



VN Q3 GDP  
5.1% y-o-y



HCMC Q3 GDP  
10.3% y-o-y



HANOI Q3 GDP  
7.9% y-o-y



VNINDEX  
17.7% y-o-y



LOCAL GOLD PRICE  
19.7%



VN Q3 TRADE BALANCE  
US\$1.3 billion

## IMPROVING LEGISLATION AND INFRASTRUCTURE PROVIDES FURTHER IMPETUS FOR GROWTH.

### Quick stats

VIETNAM	Q3 2013	Q-o-Q	Y-o-Y
Real GDP Growth	5.5%	↑	↑
Registered FDI	\$4.5 Bil	↑	↑
Exports	\$34.4 Bil	↑	↑
Imports	\$33.1 Bil	↓	↑
CPI (e.o.p)	6.3%	↓	↓
Tourism (arrivals)	2.0 Mil	↑	↑
Base Rate	9%	↔	↔
Exchange Rate (e-o-p)	21,036	↔	↔

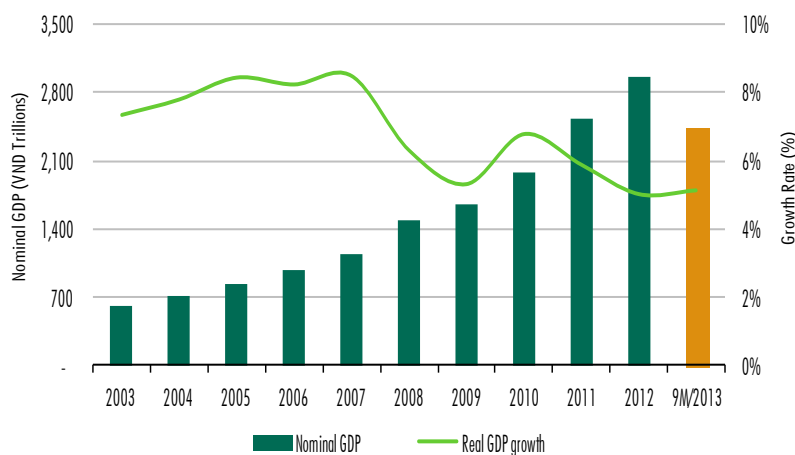
  

HCMC	Q3 2013	Q-o-Q	Y-o-Y
Real GDP Growth	10.3%	↑	↑
CPI (e.o.p)	5.1%	↑	↑
Registered FDI	\$765 Mil	↑	↑
Exports	\$6.1 Bil	↓	↓
Imports	\$6.0 Bil	↓	↓
Retails and Services Turnover (VND Tril)	152.2	↑	↑
Tourism (arrivals)	0.8 Mil	↓	↓

Hanoi	Q3 2013	Q-o-Q	Y-o-Y
Real GDP Growth	7.88%	↑	↑
CPI (e.o.p)	6.68%	↑	↑
Registered FDI	\$540Mil	↑	↑
Exports	\$2.34Bil	↓	↓
Imports	\$5.3Bil	↓	↓
Tourism (arrivals)	0.43 Mil	↓	↑

Chart 1: Gross domestic product



Source: Vietnamese General Statistics Office

### Continued review and evolution of legislation

The Government's continued vocal support for increased foreign investment in the country is heartening, but to be truly effective, swift and concise deliverables must be seen as opposed to speculation as to possible changes. Nevertheless, applause is necessary where steps in the right direction are being made. Discussions for improving the foreign investment climate in Vietnam have included:

- Raising the ceiling for foreign investors in listed companies from 49% to 60%;
- Loosened requirements for foreign buyers to acquire residential property in Vietnam;
- A potential single visa for tourists to Vietnam, Thailand and Cambodia.

### Further emphasis on the macro-economic progress

Mirroring the progress made in the legislative environment, progress continued to be made with HCMC's infrastructure network. Notable achievements included:

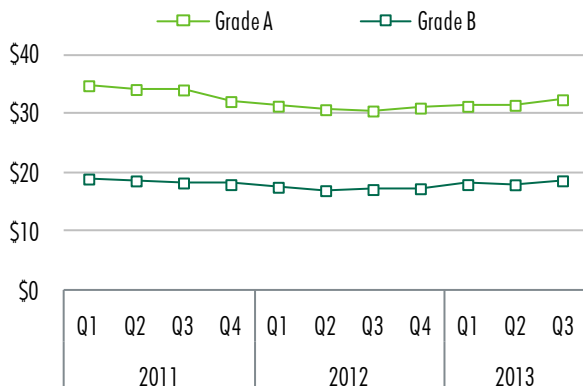
- A five-kilometre section of the Tan Son Nhat – Binh Loi Outer Ring Road opened to traffic on September 27, 2013.
- After 17 months of construction, the Saigon 2 Bridge that links D2 and Binh Thanh was completed on September, which will be opened for traffic in early November.

The successful purchase by the VAMC of a batch of VND1.6 tril of impaired loans from Agribank is a sign that real and genuine progress can be made to truly reform Vietnam's economy.

# HCMC OFFICE

## TOP-TIER MARKET IS COMFORTABLY MOVING INTO A NEW CYCLE

**Chart 2: Office Asking Rent (US\$/sm/month)**



Source: CBRE

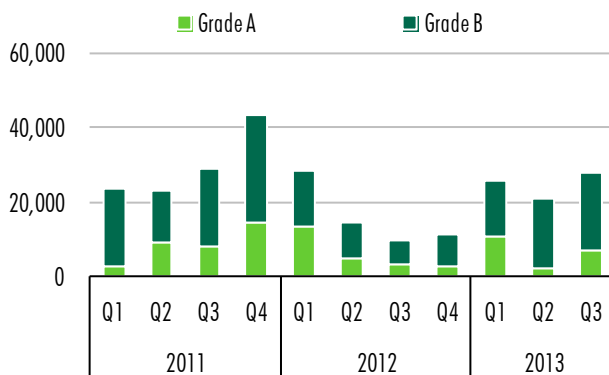
### Healthy net absorption compound with limited supply, asking rent improved.

During the quarter net absorption in the Grade A and B sectors reached 27,720 sm, an increase of 31.1% q-o-q and 180.3% over the same period in 2012. This was primarily due to the strong take up of new properties which have entered the market.

The consequence of the strong take-up witnessed is that both new and existing properties have managed to hold rental levels firm, in some cases, for the most popular properties, there has been evidence of mild rental rises.

As vacancy across the market reduced the Grade A and B sectors saw rentals climbs of 3.0% and 3.2% respectively q-o-q, reaching levels of 32.47 US\$ psm per month and 18.73 US\$ psm per month.

**Chart 3: Office Net Absorption (NLA,sm)**



Source: CBRE

## OPTIONS FOR TENANTS, ESPECIALLY THOSE WHO DEMAND TRULY INTERNATIONAL-LEVEL PROPERTIES ARE BECOMING LIMITED

There are identifiable sub-sectors within the market and it appears that the top seven or eight properties in HCMC's District 1 are now detaching themselves from the rest of the market. These properties are already raising rents whilst those in the next tier down, be it A- or B+, are acting in a more stable manner.

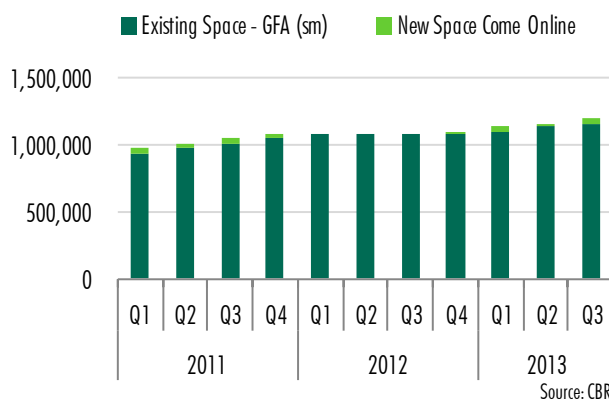
Regarding tenants' movement, in Q3/2013, the decentralising drift which emerged in the previous quarter has continued with some witnessed cases. The reason for this is the lack of large space within office buildings in CBD or other prime locations which is restricting those who wish to extend in those locations.

### Busy construction activities have maintained in some major project sites.

The next wave of new supply is expected to come in late 2014 with the introduction of some large scale projects. The most notable is Vietcombank, 5 Melinh Square, District 1. When completed, this building will bring to the market an additional 55,000 sm GFA Grade A office space for lease.

Sunny tower is also a notable project which showed good construction progress during the last quarter. The project is expected to be completed in the second half of 2014 and will add to the market another 16,500 sm Grade B office space.

**Chart 4: Total Office Supply (GFA,sm)**



Source: CBRE

# HCMC RETAIL

## RETAIL SECTOR SLUMPS DUE TO WEAK CONSUMER DEMAND AND HIGH RENTAL COSTS.

### Vacancy increases with negative net absorption

Retailers remain bullish on the market, wanting to grow their access the strong demographics of the city. However, the headline numbers produced by CBRE appear to show a differing story for landlords, who have witnessed tenants moving out and rentals softening. With no new supply coming to the market during the third quarter, the negative net absorption (-4,133 sm) reflects tenants' dissatisfaction with the rentals charged at major shopping centres and the amount of foot traffic which they are able to generate.

### Developers reacting to the market in different ways

Decreasing rental rates is a direct approach to cope with this difficult market for some developers. However, rents in the CBD remain stable as developers are holding firm to wait for the best deals. Rents in shopping centres and department stores in non-CBD locations continue to decrease by -3.1% and -2.1% respectively. Other reactions from developers are to redesign floor plans, rotate tenants to add new brands, apply turnover shares and rent free periods.

Times Square has just replaced the banners of Gucci, Bottega Veneta and Dolce & Gabbana with luxury Italian furniture brands, which illustrates a flexible leasing policy from developers in an attempt to fill up.

## ECONOMIC MATTERS REMAIN THE TOP CONCERN FOR CONSUMERS

### Limited supply in the next four quarters

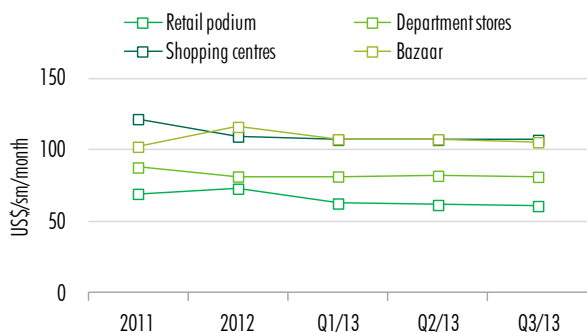
Supply in the next four quarters is limited to four developments with two retail centres in District 2. Both Thao Dien Pearl and Cantavil Premier are fitting out, which will require two to three quarters to complete. Times Square and Saigon Airport Plaza are expected to open in Q4/2013.

### F&B and convenience stores still remain active

According to GfK, economic matters appear to top the list of concerns for today's Asia Pacific consumers. Consumers are reducing spending amid worries about recession, unemployment and high prices. In this context, F&B and convenience stores, which provide the basic needs, still remain active. Zen Plaza provides a good example of a landlord responding to these trends, in announcing the conversion of its retail space on the first three floors from all fashion brands to F&B, which plans to re-open by early November.

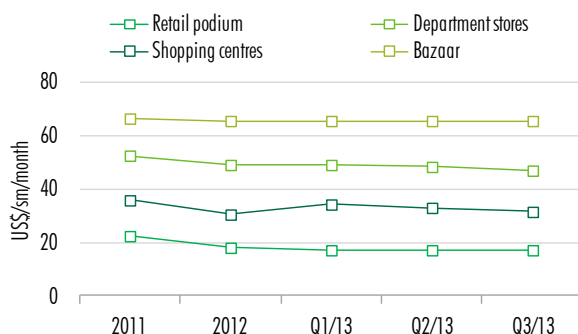
As the average Vietnamese income growth reduced from 55% in 2008 to 32.8% in 2012, the retail market has also slowed down. The recovery of the economy will be followed by the pick-up of the retail market, but in the mean time landlords must remain responsive to the needs of retailers.

**Chart 5: CBD Rent, HCMC**



Source: CBRE

**Chart 6: Non-CBD Rent, HCMC**



Source: CBRE

**Table 1: Future Supply , Next Four Quarters**

PROJECT	DIST.	NLA (SM)	STATUS
Times Square	1	3,200	Fitting out
Thao Dien Pearl	2	16,320	Leasing
Cantavil Premier	2	24,000	Leasing
Saigon Airport Plaza	Tan Binh	2,945	Leasing

Source: CBRE

# HCMC CONDOMINIUM FOR SALES

## DISTRICT 2 AND DISTRICT 7 STILL ATTRACT BUYERS

### New launches continued going up

Q3/2013 continued to see an increase in the number of launched units. Approximately 1,726 units were launched in Q3/2013, significantly increased by 45.8% q-o-q and 11.6% y-o-y. The majority of this supply was in the affordable segment with 74.7% of the new launches. This was followed by the high-end segment (19.3%) and mid-end segment (6.0%). The third quarter continued to see no new supply in the luxury segment.

The rise in the number of new launches partly justified some developers' confidence in the market. These included well-known developers such as Capitaland, Phu My Hung Corporation and Nam Long.

The developers' faith in the market was repaid as new launches saw some notable buyer activity. One affordable project launched towards September-end received a crowd of over 600 keen visitors and sold over 100 units during the weekend. Another recent launch of a high-end project in District 2 was well-received with towards 50 units being sold.

### Prices continued to go down but at marginal rates

The secondary price continued on a downward trend although the rates were marginal. The high-end segment had the largest decrease, 5.0% y-o-y.

The primary price retained its stability in the review quarter. However, alternative sales strategies were implemented. Developers who had been cautious about extending payment terms offered flexible payments in Q3/2013. This translated to the last payment (50%-70%) payable one or two years after the hand-over.

New price ranges in the primary market are getting closer to buyers' expectation, US\$1,300-\$1,600 psm plus other incentives. This explained why newly launched projects were more attractive than the old ones, Happy Valley, The Vista – Tower 4, SGC Nguyen Cuu Van, Phuc Yen 2.

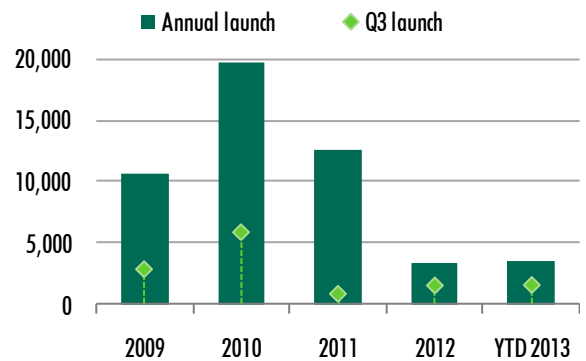
## DISTRICTS 2 AND 7 PREFERRED BY HIGH-INCOME PEOPLE

### District 2 and District 7 proved bright spots in the high-end segment

According to CBRE's enquiries, District 2 and District 7 received the highest number of enquiries in Q3/2013. These two districts were in the front rank of the list.

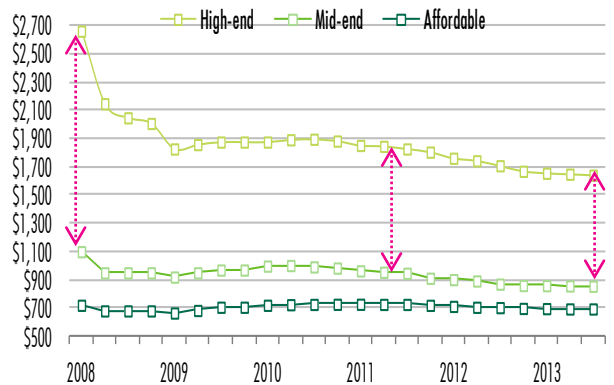
The notably improved infrastructure in these two districts has significantly shortened the travelling time to the CBD. District 2 is more suitable for single and western expatriates with closer proximity to the CBD while large families and Taiwanese preferred District 7, which is oriented to family activities such as kid playgrounds and weekend fairs. Both districts are in top five of the most sought-after apartments for renting. In addition, the prices of these two districts have become more affordable. These combined factors made the districts attract both end-users and buy-to-let investors.

Chart 7: Condominium Launch, HCMC



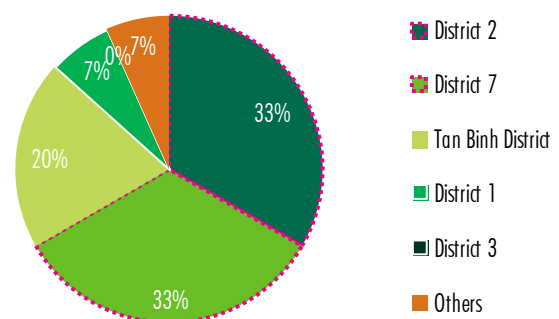
Source: CBRE

Chart 8: Asking Price, HCMC



Source: CBRE

Chart 9: Future Supply, Next Four Quarters



Source: CBRE

# HCMC SERVICED APARTMENTS

DEMAND HAS NOT PICKED UP, BOTH GRADES WITNESSED A HIKE IN VACANCIES.

**Best opportunities continue to be in the CBD. Therefore, more new boutique projects were launched here.**

- Parkside Residence is a boutique project right at the CBD fringe providing 30 one-bedroom units over nine storeys. Within walking distance of the Reunification Palace, this newly-upgraded building boasts a gymnasium, a garden at the ground floor and offers competitive rents with good management by Dragon Fly.
- Also targeting those who prefer staying in touch with the vibrant CBD, Duxton Hotel opened four duplex apartments for long-term lease. Tenants can have access to the hotel's facilities and services.

With few completions of large-scale projects on the horizon, HCMC is expected to see the continued addition of boutique developments, especially in the CBD.

## Demand has not picked up yet.

In the review quarter, both grades experienced the same trend in terms of rents and vacancies, reflecting an overall challenging market. Grade A average rents, after a quick resistance last quarter, continued the slide to US\$30.36 psm per month, down by 4.4%. Grade B kept trending downwards by 4.1% to US\$22.96 psm per month despite new supply quoting high rents.

Although rents have been revised down, there was no improvement in vacancies, with both Grade A and B vacancies seeing a steep hike at 5.1 pp and 3.1 pp q-o-q respectively, currently at 9.1% and 21.7%. The volatility seen in vacancy proved that demand has not picked up yet.

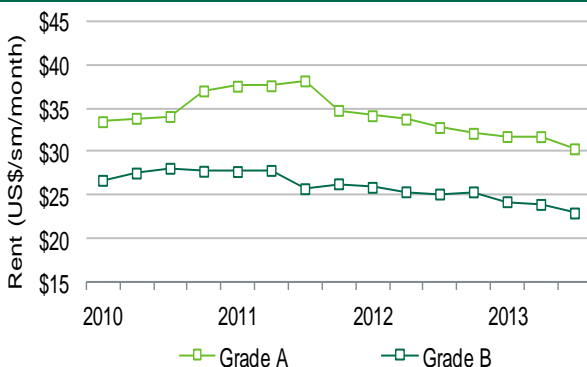
- Housing budget nearly tripled in the US\$0 - \$1,000 range while decreasing one third in the deep-pocket range (US\$4,000+) as compared to Q2/2013.
- Fierce competition from buy-to-let options. As reported, some high-end residential projects had become more 'middle-class' thanks to more attractive payment terms plus incentives and sales were achieved. As soon as these are sold, their rental market also becomes more active. These include Xi Riverview Palace, The Vista, The Estella, Sunrise City, Saigon Airport Plaza, etc.

## LANDLORDS OF ALL GRADES BECOME MORE INNOVATIVE.

To cope with the tightened demand, landlords of all grades have implemented various innovative ways to survive:

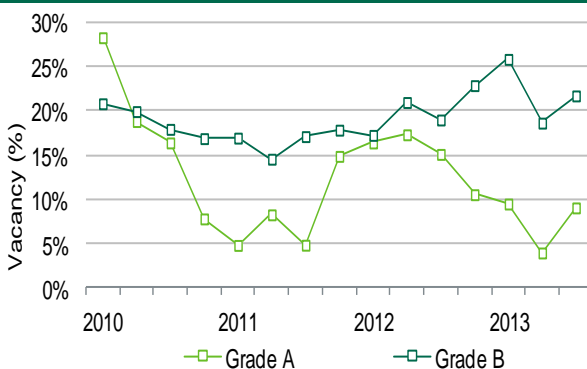
- Instead of quoting on a monthly basis, they offer daily/weekly packages and even weekend deals like hotels.
- Besides marketing in newspapers or their own websites, now projects of all scales use online booking agents (Agoda, Trip Advisor, etc.), which were previously used only by large scale projects.
- Instead of providing a fully-furnished apartment with all services, some offer different service and furniture packages, including An Phu Plaza, Vista Residence, etc.

**Chart 10: Serviced Apartment Rents**



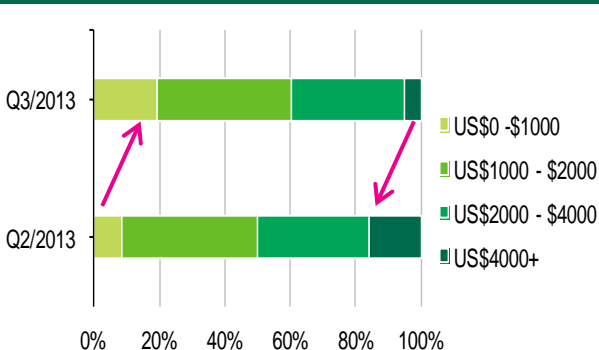
Source: CBRE

**Chart 11: Serviced Apartment Vacancy**



Source: CBRE

**Chart 12: Serviced Apartment Vacancy**

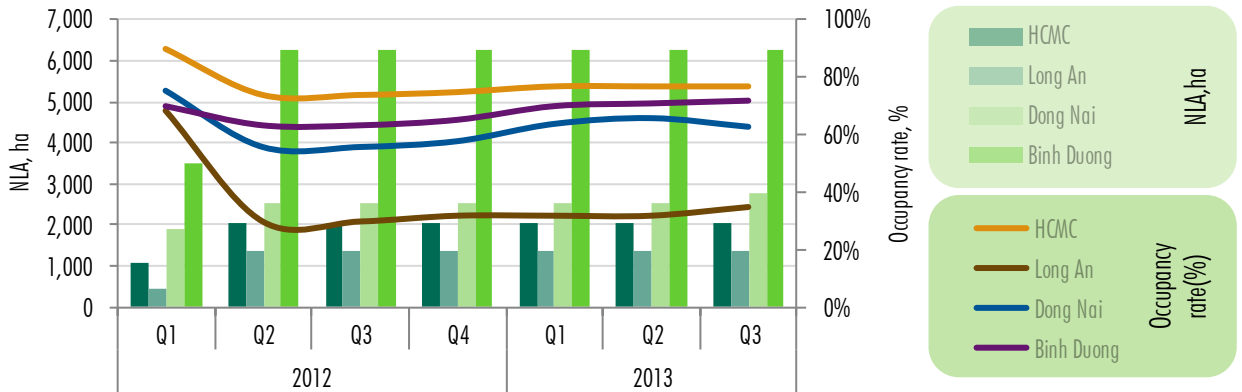


Source: CBRE

# HCMC INDUSTRIAL

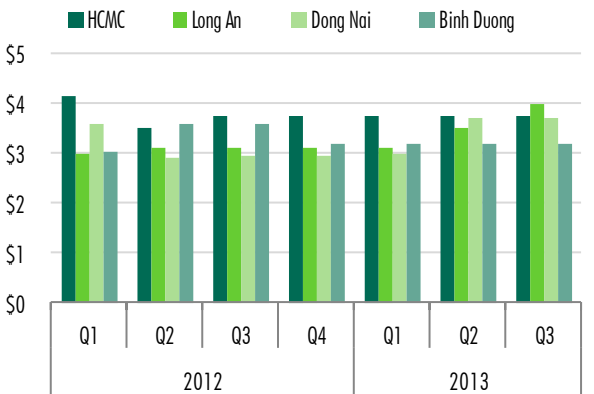
## NEW INVESTORS ARE MORE CONSERVATIVE, TAKING MORE TIME TO LOOK OVER THE MARKET

**Chart 13: Industrial Performance**



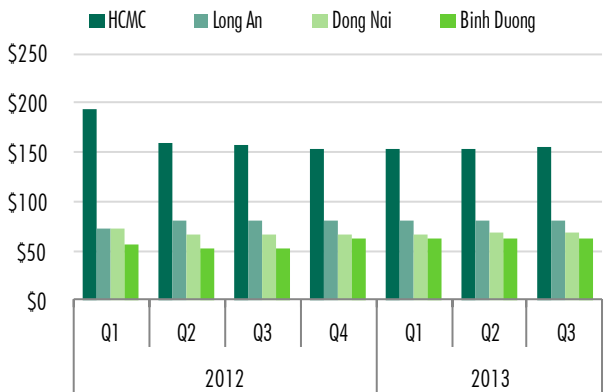
Source: CBRE

**Chart 14: RBF rate (US\$ psm per term)**



Source: CBRE

**Chart 15: Land rate (US\$ psm per term)**



Source: CBRE

Q3/2013 saw many new foreign investors working with consultants/local authorities to study the market for new investment projects in Vietnam. This could lead to a further strong growth of FDI at the year-end and into next year.

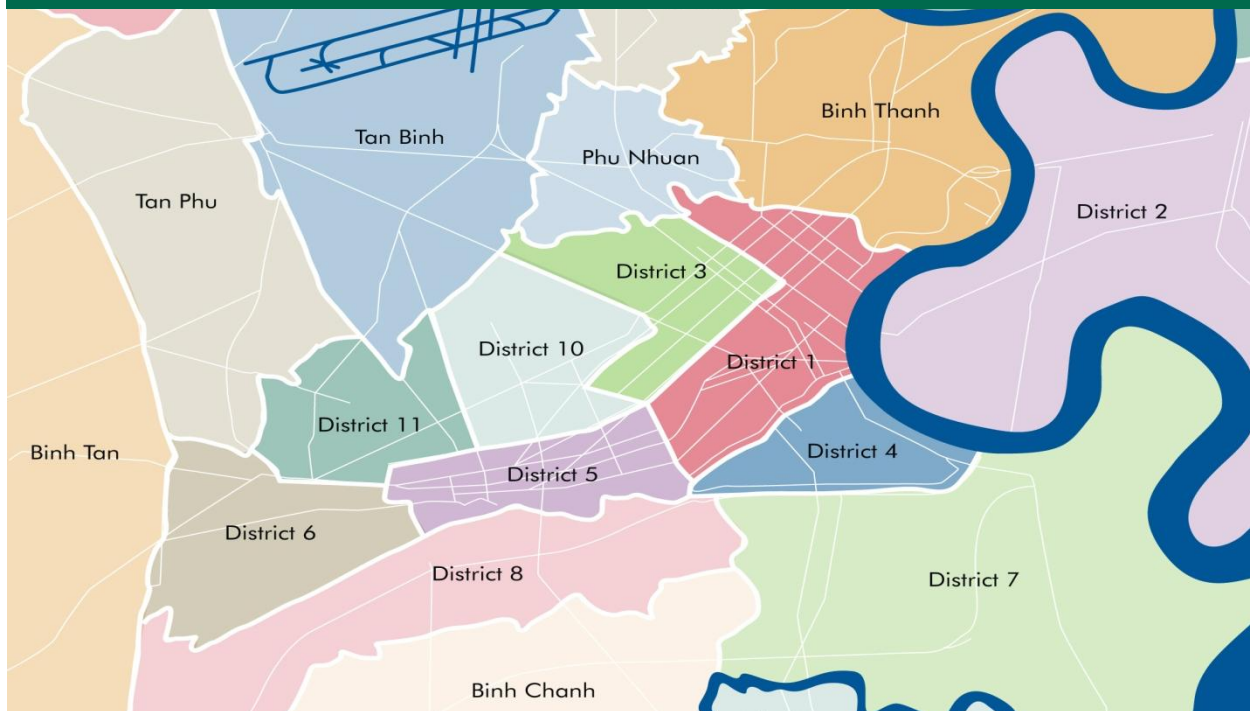
CBRE has observed that more new foreign investors would like to lease a small or medium piece of land to build up their own facilities in the first phase and are asking for first right of refusal for subsequent sizable phases. New investors are now more conservative in putting down their capital and are taking more time to look over the market.

On the other side, established investors in some industries like F&B, FMCG and electronics are in expansion mode both in their presence and in capital investment. This is in response to rising consumption in Vietnam and overseas. In a typical example, Samsung Electronics Vietnam (SEV) recently amended its certificate in Bac Ninh Province to invest an additional US\$1 billion, raising its total investment in this province to US\$1.8 billion. At the same time, SEV received an investment certificate to build a second campus in Thai Nguyen Province with a total investment capital of US\$2 billion.

This quarter also saw two new projects from respected developers come online. In the North, Nam Dinh Vu in Hai Phong with around 100ha immediately available will accommodate new wave of investment for Bridgestone and LG's vendors/suppliers. The second supply comes from VSIP Quang Ngai with total industrial land of approx. 1,226ha. This is intended to offer international standard development in the Central region and is targeted at FMCG, electronics assembly and other light industries serving the oil, gas and chemical sectors.

According to the latest study by CBRE, the land leasing rate is stable/slightly up despite additional supply coming on-line during the study period. This is because the new supply is offered in strategic locations and is provided by popular and competent developers such as Amata, VSIP and Long Duc. It is expected that the RBF/warehouse rate trend will continue upwards as little new supply will be available until the end of 2013 and first half of 2014.



**Map 1: Central Ho Chi Minh City**

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