VIETNAM RETAIL REAL ESTATE MARKET UPDATE

Q1 2015
Vietnam Market Overview
Market Trends
Other Indochina Markets Updates
Retailer Analytics
Legal updates on Retail Real Estate
VIETNAM MARKET OVERVIEW
Q1 2015
VIETNAM RETAIL SALES

Vietnam Car Sales

- Import duty on cars from ASEAN countries will decrease from 50% to 0% by 2018.
- Registration fee reduced from 10% - 20% to 10% - 15% in April.

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%

Vietnam Retail Sales

Source: Vietnamese General Statistical Office, Q1 2015.

Credit growth rises 0.68% in first two months

Annual Car Sales:

- Vietnam: 150,000 units
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- Indonesia: 1,250,000 units

Target credit growth:

- 2015: 13-15%
- 2M: 0.68%
- 2014: 14%
Low market attractiveness, Vietnam ranks 28/30 in 2014 GRDI

Vietnam 2014 Global Retail Development Index

<table>
<thead>
<tr>
<th>Variables</th>
<th>Score</th>
<th>Rank</th>
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</thead>
<tbody>
<tr>
<td>Market Attractiveness (25%)</td>
<td>3.8</td>
<td>30/30</td>
</tr>
<tr>
<td>Country risk (25%)</td>
<td>21.9</td>
<td>29/30</td>
</tr>
<tr>
<td>Market saturation (25%)</td>
<td>75.0</td>
<td>6/30</td>
</tr>
<tr>
<td>Time pressure (25%)</td>
<td>55.7</td>
<td>7/30</td>
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</tbody>
</table>

0 = low attractiveness, 100 = high attractiveness
0 = high risk, 100 = low risk
0 = saturated, 100 = not saturated
0 = no time pressure, 100 = urgency to enter

GRDI score 39.1 28/30

Source: The 2014 Global Retail Development Index, ATKearney.
VIETNAM 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

Hanoi

HCMC

Source: CBRE Vietnam, Q1 2015.
NEW SUPPLY AND RE-OPENING IN Q1 2015

**HANOI**

1. **SENTINEL PLACE**
   - Hoan Kiem District
   - GFA: 700 sm
   - Re-opened: Jan. 2015

2. **HOA BINH GREEN CITY**
   - Hoang Mai District
   - GFA: 25,000 sm
   - Opened: Jan. 2015

3. **63 LY THAI TO**
   - Hoan Kiem District
   - NLA: 561 sm
   - Re-opened: Feb. 2015

**HCMC**

1. **VINCOM THU DUC**
   - Thu Duc District
   - GFA: 27,860 sm
   - Opened Jan. 2015

2. **SAIGON SQUARE 3**
   - District 3
   - GFA: 3,100 sm
   - Opened: Jan. 2015
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

- **Vinhomes Central Park**
  - 59,000 GFA sm
  - Open in 2018

- **Estella Heights**
  - 37,290 GFA sm
  - Open in 2018

- **Thao Dien Pearl**
  - 20,400 GFA sm
  - Open in 2016

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

- **The Sun Avenue**
  - Open in 2016

- **Lexington Residence**
  - Open in 2016
RETAIL – VIETNAM NEW ENTRY/EXPANSION

Increasing demand from upper-middle class lures more brands

5 HCMC

5 HANOI

GUCCI

PRADA

HOLLYS COFFEE

VinMart

VinPro

EMIGO

Brooks Brothers
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:
VIETNAM IS WELL BELOW ITS NEIGHBORING COUNTRIES

Modern retail space in SEA cities

Source: CBRE Research, Q4 2014.
INTERNATIONAL RETAILERS EXPANSION

Asian retailers are expanding by cooperating with local retailers

- **AEON**
  - Vietnam as a 2nd most important market in SEA

- **BJC**
  - BJC’s B’s Mart
    - bought 94 Family marts in Vietnam
    - aim to expand to 300 stores by 2018
RETAILERS RESPONSE TO INT’L INTEGRATION
TPP, AEC are coming, how do local retailers prepare?

1. Local expansion
   - VinMart
   - VinPro
   - EMIGO
   - VinDS
   - New shopping malls
   - New brands

2. Local retailer improves brand identity
   - HiWAY supercenter
   - SapoMart
   - International style

3. International style
   - FamilyMart
   - Shop & Go
   - B'smart
DEPARTMENT STORE

1999
Diamond Plaza

2005
Parkson Department Store

2013 - 2014
Robins Department Store

2015 - 2016
Vingroup Department store
Takashimaya

Lotte Department Store

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
- West Lake, Hanoi
- Crescent Lake – D7, HCMC

Source: Google Images
ESTABLISHED & EMERGING RETAIL NODES IN HANOI

West Lake

Korean Town – Trung Hoa Nhan Chinh

Old Quarter

Source: Google Images
UNCONVENTIONAL RETAIL IN HCMC

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

Cinema in 4-star Hotel

Upstairs Café/ Fashion store – In small ally’s

Roof-top beer Club

Source: Google Images
APAC CONSUMER SURVEY
VIETNAM

Survey online

11,000 consumers in 11 major cities

Include 1,000 consumers in Vietnam

Separate the process of shopping into two phases
- Pre-purchase
- Purchase

Australia
China
Hong Kong
India
Japan
Malaysia
New Zealand
Singapore
South Korea
Taiwan
Vietnam
### How do customers value the improvements of shopping centres?

**Ongoing improvements of shopping centres noticed by consumer**

<table>
<thead>
<tr>
<th></th>
<th>Large mall</th>
<th>Small mall</th>
<th>High street</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>More/better catering facilities</td>
<td>60%</td>
<td>54%</td>
<td>54%</td>
<td>57%</td>
</tr>
<tr>
<td>Bigger in size with more shops open</td>
<td>62%</td>
<td>60%</td>
<td>51%</td>
<td>59%</td>
</tr>
<tr>
<td>More/better loyalty program</td>
<td>55%</td>
<td>43%</td>
<td>43%</td>
<td>50%</td>
</tr>
<tr>
<td>Introduction of free parking</td>
<td>62%</td>
<td>52%</td>
<td>38%</td>
<td>55%</td>
</tr>
<tr>
<td>Renovation of the centre</td>
<td>66%</td>
<td>64%</td>
<td>56%</td>
<td>63%</td>
</tr>
<tr>
<td>Addition of new international brands</td>
<td>58%</td>
<td>42%</td>
<td>46%</td>
<td>52%</td>
</tr>
<tr>
<td>More entertainment facilities</td>
<td>47%</td>
<td>45%</td>
<td>33%</td>
<td>44%</td>
</tr>
<tr>
<td>None of these</td>
<td>32%</td>
<td>21%</td>
<td>24%</td>
<td>28%</td>
</tr>
<tr>
<td>More events</td>
<td>5%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
</tr>
</tbody>
</table>

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)

How do You Travel to Your Preferred Shopping Destination?

JOURNEY TIME

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

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

- **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

Consumers are…
- More Knowledgeable & Sophisticated
- Value More on Overall Retail Experience

Retailers are…
- Cautious in Expansion
- Focus on Portfolio Review & Consolidation
- Rising interest to well-proven markets

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

CBRE recommends shopping centre 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

BRAND
Quality Product
THANK YOU!