

Market Insights from CBRE's Hanoi Quarterly Report



Presented by:

Richard Leech

Thanh Tran

Executive Director

Senior Manager

CB Richard Ellis (Vietnam) Co., Ltd.

October 13th 2009

CBRE RESEARCH & CONSULTANCY

CBRE
CB RICHARD ELLIS

QUARTERLY REPORTS FOR HCMC & HANOI

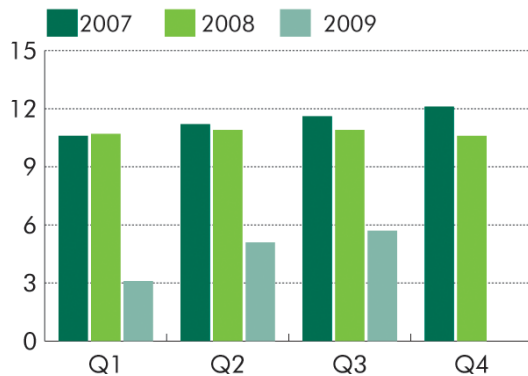


- Economic Overview
- Current Rents and Prices
- Office
- Residential for Sale
- Retail
- Serviced Apartments
- Hotel
- Investment
- Construction Costs

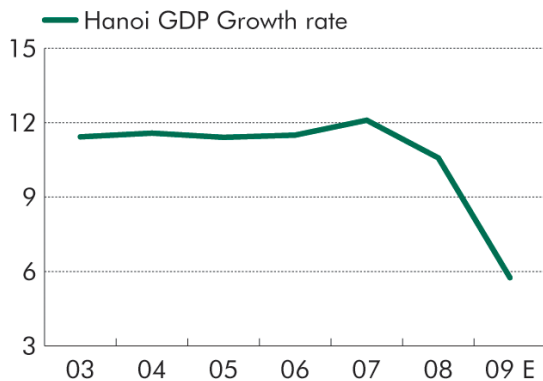
quarterlyreports@cbrevietnam.com
Available in English or Vietnamese

HANOI ECONOMIC OVERVIEW

Hanoi Year to Date GDP (% y-o-y Growth Rate)



Hanoi GDP Growth Rate (%)

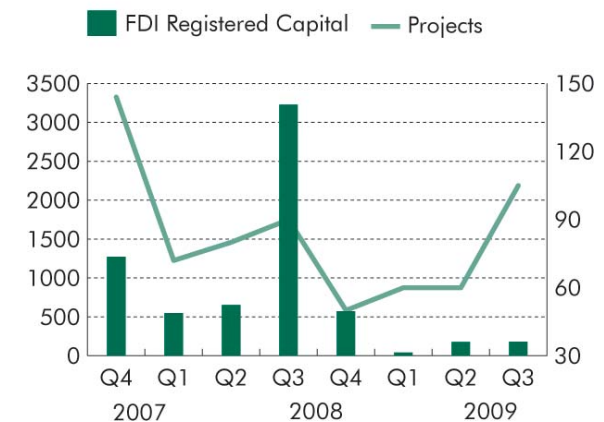


- Hanoi GDP achieved a y-o-y increased of 8.6% in Q3 (Q1/09: 3.1%, Q2/09: 5.1%)
- First 9 months of 2009, Hanoi achieved the average GDP growth rate of 5.7%, able to achieve the annual GDP growth rate objective of 5.5% - 6%
- Industrial production reached average growth rate of 7.5%

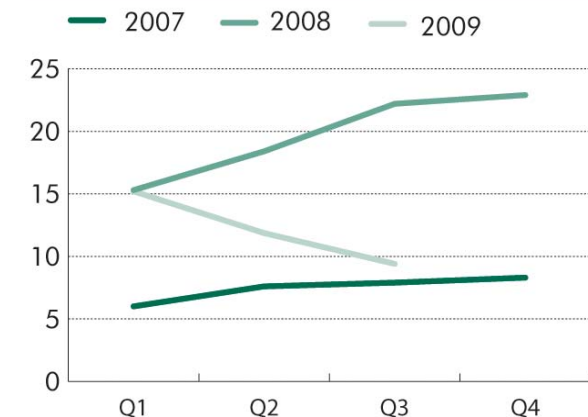
HANOI ECONOMIC OVERVIEW

- Decrease in both imports and exports turnover: respectively 29.6% and 11.2% y-o-y decrease
- Hanoi attracted an estimated 225 FDI projects, but only registered US\$400 million in capital
- CPI of the first nine months reached 9.4% when measured y-o-y
- Number of international tourism arrivals decreased 19.8% y-o-y, but local tourism arrivals still grew by 1.1%

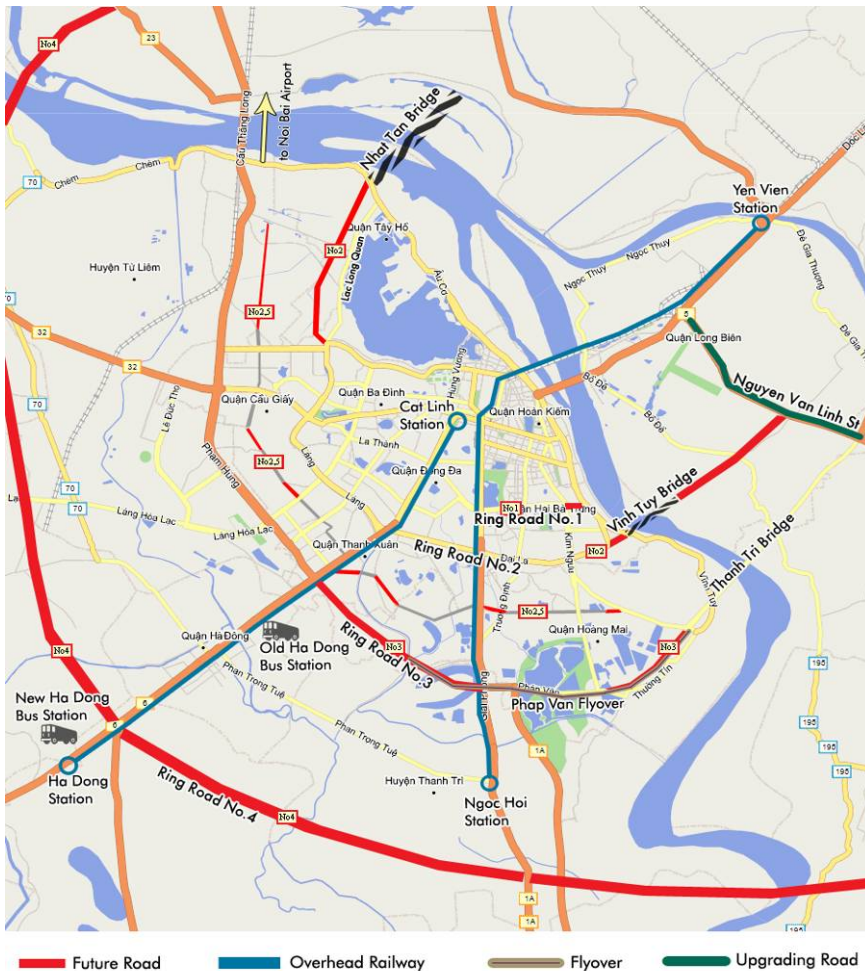
Hanoi FDI - Projects (Mill. US\$)



CPI Growth Rate by Quarter (% y-o-y)



HANOI INFRASTRUCTURE



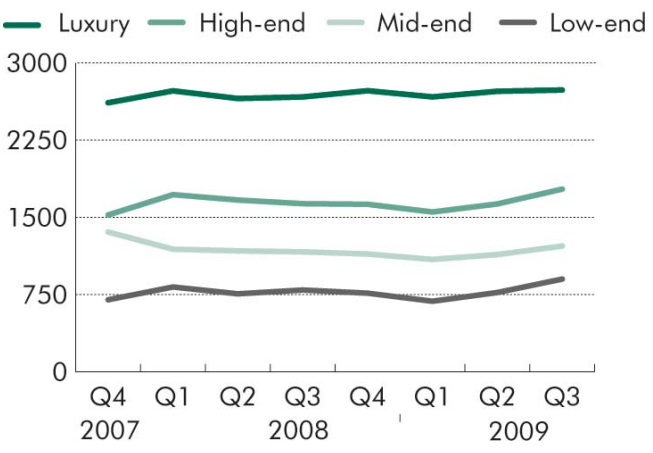
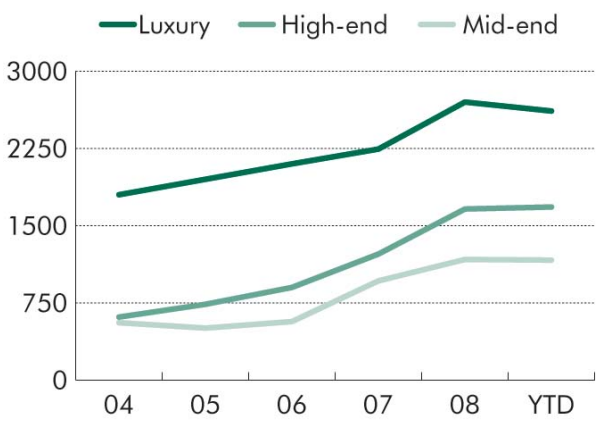
■ HIGHLIGHTS

- Vietnam Railway Corp. signed a US\$47 million contract 28 km railway linking Long Bien and Thanh Tri Districts
- The Vinh Tuy Bridge, opened to traffic on September
- Nhat Tan Suspension Bridge project signed contract for largest portion with HI and Sumitomo Mitsui Construction Company
- Vinh Thinh Bridge project to start construction 2010
- The new Ha Dong bus station, now the biggest in Hanoi, opened in September
- Hanoi People's Committee invested US\$38 million to expand Nguyen Van Linh Road from Cau Chui intersection to Thanh Tri Bridge

RESIDENTIAL FOR SALE



Average Asking Price (US\$ psm)

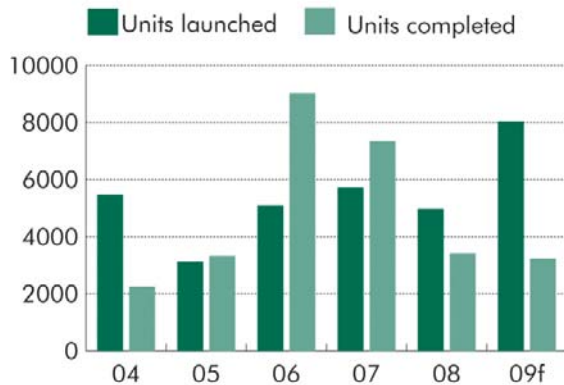


HIGHLIGHTS

- Positive news about the economy & strong stock market performance → investors and end-users get back into the market immediately
- The intangible signs all point to dramatic turnaround in sales activity, particularly in new condo launches.
- Increasing confidence in the market has also given the second home developers further opportunities and confidence to launch new products on Danang Beach, Ho Tram, Phan Thiet/Mui Ne – we see this confidence continuing.
- All market sub categories growing between 7% and 16%. Low-end projects show fastest growth
- Land prices in some fringe areas saw rapid growth as demand spiked.

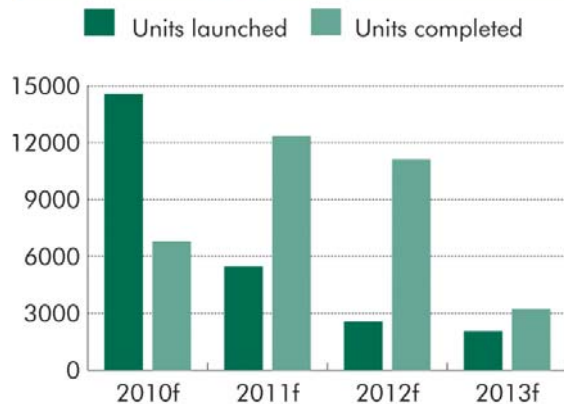
RESIDENTIAL FOR SALE

Existing Supply (Units)



Source: CB Richard Ellis Vietnam

Forecasted Supply (Units)



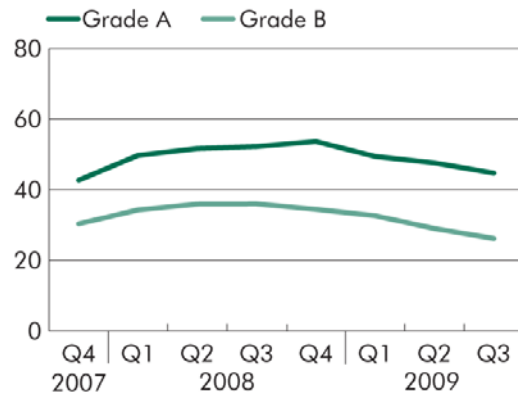
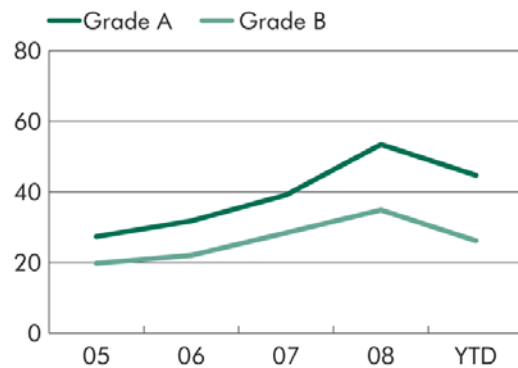
Source: CB Richard Ellis Vietnam

OUTLOOK

- The spike in the number of projects starting construction in the quarter is also a positive signal that developers believe the worst has passed.
- Large new supply of units should help limit excessive capital value growth driven by speculation
- Although most transactions were in the mid-end and affordable segments, demand was also seen for some higher-priced projects.
- The Personal Income Tax (PIT) on housing transactions came into effect on September 26.
- Developers are increasingly focusing on issues including pricing, quality, visibility, flexible payment terms and bank support.

OFFICE

Average Asking Rents (US\$ psm per month)



Source: CB Richard Ellis Vietnam

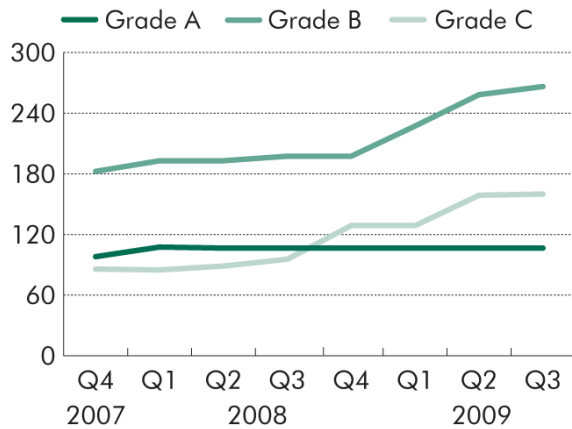
HIGHLIGHTS

- Office rents continued falling by 6% in Grade A and 9.6% in Grade B market
- CEO Tower opened along Pham Hung in August with 13,000 sm of leasable area and over 50% occupied
- Enquires for office space increased 28% over the last quarter, especially for spaces below 200 sm
- Local investors and companies have purchased or secured long term leases on large portions of office space
- Strong net absorption occurred in both A & B markets. Newly launched buildings are leasing up large amount of space with reduced price points (< US\$25 psm)

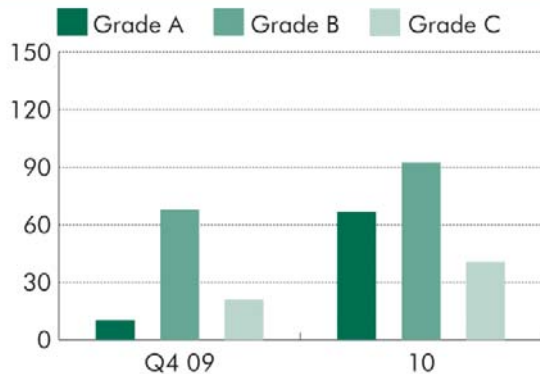
OFFICE



Total Supply ('000 sm)



Estimated New Supply ('000 sm)



Source: CB Richard Ellis Vietnam

OUTLOOK

- A total of 5 new projects (over 60,000 sm) are expected to be online by the end of next quarter
 - Only 2 in city centre
 - First Grade A growth since early 2007
- New buildings will have to offer rents below market average to lease up space
- Quality of management and maintenance will have growing importance in more competitive market

RETAIL

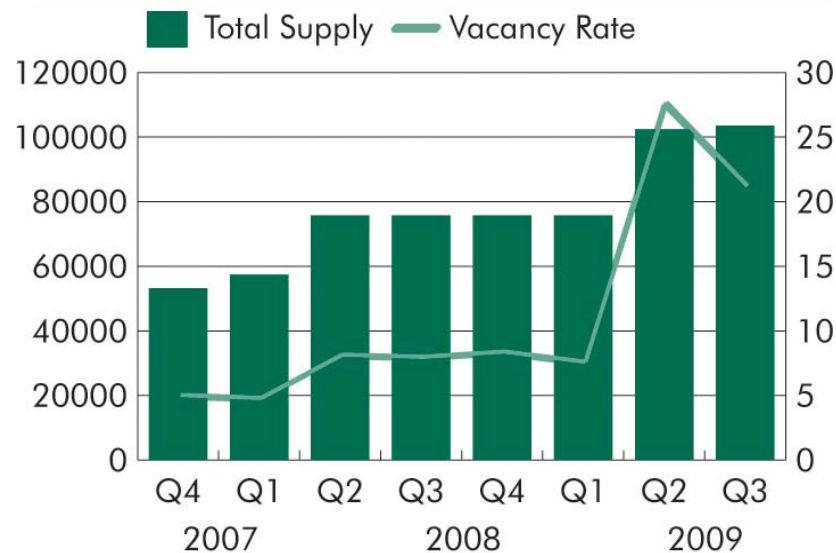


■ HIGHLIGHTS

- Another quarter of consecutive growth in retail sales highlights the continued strength of local demand for goods and services
- CBD rentals remained steady. Many renovated shophouses taking up excess demand
- Numerous mid-end and high-end brands entering Hanoi this quarter: Mphosis, Paris Hilton, Vanlaack, etc. (entering Vincom Galleries, shophouses)
- Many Non-CBD shopping centres are still having difficulty maintaining tenants and low absorption rate
- CBD retail saw the first major new supply this quarter with the opening of Vincom Galleries, which launched with under 20% vacant

RETAIL

Retail Market Supply & Vacancy Rate (sm, %)



Source: CB Richard Ellis Vietnam

■ SUPPLY

- Most vacancy outside the CBD
- Vincom Galleries opened on 8th August (8,500 sm NLA for the first five floors)
- Ha Thanh Plaza's closure reduced retail supply in non-CBD area (decreased 7,300 sm NLA) along with vacancy

RETAIL

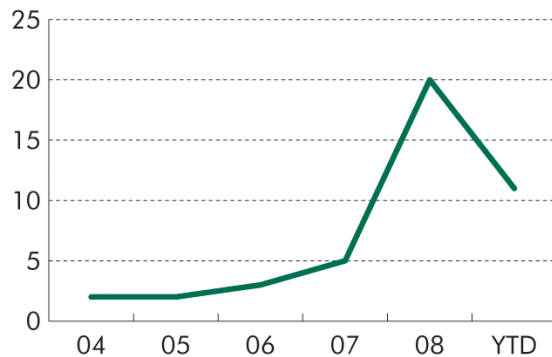
■ OUTLOOK

- Major new sources of retail launching next year out west (Charmvit Plaza) along with smaller podiums around city. Still limited space within CBD
- Renovation and improvement of shophouse retail will continue to put pressure on rents, especially outside the city centre.
- The issues faced by non-CBD retail centres highlights issues of tenant mix. More projects may turn to master leases with professional retailers (department store, mall operator)
- Savico Plaza has been announced as a major fringe urban retail complex (over 50,000 sm) in Long Bien, targeting growing suburban and fringe urban demand for modern retail

SERVICED APARTMENTS



Vacancy Rate (%)



Source: CB Richard Ellis Vietnam

HIGHLIGHTS

- Vacancy rates in stabilised projects (those opening before 2008) increased slightly to 10.75%
- Vacancy rates in stabilising projects (those opening since 2008) decreased 6 percentage points to 10%
- 3+ bedroom units make up 50% of total vacant units (23% increase q-o-q), while they make up only 30% total supply
- Asking rents remained unchanged across the market, however specific projects had transacted rents down 10% to 20% driving stronger absorption
- All projects appear stabilised with improved vacancies coming over the next few quarters for the best managed projects

SERVICED APARTMENTS



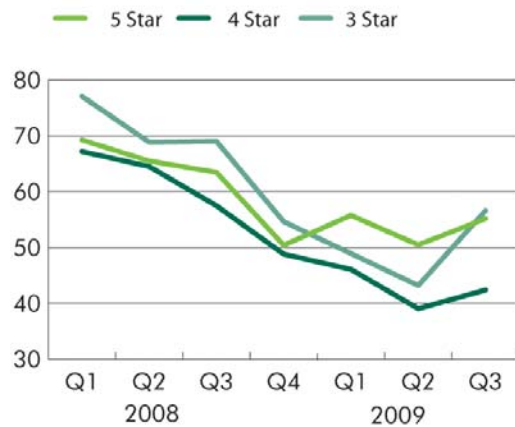
Fraser Suite Serviced Apartments

■ OUTLOOK

- Expect stronger take up with enquiry growth and major new entrants in the office market
- Vacancy should continue to fall, although limited rental growth due to constrained housing budgets
- No major dedicated serviced apartment projects in the near future
- Newly condo units for rents in large projects: Vincom Park Place, Golden Westlake
- More professional expanding small-scale apartment and villa market

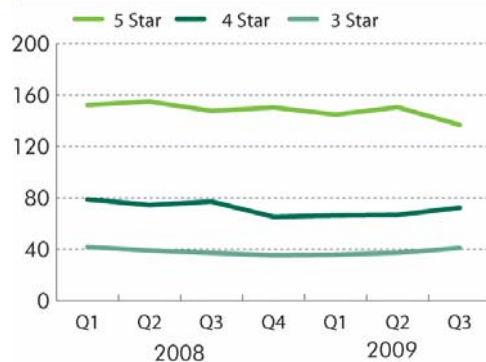
HOTELS

Hotel Occupancy Rates by Quarter (%)



Source: CB Richard Ellis Vietnam

Average Daily Rates (US\$)



Source: CB Richard Ellis Vietnam

HIGHLIGHTS

- International visitor arrivals reached 745,000, a year-on-year decrease of 19.8%.
- Occupancy down y-o-y. Average daily rates also down, except for 3-star hotels
- Mecure La Gare of Accor was opened on September 1st 2009, providing 102 hotel rooms to the market
- JW Marriott signed agreements with Bitexco to manage Bitexco's under-construction hotel behind the National Convention Centre
- VinaCapital finally announced selling their 70% stake in Hilton Opera Hanoi Hotel. No details on deal, but achieved 23% IRR on 3 year holding period
- Horison Hotel has changed their management to Accor. The hotel will use Accor's 5-star hotel flag – Pullman

HOTELS

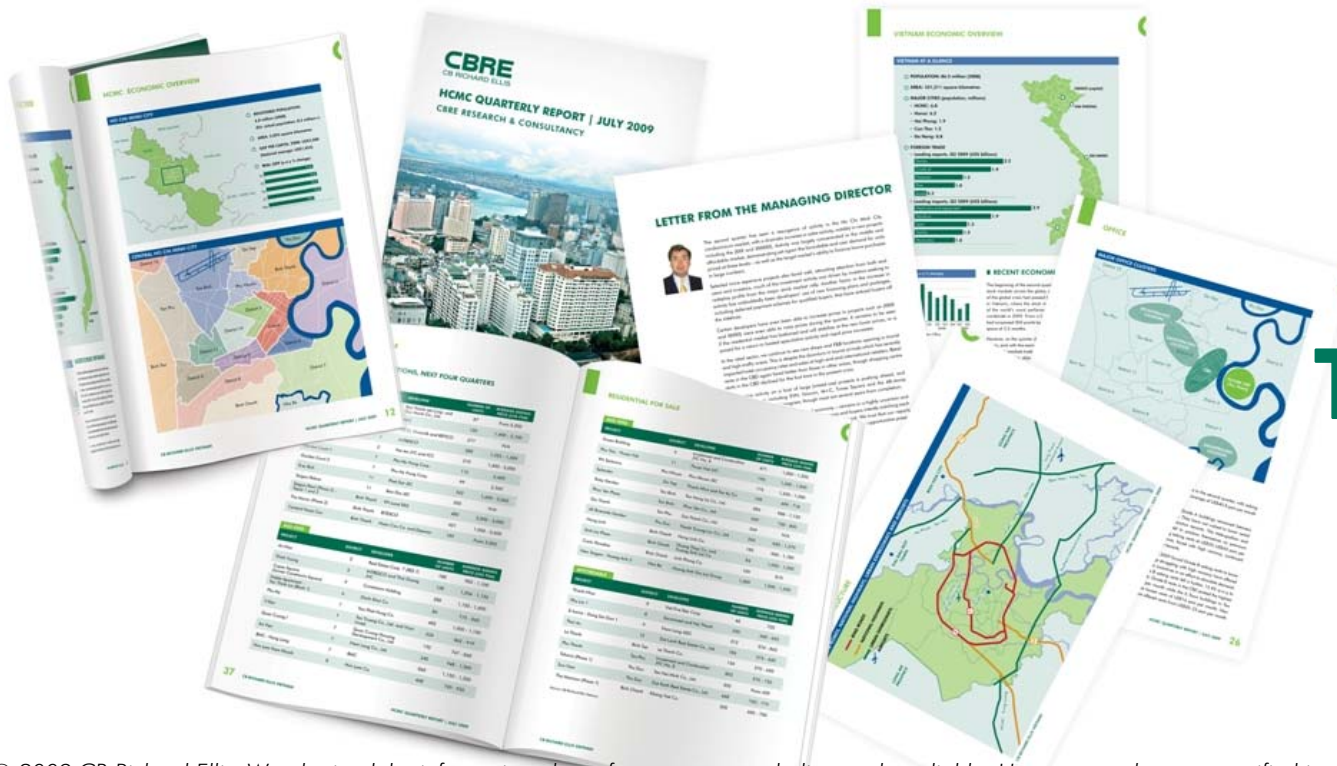
■ OUTLOOK

- Expected growth in hotels' performance in fourth quarter (high season)
- Swine flu is still major threat to travel
- RevPAR will begin growing again in 2010 for hotels with best price points
- Branded budget hotels growing in popularity. More 3-star & 4-star international brands will enter
- Still growth opportunities (major investment interest)
 - Tourism growth, VN income growth, expansion of submarkets, complete lack of mid-range branded products



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

quarterlyreports@cbrevietnam.com



THANK YOU!!!

© 2009 CB Richard Ellis, We obtained the information above from sources we believe to be reliable. However, we have not verified its accuracy and make no guarantee, warranty or representation about it. It is submitted subject to the possibility of errors, omissions, change of price, rental or other conditions, prior sale, lease or financing or withdrawal without notice. We include projections, opinions, assumptions or estimates for example only, and they may not represent current or future performance of the property. You and your tax and legal advisors should conduct your own investigation of the property and transaction.