VIETNAM PROPERTY OVERVIEW
Q1.2017

Presented by: Ms. Dung Duong and Mr. Hieu Le
Director, CBRE Vietnam

HO CHI MINH CITY
Wednesday, 12th April 2017
TODAY
REAL ESTATE MARKET
IS DRIVEN BY...
URBANIZATION

Vietnam urbanization among fastest in the region

“By 2020, 50 percent of Vietnam’s population (of 100 million) will live in urban areas/cities.

An estimate number of 374,000 additional housing units will be needed in cities every year to cope with rising demand.”
The CBD Make-over

HCMC’s new centre is expanding to include part of Binh Thanh District (Ward 22 and Ward 19) and District 4 (Ward 9, 12, 13 and 18)

Source: HCMC Department of Planning & Architecture
THU THIEM NEW URBAN AREA
Quick Progress, Fast Changes

MEGA PROJECTS IN HCMC IN 2016 - 2018

**Vinhomes Central Park, Binh Thanh Dist.**
- Scale: 44 ha
- Condominium: 10,000 units
- Component: condominium, villa, office

**GS Metro City, Nha Be**
- Scale: 349 ha
- Condominium: 3,600 units
- Component: condominium, villa, office, retail

**Eco Smart City, Thu Thiem, Dist. 2**
- Scale: 10 ha
- Component: condominium, villa, office, retail, hotel

**Eco-Tourism City, Can Gio**
- Scale: 1,080 ha
- Condominium: 21,000 units
- Component: condominium, villa, office, retail

**Palm City, Dist. 2**
- Scale: 30 ha
- Condominium: 816 units
- Component: condominium, villa, office, retail

**Empire City, Thu Thiem, District 2**
- Scale: 14.5 ha
- Condominium: 3,000 units
- Component: condominium, villa, office, retail, hotel
THE EXPANSION OF FOREIGN DEVELOPERS

Mitsubishi and Bitexco to develop The Manor Central Park

Japanese companies invest more in Nam Long

Hung Le
Tuesday, Apr 19, 2016, 20:12 (GMT+7)

HCMC – Japanese firms Hankyu Realty and Nishi Nippon Railroad will acquire a combined stake of 50% in APSL-PLB-Nam Long Co Ltd under Nam Long Investment Corporation to invest in Fuji Residence project in HCMC.

Frasers Centrepoint to build Ho Chi Minh City project with Vietnam-listed ADTD

By Lee Meixian leemx@sph.com.sg @LeeMeixianBT

Development Of Luxurious Residence
Daewoo E&C to Begin Parceling Sale of Luxurious Villas in Hanoi, Vietnam

CapitaLand buys prime site in Ho Chi Minh City

THE STRAITS TIMES
The Ministry of Defense proposed the Government to appoint an affiliate of Vingroup to develop commercial and service facilities in Ba Son Shipyard in District 1.
NEW LAW ON FOREIGN HOUSING OWNERSHIP
What have we learnt after almost two years?

- Questions and more questions
- Guidelines and Paperwork
- Loans – Bank says Yes ✔ but in reality, it’s a No ✗
- Foreigners use credit cards, not cash
- Most buyers are Vietnam-based foreigners. Foreigners prefer drinking to buying properties on a Friday night!
METRO LINE NO.1 AND RESIDENTIAL PROJECTS

LINE 1 AND PROJECT PIPELINE
HOW THE
RESIDENTIAL MARKET
TRENDS
HCMC CONDOMINIUM FOR SALE
Total Supply by Grade *

HCMC

- Affordable: <US$800 psm
- Mid-end: US$800 – 1,500 psm
- High-end: US$1,500 - $3,500 psm
- Luxury: >US$3,500 psm

201,862 units

HANOI

- Affordable: <US$800 psm
- Mid-end: US$800 – 1,500 psm
- High-end: US$1,500 - $3,500 psm
- Luxury: >US$3,500 psm

212,703 units

(*): Accumulative launches since 1999, including both completion and under construction units, sold and unsold units.

Source: CBRE Vietnam, Q1 2017.
HCMC CONDOMINIUM FOR SALE

New launch remains strong in the East and the South

**NORTH (16%)**
- 32,155 units
- Selling price: $1.150/sm
- Sold rate: 86%

**WEST (14%)**
- 29,150 units
- Selling price: $1.455/sm
- Sold rate: 89%

**CENTRE (3%)**
- 5,439 units
- Selling price: $4.370/sm
- Sold rate: 82%

**EAST (35%)**
- 71,489 units
- Selling price: $1.806/sm
- Sold rate: 90%

**SOUTH (32%)**
- 63,629 units
- Selling price: $1.271/sm
- Sold rate: 88%
HCMC CONDOMINIUM FOR SALE
Supply by Year

New launches by year, units

Source: CBRE Vietnam, Q1 2017.

Q1/2017
5,083 units from 21 projects

-44% q-o-q
-49% y-o-y
HCMC CONDOMINIUM FOR SALE
Mid-end segment expanding, easing high-end oversupply fear

New Launch Breakdown by Segment, HCMC

Vingroup promises affordable homes in Vietnam

Dec 6, 2016

Real estate bubble unlikely next year: HoREA

Hong Phuc

Tuesday, Dec 20, 2016 21:56 (GMT+7)

HCMC - A real estate bubble is unlikely to burst next year, the HCMC Real Estate Association (HoREA) forecast.

The association predicted the property market in 2017 will maintain growth momentum but a slowing trend this year will probably continue. In addition, there will likely be a big adjustment to address the supply-demand mismatch that is currently skewed towards the luxury segment, including resorts.
HCMC CONDOMINIUM FOR SALE
Sold units - Mid-end dominated Q1 2017

Number of Units Sold by Year, HCMC

6,501 units sold
67% in mid-end segment
HCMC CONDOMINIUM FOR SALE

High sales rates in District 2, 9 and Nha Be

69% of new launches sold in 2016

<table>
<thead>
<tr>
<th>No. of Project</th>
<th>Sales rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>88% 69% 48% 48% 32% 73% 53% 57% 42% 72% 53% 62% 70% 65% 42% 50% 44%</td>
</tr>
</tbody>
</table>

Implication for districts only, not exact project location
# HCMC CONDOMINIUM FOR SALE

## Unit size/Unit type: Small is still beautiful!

**Condominium Unit Type Change, HCMC**

<table>
<thead>
<tr>
<th>Tier</th>
<th>Before 2014</th>
<th>After 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>First tier</td>
<td>3% 35% 45% 16%</td>
<td>12% 45% 28% 14%</td>
</tr>
<tr>
<td>Second tier</td>
<td>7% 59% 27% 7%</td>
<td>9% 63% 27% 1%</td>
</tr>
</tbody>
</table>

**1BR** | **2BR** | **3BR** | **4BR+**

- First tier: Luxury and high-end products;
- Second tier: Mid-end and affordable products

Source: CBRE Vietnam, Q1 2017.
HCMC CONDOMINIUM FOR SALE

Unit size/Unit type: Small is still beautiful!

Condominium Unit Size Change, HCMC

<table>
<thead>
<tr>
<th>Tier</th>
<th>Before 2014</th>
<th>After 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>First tier</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before 2014</td>
<td>65</td>
<td>110</td>
</tr>
<tr>
<td>After 2014</td>
<td>48</td>
<td>78</td>
</tr>
<tr>
<td>Second tier</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before 2014</td>
<td>50</td>
<td>91</td>
</tr>
<tr>
<td>After 2014</td>
<td>45</td>
<td>62</td>
</tr>
</tbody>
</table>

- First tier: Luxury and high-end products;
- Second tier: Mid-end and affordable products

Source: CBRE Vietnam, Q1 2017.
HCMC CONDOMINIUM FOR SALE

Buyers’ Profile: More Foreigners, for Investment Purpose

<table>
<thead>
<tr>
<th></th>
<th>Q1 2017</th>
<th>Q1 2016</th>
<th>Q1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner-occupier</td>
<td>31%</td>
<td>23%</td>
<td>65%</td>
</tr>
<tr>
<td>Buy-to-let</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investors</td>
<td>50%</td>
<td>40%</td>
<td>15%</td>
</tr>
<tr>
<td>Buy-to-gain</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investors</td>
<td>19%</td>
<td>37%</td>
<td>21%</td>
</tr>
</tbody>
</table>

* The analysis above is based on CBRE Vietnam’s residential closed deals and should not be used as a marketwise benchmark.

Source: CBRE Vietnam, Q1 2017.
HCMC CONDOMINIUM FOR SALE

Why Foreigners buy?

Condominium, Regional Primary Asking Price (US$/sm)

- Super Luxury
- Luxury
- High-end
- Mid-end
- Affordable

Source: CBRE Research.

Why now could be a good time to buy a property in Vietnam

The country wants to catch up with its richer Asian rivals but for now it still offers good value for international homebuyers
Good Rental Yield Attracts Investors

Rental yield* at selected high-end projects** in HCMC

Gross rental yield* in SEA countries

(*) Gross yield. **Net rental yield ranges from 4.5%-6.5%.

(**) Selected projects:
District 7: Sunrise City, Sky Garden, Panorama;
District 2: Xi Riverview Palace, The Estella, The Vista.

HCMC CONDOMINIUM FOR SALE

Concerns on a Fully Supplied Mid- to High-end Sector

Expected Completion

Source: CBRE Vietnam, Q4 2016
HCMC CONDOMINIUM FOR SALE

Outlook

HCMC - New Launch by Year

HCMC - Sold Units by Year

Source: CBRE Vietnam, Q4 2016

(High-end condos)
Primary pricing up across segments

Asking Selling Price on Primary Market

Source: CBRE Vietnam, Q4 2016.
CONDOMINIUM OUTLOOK

HCMC

2017: ~40,000 units from 60 projects

District 1 Active Again with Properties @ >US$7,500 psm

2017 Expected New Launches:
- Luxury: 4%
- High-end: 31%
- Mid-end: 25%
- Affordable: 40%

The One HCMC
Pham Ngu Lao Str.

Saigon Melinh Tower
Hai Ba Trung Str.

VCRE
Ngo Van Nam Str.

Springlight City
Nguyen Dinh Chieu Str.

But Don’t Forget the Affordable and Mid-end Sectors

VinCity
District 9

Green Town
Binh Tan District

Toky Tower
District 12

Park Vista Residence
Nguyen Huu Tho Street
Challenges remain after handover

HCMC CONDOMINIUM FOR SALE

Lower-end segments: Wait for a positive change

Big developers to join – Better quality to come?

Source: Images retrieved from the internet
HCMC CONDOMINIUM FOR SALE
The East and West side of Saigon River

Vinhomes Central Park
11,189 units

Saigon Pearl - 1,507 units

The Manor - 1,047 units

Sunwah Pearl - 1,200 units

Opal Pearl – 180 units

Vinhomes Golden River
5,050 units

Saigon Blue Moon
5,000 units

Marina Bay - CII

Thu Thiem Lake View - CII

GS Thu Thiem - GS E&C
LACK OF PRIME OFFICE SPACE
HCMC OFFICE MARKET

Historical Overview

1993
- The first standard office building completed (Imexco-Grade B)
- Total supply: 275,173 sm GFA

1996
- The first Grade A office building completed (Saigon Centre – 13,090 sm GFA/11floors)

2000
- 29 standard office buildings (5 Grade A buildings – all developed through JVs)
- Total supply: 275,173 sm GFA

2008
- No new Grade A completed during 2000-2008
- Grade A rent hike $70 psm per month
- No. of Grade B+C properties surged to 162 buildings – 827,643 sm GFA

2009
- The economic downturn – drop in prime rent to $40 psm per month
- The first international Grade A building completed – Kumho Asiana Plaza (31,562 sm GFA)
- The first local developer Grade A building – Centec Tower (34,426 sm GFA)

2010-2012
- Prime office rent down further to < $30 psm per month
- Continuously increasing supply:
  - Grade A: 9 bld. – 304,380 sm GFA
  - Grade B: 50 bld. – 759,969 sm GFA
  - Grade C: 256 bld. – 857,847 sm GFA

2013-2017
- Signal of economic recovery
- Limited new supply completed
- Office rent have get out of its bottom for the first time since 2008
HCMC OFFICE MARKET VS. APAC
HCMC becoming more LANDLORD - Driven

Source: CBRE, Landlord and Occupier Symposium 2016
HCMC OFFICE MARKET
Limited New Supply until 2H 2017

Total Supply by Year, HCMC Office

Source: CBRE Vietnam, Q1 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Grade A</th>
<th>Grade B</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>414,931</td>
<td>1,008,474</td>
<td>1,423,405</td>
</tr>
<tr>
<td>2015</td>
<td>321,557</td>
<td>763,684</td>
<td>1,085,241</td>
</tr>
</tbody>
</table>

Source: CBRE Vietnam, Q1 2017
HCMC OFFICE MARKET
New Net Absorption

Net Absorption by Quarter, HCMC Office

Source: CBRE Vietnam, Q1 2017.
HCMC OFFICE MARKET

Performance: Increased Rents and Decreased Vacancy Rates

ASKING RENTS

Grade B
Grade A

2017
Q1
Q4
Q3
Q2
Q1

2016
Q4
Q3
Q2
Q1

2015
Q1

2014

VACANCY

Grade B
Grade A

2017
Q1
Q4
Q3
Q2
Q1

2016
Q4
Q3
Q2
Q1

2015
Q1

Grade B
Grade A

(+1.7 pts)
-1.7 pts

Grade A
6.4%

(+1.9 pts)

(+1.2%)
+4.8%

US$ 22.0

US$ 37.0

(-0.5 pts)

(-0.2 pts)

-1.7 pts

y-o-y

y-o-y

q-o-q

q-o-q

(*) Average asking rents (US$/sm/month)
HCMC OFFICE MARKET

Future Supply

1. Viettel Complex, D10 – GFA: 65,971 sm
2. Deustches Haus, D1 – GFA: 38,621 sm
3. Saigon Centre Phase 2, D1 – GFA: 40,000 sm

2017

2018 - 2019

1. Spirit of Saigon, D1 – GFA: 15,000 sm
2. Saigon M&C, D1 – GFA: 49,000 sm
3. VietCapital Center, D1 – GFA: 38,621 sm
4. The Khai, D7 – GFA: 15,000 sm
5. The Prince, D7 – GFA: 15,000 sm
HCMC OFFICE MARKET

Demand Largely From Relocation And Expansion

HCMC

New-to-market letting

25% 9%

Relocation & Expansion

75% 91%

2016 Q1 2017

HCMC Enquired Leasing Space

Finance and Banking
7%

IT/Technology
12%

Logistics
12%

The surge of IT and Logistics

HCMC

Source: based on CBRE’s enquiries, 2017 y-t-d

Q12017

<100sm 100sm - 299sm 300sm - 699sm 700sm - 1,000 sm >1,000 sm

5% 45% 17% 14% 19%

2016

21% 45% 18% 10% 7%

Source: based on CBRE’s enquiries, 2017 y-t-d
FORTUNE GLOBAL 500
Fortune Companies in Vietnam

218 companies in 2015 → 230 companies in 2016

Source: CBRE Vietnam, Q4 2016
## OCCUPIERS DASHBOARD
### Major Transactions

<table>
<thead>
<tr>
<th>Building</th>
<th>Sector</th>
<th>Size in sm</th>
<th>Rent (US$ psm)</th>
<th>Service Charge (US$ psm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TNR</td>
<td>Design</td>
<td>500</td>
<td>$19</td>
<td>$5</td>
</tr>
<tr>
<td>PEARL PLAZA</td>
<td>Sourcing</td>
<td>1,133</td>
<td>$19</td>
<td>$6</td>
</tr>
<tr>
<td>SAIGON TRADE CENTER</td>
<td>Software</td>
<td>164</td>
<td>$22</td>
<td>$7</td>
</tr>
<tr>
<td>SAIGON GIAI PHONG</td>
<td>Insurance</td>
<td>560</td>
<td>$20</td>
<td>$5</td>
</tr>
<tr>
<td>LOTTERY TOWER</td>
<td>Fashion</td>
<td>400</td>
<td>$12</td>
<td>$4</td>
</tr>
<tr>
<td>VINCOM CENTER</td>
<td>Trading</td>
<td>314</td>
<td>$23</td>
<td>$5</td>
</tr>
<tr>
<td>SAIGON TRADE CENTER</td>
<td>Technology</td>
<td>156</td>
<td>$21</td>
<td>$5</td>
</tr>
<tr>
<td>CENTEC TOWER</td>
<td>Technology</td>
<td>308</td>
<td>$27</td>
<td>$6</td>
</tr>
<tr>
<td>60 NGUYEN DINH CHIEU</td>
<td>Trading</td>
<td>270</td>
<td>$17</td>
<td>$5</td>
</tr>
<tr>
<td>SUNWAH</td>
<td>Consultancy</td>
<td>175</td>
<td>$40</td>
<td>$6</td>
</tr>
<tr>
<td>PHU MY HUNG</td>
<td>Retail</td>
<td>317</td>
<td>$15</td>
<td>$7</td>
</tr>
<tr>
<td>METROPOLITAN</td>
<td>Fashion</td>
<td>575</td>
<td>$34</td>
<td>$6</td>
</tr>
<tr>
<td>DIAMOND PLAZA</td>
<td>Real Estate</td>
<td>400</td>
<td>$32</td>
<td>$8</td>
</tr>
<tr>
<td>PICO PLAZA</td>
<td>Fashion</td>
<td>975</td>
<td>$12</td>
<td>$5</td>
</tr>
</tbody>
</table>

Source: CBRE Vietnam, Q1 2017
CO WORKING SPACE

Regional Trend

CWS Expansion Plan - APAC

Source: Co Working Space, CBRE Research 2016
CO WORKING SPACE
Supply Trend: Co-Working Space Still Expanding in Vietnam

Vietnamese co-working space startup Toong secures funding

Dreamplex to open second co-working space

Dreamplex 2 Grand Opening on 2nd March, 2017

Toong at the Oxygen Opening on 25th March, 2017

Source: CBRE Vietnam, Q1 2017.
CO WORKING SPACE
Vietnam VS. APAC

Dreamplex 1 – HCMC
USD 258/ monthly pass

Blueprint – Hong Kong
USD 27 - 90/ monthly pass

Toong – Hanoi
USD 60/ monthly pass

Naked Hub – Shanghai
USD 300 - 450/ monthly pass
HCMC OFFICE MARKET
Demand Trend: Opportunities abound for the market

Ongoing Supply
- Excess supply coming from CBD and Non-CBD area
- Rents are expected to become more competitive
- Higher demand still comes for CBD

Flight to value
- Big occupiers to relocate and expand to higher quality buildings

Diversified Demand
- High demand from traditional sectors
- The surge of IT expansion
- Start-up boom: Growth of co-working space

Source: CBRE Vietnam, Q1 2017
HCMC OFFICE MARKET

Market Cycle Outlook

Source: CBRE Vietnam, Q1 2017.

HCMC

Landlord’s Market

Boom

More Buyers than Sellers
Rent Increase
Improving Fundamentals

Slow Down

Over-Supply
Rent Reduce
More Sellers than Buyers

Falling market

Lack of Confidence

Recovery

Improving Fundamentals
Rent Increase
More Buyers than Sellers

Tenant’s Market

Bangkok

High Confidence

Hong Kong

Jakarta

Source: CBRE Vietnam, Q1 2017.
INVESTMENT OPPORTUNITIES
More investors are motivated by yield spread

- 2016: 10%
- 2017: 28%

Investor motivation diverges

- Yield spread (Real estate funds): 40%
- Capital appreciation (SWFs*): 26%

*SWFs include sovereign wealth funds, insurance firms and pension funds.

Economic worries are still the main concern but there is more apprehension around the rate cycle

- Global economic shade: 46% (2016) vs. 25% (2017)
- Faster than expected interest rate hikes: 6% (2016) vs. 14% (2017)

Major markets remain the primary focus but interest in Vietnam rises significantly*

- Key investment driver:
  - Attractive risk/return profile
  - Stronger economic fundamentals driving rental growth

- Australia: 29%
- Japan: 14%
- China: 14%
- Vietnam: 10%

*Results are based on cross border investors. Cross border refers to respondents domiciled in a different country to the most attractive destination selected.
INVESTMENT

Higher interest for Vietnam thanks to strong macro fundamentals and higher initial yields

Preferred Markets for Investment (cross-border* only)

<table>
<thead>
<tr>
<th>Country</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>35%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td>30%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(*) Cross border refers to respondents domiciled in the different country as the most attractive destination selected

Source: CBRE Asia Pacific Investor Intentions Survey 2015, 2016 and 2017
INVESTMENT

Preferred Sectors for Investment

Source: CBRE Asia Pacific Investor Intentions Survey 2015, 2016 and 2017
ASSET CLASSES
Real Estate Investment Remains Attractive

Yields Across Asset Classes

- VN Index: YoY change, end of period
- Bank savings: 12 month deposit
- SJC Gold: y-o-y change of price per tael
- Rental yield: average of high end projects in D2, HCMC
- Vacation Home – rental pool program applied at Nha Trang, Da Nang and Phu Quoc

 nguồn: CBRE; SJC; SBV
Thank You

For more information regarding this presentation please contact:
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