

705 OFFICE
RESIDENTIAL
RETAIL

COMMERCIAL SPACE
110,000^{M²}

DEALS CLOSED

WORTH

RESIDENTIAL UNITS
400

TRANSACTION VALUE **US\$**
325
MILLION

66
CONSULTANCIES

2009

38
QUARTERLY REPORTS

CBRE
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PROPERTY
ENQUIRIES

PROPERTIES
MANAGED
21
WORTH MORE THAN
US\$ 600 MILLION

4,812
FOR
655,646^{M²}



Fearless Forecasts

January 2010

Presented by:

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Economic Overview

	2007	2008	2009 Estimates	2010f
GDP Growth Rate	8.5%	6.2% ¹	5.3% ¹	6.5% ³
Lending Rate	14 -16%	12.75% <u>Down from 21% in Q3</u>	12.0% effective (1 Dec 2009 by SBV)	12% ²
Inflation (Average)	8.3%	22.9%	6.9% ¹ y-o-y	<7% y-o-y ³
Trade Deficit	US\$-12.5 billion	US\$-18 billion	US\$-12.2 billion ¹	N/A
Gold Price per Tael	VND16.1million (Dec 2007)	VND17.8 million (31 Dec 2008)	VND26.6-26.7 million (31 Dec 2009)	N/A
US\$/VND	16,026	17,400 (31 Dec 2008)	18,451 (31 Dec 2009)	-
FDI (Committed)	US\$21.3 billion	US\$71.7 billion	US\$21.5 billion ¹	US\$22-25 billion ³
FDI (Implemented)	US\$4.6 billion	US\$11.7 billion	US\$10.0 billion	n/a

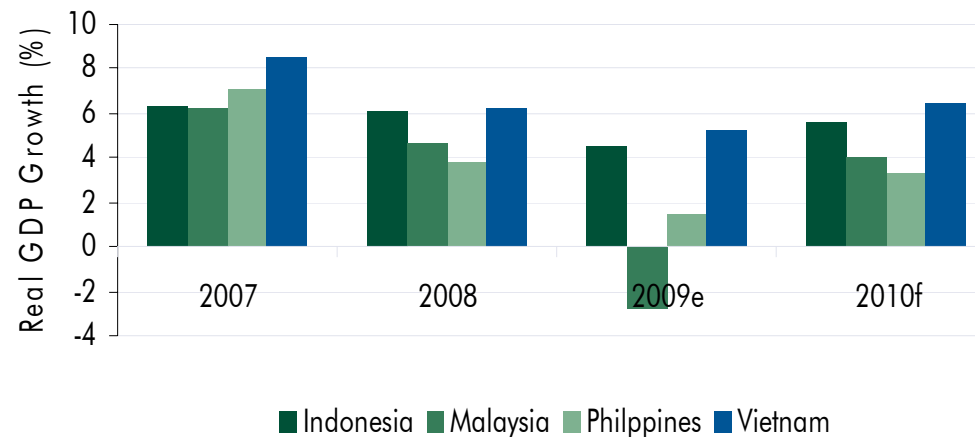
Source: Historical data by GSO, ¹GSO ²BMI Q4/2009 Report, ³Government Forecast

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Economy – GDP

- **Vietnam maintained positive GDP growth amid the global economic turbulence:**
 - **One of the few countries in Asia with strong positive economic growth**
 - **Third quickest economic recovery after China and India, beating other Southeast Asian neighbours**

REAL GDP GROWTH RATE ACROSS ASIAN COUNTRIES



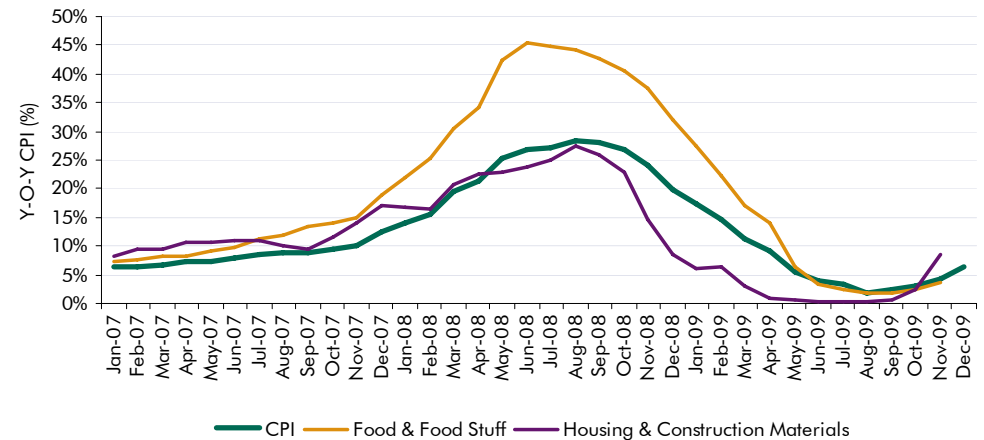
Source: Vietnam General Statistics Office, IMA Asia

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Economy – Interest & Inflation

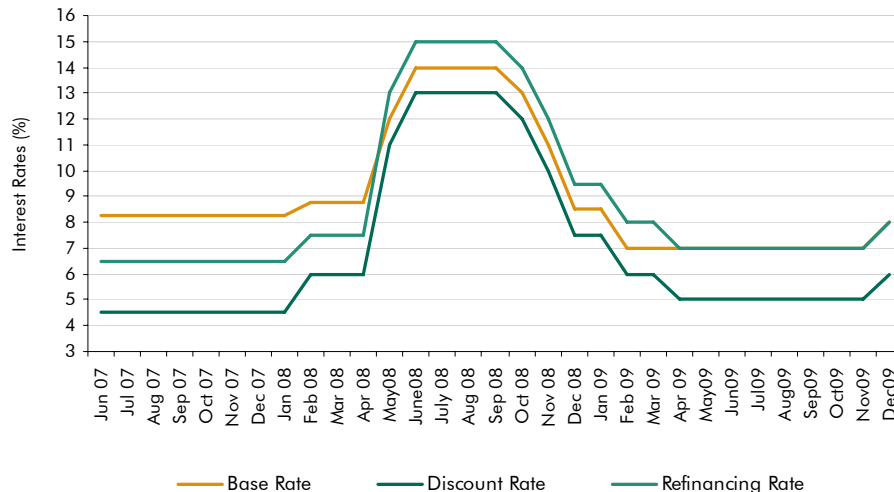
- **Inflation to re-emerge, providing impetus to put cash to work in Real Estate:**
 - **Housing & Construction Dec.09: +5.8% y-o-y**
 - **Food & food stuffs Dec.09: +12.6% y-o-y**

Y-O-Y CHANGE IN CONSUMER PRICE INDEX (CPI) IN VIETNAM



Source: General Statistics Office

INTEREST RATES PUBLISHED BY SBV



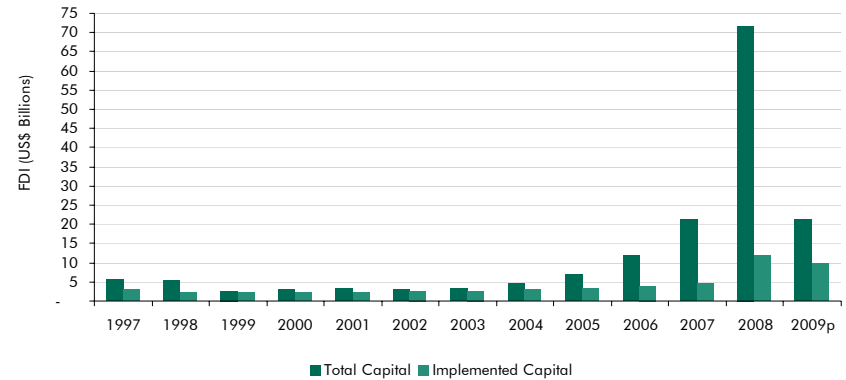
Source: State Bank of Vietnam

- **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%**

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)

FOREIGN DIRECT INVESTMENT (FDI) INTO VIETNAM



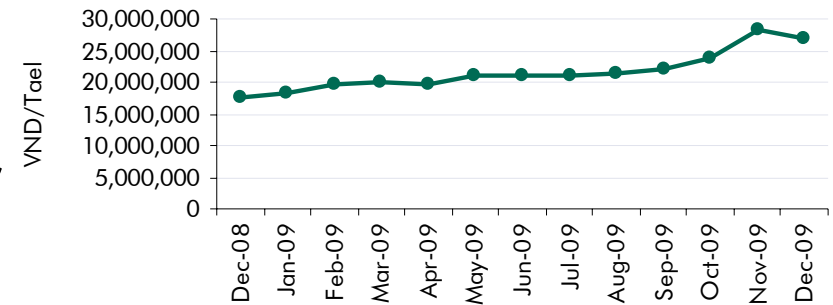
Source: General Statistics Office, Ministry of Planning and Investment

	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

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

DOMESTIC GOLD PRICE



Source: Saigon Jewelry Holding Company

VN-INDEX

Dec 29, 2009 - Daily chart

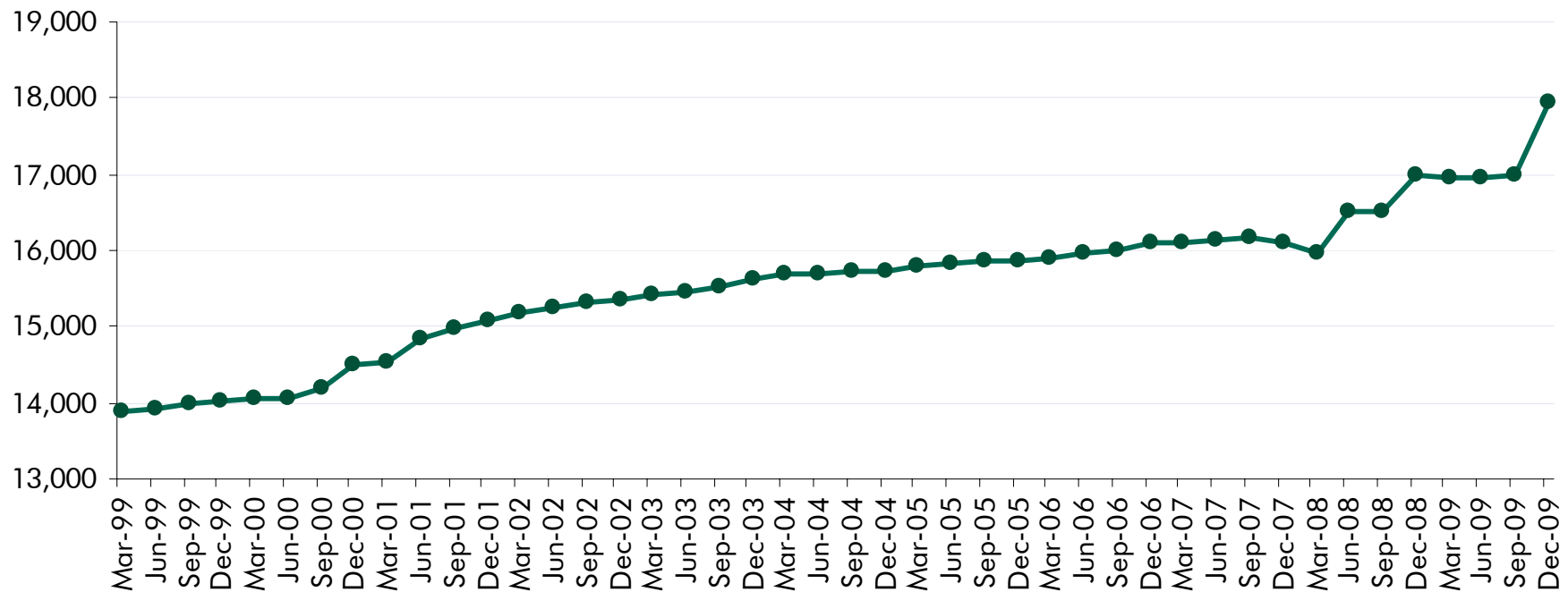
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Economy – Exchange Rates

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

US\$/VND QUARTERLY INTER-BANK EXCHANGE RATE



Source: State Bank of Vietnam

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**

Regional Infrastructure

- Half of Lang – Hoa Lac Highway opened in October 2009 with completion expected in late 2010 or early 2011
- Major regional highways broke ground and made progress with Hanoi – Lao Cai, Hanoi – Thai Nguyen, and Hanoi – Hai Phong Highway all starting
 - Huge impact in 5-10 years especially for the provinces



Photo of Lang – Hoa Lac Highway



Photo of Hanoi – Hai Phong Highway

Urban Infrastructure

- Vinh Tuy and Thanh Tri Bridges finished, reducing time across Red River
- Two metro lines have signed foreign contractors and plan to begin construction in early 2010
- Kim Lien Tunnel opened in June 2009 improving Ring Road 1
- 104,235 cars sold in Vietnam in 2009 compared to only 40,853 in 2006
 - Delayed infrastructure will hurt more and more



Photo of Thanh Tri Bridge



Photo of Kim Lien Tunnel

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 Airport 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

Hanoi Residential

Year	2008	2009	2010
LAUNCHED CONDO UNITS			
Luxury & High-end [\$1,600 and above)	2,003 (6 projects)	4,511 (15 projects)	3,174 (8 projects)
Mid-range (\$800 to \$1,600)	3,323 (13 projects)	6,014 (19 projects)	5,407 (9 projects)
Affordable (below \$800 psm)	438 (3 projects)	2,567 (4 projects)	-
Total	<u>5,864</u> <u>(22 projects)</u>	<u>13,356</u> <u>(38 projects)</u>	<u>8,581</u> <u>(17 projects)</u>

- **40% of 2009 supply launched in Oct & Nov, sudden surge followed by return to steady demand**
- **More projects may launch in 2010 based on market conditions**
- **Residential market will remain the strongest market – urban growth, shifting family structure, and its role as primary investment option**
- **CPI increase – driving cash to be transferred to housing or land**
- **Property around West Lake should continue appreciating, especially on western edge**
- **Supply to increase significantly across all grades**
 - **Quality projects will continue to sell well**
 - **Projects of dubious quality in substandard locations will struggle**

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Hanoi Residential - Outlook

- **Don't fall into the trap**
 - Projects priced above \$2,000 psm will need prime location, high grade advisors / contractors (architects, marketing, quality control), extensive facilities, and limited units. Quality is expected
 - Handover of high-end and luxury projects in 2010. Good gauge of true demand (Vincom, Golden Westlake, Sky City Towers)
- **Anything over 1,000 units—cut costs, eliminate frills, create efficient unit sizes and target the middle to upper-middle income market (\$1,000 to \$1,600 psm)**
- **Villas will remain the aspiration of most families, but people will come to terms with rising urban land costs**
 - Choice between condominiums in urban core or villas on the fringe
- **Expect more pressure from government to progress with lower cost housing**

Residential - Outlook

- Mid-range market will dominate transaction activity with more launches if demand persists
- Small niche demand for luxury projects will remain
 - Prime locations, limited units (~100), respected developers
 - Super-deluxe projects will begin to receive attention – best locations, best quality
- Still heavy speculation, but end-users exist
 - Observe hand-over of high end projects in 2010, who is living there?
- Suburban projects will introduce Hanoi to benefits of living outside core city
 - More space
 - Dramatically reduced prices for similar quality
 - Air quality, improved environment
 - Infrastructure still an issue

Second Home Market 2010

■ Second Home Markets

- **Hoa Binh / Ha Tay** – Different concept (mountains) but still early. Need to be near traditional resort area (Mai Chau, Ba Vi, Tam 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 & international)
- **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 to buses and cars
- **Dalat**

■ Target buyers will be Vietnamese. Foreign buyers are no longer the main target of these homes.

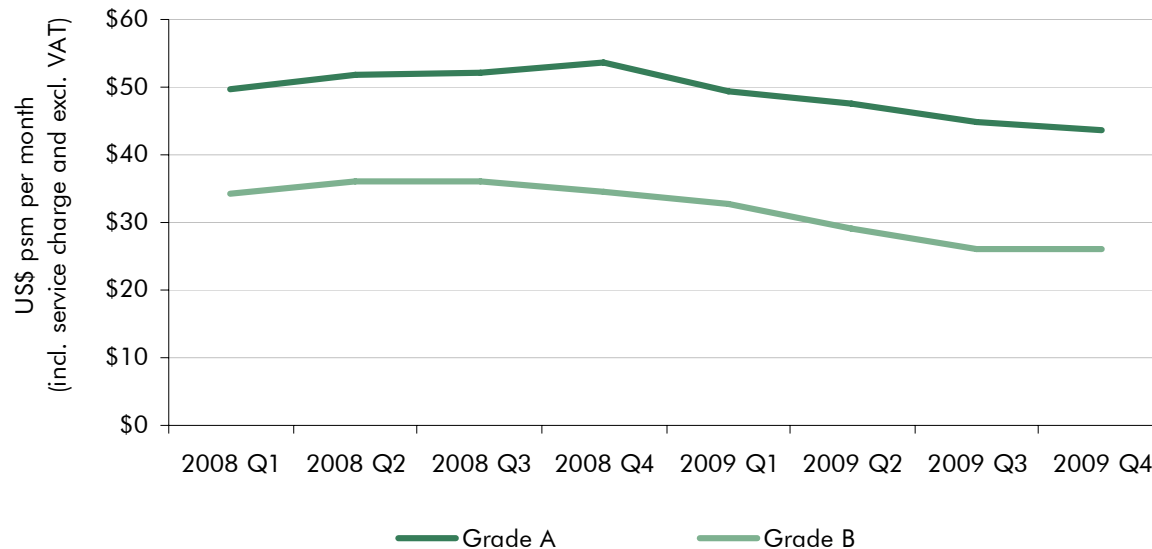
- Beach units will rely on foreigners for rental pool after completion



Hanoi Office

- Office rents will continue falling in mid-term
 - Office rents will not start rising until construction slows
 - Stabilization can occur with strong FDI growth and shifting Vietnamese demand
- Enquiries were much stronger in 2H 2009, but slow at year end
- Limited drop in Grade A rents (many still above \$40 psm) has allowed Grade B buildings to find tenants and appear to stabilize in low \$20's for now
- International schools, local financials, SOE subsidiaries continue looking for large spaces or whole buildings 2,000 sm – 5,000 sm

AVERAGE ASKING RENTS OF HANOI GRADE A & B
OFFICE PROPERTIES 2007 - 2009



Hanoi Office

- Most of the take-up is at new buildings and generally at rents under \$25 per sm

	2008	2009
Net absorption (sm)	16,769	52,730
Lowest net absorption during Q2.08 – Q1.09: -13,346 sm		

- 2010 should see absorption at almost double 2009 levels
 - More local companies developing built-to-suit buildings as well
- Despite continued strong net absorption, 53,000 sm of Grade A and B space is currently empty and looking for tenants at the end of 2009 with over 150,000 sm of more space coming in 2010
- Huge market changing buildings guaranteed to open in the next two years: Keangnam (90,000 sm NFA), Grand Plaza (Charmvit) (45,000 sm NFA); EVN Tower (45,000 sm NFA); Capital Tower (23,000 sm NFA); Crown Complex (16,000 sm NFA) and more

Hanoi Office - Outlook

- Developers finally coming to terms with the idea of stable or falling rental levels
 - Long terms leases are a win-win - tenant and landlord get security
 - Developers will follow example of CEO Tower (10-50 year leases), only new building to stabilize in current market (5% vacancy, 3 months after opening)
- More large companies, mainly local, will look to consolidate offices, expecting longer leases and favorable rentals
- Stabilizing new buildings will continue to rent at rates below comparable existing buildings
 - May outperform existing offices in mid-term, but need to stabilize first
- If rentals continue to fall in new well located Grade A or B+ buildings, beware of major movement when the rent saved actually covers the cost of the move
 - Remember most tenants did not lease at the market peak. Most Grade A tenants are paying between \$25 and \$40 psm
- Vietnamese developers even considering LEED for new projects

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Hanoi Retail

- CBD shopping centres stay strong in 2009

Retail, Hanoi	CBD	Non CBD
Average asking rent (US\$/sm/month)	\$69.25	\$42.4
Vacancy	0.54%	36.92%

- Outside the CBD, a large new supply struggles to stabilize, limited by affordable street front rents

Retail Supply	2007	2008	2009	2010f	2011f	2012f
CBD	40,697	40,697	49,197	49,197	49,197	83,879
Non CBD	12,500	34,990	54,379	128,340	280,240	503,036

- CBD will still face limited supply, but conversion of shop houses into modern retail shops will limit rental growth
 - Major projects in 2010 include Grand Plaza (25,000 sm), Bac Ha Plaza (7,600 sm), and Xuan Thuy Tower (5,600 sm)

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Hanoi Retail - Outlook

- Wet markets are in the process of converting to enclosed shopping centres. What will be the outcome?
- Hanoi now has 6.5 million residents with growing urbanization along major transport routes. Suburban retail will follow
 - Decentralization over the Red River (Savico Plaza) and to the west (The Garden, Grand Plaza Hanoi, Keangnam etc)
- Renovated shophouses will continue to play main role in CBD (Nine West, FCUK, Calvin Klein Jeans, Converse, Mango all in shophouses)
- ENT issues will continue to dog foreign retailers
- Biggest expansion came from F&B
 - Not JV's or foreign entrants, just local franchisees with branding rights
- CBD rental rates should remain stable despite limited new supply due to rapid redevelopment of existing shophouses
- Outside the CBD, newer shopping centres will stabilize as more local and mid-market brands take advantage of the major population centres to the west and south of the city

Hanoi Serviced Apartments – Correction in 2009

- 2009 saw a correction in serviced apartment rentals, but vacancies remained low in old buildings and new supply from 2008 was fully absorbed

Hanoi	2008	2009
Total Supply (units)	1,885	1,891
Avg. Asking Rent (US\$/sm/month)	\$33.88	\$28.62
Vacancy Rate (%)	20%	11%

- Budgets changed, but expatriates continued coming into Hanoi and governmental organizations supplied a large portion of demand
- Historical lack of condominiums for rent in Hanoi will change soon, putting pressure on long-term serviced apartments
- Apartment buildings need to convince people to move out of their big houses. Can win with construction quality, insulation, good services, etc; otherwise price premium just too high
- Short-term stays with daily rates will stay as popular option to cover up revenue lost to higher vacancy

Hanoi Serviced Apartments – 2010: Stable Year

- 310 units in 2010, plus further boutique projects

Est. New Supply (units)	2010f	2011f	2012f
Hanoi	310	254	260

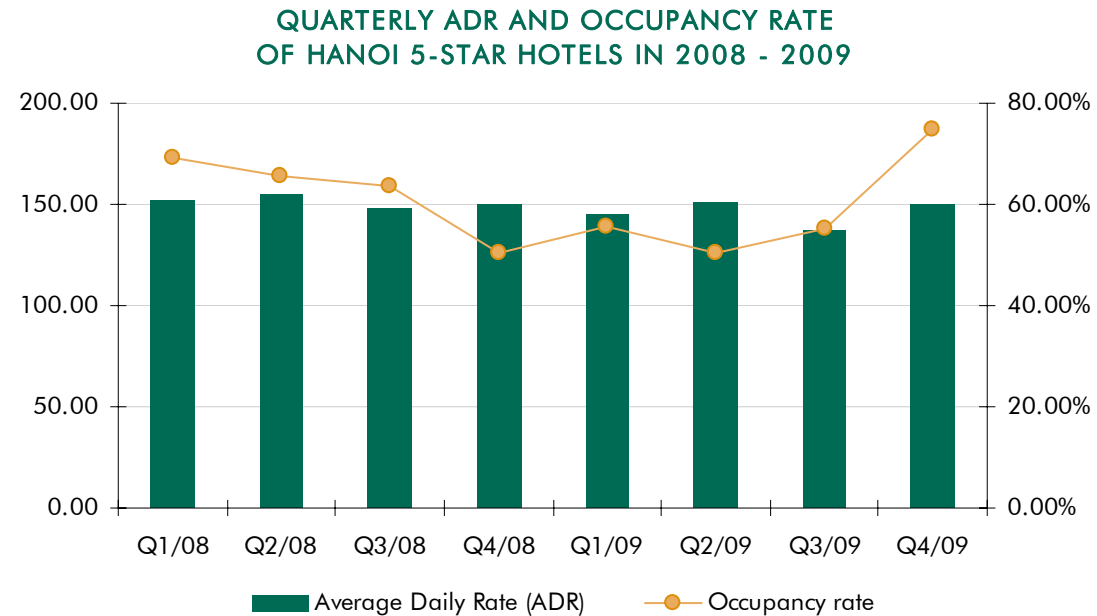
- Demand could grow with more businesses entering Hanoi
 - New entrants to Vietnam and firms already in HCMC hoping to take advantage of growth in Hanoi
- Yet to see many large scale standard rental apartments (The Manor), but more buy-to-let will be available in 2010
- Best serviced apartments already stabilized, newer projects or older buildings may continue to see rentals slip but could stabilize during 2010
 - Hanoi tenants stayed during recession but asked for rent adjustments or moved to cheaper buildings
- Will hotel sponsored serviced apartments succeed? (Charmvit, Crown Complex, Keangnam) Can tenants afford the premium?

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Hanoi Hotel

- Occupancies looking much better in Q3 and Q4 2009 with improving numbers for 2010

- ADR will remain in current position longer



- New brands are entering the market, creating variety (Mercure, Marriott, Pullman, Holiday Inn, and more)
- Arrivals to Hanoi in 2009 / in comparison with 2008
 - International arrivals : 1.03 million, ↓11.7%
 - Local arrivals : 6.7 million, ↑1.8%

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Hanoi Hotel – Future Supply

Year	CBD		Non-CBD	
	Number of project	Number of hotel room	Number of project	Number of hotel room
2009	1	102	0	0
2010	2	200	2	986
2011	1	350	3	1,033

- Major entrants:

- Grand Plaza (Charmvit) : 600 rooms (2010)
- Crowne Plaza : 386 rooms (2010)
- Intercontinental Keangnam : 383 rooms (2011)



Hanoi Hotel - Outlook

- Huge recovery of hotel occupancy occurred in 2H 2009 and will carry into 2010
 - This will not create any sustained growth in ADR
 - Temporary spike in ADR should occur in Q3 2010 due to 1000th anniversary
- CBD hotels could see ADR growth by year end with upswing in tourism and business travel. New hotels to the west limited by lack of tourist appeal
- More local brands will expand, taking advantage of strong domestic travel
- International budget flags will continue to expand in Hanoi, HCMC and the tier-2 cities

Hanoi Industrial

- Demands for high quality and strategically positioned logistics warehousing will continue to increase though will not be fully met in 2010
- Industrial market will return to an inbound market as foreign manufacturers rebound
- Industrial park landlords and managers will reluctantly begin to soften their positions on pricing and fees
- Industrial park developers will come back to the market seeking opportunities
- Northern industrial market will gain attention as road infrastructure improves and airports and seaports support more international transport

Land in Hanoi

- Change in land prices driven by infrastructure
 - Three Stages
 - Planned
 - Under Construction
 - Opening (Completion)
- As a road or other project progresses through each stage, risk of delay or failure decreases
 - Leading to adjustment in land prices
 - Longer delay between stages makes any progress more unexpected
- Major projects that could change stages in 2010:
 - Cat Linh – Ha Dong Metro Line (starting construction)
 - Lang – Hoa Lac Highway (completion)
 - Ring Road 3
 - Nhat Tan Bridge for Dong Anh (bridgehead construction)
 - Hanoi – Hai Phong Highway (starting construction in Hanoi)

Investment 2010

- **Vietnamese investors will continue to dominate**
 - Local developers are building the biggest, tallest and most expensive buildings in Vietnam
- **Foreign investment will begin to trickle back in slowly, but will focus on an equal basis, Hanoi - HCMC**
- **Foreign investors going to the provinces/under developed districts to combat land prices**
- **Real Estate Funds to continue to divest and consolidate**
- **More IPO listings as capital markets recover**
- **Local developers will utilise increasingly sophisticated fundraising options in Vietnam and abroad**
- **Investors/retailers look at purchasing long-term lease of retail podiums**
 - Failure of self-managed podiums present opportunities

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 1000th anniversary will lead to strong progress for Hanoi throughout 2010

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CBRE's Most Fearless Forecasts

- Go on, be a Tiger

Quarterly Reports for Ho Chi Minh City and Hanoi



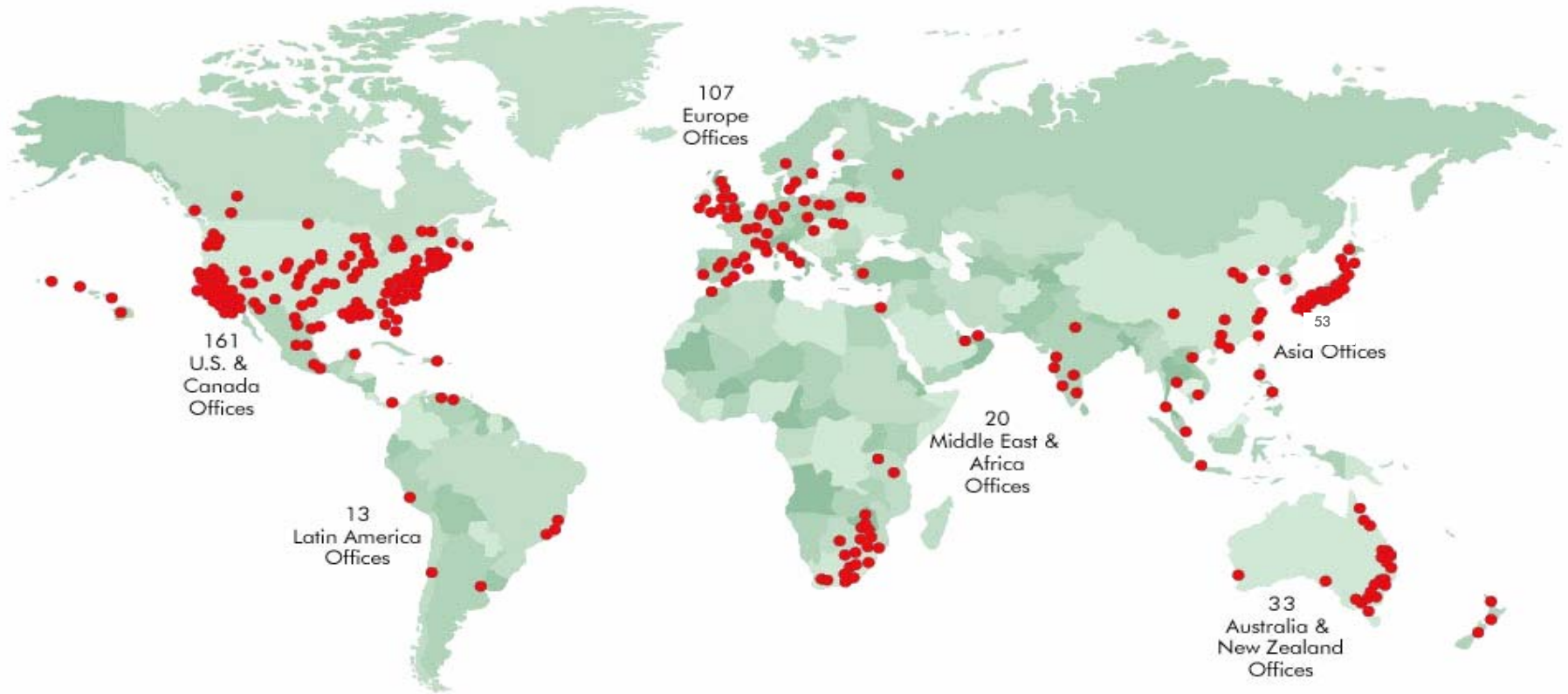
- Economic Overview
- Current Rents and Prices
- Office
- Retail
- Hotel
- Residential for Sale
- Investment
- Serviced Apartments
- Construction Costs

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