2016 REAL ESTATE MARKET FORECAST
Presented by Mr. Troy Griffiths – Deputy Managing Director of Savills Vietnam
There's no chance that the iPhone is going to get any significant market share.  
**Steve Ballmer, USA Today, April 30, 2007.**

I see no good reasons why the views given in this volume should shock the religious sensibilities of anyone.  

Very interesting Whittle, my boy, but it will never work.  
*Cambridge Aeronautics Professor, when shown Frank Whittle's plan for the jet engine.*

Television won't last because people will soon get tired of staring at a plywood box every night.  
*Darryl Zanuck, movie producer, 20th Century Fox, 1946.*

And for the tourist who really wants to get away from it all, safaris in Vietnam.  
*Newsweek, predicting popular holidays for the late 1960s.*
REGIONAL REVIEW
### Regional peers – GDP growth

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<tr>
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<td>7.7</td>
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<td>Asia (ex Japan)</td>
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Source: Focus Economics, Consensus Forecast, ASEAN November 2015
Cross-border capital trends 2007 – 1H/2015

- Asia Pac experienced a net inflow of capital 2007-2011
- 2012 changed from West to East
- H1/2015, US$27.2B capital outflow from the East to West.

Source: Focus Economics, Concensus Forecast, ASEAN September 2015
Savills – World Office Yield Spectrum, 2H2015

- Bond yields fell substantially in Australia, Vietnam, Malaysia and South Korea and rose in Singapore and Spain.
- Effective yields firmed by average of 19 basis points over the last six months.
- Global debt +20% since 2007 GFC when it was $180 trillion. QE means historically low cost of debt. More foreign investor interest.
Housing Law amendments...good for foreigners. Savills dedicated Foreigner RE.

Single biggest risk to global economy is the destabilization of currencies (Sam Zell).

Currencies are down, but so is world trade.

USD too strong / overvalued? Zambian kwacha, isn’t (-38% Sept), now (-93%) YTD.

Source: Bloomberg
Regional retail – rent and sales growth

No inflation.

GDP strong and increasing

Retail sales high.

ADB forecasts Vietnam’s growth to accelerate during the second half of this year due to rising private consumption, export-oriented manufacturing, and Foreign Direct Investment.

Source: Savills Research, GSO, TradingEconomics.com
International tourist arrivals worldwide are expected to increase by 3.3% pa between 2010 and 2030 to reach **1.8 billion by 2030**.

Between 2010 and 2030, arrivals in emerging destinations (+4.4% pa) are expected to increase at twice the rate of those in advanced economies (+2.2% pa).

The market share of emerging economies increased from 30% in 1980 to 45% in 2014, and is expected to reach **57% by 2030**.

Source: UNWTO Tourism Highlights 2015, Savills Prime Benchmark July 2015
Demographics – aging population

Vietnam elderly;
2014 - 10.5%, 2040 – 23.0%

Ageing population alters the demand within the built environment;

• Life and Health insurance (office demand).
• Hospitals / Clinics / Aged housing.
• Retail orientation.
• Employment and skill base.
• Social changes need responses.
• Residential typologies.

• Vietnam is a low fertility country (<2.1).
• Demographic dividend is passing.
• Young population but aging quickly.
• Will pressure government and social resources.

The *transmission of global liquidity to ASEAN-5* occurred through manifold channels, including both prices and quantities. **Prices** were reflected in the declining bond yields and **quantities** were reflected in growing international debt security issuance and external loans and deposits.

- Financial landscapes in ASEAN-5 have been changing, particularly in Thailand, Singapore, and Indonesia, as evidenced by the expansion of the financial sector, and in particular, the development of **nonbanks**.

- **Risks to financial stability** seem to be emerging in ASEAN-5 economies. For instance, Indonesia, Malaysia and Thailand witnessed increases in **foreign liabilities** of banking sector. In addition, Malaysia and Thailand experienced rapid increases in **household debt**.

- Global liquidity has a pronounced cyclical nature, subject to occasional adverse shocks. The eventual tightening of global financial conditions may not plunge ASEAN-5 into an outright crisis, but it does carry risks. **The expected volatility in global financial conditions may present challenges for ASEAN-5.**

Source: IMF Working Paper, The Impact of Global Liquidity on Financial Landscapes and Risks in the ASEAN-5 Countries, Tao Sun, Sept 2015,
The Global Innovation Index (GII) 2015 covers 141 economies around the world and uses 79 indicators across a range of themes. Thus GII 2015 presents us with a rich dataset to identify and analyse global innovation trends.

The theme for this year’s GII is ‘Effective Innovation Policies for Development’.

Vietnam rank #52 (2014 – 71), #2 in Lower Middle Income.

Switzerland, the UK, Sweden, the Netherlands, and the USA are the world’s five most-innovative nations;

At the same time, China, Malaysia, Viet Nam, India, Jordan, Kenya, Uganda, are outpacing their economic peers. Demonstrate rising levels of innovation input and output results because of improvements made to institutional frameworks, a skilled labour force with expanded tertiary education, better innovation infrastructures, a deeper integration with global credit investment and trade markets, and a sophisticated business community.

For example, Kenya, India, Malaysia, Thailand, and Viet Nam have each established a National Innovation Agency.

Source: The Global Innovation Index 2015, INSEAD, Cornell, WIPO:
VIETNAM MACRO OVERVIEW

6.5%
GDP in 9M/2015
The HIGHEST rate in 9M in the last 5 years

Trade deficit
$3.8Bil
In 9M/2015

International visitors
~5.7 Mil
Down -5.9% YoY

Retail Sales
~$110 billion
Real growth 9.1%, HIGHEST in the last 5yrs

Registerd FDI capital: ~$17.2 bil, 53% YoY

FDI disbursement: $9.7 bil, 8% YoY

CPI
0.7%
In 9M/2015

USD Interest Rate
0%
Official since Sep'15

Mortgage rate
10%
Long-term loan

Remittances, 2015F
$13-$14 billion
Real estate: 20% of total remittances

Exchange rate
4%
Compared with Q3'14

The HIGHEST rate in 9M in the last 5 years

~5.7 Mil
Down -5.9% YoY

HIGHEST in the last 5yrs

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Compared with Q3'14

~$110 billion

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RETAIL – OUTLOOK 2016

NEW PROJECTS

- AEON
- Nguyenkim
- PARKSON 百盛

2014

- Vincom Retail
- SC Vivo City
- Simply Mart
- eMart
- LOTTE

x3

2015

- AEON
- Vincom Retail
- Simply Mart
- 7 Eleven

2016

M&A ACTIVITIES

- BJC + METRO
- AEON + Citimart
- CENTRAL Group + Nguyenkim
- CENTRAL Group + Vingroup
- Vingroup + Ocean Mart

- LOTTE + Diamond Plaza
- Vingroup + Vinatex Mart

- CENTRAL Group + Pico

Sustainable sales
Gross occupancy cost
Affordable rent
Viability of development
Grade A and B YoY: 2016 - 4%, 2017 - 9%.
CRE strategy to optimize space and cost are critical in the near term.
Infrastructure and linkages will change; Metro, Bridges, Connections.
Limited large floor plates at reasonable cost are difficult to find.
Expansion or entry will have to be juggled with expiry profiles and availability.
Development of major CBD sites and Thu Thiem peninsular.

Source: Savills Research & Consultancy
HOTEL – OUTLOOK 2016

Improved CONNECTIVITY from HCMC

3 new routes

7 enhanced-flight routes

Upsurge in DOMESTIC tourists

+53% YoY

Continued shift-share effect

With other tourist cities: Ha Noi, Nha Trang, Da Nang, Phu Quoc

All time high growth rate of domestic tourists in Viet Nam

9M/2015

Mil people

Tourist volume

Growth rate

%
Strong supply side competition.
Residential yield pressured.
Buy to let apartments.
Operators transferring risk. MA's.
Short stay and Hotel competition.
APARTMENT – OUTLOOK 2016

- Simple analysis.
- YE 2014, City definitions and boundaries vary,
- Total *primary* transactions per population,
LANDED PROPERTY – OUTLOOK 2016

- Landed / Residential estates for the mass market.
  - ‘Healthy’ market dominated by owner occupiers,
  - High amenity content,
  - Future ‘brand’ value / sense of place,
  - Common facilities - ‘residential resort’,
  - Improving connectivity and good linkages.
    - Ring roads, Bridges, Metro

- Price differential to apartments is moderate.
- Townhouses provide lower cost higher value.
- Vn household occ promotes 2 residences for 3 generations.
- Affordable landed property is more desirable than apartments.
- High end Villas remain a store of wealth.
Savills has topped the real estate agents/advisors in the 2015 UK Business Superbrand chart for the seventh consecutive year, ahead of all industry competitors.