

5 Oct 2011

Savills Report on Ha Noi Real Estate Market

Q3/2011



1. Office for Lease

Supply

The total stock of office space is over 868,000 sq m, up 9% quarter-on-quarter and 21% year-on-year.

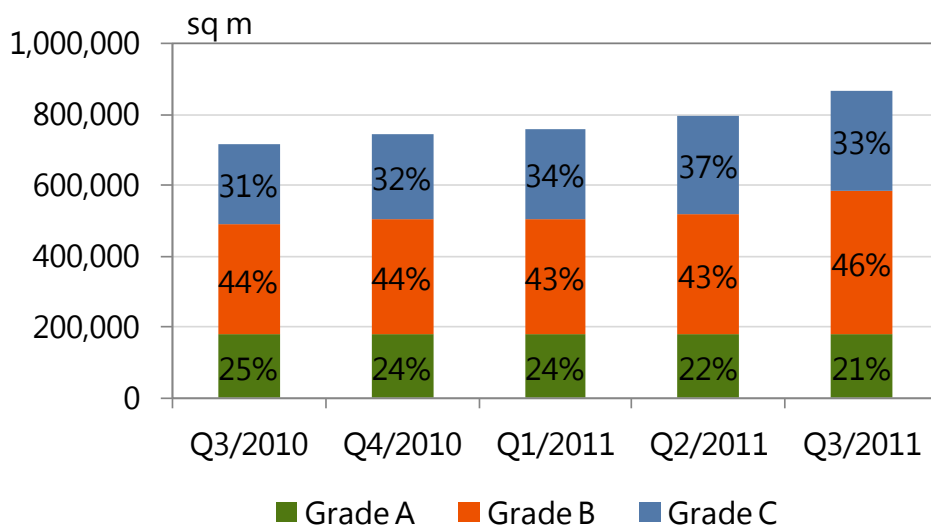
One Grade C and four Grade B office buildings entered the market this quarter, supplying approximately 70,000 sq m. In addition, one office building was removed from the existing list because the owner is reviewing their business strategy.

Hoan Kiem and Cau Giay districts are the main providers of office space, accounting for 47% of total stock.

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Current stock



Source: Savills Research and Consultancy

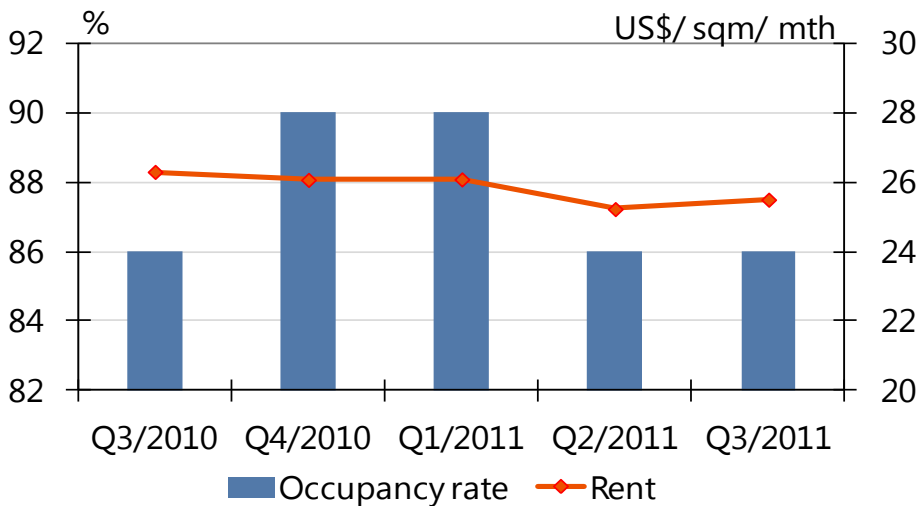
Market Performance

The overall market performance remained stable quarter-on-quarter. The occupancy rate was 86% and rent was US\$25.5/ sq m/ mth. Hoan Kiem remains the best performing district in both average occupancy and rental rate.

Investors started to pay more attention to the office for sale market this quarter. This market consists of nine buildings from six districts, including Ba Dinh, Cau Giay, Dong Da, Ha Dong, Thanh Xuan, and Tu Liem.

The primary asking price amongst all grades of office for sale buildings decreased slightly quarter-on-quarter, ranging from US\$1,000 to US\$2,150/ sq m/ leasehold term of 32 to 49 years excluding VAT.

Performance



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Source: Savills Research and Consultancy

Demand

The total office take-up was approximately 36,600 sq m, a significant increase of 59% quarter-on-quarter. Continuing the trend from the previous quarter, Grade B office take-up achieved 80% of total office take-up, reaching approximately 29,000 sq m.

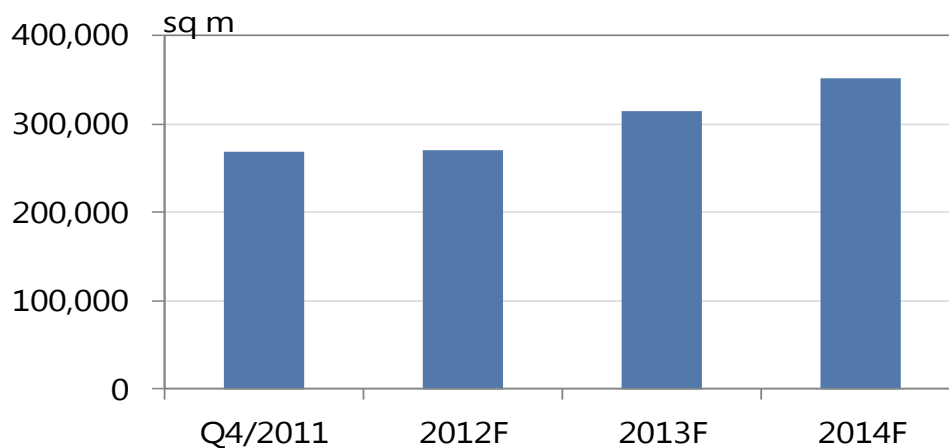
Building owners are now offering more incentives such as free architect designs, no rent in the period of designing and fitting out, or flexible payment period (monthly or quarterly).

Outlook

In the next three years, approximately 1.2 million sq m of new office space will enter Ha Noi's office market.

However, this figure could change significantly due to the tough economic situation as well as the quiet performance of the overall office market.

Future supply



Source: Savills Research and Consultancy

2. Serviced Apartments



Supply

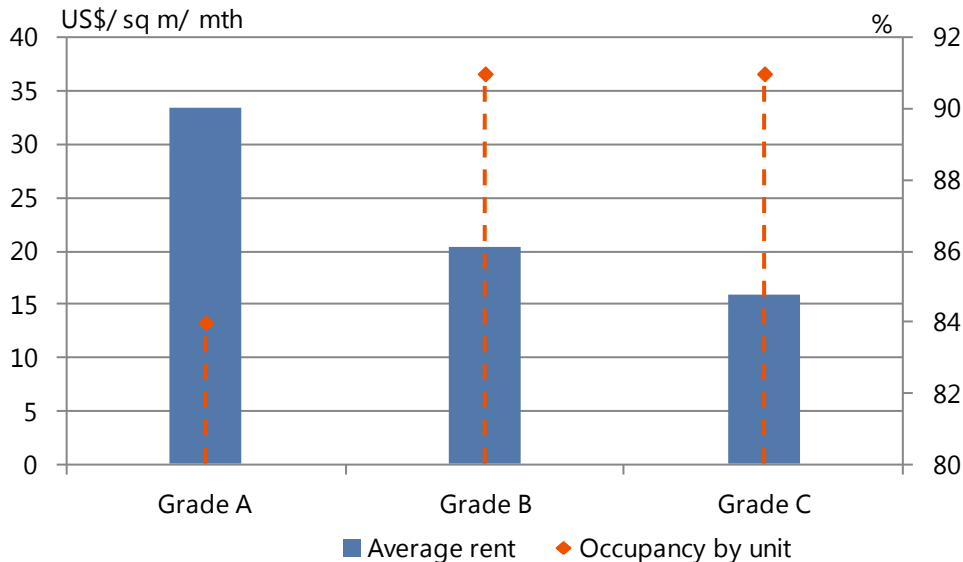
Current stock totals 2,459 units from 43 buildings. Ha Noi Lake View Apartment, a Grade A building, is renovating 14 of its 4-bedroom apartments, thus decreasing the current stock slightly by -0.6% quarter-on-quarter.

No new serviced apartment projects entered the market in Q3/2011.

Market Performance

The average occupancy rate of the overall market remained at 87%, while the average rent decreased by -1.7% compared with the previous quarter.

Market performance



Source: Savills Research and Consultancy

* The average rent was based on long-term contract, "includes service charges but excludes VAT"

Grade A occupancy remained at 84%, unchanged QoQ, while Grade B decreased slightly by -1% and Grade C increased slightly by 1% compared with Q2/2011.

The average rent of Grade A decreased by -2% QoQ, Grade B had no change while that of Grade C decreased by -2% compared with last quarter.

Demand

Ha Noi's master plan was approved by the Prime Minister in July, which may boost the real estate market in Ha Noi as well as the serviced apartment market in particular.

Viet Nam is an attractive market to international firms for local acquisitions, which may draw more expatriates to work here. There were 63 mergers and acquisitions in the first nine months of 2011, approximately US\$2.67 billion, increasing 150% year-on-year, according to a survey by StoxPlus Financial Media.

Outlook

In the next three years, Ha Noi's serviced apartment market is expected to receive 31 projects, providing approximately 2,600 units.

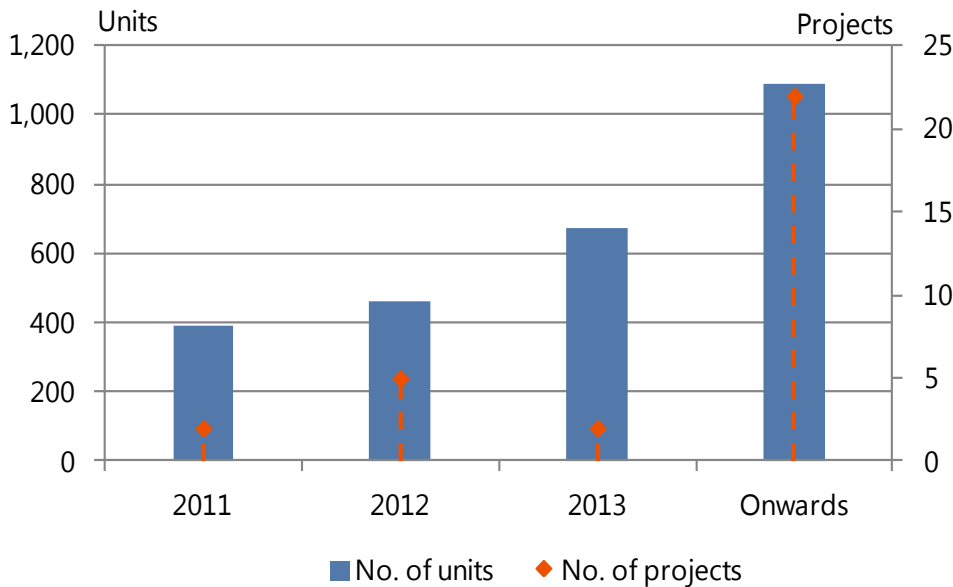
Ba Dinh district may generate demand for serviced apartments with a large future supply of 676 units in the coming years as all the future projects in this district are located conveniently near the CBD.

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The Keangnam Ha Noi Landmark project has delayed the launching time of its 378 serviced apartment units until the end of Q4/2011.

Estimated future supply



Source: Savills Research and Consultancy

3. Retail

Supply

The total stock of retail space is approximately 463,000 sq m, up 11% year-on-year.

Two new projects namely Pico Plaza in Dong Da district and Hang Da Galleria in Hoan Kiem district entered the market, supplying approximately 12,000 sq m of space.

There were significant changes in total stock of Hoan Kiem and Dong Da districts while other districts had no new supply.

Market Performance

The occupancy rate was 93%, up 4% while rent was unchanged quarter-on-quarter.

The rent had a big gap amongst the CBD, secondary and suburban. Its range was from US\$15 to US\$200/ sq m/ mth.

Market business of electronic marts dropped strongly, with some closing their doors or changing their purpose.

Long-term lease for retail space has become popular with large-scale transactions by both local and international retailers.

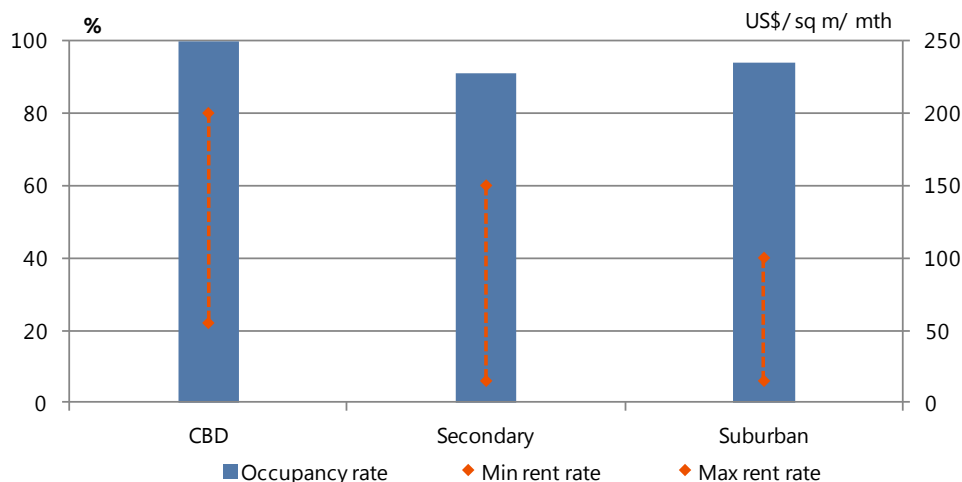


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Source: Savills Research and Consultancy

Demand

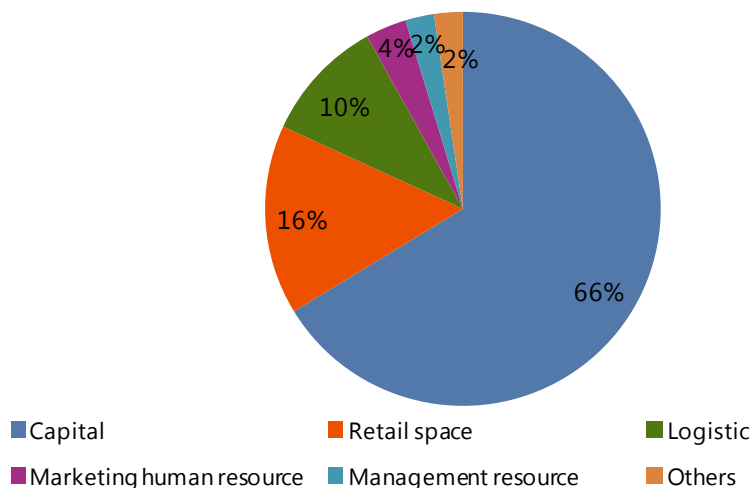
Local and international retailers expanded more outlets in the new shopping centres such as Pico Mall and Hang Da Galleria.

The total retail sales of goods and services in the first nine months of 2011 increased by 21.8% YoY. The rise of this figure if excluding the price factor would be 4.7% YoY.

CPI of Ha Noi has slowdown; however, it remains higher than last year. This has had a negative impact on consumers in this difficult economy.

Turnover of technical consumer goods decreased approximately -7% QoQ and increased only 6% YoY, of which consumer electronic goods decreased -3% YoY.

Difficulties for retail businesses



Source: Report on retail enterprises, the ministry of Trade and Industry, 2011

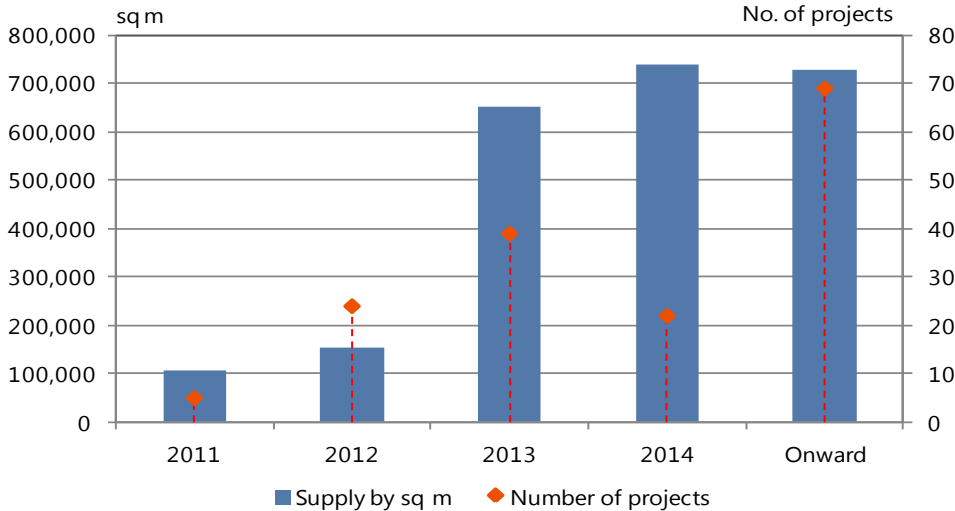


Outlook

In the next four years, approximately 1.6 million sq m of new retail space will enter the market.

Due to obstacles of economic and limited financial capacity, some projects have delayed the construction, which might negatively affect future supply.

Future supply



Source: Savills Research and Consultancy

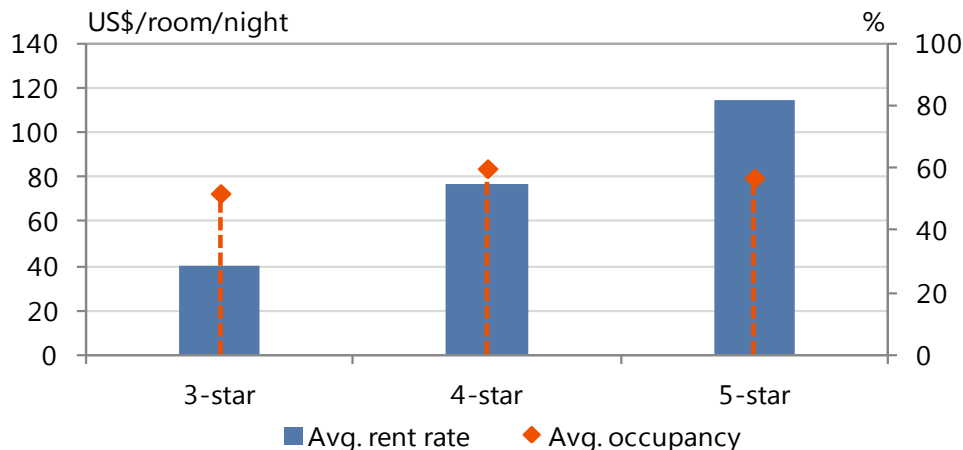
4. Hotels

Supply

Savills recorded 106 hotel rooms, which included 56 rooms of 3-star Bao Khanh hotel, and 50 rooms added by Grand Plaza, increasing the total stock to 7,350 rooms coming from 49 hotels.

Vista Ha Noi Hotel on Nguyen Thuong Hien Street with 80 rooms and Oriental Pearl Hotel on Phan Chu Trinh Street with 87 rooms opened in August 2011. They are in the process of being ranked by the Ha Noi Department of Culture, Sport and Tourism.

Market Performance



Source: Savills Research and Consultancy

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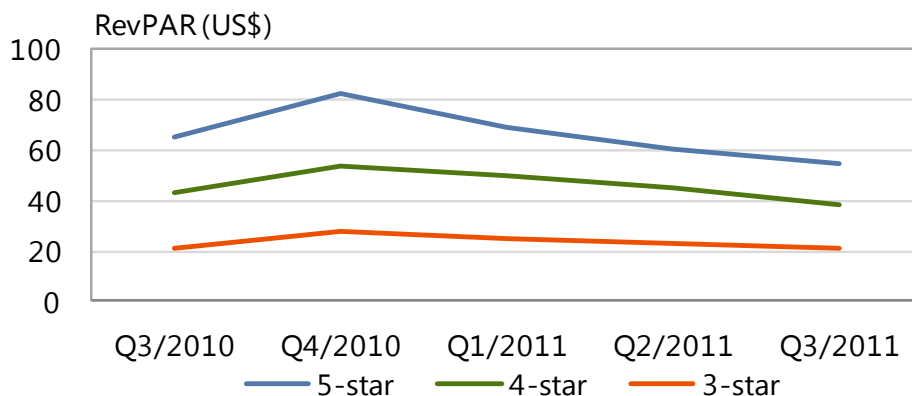
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(*)*The average room rate is the estimated average room rate “exclusive of 5% service charge and 10% VAT.”*

The performance for the whole market decreased quarter-on-quarter due to the low season. The overall occupancy decreased -4 percentage points against Q2/2011 and -5 percentage points year-on-year. The average room rate dropped to US\$83/room/night, decreasing -4% quarter-on-quarter and -1% year-on-year.



Revenue per available room (RevPAR)



Source: Savills Research and Consultancy

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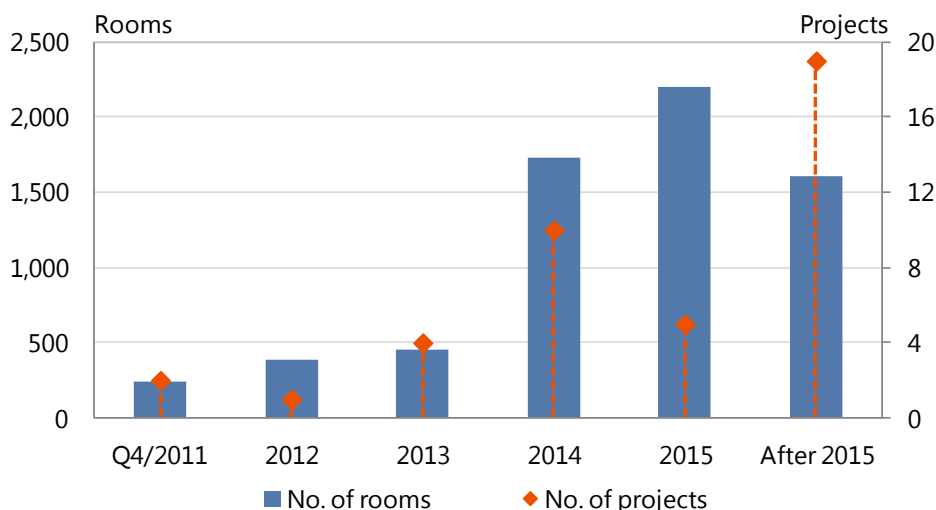
Demand

According to the statistics of travel service companies in Ha Noi, the city welcomed 6,221,000 arrivals in the first 9 months of 2011, a year-on-year decrease of -6.2%. Of which, the number of international visitors reached 898,000 arrivals, up 6.7% and domestic visitors was 5,323,000 arrivals, down -8% compared with the same period last year. This has greatly affected demand of 3 and 4-star hotels that target domestic guests with medium budgets.

Outlook

Twenty-seven of 41 future projects from 3 to 5-star will supply approximately 6,600 rooms. Most of them are located in the west of Ha Noi. Fifty percent of future hotel rooms will come from Tu Liem district, followed by Ba Dinh and Dong Da districts.

Future supply





Source: Savills Research and Consultancy

Two hotels on Doi Can Street and Hang Chuoi Street are expected to provide the market a total 238 rooms at the end of 2011.

Most of the future large-scale hotels are concentrated in the suburbs to target MICE visitors while small-scale hotels are located in the CBD to attract visitors for tourism.

5. Apartment for Sale

Supply

The total primary stock from 21 active projects is approximately 9,600 units, almost triple against the previous quarter.

One Grade C project, namely Nam Do Complex in Hoang Mai district, launched 236 units out of 860 units of the whole project.

The secondary stock is more than 49,000 units, 52% of which are provided from Tu Liem, Ha Dong and Cau Giay districts.

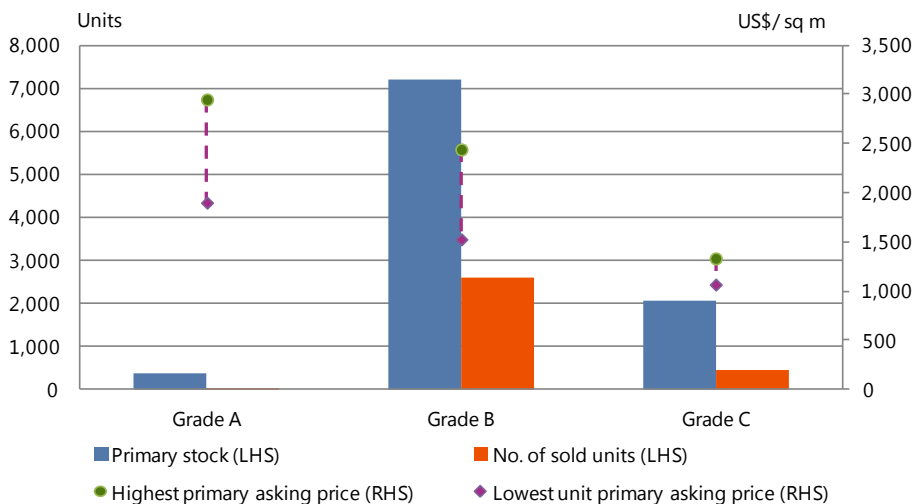
Primary market

Primary asking price ranges from US\$1,100 to US\$3,200/ sq m. The overall apartment market absorption rate increased from 16% to 32% quarter-on-quarter.

Grade A continued to have the lowest absorption rate at 2% almost unchanged against Q2/2011.

Grade B had the highest absorption rate at 36% this quarter, followed by Grade C at 22 percent.

Primary market performance



Source: Savills Research and Consultancy

Secondary market

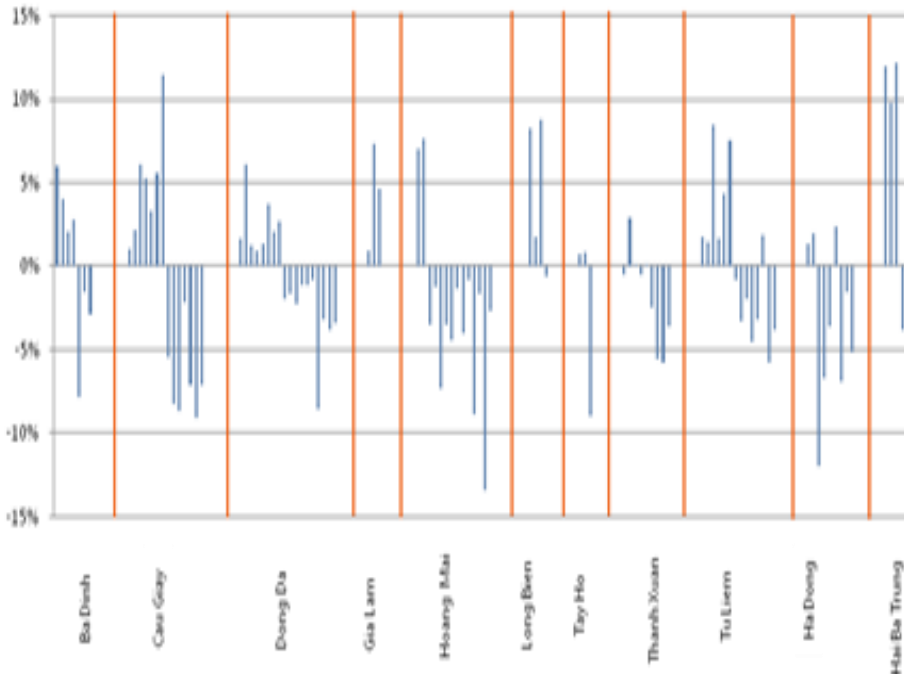
The average secondary asking prices varied by district and projects. These variations depend on some key factors such as location, infrastructure development level, construction progress and asking price of each project.

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Changes of average secondary price against previous quarter



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Source: Savills Research and Consultancy

Demand

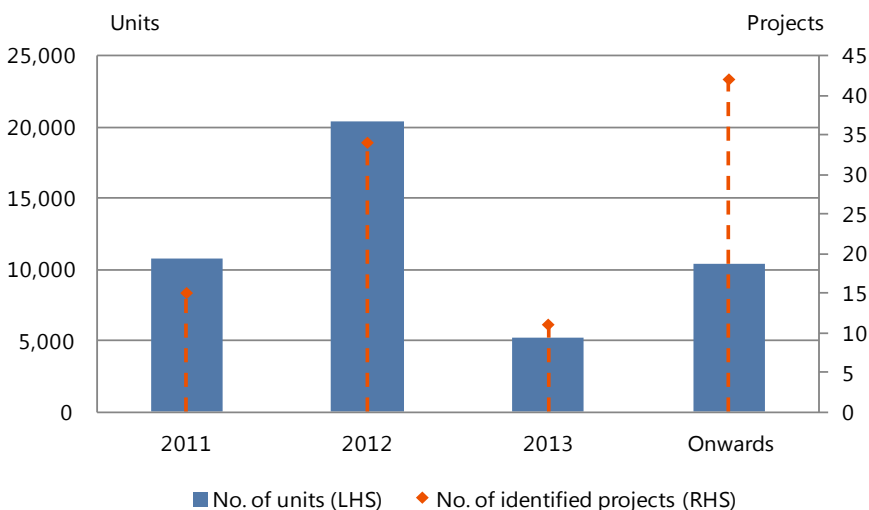
With more than 50% of the population less than 35 years old, the apartment market has great potential in the long-term.

Apartments offered at less than US\$145,500/ unit received the most attention. The majority of end-users are looking for well-designed small or medium size units.

Outlook

It is estimated that 67 projects will come online in the next three years. In Q4/2011, 15 identified projects with a total of approximately 11,000 units are expected to launch sale.

Future supply



Source: Savills Research and Consultancy

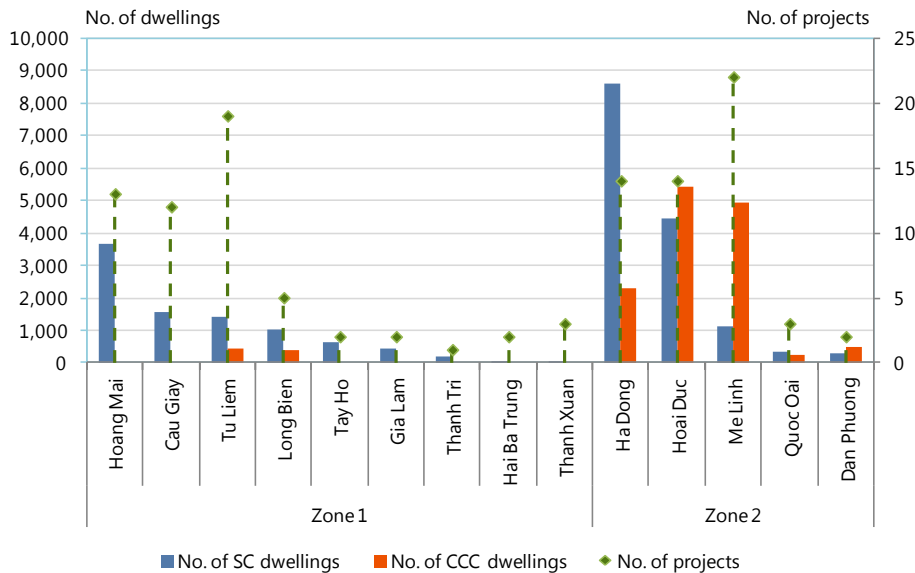
6. Villa and Townhouse for Sale

Supply

Savills studied the villa/ townhouse secondary market consisting of 38,109 dwellings from 114 projects in Ha Noi. Eighty-four projects have dwellings in the form of sales contracts, the rest were transacted under capital contribution contracts (CCC).

Projects in the form of sales contracts offered 23,865 dwellings with 38% of dwellings in Zone 1. The CCC projects provided 14,244 dwellings with approximately 94% locating in Zone 2.

Villas/Townhouses



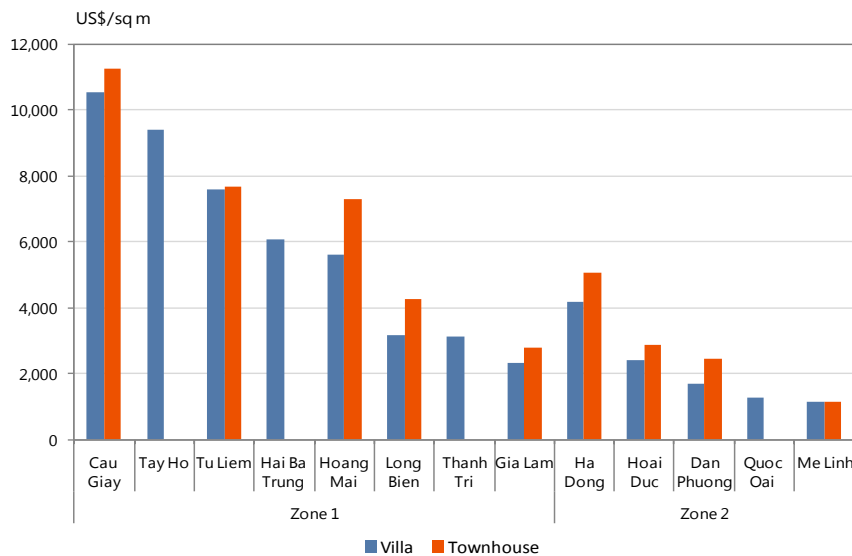
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Source: Savills Research and Consultancy

Market Performance

Average secondary asking price



Source: Savills Research and Consultancy

There were few transactions in Q3/2011.

Cau Giay, Tay Ho and Tu Liem districts had the highest average asking price at more than US\$7,500/ sq m. Me Linh and Quoc Oai districts, which are far from the CBD, have the lowest prices approximately US\$1,200/ sq m.



The average dwelling price ranges from US\$250,000 to US\$2.5 million for a villa and from US\$150,000 to US\$850,000 for a townhouse.

Demand

Demand for villa/ townhouse is affected by high loan interest rates and tighter credit policy. Therefore, developers are changing their development strategies to attract more buyers.

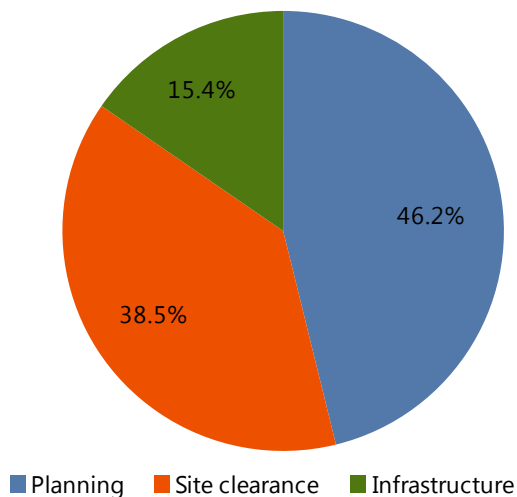
In the middle to long-term, the demand for villas/ townhouses will be supported by the high population growth. Besides, the approval of Master Plan to 2030 of Ha Noi might positively affect the residential market.

Outlook

Fifty-five future projects with villa/ townhouse component covering total scale of 4,811 ha will come online. Zone 2 is anticipated to be the main future supplier for the villa/ townhouse market.

More than 80% of future projects are in preparation status, including the planning and site clearance process. In Q4/2011, three projects are expected to launch their villas/townhouses.

Future supply by project status



Source: Savills Research and Consultancy

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About Savills

Savills worldwide is a leading global real estate service provider listed on the London Stock Exchange, FTSE-250, stock code SVS. The company was established in the UK in 1855 with over 200 offices & associates and 20,000 staff worldwide. It was ranked the best Business Superbrand in the Real Estate advisory sector for the fourth consecutive year in the UK.

Headquarters of Savills Asia Pacific was established in Hong Kong in 1985 including over 18,000 staff and offices in 43 cities throughout the region.

Savills Viet Nam is the largest and most experienced real estate practice with offices in Hanoi and Ho Chi Minh City. The company provides comprehensive property services such as: Residential Sales, Commercial Leasing, Research & Consultancy, Valuation & Feasibility Study, Banking & Corporate Services, Investment Brokerage & Advisory, Retail Consultancy & Leasing, Property Management, Tenant Advisory & Representation, Industrial Consultancy & Leasing, Residential Leasing, Marketing & Creative services.

Savills Viet Nam is the only firm with local market research dating back to 1995. The company provides professional property services for developers, investors, owners and occupiers. It is the largest international property manager in Vietnam with a total of over 1.1 million sq m under management.

In 2010, Savills has been awarded a Golden Dragon Award as “The Best Service Provider” for providing best in class services to developers, investors, construction companies, owners and buyers of real estate in Vietnam and also won the Asia Pacific Property Awards 2010 in association with Bloomberg Television for “Best Property Consultancy Asia Pacific”, “Best Real Estate Agency Vietnam”, “Best Property Consultancy Vietnam”.

In 2011, Savills Vietnam has triumphed again in the prestigious Asia Pacific Property Awards 7 awards (3 region wide awards and 4 nation wide awards) as (1) Best Real Estate Agency in Asia Pacific; (2) Best Real Estate Agency Marketing in Asia Pacific; (3) Best Property Consultancy Marketing in Asia Pacific (Campaign “The new heart of Ho Chi Minh City” for The Crescent project); (4) Best Real Estate Agency in Vietnam; (5) Best Real Estate Agency Marketing in Vietnam; (6) Best Property Consultancy Marketing in Vietnam (Campaign “The new heart of Ho Chi Minh City” for The Crescent project); (7) Best Property Consultancy in Vietnam.

At the moment the company consists of over 750 experienced and professional staff nationwide.



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