

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)	1.9 mil	↑	↑
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.
- **CONDO FOR SALE:** Most respondents are satisfied with their current homes. This makes splitting a multi-generational family among the most common reasons for a new home purchase.
- **LANDED HOUSES:** There is a lack of completed branded township projects. Real demand for accommodation remains to be seen.
- **OFFICE:** 2012 will likely be the year of record take-up .
- **RETAIL:** Openings of anchor tenants (FECs and Cinemas) in Q1/2012 shall increase Shopping Centers popularity.
- **SERVICED APARTMENTS:** 2012 expects to see another 270 new serviced apartments from three projects.
- **HOTEL:** ADR and RevPAR of the 4-5 star hotels were both reduced. Three-star was the only segment having positive growth, despite being in its low season

VIETNAM

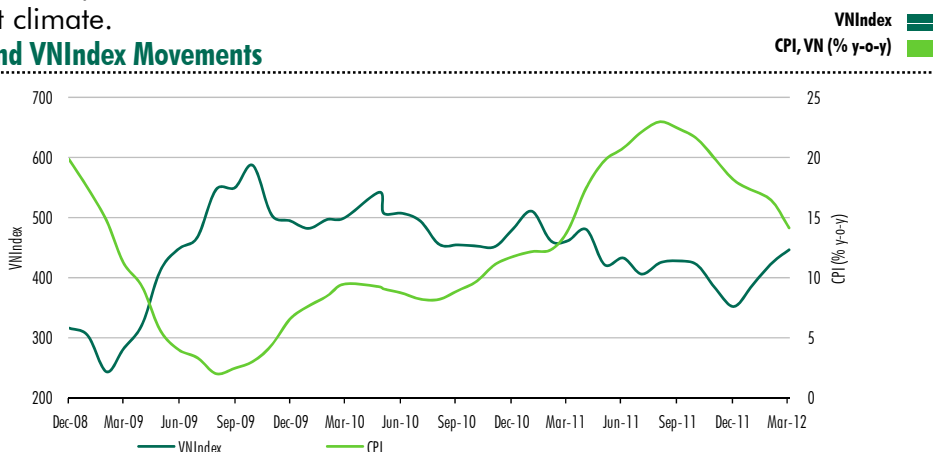
The first quarter of 2012 opened with a low GDP growth rate of only 4.0% y-o-y, raising concerns over the prospects for economic growth in following quarters.

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.

CPI and VNIndex Movements



HANOI

Hanoi's GDP and CPI shared the same trend with national figures. GDP growth stood at 7.3% y-o-y, a two year record low.

Hanoi's CPI has been on the downward trend since the peak in April 2011. In March 2011, both electricity and petroleum had prices increased 15% and 18% respectively, bringing CPI to 2.41% in March and a new record high of 3.28% m-o-m in April 2011. Hanoi's CPI's in March 2012 was 0.19% m-o-m, although the month saw petroleum price increased 10%. The city's economy in this quarter seems to be more stable than the same period last year when components of the goods basket, such as Food and Beverage, US dollar, and Gold, had prices increased significantly while these components' prices decreased slightly in March 2012.

Hanoi's total sales of goods and services saw a slowdown. Total sales of goods and services increased only 2.8% after inflation, a low rate when compared with those of Q1/2011 (11.9%) and Q1/2010 (15.5%).

On a positive note, FDI increased by 12.9%. The total number of international arrivals rose slightly by 5.9% with 0.35 million arrivals.

CONDOMINIUM FOR SALE MARKET

CONDOMINIUM	LUXURY	HIGH-END	MID-END	LOW-END	TOTAL
Total launch supply (units)	2,460	22,350	65,330	17,030	107,170
New launch (units)	240	20	880	0	1,140
Primary market - Average asking price (US\$ psm)	\$6,950	\$1,560	\$960	-	\$1,260
Secondary market - Average asking price (US\$ psm)	\$3,070	\$1,760	\$1,280	\$940	\$1,760
Q-o-q change (%)	-4.7%	-6.4%	-5.5%	-5.5%	-5.5%
Y-o-y change (%)	-7.1%	-12.8%	-11.1%	-12.8%	-11.0%

Q1/2012 observed cautious launching activities from developers with **new launch supply** of 1,100 units, compared to 25,000 units in 2011. Both buyers and developers now “wait-and-see” market movements. New launches mostly came from districts that are attractive to mid-income end-users such as Hoang Mai and Long Bien, which are within reasonable distance to the CBD; or Tu Liem and Cau Giay, the new CBD of Hanoi.

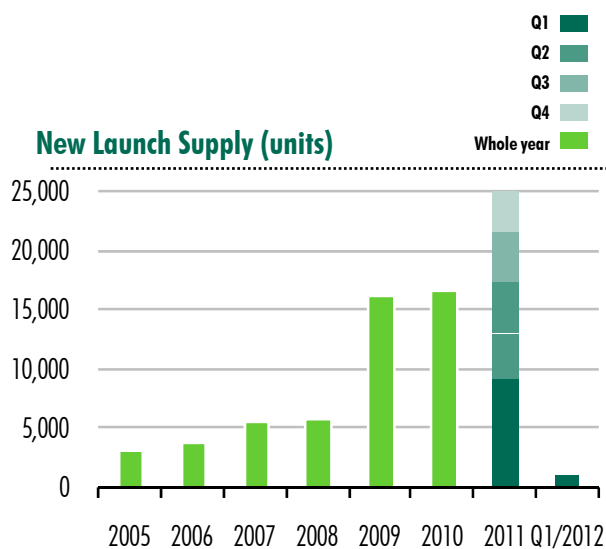
In the **primary market**, developers further softened **prices** offered. 53% of newly-launched units were priced below US\$1,000 psm, a pattern rarely observed since the 2007 residential market boom. Attractive locations such as My Dinh, Dinh Cong, and Cau Giay NUA were priced well at around US\$1,000 psm. Projects at less advantageous locations will have to struggle to remain competitive. Many developers seriously considered reducing unit sizes and minimizing level of finishing to lower unit price.

In the **secondary market**, asking prices continued the downward trend that started in Q2/2011. The current price of condominiums within the 5-7km radius of the CBD approximates the price within the 10km radius in 2010, enabling buyers to move closer to the CBD at the same budget.

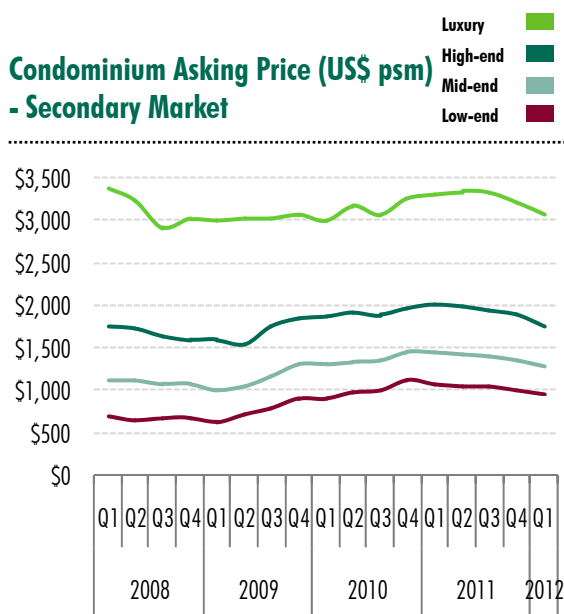
In the review quarter, CBRE conducted a **survey into the level of satisfaction of condominium residents**. By the initial findings, most respondents are satisfied with their condominiums. Dissatisfaction exists, but no one considers moving out due to either budget issues or moving hassle avoidance. This makes splitting a multi-generational family among the most common reasons for a new home purchase. Under this context, a major end-user group would be young couples or young single professionals seeking separate living space. The preferences and budgets of these target buyers should be studied carefully in designing the right products. A word of caution, though, is that the initial findings are based on a relatively small sample. Final conclusion is subject to the full survey.

The **year 2012** expects to welcome 20,000 units based on developers' current planning. However, the actual supply may be adjusted down significantly if the current low market sentiment persists. Given buyers' increasing mistrust of developers' ability to complete projects, construction progress and construction quality will be a determining factor in any purchase decision. Hence, sales are more likely to occur near the project completion.

New Launch Supply (units)



Condominium Asking Price (US\$ psm) - Secondary Market

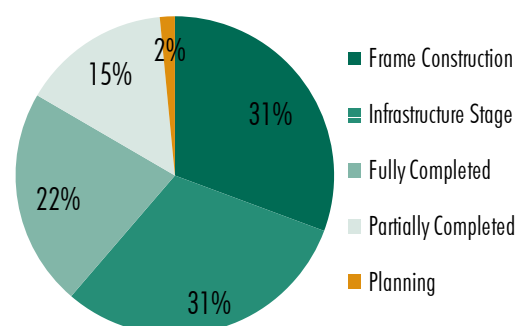


LANDED PROPERTY MARKET

	VILLAS	TERRACED HOUSES	TOTAL
Total Completion (units)	4,717	6,626	11,343
New Completion (units)	230	1,120	1,350
Secondary Asking Prices (mil VND psm)			
Land Sales	34.5	40.0	
Market-wide q-o-q change (%)	-2.82%	-4.60%	
Unit Sales	94.4	108.1	
Market-wide q-o-q change (%)	-1.05%	-2.80%	

*Secondary asking prices were recorded for limited samples in projects of different phases.

Total Supply (units)

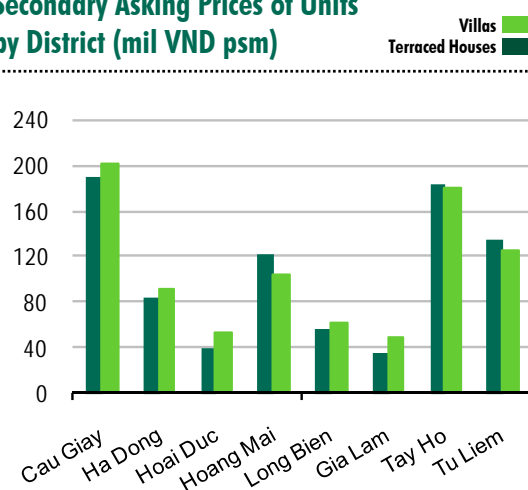


In the landed properties sector, many people started asking whether market prices have hit bottom. Following the last three quarters, secondary price corrections still occurred in about 50% of township projects. The average level of q-o-q decrease, albeit smaller than that of last quarter, was between 5% and 10%. The levels of decrease diversified among three types of projects. Early-stage projects and under-construction projects both recorded an average decrease of 5% q-o-q, although certain projects saw prices fall by 10%-15%. Completed projects, on the other hand, saw a slightly different movement when several projects had secondary asking prices remain the same or slightly up. However, compared to the peak period of the last two years, which occurred in Q1 or Q2 of 2011 for most township projects, secondary prices have declined between 20%-50% in all township projects.

On the demand side, buyers today typically wait and see if prices will drop further; and end-users tend to only look at projects by developers with good reputation and the ability to deliver a promise on time. The fact that there is currently a lack of completed branded township projects that provide quality living might suggest that real demand for accommodation remains to be seen. Moreover, the effect on the real estate market of the recent cut on interest rate is yet to be seen.

On a different note, the market observed some positive developments from a few projects. Vincom Village continued to bear an impressive construction progress, finishing and bringing into use supporting facilities besides finishing house units. Ciputra launched 50 villas by the Central Park, while Yen So Park offered for sale its first 200 house units. Looking forward, it is expected that prices will level off in the next quarters while buyers will still be very cautious. To many developers, funding the developments will continue to be a main issue in 2012.

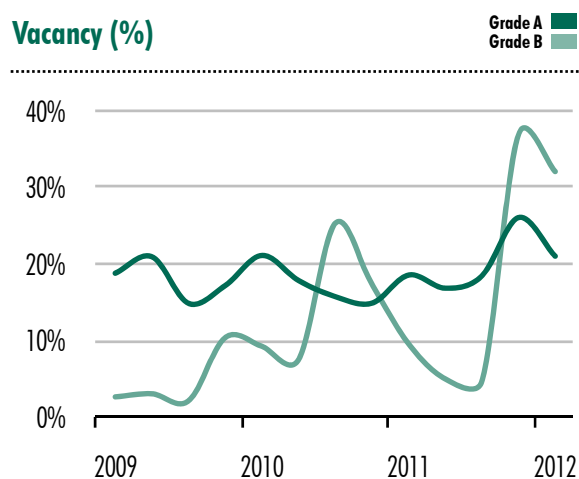
Secondary Asking Prices of Units by District (mil VND psm)



OFFICE MARKET

	GRADE A	GRADE B	GRADE C	TOTAL
Number of buildings	15	45	59	119
NLA (sm)	254,332	478,082	251,907	984,321
Vacancy rate (%)	32.08%	21.15%	-	-
<i>Q-o-q change (pps)</i>	<i>-4.87</i>	<i>-5.02</i>	-	-
<i>Y-o-y change (pps)</i>	<i>22.50</i>	<i>2.46</i>	-	-
Average asking rent (US\$ psm per month)	\$36.25	\$23.74	-	-
<i>Q-o-q change (%)</i>	<i>0.83%</i>	<i>-3.98%</i>	-	-
<i>Y-o-y change (%)</i>	<i>-7.57%</i>	<i>-11.86%</i>	-	-

Vacancy (%)

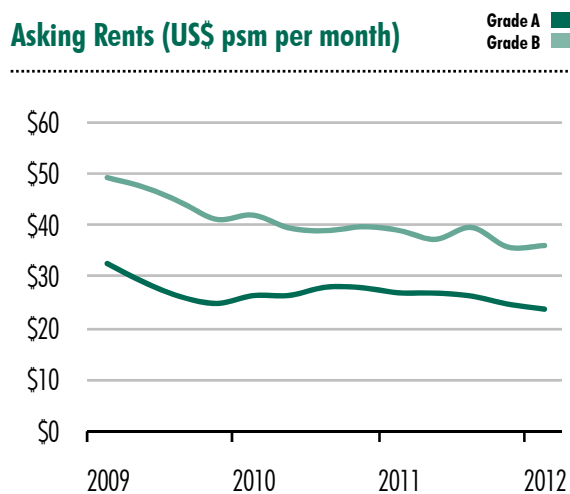


During the first quarter of 2012, total supply remained static at nearly 985,000 sm with **no additional supply**. One notable movement was the closure of Vincom City Tower B following Techcombank's acquisition from Vingroup. The only **new launch** was ICON 4 Tower, providing about 20,000 sm to the market.

During the review period, the office market in Hanoi still **saw strong demand**, with net absorption of over 14,000 sm. Market-wide **vacancy** dropped to approximately 25% this quarter, from 30% in the previous quarter. Average **asking rent** of Grade A offices posted a slight increase of 1% to US\$36.3. Average asking rent of Grade B offices, on the other hand, continued to slip slightly, from US\$24.7 in the fourth quarter to US\$23.7 this quarter. This decrease happened mostly in older Grade B buildings in mid-town and the West areas.

Nearly 390,000 sm is expected to come on stream throughout 2012. CBRE forecasts 2012 will likely be the year of **record take-up** even if the headlines are about rising vacancy and huge supply. In terms of tenant mix, banks are forecasted to be the dominant occupiers. Besides, giant consulting and financial tenants such as KPMG, PWC, and Standard Chartered Bank will place gravitation on smaller potential tenants. In 2012, the **tale of two cities** – CBD and the western submarket still remains. A further drop in rents in the west to boost occupancy is expected, while CBD prime office landlords are not aggressive to adjust rents. Also, landlords are anticipated to apply more **strategic movements**, whereas in newer projects, competitive incentives to both tenants and agencies should be provided and in worn-out buildings, timely renovation should be taken into consideration.

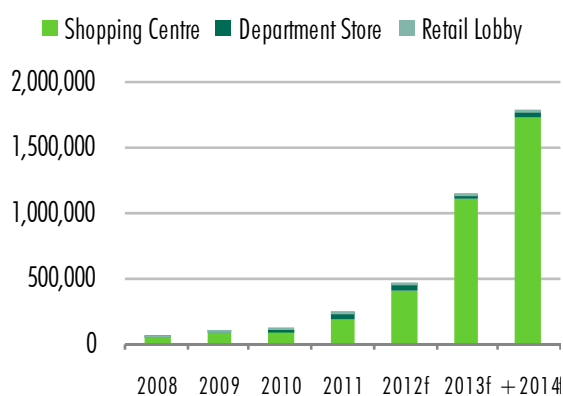
Asking Rents (US\$ psm per month)



RETAIL MARKET

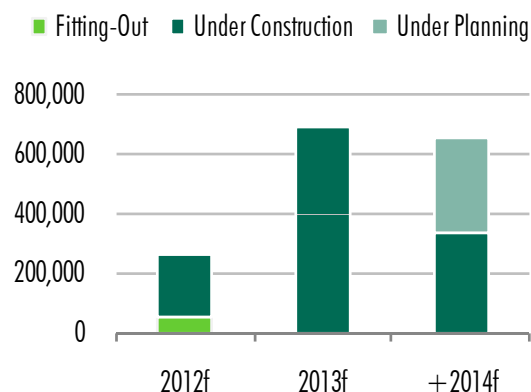
	DEPARTMENT STORE	SHOPPING CENTRE	RETAIL LOBBY	TOTAL
Total supply (NLA, sm)	46,000	189,981	10,310	246,291
New supply (NLA, sm)	0	0	0	0
Vacancy rate (%)	10.1%	14.5%	2.9%	13.2%
Average asking rents (US\$ psm per month)	\$46.0	\$33.6	\$73.5	\$37.9
▪CBD	-	\$57.3	\$142.9	\$66.6
<i>Q-o-q change (%)</i>	-	1.3%	3.5%	15.5%
<i>Y-o-y change (%)</i>	-	-0.4%	1.3%	11.6%
▪Non-CBD	\$46.0	\$27.0	\$21.0	\$31.3
<i>Q-o-q change (%)</i>	-4.8%	-13.4%	10.5%	-9.1%
<i>Y-o-y change (%)</i>	-0.1%	-3.3%	0.0%	-2.0%

Total Supply (NLA sm)



*Future Supply GFA sm
Source: CBRE Vietnam

Future Supply (GFA sm)



Source: CBRE Vietnam

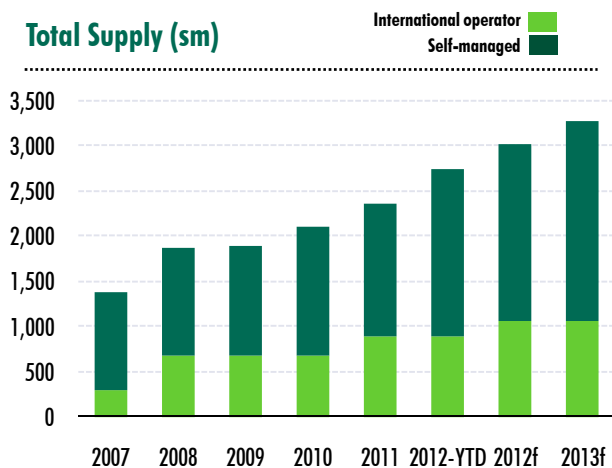
After having had an unique fourth quarter with three major shopping centre/department store openings adding 109,500 sm (NLA) to the market, the first quarter of 2012 proves to be the opposite. Within the first three months **no additional supply** was recorded, leaving the current supply at approx. 250,000 sm (NLA).

In terms of market **occupancy**, the overall situation slightly declined although anchor tenants such as Family Entertainment Centres and Cinemas have entered the market. This is mainly due to the fact that these spaces either replaced a number of smaller tenants, or additional floors opened to the public (e.g. Vincom Centre Long Bien). In CBD locations the vacancy decreased by 0.6% (q-o-q) to currently 5.0%, whereas in non-CBD locations vacancy stated at 14.9%, higher than the 13.8% level of Q4 2011. Since there was hardly any change in CBD's vacancy, rental rates in these areas remained unchanged. Meanwhile, **due to a higher vacancy rate, rents in non-CBD locations had decreased**. The overall situation is still dominated by a market that is rather in favour for tenants than for landlords.

Shoppers' interest for visiting shopping centres is primarily caused by events such as fashion shows, anchor store openings etc. Marketing events seemed to be the key to catch consumer's attention but in the current situation, even such have to be questioned in terms of efficiency as retail sales increased marginally. From a tenant's perspective, **retail space demanded was only around 20 to 50 sm**. This indicates the trend that was seen in the previous quarter, as the majority seek consolidation rather than expansion.

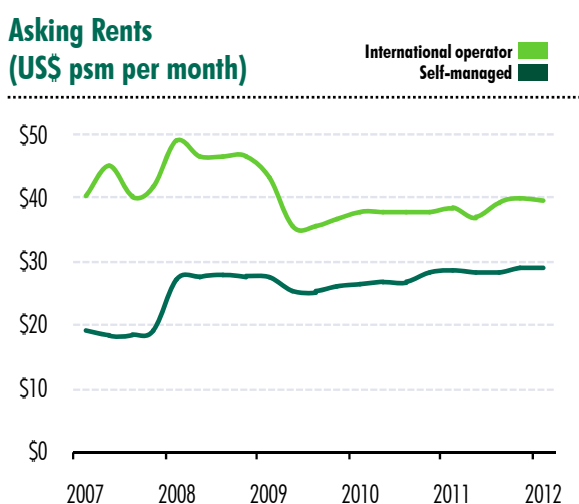
SERVICED APARTMENT MARKET

	INTERNATIONAL OPERATOR	SELF-MANAGED	TOTAL
Total Supply (units)	887	1,863	2,750
New Supply (units)	1	380	381
Vacancy Rate (%) market-wide	20.07%	33.12%	28.91%
Vacancy Rate (%) (excl. Keangnam Landmark 72)	20.07%	18.11%	18.84%
Average asking rents (US\$ psm per month)	\$39.59	\$29.14	\$32.20
Q-o-q change (%)	-0.83%	0.72%	-1.25%
Y-o-y change (%)	2.78%	1.97%	2.03%



The opening of Keangnam Landmark 72 serviced apartments in January 2012 added a large supply of 378 units in the west of Hanoi. With this large supply, the project offered promotional packages to attract customers. While asking rents remained virtually the same for most existing projects compared to last quarter, certain landlords, especially those located in the west, were more willing to compromise on actual rents due to Keangnam being a direct competitor. Excluding Keangnam Landmark 72, occupancy was at approximately 81%, slightly better than the previous quarter.

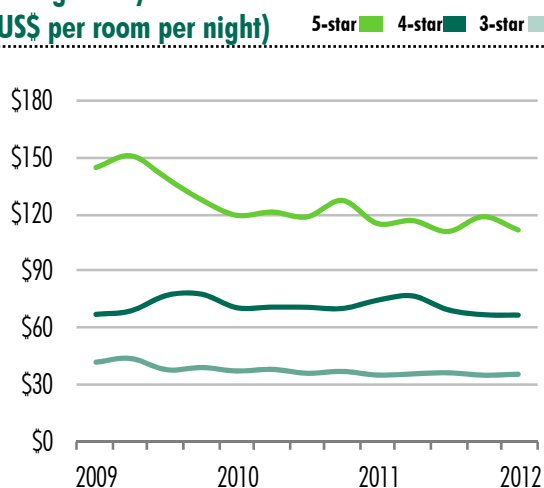
Enquiries were up in March compared to the first two months of the year with larger budgets, mainly from European and Japanese customers. Enquiries were up for serviced apartments in the west due to the relocation of many offices in this area, although such demand is yet to catch up with the large supply in this area. Looking forward, 2012 expects to see another 270 new serviced apartments from three projects, of which one is expected to be managed by Candeo Hotels, a hotel operator from Japan. Such new supply will likely put more pressure on most existing projects, except for those in Tay Ho area that is strongly favored by the expatriate community.



3-5 STAR HOTEL MARKET

	5-STAR	4-STAR	3-STAR	TOTAL
Number of hotels	12	12	33	57
Total supply (rooms)	3,880	1,830	2,571	8,281
<i>New supply (rooms)</i>	0	0	50	50
Average Occupancy Rate (%)	59.2%	52.8%	55.6%	56.9%
<i>Y-o-y change (pps)</i>	0.54 pp	1.70 pp	1.99 pp	1.29 pp
Average Room Rate (US\$/room/night)	\$111.7	\$67.1	\$35.7	\$83.4
<i>Y-o-y change (%)</i>	-2.9%	-10.5%	1.2%	-2.3%
Revenue per Available Room (US\$/room/night)	\$66.2	\$35.5	\$19.9	\$47.4
<i>Y-o-y change (%)</i>	-2.0%	-7.5%	5.0%	-0.1%

Average Daily Rates (US\$ per room per night)

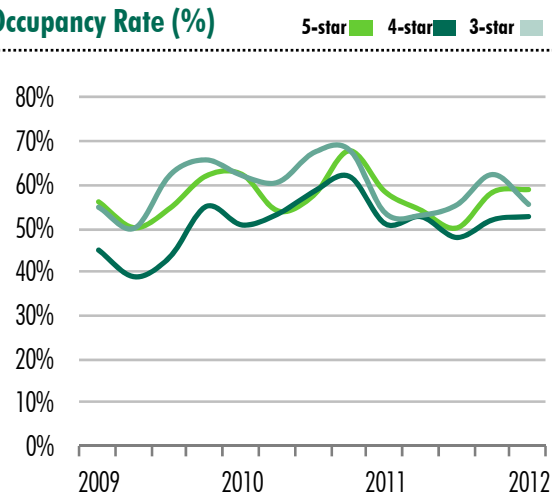


As of March 2012, **accumulated stock** of the entire market is 8,218 rooms, representing a 7.7% increase y-o-y. Of the total supply, over half are located in just two districts Hoan Kiem and Ba Dinh. The only new supply during the last quarter was from the three-star Windy Hotel. Another notable event was Hanel's recent announcement of acquiring the five-star Daewoo Hotel Hanoi from its partner.

For the rest of the year, the market expects to see about **300 rooms** from four 3-5 hotels, including Hilton Garden Inn and Candeo Hotels. In 2013, the two large luxury hotels **JW Marriott and Landmark 72** are also scheduled to open.

Hanoi received around 346,900 international visitor arrivals (up 5.9% y-o-y) and 2.2 million domestic arrivals (up 5.5% y-o-y). Also, there were several conferences and exhibitions held in the city, attracting visitors and helped fill up hotel rooms. February and March were also high season for high-end hotels.

Occupancy Rate (%)



On the other hand, the global economic downturn continued to force visitors to switch to less costly accommodation. Together with increasing competition from new entrants, occupancies were only improved slightly for less than 2% y-o-y. ADR and RevPAR of the 4-5 star hotels were both reduced, especially in the 4-star segment. **Three-star** was the only segment having positive growth, despite being in its low season.

The next two quarters are low season for international hotels and high season for local budget hotels. With a massive new luxury supply within the next year, the luxury segment might be facing a **tough time** soon.

Looking further, we see a **potential market** for international-standard budget hotels, either managed by international or new local hoteliers. Also, we expect that more and more **hotel acquisitions** by local firms from foreign partners will happen and local hoteliers will be more aggressive in expanding the 3-4 star market share.

MarketView HANOI

For more information regarding this MarketView or to find out more about any aspect of our services, please contact:

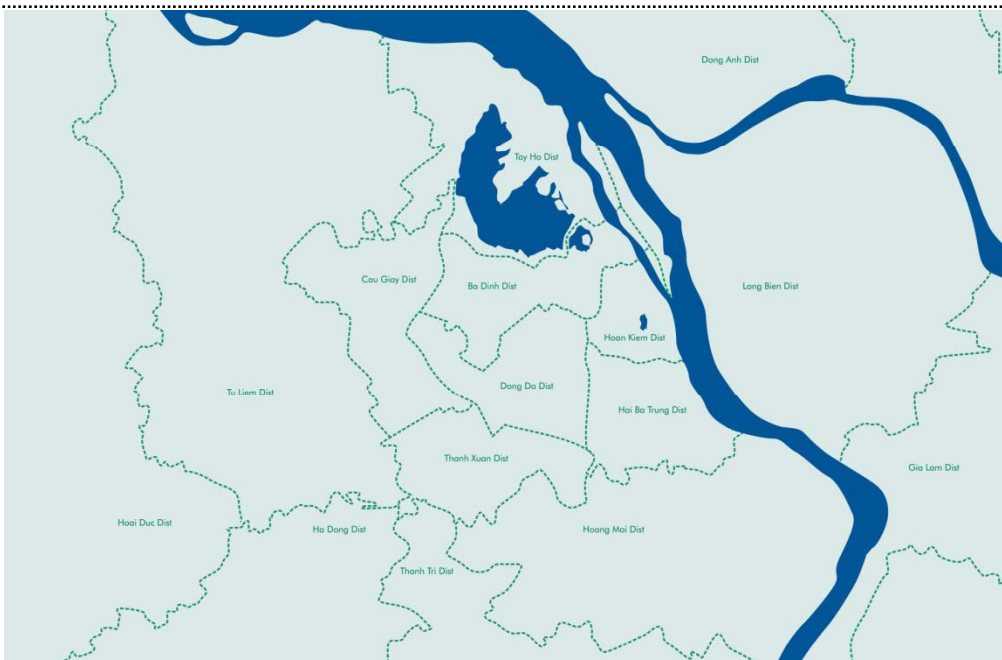
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Hanoi



Central Business District (CBD)

The Central Business District in Hanoi is Hoan Kiem District and a portion of Hai Ba Trung District, the commercial and tourism centre. The developing business district in the West is located on the border of Cau Giay and Tu Liem Districts. Major developments are clustered along Pham Hung.

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 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.

Net Lettable Area (NLA)

Net Lettable Area of whole floors include toilets and lift lobbies, but exclude common areas such as lift shafts, stairs and plant rooms. Net Lettable Area for sub-divided units is the Saleable Area of that unit plus a proportionate share of the communal toilets, lift lobbies and passageways among sub-divided units on that floor.

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:

$$\begin{aligned} \text{Net Absorption} &= \text{new completions} \\ &+ \text{vacancy figures at the beginning of period} \\ &\quad - \text{demolition} \\ &\quad - \text{vacancy figures at period-end} \end{aligned}$$

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:

- Office: Asking rents, NLA, exclusive of VAT and inclusive of service charges
- Retail: Asking rents, NLA, exclusive of VAT and inclusive of 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.

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