



**Fearless Forecasts**  
**January 2010**

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**CBRE**  
CB RICHARD ELLIS

## Economic Overview

	2007	2008	2009 Estimates	2010f
<b>GDP Growth Rate</b>	8.5%	6.2% <sup>1</sup>	5.3% <sup>1</sup>	6.5% <sup>3</sup>
<b>Lending Rate</b>	14 -16%	12.75% <i>Down from 21% in Q3</i>	12.0% effective (1 Dec 2009 by SBV)	15% <sup>2</sup>
<b>Inflation (Average)</b>	8.3%	22.9%	6.9% <sup>1</sup> y-o-y	<7% y-o-y <sup>3</sup>
<b>Trade Deficit</b>	US\$-12.5 billion	US\$-18 billion	US\$-12.2 billion <sup>1</sup>	N/A
<b>Gold Price per Tael</b>	VND16.1million (Dec 2007)	VND17.8 million (31 Dec 2008)	VND26.6-26.7 million (31 Dec 2009)	N/A
<b>US\$/VND</b>	16,026	17,400 (31 Dec 2008)	18,497 (31 Dec 2009)	19,000 <sup>2</sup>
<b>FDI (Committed)</b>	US\$21.3 billion	US\$71.7 billion	US\$21.5 billion <sup>1</sup>	US\$22-25 billion <sup>3</sup>
<b>FDI (Implemented)</b>	US\$4.6 billion	US\$11.7 billion	US\$10.0 billion	US\$11.0 billion

Source: Historical data by GSO, <sup>1</sup>GSO <sup>2</sup>BMI Q4/2009 Report, <sup>3</sup>Government Forecast

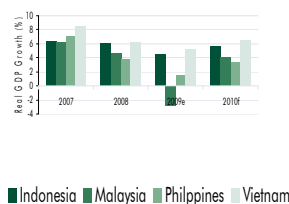
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## Economy 2010

- **21<sup>st</sup> Century is the Asian Century**
  - China and India dominated the first decade. Who is next?
  - Vietnam's golden population makes it a strong contender
- **Implemented FDI in 2010 will be similar to 2008**
- **MNC Senior Management Teams relocating to Asia**
- **Funds will cash up with investors confidence returning and seek expanding markets**
- **Inflation to re-emerge**
- **Asia is no longer 'emerging' it has arrived**
- **Leakage leads to growth**
- **GDP growth rate expected to exceed both 2008 & 2009**

Real GDP Growth Rate Across Southeast Asia

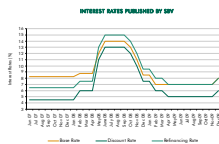
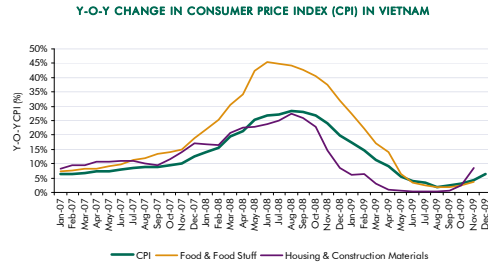


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## Economy – Interest & Inflation

- Inflation to re-emerge, providing impetus to put cash to work in Real Estate:
  - Housing & Construction Dec.09: +5.8% y-o-y
  - Food & food stuffs Dec.09: +12.6% y-o-y



- Interest Rates increased by 1% since 1 Dec. 2009 → limit credit growth and rein in inflation. Base interest rate by end-2009:
  - Vietnam: 8%
  - Philippines: 2%
  - Indonesia: 6.5%

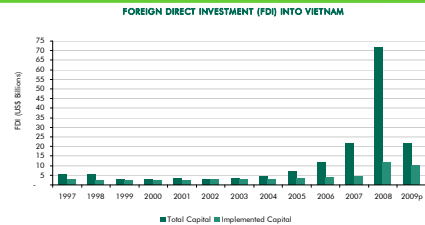
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Source: State Bank of Vietnam

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## Economy – FDI

- FDI dropped dramatically compared to 2008, but still second highest year on record
- 2009 registered FDI: US\$21.48 billion
  - 2009 implemented FDI: US\$10 billion
  - Implemented FDI dropped less than 15%
  - 2010: US\$22-25 billion (MPI forecast)



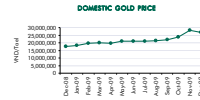
	2007	2008	2009 Estimates
Vietnam	US\$21.3 bil	US\$71.7 bil	US\$21.4 bil
Philippines	US\$4.6 bil	US\$4.1 bil	US\$1.5 bil
Malaysia	n/a	US\$12.9 bil	n/a
Indonesia	US\$10.3 bil	US\$18.5 bil	US\$30 bil

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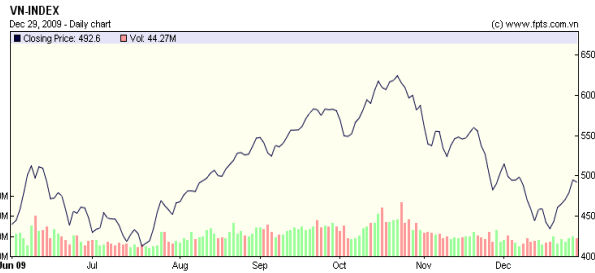
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## Economy – Gold & Stock Market

- Gold now consolidating: around VND26.6mil – 26.7mil/tael
- Stock market slowed toward year end, but potential for more foreign funds in 2010



Source: Saigon Jewelry Holding Company

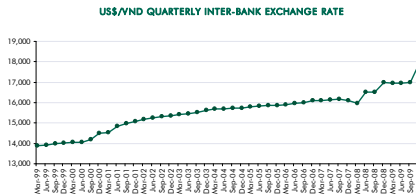


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## Economy – Exchange Rates

- Confidence in the Dong – still devaluation pressure in the short term but stability should return on export strength & reduction of stimulus



Source: State Bank of Vietnam

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## 2010 Government Decrees....

- **From 2009**
  - Foreigners granted rights to buy on residential property on leasehold
  - Clarification of rights of overseas Vietnamese to own property
  - Provisions on calculation of apartment service fees
  - Property gains tax
- **Looking to 2010**
  - Further clarifications expected on the ownership regulations for Resident Foreigners and Viet Kieu
  - 2010 Market waiting to feel impact of new announcement that does not permit residences to be used as offices
  - Current debate over allowing developers to pre-sell 20% of their development directly, outside of current regulations
  - **The Personal Income Tax (PIT) on housing transactions went into effect on September 26, 2009**
    - New flat tax on transactions rather than multiple options which simplifies collections
    - 2010 will see the implementation of the collection of these taxes

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## 2009 Infrastructure Milestones – Air & Sea

- **Seaports**
  - First vessel into Saigon Premier Container Port
- **Airports**
  - **DANANG**  
First flight from Taipei. Planned 2010 flights from Japan. New International Terminal to be completed 2010.
  - **DALAT**  
New international airport completed
  - **NHA TRANG / CAM RANH**  
First international flight from Singapore. Planned 2010 flights from Russia.
- **Lack of regular international flights to destinations outside of Hanoi and HCMC.**



Saigon Premier Container Port



Lien Khuong Int'l Airport - Dalat

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## HCMC Infrastructure 2010

- East-West Highway – 2010 (Tunnel Q1 2011)
- Phu My Bridge & Elevated Highway
  - Bridge completed in September 2009
  - Elevated highway linking District 7 to the bridge and District 2 expected to complete in Q1 2010.
- Metro Line 2 to break ground in 2010
- Gap in infrastructure between Hanoi and HCMC, spending must increase to mirror development
- Areas with Master Planning will have huge competitive advantage (Thu Thiem, Phu My Hung, etc.).
- The car will be king. First underground car park to break ground in 2010.



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## HCMC Residential 2010

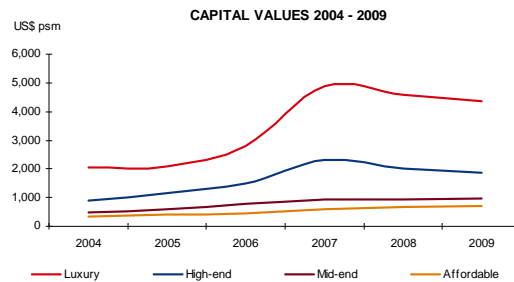
Year	2008	2009	2010
<b>LAUNCHED UNITS</b>			
Luxury & High-end	4,005	2,781	12,737
Mid-end	3,818	4,276	10,380
Affordable	1,630	3,619	5,130
Total	<b>9,453</b> <b>(24 projects)</b>	<b>10,676</b> <b>(32 projects)</b>	<b>28,247</b> <b>(57 projects)</b>
<b>SOLD UNITS</b>			
Total	3,127	5,957	-

- Fierce Competition – Over supply of units in/around HCMC
  - Backlog of units from 2008/2009
  - Expected 2010 launches add additional 30,000 units (3x the amount launched in 2008 or 2009)
- Affordable and mid-end market will continue to dominate

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## HCMC Residential 2010



- **Buyers Primary Concerns – Brand, Location, Price**
- **Super-Deluxe segment will emerge and begins to attract some serious attention**
  - **FIRST!** - \$10,000/sm condo AND \$3 million villa to be offered to the market
- **Buying patterns split with end-users buying later and short term investors buying at product launch**



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## Second Home Market 2010

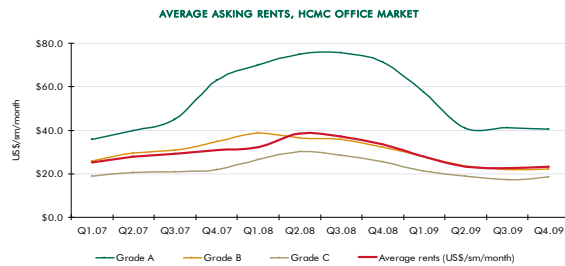
- **Second Home Markets**
  - **Hoa Binh / Ha Tay** – Different concept (mountains) but still early. Needs to be near traditional resort area (Mai Chau, Ba Vi, Tan Dao)
  - **Danang** – Strong supply, demand may diminish due to the rise of other locations
  - **Nha Trang** – Enters the Residential home market with multiple condominium projects launching in 2010. Strong competitor to Danang with more developed tourist market (local & intl)
  - **Long Hai / Vung Tau** – Continued interest in these convenient vacation get-aways but with limited opportunities
  - **Mui Ne / Phan Thiet** – The Superstar of 2010 with multiple opportunities for home ownership, golfside, beachside or hillside, villa or condo, traditional or modern. Access is limited.
- **Target buyers will be local. Foreign buyers are no longer the main consumer of these homes.**
  - Beach units will rely on foreigners for rental pool after completion



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## HCMC Office 2010



- Significant increase in office enquiries at the end of 2009, expected to continue
- Over 100,000 sm of vacant space carries over
- 2010 will see a more new space come on-line than 2008 & 2009 combined – more than 350,000 sm
- Take up will double from 2009 – c.300,000 sm
- Amount of new and existing supply ensures that 2010 is the year of the tenant
- Demand will come from existing Vietnamese firms and MNC's expanding into Vietnam
- Image is key – your office/building is a reflection of your business

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## HCMC Office 2010

- **Tenant/Investor Strategies**
  - Extend lease lengths as rental prices bottom out
  - Strata titling – buy floors
  - Take a headlease on a building, lease extra space
  - Buy a completed building, it's cheaper than developing
- **Landlord Strategies**
  - New realism to attract tenants – fit out cost contribution, lower asking prices, greater overall flexibility
  - The most profitable landlords will look for incomes other than rent - building sponsorship, communication company income
  - Lead with a LEED building
  - Keep the faith – buildings will fill out



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## HCMC Retail 2010

Retail New Supply (sm)	2007	2008	2009	2010f
CBD	1,280	11,882	18,781	65,050
Non CBD	24,000	50,300	46,687	68,000

- Supply of prime CBD retail space to triple in 2010
- New retail space shifts from shophouse to shopping malls
- Non CBD space to increase almost 50%
- All CBD space to be absorbed as demand remains strong and current supply is limited – top rental prices to increase
- Demand to come from:
  - Expanding Vietnamese retail chains – nationwide rollout
  - International and Vietnamese F & B
  - Arriving International brands as WTO hangover wears off
- Large scale international brand operators (Tesco/Wal-Mart) remain on the sidelines
- Franchising will be key to (local) F&B expansion

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## HCMC Retail Opportunities 2010

- **Underground retail:**
  - Growing as traditional street-side retail space is limited
  - Vincom Centre leading the pack with this trend
  - Others join in with adaptations – La Van Tam Park to break ground in 2010
- **Market-style retail to expand:**
  - Saigon Square I & II will be copied
  - Consumers have confidence in what they know
  - Short-term developments capitalising on underused land slated for redevelopment
  - Located in densely populated areas
  - Quick set-up allows investors to gain almost immediate returns
  - Rental rates higher than formal settings



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## HCMC Serviced Apartments 2010

	2008	2009	2010f	2011f	2012f
Total Supply	2,859	3,212	3,582	4,291	5,035
Anticipated New Units	n/a	n/a	370	709	744
Avg. Asking Rent (US\$/sm/month)	\$29.66	\$24.94	n/a	n/a	n/a
Vacancy Rate	12%	16%	n/a	n/a	n/a

- **Three new serviced apartments with 370 units (in D.7, D.1 and D.2) to enter the market in 2010, plus further boutique projects**
- **Supply is limited and thus demand must only increase slightly to have significant impact on occupancy**
- **Competition from buy-to-let apartments;**
  - The Manor 1: still popular
  - Saigon Pearl
  - River Garden
  - Cantavil Hoan Cau
  - Multiple developments in District 7
- **Tenants may have a short term advantage negotiating rental rates and services**
- **Supply will be under pressure by the end of 1H 2010 as International trade and associated SA demand returns.**

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## HCMC Hotels 2010

- **High season occupancy rates (to date) on par with previous years and expected to steadily recover the remainder of the year**
  - Already 85%-95% occupancy during peak weeks
- **Strong growth in local demand**
- **Return of international business travelers and MICE**
- **Vietnamese companies going international**
  - Saigon Tourist in the US, Saigon Investment Group in Laos
- **Local developers invest in/develop hotels**
- **Expansion of hotel brands and styles**
  - Local brands expand nationally
  - Increased competition in the top end segment
  - New International Brands - IBIS (D1&D7) & Nikko (D1)
  - International Budget Brands will enter
  - Smaller boutique hotels (not star rated)
  - Business hotels in Industrial Parks

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## Hotel – Future Supply

Year of Completion	Project	Management	Location	No. of rooms
2010 (473 rooms)	LIBERTY 6	Self	D.1	144
	GOLDEN TOWER	Self	D.1	120
	SAIGON GIVRAL	Self	Phu Nhuan	209
2011 (1,175 rooms)	NEW PACIFIC	Self	D.3	120
	GRAND EXTENTION	Self	D.1	170
	NIKKO SAIGON	Nikko	D.1	335
	TIMES SQUARE	Self	D.1	230
	LE MERIDIEN SAIGON	Starwood	D.1	320
2012 (858 rooms)	NOVOTEL SAIGON CENTRE	Accor	D.1	350
	IBIS BEN THANH PALACE	Accor	D.1	338
	IBIS SAIGON SOUTH	Accor	D.7	170
2013	SAIGON CONVENTION AND EXHIBITION	Self	D.7	1,000
<b>Total</b>		<b>3,506</b>		

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## HCMC Industrial 2010

- **Carry over vacancy from 2009 results in**
  - Industrial park landlords may soften on pricing and fees
  - Factory owners have offered the lower prices.
- **Strong demand for small-to-middle size manufacturers requiring for land lots between 1,000-5,000sm**
- **Opportunities for ready-built/build-to-suit developers as manufacturers enter with specific needs that current supply can not meet**
- **Demand for Logistic Centres (Warehouse/Distribution Centres/ICDs)**
  - In the new port areas; SPCT (Hiep Phuoc), Port of Singapore Authority and Saigon New Port (in Cai Mep-Thi Vai).
  - Warehousing in Cat Lai Port Area.



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## Investment 2010

- Vietnamese investors will continue to dominate
- Foreign investment will flow in slowly
- Foreign investors going to the provinces/under developed districts to combat land prices
- Funds to continue to divest and consolidate
- IPO listings as capital markets recover
- Investors/retailers look at purchasing long-term lease of retail podiums
  - Failure of self-managed podiums present opportunities
- Local developers will utilise increasingly sophisticated fundraising options

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## Hanoi – Coming of Age – Final Thoughts

- A Millennium of Thang Long - Hanoi
- Hanoi and HCMC converging in development
- Investment and development market from local and foreign groups swung away from HCMC to Hanoi in 2009 and this trend will continue throughout 2010
- Residential market continues in popularity as Hanoians show preference for real estate over stocks
- Serviced apartment, hotel & office market not just supported by stable demand from embassies, NGOs, Development Organizations (ADB, World Bank)
- Townships and complexes have struggled for many years to go through clearance and approvals – become a sub-developer and start building in one!
- Government pressure and support for the 1000<sup>th</sup> anniversary will lead to strong progress for Hanoi throughout 2010



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## CBRE's MOST Fearless Forecasts 2010

- Office take up will double but rents not to recover until 2011
- Hotel occupancies to recover by the second half of 2010
- ENT problems persist, local retail demand will be insatiable
- Local developers continue to lead the way – tallest, biggest and most expensive
- Traffic congestion will restrict daily life and limit spending
- The super-deluxe condo / villa market will attract some serious attention
- District 9 will spawn ten new villa projects
- The number of real estate funds will shrink and characteristics will change
- Serviced apartment demand will recover by the end of the first half
- “Go on, be a Tiger”

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## Quarterly Reports for Ho Chi Minh City and Hanoi



[quarterlyreports@cbrevietnam.com](mailto:quarterlyreports@cbrevietnam.com)

Available for each city,  
in English or Vietnamese

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

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**“Go on, be a Tiger”**



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