose 3.5 percentage points q-o-q, which may explain the decrease in rents if landlords are trying to attract tenants. Judging from rental movement, the Grade A segment posted the best recovery with the biggest increase of 11.6% in asking rents since bottoming-out in the third quarter of 2009, as well as the biggest drop of 84.4% in vacancy since peaking in the same quarter of 2009. Meanwhile, the rent movements of Grade B and C remained relatively flat and hard to determine as to whether they were bottoming out or not, especially in the Grade C segment.

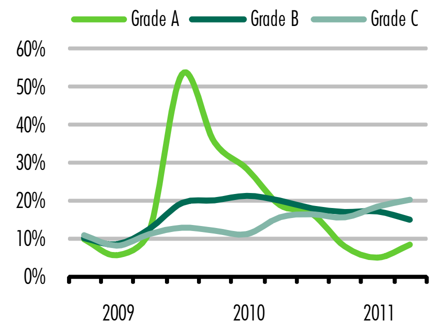
Grade B rents rose 1.6% from US$27.65 in the first quarter of 2011 to US$28.10 in the second quarter. This is a 1.6% q-o-q increase, and a 1.8% y-o-y increase. Grade C rents increased 1.9% q-o-q, from US$18.26 in the first quarter to US$18.61 in the second quarter. This is a decrease of 0.3% y-o-y, which proves that Grade C is the most vulnerable segment in the market with no major improvement in asking rents since its peak recorded in the third quarter of 2008, which was also the peak of the whole sector right before the global financial crisis.

The InterContinental Asiana Saigon Residences continued to be the most expensive serviced apartment residence in HCMC although its asking rents have been adjusted back to the levels prior to the most recent promotion, achieving US$42.11 psm per month after celebrating its full occupancy in the last quarter.

Boutique serviced apartments, which offer the quality and finishings equivalent to Grade A but do not meet the minimum scale to achieve that grading, are skewing the market. For example, the newly-launched Grade B Saigon City Residence quoted asking rents of US$39.00 psm per month, which is almost 5% higher than the average Grade A rents. The Grade B Lafayette de Saigon also charged US$37.29 psm per month, which is also higher than the average Grade A rents (US$37.16 psm per month) in the review quarter.

VACANCY

Vacancy Rate (%)



Source: CB Richard Ellis Vietnam

Overall vacancy declined ever so slightly by 0.4 percentage points from 15.5% in the first quarter to 15.1% in the second quarter of 2011. Grade B saw vacancy rates decline, while Grades A and C saw an increase in vacancy rates.

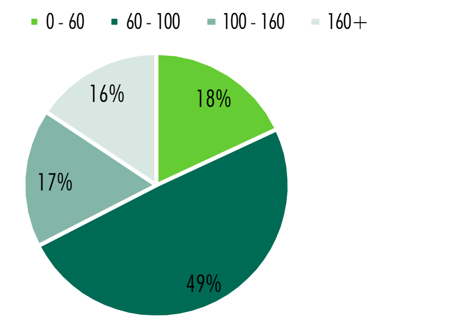
Grade A vacancy increased 3.5 percentage points from 4.9% in the first quarter to 8.3% in the review quarter. Grade A rents had increased for the last three quarters, and it is possible that the high rents had priced some tenants out of that sub-market. Despite the quarterly increase, Grade A vacancy is down 10.5 percentage points y-o-y.

In the Grade B sector, vacancy rates declined by 2.1 percentage points from 17.2% in the first quarter to 15.1% in the review quarter. As seen in previous quarters, a quantity of demand is converging in the Grade B sector, as vacancy in Grade B projects has been declining for three straight quarters. As noted in the Market Overview section, boutique projects that do not have sufficient scale to be Grade A but possess Grade A quality and finishings, are included in the Grade B sector. These projects are attracting tenants looking for high-quality accommodation, but in some cases more affordable rents. Grade B vacancy is down 4.9 percentage points y-o-y.

Vacancy in Grade C has been increasing for five straight quarters, with q-o-q vacancy in Grade C increasing 1.8 percentage points, from 18.4% in the first quarter of 2011 to 20.2% in the second quarter. Grade C vacancy rates are currently at a level not previously seen in the HCMC market. At the end of 2008, Grade C vacancy was 12%. Since then, Grade C supply has increased by 12%, which accounts for some proportion in the rise in vacancy rates. As noted in previous quarters, buy-to-let apartments are providing increasing competition to serviced apartments, which also contributes to increased vacancy rates. In the same time period, the total number of condominiums on the market has increased 13.8%, from 18,364 total condominium units at the end of 2008 to 43,888 units at the end of the second quarter of 2011. Y-o-y Grade C vacancy is also up 4.6 percentage points.

DEMAND

Proportion of Requested Area (sm)

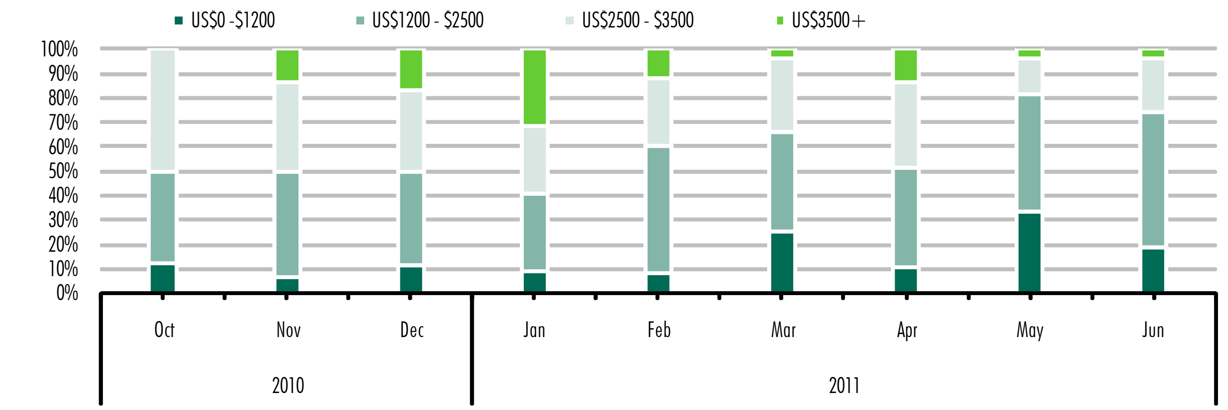


Source: CB Richard Ellis Vietnam

The second quarter of 2011 is the villa season, with most enquiries to CBRE Residential Leasing being for villas in Districts 2 or 7. In this respect, budgets are improving, averaging US$5,000 per villa per month. Demand for villas is generally stronger from European expatriates, and the majority of villa enquiries in the review quarter came from this market. The current supply of villas that meet the minimum requirements for these tenants and their families is limited, as Europeans generally prefer villas of a generous size, large outdoor area and green space. Some villa projects that meet these standards, such as Lakeview Villas in District 9, are located too far from the city centre to be practical for these tenants.

The low season for enquiries is the final and first quarters, and this is reflected in a q-o-q decrease of 18.2% in the number of enquiries received by CBRE Residential Leasing in the first quarter of 2011. However, demand is returning to this sector as the number of enquiries received in the first quarter of 2011 increased by 26.9% when compared to the same period last year. In the first quarter of 2010, mid-range budgets of US$1,200 - $2,500 continued to account for 39.8% of total enquiries when compared to the previous quarter. Budgets of US$2,500 - $3,500 per month, however, dropped to 31.8% from 40.2% of enquiries in the previous quarter. Budgets of up to US$1,200 increased to 17.0% of total enquiries from 10.0% of enquiries q-o-q. Tenants in the top-tier category (US$3,500 - $5,000) edged upwards from 10.0% to 11.4% of enquiries q-o-q.

Proportion of Housing Budget (US$/month)



Source: CB Richard Ellis Vietnam

According to the Ministry of Labour, Invalids and Social Affairs, and as reported by Vietnam News, there are approximately 57,000 foreign workers in Vietnam. Of these, 70% do not have work permits, and instead are simply working with a visa.

Furthermore, the Trends in Managing Mobility Survey, conducted in 2010 by ECA International, showed that "Vietnam will be the 11th most common destination of companies sending staff on international assignments up to 2013. Therefore, this is likely to ensure that the demand for accommodation from companies sending staff into Vietnam is likely to remain strong in the next three years".

OUTLOOK

Entering the second half of 2011, it is believed that overall vacancy will continue trending downwards, approaching 10.0%. The Grade A sector is expected to perform well throughout the year since no new supply is expected to come online until 2012. Grades B and C may encounter some challenges due to the large amount of new supply coming online. If new entrants offer practical pricing and desirable layouts, it is believed that they will receive demand.

As the serviced apartment market relies mainly on expatriates for demand, and the inflows of expatriates is dependent on multinational companies importing this labour force, the more challenging the economy, the more difficult it is for corporations to justify posting additional foreigners to HCMC. Therefore, while Grade A rental and vacancy rates are healthy now, if the Government's measures to contain inflation continue for an extended period, serviced apartment operators may experience changing market conditions.

The most immediate and continuing trend seen in this market is the development of boutique serviced apartments. Some recent notable projects include AVA Residence (District 2), Lafayette de Saigon, Saigon City Residence, Mai.Har Lan and IWA Square (District 1). More boutique serviced apartment projects are expected to be developed in the CBD due to the lack of available land for developing large-scale projects. Some projects will be able to provide a combination of central location, five-star service, attractive design, luxurious fit-out similar to that of Grade A, but most hope to attract tenants with more affordable rents compared to the most premium projects.

Although in HCMC, some developers have associated their boutique serviced apartments with a specific brand and design style, they do not develop the so-called "Lifestyle Programme." In regional markets a proper lifestyle programme offers tenants access to the city's leading members-only clubs and fitness centres; and a constantly updated selection of trendiest retail (fashion, beauty & health) and dining privileges.

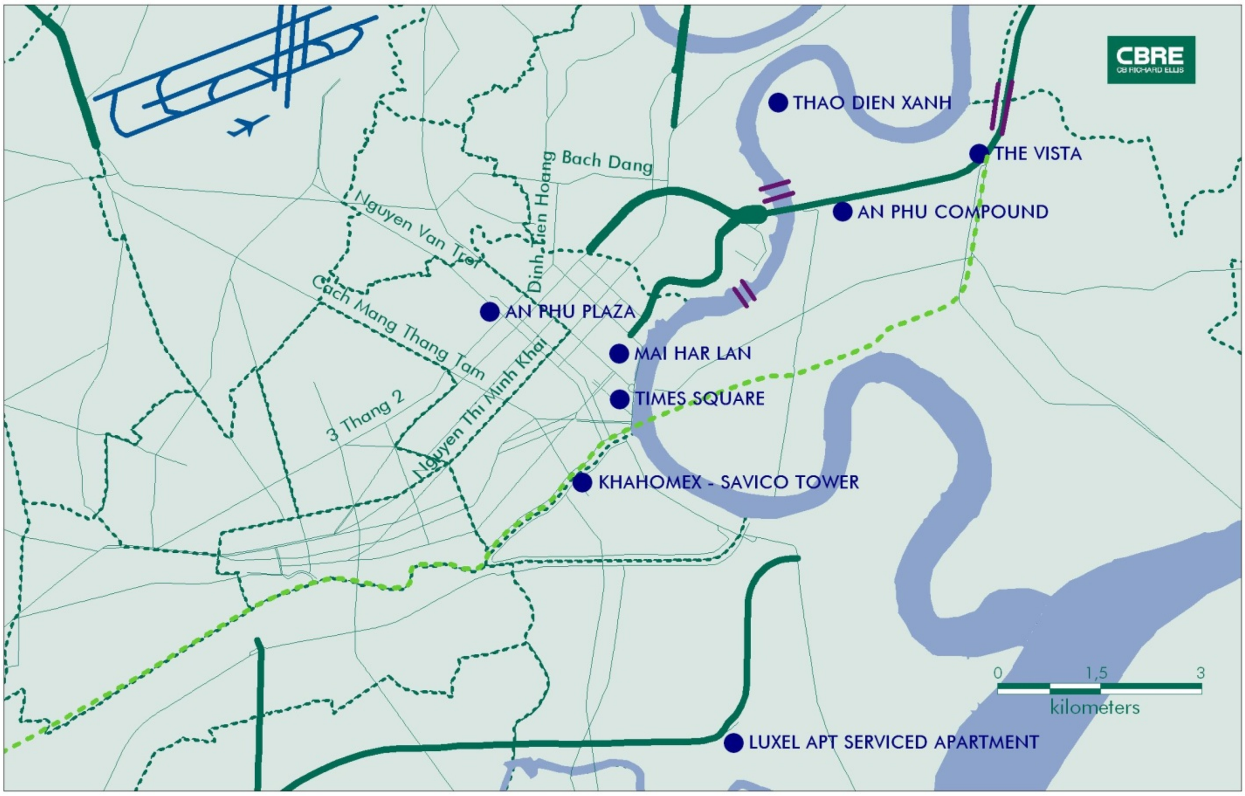
As the residential market is experiencing challenges due to the macroeconomic situation, some residential developers with projects in the CBD or CBD-fringe are reserving some of their units to use as serviced apartments. Market realities, including the lack of new CBD residential supply, give developers with long-term vision encouragement that retaining some units to let will provide a long-term stable source of income. This arrangement is made with three parties, the developer, the tenant, and possibly a buyer of the unit. As the developers are involved in the leasing, if and when the unit sells is irrelevant to a prospective tenant, as the buyer will be involved with the transaction with the understanding that they cannot take occupancy of the unit until the existing tenant vacates. While buyers cannot move into the unit, they can realise the profit of the rental income. The most notable example includes Saigon Pavillion (District 3), which reserves 23 out of 87 units to lease out as serviced apartments. The show units will be ready in mid-July and the real move-in is scheduled for November 2011.

ANTICIPATED COMPLETIONS, NEXT FOUR QUARTERS

PROJECT	DISTRICT	GRADE	UNITS	DEVELOPER	STATUS	EXPECTED COMPLETION	
Mai Har Lan	1	C	30	Private Owner	Available in early July 2011	Q3	2011
The Vista	2	B	100	CapitaLand Group, Thien Duc Trading Construction Co., Ltd. and Phu Gia Investment JSC	Under Construction	Q3	2011
An Phu Compound	2	B	68	An Phu Corporation	Under Construction	Q3	2011
An Phu Plaza	3	C	50	An Phu Corporation	Under Construction	Q4	2011
Times Square	1	A	139		Under Construction	Q1	2012
Luxel APT Serviced Apartment	7	C	121	Luxel APT JV btw KITMC VN RE Fund & BB Dai Minh JSC	Under Construction	Q1	2012
Khahomex - Savico Tower	4	C	100	Khahomex + Savico	Under Construction	Q2	2012
Thao Dien Xanh	2	C	19	Thao Dien Xanh Investment JSC	Under Planning	Q2	2012

Source: CB Richard Ellis Vietnam

Serviced Apartment Project Locations, Next Four Quarters



Source: CB Richard Ellis Vietnam

3-5 STAR HOTELS

HIGHLIGHTS

- **There was no new 3-5 star hotel supply in the second quarter of 2011. In April, the 112-room New Pacific hotel, which was previously a three-star hotel, was upgraded to four stars. The second half of the year is expected to welcome 630 five-star hotel rooms from three projects. This is in addition to another 751 three-star rooms.**

- **Plans to develop the complex at 2-4-6 Dong Khoi Street and 21 Ngo Duc Ke Street have been announced. The project is planned to be a 20-storey building with 2,000 square meters for offices, 6,000 square meters for commercial services on the first seven levels and the remaining 13 levels are planned for a five-star hotel with 220 guest rooms.**

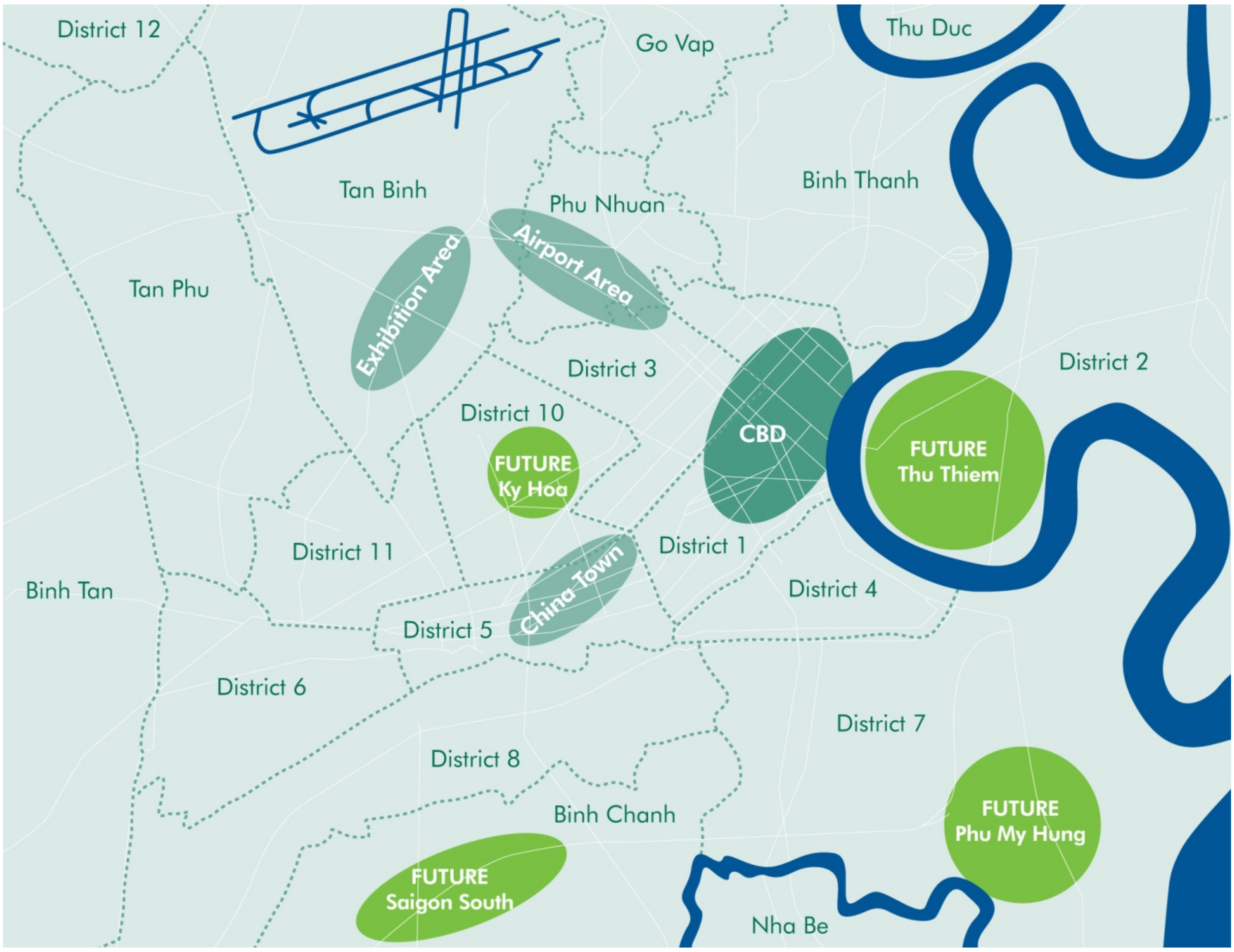
- **Occupancy of five-star hotels rose 5 percentage points y-o-y, while four-star occupancy rose 3 percentage points y-o-y. Occupancy in the three-star segment continued its y-o-y drop of 4.0 percentage points.**

- **Room rates in the three- and four-star segments were softer than in the same period last year. The three-star segment saw a y-o-y decrease of 14.3%, while the four-star segment saw a decrease of 9.3%. The five-star segment saw a slight increase of 3.3%.**

- **Five-star hotels continued to prove their position as the market leader with the highest RevPAR in the review quarter, the least q-o-q reduction and the only segment having y-o-y increase in RevPAR. In a y-o-y comparison, RevPAR increased by 11.9% in the five-star segment. The four-star segment saw a reduction in RevPAR of 5.4% and the three-star segment saw a reduction in RevPar of 19.6%.**

- **Taking the first six months of the year into account, the international arrivals to HCMC totalled around 1.65 million, up 10% y-o-y.**

Major 3-5 Star Hotel Clusters

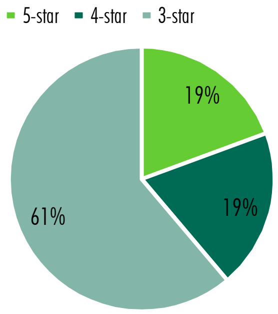


Market Snapshot, Q2/2011

	3-STAR	4-STAR	5-STAR	3-5 STAR
Number of hotels	41	13	13	67
Total supply (rooms)	3,494	1,707	4,298	9,499
New supply (rooms)	-112	112	0	0
Average occupancy rate (%)	60.0%	73.0%	65.0%	
q-o-q change (percentage point)	-4.0%	-2.7%	-4.4%	
y-o-y change	-4.0%	3.0%	5.0%	
Average room rate (US$/room/night)	$36.00	$68.00	$124.00	
q-o-q change	-4.9%	-5.9%	-2.8%	
y-o-y change	-14.3%	-9.3%	3.3%	
RevPar (US$/room/night)	$21.60	$49.64	$80.60	
q-o-q change	-12.9%	-9.1%	-7.2%	
y-o-y change	-19.6%	-5.4%	11.9%	

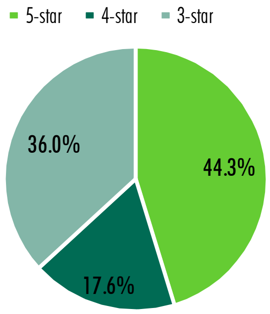
Source: CB Richard Ellis Vietnam

Existing Supply by Star (hotels)



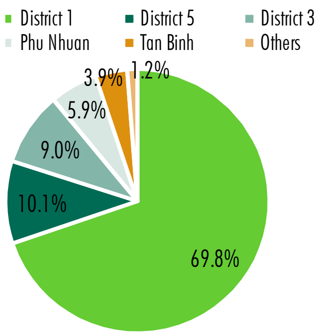
Source: CB Richard Ellis Vietnam

Existing Supply by Star (rooms)



Source: CB Richard Ellis Vietnam

Existing Supply by District



Source: CB Richard Ellis Vietnam

MARKET OVERVIEW

District 1 is the commercial, administrative and tourism centre of HCMC and is home to more than 70% of the city's 3-5 star hotels. The majority of hotels in the CBD are located along Nguyen Hue, Dong Khoi and Le Loi streets. Other top-tier hotels are clustered in District 5 and near Tan Son Nhat International Airport. Twelve 3-5 star hotels are operated by international operators, including Starwood, Accor, Marriot, Hyatt, Moevenpick, Furama, Equatorial and InterContinental, while 75% of all top-tier hotels in HCMC are developed by local developers, with Saigontourist being the main player. This State-owned company developed 21 out of 67 international-standard hotels in HCMC, either alone or as joint-ventures. The tourist high season runs from October to March.

SUPPLY

New Supply

There was no new 3-5 star hotel supply in the second quarter of 2011. In April, the 112-room New Pacific hotel, which was previously a three-star hotel, was officially granted four-star by Vietnam Administration of Tourism. This increases the number of four-star hotels in the city to 14 projects with 2,039 rooms. Consequently, the number of three-star hotels dropped to 40 projects, and a total of 3,362 rooms.

Existing Supply

At the end of the second quarter of 2011, there were 67 three- to five-star hotels operating in HCMC, providing approximately 9,699 rooms to the market.

There are 13 five-star hotels which supply 4,298 rooms; 14 four-star hotels supplying 2,039 rooms; and 40 three-star hotels supplying 3,362 rooms to the market. Five-star hotels account for 44% of supply, four-star hotels account for 21% of supply and three-star hotels account for 35% of total top-tier hotel room supply.

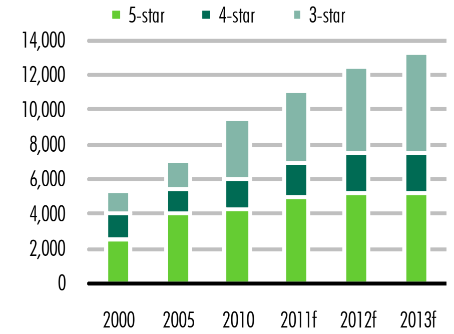
The vast majority of top-tier hotels in HCMC, 69.8%, are located in District 1. A total of 10.1% of supply is in District 5, and 9.0% of hotels are in District 3. Tan Binh District accounts for 3.9% of top-tier hotel supply.

The remaining hotels are located in District 10, District 11 and Phu Nhuan District. Of the 13 five-star hotels, 10 are located in District 1, two are located in District 5 and one is located in Phu Nhuan District. All three luxury five-star hotels (Sheraton, Park Hyatt and InterContinental Asiana Saigon) are located in District 1.

Despite District 2 having the most expensive villas and apartments in the city, and its proximity to the CBD, it does not have any 3-5 star hotels. District 7 also has no 3-5 star hotels despite it being designated a new urban area south of the CBD.

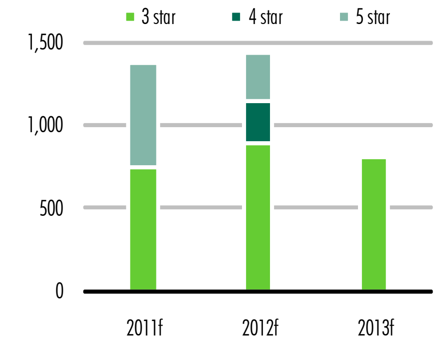
Top-tier hotel stock in HCMC has consistently increased over the last two decades. Since 1990, the number of 3-5 star hotel rooms

Total Supply (units)



Source: CB Richard Ellis Vietnam

Future Supply (units)



Source: CB Richard Ellis Vietnam

has grown at an average rate of 23% per year. In 1990, the city had just 11 top-tier hotels supplying 1,598 rooms. Ten years later, this figure had increased to 37 hotels supplying 5,661 rooms. As of the end of the second quarter of 2011, there were 67 hotels supplying 9,699 rooms.

Future Supply

A number of hotel projects under construction in the city continued to demonstrate good construction progress in the second quarter of 2011, and some are set to open soon. The Nikko Hotel on Nguyen Van Cu street and the Grand Hotel extension on Dong Khoi Street are both in the fitting out phase and set to open in the second half of 2011. The 40-storey Times Square complex will follow suit as this project was topped out in the second quarter. The expansion of Majestic Hotel, which includes 205 rooms, and the five-star Leman CT Plaza, with approximately 200 rooms, officially broke ground in July.

The second quarter also witnessed a number of small scale hotels, which are equivalent to three-star standard, fast approaching completion. Ten out of 12 of these three-star hotels are expected to open by the end of the year.

Through 2013, there will be approximately 21 top-tier hotel projects, providing approximately 3,596 additional hotel rooms to the market. This new supply will be comprised of 2,452 five-star; 252 four-star and 892 three-star hotel rooms. Approximately 1,381 rooms are expected to come on stream in 2011, followed by 1,440 rooms in 2012. 2013 will welcome approximately 805 rooms to the market.

Of these 21 hotels, three will be managed by Accor Group (under the brand names of Pullman, Novotel and Ibis) and one will be operated by the Starwood Group (under the brand name of Le Meridien).

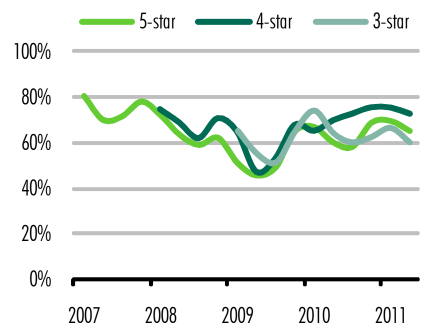
The second quarter of 2011 saw the following major events:

- Leman CT Plaza complex project at District 3's 117 Nguyen Dinh Chieu street broke ground. The 24-storey project, located on 4,288 square metres, will feature a three-storey basement, 200 Swiss-styled luxury apartments from the 17th level up, a Parkson shopping mall at the ground floor, and a five-star hotel, restaurants and other entertainment facilities in the middle.

- Vietnam National Seafood Corporation (Seaprodex) and its partner Hanoi General Import Export Joint Stock Company (Geleximco) have announced their co-investment in the complex at 2-4-6 Dong Khoi Street and 21 Ngo Duc Ke Street. The project is planned to be a 20-storey building with 2,000 square meters for offices, 6,000 square meters for commercial services on the first seven levels and the remaining 13 levels are planned for a five-star hotel with 220 guest rooms. The new development is expected to get off the ground in early 2012 with completion by 2014.

AVERAGE OCCUPANCY RATES

Occupancy Rate (%)



Source: CB Richard Ellis Vietnam

There was an expected reduction in international arrivals to the city in the second quarter, as the second quarter is the start of the low season. This inevitably leads to lower occupancy rates across all hotel segments. The city received only 750,000 international arrivals in the quarter, which is 16.7% lower than the previous quarter but 15% higher than the same period of last year.

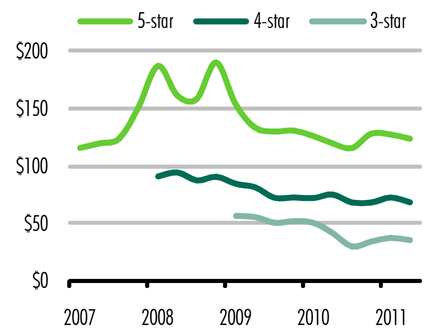
The five-star hotel segment witnessed its occupancy rate decreasing from 69.4% in the first quarter of 2011 to 65% in the second quarter. Four-star hotels saw a 2.7 percentage point reduction in occupancy and three-star hotels saw 4.0 percentage point reduction.

Compared to the same period last year, the five-star and four-star segments have faired better. A y-o-y increase of 5.0 percentage points was recorded in the five-star segment and a 3.0 percentage point increase was recorded in the four-star segment. Average occupancy in the three-star segment continued its y-o-y drop of 4.0 percentage points.

While the y-o-y increase in international arrivals supported the increase in top-tier hotels' occupancy rates, the three-star segment is an exception because this segment received as many as 900 new rooms in the last four quarters. In this segment, the addition of new supply far exceeded the growth in demand.

AVERAGE DAILY RATES (ADR)

Average Room Rate (US$/night)



Source: CB Richard Ellis Vietnam

The average room rate at three- to five-star hotels in HCMC has fallen by approximately 4.5% q-o-q in the low season of the second quarter, with the four-star segment seeing the largest reduction in rates. The room rate for the four-star segment fell from US$72.30 in the first quarter to US$68.00 in the second quarter of 2011, representing a 5.9% reduction.

The room rate for the five-star segment decreased by 2.8%, from US$127.52 in the first quarter to US$124 in the second quarter. The room rate for the three-star segment decreased by 4.9%, from US$37.90 in the first quarter to US$36.00 in the second quarter.

The low season for the city's hospitality industry runs from April to September. In the low season, the room rate declined by 2% - 5% at some five-star hotels but declined by up to 8% at three- and four-star hotels. With a major proportion of five-star guests travelling for business, on their company's budget, five-star hotels can afford to maintain room rates as high as possible. The downmarket hotels which target leisure travellers find it more difficult to maintain high room rates given the current economic difficulty, which leads to the restriction of individual travel budgets.

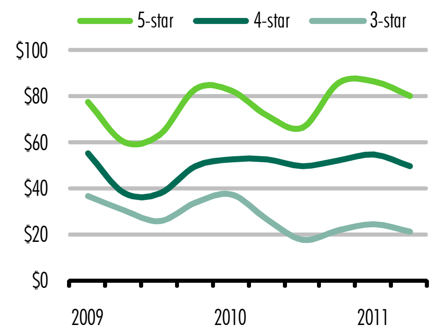
The room rates in this season are overall softer than in the same season last year, with a large reduction seen in the three-star and four-star segments. The three-star segment saw a y-o-y decrease of 14.3%, while the four-star segment saw a decrease of 9.3%. The five-star segment saw a slight increase of 3.3%.

With approximately 900 new three-star rooms and 784 new four-star rooms entering the market, compared to same period last year, three and four-star hotels continued to see increasing competition within their own segments and were forced to reduce room rates to attract more guests. The five-star segment, meanwhile, has not had any new supply since the opening of the InterContinental Asiana Hotel in 2009.

The reduction in room rates is really an effort made by hoteliers to compensate for their traditional and largest source of supply, travel agencies. In the context of high inflcation rates, higher oil price and increasing transport fees including the increase in airfares announced by Vietnam Airlines, Air Mekong and Jetstar Pacific, hotels are trying to maintain there occupancy in the face of overall higher package tour prices.

REVENUE PER AVAILABLE ROOM (REVPAR)

RevPAR (US$/night)



Source: CB Richard Ellis Vietnam

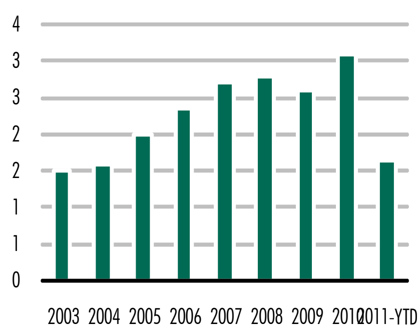
The q-o-q reduction in both occupancy rates and room rates led to reduction in RevPAR across all segments. The RevPAR for five-star hotels in the second quarter of 2011 was US$80.60 per room per night, which is a decrease of 7.2% q-o-q. The RevPAR for four-star hotels was US$49.60, a decrease of 9.1% q-o-q, and the RevPAR for three-star hotels was $21.60, a decrease of by 12.9%.

In a y-o-y comparison, only the five-star segment saw an increase of 11.9%. The four-star segment saw an reduction of 5.4% and the three-star segment saw an reduction of 19.6%.

Five-star hotels continued to prove their position as the market leader with the highest RevPAR in the surveyed quarter, the least q-o-q reduction and the only segment having y-o-y increase in RevPAR.

DEMAND

International Arrivals (millions)



Source: CB Richard Ellis Vietnam

Entering the low season for the city's hospitality industry, HCMC received fewer tourist arrivals in the second quarter of 2011 than the previous quarter. The number of foreign visitors to HCMC in the second quarter of 2011 was estimated to reach merely 750,000 arrivals which is 16.7% lower than the first quarter. This figure, however, is still 15% higher than the same period of 2010.

Taking the first six months of the year into account, the international arrivals to HCMC totalled around 1.65 million, up 10% y-o-y. Around 60% of the visitors, or 990,000, came to the city for tourism, while 300,000 arrived on business. The remaining 360,000 came to visit relatives or arrived for medical treatment.

According to the HCMC Department of Culture, Sports and Tourism, HCMC's the top ten markets for arrivals in the first half of the year remain the U.S., Japan, Australia, Taiwan, South Korea, China, Malaysia, Singapore, France and Russia. Except for Taiwan, arrivals from all markets have been increasing this year.

Noticeably, arrivals from Japan saw a year-on-year increase of 19% despite the earthquake and tsunami in March. However, it is still too early to know the exact effect that the earthquake and tsunami in Japan will have on Vietnam's tourism industry. According to local tour operators, the Japanese travelling in the last quarter were those who have booked tours before the disaster happened. Meanwhile, the number of new tour reservations for the high season late this year are less than the same period of last year.

OUTLOOK

On May 16, the national flag carrier Vietnam Airlines officially announced that it will increase airfares by 17% on average for domestic flights. Prior to that, the other two domestic airlines, Jetstar Pacific and Air Mekong, announced higher airfares. This news will affect not only individual travellers but also travel firms. Higher airfares, the high inflation rate (approximately 16% in the first six months of 2011), and higher oil prices have together forced almost all travel firms to increase their tour prices by at least 10%.

There is not yet any sign of reduction in tourist arrivals in the next two quarters. However with packaged tour prices increasing while prices in neighbouring destinations like Thailand are stable, it is expected that the number of international tourists in 2011 may not grow at the same level as in previous years.

Hoteliers will find it difficult to increase corporate room rates in the immediate future given that travel firms already have the burden of increased airfaires and transportation fees. Occupancy rates, meanwhile, are expected to see a small y-o-y increase.

The second half of the year is expected to welcome 630 five-star hotel rooms from three projects including the Nikko Hotel, Times Square and the Grand (Extension). This is in addition to another 751 three-star rooms. This additional supply will put pressure on both room rates and occupancy rates across the market.

In the next two quarters three-star room rates are expected to decline due to the competition from new supply. Additionally, emerging brands, such as A&Em, will continue putting pressure on top-tier hotels as they offer the quality of a upmarket offering, but they are unclassified.

In the next eight quarters luxury hotels will face fierce competition with the completion of new projects such as Times Square or Le Meridian.

Local developers will continue to be a force in the HCMC hotel market, either via acquisitions or as the sole developer. This trend can be seen in the case of new brand name hotels such as Ocean Group developing StarCity. Five-star hotels will be built in mix-used complexes in prime locations of the city.

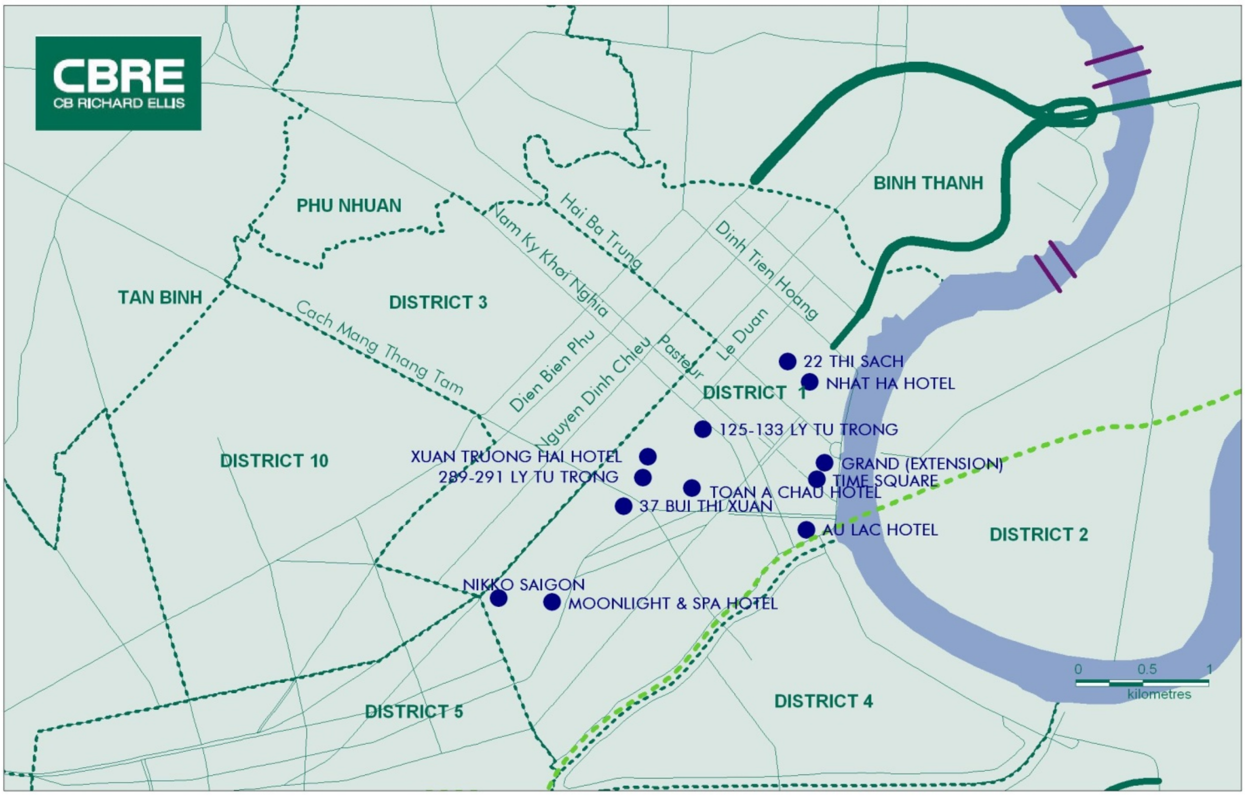
ANTICIPATED 3-5 STAR HOTEL COMPLETIONS, NEXT FOUR QUARTERS

No	Project	Address	District	Grade	No. of Rooms	Project Status
1	Nikko Saigon	Nguyen Van Cu	1	5-star	335	Fitting out
2	Royal Residences Resort	Phu My Hung	7	5-star	15	Fitting out
3	Grand (Extension)	8 Dong Khoi	1	5-star	170	Topping out
4	Time Square	22-36 Nguyen Hue	1	5-star	231	Fitting out
5	Nhat Ha Hotel	Thi Sach - Cao Ba Quat	1	3-star	150	Furbishing
6	Au Lac Hotel	87-91 Ho Tung Mau	1	3-star	76	Furbishing
7	22 Thi Sach	22 Thi Sach	1	3-star	150	Fitting out
8	125-133 Ly Tu Trong	125-133 Ly Tu Trong	1	3-star	40	Fitting out
9	Moonlight & Spa Hotel	180-184 Nguyen Trai	1	3-star	48	Completed
10	Xuan Truong Hai Hotel	247 -249 Ly Tu Trong	1	3-star	36	Fitting out
11	Toan A Chau Hotel	261-265 Le Thanh Ton	1	3-star	35	Fitting out
12	289-291 Ly Tu Trong	289-291 Ly Tu Trong	1	3-star	35	Fitting out
13	37 Bui Thi Xuan	38 Bui Thi Xuan	1	3-star	30	Fitting out
14	189-191 Ly Tu Trong	189-191 Ly Tu Trong	1	3-star	80	Topping out
Total					1,431	

Note: Number of rooms is subject to change.

Source: CB Richard Ellis Vietnam

Hotel Project Locations, Next Four Quarters



Source: CB Richard Ellis Vietnam

INVESTMENT

A CONCISE SUMMARY OF NOTABLE INVESTMENT DEALS COMPLETED DURING THE REVIEW QUARTER, AS REPORTED BY LOCAL MEDIA SOURCES

- In early May, Singaporean property group CapitaLand announced a joint venture contract with Khang Dien Sai Gon Real Estate JSC. CapitaLand will contribute 70% of the US$70 million required to build almost 1,000 condominiums on a 2.9 hectare site in HCMC's District 2.
- CapitaLand also made a 65% stake in developer Quoc Cuong Sai Gon for approximately US$6 million. Quoc Cuong Sai Gon owns approximately 9,000 sm of land in Binh Chanh District where it plans to develop a project that will include up to 800 condominiums.
- Asian Coast Development (Canada) Ltd. (ACDL), announced that it has entered into an agreement with Pinnacle Entertainment, under which Pinnacle will acquire a 26% equity interest in ACDL in exchange for a US$95 million investment. ACDL is the owner and developer of the Ho Tram Strip complex. The Ho Tram Strip beachfront development includes an integrated resort and residential development in southern Vietnam.
- Hoa Sen Group (HSG) announced at their annual meeting that the Hoa Sen Phuoc Long B condominium complex and Hoa Sen Riverside Apartment project in District 9 would be transferred to an unidentified entity with an investment capital of over VND1.1 trillion. HSG will also transfer the 45% share they owned of the Hoa Sen - Germadept International Port complex.
- On April 18, the Board of Management of Vinpearl JSC approved the acquisition of the remaining shares of the Future Property Investment project, which they previously did not own. Following the acquisition, Vinpearl JSC will own 100% of this project, which is located on Son Tra Street in Da Nang.
- The Chairman of Vincom, Mr Le Khac Hiep, announced that the comapny has relinquished its stake in the Sun City project, located at 233B - 235 Nguyen Trai Street in Hanoi. On April 26, Vincom requested the transfer of their capital to Sun Group. Mr. Hiep stated that the reason is that Vincom is transitioning into many other complex projects. Vincom is preparing for the construction of the elevated expressway from Vinh Tuy Bridge to Nga Tu So. Vincom hopes to be approved by the Government as the developer of this infrastructure project.
- On April 15, FPT announced at their annual meeting that they will discontinue development of the FPT 89 Lang Ha Tower project in Dong Da District, Hanoi. As this project is not deemed feasible, their intention is to find a partner for the project, and subsequently receive a benefit from any future investment.
- Lately, the Board of JSM Indochina Ltd., announced that they have signed the Peninsula land use rights agreement to transfer the Peninsula land use rights to Sao Sang Saigon Joint Stock Company, an affiliate of Nam A Bank. The gross consideration payable for the Peninsula land use rights is US$11 million.

CONSTRUCTION COSTS

THIS SECTION IS CONTRIBUTED BY DAVIS LANGDON & SEAH VIETNAM

APPROXIMATE BUILDING COSTS, Q2/2011

- THESE ARE DRAFT FIGURES THAT WERE AVAILABLE AT TIME OF PUBLISHING
- US$ PSM, CONSTRUCTION FLOOR AREA*

RESIDENTIAL	Q4/2008	Q4/2009	Q1/2010	Q2/2010	Q3/2010	Q4/2010	Q1/2011
Detached House and Bungalow	495	480	485	490	497	507	495 - 595
Avg. Standard Apartment, High rise	615	605	615	620	629	642	630 - 750
Luxury Apartment, High rise	785	770	780	788	808	815	810 - 940

Specifications
1. Average Standard Apartments to be 30-50 storey, 60-90 sm per flat.
2. Average Luxury Apartment to be 30-50 storey, 100-150 sm per flat.
3. Apartments and Houses include air conditioning, kitchen cabinets, kitchen cooktop, exhausted hood but exclude loose furniture and home appliances.

OFFICE/COMMERCIAL	Q4/2008	Q4/2009	Q1/2010	Q2/2010	Q3/2010	Q4/2010	Q1/2011
Prestige Office, High Rise	898	875	885	900	913	930	880 - 1,110
Average Standard Office, High Rise	728	710	720	730	740	757	750 - 870
Shopping Centre	673	655	665	675	684	697	685 - 800

Specifications
1. Offices based on buildings 20-30 storey high, with floor plans minimum 1,000 sm per level.
2. Shopping centres and average standard offices exclude finishes, A/C ducting and light fittings to tenant areas.
3. Prestige offices are fitted with raised floor, suspended ceiling, A/C ducting and light fittings to tenant areas.

HOTEL	Q4/2008	Q4/2009	Q1/2010	Q2/2010	Q3/2010	Q4/2010	Q1/2011
Resort Hotel	1,205	1,175	1,190	1,200	1,217	1,240	1,185 - 1,475
3-Star Budget Hotel, incl. F.F.&E	1,458	1,425	1,440	1,455	1,475	1,502	1,485 - 1,735
5-Star Budget Hotel, incl. F.F.&E	1,738	1,695	1,715	1,730	1,754	1,787	1,800 - 2,030

Specifications
1. F.F.&E, includes interior decoration and loose furniture etc. but excludes hotel operated equipment costs (e.g. cutlery, crockery, linen, uniform, etc.).

Note: *The costs per square metre are based on Construction Floor Areas measured to the outside face of the external walls/external perimeter including lift shafts, stairwells, balconies, plant rooms, water tanks and the like.

The costs for the respective categories given above are averages based on fixed price competitive tenders. It must be understood that the actual cost of a building will depend upon the design and many other factors and may vary from the figure shown.

All buildings are assumed to be built on flat ground, with normal soil and site condition. The cost excludes site formation works, external works, land cost, professional fees, finance and legal expenses.

The standards for each category of building vary from country to country and do not necessarily follow those of Vietnam.

LEGAL UPDATES

THIS SECTION IS CONTRIBUTED BY BAKER & MCKENZIE (VIETNAM) LIMITED

New Decree implementing Law on Non-Agricultural Land Use Tax

Recently on July 1, 2011, the Government issued Decree No. 53/2011/ND-CP which detailed the implementation of a number of articles of the Law on Non-agricultural land use tax ("**NALU Tax**"), which will take effect as of January 01, 2012.

Types of Non-agricultural land and land price subject to NALU Tax.

As of 2012, non-agricultural land price eligible for NALU Tax will be determined by the provincial People's Committee and fixed during a five (05) year term. In addition, Decree No. 53 provides detailed guidelines on determination of various types of non-agricultural land, and also calculation of land area, land price..., for NALU Tax. Specifically, the following types of non-agricultural land are subject to the NALU Tax: (i) Residential land in rural and urban areas; (ii) Non- agricultural land used for business purposes, such as industrial land, commercial land, land for mining, land for constructional materials and pottery; and (iii) other public and governmental lands which are used for business purposes and further mentioned in Article 3 of Decree No. 53.[1]

NALU Tax applicable to land attached with multiple-storey apartment buildings.

Decree No. 53 has also provided guidelines for a recent hot issue in the property market relating to calculation methods of NALU Tax applicable for multiple-story apartment building. In particular, with respect to the land area attached to the multiple-story apartment building in which many households and individuals reside, the taxable land area for NALU Tax applicable to each household/individual will be determined by distribution fraction (hệ số phân bổ) between square meters of land area for construction and total square meters of the whole apartment units in the building, multiplied (*) by the total square meters of each household's unit.[2]

Pilot program for NALU Tax

Prior the enforcement of Decree No. 53 on January 01, 2012, The Ministry of Finance ("**MOF**") is piloting to collect non-agricultural land-use tax in certain local areas of Hà Nội, Cần Thơ cities and the Bắc Ninh province.[3] The MOF will enumerate non-agricultural land-use tax in four precincts and four communes in the three localities for piloting tax collection. The pilot stage will focus on identifying taxation areas as well as connecting and exploiting the databases of local agencies on tax and natural resources.

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[1] Article 2 and 3 of Decree No. 53

[2] Article 4.2 of Decree No. 53

[3] MOF's official website: www.mof.gov.vn

Updated list of construction projects that are required for the preparation of the report on environment impact assessment

This is the first time the Government has issued a separate guidance on regulating the assessment of strategic environment, assessment on environmental impact, and commitment to environmental protection by its Decree No. 29/2011/ ND-CP dated April 18, 2011 ("**Decree No. 29**"). Among many guidelines for requirements and procedures to conduct certain types of environment assessments, notably to the real estate developers, is the revised list of construction projects that are required to prepare the Report on Environmental impact assessment among 162 groups of projects.

Groups of Construction projects that are required for the preparation of the report on environment impact assessment include:

(i) Projects for the construction of infrastructure of an urban zone [and/or] residential zones with the total area of 5 hectares or more *(broader than before: only projects with total area of 50 hectares or more);*

(ii) Projects for the construction and improvement of urban or residential drain systems with the length of 5 kilometres or more; dredge of channel, river, lake on the total area of 1 hectare or more (*this is new to the list*);

(iii) Projects for the construction of infrastructure of an industrial zone, high-tech zone, industrial group, export processing zone, commercial zone, traditional handicraft village and other commercial and production zones: All (*has been supplemented comparing to prior list*);

(iv) Projects for the construction of a supermarket [and/or] commercial centre with total business area of 500 square meters or more;

(v) Projects for the construction of a wholesale market, first range market, and second range market in a city or town;

(vi) Projects for the construction of a hospital: All (*before: only with hospital having 50 beds or more*);

(vii) Projects for the construction of a laboratory which emits toxic substances from experimental activities (*this is new to the list);*

(viii) Projects for the construction of a dormitory or residential building with the capacity of 500 users or more or 100 households or more (*this is new to the list)*;

(ix) Projects for the construction of tourism, entertainment zones, sport zones, and golf courses: With total area of 5 or more hectares *(broader than before)*;

(x) Projects for the construction of a hotel [and/or] boarding house. With 50 or more guest rooms (*broader than before: 100 or more guest rooms*);

(xi) Projects for the construction of tourism services establishments (comprised of infrastructure and material facilities) with 500 cubic meters or more of waste water per 24 *hours (broader than before: only at the coastal area and from 1.000 cubic meters);*

(xii) Projects for the construction of a cemetery (in the form of burial plots, crematoriums or other forms): All;

(xiii) Projects for the construction with underground work measured at 10 meters deep or more;

(xiv) Projects for the construction of a building dedicated to the practice of fighting; military training centre; shooting-gallery; military port; military warehouse; military economic zone: All.

Generally speaking, in comparison with the previous regulations, the number of investment projects required for the report on environment impact assessment are reduced (from 162 down to 146). Yet, the scales in many groups have been broadened significantly by decreasing the criteria parameters.

New Circular regarding the issuance of Certificates on Land Use Rights, Ownership of Residential Houses and Assets Attached to Land ("Certificates")

On May 20, 2011, the Ministry of Natural Resource and Environment ("**MONRE**") promulgated Circular 16/2011/TT-BTNMT amending and supplementing certain regulations on administrative procedures relating to land ("**Circular No. 16**"). Circular No. 16 was promulgated in order to clarify some uncertainties relating to time limits as well as the documents required for the issuance of the Certificates.

The key developments of Circular No. 16 are as follows:

(a) Reduction in the time limit for the issuance of the Certificates

Article 12.1 of Decree 88[4] stipulates that the time limit for the first-time issuance of the Certificates will not exceed 50 (fifty) working days beginning from the submission date of the proper dossier. This time limit is arranged for the all of the administrative procedures involved in the issuance of the Certificates. However, the time limit for each stage in the procedure process is uncertain. Therefore, Circular 16 aims to clarify this uncertainty, particularly as follows:

(b) In cases where households, individuals, and Vietnamese citizens reside overseas, the time limit is divided as follows:

(i) *For administrative procedures at the district-level People's Committee*: not more than 10 (ten) working days beginning from the recipient date of the proper application dossier;

(ii) For administrative procedures at the Land Use Right Registration Office under the district-level Division of Natural Resource and Environment: not more than 15 (fifteen) working days beginning from the recipient date of the proper application dossier;

(iii) *For administrative procedures at residential houses, construction and agriculture management State authorities*: not more than 05 (five) working days beginning from the receiving date of the feedback written request issued by the Land Use Right Registration Office;

(iv) *For the execution of the Certificates at the district-level People's Committee*: not more than 03 (three) working days beginning from the submission date of the proper application dossier;

In total, it will take around 33 (thirty three) working days beginning from the submission date of the proper application dossier for the issuance of the Certificates, excluding the time for the publication of the assessment results at the district-level People's Committee.

(c) In cases where organizations, religious establishments and Vietnamese citizens reside overseas and for foreign organizations and individuals, the aforesaid time limit is divided as follows:

(i) For administrative procedures at the Land Use Right Registration Office under the Department of Natural Resource and Environment: not more than 20 (twenty) working days beginning from the submission date of the proper dossier;

(ii) *For administrative procedures at residential houses, construction and agriculture management State authorities*: not more than 05 (five) working days beginning from the receiving date of the feedback written request issued by the Land Use Right Registration Office;

(iii) For the execution of the Certificates at the provincial People's Committee or at the Department of Natural Resources and Environment (in cases of authorization): Not more than 03 (three) working days beginning from the submission date of the proper application dossier;

In total, it will take approximately 28 (twenty eight) working days beginning from the submission date of the proper application dossier for the issuance of the Certificates.

[4] Decree 88/2009/ND-CP dated October 19, 2010 of the Government regarding the issuance of certificates on land use right, ownership of residential houses and assets attached to land;

In conclusion, according to Circular No. 16, it is explicit that the time limit for the issuance of the Certificates has been reduced significantly from 50 (fifty) working days as provided in Decree 88 to 33 (thirty three) working days (for cases where households, individuals and Vietnamese citizens reside overseas) and to 28 (twenty eight) working days (for cases where organizations, religious establishments and Vietnamese citizens reside overseas for and foreign organizations and individuals).

(d) Other noteworthy clarifications

With respect to the re-issuance of the Certificates due to loss, Circular No. 16 supplements the corresponding regulations of Decree 88 as follows:[5]

(i) For domestic organizations, foreign organizations, foreign individuals and Vietnamese citizens who reside overseas, it is required that they must publish the loss of the Certificates through the media 03 (three) times within the period not exceeding 10 (ten) days.

(ii) For households and Vietnamese citizens, it is required that they must obtain a written certification from the commune/ward-level People' Committee for the post of a notice regarding the loss of the Certificates at the office of the commune/ward-level People' Committee within 15 (fifteen) days.

(iii) In cases of loss due to disaster or fire, the documents mentioned in item (i) and (ii) above are not required, but it is required that the Certificate holders must obtain a written certification from the commune/ward-level People' Committee regarding the disaster or fire.

(iv) Circular 16 further stipulates that the application for the re-issuance of the Certificates is only permitted to be conducted upon the expiry of the 30-day period as from either: (i) the first time of publishing the loss on the media, (ii) the date when the notice regarding the loss is posted at the office of the commune/ward-level People' Committee, or (iii) the issuance of the written certification of the commune/ward-level People' Committee on the occurrence of disaster or fire.

In cases where organizations split or merge, the receiver of the land use right must submit an application dossier, which is comprised of: (i) the application in the prescribed form, (ii) the existing Certificate, and (iii) the decision of the competent authority approving such a split or merge of the organization to the competent Land Use Right Registration Office. Circular 16 also clarifies the time-limit for this procedure, which is from 13 (thirteen) to 28 (twenty eight) working days as from the submission date of the proper dossier, depending on the sufficiency of the application dossier.[6]

[5] Article 4 of Circular 16.

[6] Article 7 of Circular 16.

Further specific guidance on Personal Income Tax ("PIT") towards the real estate transactions

(a) PIT on the authorization of real estate transaction.

The General Department of Taxation in its Official Letter No. 1133/ TCT-TNCN dated April 05, 2011 has responded to inquiries of Hanoi Tax Department regarding PIT applicable for real estate authorized transactions. According to this Official letter, the General Department of Taxation has opined that the authorization activity from the property owner to other parties with respect to the possession, management, usage, and ownership of the owner's real property, including without limitation to the lease, transfer, mortgage of the property without any return of the property nor any benefits from the authorization activity back to the owner, simultaneously no payment of the authorization activity has been made, then such authorization in fact is considered as the property sale and purchase transaction, and thus is subject to the PIT.

(b) PIT's calculation method applied to the transfers of the sale contracts of future-built houses

The General Department of Taxation has issued the Official Letter No. 1873/TCT-TNCN on June 02, 2011. According to this Official Letter, an individual transferring the sale and purchase contract of future-built houses must declare the taxable transfer price under the market price at the moment of transfer and the transfer price must have lawful invoices/ receipts. If such an individual declares that the transfer price is not in accordance with the market price, then the taxation agency will determine the transfer price to calculate tax after making reference to the real estate trading floor of the project owner or the real estate trading floor where real estate is transferred and apply the tax rate of 25% over taxable income. In the event that the transfer price of real estate is not determined, then a tax rate of 2% over total sale and purchase price written in the sale and purchase contract of future-built houses is applied.

(c) PIT towards the transfer of unique real estate

The Tax Directorate confirms in its Official Letter No. 2014/TCT-TNCN dated June 14, 2011 that for individual transferring his/her unique real estate*, including a lot of land which attached by more than one house*, is exempted from PIT.

TERMINOLOGY & DEFINITIONS

CENTRAL BUSINESS DISTRICT (CBD)

The Central Business District in HCMC is District 1, the commercial, administrative and tourism centre. The area bound by Ton Duc Thang, Nguyen Thi Minh Khai, Nam Ky Khoi Nghia and Ham Nghi streets is considered the prime location and includes all the Grade A and the majority of Grade B buildings in HCMC.

INTEREST RATE

- The base rate set by the SBV and used as a reference by other banks and financial institutions.
- The discount rate is the interest rate which the SBV charges member banks for short-term loans via discounting commercial paper or other debt instruments.
- The refinancing rate is the interest rate that the SBV charges on loans to member banks.

GOLDEN SITE

Plots of land identified by the Government as having an advantageous location and being a priority for development.

GRADE A, B, C (OFFICE)

Although in HCMC no formal classification system exists, grades are generally understood as follows:

- Grade A Buildings: High-rise buildings, located within the CBD, column-free floor plates of over 1000 sm, ceiling heights of 2.75 m, professional management, premium M&E design, lift lobby, and access high efficiency.
- Grade B Buildings: Generally 75% of Grade A amenities, as well as being located in the CBD or periphery with at least seven stories and floor plates of 500-1000 sm.
- Grade C Buildings: Due to the immature nature of HCMC's office market, Grade C buildings are classified as buildings not meeting Grade A or B status, but having 50% of the amenities of Grade B buildings, with minimum floor plates of 150 square meters.

GROSS FLOOR AREA

Gross Floor Area shall include all areas contained within the external walls at each floor level and the whole thickness of the external walls. In general, mechanical and electrical services rooms, refuse chambers and rooms, water tanks, car parking floors and all lifts and staircases passing through these floors shall be excluded from the Gross Floor Area calculation.

NET FLOOR AREA (NFA) / NET LETTABLE AREA (NLA) / NET LEASABLE AREA (NLA)

In a building or project, floor space that may be rented to tenants. Generally excludes common areas and space devoted to the heating, cooling, common corridors, stairs, lift lobbies, toilets and plant room.

Example: A building with 10 floors, each containing 3,000 square feet of space, may have a net leasable area of 25,000 square feet. Elevators, hallways, etc., account for the remaining 5,000 square feet

NET ABSORPTION

Net Absorption figures represent the net increase in occupied floor space in the period. The figures are arrived at using the following method:

Net Absorption = new completions

+ vacancy figures at the beginning of period

- demolition

- vacancy figures at period-end

RENT

Rent is quoted as the average "asking" rent, without accounting for any incentives. Rents are stated in US$ per square metre (psm) as well as in those terms - gross or net, inclusive (including management fees and/or property taxes) or exclusive (excluding management fees and property taxes) that are customarily employed in the respective sector.

Rents or average room rates are quoted on the following basis:

- Hotel: Average room rates, inclusive of VAT and service charges
- Office: Asking rents, GFA, exclusive of VAT and service charges
- Retail: Asking rents, NLA, exclusive of VAT and service charges
- Serviced Apartments: Asking rents, NLA, inclusive of VAT and service charges

SALEABLE AREA

The Saleable Area of a unit is measured up to the centre line of the wall separating adjoining units. The full thickness of the walls separating the units from common areas, lift shafts, light wells, staircases, etc. is included.

PRIMARY MARKET

The primary market is assumed to be that market where residential units are transacted between developers and investors/end-users.

SECONDARY MARKET

The secondary market is that which where transactions do not include the developer.

TOPPING OUT

When the last piece of the superstructure is put into place and the construction of the concrete and steel portion of the building is complete.

UNDER PLANNING

Projects in the site clearance, compensation, or development consultancy phases, or any phase before groundbreaking.

UNDER DEVELOPMENT / UNDER CONSTRUCTION

Project status from groundbreaking through completion and topping out, excepting delays.

ABBREVIATIONS

ABBREVIATION	EXPLAINATION
ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
BMI	Business Monitor International Co., Ltd.
BOT	Build-operate-transfer
CBD	Central Business District
CCA	Capital Contribution Agreements
CKER	Central Key Economic Region
CPI	Consumer Price Index Average - measured in a period of time (e.g. 2, 3, 4 etc. months, but usually quarterly and yearly) in comparison with the same period of the previous year.
EIU	Economist Intelligence Unit, the in-house research unit of The Economist newspaper
e-o-p	End of period
EU	Europe Union
2012f	Forecast
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GFA	gross floor area
GFC	Global financial crisis, generally accepted as the downturn or recession in the world economy starting in late 2007 through 2010.
HCMC	Ho Chi Minh City
IMF	International Monetary Fund
IP	Industrial Park
JBIC	Japan Bank for International Corporation
JV	Joint Venture
MICE	International travellers arriving for the purposes of meetings, incentive trips, conferences or exhibitions
MNC	Multinational Corporation
MPI	Ministry of Planning and Investment
NKER	Northern Key Economic Region
ODA	Official Development Assistance - flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective.
2010p	Preliminary
PPP	Public private partnership
Q1, Q2, Q3, Q4	the first, second, third, fourth Quarter
RBF	Ready-Built Factory
SBV	State Bank of Vietnam
SHTP	Saigon High Tech Park
SKER	Southern Key Economic Region
sm; psm	square metre; per square metre
SSP	Saigon Software Park
US	The United States of America
USD / US$	US Dollars
VAT	Value Added Tax
VND	Vietnamese Dong
VSIP	Vietnam Singapore Industrial Park
WB	World Bank
WTO	World Trade Organization
q-o-q	Quarter-on-quarter
y-o-y	Year-on-Year

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