



Q4/2012

REAL ESTATE HIGHLIGHTS

HO CHI MINH CITY

Knight Frank

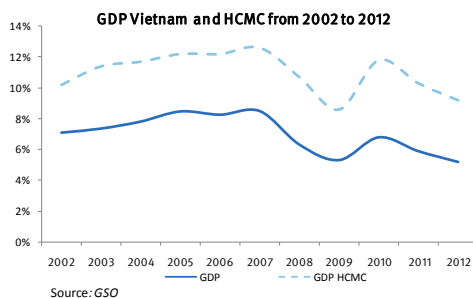
HIGHLIGHTS

- Unfortunately, there appears to be limited positive signals for the property market in 2013 and we would expect further price corrections in most segments.
- At present, the existing residential supply is still increasing, however the selling price is continuing to experience a downward trend in both the primary and secondary markets.
- Many developers, banks and Government stimulation policies and incentives have failed to increase demand and market confidence. This could primarily be a result of the residential selling price being relatively high compared to the income of the majority of residents.

ECONOMIC & LEGAL UPDATE

Economic Overview

GDP

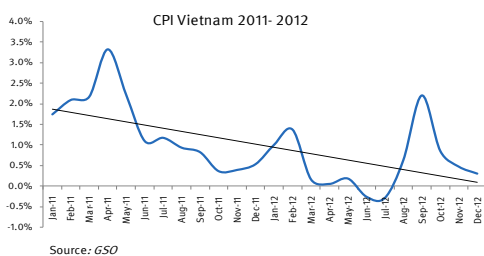


According to the General Statistic Office (GSO), for the entire period of 2012, GDP was estimated to have grown approximately 5.03% compared to the previous year. This number is lower than 5.89% in 2011.

The HCMC GDP growth rate reached 9.2% in 2012, with this number being slightly lower than last year (10.3%).

This is the second year in which GDP within HCMC and the entire country continues to decrease.

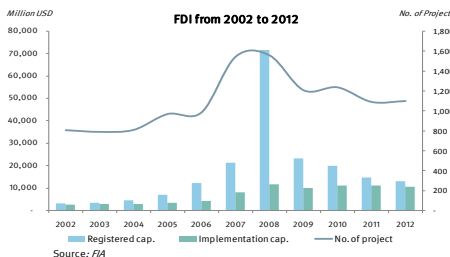
Consumer Price Index (CPI)



The GSO reported CPI in Vietnam in 2012 showed an increase of 9.21% compared with CPI in 2011, this number is lower than the target of 10% set by the Government.

In addition, the Ho Chi Minh Statistic Office, reported the CPI in November 2012 increased only 0.1% compared with October 2012. this is an increase of 3.9% compared with CPI earlier this year and an increase of 4.66% compared with the same period of last year.

Foreign Direct Investment



According to the Foreign Investment Agency (FIA), for the entire period of 2012, Vietnam attracted approximately US\$13 billion of FDI, a decrease of 15.3% compared with the same period last year. The registered FDI in Vietnam has reduced in the last four years and has failed to meet the target set by the Government during this period.

Balance of Payment



According to the GSO, total export turnover for the entire period of 2012 is US\$114.6 billion, an increase of 18.3% compared with the same period in 2011 and total imports is US\$114.3 billion, an increase of 7.1% compared with the same period of last year. The trade surplus for 2012 reached US\$284 million. This is the first time since 2001, the balance of payments is in surplus.

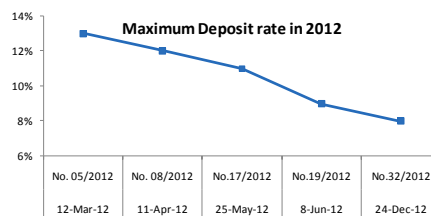
Exchange rate (USD/VND)

In 2012, for the first time in four years, the exchange rate is under control and appears to have stabilised. The inter-bank average exchange rate is around 20,828 for a sustained period of time. The stabilisation of the value of the Vietnam dong helps stabilise the macro-economic situation in Vietnam.

Vietnam foreign exchange (forex) reserves:

According to the Ministry of Planning and Investment (MPI), forex reserves has risen from US\$9 billion in 2011 to US\$20 billion in 2012, equal to 11 weeks of imports. This is the first time that Vietnam's forex reserves have almost meet the IMF's norm for the assessment of a safe forex reserve.

Legal Update



The SBV issued Circular 32/2012/TT-NHNN taking effect on 24 December 2012 on the new caps on deposit interest rates. Thus within 2012, the SBV issued 5 circulars amending the maximum interest deposit rate from 12% pa to 8% pa.

Decision No.51/2012/QĐ-UBND dated on 19 November 2012 and taking effect on 29 November 2012 stipulates for the regulations on building and the announcement of the real estate market price index in HCMC. According to this decision, the properties are classified by apartments, private townhouses, land plots and office for lease. The real estate market price index will be published after 15 days at the end of each quarter, with published information starting from Quarter 1/2013.

Decision No.56/2012/QĐ-UBND dated on 10 December 2012 and taking effect on 10 January 2013 issued the regulations on procedures for determining the financial obligations of the market price when the government allocate land, leased land, changing of the purposes of the land use (conversion fee), and the transformation of the land use from land lease to land allocation in HCMC.



APARTMENT FOR SALE

Market Performance

The final quarter of the year is traditionally expected to be a good time to buy a new house before the Tet holiday. As a result, many developers have launched their final products or the new launching phase with the promotions together to utilize the interest of customers.

Market conditions have meant that many developers have been forced to decrease selling prices from 10%-20%. However, other types of incentives including discount, presenting the luxury interior package, no interest rates applied in payments, free car parking lot, etc have been also utilised as a business strategy in these difficult times.

Although the market continues to experience difficult times, there are some bright points. In November 2012, Sunrise City project have launched phase 2 - Central Towers with approximately 800 units. There are 126 apartment units that were reportedly sold in this launch, according to the developer Novaland. These positive sales rate could be due to the good financial aid program with no interest rates during the five years of payments.

The affordable segment also witnessed some projects which had good absorption rates. For example, Ehome 3 Saigon West developed by Nam Long Group, located in Binh Tan District reportedly sold 230 of the first 320 launched units. Also, a newly launched project in District 7 - Hoang Anh Thanh Binh which has a good location and a selling price starting from VND19.2 million (US\$921)/m², reportedly sold 400 of the total 620 launched units. This project is considered a notable phenomena in the current 'frozen' market.

Due to the low absorption rate, Le Thanh Twin Tower project, Binh Tan District has introduced a new business strategy by leasing 40 apartment units (around 35m² in size) over 15 years with the rental rate

is approximately VND 1.3 million (US\$62)/month, equal to VND 240 million (US\$11,500) over 15 years.

The secondary prices have also been decreasing by approximately 20% compared to the same period last year. As the market liquidity currently has not had any positive signals, the investors in this market could be still pressured to further decrease prices.

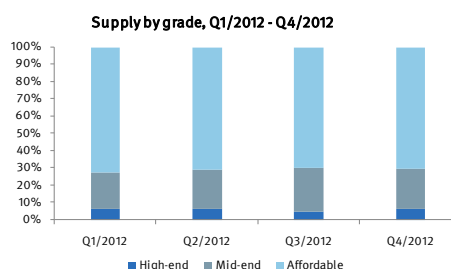
Supply



Hoang Anh Thanh Binh - District 7

There are three projects that were launched at the end of this year including Hoang Anh Thanh Binh, District 7 (620 units), Sunrise City Central Towers, District 7 (800 units) and Cheery 4 Apartment, Thu Duc District (500 units). However, total newly launched units in Q4/2012 decreased 13% q-o-q and 16% y-o-y. The affordable projects are still the majority, occupying approximately 70% of the total supply.

Dragon Hill Residence and Suites located in Nha Be District has announced to relaunch at the end of December 2012. The project is now completed and provides approximately 350 apartment units.



Source: Knight Frank Vietnam Research & Consultancy

The selling price for new projects launched in Q4/2012 ranges from VND13.5 million (US\$645) - VND21.9 million (US\$1,050)/m² for the affordable segment and from VND35 million (US\$1,680) - VND46 million (US\$2,200)/m² for the high-end segment.

Demand

The majority of current demand emanates from the end-user buyers and not the speculators that were prevalent during the peak period five years ago. The affordable segment still attracts many potential buyers. The selling price of this segment ranges from VND11.5 million (US\$550) - VND21.9 million (US\$1,050)/m² with units ranging in size from 45-70m².

Outlook

In the next three years, there is approximately 41,000 units planned to enter the market and these projects are mainly located in District 2, 7, 9 and 8. However, the property market is expected to face many difficulties in 2013 that could result in many upcoming projects becoming delayed or postponed.

KNIGHT FRANK COMMENTS

Some commercial banks have announced they will pour capital amounting to thousands of billion Vietnamese dong into the real estate market, however the lending rates are still high for the average income persons who are the target market at present.

The effects from some current incentives offered by developers and policies from the authorities have not been strong enough to the buyers' psychology to increase the market confidence of the buyers. It is forecasted that the apartment for sale market will continue to face difficult times throughout 2013, however it may present some opportunities for investors with long term strategies.

VILLA, TOWNHOUSE, AND LAND PLOT FOR SALE

Market Performance

The landed property market in 2012 closed with a continued period of market decreases in most areas. Even though the bank and government kept strengthening the financial support to the end buyer, the fourth quarter still witnessed the market drop with a decrease in transaction rates and the absence of any new projects.

The affordable segment, which drove the market in the previous quarter, experienced a decrease in transaction volumes. The transaction rates in Binh Chanh, Thu Duc, Nha Be and District 9 in the fourth quarter is approximately two thirds of the third quarter. The demand for the upper segment remain unchanged at a very low level. Only few transactions were recorded in prime locations, and mainly for occupying purposes.

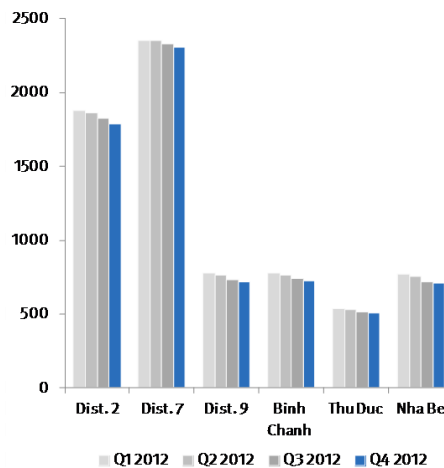
District 9 was leading the downward trend during the year 2012, with a 12% decrease on a year-on-year basis, followed by Thu Duc, Nha Be, Binh Chanh, and District 2 with decreases from 6% to 10%. The prime locations such as Phu My Hung, and other areas in District 7 and 2 experienced smaller price falls, mainly attributed to their location and existing facilities.

The year 2012 also noticed further decreases in the secondary market, mainly as a result of the attempt of the speculators to exit the market to avoid suspected further losses.

The last quarter is the second consecutive quarter where we witnessed no new supply to enter the market. As a result, the supply for 2012 was the lowest position since 2009 with approximately 80 units supplied to the market for the entire year.

The developers continued to push the affordable land plots in neighboring

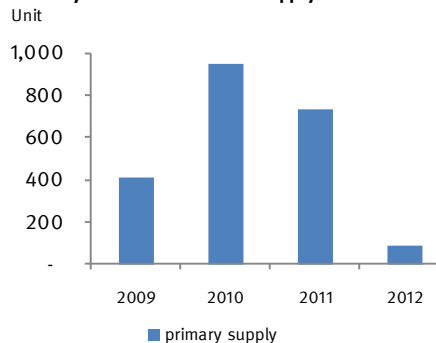
Ave. Project Land Price in Major Areas
 US\$/m²



Source: Knight Frank Vietnam Research & Consultancy

provinces of HCMC to the market through several advertising tools. However, the attractiveness was weak and the transaction rates dropped significantly from the first launch, although the price generally remained unchanged.

Primary Villa & Townhouse Supply



Source: Knight Frank Vietnam Research & Consultancy

Outlook

2013 is expected to witness the strong stimulation of the government on end user buyers. However, we expect the market confidence in 2013 will remain

weak. The land plot market is no longer considered at an attractive investment in the short and medium term period to buyers.

The future supply in the high end market will be very limited within 2013, with most new projects to be launched in the affordable segment, especially in the suburban areas.



KNIGHT FRANK COMMENTS

The current situation has resulted from the low confidence of the buyer within the market. Most cash rich buyers have reservations on good returns from their real estate investment. Meanwhile the occupying buyer, who are generally are affected by the economic downturn, cannot afford to invest at the current market rates.

We expect a further drop in market price to meet the majority of demand. District 9 with fully developed infrastructure is expected to lead the market trend.



SERVICED APARTMENT

Market Performance

Although the market is changing due to the economic crisis, the serviced apartment segment is showing resilience in HCMC. There are over 234 serviced apartment units that came onto the market in Q4/2012. The total supply of serviced apartment units at the end of 2012 is around 3,934 units. The Ascott has been awarded a contract to manage a 100 - unit serviced apartment building within The Vista project developed by CapitalLand within District 2. This is the fourth project announced to be managed by Ascott in HCMC. Ascott also manages The Vista Residences, a 168—unit apartment building located within The Vista Complex. The Vista Residences provide lower rental units for the tenants with more flexible options of furnished and unfurnished units.

There are three serviced apartment projects that came online within District 3. An Phu Plaza located on Ly Chinh Thang Street provides 54 fully furnished and non-furnished units, Q Residence located on Pasteur Street provides 60 units and another Grade C serviced apartment located on Nguyen Thong Street also provides 20 units to the market.



At the year-end period, many tenants potentially look for other options after lease expiry. As such, landlords have given more promotions on rental price at this time to attract and maintain tenants. That is another reason why the current average rental rates of both Grade A and Grade B have decreased slightly in Q4/2012, a decrease of approximately 5% compared to the previous quarter.

The occupancy rate for Grade A is reasonably stable at 90% while the occupancy rate for Grade B stock decreased slightly due to the low occupancy of new buildings.

Below is a summary of some special features of the serviced apartment market throughout 2012:

- Approximately 380 new serviced apartment units came onto the market.
- More buildings changed the function to serviced apartment from office, apartment for sale etc.
- More projects are managed by the international operators and the real estate agencies in lieu of in house management.

Demand

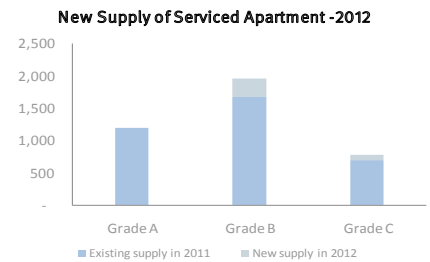
The demand of serviced apartments in HCMC is almost from expatriates who require accommodation for their working period in Vietnam. This indicates that the serviced apartment market highly depends on expatriate communities and global economic forces. In the difficult economic circumstances, many foreign companies have limited the number of expatriates or reduced the budget accommodations. The serviced apartment

demand in Q4/2012 is quieter than the previous quarter with the most common budget for tenants ranging from US\$2,000 to US\$2,500/month.

Competitors

Due to the limited budget of tenants, most new projects such as The Vista or An Phu Plaza have given more flexible options for their tenants in choosing furnished or non-furnished units and a variety of services. These options help serviced apartments compete with buy-to-let apartments.

Besides the promotion programs, most developers cooperate with a well-known international operators or real estate agencies to provide professional services to add prestige or credibility to a project.



Source: Knight Frank Vietnam Research & Consultancy

KNIGHT FRANK COMMENTS

Short term leasing is a popular option that many landlords have applied for unoccupied units. During the Christmas and New Year's Eve Holiday, daily leasing appears to be attractive to foreign travellers and overseas Vietnamese.

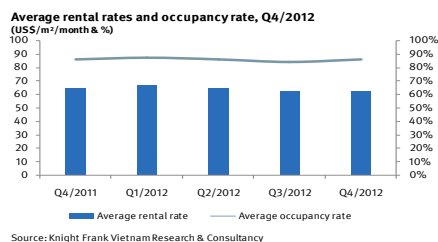
In 2013-2014, the large new supply of serviced apartment that is forecasted to enter the market will put further pressure on the rental and the occupancy rates.

RETAIL

Market Performance

Although there have been some rental rate decreases for some retail projects, the average rental rate still remains stable compared to the previous quarter due to the high rental rates achieved in the new shopping centre-Vincom Centre A. Prime retail space is currently peaking at rates of approximately VND3,8 million (US\$184)/m²/ month.

Two new shopping centers including Vincom A, District 1 and Pandora Plaza, Tan Phu District have achieved high occupancy rates, culminating in the average occupancy of the existing retail projects increasing 2% compared to the last quarter, at 86%.



Sources: Knight Frank Vietnam Research & Consultancy

* The rental rate include service charge but exclude VAT

Demand

The retail sale value of goods and services in the first eleven months of 2012 in HCMC increased approximately 8.3% year on year excluding price volatility.

Demand for street-front-stores still continues, with some new fast food stores such as Domino Pizza, Pizza Hut, Baskin Robbins, etc. that have expanded in good locations to meet the demand of Vietnamese shopping habits. Some notable information in the retail market in Q4/2012 include:

- Hewlett-Packard Vietnam (HP), opened the first HP Premium store in Vietnam. The store is located on the third floor of Crescent Mall, District 7 covering

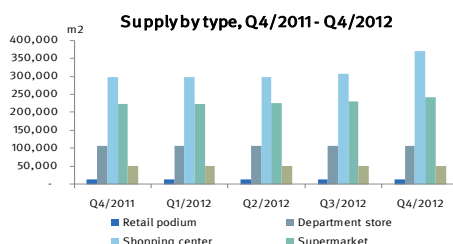
approximately 175m².

- Starbucks Coffee, a US coffee giant, has planned to open the first coffee shop in Q1/2013. The coffee shop is approximately circa 300m² and is located in the prime location at New World Hotel, District 1, HCMC.
- After one year of testing operations, Burger King, one of the US fast food brands, officially inaugurated its first restaurant in the centre of HCM City on October 2012. Burger King intends to open 12 restaurants in Hanoi, HCMC and Da Nang.

Supply

Q4/2012 has witnessed a relatively large new supply of retail space from shopping centers and supermarkets. Vincom A Shopping Center which covers approximately 38,000m² of retail space, opened in October 2012. This is the 5th shopping center in the chain of Vincom Center shopping centers invested and managed by VinGroup. Vincom Centre A has attracted many international brand names and is expected to become a luxury shopping center in HCMC due to its prime location.

A new shopping center in Tan Phu District- Pandora Plaza (five floors-25,500m²) has entered the market. Some main tenants are Big C Truong Chinh supermarket, Megastar Pandora, Nguyen Kim Electric Supermarket, etc. Some supermarkets have also expanded their operation including Co.opmart Hoa Hao, District 10 (3,500m²); Vinatex Tan Quy, Cu Chi District



Source: Knight Frank Vietnam Research & Consultancy

(1,000m²) and Big C Truong Chinh (7,000m²) in Tan Phu District. The new supply indicates the expansion trend of the supermarkets in suburban districts such as Cu Chi and Tan Phu.

Currently, total modern retail space in HCMC is over 780,000m² including retail podiums, department stores, shopping centres, supermarkets and wholesale centres. This supply has increased approximately 11% quarter on quarter and 13% year on year. The market share of shopping centers is high, occupying 47% of the total current supply.



Outlook

C.T Group and Parkson Vietnam signed the construction progress agreement in which C.T Group will hand over first six floors of retail space (11,400m²) at Léman C.T Plaza, District 3 to Parkson Vietnam in March 2013.

There is over 1.4 million m² of retail space expected to enter the market in the future. Some notable retail spaces include Pico Plaza, Tan Binh District; Times Square, District 1.

KNIGHT FRANK COMMENTS

According to the planning of Ministry of Trading, there are approximately 500 new supermarkets that are planned to enter the market throughout Vietnam. The planning also targets 180 department stores and 157 shopping centers by 2020. This planning will potentially create many opportunities for new international and local retailers.



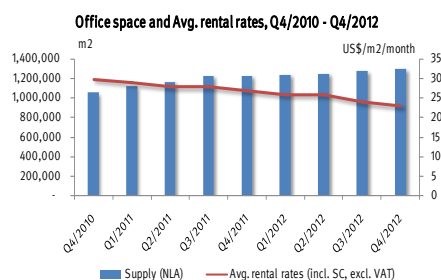
OFFICE

Market Performance

We have witnessed a slowdown in demand for office space in Q4/2012 as difficult economic conditions and budget constraints take their toll. Also, with FDI into Vietnam decreasing and companies reducing headcounts, this has also impacted upon the demand for office space. Many companies have been forced to cut costs and there has been a reluctance to move premises due to capital expenditure costs. Generally a company will only move if the effective rent is lower than their existing agreement or if they are able to achieve a cost neutral position. At this time, it is very rare for a business to upgrade premises where they are faced with a higher effective rental level.

We have witnessed rental rates in the Grade A sector decrease slightly in Q4/2012 to approximately VND646,000 (US\$31)/m²/month, exclusive of management charges and VAT. Bitexco Financial Tower now has a commitment rate of approximately 65%, with the premium floor plates at the top of the building remaining. President Place, a high quality boutique Grade A office building with an acquired Gold LEED environmental rating has achieved a pre leasing occupancy/commitment rate of approximately 35%. The office component of Times Square, reportedly has a pre leasing/ occupancy rate of 65% and is expected to be completed in Q2/2013.

The difficult market conditions in Q4/2012 has affected the leasing in these buildings as the asking rentals are above



Source: Knight Frank Vietnam Research & Consultancy

the budget of many companies, however, they are expected to continue to be attractive to 'Blue Chip' type tenants, where budget constraints are not necessarily a major consideration.

The remaining established 6 Grade A office buildings continue to boast high occupancy rates in the circa high 90% range, proving their resilience in maintaining existing tenants and adapting to changing market conditions. It is interesting to note that there is no available Grade A office space for lease over 1,000m² on the one level in HCMC.

Although most enquiries for office space has emanated from the Grade B segment of the market, rental rates have still decreased slightly to VND438,000 (US\$21)/m²/month in Q4/2012. An Phu Plaza entered the market this quarter and has seen reasonable enquiries and take up including PPF who have acquired 1,650m² of space. Other notable leasing deals in this quarter include the 3,000m² renewal of Nike in Metropolitan, Diageo (916m²) in Presidents Place, Zuellig Pharma (circa 3,200m²) in Maritime Bank Building, Nivea (circa 1,000m²) in Centec, Michelin (550m²) in Ree Tower and China Shipping in BFT (550m²).

Supply

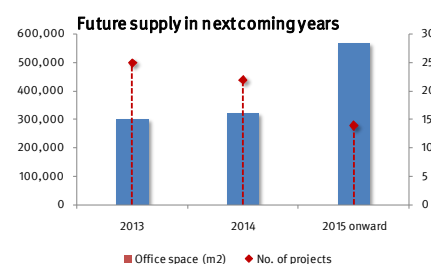
There are five new office for lease buildings that have entered the market with approximately 33,000m² in the last quarter of this year. These projects are classified in the Grade C segment and located in districts such as Tan Binh, Phu Nhuan, Binh Thanh and District 3. Total existing supply achieves at nearly 1.3 million m² in which the Grade B occupies the largest market share at 48% while the Grade A and C occupies 10% and 42% of the total supply respectively. The existing supply showed a slight 5% increase compared the same period last year.



President Place - District 1

Outlook

Rental rates are expected to continue to come under pressure with the addition of new Grade B stock that are planned to be completed in the first half of 2013, including Lim Tower (33,000m²) and HTMC Office Building (26,000m²), which are both located in District 1.



Source: Knight Frank Vietnam Research & Consultancy

KNIGHT FRANK COMMENTS

We would expect rental rates for the office segment in both the Grade A and B markets to continue to decrease predominately due to restrictions in tenant budgets and the willingness of the landlords of the to maintain occupancy levels in the existing buildings.



Americas

USA

Bermuda

Brazil

Caribbean

Australasia

Australia

New Zealand

Europe

UK

Belgium

Czech Republic

France

Germany

Hungary

Ireland

Italy

Portugal

Romania

Russia

Spain

The Netherlands

Ukraine

Africa

Botswana

Kenya

Malawi

Nigeria

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