MarketView
HO CHI MINH CITY

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April 2012

Economics Quick Stats

VIETNAM	Current	Change from last Yr.	Qtr.
Real GDP Growth	4%	↓	
Implemented FDI	$2.5 bil	↓	↓
Exports	$24.5 bil	↑	↓
Imports	$24.8 bil	↑	↓
CPI (average)	15.95%	↓	
Tourism (arrivals)	1.9mil	↑	↑
Base Rate	9%	↔	↔
Exchange Rate (e-o-p)	20,828	↑	↔

*The arrows are trend indicators over the specified time period and do not represent a positive or negative value.

Hot Topics

- ECONOMY: Inflation continues slowing but economic growth is lower as well, with nationwide GDP growth achieving 4.0% y-o-y and HCMC achieving 7.4% y-o-y ;
- OFFICE: The Grade A absorption rate, at 13,000sm remains high and above the quarterly average of 2011;
- RESIDENTIAL: Standoff between developers and buyers as buyers have come to expect lower prices;
- RETAIL: Demand from F&B brands dominates retail activity with new entrants such as Baskin Robbins ice-cream opening in a shophouse on Le Loi.
- SERVICED APARTMENTS: Grade A vacancy not expected to improve soon with new supply and existing projects renovating;
- INDUSTRIAL: Growing interest in market following the natural disasters in Japan and Thailand during 2011;

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VIETNAM

The first quarter of 2012 opened with a low GDP growth rate of only 4.0% y-o-y, raising concerns over the prospects for economic growth in following quarters.

The y-o-y inflation rate continues to trend down, following the trend evident since Q3/2011. CPI in March recorded the lowest m-o-m increase since January 2011 at 0.16% m-o-m, or 14.15% y-o-y. Significant efforts to control inflation, including strict credit controls and continuing tight monetary policy were credited with the decreasing CPI and in part for the bounce back in the stock market. Nevertheless, there is a high possibility that this figure will be revised since petroleum prices surged 10.1% compared to the previous adjustment, leaving more pressure on CPI in the second quarter.

FDI into the real estate sector surged in the first quarter, with huge capital registered (US$ 1.2 billion) in the Binh Duong new urban city project. Real estate, as a result, ranked first in FDI, although questions remain for long-term disbursement.

Downward interest rate adjustments to the rediscounting rate (13% to 12%), refinancing rate (15% to 14%) and deposit rate cap (14% to 13%) left room for loan rates to decline. However, whilst bankers still struggle in raising deposits, it is argued that loan scarcity remains a problematic issue in the current climate.

HO CHI MINH CITY

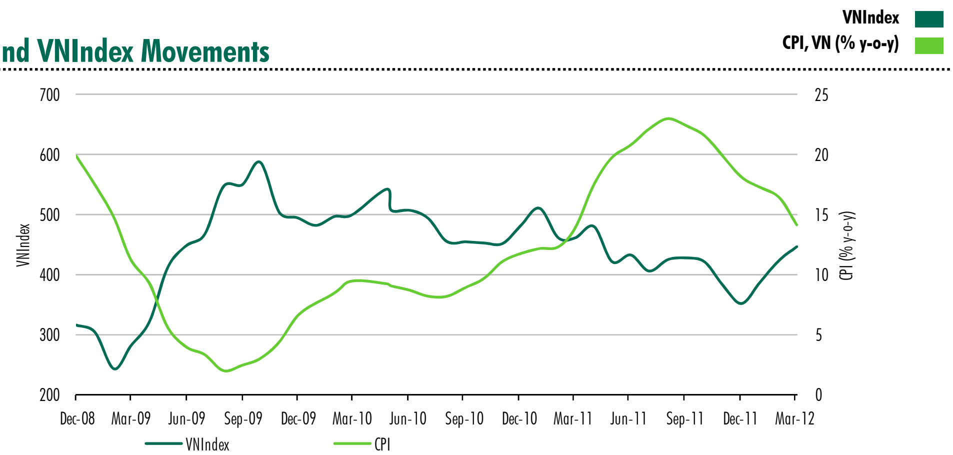
Slower economic growth was seen in the first quarter of 2012 as the city recorded only 7.4% y-o-y growth, which was significantly lower than that of 2011 (10.3% y-o-y).

Exports also witnessed weaker performance with a y-o-y increase of 8.6%, staying far behind the figure of the same period in 2011 (20.7%). The HCMC Statistics office reported a decline in the quantity of major export items, which exacerbated the tough conditions for exporters. However, the trade surplus of US$58 million brought support to the economy in the first quarter compared to the trade deficit witnessed in the fourth quarter of 2011.

Rising costs, excess inventory and halting operations of both suppliers and contractors led to 931 enterprises closing their doors, representing a 23.8% y-o-y increase. While the figure showed a reflection of the weakened economic conditions, the economy is restructuring, which will lead to a new and refreshing business environment in the future.

The tourism sector saw stable growth as the city welcomed 972,000 visitors in the first quarter of 2012, a 9% y-o-y increase. Tourism turnover reached 15 trillion dong, an increase of 28% compared to the same period last year.

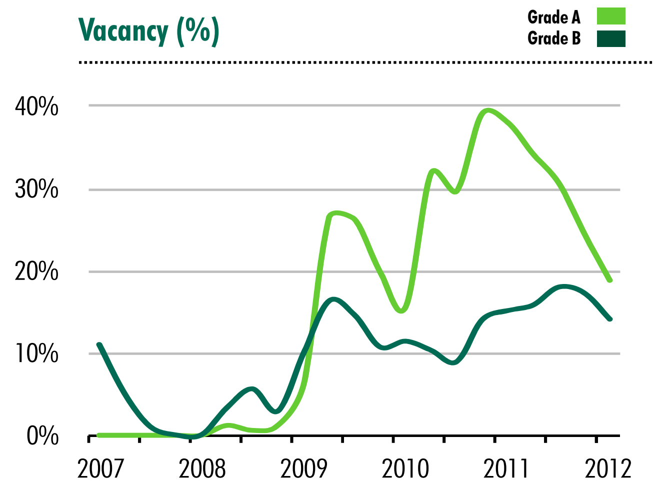
CPI and VNIndex Movements



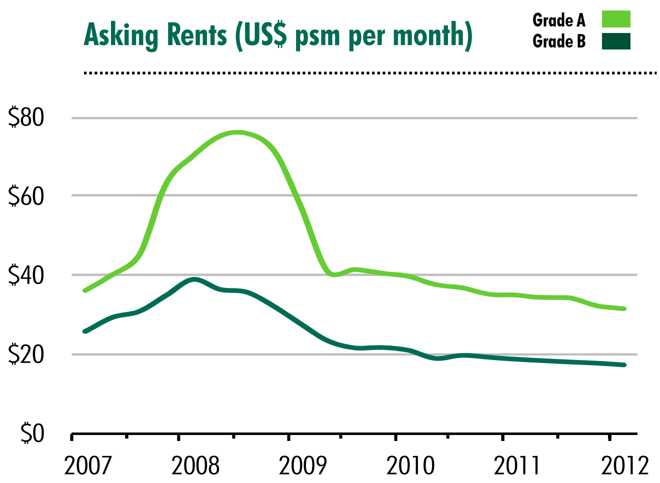
OFFICE MARKET

	GRADE A	GRADE B	GRADE C	TOTAL
Number of buildings	9	47	240	296
GFA (sm)	304,380	805,682	812,621	1,922,683
Vacancy rate (%)	18.9%	14.1%	-	15.4%
Q-o-q change (pts)	-5.7 pt	-3.2 pt	-	-3.9 pt
Y-o-y change (pts)	-19.2 pt	-1.0 pt	-	-6.9 pt
Average asking rent (US$ psm per month)	$31.38	$17.64	-	$21.47
Q-o-q change (%)	-2.4%	-2.5%	-	-2.5%
Y-o-y change (%)	-10.0%	-7.3%	-	-10.5%

Vacancy (%)



Asking Rents (US$ psm per month)



Landlords continue in their attempts to secure occupancy in light of the continuing economic uncertainty. As discussed in previous quarters, as landlords look towards the end of 2012 and into 2013, it is unclear whether economic growth will pick up strongly as inflation falls, or if the sagging global and regional economy will weigh down the domestic economy.

Landlords, who previously were willing attempting to hold out for the higher rental rates, have become increasingly flexible, preferring to secure tenants now, rather than risk having empty space in their properties – this is reflected in the decreasing vacancy witnessed. The fear is that if tenants are not secured now, there will be increased competition when buildings come online in late 2012 or early 2013.

The pickup in demand seen in the fourth quarter of 2011, with the lower rents, has continued into the first quarter of 2012. Absorption in Q1 was in excess of 13,000 sm in the Grade A market, in comparison to an average of approximately 8,500 sm per quarter in 2011. It is also noted that some tenants who were previously forced out of the CBD when rents spiraled are now taking the opportunity to relocate.

The seven more mature Grade A buildings all have vacancy rates below 10%, with six of these buildings having vacancy below 5%. In this respect the Grade A office market may be approaching a short term bottom. Through the end of 2012, the seven mature Grade A buildings are basically full, and therefore they have very little incentive to lower their rents. With new supply being pushed back it is suggested that there is a short window of opportunity for moderate rental increases in some properties.

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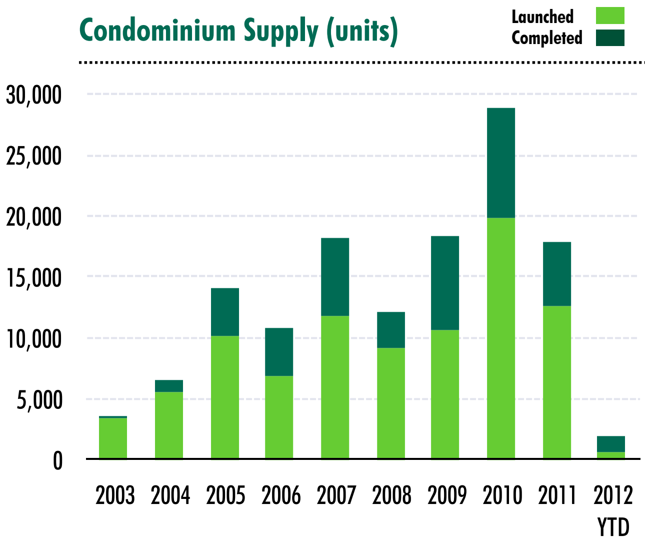
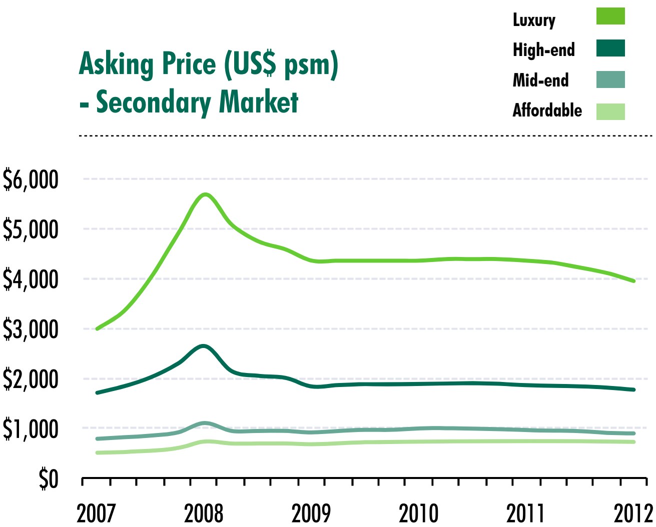
RESIDENTIAL FOR SALE MARKET

	LUXURY	HIGH-END	MID-END	AFFORDABLE	TOTAL
Total supply (units)	504	15,548	13,406	15,075	44,533
New completion (units)	87	0	364	862	1,313
New launch (units)	0	0	648	0	648
Primary market - Average asking price (US$ psm)	$4,123	$1,639	$925	$666	
Q-o-q change (%)	0.7%	0.5%	0.5%	0.5%	
Secondary market - Average asking price (US$ psm)	$3,960	$1,763	$902	$712	
Q-o-q change (%)	-4.0%	-2.4%	-1.1%	-1.1%	
Y-o-y change (%)	-9.4%	-5.0%	-6.3%	-2.1%	

Condominium Supply (units)



Asking Price (US$ psm) - Secondary Market



Further decreases of secondary prices were recorded in the first quarter of 2012, but it is noted that there are some small pockets of brightness within the market, with some projects resuming construction after a period of inactivity and some developers noting for the first time in several months an uptick in enquiries and sales. It remains to be seen whether this is truly a turning in sentiment.

There is currently a standoff between developers and buyers. After over a year of continuous discounting, buyers have begun to expect prices to be lower in the future, and buyers will not buy property if they think prices will go down in the future. With developers keeping their asking prices flat, they are attempting to show there is little more to give.

Overall, affordable apartments have retained their capital value, and the high demand for affordable apartments is attributed to this stability and underlying demand – most owners of these apartments are end-users.

Construction progress throughout the city remained slow in the first quarter of 2012, due to limited capital. Some on-going projects in District 7 have called for investment to finish construction. Alternatively, some developers are looking to exit their projects entirely. After a strong increase in completed units in the last quarter of 2011, the number of completed units significantly dropped by 58.5% q-o-q and 7% y-o-y to 1,313 units in the first quarter of 2012.

As in the previous quarter, the affordable segment continued to dominate total new completions with 65.5% of the market share. 862 units came from five projects in districts 2, 8, 9, 12 and Thu Duc District.

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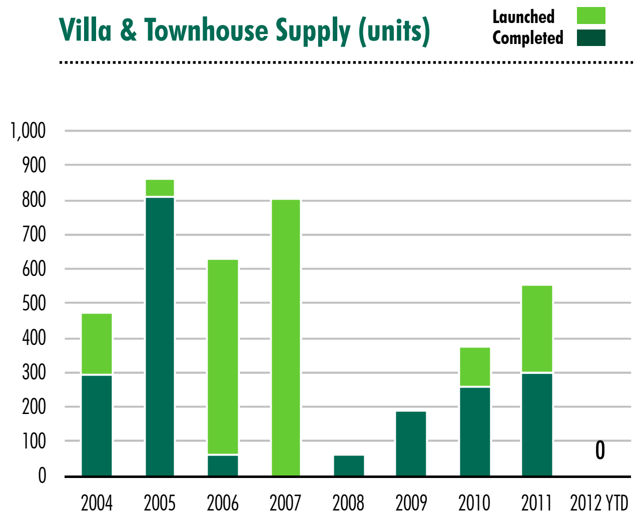
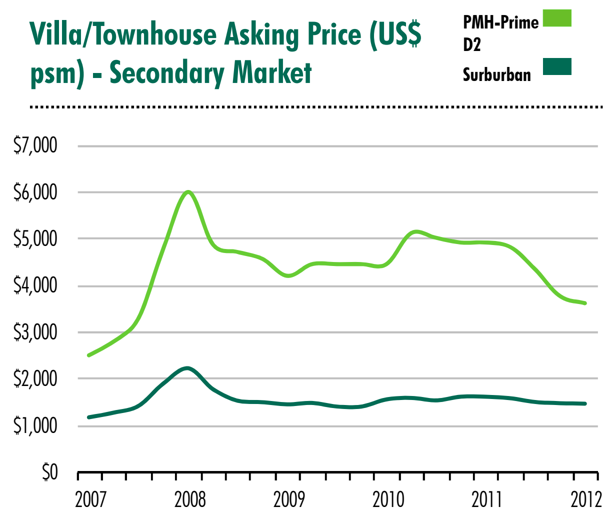
LANDED PROPERTY MARKET

	PMH - PRIME DISTRICT 2	OTHER DISTRICTS	TOTAL
Total Completion (units)	1,273	939	2,212
New completion (units)	-	-	-
New launch (units)	-	-	-
Total launch (units)	1,216	1,229	2,445
Secondary market - Average asking price (US$ psm)	$3,624	$1,490	
Q-o-q change (%)	-4%	-1%	

Villa & Townhouse Supply (units)



Villa/Townhouse Asking Price (US$ psm) - Secondary Market



Primary villa prices may have reached their bottom, with villa prices offered by developers remaining unchanged from the previous quarter.

The primary prices of villas at the Thao Dien Midpoint project increased by 4% q-o-q. Accordingly, the lowest price per unit was US$705,445, increasing from US$670,445 in the fourth quarter of 2011. The largest land area, offered in a corner location, is up to US$905,450 per unit. The developer also withdrew their discount of $20,000, which was offered in the previous quarter.

Continued price reductions were seen the secondary market, with the key reason being the financial situation of sellers, driven by the high lending interest.

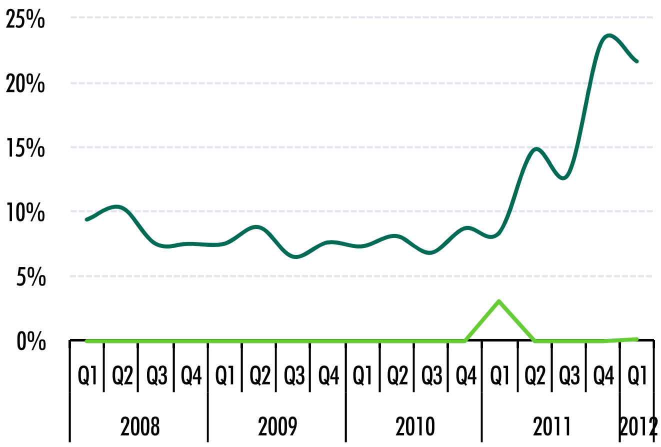
Secondary asking prices in the Phu My Hung New Urban saw a slight of drop as investor-owners are tending to reduce their asking prices amid a lack of cash flow. It seemed that the gloomy market has discouraged developers to carry out their projects. The source of financing continues to be an issue. Most developers have their construction plans in place, however many projects are facing delays compared to their initial plans. The first quarter of 2012 did not see the groundbreaking of any landed projects.

Arista Villa in Thu Duc District was launched in March, 2012. The project is located in Hiep Binh Chanh Ward and developed by Sacomreal. The entire project has 233 land plots including 112 villa plots and 121 townhouse plots. At first launch, the developer offered 58 villa and townhouse land plots of lots F and L. The common sizes are 212 sm for villa land plots and 130 sm for townhouse land plots.

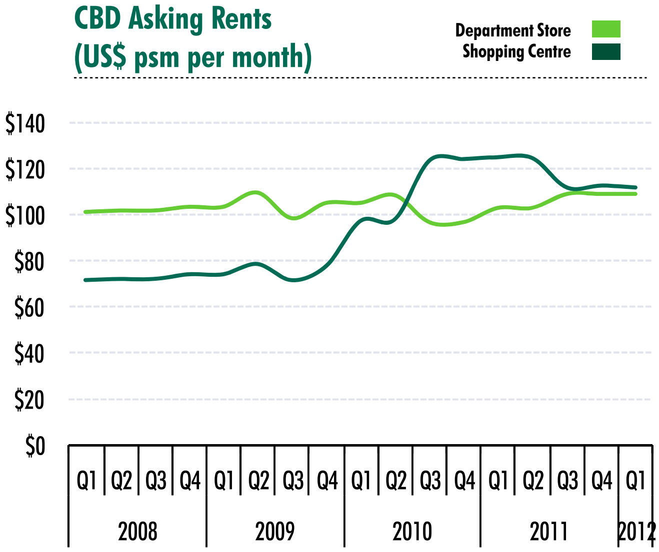
RETAIL MARKET

	DEPARTMENT STORES	SHOPPING CENTRES	TOTAL
Total supply (GFA, sm)	113,820	377,650	491,470
Vacancy rate (%)	0%	21.6%	16.6%
CBD average asking rents (US$ psm per month)	$109.35	$112.08	
Q-o-q change (%)	0.0%	-0.7%	
Y-o-y change (%)	6.1%	-10.3%	
Non-CBD average asking rents (US$ psm per month)	$46.56	$31.12	
Q-o-q change (%)	-5.5%	-2.2%	
Y-o-y change (%)	-5.5%	-11.2%	

Vacancy Rate (%)



CBD Asking Rents (US$ psm per month)



All rents are quoted on NLA, average rents on the ground and 1st floor, exclusive of VAT and service charges

After a year struggling to lease out the retail space, the landlord of The Flemington (D.11) succeeded in decreasing the vacancy to 15% in Q1/2012. While the space has seen limited demand from traditional retail tenants such as F&B and fashion, non-traditional retail tenants, such as HSBC and HDBank; and educational firms such as MapleBear and VATC occupied the space.

The HCMC retail market, however, welcomed another the 7,000 sm GFA, three-floor retail podium at The Vista, D.2, in the first quarter of 2012. The street signage indicates that *The space was completed and ready to be occupied.*

Non-CBD shopping centre rents fell again in the review quarter, the fourth straight quarter of rental declines in this segment. The citywide vacancy rate of 16.6% is equivalent to approximately 82,000 sm GFA, which is only one percentage point lower than in the previous quarter. Recent new supply, including The Crescent Mall, and The Vista, as well as more established centres such as Vincom Center and Bitexco Financial Tower, account for almost 65% of total citywide vacant space.

Demand from F&B brands dominated retail activity in Q1/2012. New stores such as Baskin Robbins ice-cream and Tous Les Jours were opened in shophouses on Le Loi St., and Domino's Pizza opened in the Gemadept Building, Le Thanh Ton St. The Singaporean fashion accessories brand Pedro also opened their second shop on Nguyen Trai St., D.1.

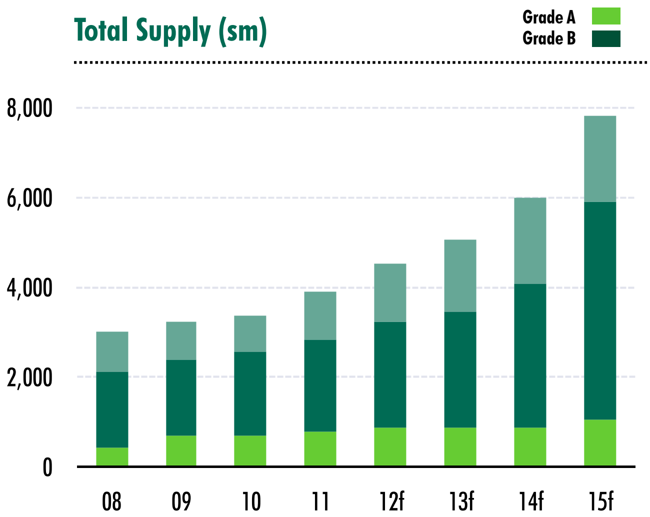
Later this year, Parkson SaigonTourist will expand the ground and first floors of their D.1 property – emphasing the demand for this central location. The development has already secured some high profile brands such as NineWest, Easy Spirit, and Crabtree & Evelyn.

SERVICED APARTMENT MARKET

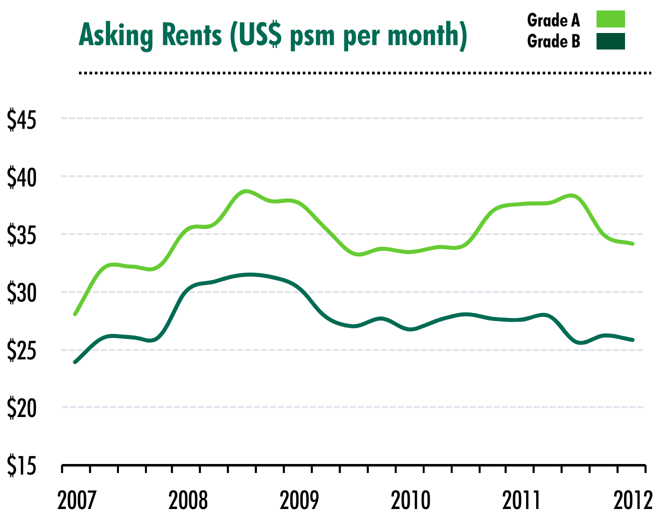
	GRADE A	GRADE B	GRADE C	TOTAL
Total supply (units)	782	2,100	1,037	3,919
New supply (units)	0	52	0	52
Vacancy rate (%)	13.0%	17.3%		
Q-o-q change (pts)	8.6 pp	1.1 pp		
Y-o-y change (pts)	8.1 pp	0.1 pp		
Average asking rents (US$ psm per month)	$34.19	$25.79*		
Q-o-q change (%)	-2.0%	-1.5%		
Y-o-y change (%)	-9.1%	-6.3%		

Note: All rents are quoted on NLA and inclusive of VAT and service charges.
***Grade B Average Asking Rents excludes one newly-renovated project quoting unrealistic rent , which is believed that it never achieves that high.**

Total Supply (sm)



Asking Rents (US$ psm per month)



2012 opened with 52 Grade B units coming online:

- Saigon Pavillon, District 3: This freehold condo project is a hybrid product, with 34 units leasing as serviced apartments.
- Saigon Sky Garden, District 1: Recently remodelled to split up their larger units into studio and smaller 1 - 3 bedroom units, seeking to meet changing demand coming from trimmed housing budgets and younger single tenants.

Grade A rents continued to soften in the first quarter, as the holidays in December, January and February discourages tenants from moving or finding accommodation.

Due to the addition of 93 units from two new projects coming online in the fourth quarter of 2011, one of which recorded absorption of only four units after four months, Grade A vacancy jumped to the highest rate witnessed in the last six quarters. This partly highlighted the lower demand for non-CBD serviced apartments. It is also noted that some projects do not offer commissions to agents, reducing the breadth of their potential market. Grade A vacancy is not expected to improve soon since the two new non-CBD projects will take additional time to fill, and Diamond Plaza will soon start renovations.

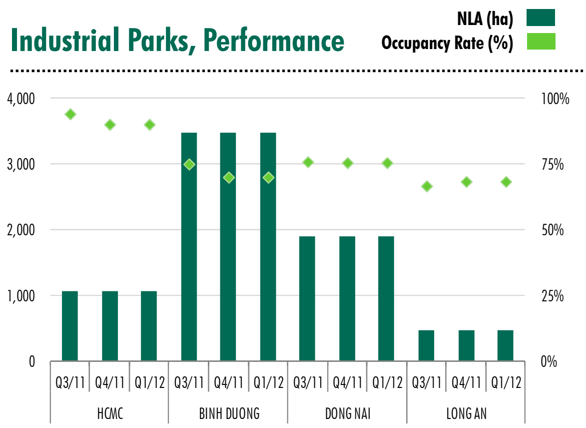
Buy-to-let rents also softened in the quarter, with some projects dropping their asking rents by up to US$500 per unit per month. Buy-to-let landlords are increasingly offering all-in rental rates, similar to serviced apartment projects. With these changes in the buy-to-let market, this option continues to become an increasingly attractive alternative.

INDUSTRIAL MARKET

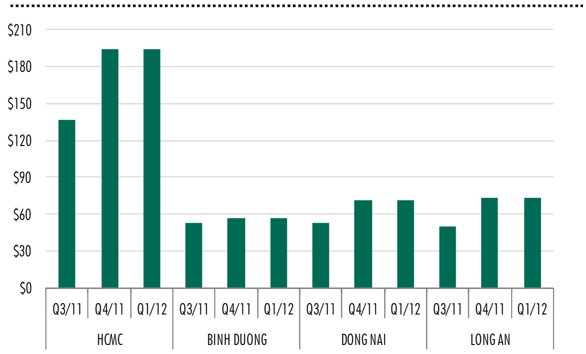
	HCMC	BINH DUONG	DONG NAI	LONG AN
Total supply (Number of IPs)	14	24	30	30
Supply basket (Number of IPs)	5	6	6	3
Supply basket (NLA in all phases, hectares)	1,056	3,477	1,890	467
IP - Average land rates (US$ psm per term)	$194.00	$56.57	$71.67	$73.33
Q-o-q change (%)	0%	0%	0%	0%
IP - Occupancy rate (%)	90.1%	70.0%	75.5%	68.3%
Q-o-q change (pts)	0 pt	0 pt	0 pt	0 pt
RBF - Average asking rates (US$ psm per month)	$4.14	$3.04	$3.60	$3.00
Q-o-q change (pts)	0%	0%	0%	0%

Note: Only major, stabilised industrial parks are tracked in each province/city in the Southern Key Economic Region (SKER). Land lease term is usually up to 50 years.

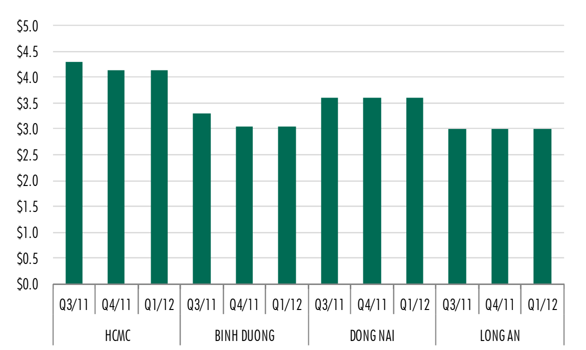
Industrial Parks, Performance



Land Rates (US$ psm per term)



RBF Rates (US$ psm per term)



The industrial market was flat in the first quarter of 2012. Multinational corporations (MNC), especially from Europe and America, are taking more time to consider their expansion plans and finalise their industrial investments in Vietnam. Japanese investment continues to drive IP development, with the Japanese invested Long Duc IP in Dong Nai breaking ground in Q1/2012.

Demand was concentrated in enquiries for small and medium land (one to 4 hectares) and ready built factories and warehouses, ranging from 2,000 sm to 3,000 sm.

Domestic demand is propelling the logistics sector, with 90% of demand for warehouse space being driven by domestic demand. Both MNCs and domestic firms continue to expand, and logistics firm are increasing their warehousing requirements in order to place the right quantity of products in the right location at the right time. The balance of warehouse demand is for the export sector, where products bound for overseas need to be aggregated before shipment.

There is an ongoing conflict in the industrial park market with very high land rental rates closer to HCMC, and much lower rents further out. Companies are willing to pay high rents to be close to the city as the infrastructure is better, and in many cases, these industrial parks are adjacent to their consumer market. There is a significant quantity of industrial parks in the SKER that are licensed by the Government, but have yet to see any indication of development. This is because many of the IPs lack the supporting transport infrastructure to make them attractive, and the comparative availability of options for tenants. As infrastructure and supporting services improve IPs further from the city will become more attractive.

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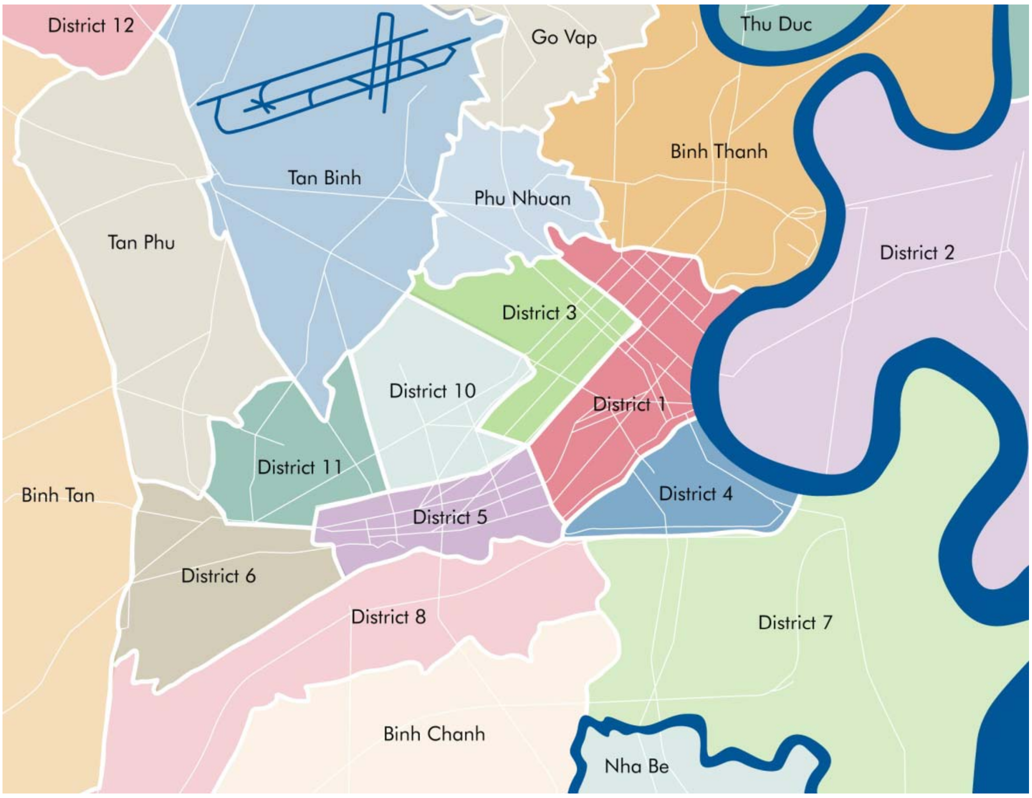

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Central Business District (CBD)

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

Interest Rate

- The base rate set by the SBV is used as a reference by other banks and financial institutions.
- The discount rate is the interest rate that 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.

Gross Floor Area (GFA)

Gross Floor Area includes 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 are excluded from the Gross Floor Area calculation.

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 are quoted on the following basis:

- 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

Residential Supply

- "Existing supply": is 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.