VIETNAM RETAIL REAL ESTATE MARKET UPDATE

Q1 2015

CBRE

CONTENT

- Vietnam Market Overview
- Market Trends
- Other Indochina Markets Updates
- Retailer Analytics
- Legal updates on Retail Real Estate

VIETNAM MARKET OVERVIEW
Q1 2015

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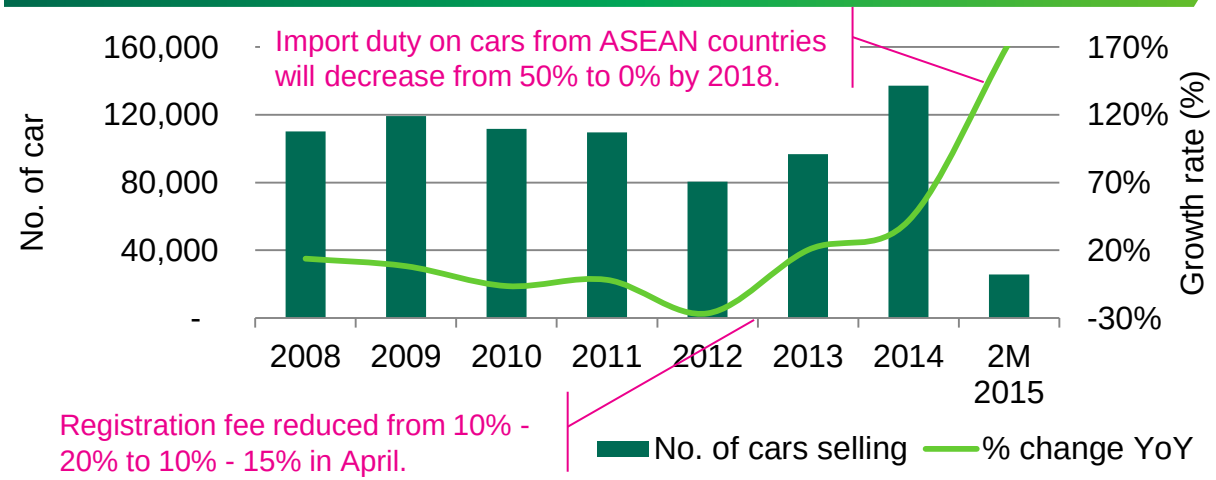
VIETNAM RETAIL SALES

Vietnam Car Sales



Source: Vietnam Automobile Manufacturer's Association, March 2015.

Annual Car Sales:
Vietnam: 150,000 units
Thailand: 850,000 units
Indonesia: 1,250,000 units

Target credit growth

2015: 13-15%

2M: 0.68%

2014: 14%

Credit growth rises 0.68% in first two months

Growth augers well for credit activities in 2015, says central bank.

Thong Dat

Vietnam recorded 0.68 per cent credit growth during the first two months of 2015, the State Bank of Vietnam (SBV) announced on its website.

The central bank said that credit growth, attributable to efforts by the banking system, is a good sign for credit activities this year. The banking sector aims for 13-15 per cent credit growth for the year as a whole, a target that SBV Governor Nguyen Van Binh considers reasonable compared with other socio-economic targets.

RELATED

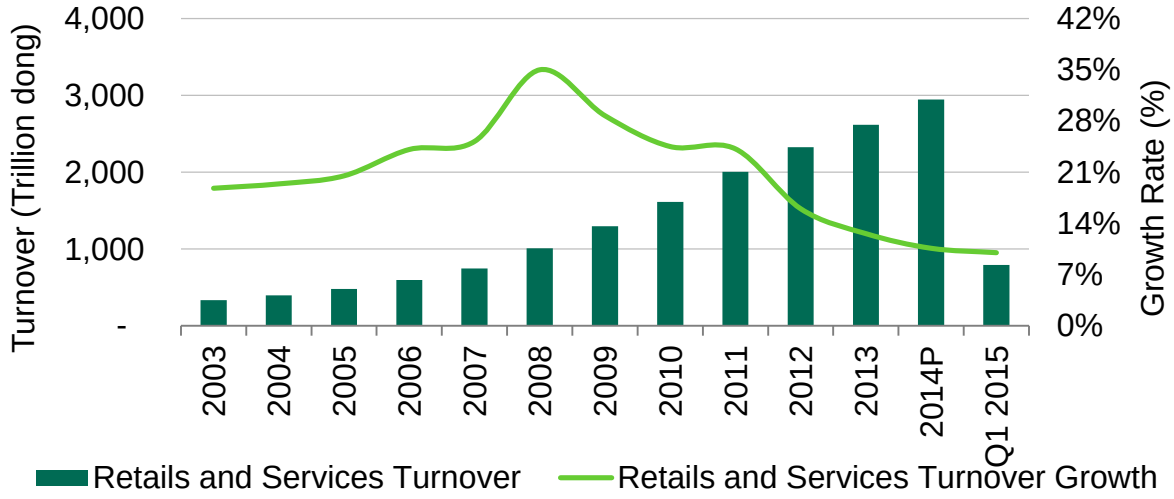
SBV Governor touches on credit growth and interest rates

LATEST

Thailand LG Electronics move TV production to Vietnam

- ADP eyes 25-30% of Airports Corporation of Vietnam
- ADB releases outlook for 2015
- Huawei appoints new President and CEO for

Vietnam Retail Sales



Source: Vietnamese General Statistical Office, Q1 2015.

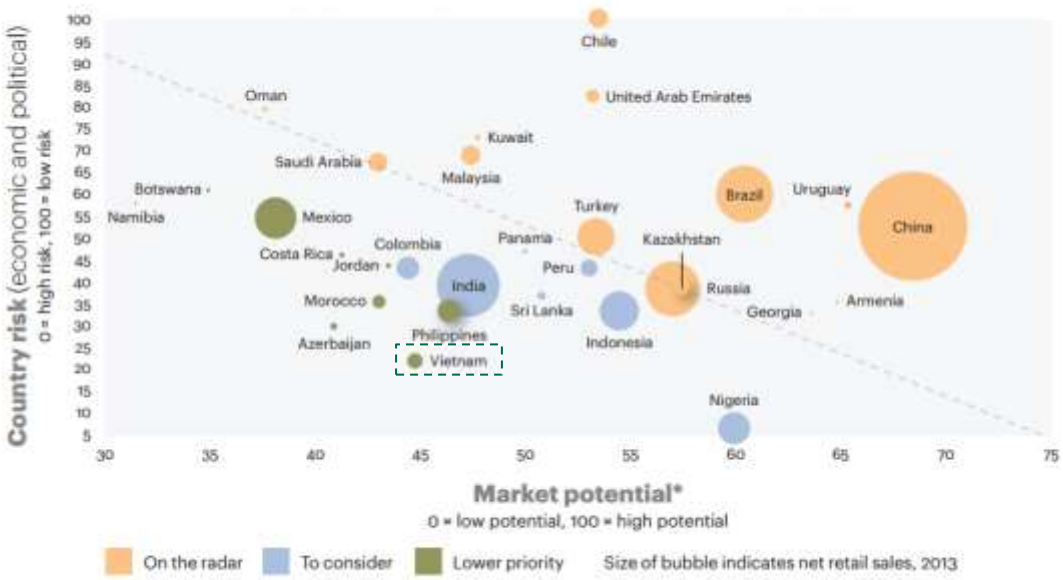
GLOBAL RETAIL DEVELOPMENT INDEX

Low market attractiveness, Vietnam ranks 28/30 in 2014 GRDI

Vietnam 2014 Global Retail Development Index

Figure 3

2014 GRDI country attractiveness



Note: Market potential is based on a weighted score of market attractiveness, market saturation, and time pressure.
Sources: Planet Retail, Economist Intelligence Unit; A.T. Kearney analysis

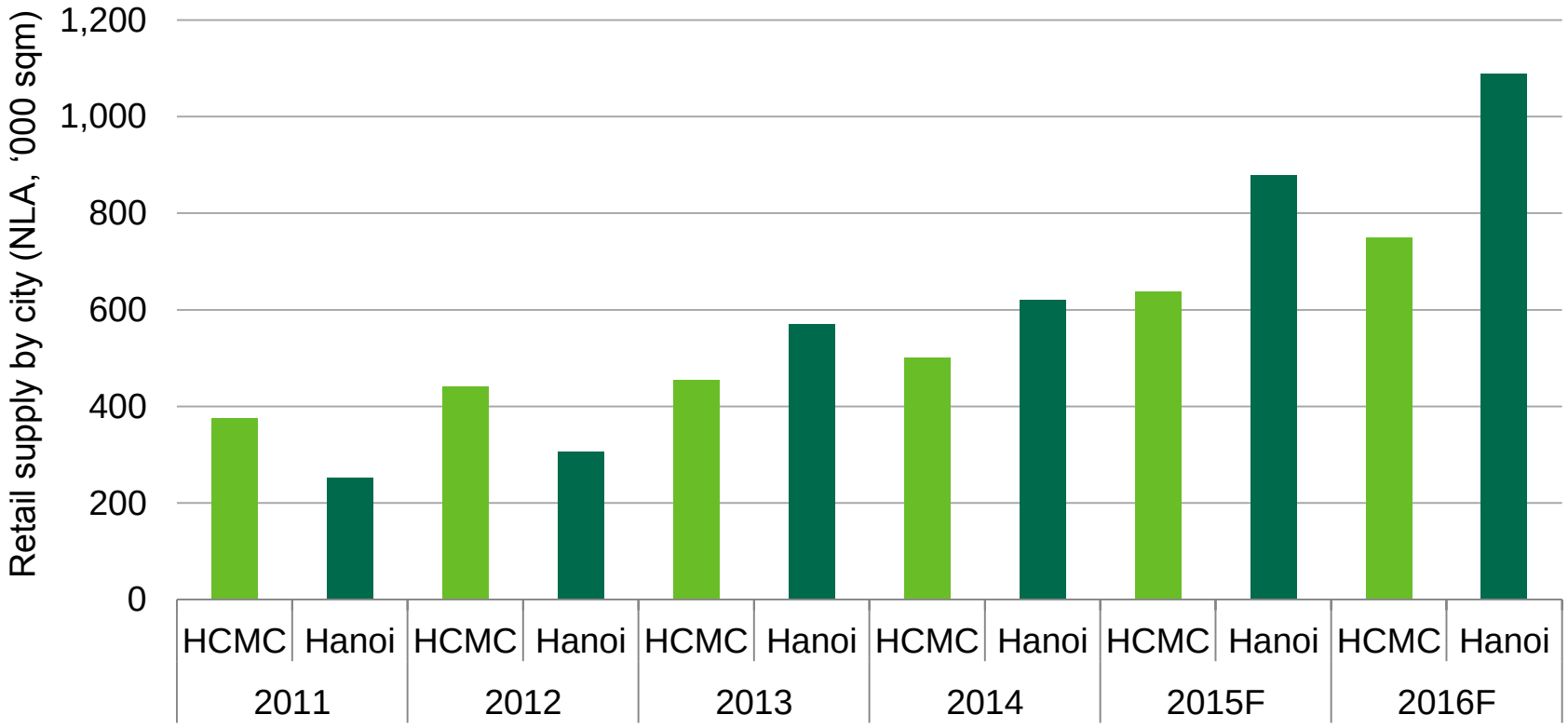
Variables	Score	Rank
Market Attractiveness (25%)	3.8	30/30
0 = low attractiveness , 100 = high attractiveness		
Country risk (25%)	21.9	29/30
0 = high risk, 100 = low risk		
Market saturation (25%)	75.0	6/30
0 = saturated, 100 = not saturated		
Time pressure (25%)	55.7	7/30
0 = no time pressure, 100 = urgency to enter		
GRDI score	**39.1**	**28/30**

Source: The 2014 Global Retail Development Index, ATKearney.

RETAIL MARKET UPDATE

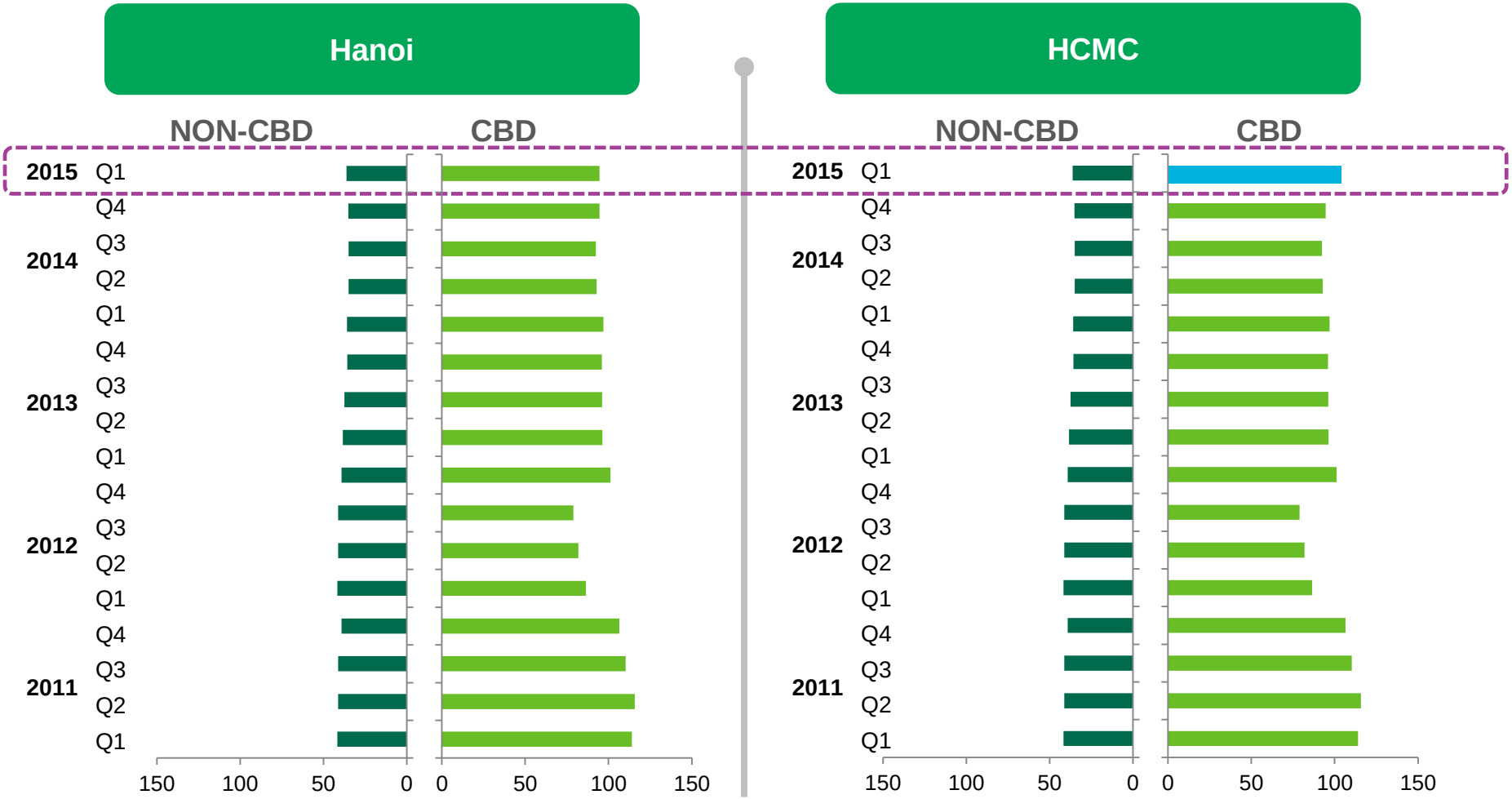
Strong supply from Hanoi market

Retail supply by city (NLA, '000 sqm)



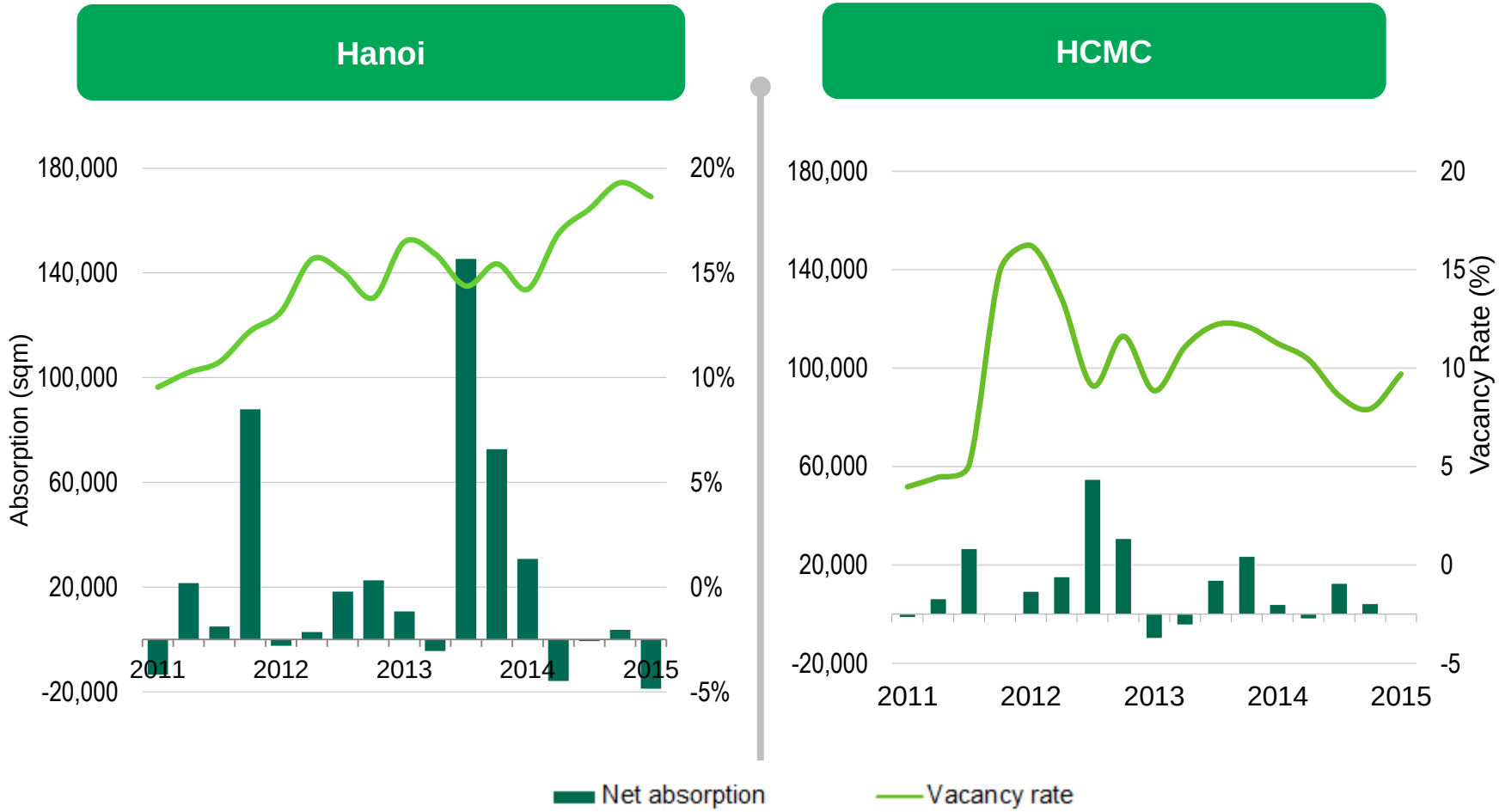
Source: CBRE Vietnam, Q4 2014.

RETAIL RENTS PASSED THE BOTTOM



Source: CBRE Vietnam, Q1 2015.

RETAIL - HEALTHY OCCUPANCY RATES



Source: CBRE Vietnam, Q1 2015.

RETAIL

NEW SUPPLY AND RE-OPENING IN Q1 2015

3 HANOI

SENTINEL PLACE

Hoan Kiem District
GFA: 700 sm

Re-opened: Jan. 2015

HOA BINH GREEN CITY

Hoang Mai District
NLA: 25,000 sm

Opened: Jan. 2015

63 LY THAI TO

Hoan Kiem District
NLA: 561 sm

Re-opened: Feb. 2015

2 HCMC

VINCOM THU DUC

Thu Duc District
GFA: 27,860 sm

Opened Jan. 2015

SAIGON SQUARE 3

District 3
GFA: 3,100 sm

Opened: Jan. 2015

EMIGO

PRADA

BRUNELLO CUCINELLI

VinMart

CALIFORNIA FITNESS&YOGA

CGV

tiNi WORLD

UPCOMING RETAIL DEVELOPMENTS

Hanoi

Expect to open in 2015

HO GUOM PLAZA

- Ha Dong District
- GFA: 23,400 sm
- 5 floors
- Completed. Open for lease
- Anchor tenants: Tran Anh, CGV
- Expected to open (fully): Q2, 2015

VINCOM NGUYEN CHI THANH

- Dong Da District
- GFA: 44,500 sm
- Under construction
- Expected to open: Nov 2015

AEON MALL HANOI

- Long Bien district
- GFA: 108,000 sm
- 4 floors
- Under construction
- Expected to open: Q4, 2015

UPCOMING RETAIL DEVELOPMENTS

Ho Chi Minh City

Expect to open in 2015

SC VIVOCITY

District 7
GFA: 62,000 sm

Expected to open: April 2015

THAO DIEN PEARL

District 2
GFA: 20,000 sm

Expected to open: July 2015

PEARL PLAZA

Binh Thanh District
GFA: 20,000 sm

Expected to open: July 2015

DISTRICT 2 EMERGES AS A NEW RETAIL CLUSTER

Pearl Plaza
20,579 GFA sm
Open in 2015

Estella Heights
37,290 GFA sm
Open in 2018

Vincom Megamall Thao Dien
120,000 GFA sm
Open in 2016

Vinhomes Central Park
59,000 GFA sm
Open in 2018

The Sun Avenue
Open in 2016

Lexington Residence
Open in 2016

Thao Dien Pearl
20,400 GFA sm
Open in 2016

RETAIL – VIETNAM NEW ENTRY/EXPANSION

Increasing demand from upper-middle class lures more brands

5 HCMC

GUCCI

HOLLYS COFFEE

VinMart

VinPro

EMIGO

5 HANOI

PRADA

Brooks Brothers
ESTABLISHED 1818

WITH FOCUS ON CHINA & EMERGING SE ASIA

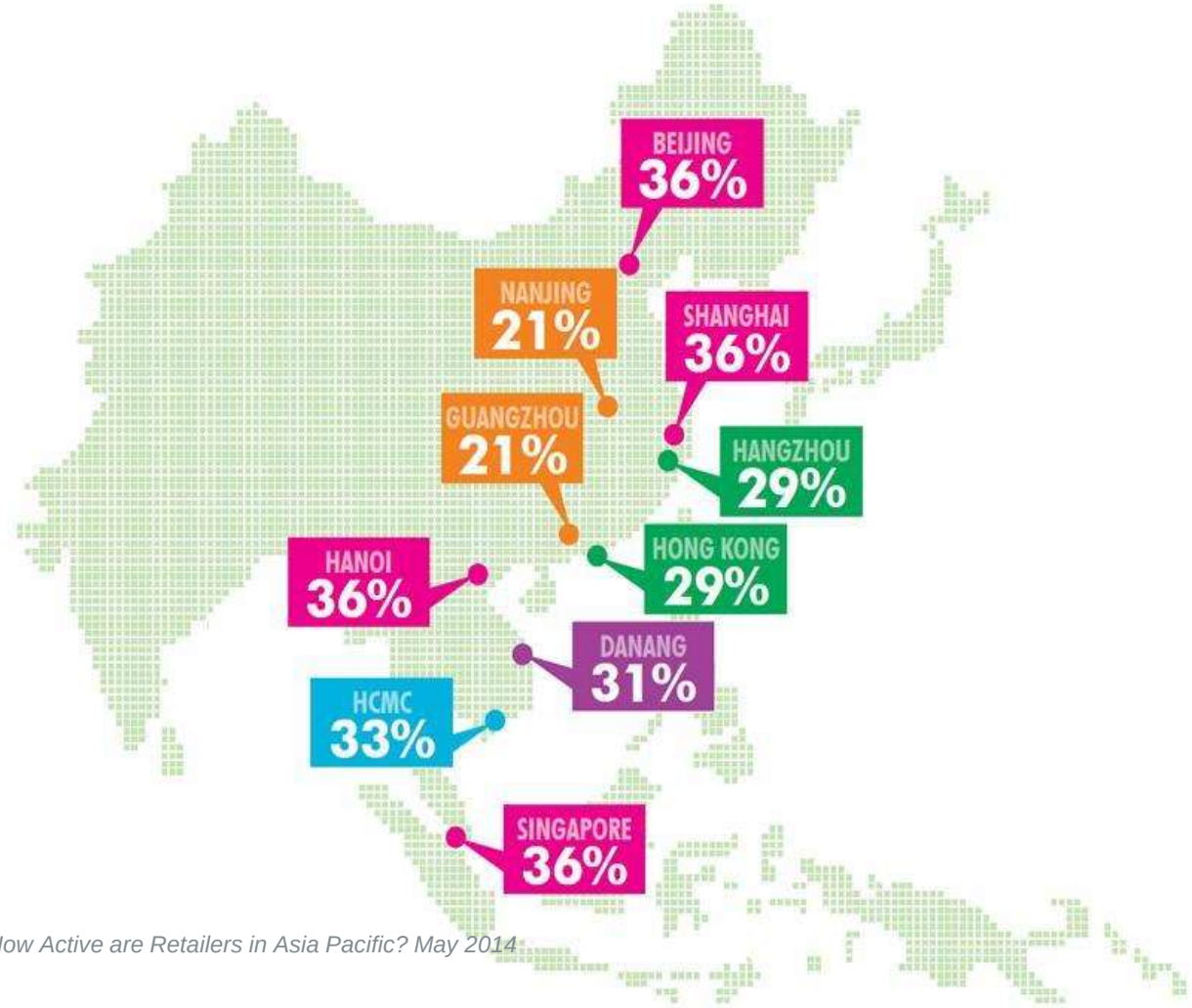
% of retailers intending to open new stores in each country

- Consumer spending in **China** remain attractive, given **rising income** and **increasing purchasing power**
- **SE Asia** supported by relatively **young population**, emerging **middle class**, and increasing **quality retail supply**

Source: CBRE Research, How Active are Retailers in Asia Pacific? May 2014

PREFERENCE FOR CITIES IN CHINA AND VIETNAM

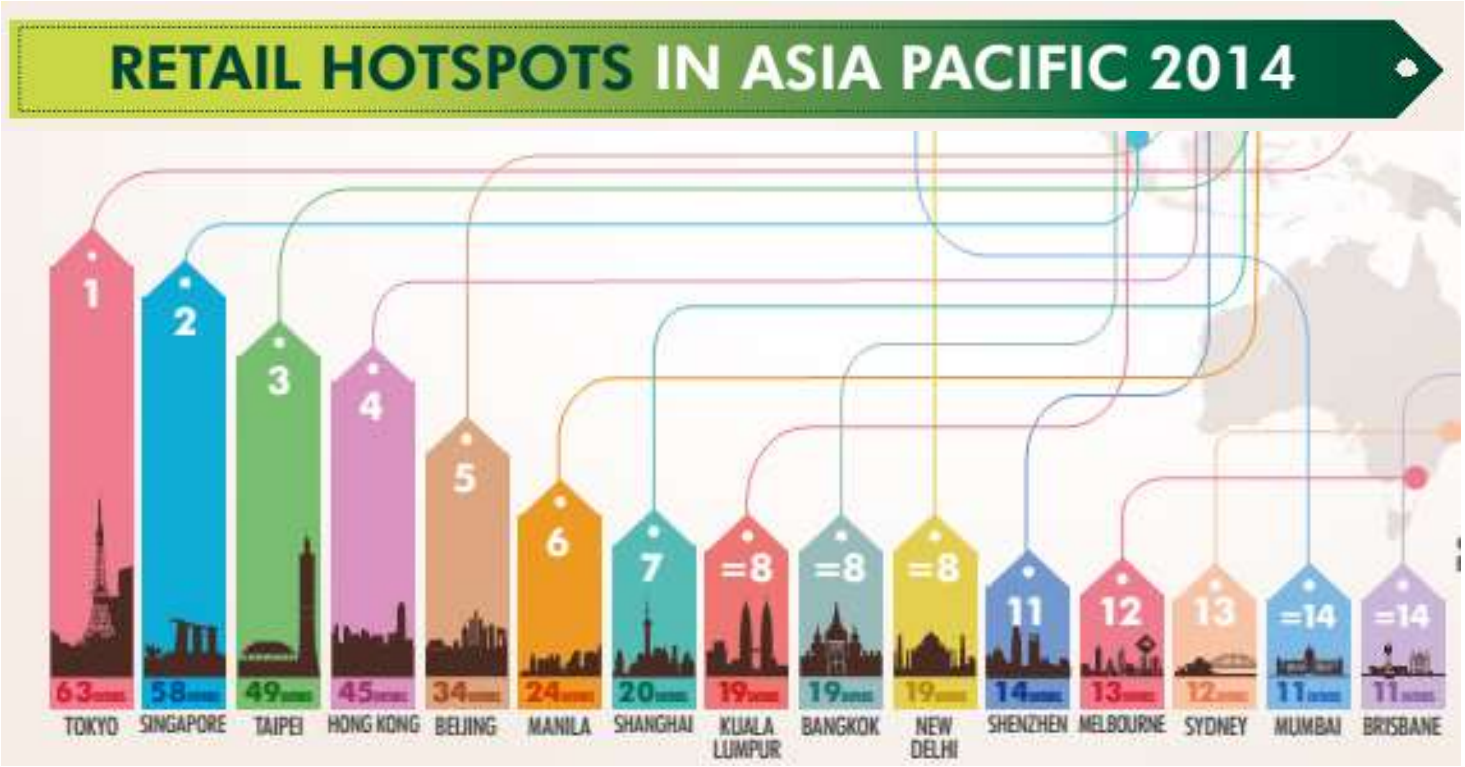
Key APAC cities with strong retailer interest



Source: CBRE Research, How Active are Retailers in Asia Pacific? May 2014

HANOI AND HCMC TOGETHER HAVE 10 ENTRIES IN 2014

Failed to get to the hotspots list



- Hanoi and HCMC didn't make it to the list. Two cities together have 10 entries in 2014:

ROBINSON LOTTE Mart BRUNELLO CUCINELLI TOPSHOP oasis McDonald's

M&S Brooks Brothers 20 FLORALPUNK 13 DUNKIN' DONUTS

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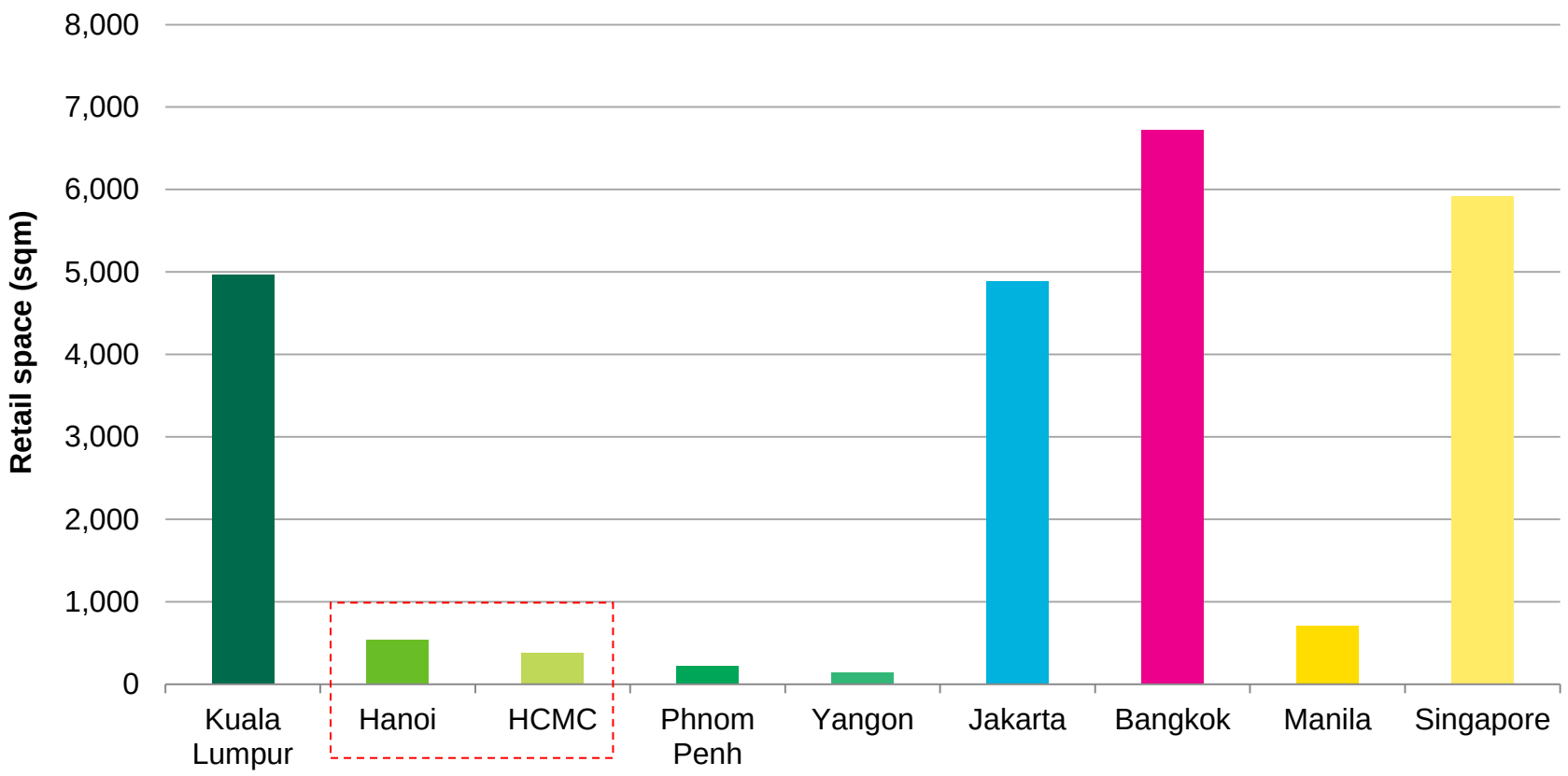
VIETNAM IS WELL BELOW ITS NEIGHBORING COUNTRIES

Modern retail space in SEA cities



Source: CBRE Research, Q4 2014.

MARKET TRENDS

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INTERNATIONAL RETAILERS EXPANSION

Asian retailers are expanding by cooperating with local retailers

AEON

Vietnam as a 2nd most important market in SEA

FIVIMART ISO 9001-2008 Citimart + AEON

CENTRAL Group + NguyenKim TRUNG TÂM MUA SẮM SÀI GÒN

BJC

FamilyMart → B's mart

FairPrice + co.opmart bạn của mọi nhà

BJC's B's Mart
→ bought 94 Family marts in Vietnam
→ aim to expand to 300 stores by 2018

Pico → LOTTE

RETAILERS RESPONSE TO INT'L INTEGRATION

TPP, AEC are coming, how do local retailers prepare?

1 Local expansion

VinMart VinPro EMIGO VinDS VINCOM Retail

New brands

New shopping malls

2 Local retailer improves brand identity

HiWAY supercenter → SapoMart

3 International style

→ FamilyMart, SHOP & GO, K, B's mart

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DEPARTMENT STORE

1999

Diamond Plaza

2005

Parkson Department Store

2013 - 2014

Robins Department Store

Lotte Department Store

2015 - 2016

Vingroup Department store

Takashimaya

CBRE

Source: Google Images

AFFORDABLE RETAIL

More Bazaar emerged

SAIGON SQUARE 3

District 3, HCMC
GFA: 3,100 sm

Opened: 1 Jan. 2015

HUNG VUONG SQUARE

District 5, HCMC
GFA: 9,500 sm

Opened: 31 Dec. 2014

Supermarket

AEON CITIMART

Go Vap District, HCMC

Opened: Jan. 2015

Rent-free Shopping Center

V+ Shopping Center – Hoa Binh Green City

Minh Khai Street, Hai Ba Trung District, Hanoi
GFA: 25,000 sqm
Open: 31st Jan 2015
Lower number of SKU's
Rental free for all store selling "Made-in-Vietnam" products

FOOD & BEVERAGE DESTINATIONS

Almaz – Long Bien Dist., Hanoi

Crescent Lake – D7, HCMC

West Lake, Hanoi

Source: Google Images

ESTABLISHED & EMERGING RETAIL NODES IN HANOI

West Lake

Korean Town – Trung Hoa Nhan Chinh

Old Quarter

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Source: Google Images

UNCONVENTIONAL RETAIL IN HCMC

Cinema in 4-star Hotel

Roof-top beer Club

Upstairs Café/ Fashion store – In small ally's

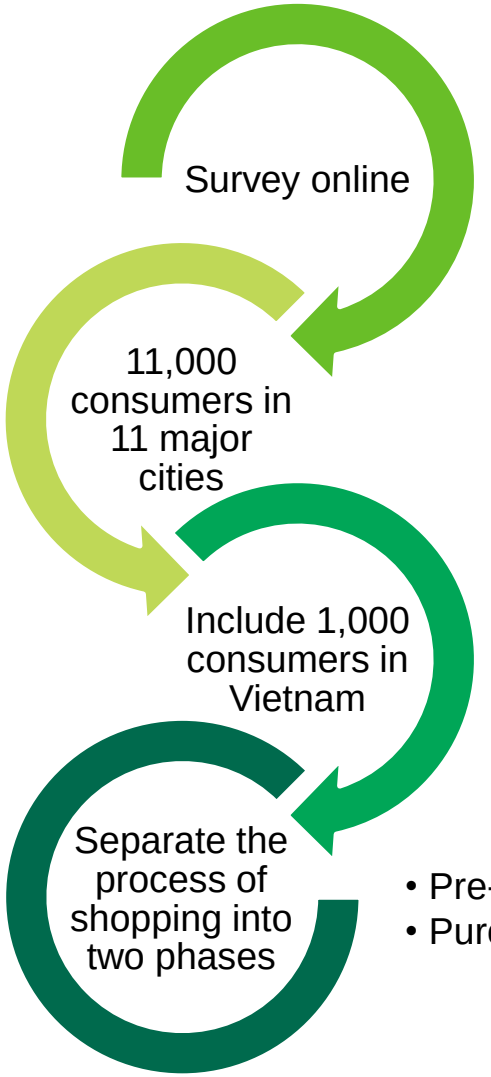
- ✓ CBD Location
- ✓ Cheaper rent
- ✓ New concept, young, cool
- ✓ Word of Mouth

CBRE

Source: Google Images

APAC CONSUMER SURVEY
VIETNAM

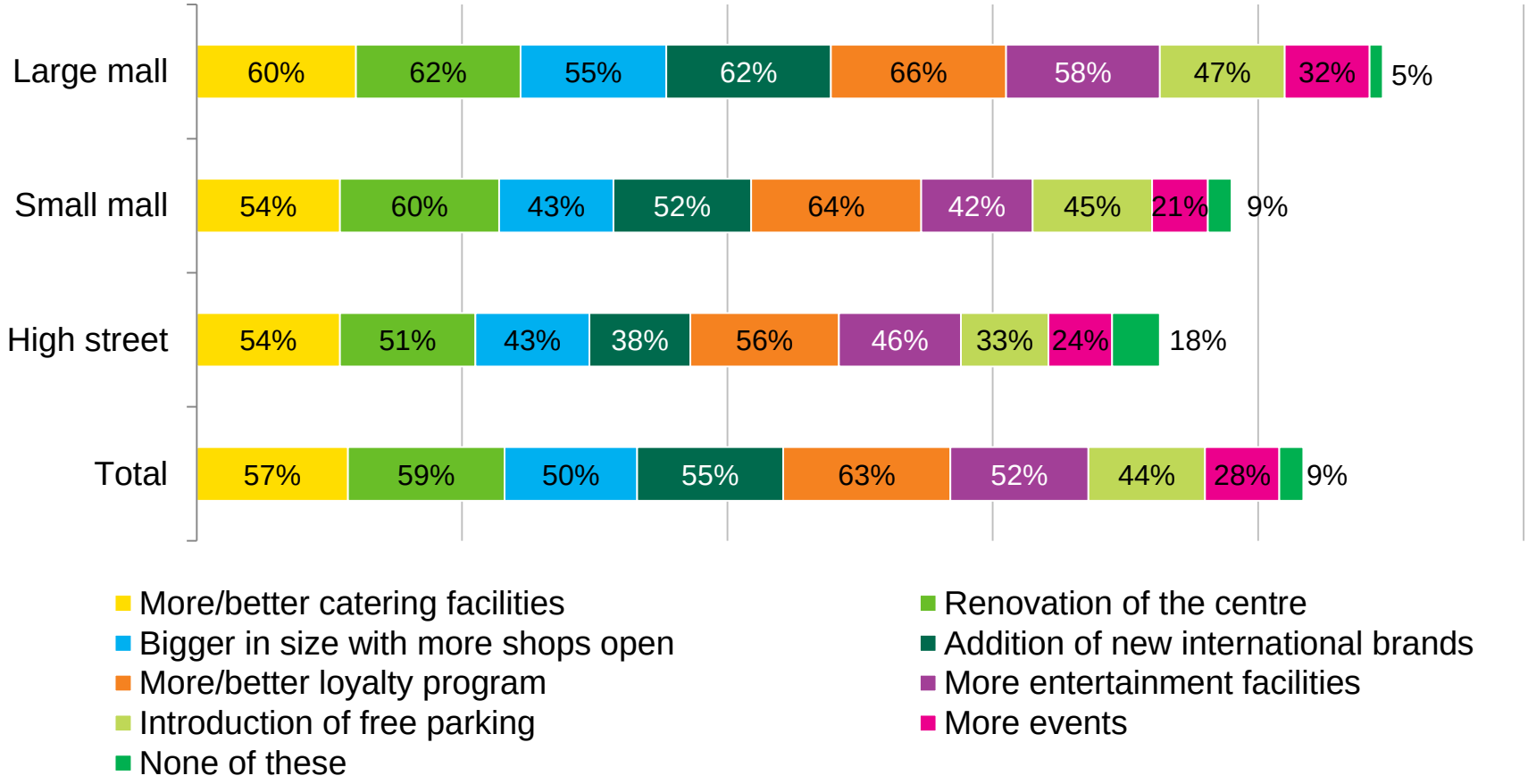
Australia
China
Hong Kong
India
Japan
Malaysia
New Zealand
Singapore
South Korea
Taiwan
Vietnam



- Pre-purchase
- Purchase

HOW DO CUSTOMERS VALUE THE IMPROVEMENTS OF SHOPPING CENTRES?

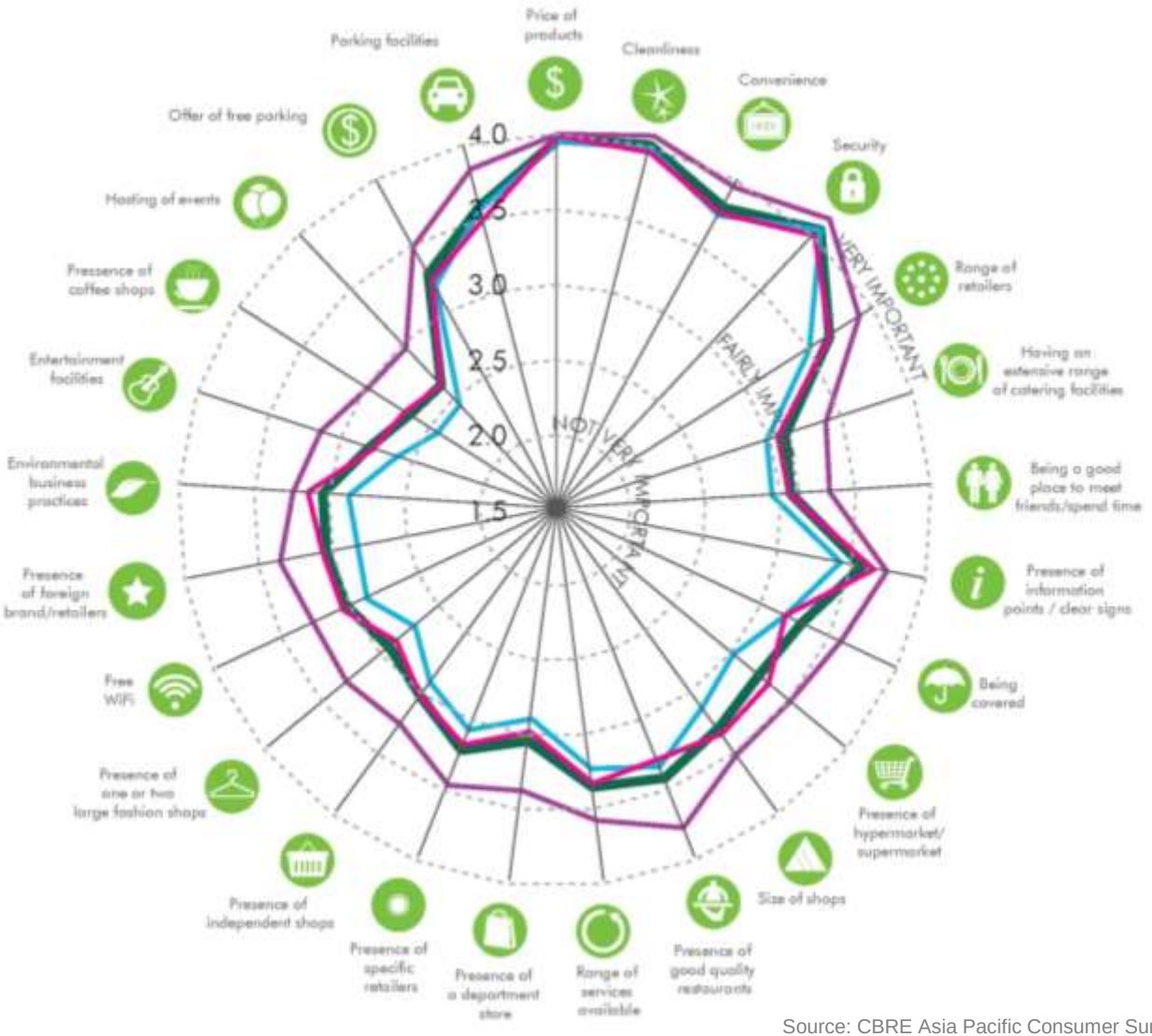
Ongoing improvements of shopping centres noticed by consumer



Source: CBRE Asia Pacific Consumer Survey, 2014.

WHAT MAKES A SHOPPING CENTRE/HIGH STREET ATTRACTIVE?

Important Factors in a Non-Food Shopping Trip

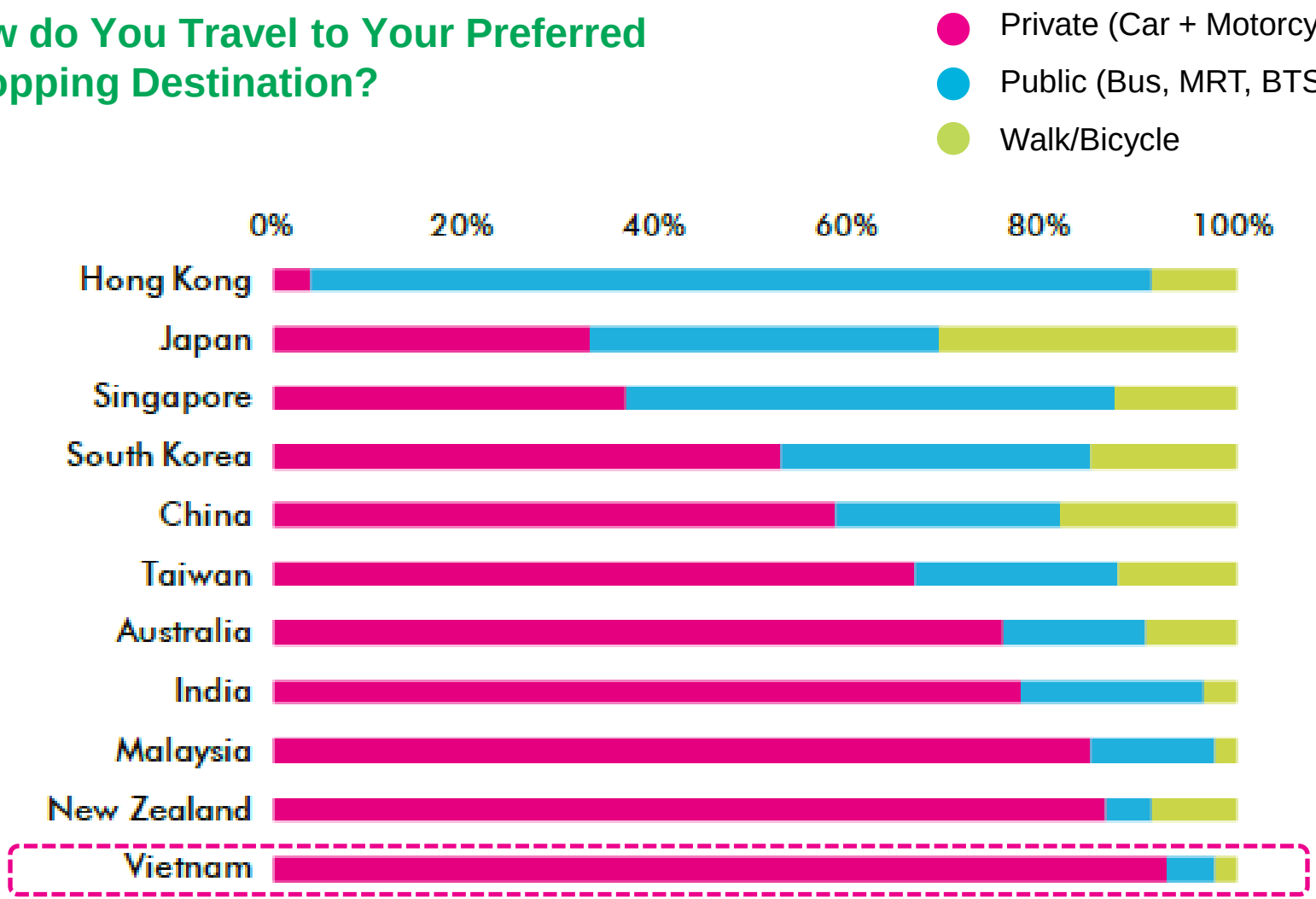


- Overall
- Low household income (<VND 4,000,000/month)
- Mid household income (VND 4,000,000 – 20,000,000/month)
- High household income (>VND20,000,000/month)

Source: CBRE Asia Pacific Consumer Survey, 2014.

HOW DO SHOPPERS REACH THEIR DESTINATION?

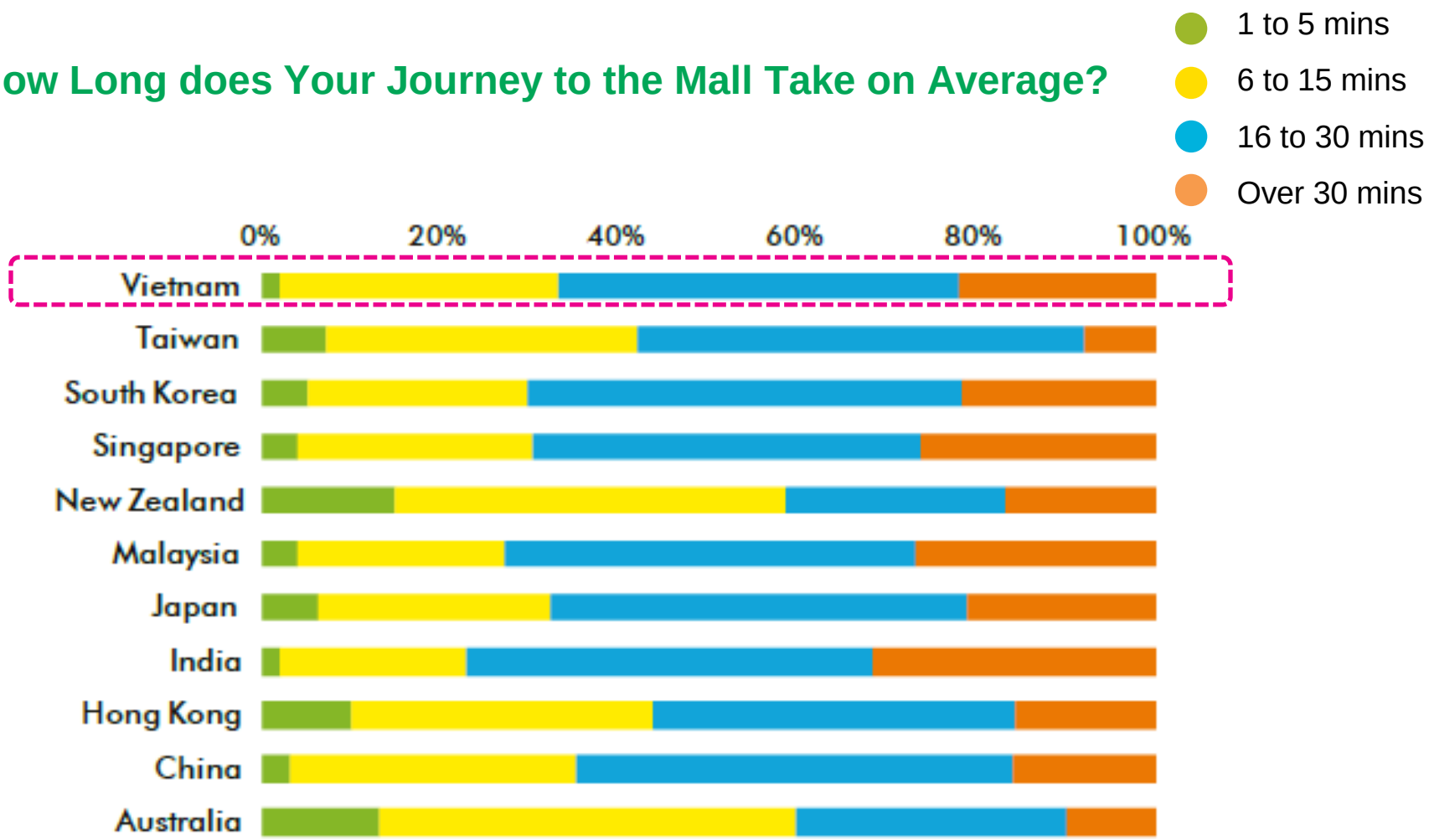
How do You Travel to Your Preferred Shopping Destination?



Source: CBRE Asia Pacific Consumer Survey, 2014.

JOURNEY TIME

How Long does Your Journey to the Mall Take on Average?



Source: CBRE Asia Pacific Consumer Survey, 2014.

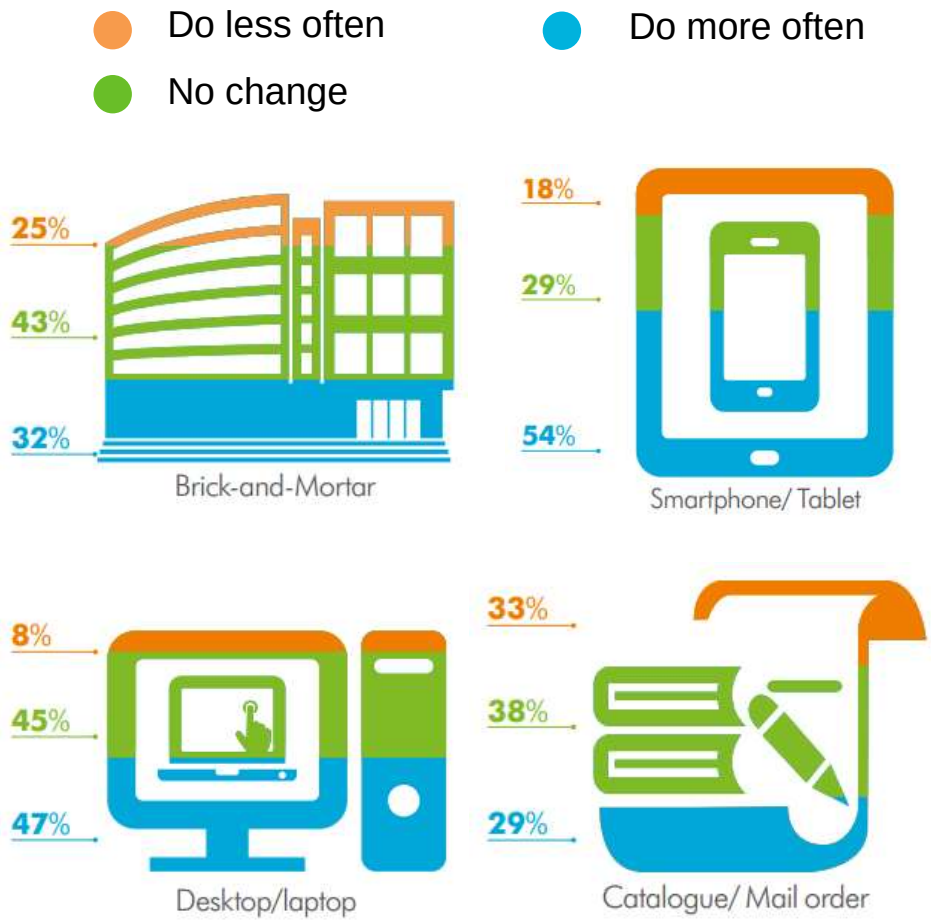
INTERACTION BETWEEN ONLINE AND IN-STORE

Over the next two years:

- **25%** of respondents expect to **shop less often in a store;**
- **45% - 50%** of respondents said that they would **shop online more often;**
- Even greater proportion of consumers (**69%**) aged from **55 to 64** actually think that they would use their **smartphone/tablet more frequently** to shop.

Adapt strategies to boost **both e-commerce and offline business activities** by

1. Leverage big data
2. Implement Online to Offline (O2O) strategies
3. Create simple and useful apps



ONLINE SHOPPING

There's enough of the pie for everyone

Source: We are Social, 2014

- ✓ **Foreigner Players keep investing**: Rocket Internet (Lazada.vn, Zalora.vn, Lamido.vn); 701Search (ChoTot.vn)
- ✓ **More Big Local Players to join market**: VinEcom (Vingroup), Sendo (FPT), VCCorp, 24h
- ✓ **Contribution from services providers:** online payment, shipping
- ✓ **Support from Government**: Vietnam E-commerce and Information Technology Agency – Ministry of Industry and Trade
- ✓ **Individual sellers:** mostly through Facebook, Instagram

COMPETITION WILL INTENSIFY…

Shopping center landlords must understand the needs thoroughly

Source: The New Age of the Asia Pacific Retail Market, CBRE Research, 2014

STRATEGIES FOR SUCCESS

CBRE recommends shopping cente landlords four strategies

Collaborate with Tenants

Incorporate tenants' business objectives into their shopping centres overall development strategy.

Embrace 'Retail-tainment'

Be more proactive in refreshing their offering to consumers and incorporating more 'experiential' elements.

Leverage Big Data

Utilise data from various social media platforms to measure and track levels of consumer engagement.

Understand the Consumer

Create retail venues that match consumers' wants and needs.

Source: The New Age of the Asia Pacific Retail Market, CBRE Research, 2014

WHAT SHOULD LANDLORDS DO TO CATCH THE TREND?

CBRE recommends retailers adapt their online strategy

Big data is here to help

Use existing data provided by customers to formulate a more tailored strategies to enhance overall shopping experience

Build your brand

Holding special events at shopping centers may not generating additional sales; however, they are the key to crafting a mall's brand and image

Create simple and useful apps

35% of survey respondents admitted to have never been using mobile applications designed specifically for shopping centers. For most app users, simplicity and ease of use is critical

THANK YOU!