

# REAL ESTATE INDUSTRY REPORT

April 2015

## SUPPORT FROM POLICIES AND INFRASTRUCTURE

*“...demand & supply are moving closer to each other. In 2015, besides constraints, the market will keep recovering and be ready for new development cycle...”*

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**Vuong Khac Huy**

Analyst

E: [huyvk@fpts.com.vn](mailto:huyvk@fpts.com.vn)

P: (08) – 6290 8686 – Ext: 7592

**Ha Hong Hoa**

Analyst

E: [hoahh@fpts.com.vn](mailto:hoahh@fpts.com.vn)

P: (04) – 3773 7070 – Ext: 4302

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**ABBREVIATIONS**

<b>ADB</b>	Asian Development Bank
<b>CAGR</b>	Compound Annual Growth Rate
<b>CBD</b>	Central Business District
<b>CMBS</b>	Commercial Mortgage-Backed Securities
<b>FDI</b>	Foregin Direct Investment
<b>FII</b>	Foregin Indirect Investment
<b>FPTS</b>	FPTS Securities
<b>FTA</b>	Free Trade Agreement
<b>GSO</b>	General Statistics Office
<b>HCMC</b>	Ho Chi Minh City
<b>HNX</b>	Ha Noi Stock Exchange
<b>HSX</b>	HCMC Stock Exchange
<b>M&amp;A</b>	Merger & Acquisition
<b>MoC</b>	Ministry of Contrustion
<b>MoIT</b>	Ministry of Industry and Trade
<b>MoM</b>	Month over Month
<b>MoNRE</b>	Ministry of National Resources and Environment
<b>MoPI</b>	Ministry of Planning and Investment
<b>OECD</b>	Organization for Economic Co-operation & Development
<b>QoQ</b>	Quarter over Quarter
<b>REITs</b>	Real Estate Investment Trusts
<b>SBV</b>	State Bank of Vietnam
<b>SME</b>	Small and Medium Enterprise
<b>TPP</b>	Trans-Pacific Partnership Agreement
<b>UK</b>	United Kingdom
<b>USA</b>	United State of America
<b>USD</b>	U.S Dollar
<b>VAMC</b>	Vietnam Asset Management Company
<b>VND</b>	Viet Nam Dong
<b>VCCI</b>	Viet Nam Chamber of Commerce and Trade
<b>YoY</b>	Year over Year

## SUMMARY

### The global real estate

The USA real estate market has a strong relationship with its economy, while the GDP growth of USA closely correlates with the global GDP growth. Therefore, the movements of the USA real estate market generally reflect the development of the global real estate market.

The USA real estate market is entering to a recovery period (2014 - 2016) after getting out of the crisis bottom (2009) and is preparing for a faster development period until 2025. It is projected that, in 2016, the commercial transaction will reach USD430 billion (5 times higher than 2009); the number of new single-family houses will be 900,000 (+102% compared to 2009); housing price will increase by approximately 4% per year in comparison with a decrease of 2% in 2009; and the vacancy rates in all renting segments (office, retail, hotel) drastically decrease in comparison with 2009.

The real estate market has re-gained trust but the recovery takes place uneven across countries. In 2020 - 2025, the market will face fundamental shifts, in which the application of science and technology and sustainable quality of life are extremely important factors for the success of each project. For these reasons, the real estate businesses need to realize these changes and have suitable strategies for their own development.

In the trend of developing from 2020 to 2025 of the global real estate market, the emerging Asian countries are promisingly the fastest growing areas.

### The Vietnam real estate

The Vietnam real estate industry is supported by various economic and social conditions:

- Vietnamese economy has a big potential of developing since the geographical location is next to the East Sea.
- Vietnamese Government is promoting the development of urban areas and urban economy by applying "*The national urban development strategy until 2020 and vision to 2025*". On the basis of allocation of 6 economic areas, the large and mega urban centers will be Hanoi, HCMC, Hai Phong, Vinh, Hue, Da Nang, Quy Nhon, and Can Tho.
- Vietnam has a young and abundant workforce.
- The macro-economy is recovering, and is stably developed.
- The Government is focusing on improving infrastructure, especially in HCMC and Hanoi.

The movements of the real estate market over the past 20 years witnessed 3 times of booming and freezing. Those represent the law of supply and demand, and reflect the policies regulating the economy.

Generally, the real estate market is recovering after many years of decline, HCMC & Hanoi are still the most developing and active markets. These are the performance of each segments:

- Villa – townhouse – land lot segment has had better transaction volume since Q2/2014 and this trend will actively continue in upcoming time;
- The transaction of affordable apartments remained at high level. However, affordable apartments are facing increasing competition whereas the performance of mid-range to high-end apartments has been gradually improved;

- The market size of serviced apartments is rather small in comparison with nearby cities, but the fierce competition creates high pressure on rent;
- The office tenants still have high power in price negotiation due to the abundance of current and future supply. The tendency to shift out of the CBD is increasing;
- Thanks to the potentiality of retail sector, the retail space supply is projected to rise, but the rent and occupancy rate are still suffered from high level of competition;
- The tourism sector has great prospect to attract large enterprises in investing in real estate projects;
- There are also great opportunities for the industrial real estate to grow as the demand keeps increasing.

The legislation system affecting the real estate industry is still complicated and overlapped. Moreover, the administrative procedure is too prolix. As a result, the role of market regulation is not efficient and effective. The approval of 1/500 plan is a big concern, obtaining the construction permit is difficult and time-consuming, etc. It normally takes 3 - 6 years to start a project, which increases investment cost and the selling price afterwards.

In the real estate industry, although there are many strengths and opportunities (the recovering of economy, fast urbanization, young population, supports from the Government, and so on), there are still several weaknesses (small scale, heavy reliance on bank loans, high price compared to income) and threats (speculation, the ineffectiveness of supporting policies).

In terms of value chain, Vietnam real estate industry still misses many factors in order to have continuously development, more professional and more effective. They are, for example, REITs, the secondary debt market, specialized providers of energy saving solutions and living standard. Furthermore, there are also small number of investment organizations in Vietnam; most of such existing entities are foreign-owned.

The foreign brands outperform the domestic companies in the fields of development, consultancy, and property management (mostly in medium and high-end projects). Nevertheless, the domestic brands (Dat Xanh, Lien Minh G5, STDA system, Novaland, Danh Khoi...) are overwhelming foreign ones regarding real estate brokerage.

Newly imposed policies in 2014 (the extension of the VND30,000 billion credit package, the Real Estate Business Law 2014, the Housing Law 2014...) together with a significantly decrease in the lending interest rate (short-term interest rate is approximated at 8%) positively support Vietnam real estate market. The successful transactions in Hanoi and HCMC in 2014 were up 200% YoY and 30% YoY, respectively.

Vietnam real estate market has a good prospect in 2015. The market will continuously recover and gradually increase in number of transactions.

In the long-term, Vietnam real estate industry created a foundation in 2014 with the supporting of important factors such as the changes of goods, the return of capital into the market, M&A tendency, fast urbanization, the elimination and restructure of real estate companies. It is well prepared for the coming development cycle and the growth to 2020 - 2025.

By 2020, the developed countries are in "securitization" stage of the evolution, meanwhile Vietnam real estate market will step in the "specialization" stage. In this stage, Vietnamese real estate enterprises will concentrate on their competitive edge, there are more diversified and specialized products, the information will be more transparent, and diverse capital sources come into the market.

## Vietnamese real estate enterprises

Vietnam has various real estate enterprises across populous cities. In terms of registration as of 31/12/2014, there are totally 4,480 companies registering “real estate” in their list of business activities.

In 2014, the real estate market made many impressions with respect to liquidity and M&A activities. After years of purification, new players are emerging and some of them have proved their strength based on the acquisition of feasible projects. They are Dai Quang Minh, Novaland, CEO Group, VID Group, N.H.O, Syrena Vietnam - BIM Group, Kim Oanh Real, FLC Group, etc. Consequently, the competition on Vietnamese real estate market will be more and more interesting when these prospective emerging players accelerate the race with existing rivals.

At the end of 2014, there are 65 companies listed in the Vietnam Stock Market, which account for 11% of total market capitalization. These include the leading companies such as VIC, KBC, ITA, IJC, SJS, DIG, NLG...

In 2014, the total net revenue and total net profit of listed real estate companies were VND53,237 billion (+40% YoY) and VND6,195 billion (-19% YoY), respectively. The total assets of these companies was VND227,558 billion, total inventory valued at VND81,760 billion, and total debt borrowings stayed at VND64,798 billion (takes up 28% of total assets).

The interest expense is still the key element that significantly influences on the profit of Vietnamese real estate companies. Here are some companies which have high debt ratio (total debts/total assets): DLR (56%), VNI (54%), NVN (47%), and PDR (46%). In our opinion, currently having low debt ratio is an advantage for real estate companies to obtain good results in the future.

#### Propective real estate companies:

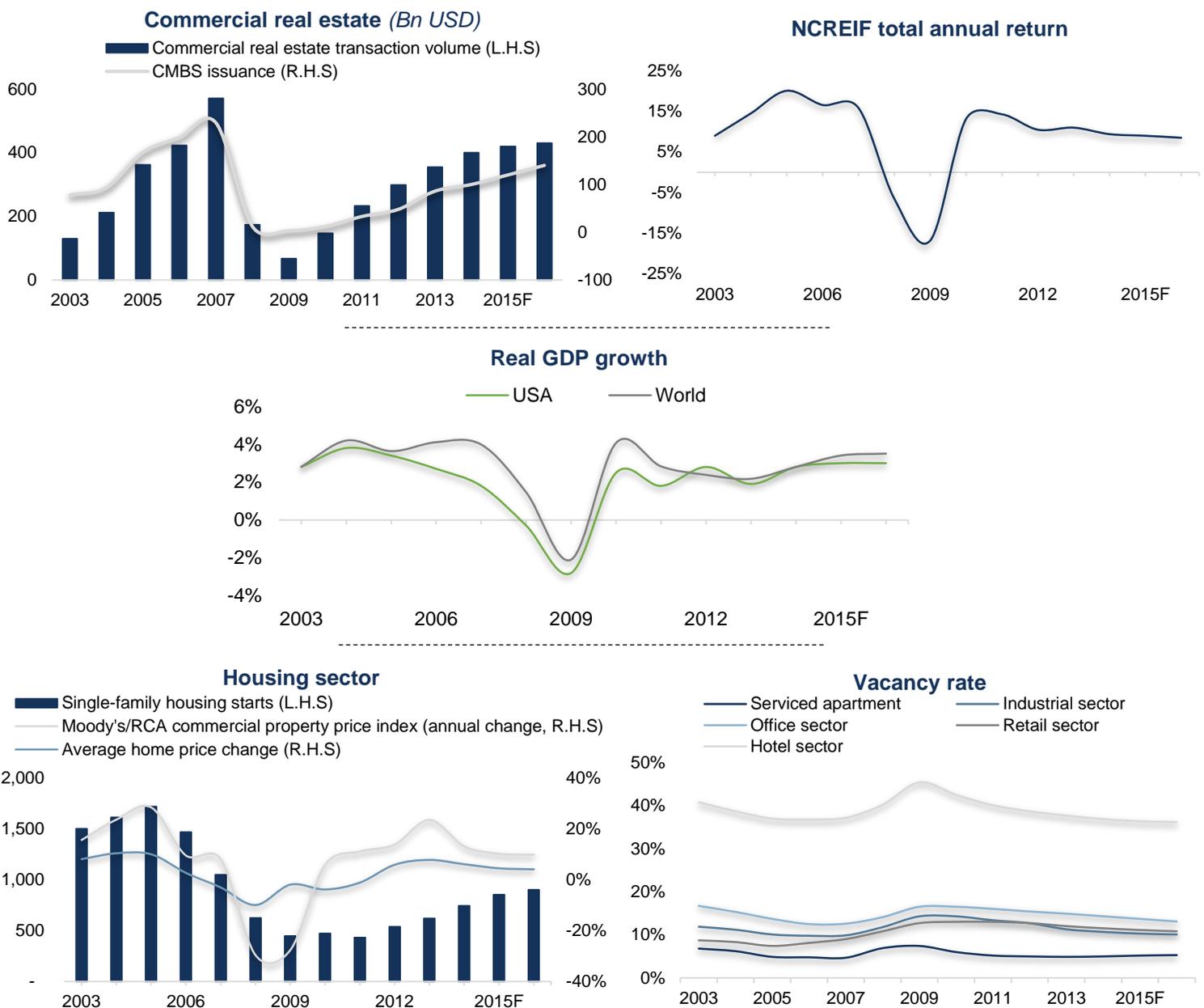
No.	Sym.	Market cap. (Bn VNĐ)	Land bank (ha)	Specialization	Outlook 2015
1	VIC	64,338	8,000	High-end to luxury commercial & residential property	Positive
2	KBC	6,197	3,755	Industrial property	Positive
3	ITA	5,751	2,200	Industrial property	Positive
4	IJC	3,702	322	Real estate business & toll collection in Binh Duong	Moderate
5	NLG	2,243	567	Affordable housing	Positive
6	HDG	2,183	100	Middle housing	Moderate
7	BCI	1,583	321	Residences and Industrial property	Moderate
8	KDH	1,515	115	Middle to high-end housing	Positive
9	NBB	1,268	2,167	Residences and mining	Moderate
10	HQC	1,241	35	Social housing	Positive
11	DXG	1,049	41	Brokerage and secondary distribution	Positive

(Source: FPTS Research, 2014)

These are the leading companies in the Vietnam real estate industry with large land bank. They passed through the crisis and have many good projects, which are accelerated in order to take advantage of the real estate market recovery.

**I. GLOBAL REAL ESTATE**
**I**
**1. GLOBAL REAL ESTATE CYCLE**
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The USA real estate market has a long development and is the most dynamic market in the world. **It also closely links to the USA economy.** It can be seen that the movement of USA real estate indices mostly correlate with the movement of its GDP growth. In particular, changes of housing price and commercial property price often occur one-step sooner than the GDP growth. This illustration makes these factors as one of the best indicators of the economy performance.



(Source: Urban Land Institute, Ernst & Young, World Bank, FPTS Research)

Similarly, the USA GDP growth has a strong correlation with the growth of the world's GDP. Thus, the movement of global real estate market generally reflects the movement of the USA real estate market.

Fred E. Foldvary, a famous economist, developed and used "The Great 18 - Year Real Estate Cycle" model which was initially discovered by Mr. Homer Hoyt, a real estate economist in 1930s, to predict the real estate crash of 2008. Accordingly, **a real estate cycle will last around 18 years** and Foldvary strongly believes that the global real estate industry will continue to follow this cycle.

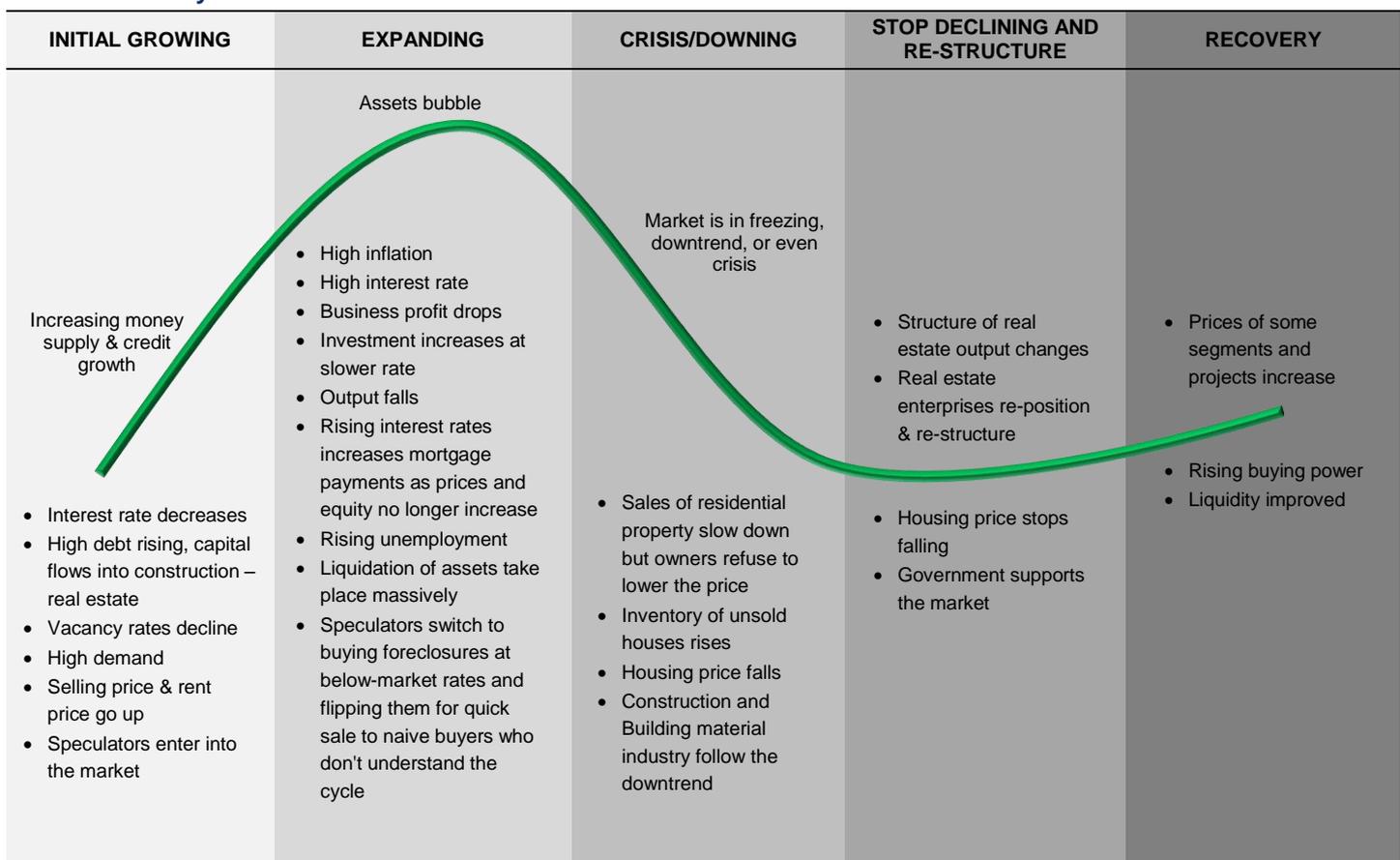
### The Great 18 – Year Real Estate Cycle

Peak of land price	Distance (years)	Peak of construction cycle	Distance (years)	Peak of economic cycle	Distance (years)
1818				1819	
1836	18	1836		1837	18
1854	18	1856	20	1857	20
1872	18	1871	15	1873	16
1890	18	1892	21	1893	20
1907	17	1909	17	1918	25
1925	18	1925	16	1929	11
1973	48	1972	47	1973	44
1979	6	1978	6	1980	7
1989	10	1986	8	1990	10
2006	17	2006	20	December 2007	18

*The world war and conflicts happened in the period of 1925 and 1973*

*(Source: Fred E. Foldvary. The Depression of 2008. Berkeley: The Gutenberg Press, 2007)*

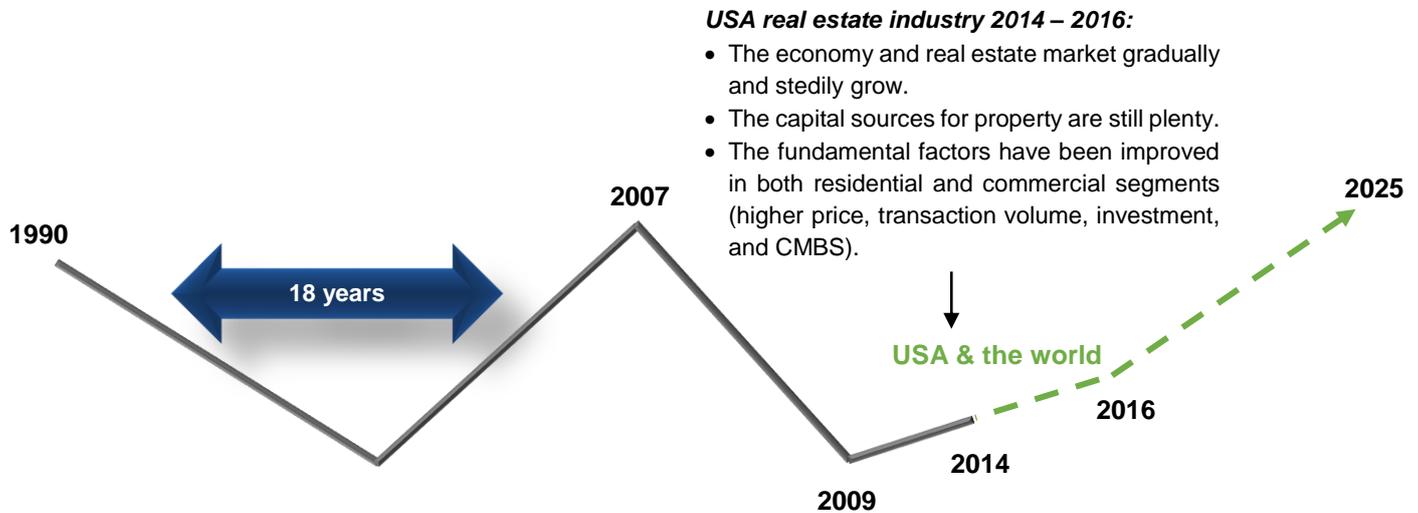
### A real estate cycle



*(Source: FPTS Research)*

**The USA real estate market escaped from the bottom in 2009 and will keep recovering during 2014 - 2016, before strong development until 2025.** It is projected that, in 2016, the commercial transaction will reach USD430 billion (5 times higher than 2009); the number of new single-family houses will be 900,000 (+102% compared to 2009); housing price will increase by approximately 4% per year in comparison with a decrease of 2% in 2009; and the vacancy rates in all renting segments (office, retail, hotel) drastically decrease in comparison with 2009.

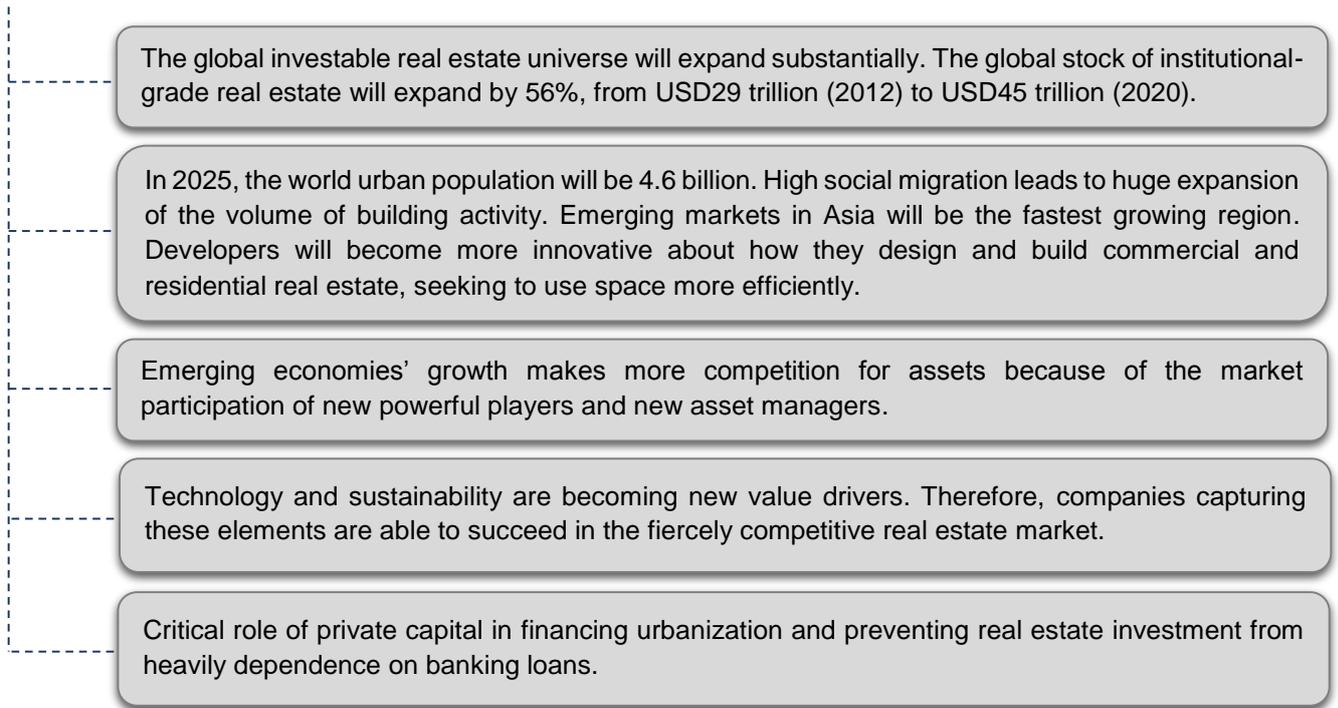
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**Prospect of the USA and global real estate**


(Source: FPTS Research)

Accordingly, it can be predicted that **the next “peak” of the global real estate will be around 2025**. Thus, it is a great time for the real estate enterprises to start investing to take advantage of the low interest rates while the buyers and investors should consider buying houses for living purpose or renting as the profit margin from rental is beating the bank interest rate.

The real estate market has re-gained trust but the recovery takes place uneven across countries. **Looking forward to 2020 - 2025, the real estate investment industry will find itself at the centre of rapid economic and social change, which is transforming the built environment. The industry will face a number of fundamental shifts that will shape its future.**

**REAL ESTATE'S CHANGING LANDSCAPE**


*(See more details)*

The market is changing with many important implications facilitating the investment and development of real estate market. **Real estate businesses will need to quickly capture these changes in order to implement appropriate strategies.**

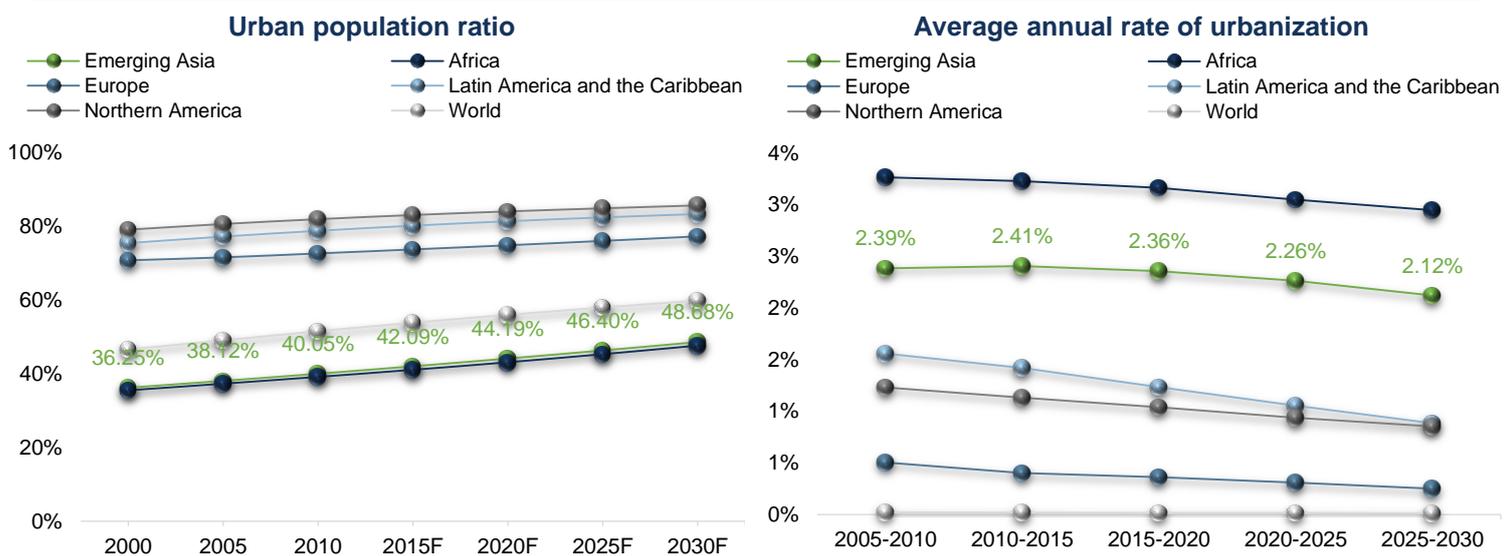


*(See more details)*

Global real estate is shifting towards the development roadmap for 2020 - 2025. In which, **the emerging Asia is the fastest growing region.**

*The urban population ratio (urban population over total population) of the emerging Asia is growing fast and is expected to be 46% by 2025, but this level is still lags far behind the developed regions such as Europe (76%), America (84%).*

Although *the average annual rate of urbanization* in the emerging Asia reached an average of 2,12% - 2,41% per annum, lower than Africa's rate, but always higher than other regions in the world. This is the consequence of the population booming, especially the migration trend from rural to urban areas has been growing quickly.



(Source: United Nations)

*The large population and fast growth* also create a heavy burden on the Government of these Asian countries in ensuring the quality of life, solving the problem of wealth inequality, environmental pollution, and so on.

In 2013, *the average GDP per capita* in the emerging Asia was about USD6,016. This figure is steadily improving, but still much lower than the world average (USD14,171). In the future, the emerging Asia will contribute the key growth of the global economy, thereby helping raise the average of income per capita of each country. This is a prerequisite to promote the needs and affordability of residents to the real estate.

*The housing floor area per capita in urban areas* of the emerging Asia is generally under 30 m2 which is much smaller than over 40 m2 of developed countries. This is a tremendous opportunity for businesses in the construction and real estate industry of these countries as the Government will gradually improve the living conditions of the inhabitants, including the expansion in housing floor area per capita.

**In conclusion**

*The real estate markets of the emerging Asia have great potentiality for growing, but it comes with many critical issues that the Governments need to cope with if they want to have stable and sustainable market. Then they are able to step into the new growth phase of global real estate.*

## II. VIETNAM REAL ESTATE

**II**

### 1. SOCIOECONOMIC STATUS

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#### 1.1. Geographical location

Vietnam locates in the tropical belt of the Indochinese peninsula, influenced by the Asian monsoon, lush nature seasons, diverse flora and fauna, and many mineral resources...

Especially, Vietnam has 2 important advantages of developing the marine economy because the country is adjacent to the East Sea. Firstly, the natural potential is huge, for example, a long coastline, a wide area of territorial sovereignty, easy access to the ocean, and beautiful beaches. The second advantage is the strategic economic geographical location, which is on two maritime routes and main international trade flows of the world when the Asia Pacific is stepping in an era of booming development.

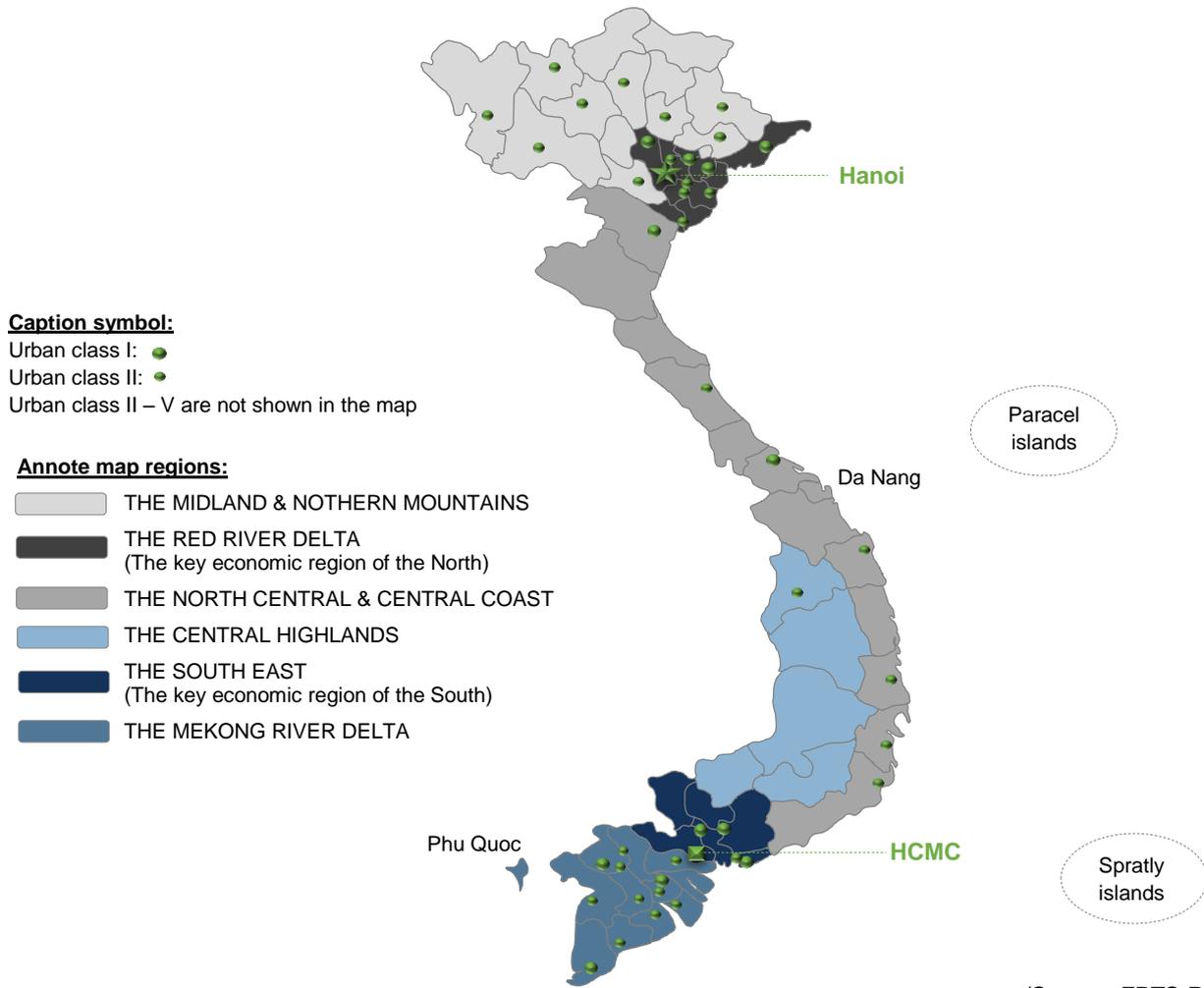
#### Vietnam in the global map



(Source: FPTs Research)

#### 1.2. Urban planning

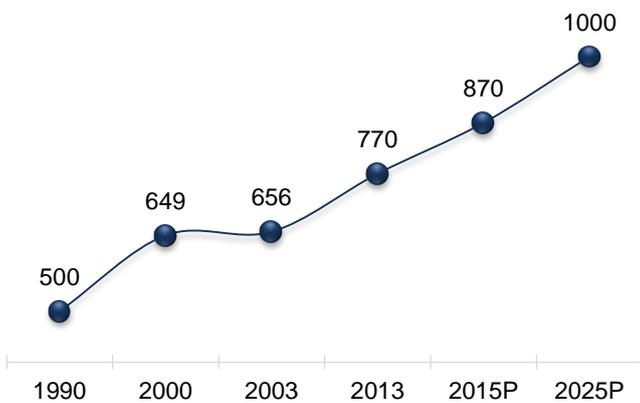
In spite of starting from the pure agriculture and wars background, Vietnam is making rapid progress in economic development, in which urban and urban economic development are the key conditions. Decision No. 445/2009/QĐ-TTg and 1659/2012/QĐ-TTg determined the National Urban Development Plan until 2020 and a vision to 2025. The urban centers are rationally located based on six national socioeconomic regions. They are the Midland and Northern Mountains (14 provinces), the Red River Delta (11 provinces and cities), the North Central and Central Coast (14 provinces and cities), the Central Highlands (5 provinces), the South East (6 provinces and cities), and the Mekong River Delta (12 provinces and cities).

**The overall orientation of urban development and upgrade in Vietnam until 2020**


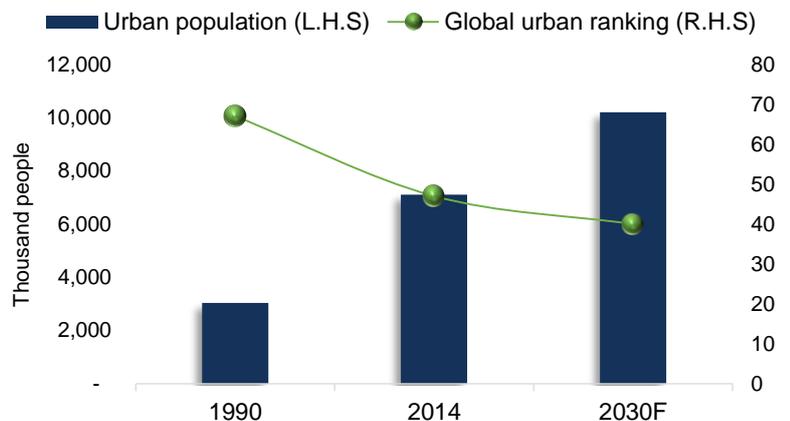
(Source: FPTS Research)

Because the urbanization process is essential for the socioeconomic development, so the number of urban areas has been raised rapidly over the last 25 years.

**Number of urban areas in Vietnam**



**Vietnam's first megacity - HCMC**



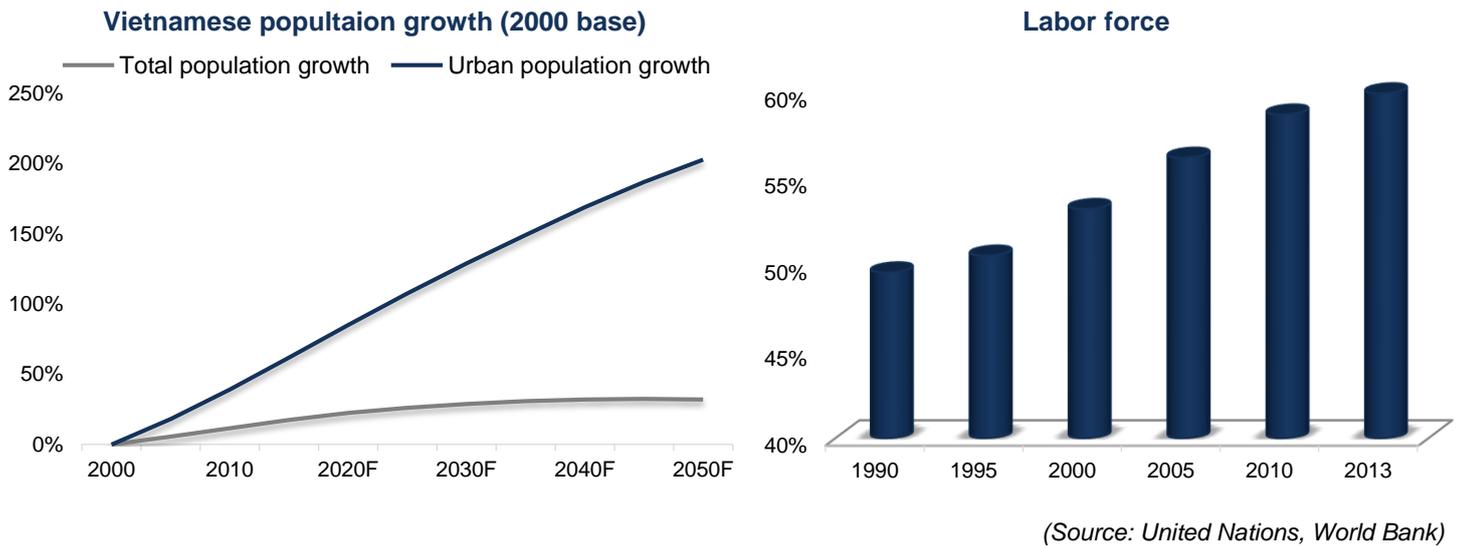
P/F: Plan/Forecast  
 Source: United Nations - World Urbanization Prospects 2014)

The Decision No. 445 & 1659 also indicate that the major metropolitan areas (Hanoi, HCMC, Hai Phong, Vinh, Hue, Da Nang, Quy Nhon, and Can Tho) must be organized into urban cluster with

perimeter protection to minimize the concentration of population, which may lead to the disruption of the ecological balance; and the formation of the megacity. *By 2030, Vietnam will probably have the first Megacity, which is Ho Chi Minh City.*

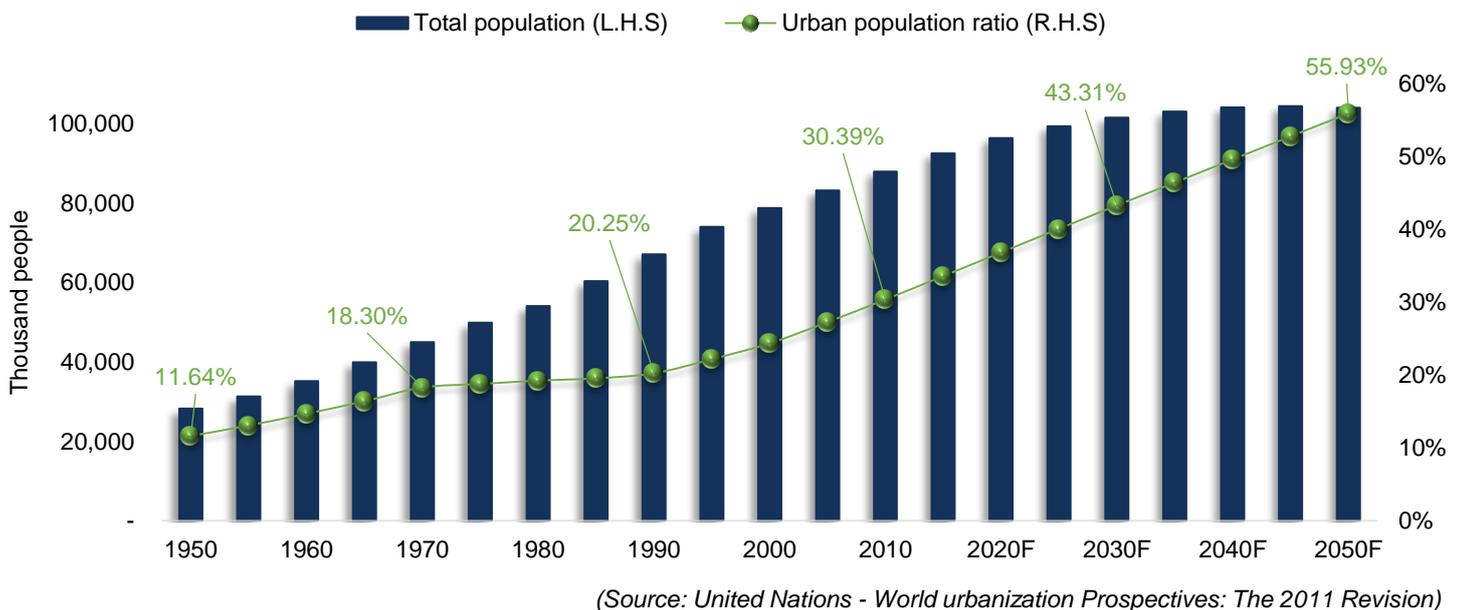
### 1.3. Population

As a country with a high population growth rate in the region and the world, Vietnam has young human resources in working age. The labour force drastically increased and reached 53.74 million people between 1990 and 2013 (account for 60% of the total population). If the population grows approximately one million people per annum, the workforce will continuously increase in the coming years.



Under the impact of urbanization, the trend of moving from rural to urban areas in order to look for jobs is inevitable. It leads to the urgent needs for housing. Since 2000, the urban population has been booming and the growth rate is forecasted to continue in more than 50 years. By 2025, the total Vietnamese population will be approximately at 99.33 million people, so the relevant CAGR between 2000 and 2025 is 1%, but lower than the CAGR of urban population, which is at 3%.

### Vietnamese population and Urban population ratio (1950 - 2050)

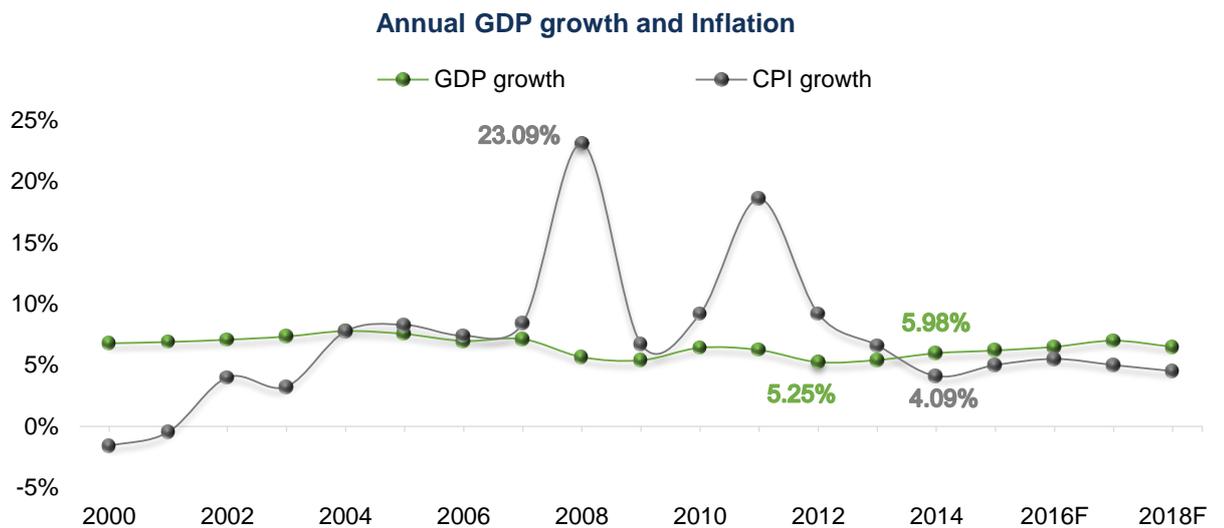


## 1.4. Macroeconomic

### ➤ GDP growth

In 2014, GDP growth rate reached 5.98%, exceeding the Government's target of 5.80% thanks to the substantial contribution of two sectors: Industry & Construction (increased 7.15% YoY). This result clearly and strongly confirms the sign of economic recovery of Vietnam.

***In 2015 - 2018, Vietnam GDP growth rate is expected to rebound at 6 - 7% per annum***, mainly due to two main factors including FDI capital and strong exports. For the whole year 2014, exports were USD150 billion (+13.6% YoY) and imports were USD148 billion (+12.1% YoY), thus the trade surplus reached about USD2 billion. FDI and exports have a strong mutual interaction; especially changing the structure of FDI broadens investment opportunities in premium textiles and other industries whose export price does not fluctuate much. Chiefly, the TPP is likely to be approved in 2015, which also provides great opportunities for GDP growth.



(Source: ADB, Ernst & Young, FPTS Research)

According to the GSO of Vietnam, GDP by the real estate industry was up 2.85% YoY in 2014. The increase is still small but it shows the positive signal from the market. The value of housing construction reached VND354.8 trillion, the number of new real estate companies added 23.4%.

### ➤ Inflation

CPI in December 2014 edged down at 0.24% MoM on the back of decreasing fuel price. This is the 3rd deflation month of the year. Accordingly, CPI 2014 increased only 4.09% (the lowest level in 11 years). The current low inflation rate is not a sign of weak demand which negatively affects the business of the enterprises (no sign of deflation). Instead of that, it is great time to issue monetary policy which can stimulate credit growth rate and economic growth.

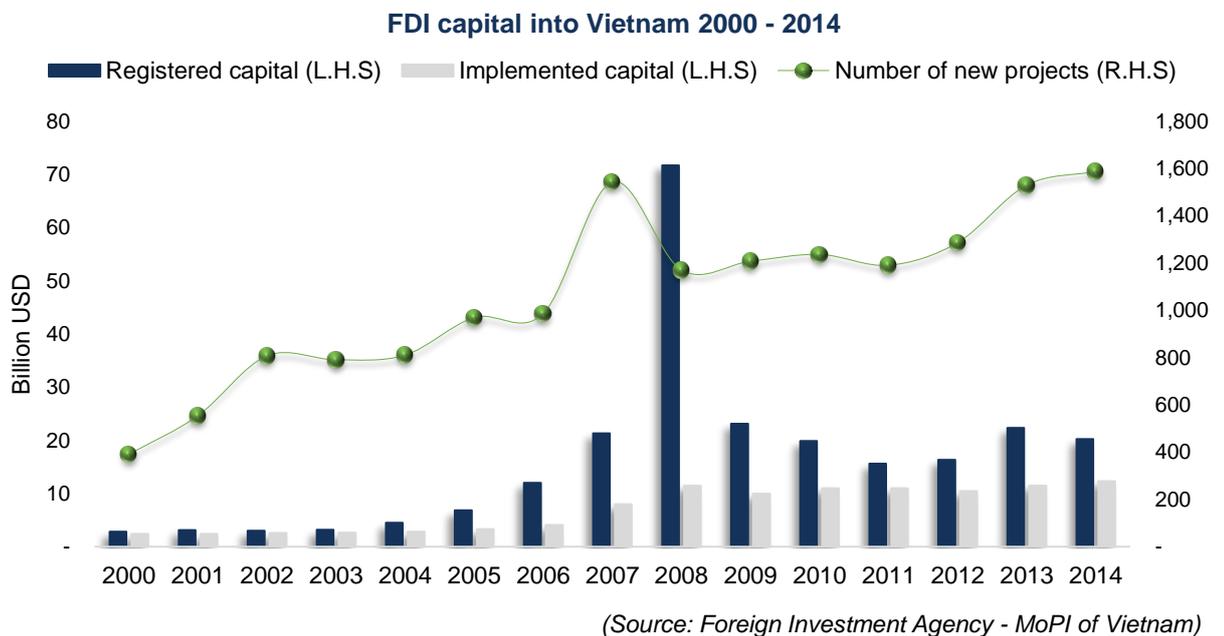
### ➤ GDP per capita

GDP per capita 2014 was estimated at USD2,094. Over 14 years, although GDP growth has not been too high and VND considerably depreciated against the USD, GDP per capita still achieved positive growth. In the period from 2015 to 2018, it is forecasted that GDP per capita of Vietnam will have average growth rate at 8.49% per annum while the average inflation will be about 5.00% per annum, showing that purchasing power will continue to improve.



➤ **FDI capital**

In 2014, the registered capital stayed at USD20.23 billion, but the implemented capital reached USD12.35 billion (the highest disbursement ever), showing the positive sign of this capital source and the strong belief of foreign investors in the development potential and business environment of Vietnam. The attraction of FDI will be maintained in the coming years due to many free trade agreements which Vietnam is negotiating and the movement trend of business from China to Vietnam.



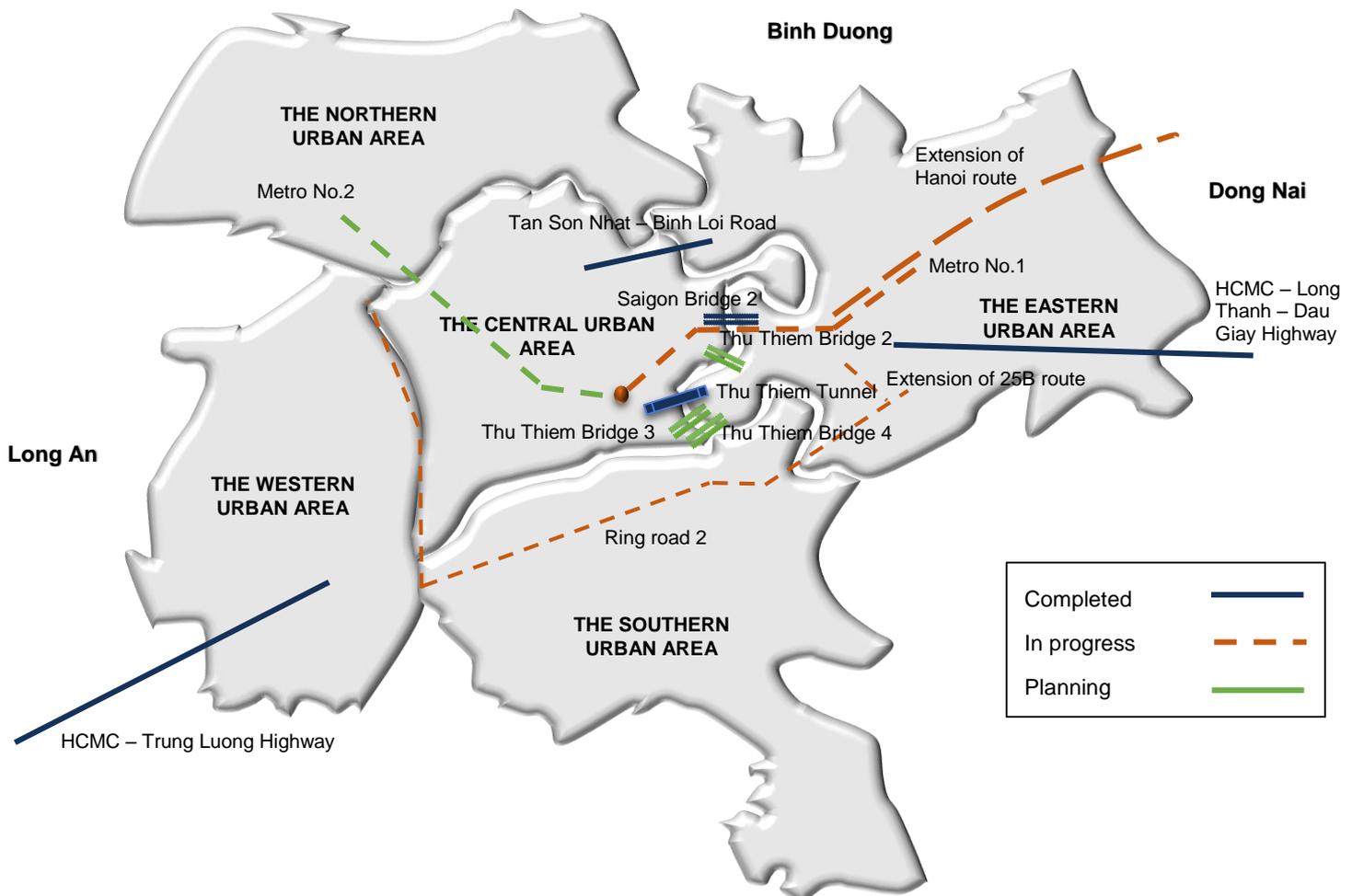
**1.5. Infrastructure**

According to the Vietnamese business indices conducted by VCCI in 2013, *Infrastructure index obtained the highest point amongst 12 indices evaluating the business conditions*. Vietnamese Government has determined that infrastructure is the key factor in the economy development so that the infrastructure investment has been maintained at about 10% of GDP. This high investment rate has quickly increased the volume of infrastructure and the level of usage. Nonetheless, the infrastructure of Vietnam is still limited in long-term perspective. The global competitiveness report 2012 - 2013 indicated that the Vietnam infrastructure (rank 95/114) was overloaded because of the fast economic growth. Moreover, the quality of roads and harbours has been assessed as high concern.

Thanks to the concentration of Vietnamese Government and the support of Japan International Cooperation Agency (JICA), many transportation & infrastructure projects have been built. These projects not only reduce traffic jam in city centers but also improve and extend the transportation network with nearby areas. There are many new industrial zones next to the main routes, which fundamentally contribute to the economic development and the poverty reduction. *With these achievements, in 2014, the World Economic Forum (WEF) rised 16 ranks in terms of the level of useful and quality of transport infrastructure in Vietnam, which stood at rank 74 in comparison to rank 90 and 103 in 2012 and 2010, respectively.*

As one of two biggest economic and administrative cities, HCMC pays close attention to developing the infrastructure network. In recent years, **HCMC has focused on the eastern gateway with a series of important traffic constructions.** The East of the city is "favour" because: (1) this area is relatively high, and facilitate construction; (2) the eastern gateway is the main gateway to the city, traffic smoothly, and is considered as the connection with Dong Nai province and Ba Ria - Vung Tau province where industrial parks along roads have been built in the past and now are being developed; (3) it is convenient for the waterways trade, developing Cat Lai Harbour in order to add a new shipping route, a new sea port which enable the access of larger vessels, by that resolve the congestion in Saigon Harbour.

**HCMC infrastructure**

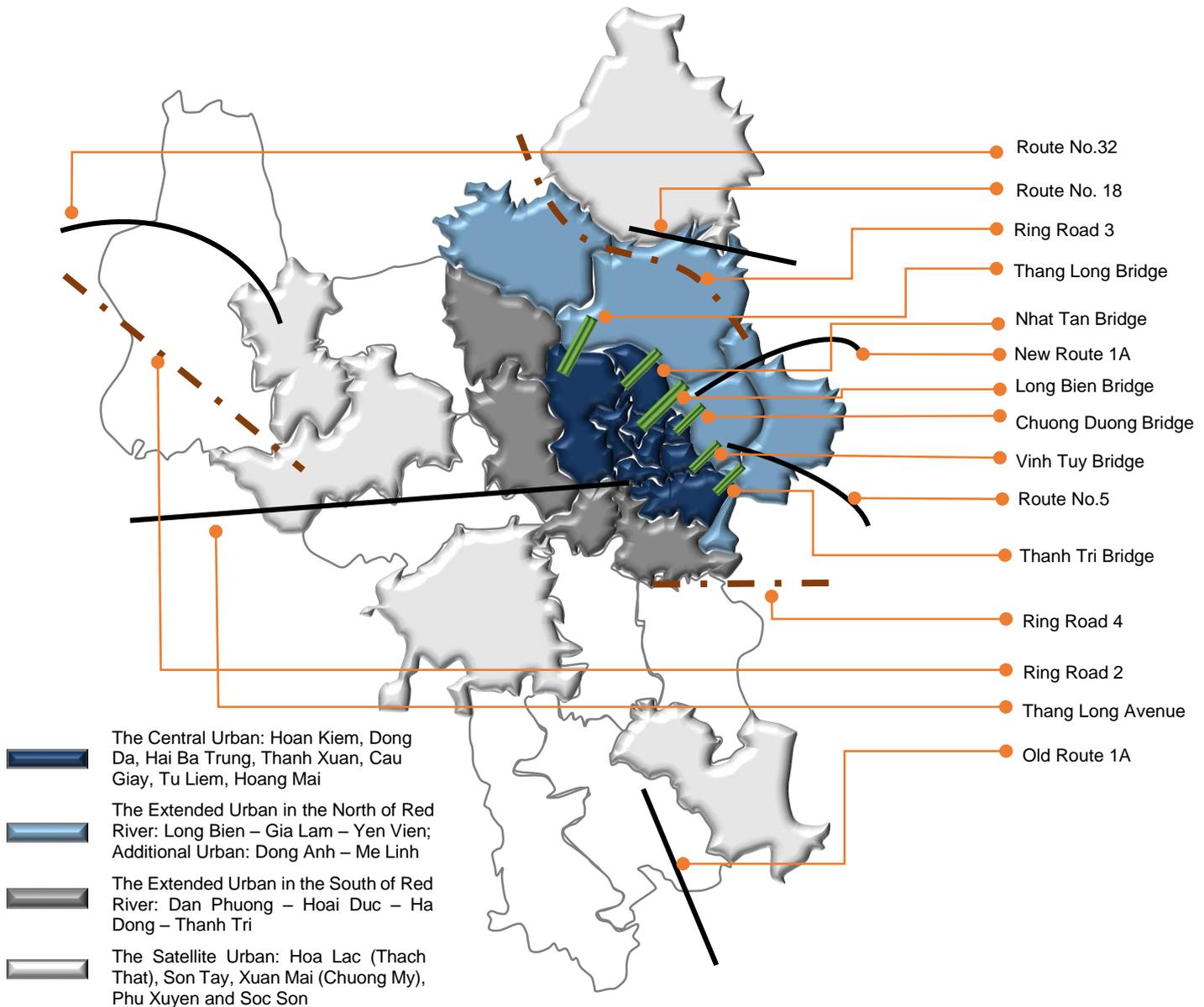


(Source: FPTS Research)

Besides, many new bridges and overpasses have been completed, such as Le Van Sy Bridge, Kim Thanh Da Bridge, Kieu Bridge, Hau Giang Bridge, Bong Bridge, 1A Route – Huong Lo 2 Overpass, creating significant changes to the appearance of HCMC.

In Hanoi, many projects are invested such as Vinh Tuy Bridge, Nhat Tan Bridge, Kim Lien Pedestrian Tunnel, Nga Tu So Overpass, T2 Terminal at Noi Bai International Airport, the connection Route between Nhat Tan Bridge and Noi Bai International Airport, Ring Road No.3, and Cat Linh - Ha Dong Railway. The Government determines that **the triangle range connecting Hanoi, Hai Phong port city and Ha Long bay is central to the development of the North** so that the implementation of projects are included in the overall plan. For example, these projects are Hai Phong Port renovation, upgrading Route No.5 connecting Hanoi and Hai Phong, and the expansion of Cai Lan Port, Route No.18, Route No.10, and Bai Chay Bridge.

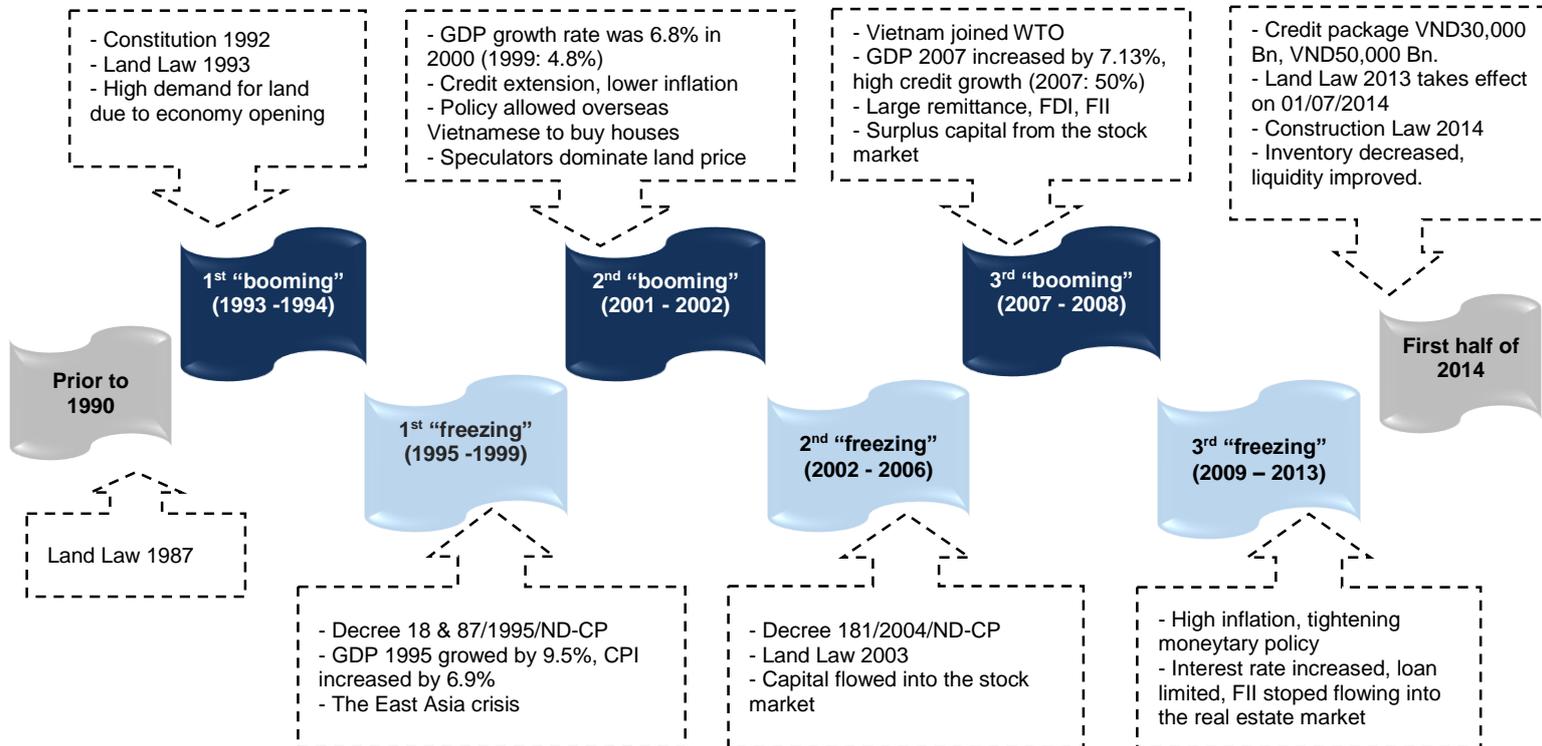
### Hanoi infrastructure



(Source: FPTS Research)

Based on the above analysis, we can see that in 2014 although Vietnamese economy still faces many difficulties, it is steadily going up. Government's efforts to regulate macroeconomic are gradually showing its effectiveness. The real estate industry as well as other industries has been recovered. Thus, the whole economic picture of Vietnam is gradually improving in foreigners' perspective.

Vietnam real estate market has gone through many vicissitudes after more than 20 years starting the market-based economy. It represents the law of supply and demand, and reflects the impact of the macroeconomic policies applied to regulate the economy.

**Volatility of Vietnam real estate market**


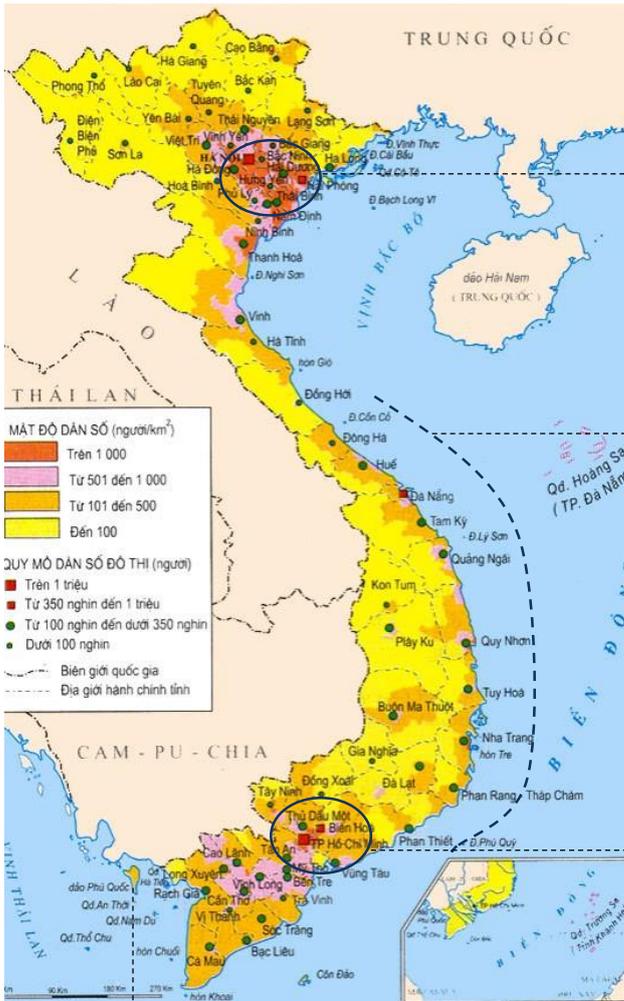
(Source: FPTS Collection & Research)

[\(See more details\)](#)

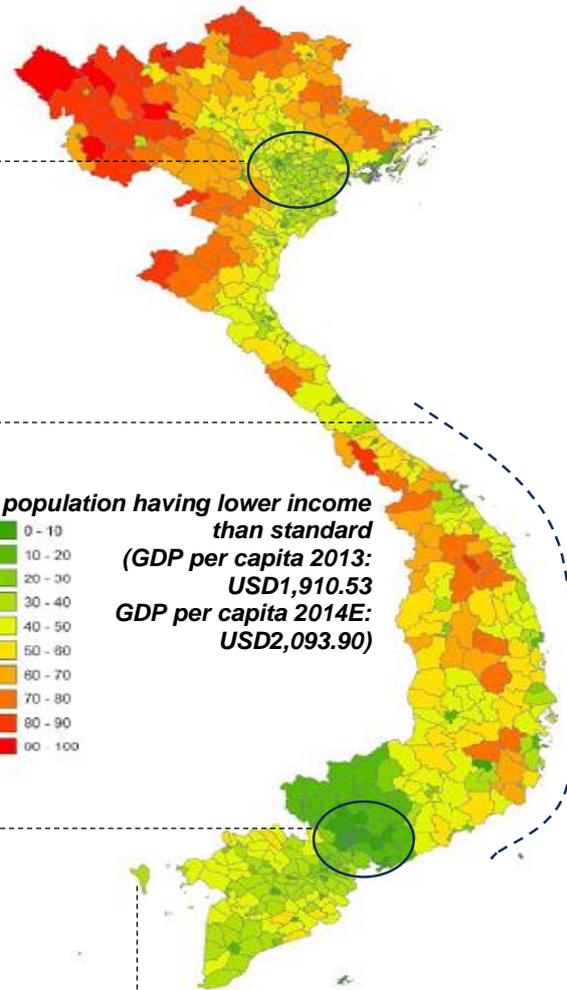
Hanoi (and the neighbored provinces in the East such as Bac Ninh, Hai Duong, Hai Phong) and HCMC (and the surrounding provinces like Binh Duong, Ba Ria - Vung Tau, Dong Nai) have *high population density, and the majority of population income are over the nation average*. Almost real estate developers base in these two areas. The major real estate products are apartments, villa/townhouse, retail space, office, and industrial property.

The Central Coastal has huge potentiality for tourism, hence the main real estate product here is tourism property (villa, bungalow, hotel, resort...), but not all of the projects are successful. *The low population density and low-income lead to underdeveloped infrastructure, lack of services and excitement that make so many projects are abandoned while some others are operated with very poor service quality*. Besides developed tourism market, the provinces and cities such as Da Nang, Nha Trang, and Binh Thuan have favourable conditions for investment in townhouse – land lots. Specially, Phu Quoc, with a wild beauty, is emerging as an attractive tourist destination. It will be the first special economic zone of Vietnam, which attracts many investment projects.

Population density by region



Income structure by region



- Apartment
- Land lot
- Retail space
- Industrial property
  
- Resort – Tourism property
- Townhouse – Land lot
  
- Apartment
- Land lot
- Retail space
- Industrial property
  
- Resort – Tourism property
- Villa – Land lot

**% population having lower income than standard**  
**(GDP per capita 2013: USD1,910.53)**  
**GDP per capita 2014E: USD2,093.90)**

(Source: FPTS Research)

The national urban development strategy clearly indicates that **Hanoi and HCMC will be the main urban centers**. With above analysis, the following part will concentrate on:

- Hanoi and HCMC in the segments of apartments, townhouses - villas – land lot, retail space, office, industrial property;
- Phu Quoc in tourism segment.

Segment	Market status	Outlook
<b>Townhouse – Villa – Land lot</b> 	Actively traded since Q2/2014, land lots in suburban areas with a reasonable price were strongly absorbed. The supply increased, mainly in the suburban central areas because of newly developed infrastructure.	The market in 2015 will be positive. People still prefer townhouse – villa – land lot to apartments. New projects are preferred. Future supply increases.

(See more details)

**Apartment for sale**


In 2014, the number of apartments for sale increased by 152% YoY in HCMC and 65% YoY in Hanoi.

Price stopped decreasing while liquidity is improved.

Middle-to-high-end apartments had high volume transactions even in the "Lunar July".

The market will remain positive outlook in 2015.

Affordable housing still has good volume of transactions, but suffer fiercely competition. Transactions in mid-range and high-end apartment will gradually step up.

*(See more details)*

**Serviced apartment**


Limited supply.

Unclear market recovery.

International management service providers dominate the market.

High competition with buy-to-lease apartments.

Affordable apartments for lease have not been invested.

Small market scale in comparison with nearby Asian cities (Bangkok, Indonesia...)

Demand from foreign professionals (Korea, Japan...).

CBD is still highly preferred.

Fierce competition.

*(See more details)*

**Office**

**HCMC:**

New supply is limited; most projects remain in District 1.

The recovery rallied with reduced vacancy rate.

**Hanoi:**

Supply has been continuously increasing from 2010.

Strong cut in rents but the vacancy rate has not dropped much.

**HCMC:**

Double drivers for growth but high competition weighs on rental price.

Moving out of CBD is the rising trend.

**Hanoi:**

Tenants are in favor due to abundance of existing and future supply.

Huge pressure on the West.

*(See more details)*

**Retail space**


CBD remains the most active market.

Opposition of performance between HCMC & Hanoi.

International F&B brands keep expanding business.

Townhouses within 150-200 m2 of floor area are of interest.

The supply is expected to increase as Vietnamese retail sector has great potentiality.

High pressure on rent and occupancy.

*(See more details)*

**Tourism property**


The market gradually revives with large projects being implemented.

There are still many barriers for development.

The Vietnamese tourism sector always fascinates local & foreign investors.

The coastal cities have been developing quickly, boosting demand for hotels.

Great investment opportunities in Phu Quoc.

*(See more details)*

**Industrial property**


The industrial parks nearby city center have high occupancy rate (more than 90%), while ones in suburban areas still have many vacancy.

The rent and occupancy rate remain stable.

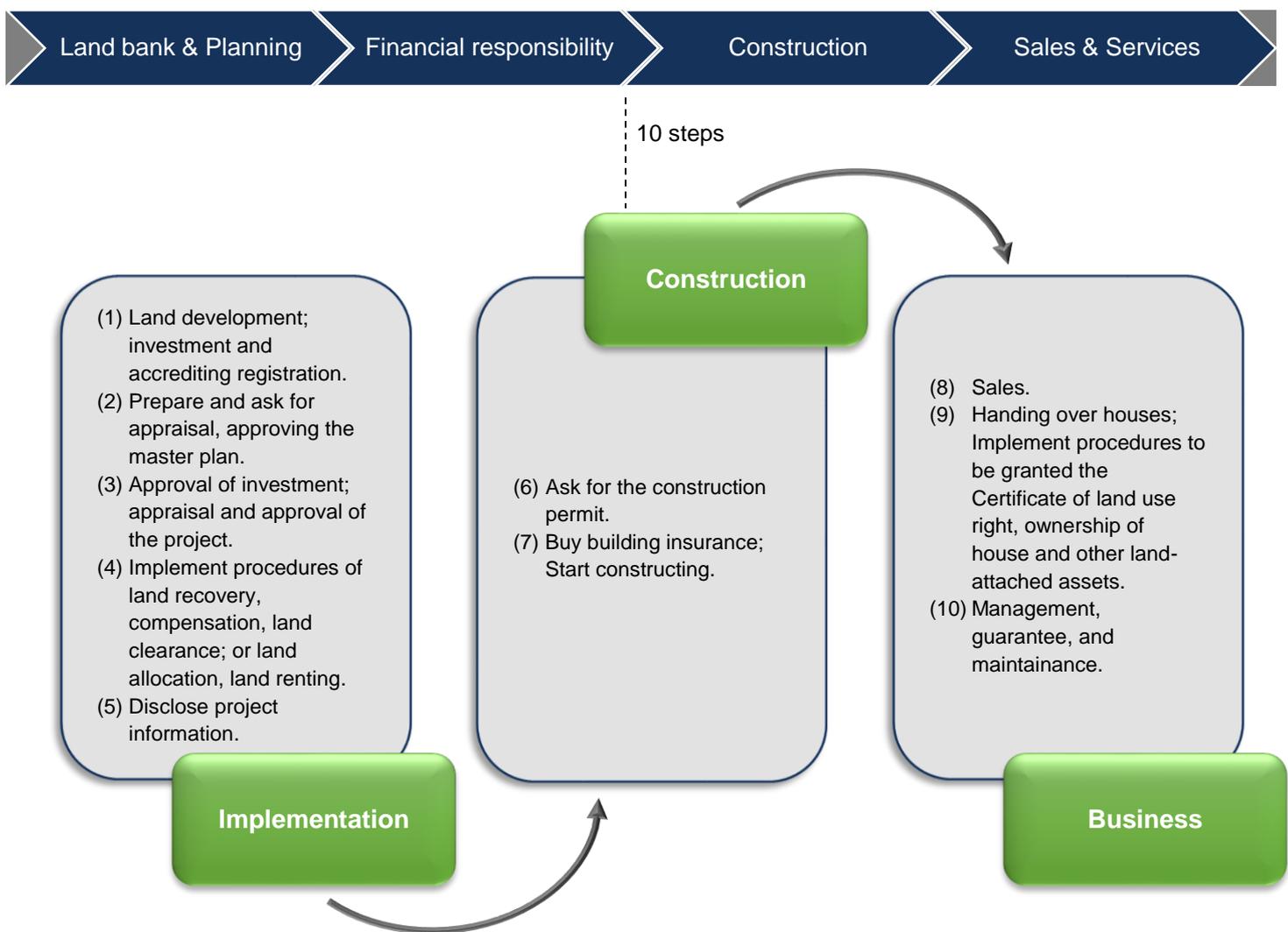
High demand for constructed factories and warehouses within 1,000 - 3,000 m2 of floor area.

Global textile and footwear companies are moving to Vietnam.

Demand for industrial land will sharply increase, especially the high quality constructed factories and warehouses.

*(See more details)*

The real estate industry is always regulated and closely managed by the Government through legal mechanisms and legal policies. However, depending on the level of economy development, the Government intervention in the market is also different. In developed countries like USA, Hong Kong, the intervention is limited, the market operates under the law of supply and demand, and the Government primarily manages through tax, contract bidding, and so on. In the developing countries, the real estate industry has enormous growth potentiality, but the development remains very limited, especially non-transparent information problems require close management by the Government through issuance of new law and policies. Legal system for Vietnam real estate market is still very complex and overlapped, thus it has not regulated the market efficiently.

**Investment and development procedure of a housing project**


*(Source: FPTs Research, November 2014)*

The real estate enterprises are often obsessed by administrative procedures. The cumbersome, complicated investment process results in slow implementation and higher costs incurred. Subsequently, the house prices must rise. The most consuming time is the stage of planning because of the conflict of interest between investors and the Government. This conflict leads to the “ask-give” problem, and long negotiation (the approval of 1/500 plan is rather troublesome, it

requires approval from the Department of Planning and Architecture, from the authority of district, and perhaps refer to social opinions at the surrounding area). The next complicated stage is the procedure of land valuation and transfer, this directly impact on the project cost. The difficulty in obtaining the construction permit also effects on the project implementation negatively.

In summary, the real estate companies take 3-6 years to start constructing a project, the long time thereby leads to higher investment costs. Many experts indicate that if administrative procedure declines by 30-50%, which is equivalent to a 2-3 years cutback, the cost will be saved by 20%; so house price can go down by 20%.

**Accordingly, the Government has set a focal target in 2015 that is to shorten at least one third of administrative procedure in investment and construction.**

*(See the table of legal documents related to the real estate industry)*

### STRENGTHS

- **Real estate industry is one of the key aspects of the country's development, which promotes the country's appearance and reflects the economic advances**

As Vietnam keeps integrating internationally, the role of the real estate industry is increasingly important in improving living standard of both domestic people and foreigners who are working in the country. They will be the witnesses who spread the message of Vietnam – a fast developing and integrating country in the South East Asia. Consequently, strong cash flows will be attracted to investment in Vietnam.

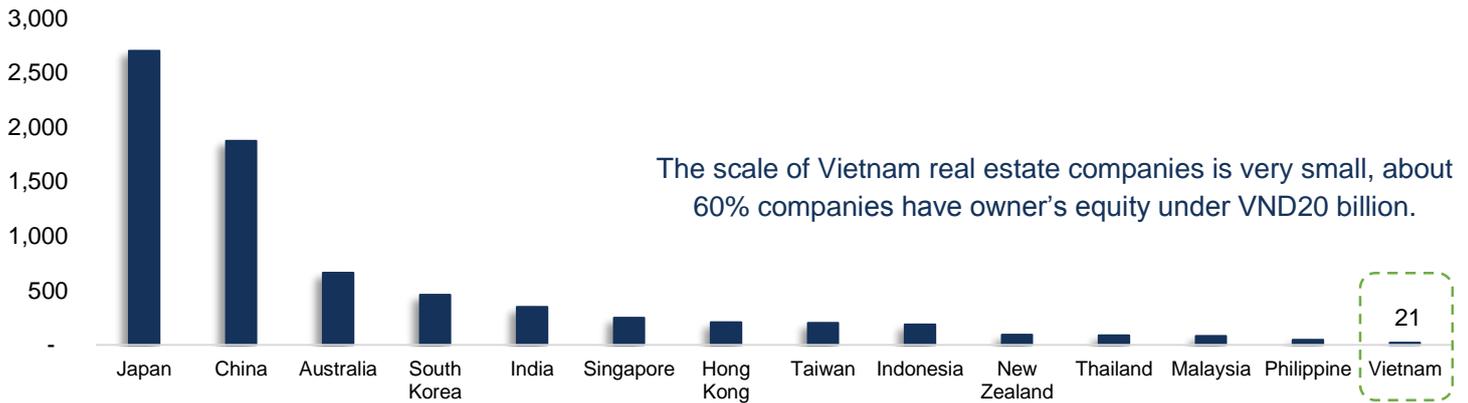
- **The People's Committees of provinces/cities, and related Departments/Agencies advocate the land creation to attract investment**

Real estate enterprises owning a large land bank will have more advantages. The policies of expanding land bank create more investment opportunities as well as interesting competition on the market.

### WEAKNESSES

- **The Vietnam real estate market is relatively young in terms of value size and development history in comparison with other Asia and Asean countries**

**Estimated size of institutional-grade real estate by country/territory**  
(Billion USD)



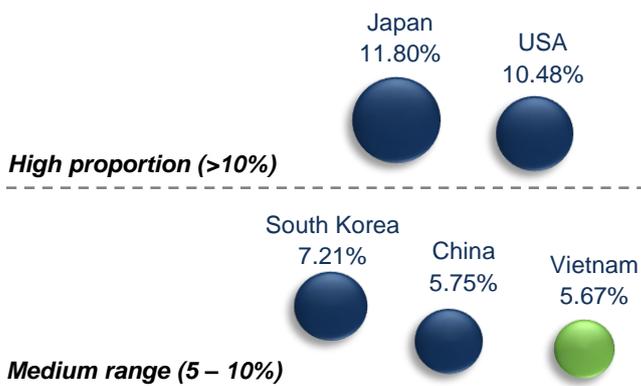
The scale of Vietnam real estate companies is very small, about 60% companies have owner's equity under VND20 billion.

(Source: Nomura Research Institute 2013)

➤ **Real estate market has not significantly contributed the development of the economy**

The percentage of real estate activities contributed in GDP remains low, about 5.67%. In 2014, the value of GDP by real estate activities increased only by 2.85% YoY as opposed to the GDP increase of 5.98%.

**Average annual Real estate-over-GDP ratio**



**Real estate activities in comparison with the whole economy**



(Source: OECD, GSO Vietnam, FPTS Research)

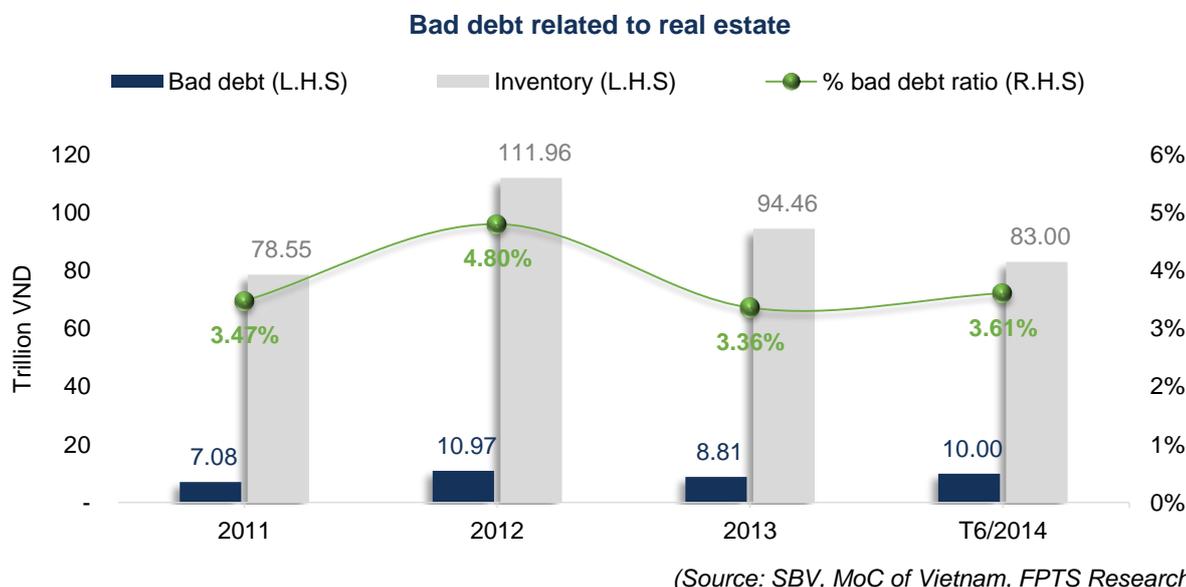
➤ **Heavy reliance on debts**

In developed countries, the capital sources for real estate industry is varied from financial institutions, REITs, saving funds, retirement funds, FDI capital, and FII capital. On the contrary, Vietnam real estate developers mainly depend on credit from the banking system.

According to the Department of Planning and Investment of HCMC, **real estate companies have only 15 - 20% of owner's equity over the total investment of the project, which means they must use about 70 - 80% banking loan. In addition, 65% of collateral is real estate.** Due to the excessive dependence on banking loans, the real estate industry has suffered major challenges from debt repayment, large inventory, and lack of funds for project completion. As a result, the work is not completed and there is not finished products to be handed over customers, especially when banks stop disbursement. *The deviations of the capital structure has created many paradoxes,*

such as, the capital financing real estate projects primarily should have been medium - long term source, but the banks only provide short-term funds (mainly from saving deposit). The lack of fund leads to immense financial risks for real estate companies.

The highly reliance on short-term credit is the main cause of bad debt in real estate industry, which occupies the largest proportion of bad debt in commercial banking system. After the first 6 months of 2014, the amount was VND10,000 billion, equivalent to the ratio of 3.61%. Many experts indicate that the actual value are even higher than this figure.



➤ **High housing price exceeds most people's affordability**

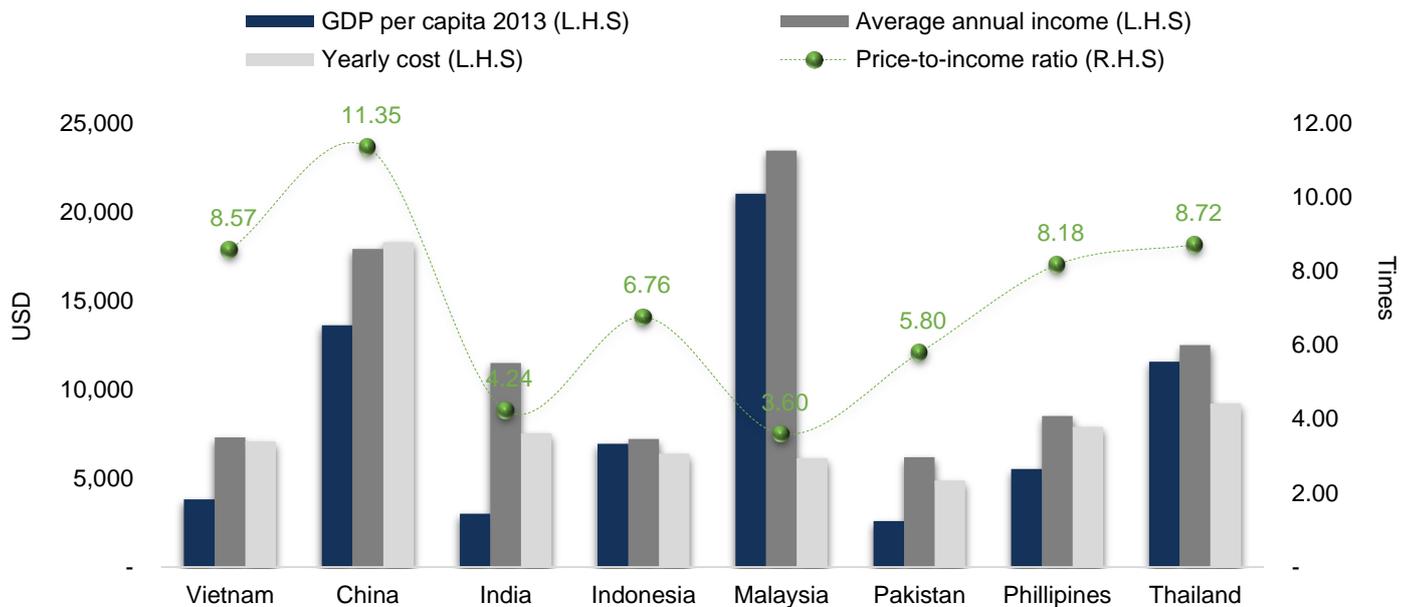
**The statistical comparison between house price and income in 8 emerging Asian countries**

Country	GDP per capita 2013 (USD/year)	Average apartment price* (USD/m <sup>2</sup> )	Average lending interest rate** (%/year)	Maximum loan term** (year)	Maximum loan value** (%)	Average after-tax income* (USD/year)
China	6,807.43	4,066.31	6.00%	25	90%	8,957.28
India	1,498.87	975.74	10.96%	12	80%	5,750.64
Indonesia	3,475.25	975.57	9.71%	15	80%	3,606.24
Malaysia	10,513.71	1,689.68	4.79%	35	95%	11,726.04
Pakistan	1,299.12	717.03	14.46%	20	70%	3,093.24
Phillipines	2,764.58	1,392.54	9.18%	20	80%	4,257.84
Thailand	5,778.98	2,178.03	6.06%	30	90%	6,245.64
<b>Vietnam</b>	<b>1,910.53</b>	<b>1,251.61</b>	<b>11.14%</b>	<b>20</b>	<b>70%</b>	<b>3,651.72</b>

\*: statistics from major cities

\*\*: statistics from major banks

(Source: FPTs Research, November 2014)

**Buying power of commercial apartment with 50 m2 of floor area**


\* Average annual income: Total after-tax income of a married couple per annum

\*\* Yearly cost: Total principal and interest paid in the first year of loan term

\*\*\* Price-to-income ratio: Total value of the apartment divided by Average annual income

(Source: FPTs Research, November 2014)

In accordance with the above statistics, we can easily realize that a married couple, based on their low income (excluding Malaysia), can not afford a commercial apartment (50 m2). This paradox of the real estate market indicates that the deviation of product structure is the reason why supply can not meet demand. It subsequently leads to the market downturn.

Since early 2013, the MoC of Vietnam has stopped inefficient commercial projects and encourages developers to invest in social housing for low-income people. However, regarding a base price of 600 million per social house, it is still much higher than Vietnamese affordability because income per capita of Vietnam is still too low. Therefore, low-income people's desire to own a social house cannot be reachable.

**Social housing price and the real buying power of most Vietnamese**

Social housing project	
Average price	VND12 million per m2
Average size	50 m2
Value of an unit	VND600 million
Lending interest rate	6% per annum
Loan term	15 years



\* Maximum loan value: 70%

\*\* Average monthly income = (GDP per capita 2013)/12

(Source: MoC of Vietnam, FPTs Research)

There are two reasons why the property price is too high: (1) Cost is lifted due to high interest rate, high land using fee, high administrative and legal expense, speculation and even high cost charged by developers; (2) Great demand for properties for sale or lease. After the period of bubble assets,

property price descended. Many real estate firms suffered heavy losses, and even bankruptcy, but the price could not fall any further. In order to lower the property price, the State should adjust the factors affecting the input cost of property as presented above. This solution is hardly feasible at this moment, **so the most effective way is to improve income.**

- **The policies and legal documents are incomplete, scattered, no inter-agency coordination, and cumbersome administrative procedures**

It is often difficult for enterprises to approach and start to develop a real estate project because of the differences between legal documents and the reality. The cumbersome administrative procedure slows down the projects, which then increases cost of sales. Accordingly, the real estate's selling price must rise. The legal documents are overlapped among related authorities. In addition, the lack of strict sanctions leads to the failure of implementation and the lack of uniformity. *The significant issues such as the property tax or property registration have not been comprehensively researched and handled by the authorities. Therefore, many resources have not been mobilized to develop the market and decrease speculation.*

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#### The complication of planning

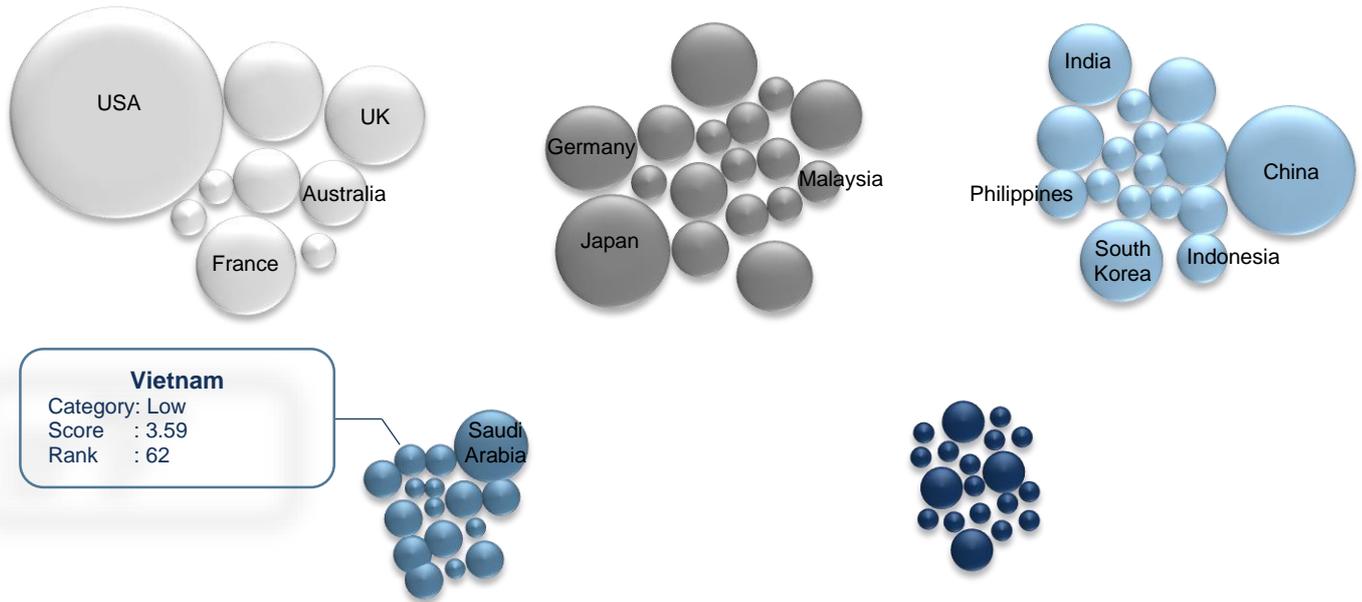


(Source: FPTTS Research)

- **Lack of market information transparency while the forecasting system is inconsistent and unreliable**

Because of the short-term benefits, many buyers break the rules to make transactions, leading to the risks and losses. In many cases, real estate companies raise capital from customers through contracts of capital contribution without eligible conditions.

According to the Global Property Transparency Index 2014 conducted by Jones Lang LaSalle, Vietnam was ranked 62/102 and was categorized as low transparency, even lower than other nearby countries such as China, India, Thailand, Malaysia, Philippines, and Indonesia.

**Worldwide property transparency index 2014**


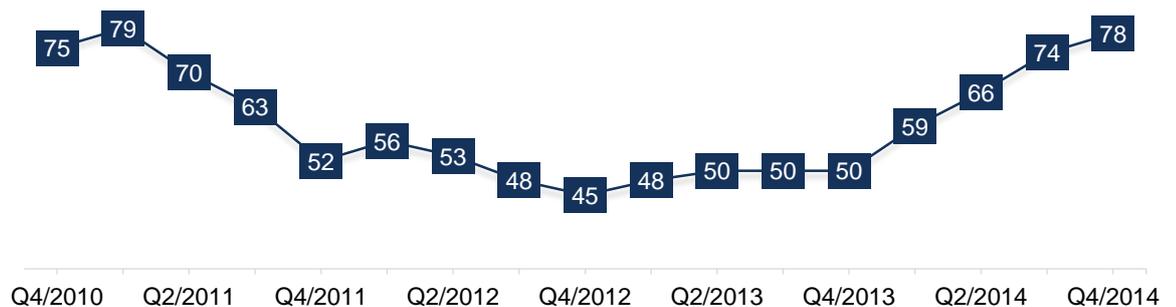
**Vietnam**  
 Category: Low  
 Score : 3.59  
 Rank : 62



(Source: Jones Lang LaSalle)

**OPPORTUNITIES**
**➤ Stable political system, economy and society**

Real estate investment requires a huge amount of capital so that the stability of the macroeconomic is always the top concern of developers. BCI index of Vietnam rebounded strongly since the end of 2013 and reached 78 point in Q4/2014, showing that the belief and business prospects of the European business community in Vietnam has returned and increased.

**Business Confidence Index of Vietnam**


(Source: EuroCham)

**➤ Vietnamese Government and the SBV has issued many supporting policies for the real estate industry in both real estate investors' and residents' viewpoint.** In terms of administrative procedures, there are certain advanced steps. The Government set the key task

in 2015 is to cut at least one third of the time consumed for administrative procedures in the construction and investment.

## THREATS

- **In short-term, the ability to come up with an immediate solution to deploy new capital flows to the real estate market is unclear. Furthermore, the positive change in administrative procedures can not be applied immediately and effectively**

Although the transactions of some real estate segments have been slightly advanced, the dependence on bank credit is still a major obstacle in the capital structure of real estate firms. In fact, many uncompleted projects still face difficulty accessing to credit. Studying the diversification of funding sources, including the common forms in developed countries such as REITs, "securitization" of real estate projects, is on the way. By the way, this also creates new investment channels for the residents.

Meanwhile, the real estate enterprises still need to accept and implement the complicated, cumbersome administrative procedures. These administrative procedures, thus, are large obstacles for the sustainable development of the real estate market.

- **Speculating activities come back to the real estate market**

There are signals of speculators' appearance when the market has been re-active. The lending interest rate has been falling, gold and foreign exchange market is less attractive. Speculators may be attracted because the property market offers the high return yield (5-8%) and they can hedge against the inflation. The market, which has just slightly recovered, is quickly exaggerated by the speculators. This may destroy the belief in the real estate market, and inevitably lead to the risk of a "frozen" market.

- **Many projects have been approved, but the slow implementation indirectly wastes land resources and hinders the development of the regions**

Besides the approval for developing new projects, the authorities need to closely monitor and have appropriate sanctions, even retake and re-allocate the land resources to other firms which are capable to implement the projects.

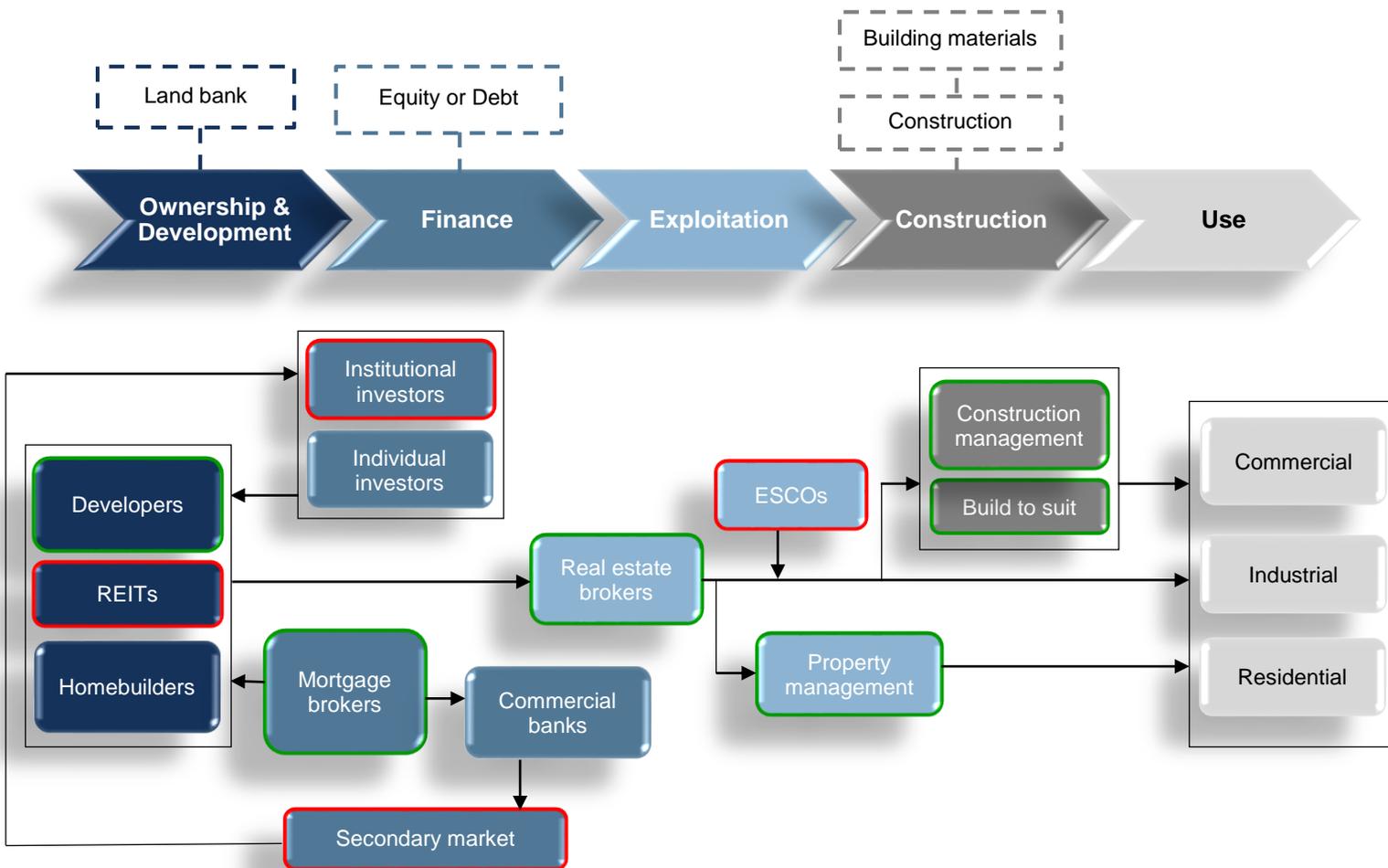
According to a survey of the HCMC Real Estate Association (HoREA) in 2014, HCMC had approximately 1,403 housing development projects, of which 426 cases were completed and put into use (represent 30.36%), 201 projects were in construction (account for 14.32%), 689 projects were stopped (take up 49.1%), and 85 cases have been withdrawn or cancelled.

- **Massive developing projects could increase the gap between supply and demand**

In general, the supply of all real estate segments is still abundant and is projected to increase strongly in the near future. There were more active transactions in low-end and medium segment, which adapt for the real demand. Oversupply is unavoidable if there is no thorough research from the real estate companies. Massive development of projects without market evaluation will raise the level of competition among real estate enterprises in general and projects in particular.

The value chain of Vietnam real estate industry is analyzed by reference to the value chain of USA real estate industry (one of the most developed real estate market in the world). In reality, the missing of many components in the value chain prevents the Vietnamese real estate market from operating properly, professionally and efficiently.

The value chain of Vietnam real estate industry



— : Do not exist or still have big limitation in Vietnamese market

— : Possibly provided by independent full-service real estate firms

(Source: Center on Globalization, Governance & Competitiveness; FPTS Research)

<b>Ownership &amp; Development</b>	This is the first step with 3 basic types of businesses: Developers, REITs, and Homebuilders.  <i>(See more details)</i>
<b>Finance</b>	All real estate companies have to seek for financing resources because the capital needed for real estate projects is huge. It would be used for acquiring land bank (directly purchase land or repurchase projects from other investors) prior to having any specific plans for construction.

	<p>The financing resources can be classified into two groups: Equity financing (the participation of institutions &amp; individual investors via the stock market or private placement) and Debt financing that comes mainly from commercial banks.</p> <p style="text-align: right;"><i>(See more details)</i></p>
<b>Exploitation</b>	<p>The stage includes selling, leasing, and managing properties. During this period, there is the intermediary role of agents and brokers among selling and buying parties.</p> <p style="text-align: right;"><i>(See more details)</i></p>
<b>Construction</b>	<p>It is the operation of the construction and construction management companies. Generally, a specialized construction company can perform all the phases from designation, construction, inspection, testing, operation, warranty, and maintenance.</p> <p style="text-align: right;"><i>(See more details)</i></p>
<b>Use</b>	<p>This is the last stage in the value chain with a variety of outputs, categorized as 3 main groups:</p> <ul style="list-style-type: none"> <li>• Commercial real estate: retail, hotel, resort, office, restaurant, amusement park, etc.</li> <li>• Industrial properties: industrial zone, factory, and warehouse, etc.</li> <li>• Residential real estate: villa, townhouse, land lot, apartment, and serviced apartment, etc.</li> </ul> <p style="text-align: right;"><i>(See more details)</i></p>

The reason is that Vietnamese real estate enterprises still spontaneously invest in any available projects and have not had appropriate and long-term business strategies. *The companies usually take over all the stages from the beginning to the end of a project because of their ambition of reducing costs. Actually, they have ignored their business strengths, which they should focus resources on.* While barriers arising from legal policy system limit the capital sources, the real estate market may collapse and will inevitably result in the entire value chain's risk.

Objectively, the Vietnam real estate market is very young, so it needs more time to be modified and improved. Vietnam real estate market has been restructuring on the roadmap to 2020 and vision to 2025 in order to shape a full value chain as described above, hopefully.

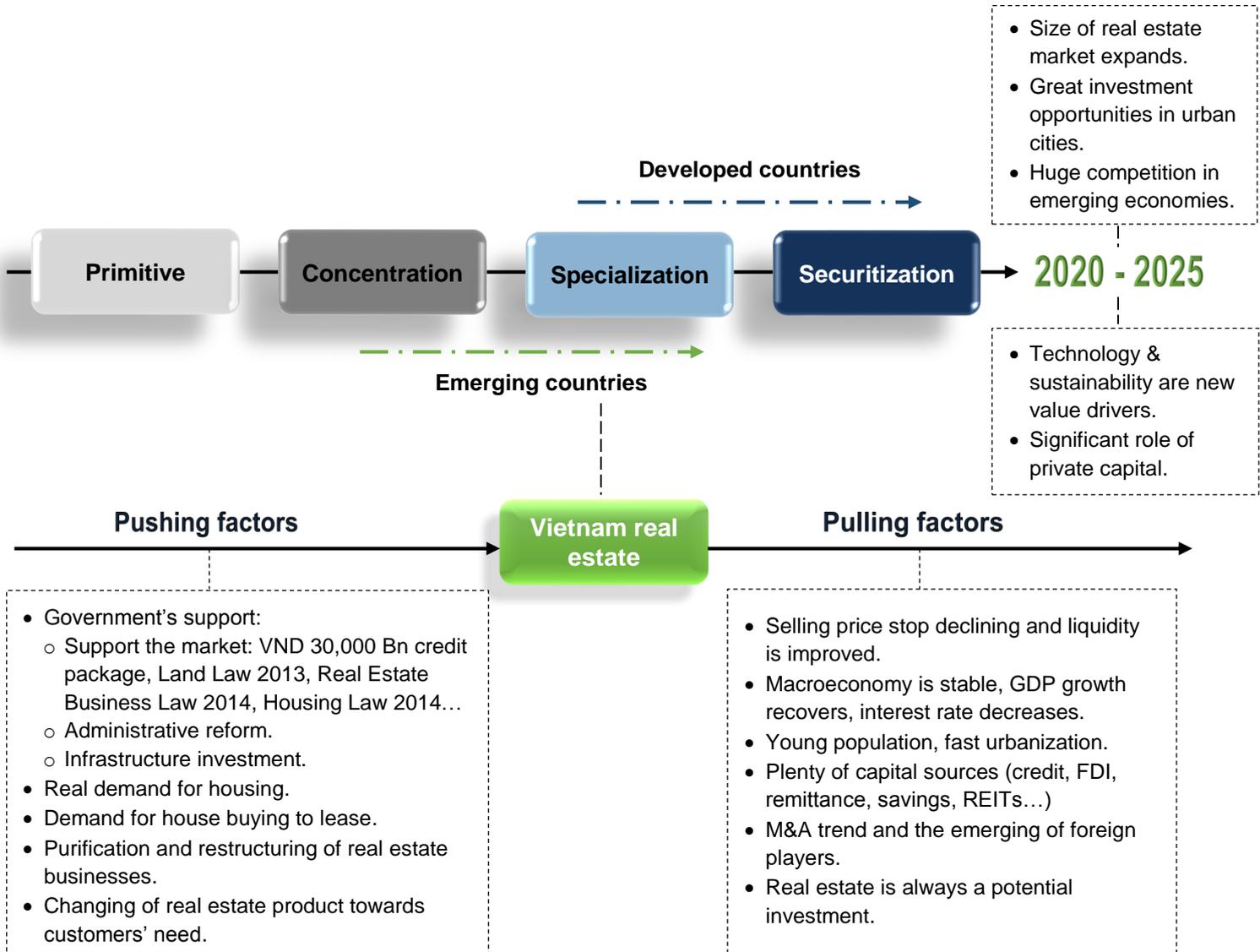
The following analysis focuses on the Vietnam real estate industry since 1975.

	<b>Feature</b>	<b>Transaction</b>	<b>Capital source</b>	<b>Participants</b>
<b>Primitive</b>	<ul style="list-style-type: none"> <li>• The market developed spontaneously.</li> <li>• Multiple land ownership.</li> <li>• No legal documents regulating markets.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreement between parties.</li> </ul>	<ul style="list-style-type: none"> <li>• The capital sources (USD, VND, gold) mainly came from residents' savings.</li> <li>• The bank did not allow real estate loans.</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals and families.</li> </ul>
<b>Concentration</b>	<ul style="list-style-type: none"> <li>• Land Law origination.</li> <li>• Economy is opened, which increases the demand for various properties; real estate rental appears.</li> <li>• The market was active and quickly developed.</li> <li>• Land prices soar; speculators enter into the real estate market.</li> <li>• The majority of housing projects focus on medium and high-end segments. The demand for affordable housing is huge but do not have adequate concentration.</li> </ul>	<ul style="list-style-type: none"> <li>• Diversed and multiple source of information.</li> <li>• The USD is popular in calculating property prices.</li> <li>• The transactions are more professional through real estate trading agencies.</li> <li>• Supply and demand of goods develop rapidly in both quantity &amp; quality.</li> </ul>	<ul style="list-style-type: none"> <li>• Savings from working and doing business of residents.</li> <li>• Banks provide mortgage loans rising real estate credit.</li> <li>• Housing Fund and Bank for Housing Development are established.</li> <li>• Some of FDI and remittances are invested in real estate industry.</li> </ul>	<ul style="list-style-type: none"> <li>• Traditional participants (individuals, families).</li> <li>• State-owned enterprises are assigned to manage land, and to develop infrastructure for new urban areas.</li> <li>• Real estate businesses and service providers widely appear.</li> <li>• The participation of foreign investors.</li> </ul>
<b>Specialization</b>	<ul style="list-style-type: none"> <li>• Legal system regulating the market is gradually improved.</li> <li>• The Government implements synchronous strategic urban planning and development of infrastructure.</li> <li>• Real estate enterprises specialise in segments they have competitive edge, and target to the suitable customers.</li> </ul>	<ul style="list-style-type: none"> <li>• Real estate products are diversified and are specialized (housing, office, retail, industrial properties...)</li> <li>• The market performance is more efficient.</li> <li>• Market information is more transparent.</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of real estate capital sources, such as, REITs, re-mortgage loans, saving funds for low-income people, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic, foreign institutions and individuals.</li> </ul>
<b>Securitization</b>	<ul style="list-style-type: none"> <li>• Market scale drastically expands. The real estate industry is developed in correlation with the finance sector and the economy as a whole.</li> <li>• It is possible for real estate enterprises to issue shares for each project.</li> </ul>	<ul style="list-style-type: none"> <li>• Everyone can do transactions on the real estate market.</li> <li>• Market performance has a high level of transparency.</li> </ul>	<ul style="list-style-type: none"> <li>• Equity capital: individual investors, pension funds, REITs, insurance companies, venture capital...</li> <li>• Debt capital: (1) Primary (directly from the lender);</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic, foreign institutions and individuals.</li> </ul>

<ul style="list-style-type: none"> <li>The real estate loans are securitized.</li> </ul>		(2) Secondary (securitized debt).	
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(Source: FPTs Research)

### Evolution of the real estate industry



(Source: FPTs Research)

A sustainable developed real estate market must come from the two sides: supply (pushing factor) and demand (pulling factor). The strongest pushing factor is definitely the capacity of real estate enterprises in implementing the construction on time, giving good product quality at affordable price, which meets the market demand. On the demand side, the real purchasing power, which is based on the actual income, is the most significant pulling factor.

- **Concerning the legal documents and supporting policies, the direct guidance from the Government on the reformation of administrative procedures is expected to be strongly implemented in 2015**

The *Public Administration Reform Index (PAR Index)* for 19 ministries, ministerial agencies was announced in early September 2014 showing that the Ministry of Construction is 1 of 9 ministries/agencies, which has improved and is upgraded. The determination of PAR Index is gradually creating the publicity and transparency in the operation of administrative agencies, enhancing the responsibility at all administrative levels; simultaneously, raising the participation of resident awareness. Therefore, it is a positive signal for the construction and real estate industries in the near future.

In addition, at the beginning of 2014, the Government, the SBV, and relevant authorities have closely coordinated in order to provide timely policies supporting the real estate industry.

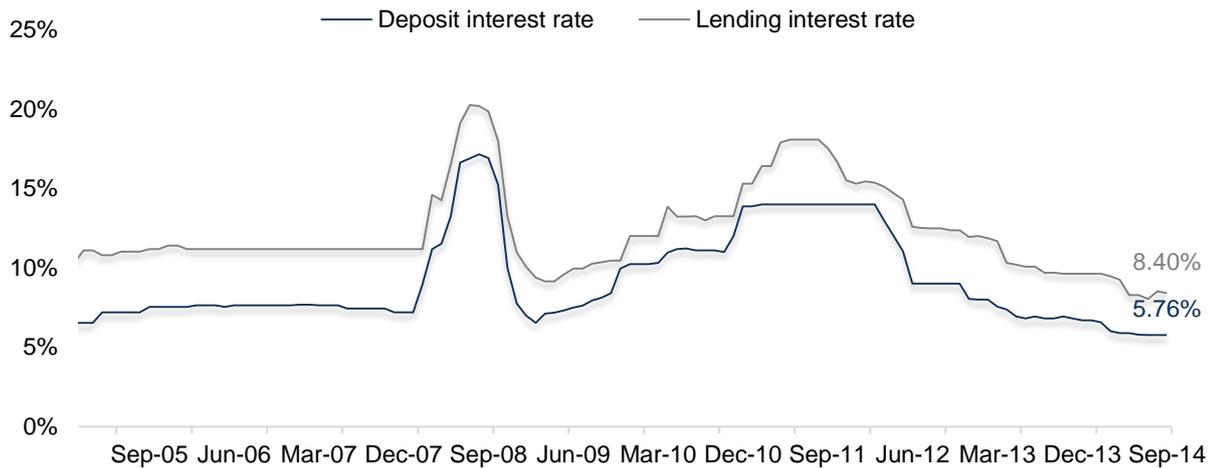
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**Policies having major impact on the real estate market in 2014**


(Source: FPTS Research)

- **Lending interest rates are low**

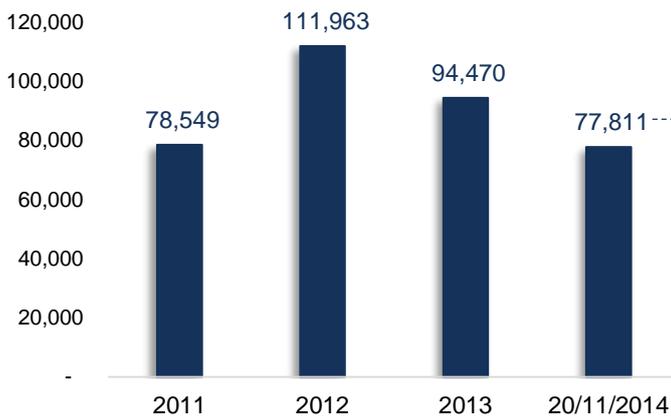
In 2014, commercial banks continuously reduced interest rates in the context of credit tightening, high rate of bad debt and low inflation. This is a good chance to divert money flow into other investment channels with higher profit margin, including real estate. The lower interest rates also facilitate loans for real estate businesses. At the end of September 2014, the short-term interest rates recorded the lowest levels in 10 years.

**Average short-term interest rate (below 12 months)**


(Source: Bloomberg, FPTs Research)

- **The trading volume of apartments were impressive** with the highest liquidity remained in the small-sized apartment projects which were completed and affordable.

According to the MoC of Vietnam in 2014, Hanoi had about 11,450 successful transactions (+200% YoY), while HCMC had about 10,350 successful transactions (+30% YoY). The market liquidity soared due to the rising demand and low price (many projects failed by 30% compared to 2011). Thus, inventories are significantly reduced, total inventory value was around VND77,811 billion as of 20/11/2014 and VND73,889 billion on 15/12/2014, decreased by VND20,569 billion (or 21.8%) compared to December 2013.

**Vietnam real estate inventory (billion VND)**


Area	Apartment	Low-rise building	Commercial land lot	Housing land lot	Total
<b>HCMC</b>					
Units	6,618	716			
Value (Bn VND)	11,267	2,004	437	1,203	14,911
<b>Hanoi</b>					
Units	1,911	2,582			
Value (Bn VND)	2,136	7,550			9,686

(Source: MoC of Vietnam)

**The property market will keep recovering in 2015, transactions are gradually increasing**

Administrative reform and legal policy improvement for the real estate industry will continue to be researched, meanwhile, *there is more significant differentiation between the companies, which have good projects, the capability of projects developing and completing, and the underperforming ones that could not have their projects finished properly.* This differentiation offers M&A opportunities for foreign investors who can repurchase the projects within low prices and without spending time conducting complicated procedures, initial investment, related taxes, fees...

Homebuyers are still looking for completed and/or affordable apartments (price below VND18 million per m<sup>2</sup>, floor area under 70 m<sup>2</sup>) while the VND30,000 billion package should be disbursed quicker. The trend of purchasing houses for lease is considerable since interest rates have been falling. Besides residential real estate, tourism property is also the potential segment for both local and foreign investors.

High-end and luxury housing segment (which accounted for majority of the real estate inventory) is still hard, but those projects which create new and unique ideas still attract customers. In particular, the projects whose location nearby the CBD with timely progress, completed utilities and be invested by reputable players are still in great interest of buyers in spite of relatively high prices.

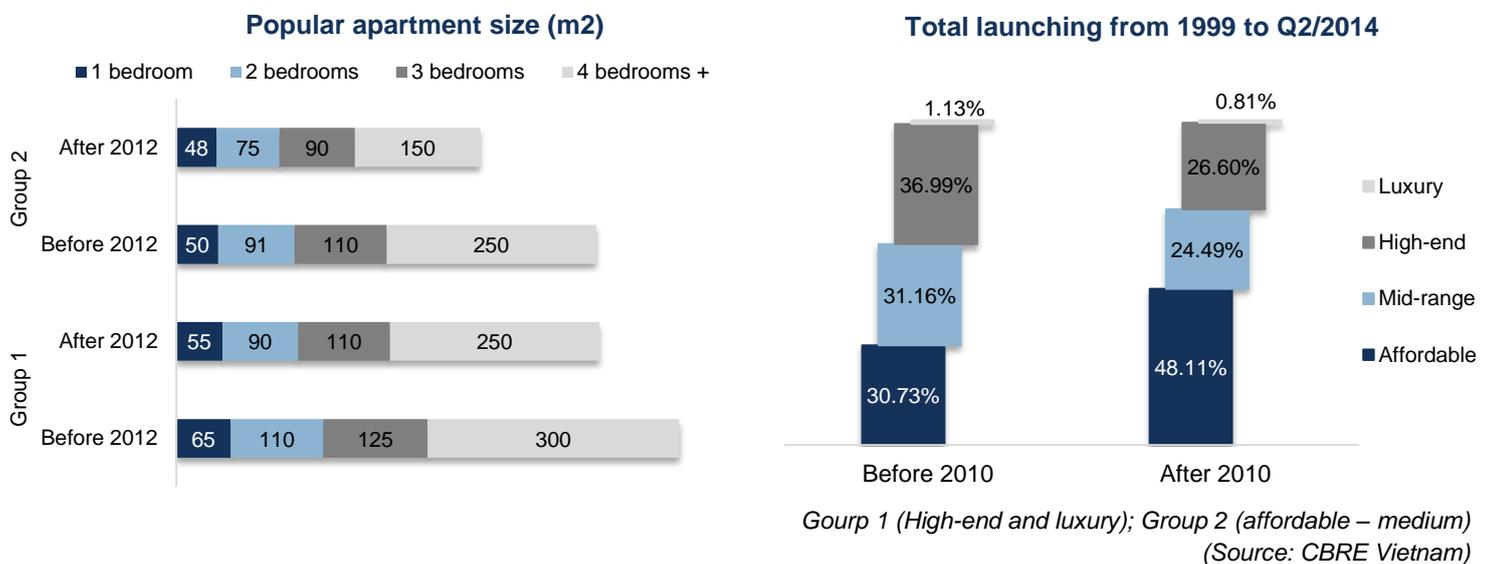
## II 8.2. Long-term outlook

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### The changes in Supply and Demand

#### ➤ The trend of investing in affordable housing projects keeps rising

The Government's future orientation encourages the development of affordable housing. Moreover, users nowadays prefer moderate apartment (50 – 100 m<sup>2</sup>) to large area.



#### ➤ Officetel – The outstanding product of commercial real estate

Officetel (Office + Hotel) is a multifunctional office model which has emerged and is very popular in the developed countries as the demand for property soars. This model is a “2 in 1” combination of modern, professional office and convenient place to stay with an area of 25 – 100 m<sup>2</sup>, which optimizes performance and efficiently use of total area.

In Vietnam, Officetel is a new property but will save time and save cost for foreign experts having representative offices here, research groups, or SMEs... Especially, Officetel proactively catch up the startup trend of young Vietnamese entrepreneurs, and the flow of new overseas investment in Vietnam.

Currently, Officetel is being developed by the large real estate enterprises such as Novaland, Vingroup in some high-end projects (Sunrise City, The Prince, Vinhomes Central Park, etc.)

**Officetel apartment (Sunrise City project, District 7, HCMC)**

 Purchase price:  
VND36 million per m2

 Compared  
to

 Purchase price of apartment for sale in the project:  
VND 30 – 50 million per m2

 Rent price:  
15 – 25 USD/m2/month

 Compared  
to

Average rent price of serviced apartment in HCMC

- Grade A: 30 USD/m2/month
- Grade B: 24 USD/m2/month

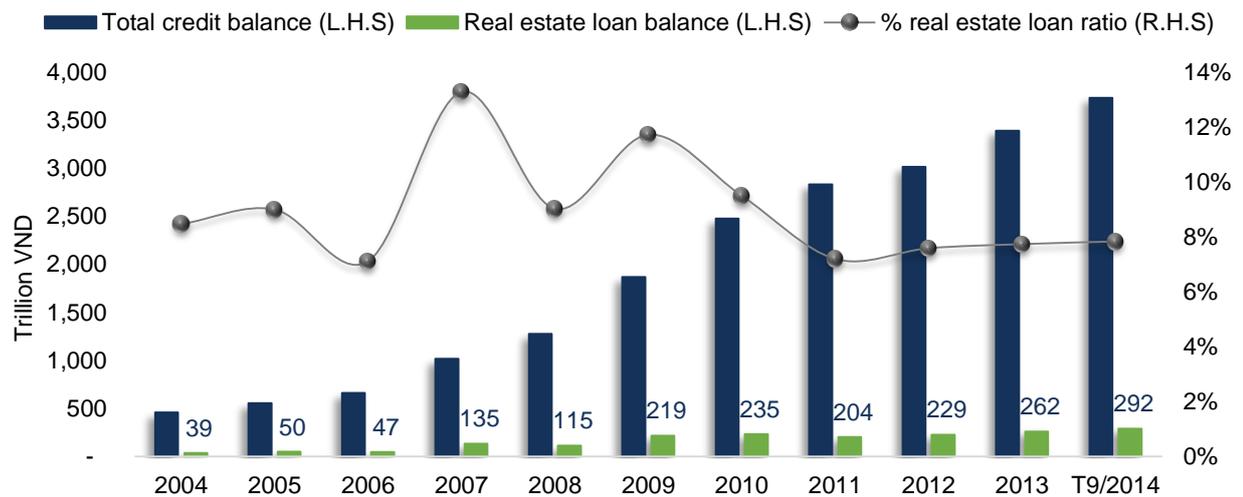
Average rent price of office in HCMC

- Grade A: 47 USD/m2/month
- Grade B: 27 USD/m2/month

*(Source: FPTs Research)*
**Cash flows are returning to the real estate market**

 ➤ **Bank credit still accounts for the largest proportion**

Real estate is a prospective sector in which banks are boosting lending. At the end of August 2014, loans for real estate increased by 9.85% compared to the earlier of the year, which is higher than the GDP growth (5.82%) and many prioritized fields, such as, agriculture (+6.1%), supporting industries (+6.12%), exports (+4.37%), SMEs (+2,57%).

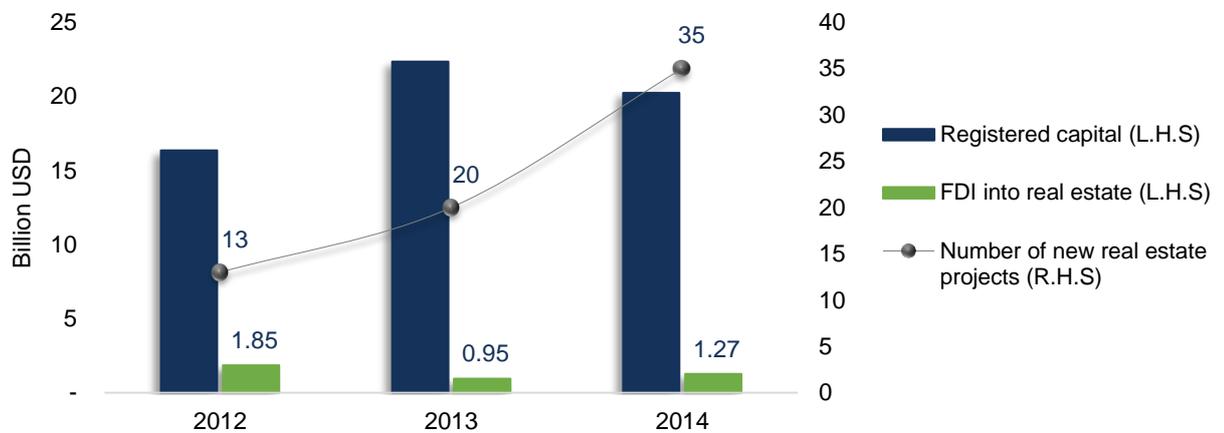
**Credit balance**

*(Source: SBV, FPTs Research)*

In the medium - long term, when bad debts are reduced to below 3%, it is expected that banking credit quality will appreciate and banks are able to provide more loans to the real estate market. Therefore, it is necessary to improve the real estate market liquidity, enhance investment environment, and accelerate the disbursement of VND30,000 billion credit package. These attempts will positively support the capital flows into the real estate market.

 ➤ **FDI capital inflows are expected to strongly increase**

In 2014, real estate remained in top 2 industries attracting FDI capital with 35 new registered projects, total new and additional investment are USD2.54 billion (taking up 12.6% of total FDI) . South Korea , Hong Kong, Japan, Singapore are the leading countries in terms of total investment in Vietnam.

**FDI capital into real estate industry 2012 - 2014**



(Source: Foreign Investment Agency - MoPI of Vietnam)

**The large FDI real estate projects**

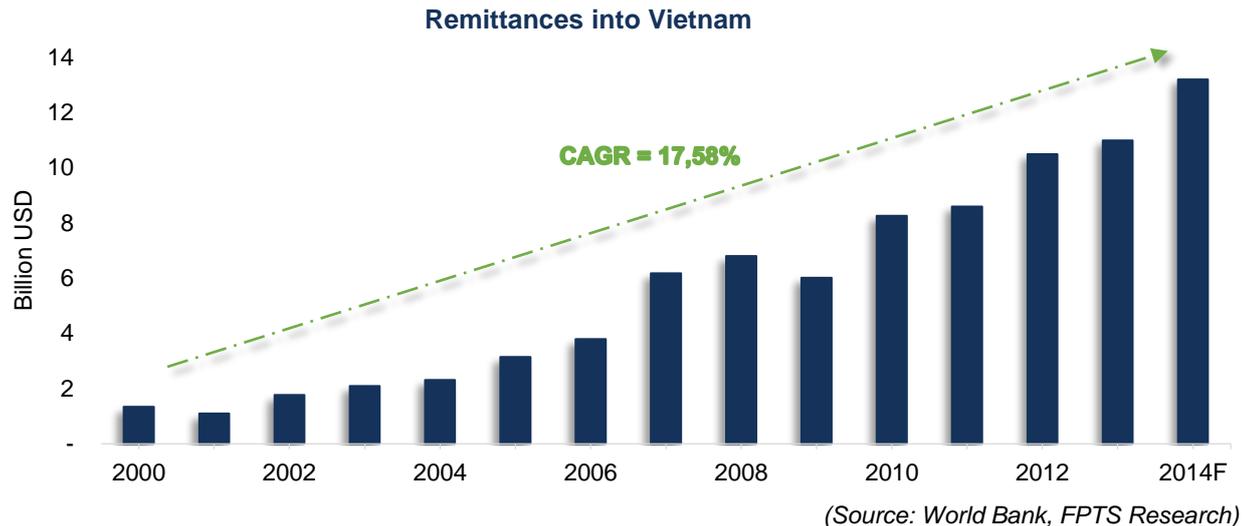
Projects	Location	Investors	Investment (million USD)
Smart Complex	HCMC	Lotte (South Korea)	2,000
Samsung	HCMC	Samsung (South Korea)	1,000
Amata City	Dong Nai	Amata (Thailand)	530
Alma resort	KhanhHoa	Alma Group (Israel)	300
West Westlake urban	Hanoi	South Korea	234
Ward 22 Condominium – BinhThanh	HCMC	Sun Wah Vietnam Real Estate Limited (Hong Kong)	200
Ascendas	HCMC	Ascendas (Singapore)	130
Flowers resort	Cam Ranh (KhanhHoa)	State Development (Russia)	89

(Source: FPTs Research, November 2014)

➤ **Plentiful overseas remittances remain one of the effective capital sources of Vietnam**

In 2013, Vietnam received USD11 billion and was in the top 10 countries receiving the largest amount of overseas remittances. This potential capital will remain strong in the coming years. One of the top concerns of expatriates is domestic property. By the end of May 2014, HCMC welcomed overseas remittances of USD1.6 billion, in which 21% of money (equivalent to over VND7,100 billion) flowed into real estate,.

However, Vietnam has integrated internationally; money laundering through remittances should be concerned and requires appropriate policies to control.



➤ **Positive changes in restructuring the public investments**

Since early 2014, the State Treasury has raised VND165,169 billion through Government bonds. On 11/09/2014, the State Treasury additionally raised VND6,000 billion through Government bonds within maturities of 5-15 years. The funds are expected to support and eliminate the difficulties in the public investment. The real estate industry will be benefited when the Government keeps increasing investment in urban infrastructure.

➤ **A large amount of capital is in residents' savings**

After the economic crisis 2008 - 2009, many investors decided to narrow their investment portfolio. Banking deposit was supposed to a secure and less risky solution. As the market has passed the downtrend, more profitable and risky investment channels such as real estate and stock are become attractive. The balance of deposits from residential as at December 2014 reached VND2,578,277 billion (+20.14% YoY), more than 33 times the value of real estate inventories as reported by the MoC of Vietnam. Thus, it is expected that some of this huge saving could be invested in, and thereby support the real estate market.

- In medium and long-term, the solutions have been being discussed in order to overcome the difficulties and to stimulate the property market, such as **re-mortgage and the development of REITs**. If these solutions are applied in practice, together with the recovery of financial market as well, a large amount of capital will be mobilized for the real estate market.

**Macroeconomic stability**

Year 2014 was an important year when the Government has implemented administrative reformation as well as macroeconomic policies to resolve the existing issues of the economy such as banking system restructuring, property market rescue, equitization of the state-owned enterprises.

The economy has recovered, stimulates purchasing power, and inflation is better controlled from now on. These are extremely important preconditions to revive the property market.

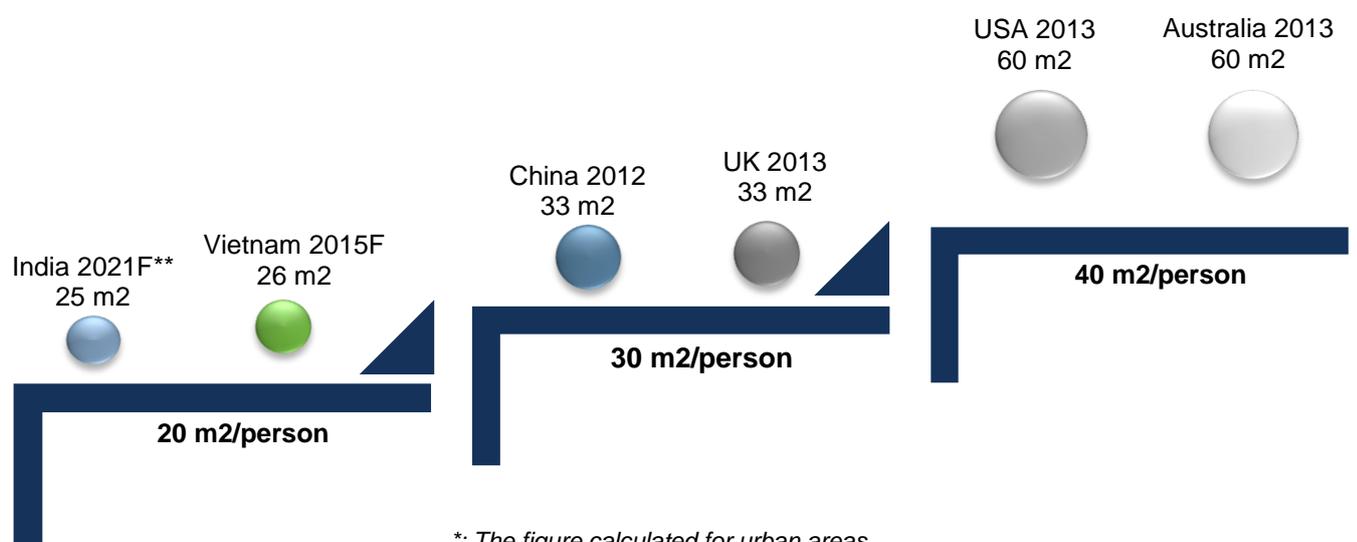
**Young population and fast urbanization**

- **Vietnam's population keeps increasing in the coming years, this growing results in abundant human resource**

The explosion of urban population will lead to demand for housing. Therefore, *the orientation of Vietnamese Government for the period of 2015 - 2020 is to build 425 million m<sup>2</sup> of housing floor with about 3 million new apartments/houses; and 12.5 million m<sup>2</sup> of the social house in urban areas*, in order to meet the basic need for housing, improve living quality and social welfare. However, *the average targeted floor area per inhabitant in urban areas are 26 m<sup>2</sup>/person (2015) and 29 m<sup>2</sup> person (2020), is relatively smaller than in other developed nations.*

According to the GSO of China, the total value of construction investment in 2012 in urban areas was over USD18,300 billion with a total floor area of over 1,000,000 ha (in which 614,991 ha for housing). Despite being the most populous country in the world, China has improved the living space from 29 m<sup>2</sup>/person (2009) to around 33 m<sup>2</sup>/person (2012).

### Housing space per person\*



\*: The figure calculated for urban areas

\*\*: The figure is referred from the general development plan of New Delhi until 2021

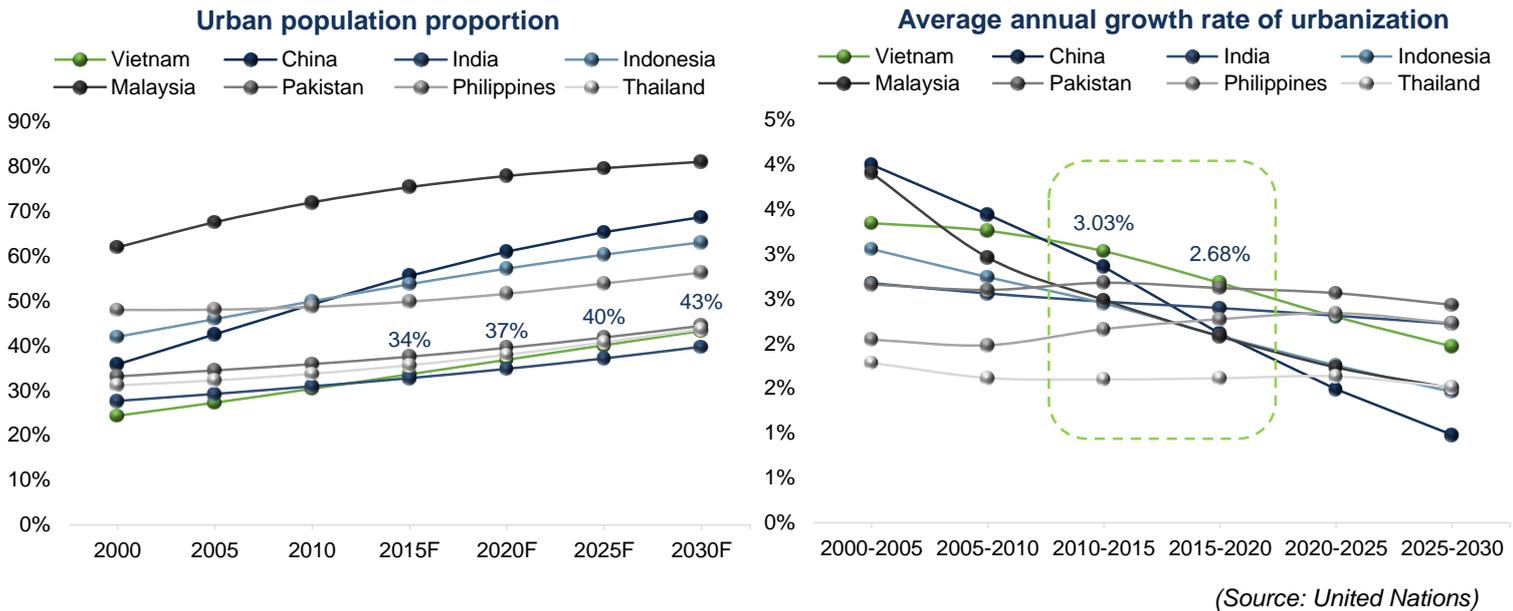
F: Forecasted data

(Source: FPTS Research)

- **Urbanization is the strongest momentum for the development of the real estate industry; thus, Vietnam has favourable conditions to develop the real estate industry thanks to high level of urbanization each year**

The urban population ratio of Vietnam has gradually increased and is projected to reach 34% in 2015 and 40% in 2025. The ratio is higher than India (37%) whereas it is lower than the surrounding countries such as China (65%), Malaysia (80%), and Indonesia (60%).

During 2010 - 2020, the average growth rate of urbanization of Vietnam is leading amongst 8 emerging Asian countries, ranging from 2.68% and 3.03%. *In the national urban development plan, Vietnam needs to build 335,000 ha of urban land in 2015 and 450,000 ha until 2025 (account for 1.4% of the country's total surface area, 85 m<sup>2</sup> per person on average).*



### Real estate enterprises are undergoing a major restructuring

***In 2014, the differentiation between enterprises in the real estate industry has been cleared, which lead to the faster restructuring.*** The weak companies have to cut down price, or even sell off the assets to resolve financial problems. Some companies which could not self - restructure need to come up with other solutions quickly.

It is not simple to organize any restructuring in the real estate industry because of its close relationship with the banking industry. The inventories and bad debts related to real estate indirectly reflect the financial health of the banking industry. This is a consequence of fast development period when real estate projects were financed by high interest rate loans. When the real estate products did not meet the market requirement, inventories and debt obligations made pressure on the market. At present, enterprises have to decide whether to self-restructure or do M&A. ***To restructure, it is required to re-organize the company's system, re-arrange human resources, cut costs and even adjust business strategies.***

***In medium and long-term, the real estate enterprises will go on self-restructuring,*** carefully research the market in advance to ensure they provide what the market demands. In order to develop the market and protect themselves, the real estate enterprises need to look for other capital sources, such as investment funds, clients, debt instruments, etc. instead of depending too much on banking loans. To accomplish this target, the authorities need to support the real estate businesses by facilitating the transparency of both the capital market and administrative procedures.

### The trend of M&A and the emerging of foreign players

M&A has become a new trend in the last few years. The more difficult the real estate market is, the more projects have been purchased. M&A is a suitable trend for the current real estate market conditions. *It resolves problems for three parties, including: (1) the weak companies can sell-off the project to focus on solving their financial problem; (2) good opportunity for the new players which have better financial resources; and (3) customers have more choices.*

In recent years, the M&A tends to increase, especially for foreign investors who are interested in Vietnamese market, such as Japan, South Korea, Singapore, and Taiwan. These countries also

have significant amount of FDI in Vietnam. In particular, South Korea has shown special interest in the real estate and construction industry.

#### Investment of South Korea in Vietnam real estate and construction

Industry	Real estate	Construction
Number of projects	81	562
Value (Billion USD)	7.0	2.4

(Source: Foreign Investment Agency – MoPI, December 2014)

Nevertheless, the successful transactions are still limited due to several factors such as complicated and/or undone legal proceeding, unfavourable location, inappropriate price, limited financial capability, wrongful planning and insufficient infrastructure. The fact is that businesses are not always succeeding with their purchased projects. The companies can stuck by not balancing the capital sources to continue the projects, and having no effective investment strategy.

***In the next 3-5 years, the M&A activities in the Vietnam real estate industry will be continuously active*** when the TPP will come into practice with more FDI inflows. The Land Law 2013 (effective from 01/07/2014), along with the Housing Law (revised) 2014 and the Real Estate Business Law (revised) 2014 which have been approved will be the important driving forces, supporting M&A activities.

(See more prominent M&A deals during 2013 – 2014)

#### Real estate is always a traditional investment of Vietnamese

The current deposit interest rates are rather low (less than 7%/year for under-9-months term) and keep decreasing. Domestic gold price slightly fluctuates while the global gold price is expected to remain low (below USD1,200 per Oz) until 2018. The foreign exchange market has not developed and has been tightly managed by the Government. The securities market is anticipated to flourish but still risky. Furthermore, it requires in-depth understanding so not many investors can access. Therefore, Vietnamese still prefer the traditional investment channel which is real estate.

#### CONCLUSION

Vietnam real estate industry has a low starting level and has developed for 20 years with many ups and downs. Since 2014, the Vietnam real estate industry has faced positive fundamental changes that will shape its future. All of these changes require adequate preparation for 2015 when the market keep recovering, and will be ready for stepping into the new development cycle towards the roadmap 2020-2025 of the global real estate. Therefore, it is the essential time for:

- ❖ ***Real estate enterprises to balance their finance, reposition their products, and focus investment on their competitive advantages strategically;***
- ❖ ***Real estate investors (individuals and institutions) to boost investment in properties;***
- ❖ ***People to buy houses for living or renting;***
- ❖ ***The Government to reform administrative procedure and complete legal system to support the real estate market;***
- ❖ ***Stock investors to think of real estate companies' revenue & profit and make investment-decisions.***

**III. VIETNAMESE REAL ESTATE ENTERPRISES**
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There are many real estate enterprises locating throughout Vietnam within different scales. It is not easy to have an official record of operating real estate enterprises. *In terms of registration as of the end of 2014, 4,480 entities registered “real estate” in their scope of businesses.* However, many of them invest in real estate that is their non-core business just because of short-term profit. Some of them are in financial distress. Few companies are looking for parties to sell-off assets to...

*(See the overall illustration of outstanding real estate companies operating in the market)*

**General data of the real estate industry from this section onwards is collected from 65 listed companies on the Vietnamese stock market.** This data may not provide a full picture of the real estate industry because many large domestic enterprises have not been listed and it does not even include foreign players. Anyway, the majority of listed real estate companies are large and leading enterprises, so the following data can be considered as representative for reference.

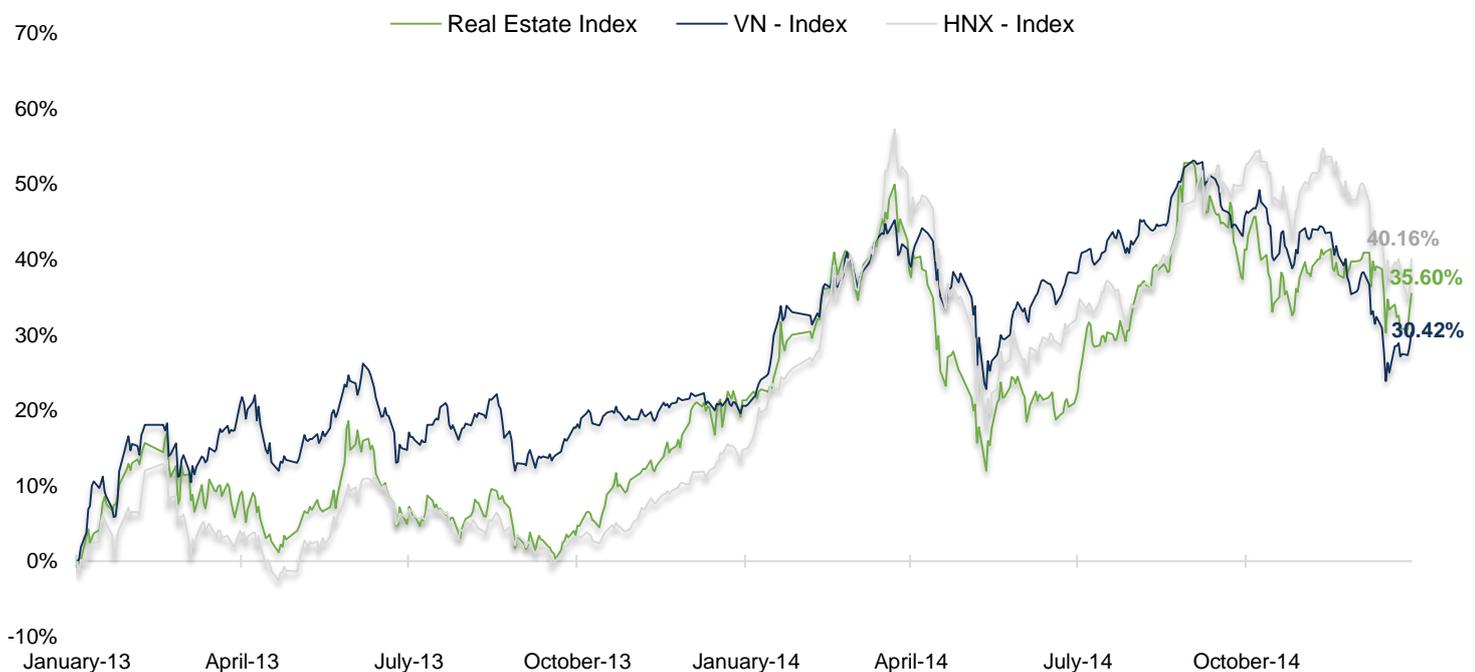
*(See some big unlisted real estate enterprises)*

**III**
**1. OVERVIEW OF LISTED REAL ESTATE COMPANIES**
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➤ **The trend of return performance was similar between indices**

Since Q4/2013, the stock price of real estate companies has increased following the uptrend in both stock market and real estate market. Thereby, at the end of 2014, the yield of the real estate index gained 35.60% (even up to 52.85%) in comparison with at the end of 2012 (a very difficult time of Vietnam real estate market).

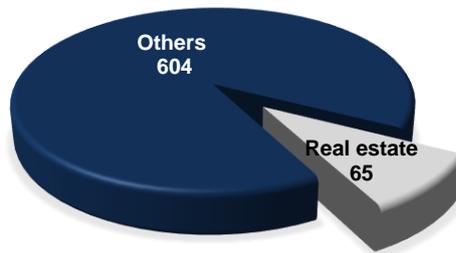
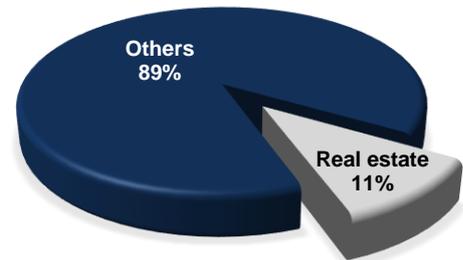
**The daily return performance of market indices 2012 - 2014 (base 02/01/2013)**



*The Real Estate Index is the market capitalization-weighted composite constructed from 65 listed real estate companies (Source: Bloomberg, FPTS Research)*

- **The total market capitalization of listed real estate companies accounted for 11% of the Vietnam stock market**

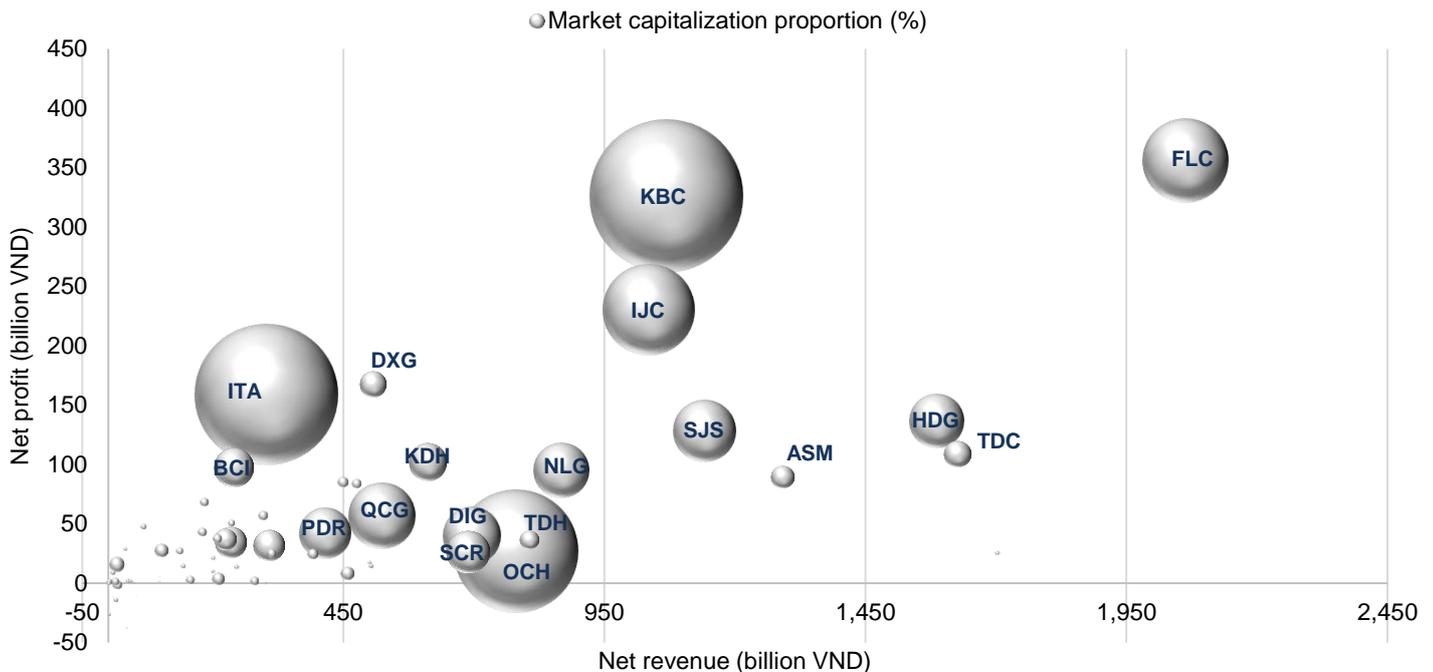
At the end of 2014, there were 65 real estate companies listed in the Vietnam stock market, whose market capitalization reached VND124,000 billion, equivalent to about 11% of total market capitalisation of the Vietnam stock market.

**NUMBER OF LISTED COMPANIES**

**MARKET CAPITALIZATION PROPORTION**


*The figures are based on both HSX & HNX  
(Source: Bloomberg, FPTs Research, 31/12/2014)*

Among listed real estate companies, VIC has the largest market capitalization (takes up 52% of the whole group). It also has the largest revenue and profit in the industry, far ahead from all the rest companies. Some other large market capitalization in the industry comprise of KBC (5.00%), ITA (4.64%), OCH (4.05%), IJC (2.99%), FLC (2.77%), QCG (2.15%), SJS (2.03%)...

**Overview of real estate companies' net revenue, net profit and market capitalization (exclude VIC due to its enormous data)**



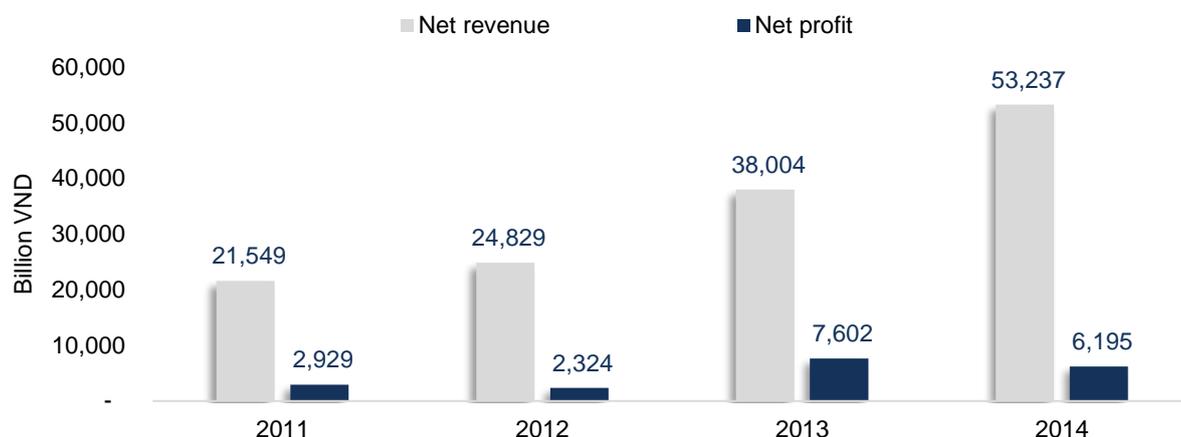
*(Source: Bloomberg, FPTs Research)*

- **The business result 2014 represented indication of the real estate market recovery**

In 2014, the total net revenue and total net profit of listed real estate companies were VND53,237 billion (+40% YoY) and VND6,195 billion (-19% YoY) respectively, in which VIC contributed 54% of the total net revenues and 51% of total net profit. In the industry, only VIC obtained over VND3,000 billion of net revenue and over VND400 billion of net profit in the last 3 years. The total

net profit slightly decreased compared to 2013 because of the significant impact from VIC's business result. In 2013, the company had received a financial income approximately VND4,300 billion by selling Vincom A, which hiked up non-core earning.

### Business result of the listed real estate companies



Data 2014 is unauditted  
(Source: Bloomberg, FPTs Research)

2011 - 2013 was a downturn period of the real estate market. The difficulty in sales and high pressure of loan repayment caused losses for the majority of real estate companies. Although the interest rates are significantly reduced which is beneficial to the real estate companies, the financial expense remains the key element affecting on their operation. **The companies whose financial structure currently contains less debt have an advantage to obtain positive results in the coming years.**

#### Top 10 highest net revenue in 2014 (Bn VND)

No.	Sym.	Revenue 2012	Revenue 2013	Revenue 2014	%
1	VIC	7,904	18,378	27,738	52%
2	FLC	1,554	1,744	2,064	4%
3	UIC	1,512	1,594	1,703	3%
4	TDC	1,716	1,619	1,626	3%
5	HDG	930	989	1,587	3%
6	ASM	1,018	1,135	1,291	2%
7	SJS	51	631	1,142	2%
8	KBC	281	1,073	1,069	2%
9	IJC	612	615	1,036	2%
10	NLG	462	602	867	2%

#### Top 10 highest net profit in 2014 (Bn VND)

No.	Sym.	Net profit 2012	Net profit 2013	Net profit 2014	%
1	VIC	1,571	6,780	3,179	51%
2	FLC	36	99	356	6%
3	KBC	-436	72	326	5%
4	IJC	185	162	231	4%
5	DXG	58	83	168	3%
6	ITA	33	87	159	3%
7	HDG	23	123	137	2%
8	SJS	-303	70	128	2%
9	TDC	160	145	109	2%
10	KDH	-56	-125	102	2%

(Source: Bloomberg, FPTs Research)

### ➤ High level of inventories and debts still remain heavy burdens

#### General financial data of listed real estate companies as of 31/12/2014

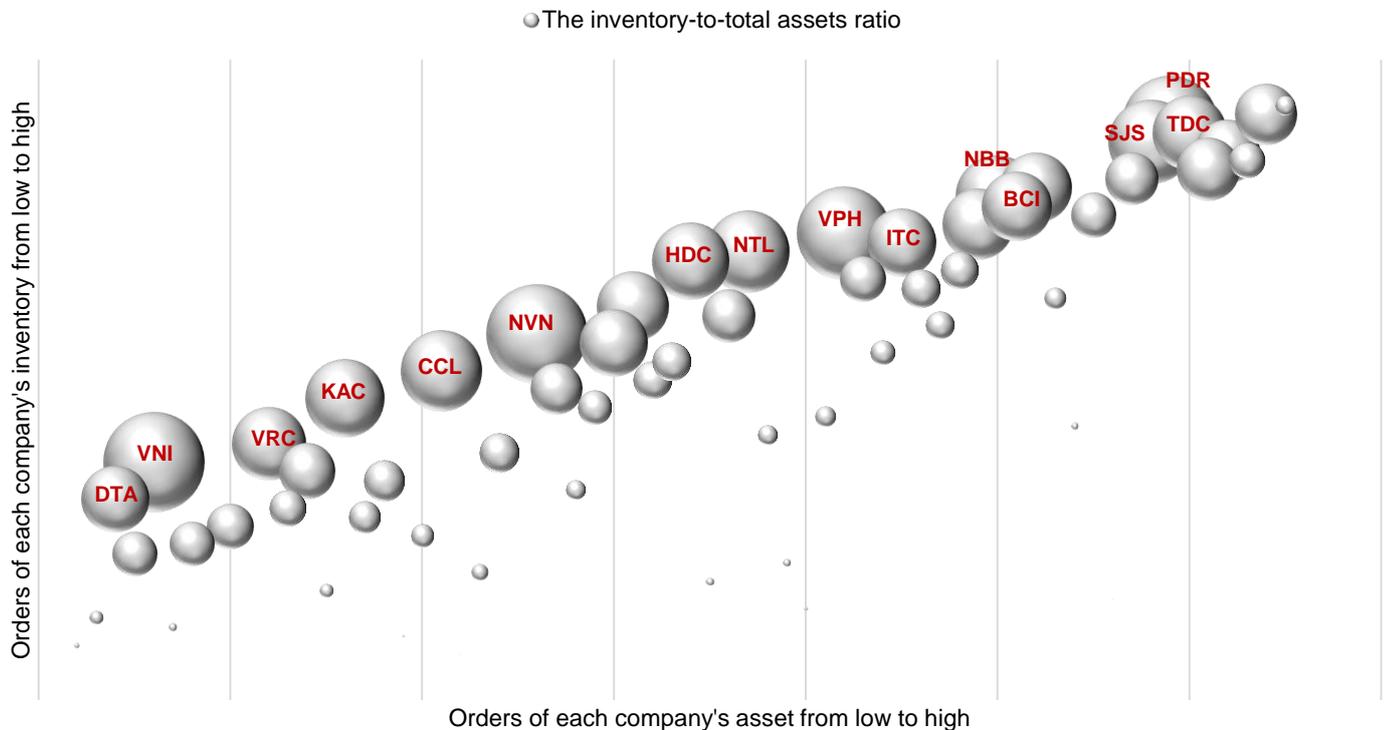
Item (Billion VND)	Total assets	Inventory	Account receivables	Debt borrowings	Owners' equity
Total	227,558	81,760	10,228	64,798	84,203
Average	3,501	1,258	157	997	1,295
Median	1,182	315	75	129	487

(Source: Bloomberg, FPTs Research)

The CAGR of the real estate industry's total assets were at 15.25% between 2011 and 2013, but mainly constituted by the increase of inventories with 15.24%. *This reflects the market downturn when real estate companies' retained profit was insignificantly while they kept investing in many projects concurrently. It has increased both existing and new level of inventories in the industry.*

At 31/12/2014, the inventories accounted for highest proportion in the total assets of companies such as VNI (94%), NVN (94%), PDR (89%), VPH (87%), SJS (79%), NBB (77%), and NTL (77%)... in comparison with the average ratio of the industry (36%).

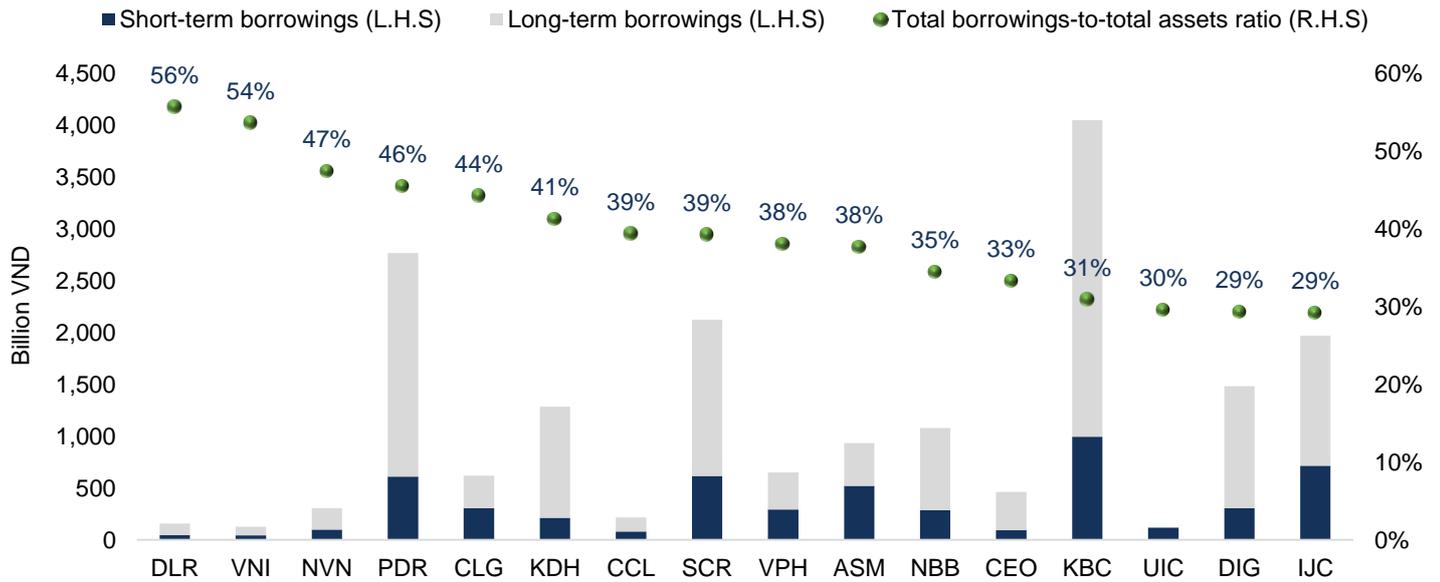
### Overview of the listed real estate companies' inventory and total assets



(Source: Bloomberg, FPTS Research)

The value of inventories consists of the costs for the land use right, compensation, ground clearance, and additional construction cost. Large inventories raise concern that sales are not enough to get the cash inflow for loan repayment, financing new investments, and covering business expenses.

*The industry's average debts-over-total assets ratio in 2014 was 28% with a median debt of about VND129 billion. In the context that the average interest rate is around 11%, each real estate company has to pay VND14 billion per year for interest expense whereas the median of net sales is just VND235 billion (so the interest expense-over-net revenues ratio is approximated at 6%). On the other hand, there are still many companies having healthy capital structure, for example, HLD, HQC, NDN, LHG, NLG, BCI, DXG, HDG. Many others even have no debts, such as CCI, C21, KHA, NTL.*

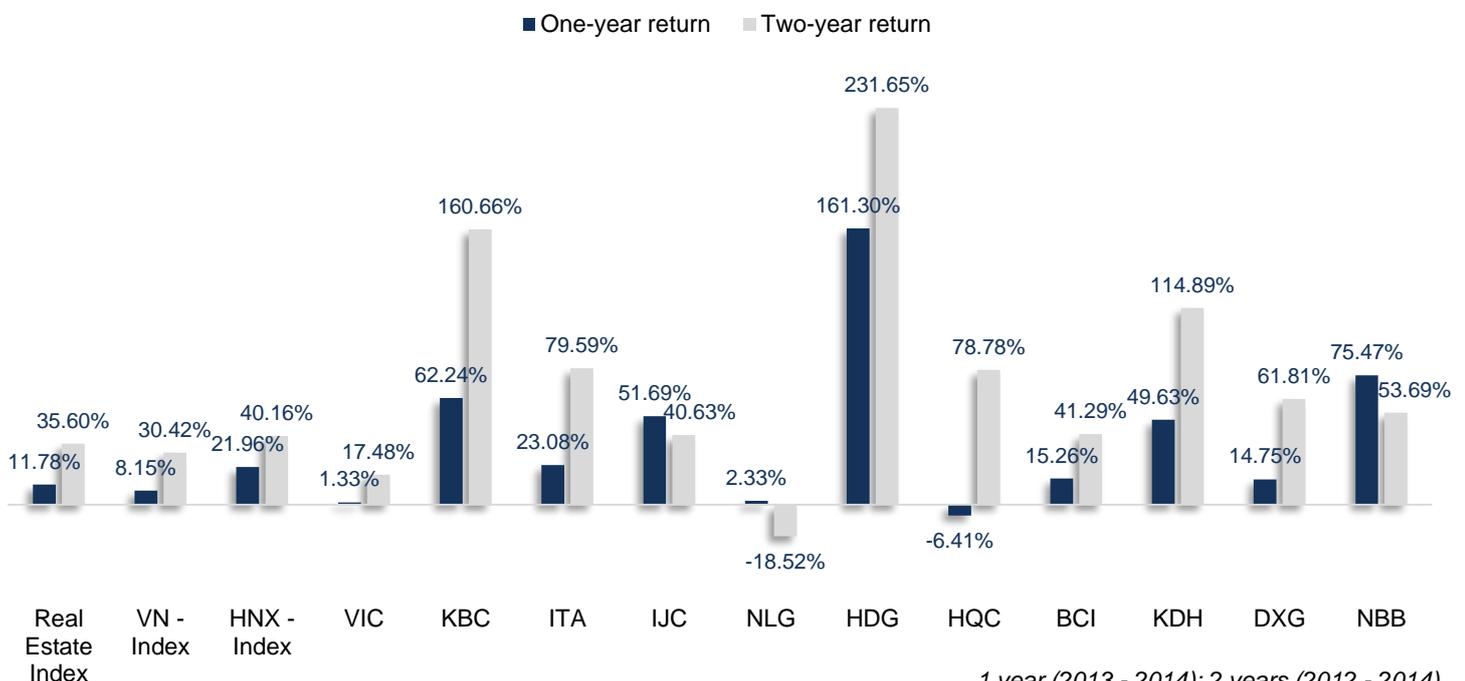
**Top highest debt borrowings-to-total assets ratio**


Exclude VIC (37%) due to its enormous absolute data  
(Source: Bloomberg, FPTS Research)

**III**
**2. PROSPECTIVE LISTED REAL ESTATE COMPANIES**
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According to the analysis of Vietnam real estate and scanning listed real estate companies, we introduce 11 outstanding names, which are potential following the recovery period.

During 2012 - 2014, except for NLG, the share prices of other companies had positive yield especially HDG (+232%), KBC (+161%), KDH (+115%), ITA (+80%), and HQC (+79%).

**Return ratio**


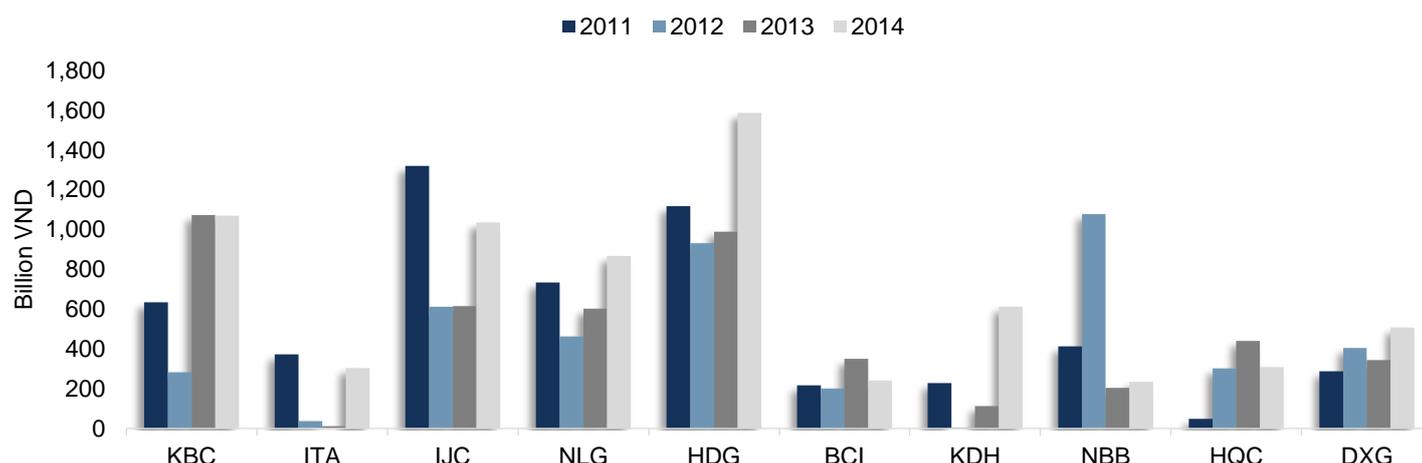
1 year (2013 - 2014); 2 years (2012 - 2014)  
(Source: Bloomberg, FPTS Research)

**Business performance**
**Business performance of 11 prospective real estate companies at the end of 2014 (unaudited data)**

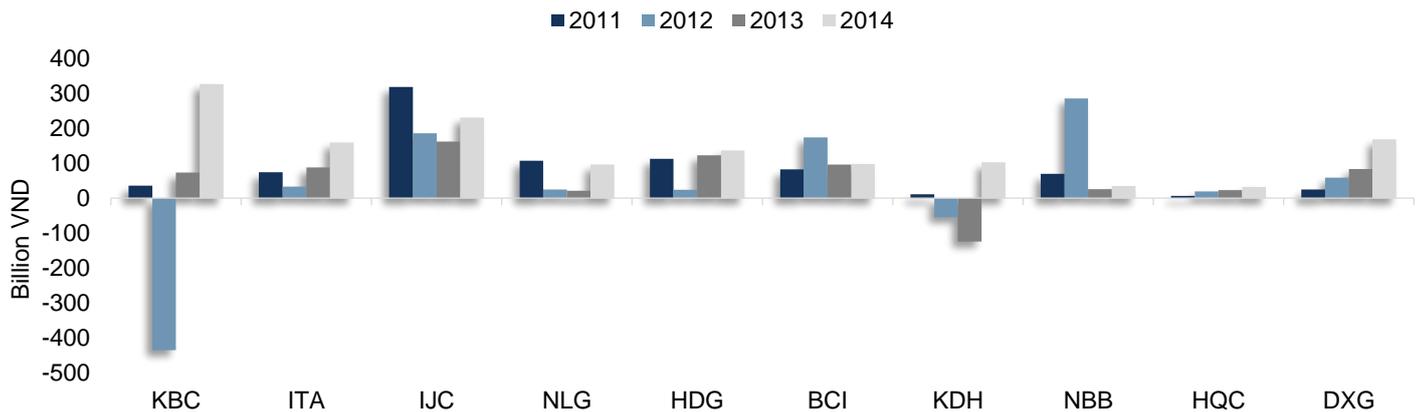
No.	Sym.	Business result 2014 (billion VND)						ROA 2014	ROE 2014	P/E	P/B
		Net revenue	% YoY	Net profit	% YoY	EPS (VND/share)	% YoY				
1	VIC	27,738	+50.93%	3,179	-53.11%	2,463	-54%	3.80%	18.12%	19.49	3.15
2	KBC	1,069	-0.35%	326	+349.94%	905	+262%	2.55%	6.92%	17.57	1.15
3	ITA	303	Same period lost 15 Bn	159	+251.69%	221	+51%	1.38%	2.10%	36.20	0.72
4	IJC	1,036	+68.38%	231	+42.73%	841	+43%	4.00%	7.59%	16.05	1.21
5	NLG	867	+44.07%	95	+350.23%	839	+315%	2.63%	5.92%	20.98	1.16
6	HDG	1,587	+60.47%	137	+11.18%	2,095	+11%	6.04%	17.06%	15.99	2.57
7	BCI	241	-31.18%	97	+1.73%	1,347	+2%	2.91%	5.52%	16.27	0.89
8	KDH	612	+443.85%	102	Same period lost 125 Bn	1,604	Same period lost 2,754	4.20%	8.29%	12.59	1.01
9	NBB	234	+15.38%	35	+36.93%	792	-13%	1.11%	2.40%	27.53	0.80
10	HQC	308	-29.75%	32	+38.71%	278	-4%	0.84%	2.20%	26.26	0.69
11	DXG	506	+47.75%	168	+102.79%	2,346	+50%	9.79%	20.52%	5.97	1.05

(Source: Bloomberg, FPTS Research)

In 2014, the companies had better business results after a difficult period of 2011 - 2013. The earnings of 11 mentioned companies were generally increased, in which KBC, ITA, NLG and DXG had dramatic rise in net profits as opposed to 2013. Besides the recovery of the real estate market in particular and the economy in general, these companies put more efforts on reducing debts, restructuring strategic product lines, and boosting sales.

**Net revenue of prospective real estate companies**


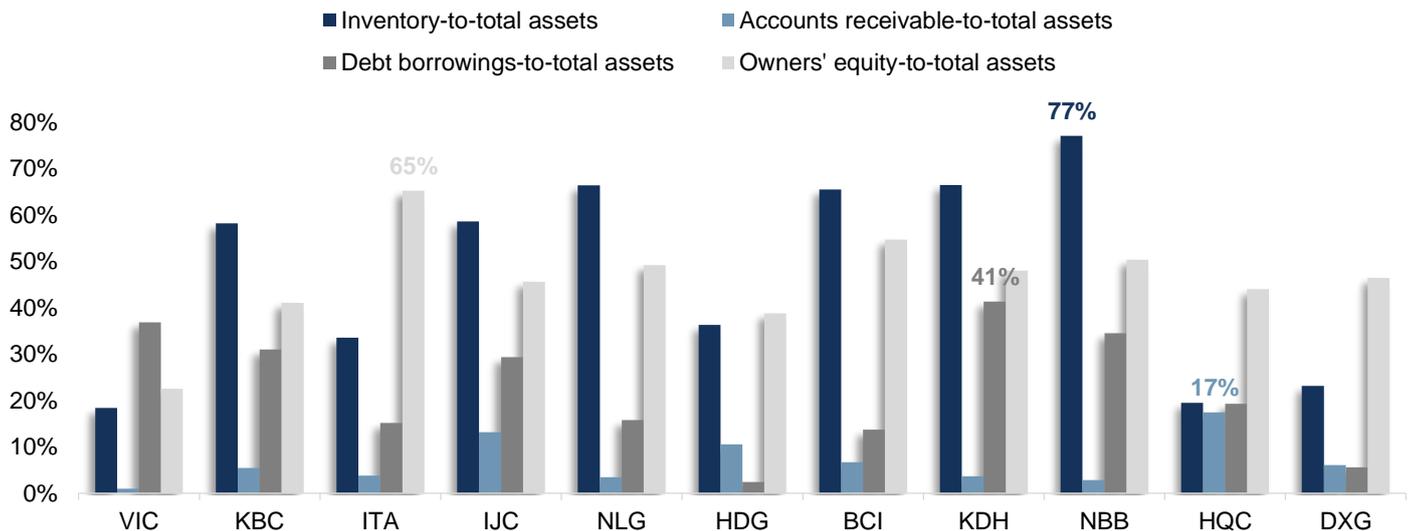
Exclude VIC due to its enormous absolute data  
(Source: FPTS Research)

**Net profit of prospective real estate companies**


Exclude VIC due to its enormous absolute data  
(Source: FPTs Research)

**Financial status**

5 out of 11 companies are evaluated as having healthy capital structure because the Debts/Assets ratio are below the industry average (28%). Most of the companies were trying to reduce or restructure their debts to take advantage of the lower interest rate, yet the amount of debts still remains rather high. At the end of 2014, some companies had high loan balance such as VIC (VND33,336 billion), KBC (VND4,053 billion), IJC (VND1,972 billion), and ITA (VND1,844 billion).

**Financial status of prospective real estate companies in 2014**


(Source: Bloomberg, FPTs Research)

**The outlook of 11 prospective real estate companies**

No.	Sym.	Market cap. (Bn VND)	Land bank (ha)	Specialization	Outlook 2015
1	VIC	64,338	8,000	High-end to luxury commercial & residential property	Positive
2	KBC	6,197	3,755	Industrial property	Positive
3	ITA	5,751	2,200	Industrial property	Positive
4	IJC	3,702	322	Real estate business & toll collection in Binh Duong	Moderate

5	NLG	2,243	567	Affordable housing	Positive
6	HDG	2,183	100	Middle housing	Moderate
7	BCI	1,583	321	Residences and industrial property	Moderate
8	KDH	1,515	115	Middle to high-end housing	Positive
9	NBB	1,268	2,167	Residences and mining	Moderate
10	HQC	1,241	35	Social housing	Positive
11	DXG	1,049	41	Brokerage and secondary distribution	Positive

(Source: FPTS Research, 2014)

➤ **Vingroup Joint Stock Company (HSX: VIC) – Outlook 2015: Positive**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Leading position with strong brand and reputation.</li> <li>• Clear and professional business strategy.</li> <li>• High quality projects with completed infrastructure and many accompanied incentives for residents.</li> <li>• Large land bank (up to 80 million m2) across Vietnam with good locations.</li> <li>• Ability to raise capital from international markets.</li> </ul>	<ul style="list-style-type: none"> <li>• High proportion of debts (37%) in the capital structure, the loan balance at 2014 was VND 33,336 billion.</li> <li>• Invest in too many sectors: housing, office, tourism, hospital, retail...</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Having large and prominent projects is good condition for increasing revenue and profit when the real estate market recovers.</li> <li>• Good reputation accelerates the company's sales.</li> <li>• Large-scale projects can be financed by international capital.</li> </ul>	<ul style="list-style-type: none"> <li>• Low credit rating of Vietnam is a disadvantage for VIC in raising international fund.</li> <li>• The complicated - overlapped legal documents and administrative procedures still exist.</li> <li>• Difficulty in raising long-term capital.</li> <li>• Risks from the high-end property segment because of low purchasing power of the entire economy.</li> </ul>

In 2014, the company recorded the highest revenue in history thanks to significant contribution from all the Group's core businesses. Excluding gains from sale of the Vincom A asset in 2013, profit after tax from core businesses was VND 3.7 trillion, representing a 27% increase compared to 2013. In 2014, the Group also obtained the consent from bondholders to relax certain restrictions, which not only shows the increasing trust from bondholders in company businesses but also offers the company's greater structural and financial flexibility. The company's expenses increased as a result of management and finance costs from the Group's expansion into new complementary business segments such as vacation property and consumer retail.

In 2015, VIC will focus on developing major projects such as Vinhomes Central Park, Vinhomes Nguyen Chi Thanh – Ha Noi, Vinhomes Times City Phase 2 – Park Hill, Vincom Mega Mall Thao Dien, Vinpearl Premium Nha Trang Bay, Vinpearl Premium Golf Land and Vinpearl Premium Phu Quoc.

VIC has a huge land bank, up to 80 million m2, stretching from north to south, and continues to expand through M&A of other real estate companies. In the long-term, VIC will leverage its large land bank, access to international capital markets, and sterling reputation to develop new projects. Some recent projects in the Group's portfolio include Vincom Can Tho, Vincom Hung Yen, Vinpearl Quy Nhon, Green City – Tu Liem, Vincom Soap - Tobacco, and Vinhomes Riverside 2.

At the end of 2014, VIC successfully acquired 70% of Ocean Retail and entered the supermarket and convenience store business with the Vinmart and Vinmart+ brands. VIC also introduced the EMIGO brand under VinFashion, offering fast fashion targeted at Vietnamese consumers. These newly established consumer retail brands further enhance the comprehensive value to consumers through Vingroup's ecosystem of complementary products, including Property (Vinhomes, Vincom and Vincom Mega Mall, Vincom Office), Hospitality and Entertainment (Vinpearl and Vinpearl Land), Consumer Retail (VinMart/ VinMart+, VinPro/ VinPro+, VinFashion, VinDS and Adayroi), Healthcare (Vinmec), Education (Vinschool) and Agriculture (VinEco).

No.	Key projects	Price (Mn VND/m <sup>2</sup> )	Area (m <sup>2</sup> )	Planning
1	Vincom Centre 54A Nguyen Chi Thanh (Hanoi)	65	13,039	Consisting of 2 towers and 1 basement: - The basement is commercial center (51,267m <sup>2</sup> ). - Office tower (64,375 m <sup>2</sup> ). - Apartments tower: 378 apartments (54m <sup>2</sup> – 170m <sup>2</sup> ).
2	Vinhomes Times City phase 2 (Hanoi)	35 – 37		Consisting of 8 luxury apartment buildings (60 - 200m <sup>2</sup> ) in Vincom Megamall with many utilities such as Musical Fountain Square, sports area, entertainment area, scenic lake, jogging track, pool, etc.
3	Vinhomes Central Park (Tan Cang, Binh Thanh District, HCMC)	39 – 42	439,100	The complex includes: - 60 single and double villas - About 10,000 luxury apartments (50 - 200m <sup>2</sup> ) - Commercial center: 99,219 m <sup>2</sup> - General utilities: Vinschool, Vinmec, marina, Vinpearl Land, cinema, children's play area ... - Separate utilities: Club house, swimming pool, tennis courts, mini golf, outdoor training system, etc.
4	Vinpearl Phu Quoc phase 1		3,000,000	The combination of 606 hotel rooms, 30 villas, 27 holes golf course, Vinpearl Land entertainment area.
5	Vincom Ha Long		15,950	Commercial center: 4 storeys & 1 basement, floor area: 37,944m <sup>2</sup>

(Source: FPTS Research, 2014)

➤ **Kinh Bac City Development Holding Corporation (HSX: KBC) – Outlook 2015: Positive**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Large land bank with good location across Vietnam.</li> <li>• Board of Management is experienced, reputable and has expertise.</li> <li>• Ability to raise capital through convertible bond and issuing stock.</li> </ul>	<ul style="list-style-type: none"> <li>• At the end of 2014, the Debt-to-Capital ratio was high (31%), loans balance approximated VND 4,053 billion.</li> <li>• Inventory tends to rise in the recent quarters (VND 7,615 billion at the end of 2014).</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• The development of industrial parks attracting FDI enjoys many privileges from the Government.</li> <li>• CPI remains low; lending rates are on the decline that enable the expansion of banking loans.</li> <li>• The successful issuance of VND 1,200 billion convertible bonds helped KBC to partly repay debts to restructure the business operation.</li> </ul>	<ul style="list-style-type: none"> <li>• Competing with companies such as Vinaconex, Sudico, HUD, VSIP.</li> <li>• Most of the FDI contracts are dominated by USD that leads to higher foreign exchange rate risk.</li> <li>• The pending township and commercial property projects are more risky because the Government conducts restrictive management of delayed projects.</li> </ul>

- FTAs will boost investments in Vietnam.
- High debt ratio results in financial burden.

KBC was suffering a difficult period with high debt ratio and extremely large inventories. The issuance of stocks and convertible bonds are significantly meaningful to restructure the existing debts. The financial structure of KBC, hence, is expected to be healthier, and the inventories can be reduced.

KBC keeps focusing on core business and continue M&A activities to expand the industrial land bank after the regulation on suspending new industrial parks. The divestment in SGI Hydro Corporation (Laos) would bring nearly VND 480 billion for the company. In late 2014, KBC bought approximately 7.5 million shares in Saigon – Hue Investment JSC to increase its ownership of Saigon – Chan May Industrial Park & Tax-Free Zone from 8.2% to 34.2%. By the way, KBC demonstrates great potential for development in the Central region of Vietnam because this special economic zone owns 650 ha of area and many benefits, such as, exemption of income tax, personal income tax, import - export taxes, land rent...

In the short-term, the contract with LG promises to offer the leases of 12 - 15 ha of land and about 50 satellite businesses following. 2015 is a noticeable year of FTAs when 8 agreements were signed, for example, Asean Free Trade Area (AFTA), ASEAN - China, ASEAN - South Korea, ASEAN - Japan, Vietnam - Japan... Furthermore, two big agreements are expected to be completed in 2015, which are VKFTA (Vietnam – South Korea) and TPP. Therefore, in long-term, it will be great potentiality for KBC when the foreign investments continue to flow into Vietnam.

No.	Key projects	Rent (Mn VND/m <sup>2</sup> )	Area (m <sup>2</sup> )	Planning
1	Trang Due Industrial Park	1.6	4,000,000	<p><b>Zone A (192.53 ha)</b> consists of various industrial enterprises such as, garments, footwear, furniture, consumer goods production; production equipment for agriculture; cargo, warehousing ...</p> <p><b>Zone B (143.83 ha)</b> includes resettlement area for industrial complexes and factories, existing enterprises; the green area ...</p>
2	Quang Chau Industrial Park	1.2	4,260,000	<p>Synchronous infrastructure; Be capable for 200 plants and 40 thousand workers. Trees &amp; public works occupy 15-30% of the whole area; Township 120 ha) includes various works.</p>
3	Que Vo Industrial Park	1.1	6,400,000	<p>Synchronous, modern, and completed infrastructure with factories, offices, warehouses, school, hospital, post-office, supermarket, waste procurement, logistics center, tennis court, swimming pool, cafeteria, restaurant ...</p>
4	Tan Phu Trung Industrial Park	1.4	5,420,000	<p>Industrial land area: 359 ha Land area of warehouses, yards: 18 ha Land area of control centers - services: 18 ha Technical construction land: 10 ha Land area for traffic: 85 ha Land area of trees: 50 ha</p>

(Source: FPTS Research, 2014)

**➤ Tan Tao Investment & Industry Corporation (HSX: ITA) – Outlook 2015: Positive**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Large land bank (2,200 ha) with good location and developed infrastructure.</li> <li>• High gross profit margin from the core business.</li> <li>• Tan Tao Industrial Park (the old and extended areas) has occupancy rate of 88% with relatively high prices.</li> <li>• Service providing activities in the industrial parks derive stable annual income.</li> </ul>	<ul style="list-style-type: none"> <li>• Inventories keep increasing, the inventories balance at year-end remained high (it was VND 4,083 billion in 2014) and the inventory turnover is rather low.</li> <li>• High debts level (the average annual interest expense costs more than VND 100 billion).</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• An increase in FDI in Vietnam and the expected opportunities from TPP.</li> <li>• Energy projects such as Kien Luong Thermal Power and Nam Du Deep-Water Port have great potential development as well as great risk.</li> </ul>	<ul style="list-style-type: none"> <li>• The economy recovers slowly, so weak consumption impacts on manufacturing.</li> <li>• Tan Duc Industrial Park (one of ITA's 3 key projects) has low occupancy, less favourable position than Tan Tao, and suffers extremely high competition from other industrial parks nearby.</li> </ul>

ITA focuses only on key strength, which is the investment in industrial infrastructure, then sells or lease out (high gross profit margin of over 50%). Thus, It has lower risk than investment in apartments or townhouses. ITA's industrial parks have good geographical location, with completed services such as residential area, worker houses, green parks, and schools.

In 2014, ITA met only 78% of targeted gross revenues but exceeded 50% of targeted net profit. Leasing factories and warehouses in Tan Duc Industrial Park contributed about VND 150 billion (+731% YoY), selling land within completed infrastructure gained VND120 billion, dividend from long-term financial investments derived VND122 billion.

The issue of 119 million shares for offsetting debts worried investors by excessive supply of outstanding shares, but it significantly reduced the company's liabilities.

Looking forward 2015, the sales and lease of industrial properties (in Tan Tao & Tan Duc) will continue to generate stable revenues for ITA. In addition, the company plans to achieve an extraordinary income by transferring 1.4 ha of land in Tan Cang area, Binh Thanh District, HCMC.

In the medium - long term, two large projects in Kien Luong industrial cluster (power plant & deep-water port) may derive revenue and profit in the upcoming years.

No.	Key projects	Rent (Mn VND/m <sup>2</sup> )	Area (m <sup>2</sup> )	Planning
1	Tan Tao Industrial Park (HCMC)	4.7 – 6.0	4,430,000	Current area: 191 ha, 100% occupancy; Extension area: 252 ha, 90% occupancy.
2	Tan Duc Industrial Park – Residential – Service (Long An Province)	1.5	11,590,000	Industrial land: 545 ha (1 <sup>st</sup> stage: 275 ha, 90% occupancy; 2 <sup>nd</sup> stage: 270 ha, 30% occupancy); Tan Duc E-city & Entertainment: 594ha (E-city: 384 ha; Tan Tao University: 103ha; Entertainment – Service: 105 ha).
3	Kien Luong Industrial Cluster (Kien Giang Province)	2.7	5,104,000	Electricity plant: 252.4 ha (3 stages); Supporting area: 264.6 ha (including 3 sub-divisions);

➤ **Becamex Infrastructure Development JSC (HSX: IJC) – Outlook 2015: Moderate**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Stable business activity and transparent finance.</li> <li>• Stable large revenues from toll collection (about VND 200 billion per annum).</li> <li>• Dominate the real estate market in Binh Duong province, which is only 30km far away from HCMC and has developed transportation infrastructure.</li> <li>• Large land bank within good location has high commercial value due to the development of Binh Duong New City.</li> <li>• Receive strong support from Becamex IDC in terms of finance, infrastructure network &amp; business, and seeking favourable projects.</li> </ul>	<ul style="list-style-type: none"> <li>• The scope of business is limited in Binh Duong province.</li> <li>• Slow innovation in business, heavily reliance on the support from Becamex IDC.</li> <li>• Diversified portfolio of projects and slowly adapt to the market demand.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• As the villa – townhouse - land lot segment has got better, IJC is able to boost the sales up.</li> <li>• Binh Duong keeps attracting more FDI, the emergence of specialists and professionals rises demand for high-end properties.</li> <li>• The relocation of the administrative center to the Binh Duong New City is a crucial factor increasing surrounding property value.</li> </ul>	<ul style="list-style-type: none"> <li>• High level of debts (total loan balance was VND1,973 billion as at 2014).</li> <li>• Investment in high-end segment is still risky because of low demand.</li> <li>• Excess supply of land lots as a consequence of over investment in recent years.</li> <li>• Binh Duong real estate market is highly speculative, so it is very volatile and fluctuated.</li> </ul>

IJC's real estate business only accomplished 70% of the plan for 2014. Subsequently, the company did not meet its targets of net sales and net profit as also. However, the growth rates of two figures are significantly higher than those in 2013 and IJC was again ranked in the top 10 listed real estate companies, which have highest net profit.

In 2015, interest expense will put high pressure on business performance because of the issuance of bonds valued VND1,000 billion with high interest rate. Moreover, the problems related to selling lands without "red book" has affected on the market liquidity since February 2014. These factors significantly influence IJC in the short-term.

In the long-term, IJC is still a favourable stock thanks to its own strengths as follows:

- Stable revenue (about VND200 billion per year, gross profit margin 75-80%) from toll collection (VinhPhu & Suoi Giua stations) on the Binh Duong Highway.
- The land bank of six projects, which is currently implemented, is nearly 200 ha and locates in the central area of the Binh Duong New City with convenient transportation network. In addition, IJC is given priority to exploit potential local land.
- The advantages of low land costs (contributing to the average gross profit margin of 54% during the last 5 years, and the average net profit margin was 37%), quick administrative procedures handling, licenses granting and certificate of ownership providing.

No.	Key projects	Price (Mn VND/m <sup>2</sup> )	Area (m <sup>2</sup> )	Planning
1	IJC @ VSIP Township	3.2	1,280,000	5 blocks with 490 two-faces-townhouses.
2	Prince Town Commercial Townhouse	11.4	22,142	129 townhouses (100m <sup>2</sup> & 112m <sup>2</sup> ).
3	Dong Do Dai Pho	4 – 4.5	266,000	1,149 adjacent townhouses.
4	Sunflower Villa	13 – 22	100,000	99 villas (450 – 900m <sup>2</sup> ).
5	IJC Aroma Apartment	19 – 29	21,338	4 blocks (17-20 floors) with 499 high-end apartments (70 - 152m <sup>2</sup> ); 1 block of service contains 3 floors for parking and 3,000m <sup>2</sup> of commercial area.
6	Green River Commercial Townhouse & Luxury Villas	3.5	600,000	Luxury townhouses and villas: 2,945 units (300 - 450m <sup>2</sup> ); Culinary village, entertainment, services, green park.

(Source: FPTS Research, 2014)

➤ **Nam Long Investment Corporation (HSX: NLG) – Outlook 2015: Positive**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Great land bank (567 ha) with low cost.</li> <li>• Foreign strategic partners (especially IFC) which provide strong support in not only financing but also improvement of corporate governance.</li> <li>• Flexible business strategy with appropriate products meeting the market demand.</li> <li>• Prestige brand name in affordable housing, especially thanks to Ehome series.</li> </ul>	<ul style="list-style-type: none"> <li>• Large inventories (VND 2,610 billion at the end of 2014).</li> <li>• It may raise a concern about interest expense as a result of relatively high loan balance (VND 618 billion at the end of 2014)</li> <li>• The implementation of Waterpoint (NLG's current biggest project) has not been feasible yet.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• The declining trend of interest rate is the great opportunity to restructure debts.</li> <li>• Less supply for affordable housing.</li> <li>• Government has robustly supported this segment.</li> </ul>	<ul style="list-style-type: none"> <li>• Low liquidity of stock trading.</li> <li>• Rising competition in the affordable housing.</li> </ul>

The timely handover of apartments in Ehome West Saigon, Ehome 4, and Ehome 5 significantly contributed to the better performance of NLG in 2014.

In July 2014, NLG also issued VND 350 billion non-convertible bonds of which, VND 310 billion was used to restructure the company's debt. It helped reduce about 3% of interest expenses. It shows the commitment of NLG in limiting the financial leverage, by which enhance the net profit margin.

In Q4/2014, NLG successfully issued nearly 13 million shares to swap and hold nearly 100% ownership in 3 companies: Nam Khang, Nam Long ADC and Nam Long DC. This swap is anticipated to add more liquidity for NLG stock and especially helps NLG efficiently exploit finance and land resources in the future.

NLG owns large land bank of 567 ha, in which the company is granted the certificate of land ownership for 400 ha. Compensation had already been paid for 95% of the land. Affordable houses representing by Ehome brand will enable NLG to keep growing in the short - medium term.

The good strategic orientation of the leadership, business, and finance transparency together with strong foreign partners will help the company in achieving sustainable growth in the long-term.

No.	Key projects	Price (Mn VND/m <sup>2</sup> )	Area (m <sup>2</sup> )	Planning
1	Ehome 3	13.8 – 15.9	63,891	14 blocks (9 floors) with 2,348 apartments (48 – 63m <sup>2</sup> ).
2	Ehome 4	13.1 – 14.8	20,306	15 blocks (6 floors) with 2,104 apartments.
3	Binh Duong Townhouse	12.0 – 14.0	34,875	12 blocks include 26 villas and 368 townhouses.
4	Ehome 5	25.0 – 27.0	20,185	4 blocks contain 574 apartments.
5	Waterpoint Township (Long An)		3,550,000	Urban complex with many utilities.

(Source: FPTS Research, 2014)

➤ **Ha Do Group JSC (HSX: HDG) – Outlook 2015: Moderate**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Large clear land bank (100 ha), relatively low land costs.</li> <li>• Take advantage of the projects from the Ministry of Defence.</li> <li>• Healthy and stable finance, almost no debts (Debts borrowings/Total assets ratio is under 1%).</li> <li>• Projects have good locations, mid-range prices.</li> </ul>	<ul style="list-style-type: none"> <li>• No breakthrough in business operation.</li> <li>• Less project revenues than expected, so the business result is very volatile due to the influence of problems arising from legal issues, taxes, fees, accounting...</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Many projects are being implemented in Vietnam and Laos.</li> <li>• Keep operating 2 hydropower plants (Nam Pong and Za Hung). The company is also investing in Nhan Hac plant to ensure stable revenues from hydroelectric business.</li> <li>• HDG's construction activities are quite stable with projects derived from the Ministry of Defense.</li> </ul>	<ul style="list-style-type: none"> <li>• The difficulty of the legal documents and administrative procedures in the real estate industry.</li> <li>• Stock liquidity considerably depreciated, the free-float rate decreased to 20-30%.</li> </ul>

HDG initially operated as a construction company of the Ministry of Defense. Since then, HDG has developed rapidly and owned about 2 million m<sup>2</sup> of clear land (of which, 1 million m<sup>2</sup> is now in use).

In the short-term, projects such as Ha Do Park View, Nguyen Van Cong (Go Vap District, HCMC) are expected to create cash inflow for HDG. Besides, HDG still has stable revenues from the construction derived from the contracts with the Ministry of Defense, and hydroelectric business in two hydro plants: Za Hung and Nam Pong.

In the long-term, HDG will continue to implement and complete the projects, such as, CC1 Apartment, Ha Do Z756 Complex, Dich Vong Apartment, Bao Dai Resorts and Villas, Noong Tha (Laos). The company previously delayed these projects to concentrate on major projects in 2014.

The operating of HDG has not had breakthrough, as some projects was expected to pre-sale in 2014 must delay to 2015. The floating rate of HDG stock is low because of the dominant shareholders. Therefore, the prospects of HDG will be clearer since 2015 when the projects' progress speeds up, especially the Ha Do Z756 Complex project in HCMC.

No.	Key projects	Price (Mn VND/m <sup>2</sup> )	Area (m <sup>2</sup> )	Planning
1	CC1 Apartment	30	2,206	17 floors with 135 apartments (87-108 m <sup>2</sup> ).
2	Z756 Complex	90	68,500	Consisting of luxury townhouses & apartments, shopping mall, sport area, health - service area.

(Source: FPTS Research, 2014)

➤ **Binh Chanh Construction Investment Shareholding Company (HSX: BCI) – Outlook 2015: Moderate**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Large clear land bank (321ha).</li> <li>• Less debt using.</li> <li>• Stable revenues derived from service providing in existing industrial parks.</li> <li>• Long-term strategic investment in Big C.</li> </ul>	<ul style="list-style-type: none"> <li>• Sizable projects require large initial investment.</li> <li>• Some projects have not been supported by the infrastructure, utilities.</li> <li>• Cash flow is stable but low.</li> <li>• The land bank is located in the West – South West of HCMC, which is now less favourable than the East.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Huge demand for affordable housing.</li> <li>• Increasing FDI in Vietnam creates opportunities for the expansion of Le Minh Xuan Industrial Park.</li> </ul>	<ul style="list-style-type: none"> <li>• Low stock liquidity.</li> <li>• Fierce competition in the affordable housing segment.</li> <li>• Delay in major projects such as Tan Tao Residences, 11A, Le Minh Xuan Industrial Park (expansion area).</li> </ul>

In 2014, although net sales declined by 31% YoY, net profit was slightly higher than 2013 and reached 101% of the plan due to effective cost controlling. Cash flow from operating activities was insignificant, but it has been bounced back to about VND38 billion (compared to a negative of VND26 billion in 2013). Again, this result showed the stable operating of BCI.

In 2015, BCI will concentrate on investing & developing 2 key projects which are Viet Phu Garden and An Lac Plaza. Providing services in existing industrial park (Le Minh Xuan) & residential areas (Tan Tao, An Lac, Bac Luong Beo, etc) will generate stable revenues (VND 45-55 billion per year) for the company. Moreover, revenues from Nhat Lan 3 will be fully recorded (about VND 44 billion) and partly from Viet Phu Garden (approximately VND103 billion) in 2015.

Furthermore, the increasing FDI and expectations of TPP will create a great opportunity for BCI to boost its revenues and profit by investing in the Le Minh Xuan Industry Park (expansion area, 100 ha) in the near future.

Upon large clear land bank (about 321ha) and low debt-to-total assets ratio (only 14% in 2014), BCI has competitive advantages to direct core business towards appropriate product lines which meet the market demand. Nhat Lan 5, for instance, is its current project in this strategy.

No.	Key projects	Price (Mn VND/m <sup>2</sup> )	Area (m <sup>2</sup> )	Planning
1	Nhat Lan 5		4,701	GFA: 28,000m <sup>2</sup> GFA for apartments: 21,000m <sup>2</sup>
2	Phong Phu 4 Residences (Viet Phu Garden)	9 – 11	839,997	44 ha of traffic system; 20 ha for resettlement;

				20 ha for doing business with 2,310 land lots & 640 apartment units.
3	An Lac Plaza	18 – 20	7,553	18 floors with 284 apartments.
4	Le Minh Xuan Industrial Park (expansion area)	4 – 5	1,090,000	The expansion is nearby the existing industrial park, which is located in Binh Chanh District, HCMC.

(Source: FPTs Research, 2014)

➤ **Khang Dien Investment & Trading House JSC (HSX: KDH) – Outlook 2015: Positive**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Healthy capital structure.</li> <li>• 115 ha of land bank locates in the East of HCMC</li> <li>• Significantly changes in business strategy towards appropriate products positioning.</li> <li>• Good strategic partnership (VinaCapital, Dragon Capital, and Mutual Elite).</li> </ul>	<ul style="list-style-type: none"> <li>• Focusing only on the medium to high-end housing, but ignoring the affordable segment, which is the center of interest currently and in 1-2 upcoming years.</li> <li>• Prices of townhouses and villas of KDH are still high compared to the major customers' affordability.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• HCMC's expansion of urban development plan towards the East leads to drastically improved transportation infrastructure increasing value of KDH's properties.</li> <li>• Majority of Vietnamese prefers land-linked houses to apartments.</li> </ul>	<ul style="list-style-type: none"> <li>• Low stock liquidity.</li> <li>• Medium to high-end real estate segment typically incurs risks whenever the purchasing power of the economy has not significantly improved.</li> </ul>

The positive performance in 2014 was the result of the successful sales of Mega Residence I and relatively large finance income due to the divestment from some subsidiaries and associates. By that, KDH completed 111% and 102% of plans with respect to net sales and net profit, respectively.

The company's debt balance at the end of 2014 rose 2.2x compared to 2013 since it has invested in following projects after Mega Residence I such as Mega Ruby, Mega Village, Mega Garden... However, there would also be a probability that cash inflow is insufficient to cover interest expenses outflow, so putting pressure on the business performance.

KDH has passed the difficult period (2012 – 2013) with negative performance. In 2015, the company will completely record the revenue from Mega Residence I and Mega Ruby projects. Therefore, we strongly believe that the business outcome 2015 of KDH will be more positive than 2014.

KDH made a breakthrough to step into new development phase in the following years based on its own strengths:

- Significant changes in business strategy, re-position key product lines to match the market.
- Large land bank (115 ha), most is clear land which has 100% adequate legal approval and certificate of ownership. Until 2020, KDH will invest in 11 projects whose scale of up to 65ha. 30 ha will be used for 3,000 townhouses and 1,000 apartments.
- Having strategic partners include Dragon Capital, Vina Capital, Mutual Elite is an advantage of KDH. Room for foreign investors in KDH is full at 49%. When the proposal for extending room for foreign investor is approved, KDH have more opportunities to raise more international capital for its future projects development.

No.	Key projects	Price	Area	Planning
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		(Mn VND/m <sup>2</sup> )	(m <sup>2</sup> )	
1	Mega Residence I	14.65 – 20.80	32,084	160 adjacent townhouses (152 – 182m <sup>2</sup> ).
2	Mega II – Ruby	16.00 – 25.00	36,000	230 adjacent townhouses (average 155m <sup>2</sup> per unit).
3	Mega Village (Tri Minh)	16.00 – 25.00	57,556	323 villas & adjacent townhouses.

(Source: FPTS Research, 2014)

➤ **Nam Bay Bay Investment Corporation (HSX: NBB) – Outlook 2015: Moderate**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Owning 11 projects with large land bank, of which, 770 ha of land can be used for tourism properties development in Quang Ngai, QuangNinh &amp; BinhThuan.</li> <li>• Strategically collaborate with Creed Group (Japan).</li> <li>• Management efforts to stabilize cashflow, redetermine the products and seek for eligible investment partners.</li> </ul>	<ul style="list-style-type: none"> <li>• High debt balance in 2014 (more than VND 1,081 billion).</li> <li>• Developing projects requires excess capital than NBB's capacity of equity contribution, may leads to more debt using.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• High demand for affordable housing, which is an opportunity for the properties repositioned by NBB whose price around VND16 million/m<sup>2</sup>.</li> <li>• The potentiality in developing tourism in Quang Ngai, Quang Ninh &amp; Binh Thuan.</li> </ul>	<ul style="list-style-type: none"> <li>• High supply of existing and future apartments/land lots located in the South West of HCMC directly compete with NBB's projects.</li> <li>• High risk due to complicated legal procedures in provinces other than HCMC.</li> </ul>

The major revenue was derived from Carina & Bac Lieu Residences, which enabled NBB to keep growing in 2014. However, NBB completed only 76% and 50% of targeted revenues and net profit correspondingly because the transfer of Quang Ngai Mineral Investment JSC was not completed.

There were many events for NBB in 2014: divesting from non-core projects (BOT Rach Mieu Bridge, Da Den Hydropower Plant), strategic cooperation with Creed Investments, City Gate launching, chartered capital increase from VND 358 billion to VND 583 billion. Nonetheless, all generally represented the positive steps to recover. NBB is returning with large land bank (total 2,167ha, around 50% of land is used for stone mining), of which 52 ha of land locates nearby the CBD of HCMC and has convenient transportation due to Dong Tay Highway. However, NBB's progression (from difficulty to recovery) still incurs many unpredictable risks.

NBB is restructuring the portfolio of projects, clearly re-identify the core business (real estate), and gradually divesting from the infrastructure and mining projects (but for some feasible projects, NBB can create joint venture to implement). Moreover, the participation of Japanese strategic partner (Creed Group) will help NBB in raising more fund to invest and improve corporate governance.

In 2015, NBB will gain more cash flow from the sales of City Gate apartments and stronger cash inflow contributed by Creed. However, NBB cannot record revenues and profits from City Gate. In this year, revenues, hence, are planned to come from Bac Lieu Residences, Son Tinh Residences (Quang Ngai).

Since 2016, NBB may record the large amount of revenue and profit when it handovers houses to customers. Accordingly, the company will have additional funds to implement the next major projects such as NBB II, III & NBB NBB IV.

No.	Key projects	Price	Area	Planning
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		(Mn VND/m <sup>2</sup> )	(m <sup>2</sup> )	
1	City Gate Tower	16	127,454	1,092 apartments (67 – 86m <sup>2</sup> ).
2	NBB Garden II		115,142	3 buildings (18 floors) with totally 1,904 apartments, 154 villas, and shopping center.
3	NBB Garden III	13 – 15	81,679	7 blocks (33 floors) with 3,937 apartments (69 – 79m <sup>2</sup> )
4	Son Tinh Residential Area (Quang Ngai)	4 – 5	1,026,963	2,969 land lots (136 m <sup>2</sup> per unit).
5	NBB IV (Tan Kien – BinhChanh Complex)		301,700	1,550 apartments & 668 villas.

(Source: FPTS Research, 2014)

➤ **Hoang Quan Consulting-Trading-Service Real Estate Corporation (HSX: HQC) – Outlook 2015: Positive**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Holding portfolio of many projects with large land bank.</li> <li>• Stable business operation, low debt ratio.</li> <li>• Pioneer &amp; focus on social housing.</li> </ul>	<ul style="list-style-type: none"> <li>• Extensive and spreading investment (apartments, land lots, industrial parks, ports, schools...).</li> <li>• Continuously issuing new shares influencing on short-term performance and stock price.</li> <li>• Net profit margin from the social housing projects is low, about 10%.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Social houses development is receiving great support from the Government, as it meets the real market demand.</li> </ul>	<ul style="list-style-type: none"> <li>• Capital gains from shares issuance only meet 40-50% of huge demand for capital for investing. Therefore, the company needs to borrow from banks. This increases the pressure of paying interest expenses.</li> <li>• High competition in the low-end segment.</li> <li>• Issue of shares for offsetting debts highly concerns stock investors.</li> </ul>

HQC holds the portfolio of nearly 30 projects (including projects from associates; the largest projects are industrial parks, university, Binh Minh port). About 35ha of land is mainly invested in social housing. Although net profit margin from social housing is not high, it is easy to sell due to the affordable prices.

The business result in 2014 (particularly net profit) kept increasing trend since 2011. Debts increased but accounted for only 19% of total assets. In the context of lending rates are declining, the burden of paying interest expenses is insignificant for HQC.

In 2015, HQC can record 80% of the remaining revenues from HQC Plaza project, equivalent to VND 1,200 billion revenue and VND 120 billion net profit. With this major project and a number of projects being implemented, such as, HQC Hoc Mon, HQC Can Tho ... the estimated business result in 2015 will be better than 2014.

However, HQC's operation still be concerned regarding the issue of shares for debt reducing purpose, stock dilution, extensive and spreading investment in projects and places.

No.	Key projects	Price	Area	Planning
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		(Mn VND/m <sup>2</sup> )	(m <sup>2</sup> )	
1	HQC Plaza	13.5	35,290	4 blocks with 1,735 social apartments.
2	HQC Hoc Mon	12	11,899	Include 1 Basement, 4 commercial floors, 14 floors for 579 apartments (47 - 85m <sup>2</sup> )
3	Ho Ngoc Lam Social Apartment		12,383	
4	HQC Can Tho Social – Commercial Apartment	7 – 11	53,000	735 adjacent townhouses, 5 apartment blocks, parks, supermarket, elementary, high-school...
5	Mekong Delta University		70,000	Education scale of 15,000 students.

(Source: FPTs Research, 2014)

➤ **Dat Xanh Real Estate Service & Construction Corporation (HSX: DXG) – Outlook 2015: Positive**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Strong and nationwide distribution network.</li> <li>• Holding portfolio of many projects.</li> <li>• Very low debt ratio.</li> <li>• Good long-term strategy. Planning to create a value chain that operates in three aspects: Real Estate – Investment – Construction.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited land bank.</li> <li>• Continuously issuing shares to raise capital. The debt ratio is also increased, putting pressure on business performance.</li> <li>• Demand for construction is increasing but DXG's construction capacity and scale is still low and limited.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Great demand for affordable housing.</li> <li>• DXG's housing products have good potential growth in the future.</li> <li>• At present, many projects is suspended due to the lack of funds or unsuitable output. This is favourable opportunities for DXG to conduct M&amp;A or cooperates to expand the land bank.</li> </ul>	<ul style="list-style-type: none"> <li>• High level of competition in the brokerage segment from Danh Khoi, Hung Thinh... The fierce competition even comes from the project developers as most developers can sell the apartments by themselves.</li> <li>• Competition in the affordable segment.</li> <li>• Risk of lacking capital when DXG implements large-scale projects.</li> </ul>

DXG has gradually expanded its land bank, accumulated financial resources, used less debt, and kicked off projects timely. Consequently, It is now not merely a broker and distributor but also a real estate developer. The business performance in 2014 has continued to increase since 2011.

DXG has been conducting M&A of feasible projects to develop affordable townhouses and apartments that meet the market demand. Nevertheless, DXG must face intensive competition from existing real estate businesses in this segment. The amount of cash balance remained high (VND 776 billion at the end of 2014) and the cooperation agreement worth USD1 billion over 5 years with Vietinbank are solid financial foundations for DXG to confidently implement its projects.

The projects, of which DXG is the main distributor, achieve positive sales, for example, Royal City (Hanoi), Topaz Garden (HCMC), Topaz City (HCMC), Green City (Da Nang). DXG's main project, Sunview Town, is of interest and makes a breakthrough in the market thanks to its extremely positive sales result.

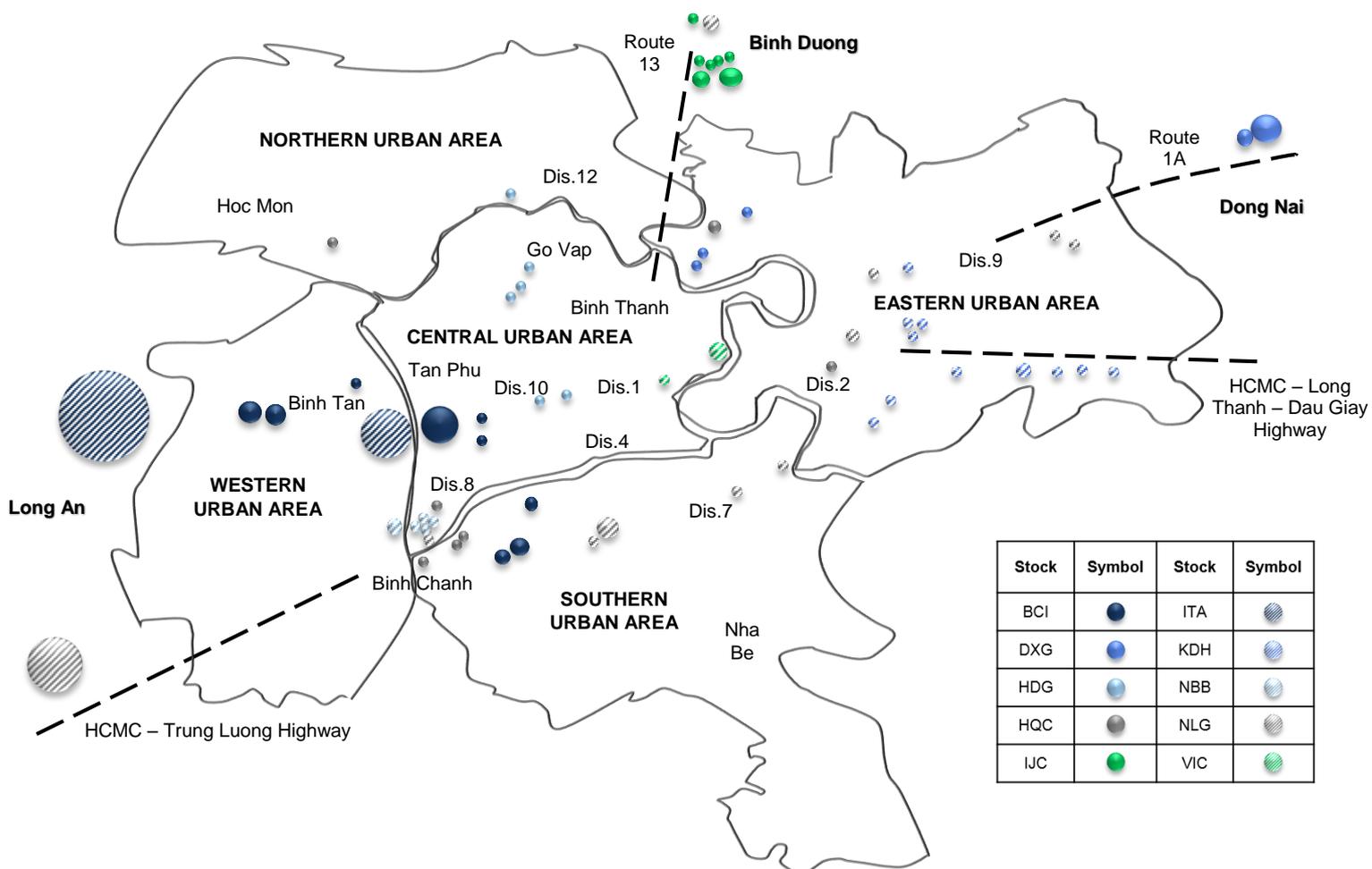
In 2015, real estate business will become the major source of the company's revenue, which derived from following projects: Gold Hill (about VND 110 billion), Sunview Town (about VND 900 billion). Net profit is expected to reach VND 243 billion (+47% YoY), EPS for 2015 is at VND 1,907 per share (+10% YoY).

The stable operation, healthy capital structure, clear strategy, and potential of projects will enable DXG to develop further in the future.

No.	Key projects	Price (Mn VND/m <sup>2</sup> )	Area (m <sup>2</sup> )	Planning
1	Gold Hill	3.0 – 4.5	265,700	1,264 land lots.
2	Sunview Town	12.0 – 13.0	36,697	4 blocks with 1,603 apartments.
3	Riverside Garden		20,097	2 blocks with 612 apartments.
4	Green City		74,000	192 land lots; 2 blocks with 770 apartments.

(Source: FPTS Research, 2014)

### Projects distribution of prospective real estate companies in HCMC



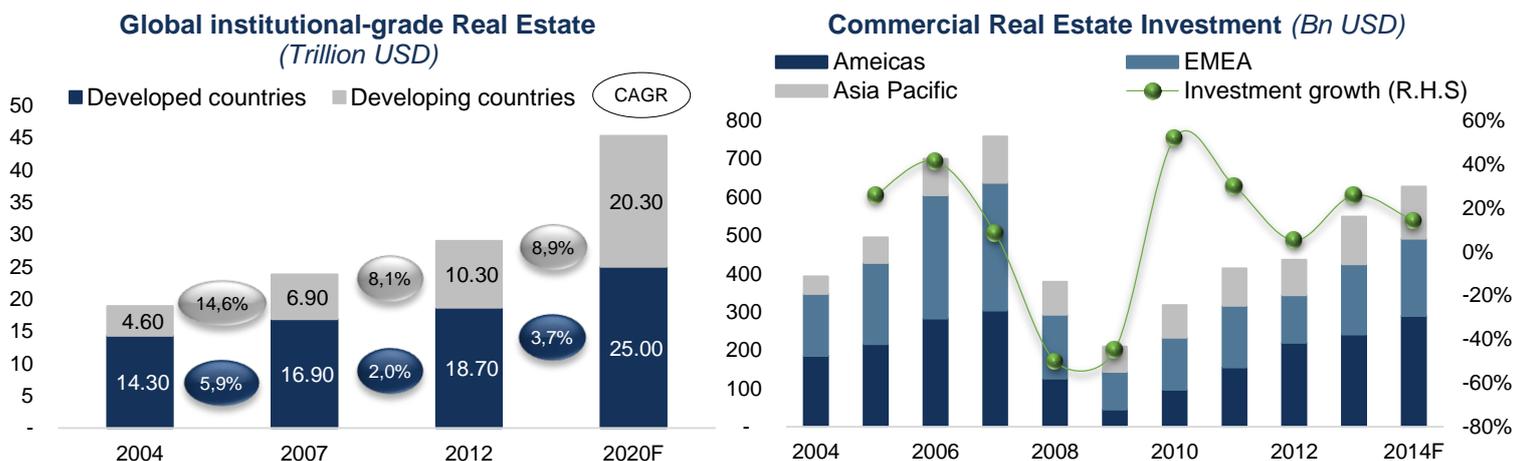
\* In Ha Noi: HDG has 2 projects & VIC has 10 projects in the central area  
 \*\* KBC: almost projects are industrial properties located in Bac Ninh and Hai Phong  
 (Source: FPTS Research, November 2014)

**Appendix 01 Details of global real estate outlook**
**REAL ESTATE'S CHANGING LANDSCAPE**

As confidence returns to real estate, but *uneven recovery occurs across countries*. Some countries such as Britain and China are facing bubble risk on property market. Looking forward to 2020 - 2025, the real estate investment industry will find itself at the centre of rapid economic and social change, which is transforming the built environment. The industry will face a number of fundamental shifts that will shape its future giving real estate managers a broader range of opportunities with greater risks and new value drivers.

- **The global investable real estate universe will expand substantially, leading to a huge expansion of opportunity, especially in emerging economies**

The global stock of institutional-grade real estate will expand by 56.21% from USD29.0 trillion (2012) to USD45.3 trillion (2020), and then further to USD69.0 trillion in 2030. This huge expansion will be greatest in the emerging economies, where economic development will lead to better tenant quality and clearer property rights. Until 2020, developing economies' institutional-grade real estate (USD20.3 trillion) gradually catch up developed economies' (USD25.0 trillion).

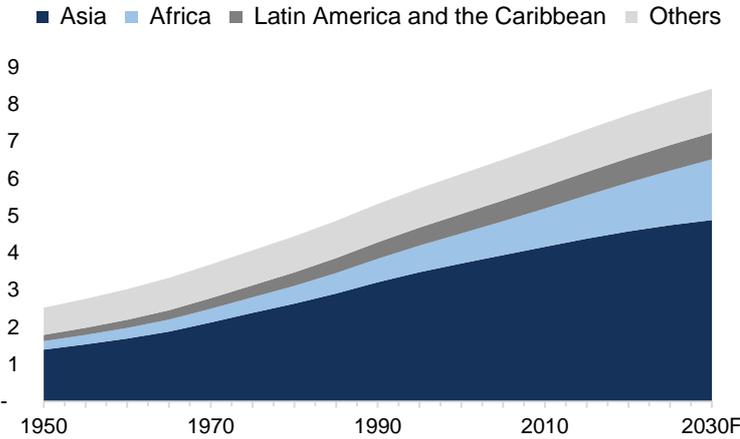
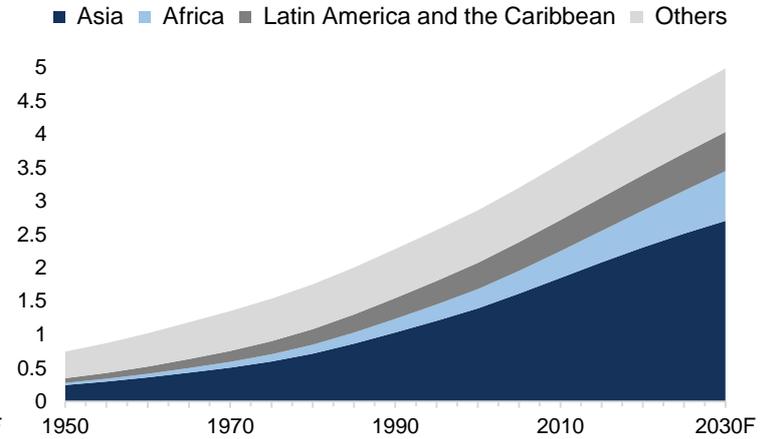


(Source: Jones Lang Lasalle, Pricewaterhousecoopers, FPTS Research)

The 21<sup>st</sup> century's great migration to the cities will be well underway by 2020. The urban population in 2025 will reach 4.6 billion (+30% compared to 2010). The volume of building activity will be huge, expanding the world's inventory of institutional-grade real estate. Global construction output is expected to almost double up from 2012 to USD15.0 trillion by 2025. Emerging markets in Asia will be the fastest growing region.

The burgeoning middle-class urban populations in Asia, Africa, and South America will need far more housing so that urban cities have been springing up over these regions. Few new typical cities are Masdar (Abu Dhabi), Jaypee (India), and Sejong (Korea). However, not all developing urban cities prove universally successful. *Some cities will grow and become creative hubs, generators of economic growth. Others will destroy wealth, with poor infrastructure, slums, and rampant crime. Others still be ghost towns.* Private developers and local authorities are, thus, working together to make sure they integrate adequate infrastructure, especially public transport, into cities' urbanization plans (public finance is often playing a leading role).

The rising trend of cost per sqm results affordability to fall, require greater urban density and smaller apartments. *Developers will become more innovative about how they design and build commercial and residential real estate, seeking to use space more efficiently.*

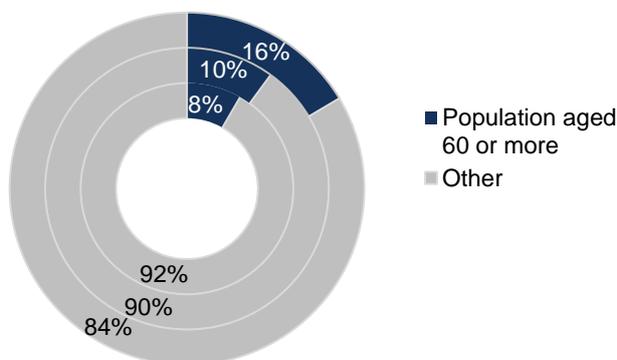
**Total world population (Billion)**

**Urban population (Billion)**


(Source: United Nations)

- **Demographic shifts in population will drive changes in demand for new types and differences of real estate. Residential real estate will become more specialised, with local and cultural differences influencing exactly how this evolves**

The middle classes are projected to grow by 180% between 2010 and 2040 (Asian account for highest proportion). During 2010 - 2040, more than one billion additional middle-class consumers will emerge globally.

The global population is aging as the number of people aged 60 or older will increase by 2.8% per annum from 2025 to 2030. The ratio of people aged 60 or older over total population will go up from 8% (1950) to 16% (2030).

**Proportion of world population by age as at 1950, 2000, 2030F**

**Annual average housing completions 2012 – 2025**

India	11,507,476
China	9,326,381
Indonesia	1,513,865
USA	1,485,966
Nigeria	1,484,362
Brazil	1,389,872
Mexico	742,780
Russia	572,517
UK	220,046
Australia	194,148
Germany	186,499
Saudi Arabia	184,135
Poland	167,560

(Source: United Nations, Global Construction)

Office, industrial, and retail will remain the main commercial real estate segment. Regarding residential real estate, affordable housing, agriculture, healthcare and retirement will become significant subsectors.

➤ **Emerging economies' growth makes more competition for assets**

Real estate is an integral part of the emerging markets' growth. For instance, in India, real estate has played a large role in driving economic growth since it created 7.6 million jobs in 2013 and is expected to offer 17.0 million jobs by 2025.

In 2025, emerging markets will account for 60% of all construction activity. *Emerging Asia, in particular, is expected to be the fastest growing region for construction from now to 2025.* This growth will attract new powerful real estate players and new asset managers. According to a recent survey of Preqin Sovereign Wealth Fund, 54% of all Sovereign Wealth Funds (SWFs), which have already invested in real estate, are increasingly competing for prime assets. As a result, there is both increasing competition for real estate assets and growing competition within real estate asset management.

➤ **Technology and sustainability are becoming new value drivers**

Once the world rapidly urbanises, ***there is the pressure to make buildings more “eco - efficient” (Ecology - Economic - Efficiency).*** Therefore, companies capturing these elements are able to succeed in the fiercely competitive real estate market.

It is likely that *all buildings in advanced economies will need to have sustainability ratings by 2020.* New developments will be designed with green spaces, good air quality, spaces for social gathering, etc. The additional expense of construction, as a result, is outweighed by future rental value. Evidence showed that single-family homes sold during 2007 - 2012 with “green labels” from certification agencies such as Energy Star, LEED or Greenpoint Rated commanded a price premium of 9%.

Looking forward to 2020, real estate players really need to understand how technology is affecting their sector (somewhat it makes some types of real estate obsolete). It will have both altered the economics of entire subsectors of the industry, and changed the way that real estate developers and the investment community operate. Beyond 2020, the generation that has grown up in the digital world will dominate consumer spending and the culture of work. Social networks will help to determine where and how people want to live, work and recreate.

➤ **Critical role of private capital**

*Governments will have increasing needs for capital to finance urbanisation* and private capital will become an important partner of Governments. Private capital will step in to fill the gap left by banks and insurers as a result of regulations that require reduction in their exposure to real assets. Private capital also prevent real estate investment from heavily dependence on banking loans in order to reduce risk in terms of economic volatility.

Case in  
Vietnam

*Over the next 10 years, Vietnam needs about USD500 billion of investment capital for infrastructure development including power, water, ports, airports projects... but the mobilization of domestic resources maybe just over USD200 billion. Thus, Vietnam still lacks around 60% of the total needed capital. Mobilizing capital from private sector (both local and abroad) raise as a solution taken into account.*

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**REAL ESTATE STRATEGIES**

The real estate's changing landscape will increase the size of the asset pool, yet change the nature of investment opportunities. As real estate is a business with long development cycle - from planning to construction takes several years - now is the time to plan for these changes.

➤ **Think globally**

Expansion and globalisation of real estate will lead to greater opportunity. Investment flows will expand to many markets through many channels. So economies of scale will become more important. However, real estate is a business where local knowledge is key so that there will be always a place for local and niche players.

Case in  
Vietnam

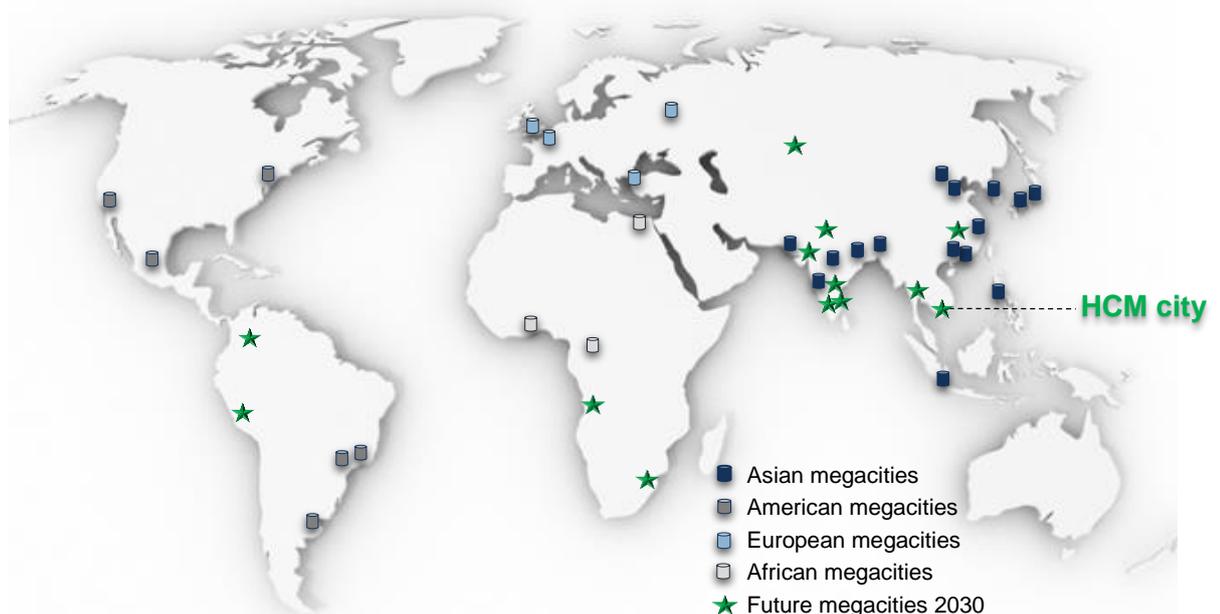
*There are many high-valued deals during 2013 - 2014 when M&A activities in real estate industry are very vibrant. Moreover, it can be seen that **the "groundswell" of M&A in real estate industry will be more exciting in 2015** since many deals have been quietly taking place. Especially, foreign investors, who have been increasing buyout of projects, are showing their ambition to gain market share and compete with local players.*

➤ **Understand the underlying economies of cities**

In emerging economies such as China, India, Brazil..., cities are competing with each other to attract investments. The real estate investment community (both local and foreign) will need a clear strategic view of why a city will be successful. By doing so, they will probably select the suitable location to invest in.

*The worldwide megacities almost locate in central region with large population and/or eastern region, coastal areas. This is the foundation for countries to develop cities and urban areas.*

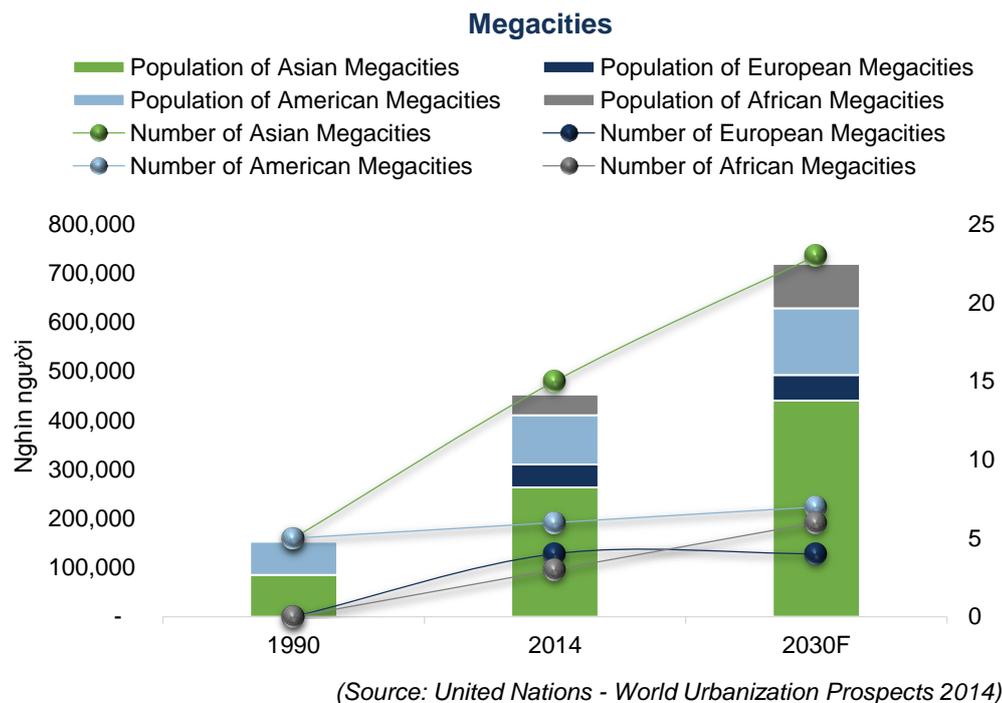
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**Megacities over the world**


(Source: United Nations, FPTS Research)

**Megacity is a city or metropolitan area of at least 10 million inhabitants.** Such high density raises several concerns about the quality of life, wealth inequality, environment pollution, social evils, etc. Those concerns put pressure on authorities to have *sustainable urban development that is the combination of sustainable development in general and urban peculiarities such as urban economy, urban environment, urban infrastructure, and urban management.* Overall, urbanisation is an important driving force for development of each country. Empirical experience shows that large megacities in the world are also the most developed cities such as Tokyo, Shanghai, Beijing, Cairo, New York, Rio de Janeiro, Moscow, Paris, London.

Over 40 years, the number of megacities is forecasted to rise 4 times, from 10 megacities (1990) to 40 megacities (2030). In 2014, the world has total 28 megacities in which Asia accounted for 15 ones with 263 million people because this region has large population and convenient location where is the East Sea within rich resources.


**List of Megacities**

City	Country	Population (thousands)		
		1990	2014	2030F
Tokyo	Japan	32,530	37,833	37,190
Delhi	India	9,726	24,953	36,060
Shanghai	China	7,823	22,991	30,751
Mumbai (Bombay)	India	12,436	20,741	27,797
Beijing	China	6,788	19,520	27,706
Dhaka	Bangladesh	6,621	16,982	27,374
Karachi	Pakistan	7,147	16,126	24,838
Al-Qahirah (Cairo)	Egypt	9,892	18,419	24,502
Lagos	Nigeria	4,764	12,614	24,239
Ciudad de México (Mexico City)	Mexico	15,642	20,843	23,865
São Paulo	Brazil	14,776	20,831	23,444
Kinshasa	Democratic Republic of the Congo	3,683	11,116	19,996
Kinki M.M.A. (Osaka)	Japan	18,389	20,123	19,976
New York-Newark	United States of America	16,086	18,591	19,885
Kolkata (Calcutta)	India	10,890	14,766	19,092
Guangzhou, Guangdong	China	3,072	11,843	17,574
Chongqing	China	4,011	12,916	17,380
Buenos Aires	Argentina	10,513	15,024	16,956

Manila	Philippines	7,973	12,764	16,756
Istanbul	Turkey	6,552	13,954	16,694
Bangalore	India	4,036	9,718	14,762
Tianjin	China	4,558	10,860	14,655
Rio de Janeiro	Brazil	9,697	12,825	14,174
Chennai (Madras)	India	5,338	9,620	13,921
Jakarta	Indonesia	8,175	10,176	13,812
Los Angeles-Long Beach-Santa Ana	United States of America	10,883	12,308	13,257
Lahore	Pakistan	3,970	8,500	13,033
Hyderabad	India	4,193	8,670	12,774
Shenzhen	China	875	10,680	12,673
Lima	Peru	5,837	9,722	12,221
Moskva (Moscow)	Russian Federation	8,987	12,063	12,200
Bogotá	Colombia	4,740	9,558	11,915
Paris	France	9,330	10,764	11,803
Johannesburg	South Africa	3,709	9,176	11,573
Krung Thep (Bangkok)	Thailand	5,888	9,098	11,528
London	United Kingdom	8,054	10,189	11,467
Ahmadabad	India	3,255	7,116	10,527
Luanda	Angola	1,390	5,288	10,429
<b>Ho Chi Minh City</b>	<b>Viet Nam</b>	<b>3,038</b>	<b>7,100</b>	<b>10,200</b>
Chengdu	China	2,955	7,289	10,104

(Source: United Nations – World Urbanization Prospects 2014)

#### Case in Vietnam

*HCMC and Hanoi are major metropolitan cities of Vietnam and are most attractive places for both local and foreign investors (especially in residential, office, and retail segment) thanks to their advantages of population and economic development. Meanwhile, there is a number of real estate players paying more attention to Da Nang, Nha Trang, and Phu Quoc because of their development potential of tourism properties.*

#### ➤ Factor technology and sustainability into asset valuation

In the future, living quality including technology application and sustainability (good environmental performance) will add value to real estate products. Customers will require additional factors (for example: green building, ample natural light, good air quality, solar panels, efficient heating system, etc.) and be willing to pay a premium for them. This premium not only offset developers' costs of improvement but also boost higher profit.

At the moment, real estate management has a relatively low-tech access. Only 40% of asset managers are actively using social media other than hosting a website. By 2020, technology will become mission-critical. It will drive customer engagement, data mining for information, operational efficiency, customers' demand for seamless, integrated and tailored solutions, etc. If real estate players do not understand these new value drivers, they will be at a competitive disadvantage.

#### Case in Vietnam

*In order to apply e-commerce (quite new distribution channel with many potential and exposure) to real estate business, Vingroup has developed VinEcom.*

*In terms of reasonable price, good environment, and high efficiency, Nam Long Investment Corporation has developed a serie of "Ehome" products. After 3 years, Nam Long's strategy of Ehome development showed positive results. International Finance Corporation - IFC (a strategic partner of Nam Long) committed to support Nam Long not only in finance but also in implementing international standards of energy using efficiency in apartments.*

#### ➤ Collaborate with Governments to enable economic and social progress

Developing countries' Governments usually play leading role in infrastructure and urban development. Hence, working with Government will help mitigate some of the risks of giant projects. In urban development plan, Government must ensure that the infrastructure is completely developed at first in order to attract investments. Then, a number of real estate projects together with other businesses and services will emerge. All create a community or an area with full conditions of living, studying and working. By doing so, the urban development plan could be entirely successful.

On the other hand, developers assume the role of even advising and influencing Governments as well as being experts in creative ways to help them make policies relevant to the market at the right time and on case-by-case basis.

#### Case in Vietnam

*In the strong need of infrastructure investment whereas the budget is limited, the Vietnamese Government launched the PPP (Public - Private Partner) program to direct capital and expertise from private sector towards the improvement of quality and coverage of the infrastructure.*

#### ➤ **Decide where and how to compete**

The emerging of middle classes will lead to greater competition in the real estate market. Intense competition will force asset managers and investment community to focus on where they have competitive advantage. They may boost investment in the fast-growing economy with high risk following, or they should specialize in some emerging segments such as agricultural land, health care, retirement accommodation...

Real estate enterprises will need to focus on the market they really understand, while concentrating more than ever on the basics of local knowledge and tenant demand.

#### ➤ **Assess opportunities and risks**

As the real estate business globalizes, the range of risks will become broader. So the country or city risk including political risk is at the top of the list. In addition, changing lifestyles of society and habits increase the danger that real estate becomes obsolete.

In emerging economies, the growing opportunity for real estate investment will carry a host of complex risks. Especially, delayed completion and non-transparent information are the biggest constraints, which real estate players have to face as long as they collaborate with local developers and authorities.

#### Case in Vietnam

*According to the Transparency International in 2013, Vietnam ranked 116/177 countries with a score of 31/100. This suggested that the transparency in Vietnamese economy is still very low and corruption occurs as an inevitable consequence. The real estate projects often get long stuck at legal procedures and the "dark side" in handling administrative procedures has soared the investment costs higher.*

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**Appendix 02 Details of the volatility of Vietnam real estate market**

<b>Prior to 1990</b>	<p>Domestic economy had not been developed. In spite of large land bank, it was unclear demand for residential or commercial land due to the lack of market-based economy. The State solely managed all land. There is, thereby, no meaningful real estate market. The Land Law 1987 prohibited any land-encroaching activities and encouraged reclamation of unused land, intensive cultivation, and land improvement.</p>
<b>1<sup>st</sup> Booming stage (1993 – 1994)</b>	<p>The Land Law 1993 (based on the Constitution 1992) replacing the Land Law 1987 had many improvements. In particular, the State officially granted “the right to use land” for people as well as approved transactions of land-use right in the form of conversion, transferring, lease, mortgage, capital contribution, inheritance, contribution to business cooperation by land. The State manage through approving the registration of land-use right and collecting taxes &amp; land-related fees. Putting land transactions under control showed the marked point of the Land Law 1993.</p> <p>Year 1993 recorded a milestone when Vietnam started the market-based economy. In addition, demand for residential and commercial land strongly increased surprisingly. Those led to the first booming stage of real estate (1993 – 1994) in which a wave of enterprises entered into the market with incredible high financial leverage.</p>
<b>1<sup>st</sup> freezing stage (1995 – 1999)</b>	<p>To stabilize the market dominated by speculators, the State issued the Decree No.18 &amp; 87/1995/ND-CP in which land user would pay land use fees and land rental. Speculators using too much short-term debt financing had to sell out. The real estate market plunged due to oversupply.</p> <p>Macroeconomic volatility mainly affected the current market. In 1995, GDP growth reached 9.54% but inflation of 16.90% showed signs of emergency. The economic instability of the East Asia (namely the crisis of Thailand 1998) severely affected import - export.</p> <p>During this period, the State also issued the Land Law 1998 (supplemented the Land Law 1993) defining more clearly land-use rights. This action presented “flexible” and “soft” nature of jurisdictional framework.</p>
<b>2<sup>nd</sup> booming stage (2001 – 2002)</b>	<p>In 2000, 6.79% of GDP growth (compared to 4.77% in 1999), easing credit policy, and low inflation were supporting people’s confidence of the economy’s recovery. The State’s policy granting overseas Vietnamese to buy houses resulted in foreign capital inflows into the property market. This led to “virtual” craze in townhouses &amp; projected land lot segment. Speculators returned and pushed up land price.</p>
<b>2<sup>nd</sup> freezing stage (2002 – 2006)</b>	<p>After the booming period, the market, again, fell into a state of "hibernation" when the Government intervened by the Land Law 2003, followed by the Decree 181/2004/ND-CP to stop speculators manipulating market through land subdivision and sales. In contrast to the previous booming stage (1993), a wave of selling-off did not happen because almost investment &amp; speculation capital in this period came from idle capital. The second freezing stage marked the shift of money to the stock market.</p>
<b>3<sup>rd</sup> booming stage (2007 – 2008)</b>	<p>Joining WTO created many expectations for investors. GDP growth rate in 2005, 2006, and 2007 was 7.55%, 6.98%, and 7.13% respectively. The credit growth recorded at high level of 50% in 2007 and was at 30% in 2008 despite restraints. FDI capital, FII capital, and remittances simultaneously flowed into domestic market.</p>
<b>Recession stage (2009 – 2013)</b>	<p>Facing the situation that asset bubbles and high inflation had been returning, the Government and the SBV had promptly issued policies in order to regulate the market. These policies are the Land Law (revised) 2009 and some Decrees such as 71/2010/ND-CP &amp; 69/2010/ND-CP, which officially collected land use tax, thereby made the market became bleak.</p> <p>Besides, speculators, again, had to sell out all because banks were tightening lending. In 2011, credit growth was limited at 20%.</p> <p>In 2013, the Government’s establishment of VAMC buying bad debt from banks helped the real estate market be partly better. The credit package 30,000 billion VND, targeting homebuyers of social houses and affordable commercial houses, was disbursed in order to stimulate demand quieted since 2009.</p>

**First-half of  
2014**

The market has had transformations *since Q1/2014 as the supply of medium-range housing segment with low price was strongly absorbed*. As reported by the MoC of Vietnam, the total value of real estate inventories as of the end of February was 92,690 billion VND, downed by 1,768 billion VND (equivalent to 1.87%) compared to December 2013.

On 25<sup>th</sup> March, *Vietnam Construction Bank (VNCB) announced and stood as a focal point of credit disbursement of VND50,000 billion credit package to create the linkage among 4 parties including bank - building material suppliers - contractors - investors*. Disbursement of building materials is the priority of this program instead of cash and is in accordance with constructing process. This mechanism could help in-progress projects come to completion, launch products to the market, and reduce bad debt. This package is different from former VND30,000 billion credit package aiming at homebuyers (the demand) since it is trying to solve problems of undone projects (the supply). *However, it raises a question whether the new package can be success.*

The Land Law 2013 comes into effect since 01<sup>st</sup> January 2014 (followed by coming Decrees instructing more details), defines more clearly the rights of land users, and applies restrictive sanctions against cases of slow implementation of allocated or leased land. In addition, the real estate market is expected to improve much more thanks to effects of new coming statutes such as Construction Law (revised), Real Estate Business Law (revised), and Housing Law (revised).

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## Appendix 03 Status of the Vietnamese real estate market

### II 3.1. RESIDENCIAL REAL ESTATE

#### 3.1.1. Townhouse – Villa – Land lot

Most of villa and townhouse projects have rather low liquidation due to high selection demand. However, these projects in this segment show long - term profitability potential as opposed to other segments since most of these projects are based on prime and favorable locations that could easily catch the new investment trend in infrastructure projects when the market recovers in the future. Land lots are often located in suburban areas with complete infrastructure development. The land lot segment used to be actively traded thanks to its high liquidation and lower cost in comparison to villa and townhouse. Nevertheless, the segment is no exception to the general trend of the real estate market in recent years.

#### Market status

Till early May 2014, the segment had not been picked up yet. A large number of villa projects (Khang An in District 9; Dong Tang Long District 9; Bac Rach Chieu District 9 in HCMC; Van Canh, Northern Township 32; Kim Chung - Di Trach in Ha Noi) were abandoned or were in a gloomy situation due to high price and lack of infrastructure.

- **Since mid-2<sup>nd</sup> Quarter 2014, the market has showed sign of recovery with 176% YoY up in number of townhouse and villa transactions (mainly in District 9) and 118% QoQ up in land lot transactions (mainly in District 8), according to Savills.**

In Q4/2014, the quantities of villa & townhouse transaction in HCMC maintain the good momentum to rise by 56% QoQ (mainly in District 9 and Go Gap District). In the same trend, land lot transaction also see an increase by 37% QoQ (mainly in District 8 and District 9) in terms of the number of accomplished deals.

In 2 recent years, land lots in the inner HCMC have become increasingly rarer, forming a rather high pricing level. On the other hand, neighborhoods of HCMC with large land reserve, convenient traffic (areas in the south of Sai Gon, for example) have drawn much attention from investors. Phu My Hung is offering market various products, price in this area is however quite high (from VND22 billion per unit). When the sight of market recovery is noticed, real estate developers have joined a pricing competition by offering the market with a number of reasonable pricing land lots (VND9 – 11 million per m2).

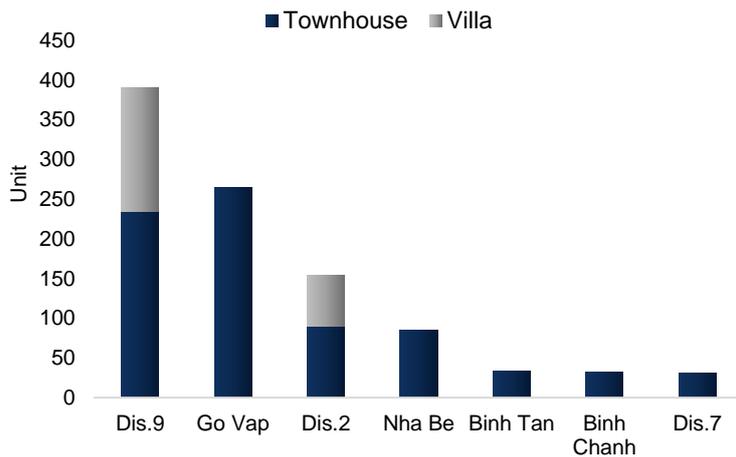
Supported by the strong absorption of the market, a slight increase in price has been recorded in every segment in HCMC. The primary price averages at VND25.2 million per m2. In the secondary market, price steadily rises in luxury projects in District 7 as the price stays around VND65.1 million per m2.

Differently in Ha Noi, the maximum primary offering price reaches VND160 million per m2 and the lowest is recorded at VND12 million per m2. Because the market is rather quiet, the secondary offering price has seen a slight decrease by 0.3% to 1.3% on average in recent quarters.

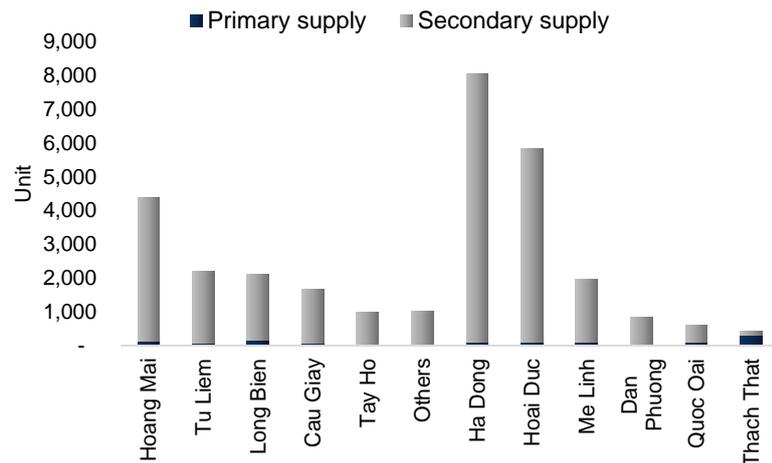
➤ **Supply increases**

Until Q4/2014, the primary number of villas & townhouses launched to the HCMC market is 990 units (+43% QoQ & +300% YoY) with District 9 accounting for great proportion which is followed by Go Vap and District 2. Thanks to the support from investment in infrastructure, projects in the East and the South of HCMC (Mega Residence, Pho Dong Village, Dragon Parc, Gellera...) all have high consumption rate of 80 - 100%.

**Townhouses & Villas supply in HCMC**



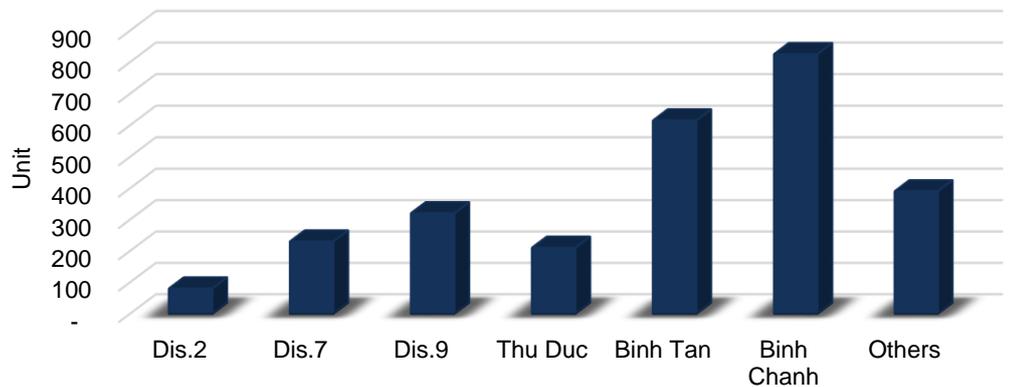
**Townhouses & Villas supply in Ha Noi**



(Source: Savills Vietnam)

In Ha Noi, approximately 1,135 villas and townhouses are available for sales in primary market and about 28,900 in secondary market. The new districts far away from the CBD such as Hoang Mai, Ha Dong, Hoai Duc are main contributors.

Regarding land lot segment in HCMC, around 2,670 units were launched to the market in 2014 in which Binh Chanh and Binh Tan accounted for the majority.

**Supply of land lots in HCMC**


(Source: Cafeland)

### Positive market outlook in 2015

#### ➤ Townhouses – villas – land lots are still preferred over apartments

The Circular 20 effective from 05/01/2014 approves “land subdivision and sales within given conditions”. A number of real estate developers seek approval to alter to land lot projects, which were previously intended for apartment buildings.

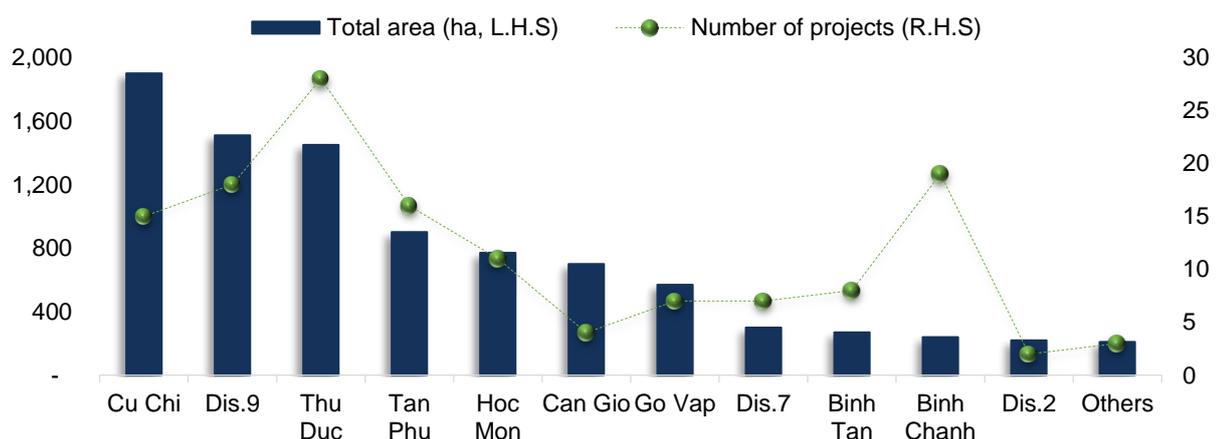
In Hanoi, slow price fall will stimulate demand. It is also supported by on-going infrastructure projects such as Nhat Tan Bridge, Thang Long Bridge... When accomplished, these projects will improve the traffic connecting suburban areas – located projects to the CBD.

#### ➤ New projects are favorable

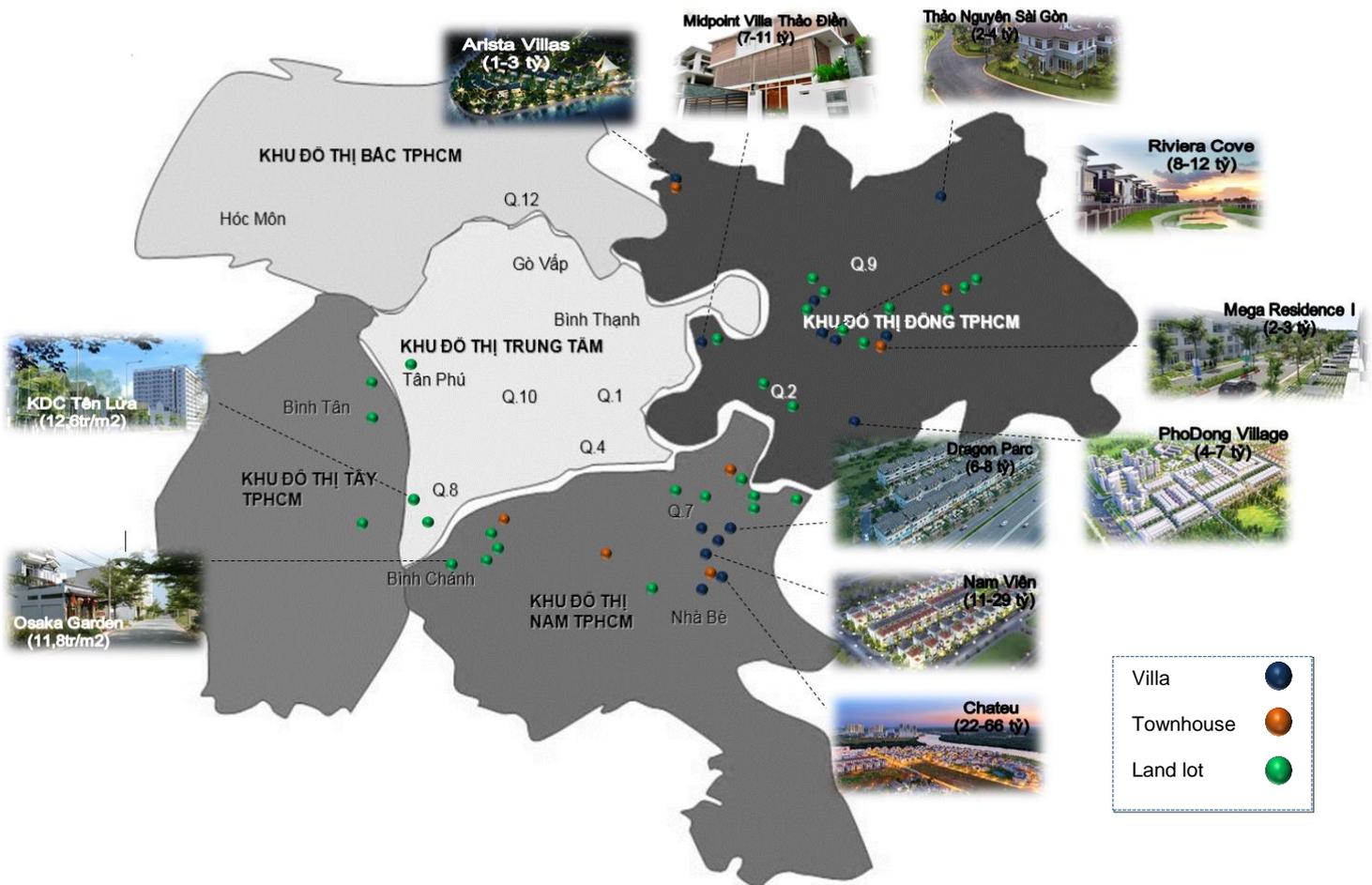
Newly Land lots launch has been catching attention from investors since the secondary market is offering a great number of projects while the number of projects available in the primary market is insignificant. Both buyers and investors would prefer new projects for the competitive price and good supports from the developers regarding legal issues and payment methods.

#### ➤ Future supply is in increasing trend

A statistic by Savills projects that HCMC will have additional 53,000 units from 138 projects in the next 8 years while in Hanoi 5 new projects entering the market that would offer more than 300 units in 2015.

**Future townhouses/villas supply in HCMC**


(Source: Savills Vietnam)

**Highlighted townhouses/villas/land lots in HCMC**


Villas (high-end housing) concentrated mainly in the East and the South. Many projects are in progress, together with existing developed urban area (Phu My hung) in District 7, to take advantages of the expansion of HCMC center towards District 2 and new urban planning in District 9.

(Source: FPTS Research, Novemberr 2014)

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**3.1.2. Apartments for sale**
**Apartment is appropriate product for busy cities**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Low price per m2 compared to on-land-attached house; no construction and complicated legal procedure are required in buyer's perspective.</li> <li>• Comprehensive infrastructure with many property amenities such as green park, swimming pool, gym, children entertainment area, etc.</li> <li>• High security.</li> </ul>	<ul style="list-style-type: none"> <li>• Slow price increase as apposed to on-land-attached house.</li> <li>• Building quality might deteriorate after years of deployment.</li> <li>• Additional services expenses such as management and parking fees.</li> <li>• Less convenient because of repairment, soundproofing problem; personal space for each family might be affected.</li> </ul>

- Modern & civilized living community. The elected board will effectively manage all issues regarding the building.
- Clean and comfortable living environment.

**The market in 2014 observed the recovery after the recession period (2010 – 2012)**

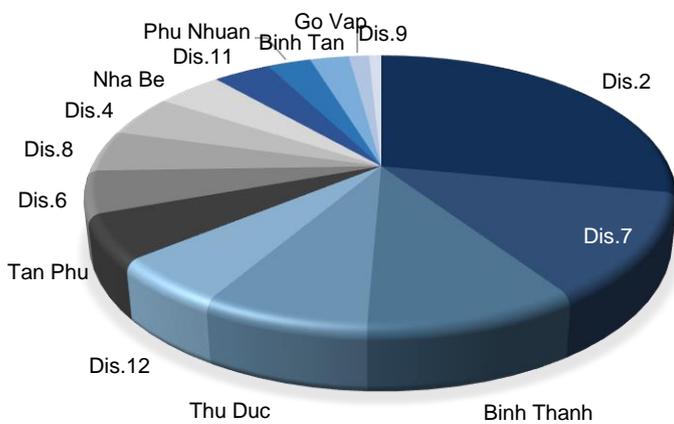
Since Q4/2013, a great number of projects have been commenced within noticeable sales plan. Some previously inactive projects, within financial difficulties, have been also quietly resumed.

➤ **Urban and neighboring areas take up the largest piece of sales pie**

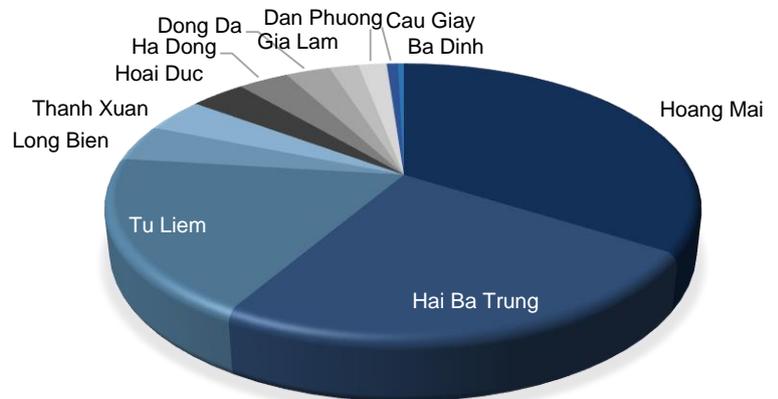
In 2014, HCMC recorded a significant number of apartments for sales at 14,808 units (+152% YoY); only District 2 & District 7 offered 7,500 apartments, accounting for 51% of the total launching.

In Hanoi, 16,200 apartments were launched to the market (+65% YoY). Three inner-city Districts including Hoang Mai, Hai Ba Trung, and Tu Liem literally dominated the total offering with 12,510 apartments, equivalent to 77% total offering in the Capital.

**APARTMENTS LAUNCHING PROPORTION IN HCMC 2014**



**APARTMENTS LAUNCHING PROPORTION IN HA NOI 2014**

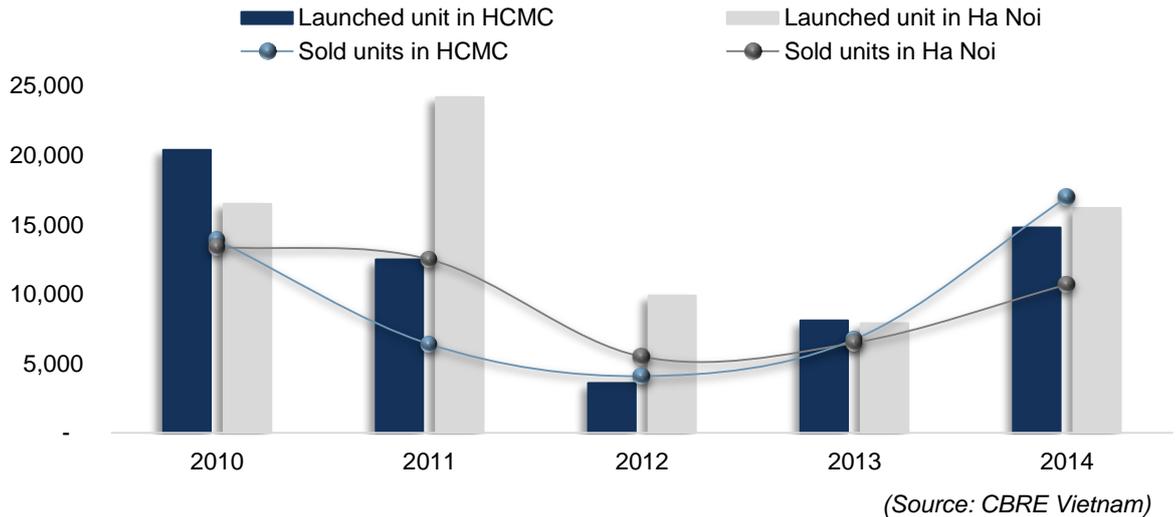


(Source: CBRE Vietnam)

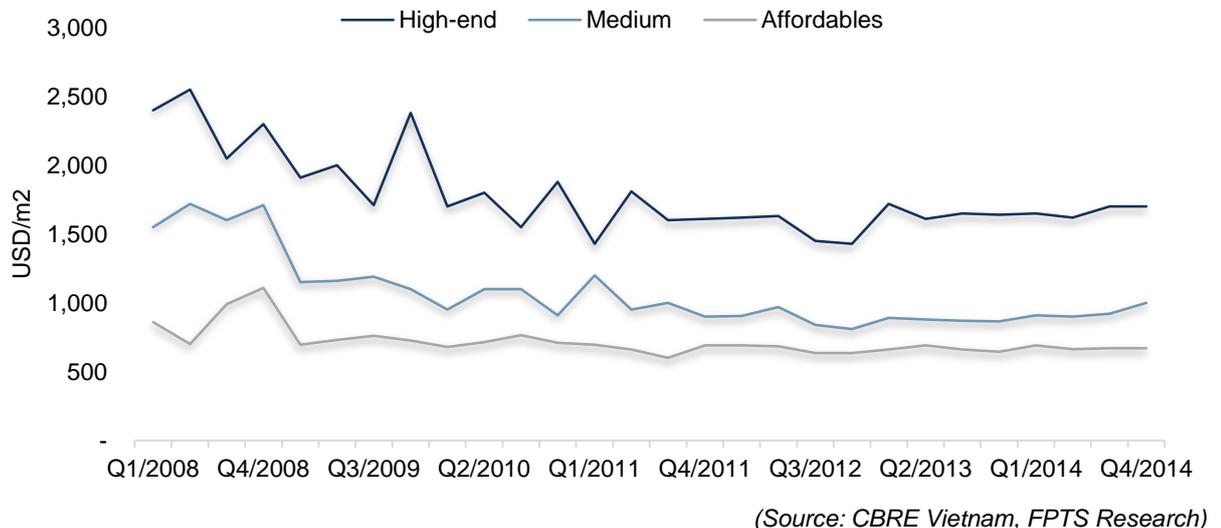
➤ **Price falls on hold with improved liquidity**

Since the beginning of 2014, transaction in affordable – middle class segments has resumed as *the buyers' sentiment has got improvement driven by the financial support from the banks and diversification in allowed payment methods from the developers*. Furthermore, youngsters starts to think of owning a property instead of leasing.

In 2014, HCMC and Ha Noi recorded successful transactions of 17,000 and 10,700 apartments, respectively (highest in the last 5 years). It should be noticed that 50% of sold units were middle-to-high-end apartments. The sales were significantly improved despite the Lunar July.

**Apartments market overview 2014**


From the middle of 2013, falling price trend slowed down and got stable in next quarters. End of 2014, a busy year for apartment segment, the price showed a slight increase by 3-5% YoY thanks to improved sales. The medium apartments even observed higher price surge up 15% YoY due to good locations and reasonable prices.

**Primary average selling price in HCMC**


From CBRE survey, the secondary price in affordable apartments remains quite stable in HCMC over the years but continues the downward trend in Hanoi. This confirms that the market still belongs to the buyers. In mid-range and high-end apartments, the secondary price in both HCMC and Hanoi is on surge partly explained by the resumed speculation. Moreover, rental return in high-end projects fluctuating in range of 7-8% is also a key factor to draw interest of investors.

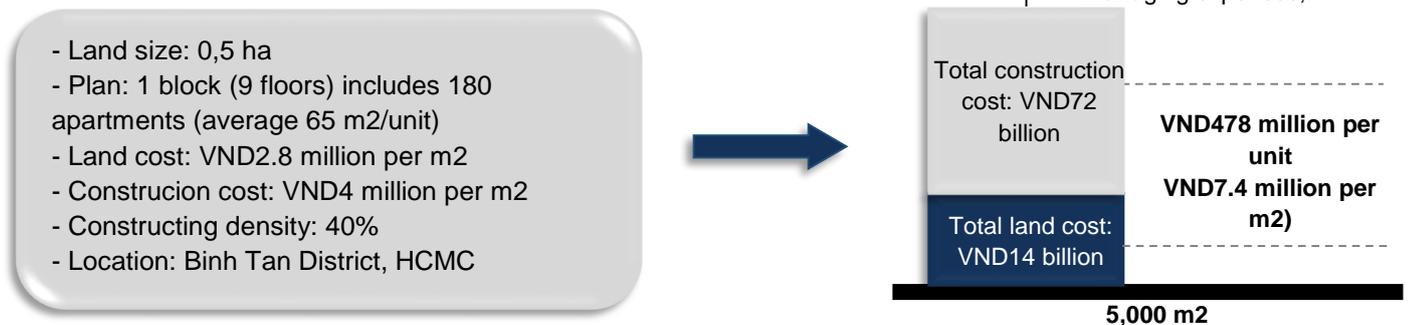
**The market remains positive outlook in 2015**

- **Price of affordable apartments has been downed to the cost of sales and barely to further reduce.** This is the reason that encourages people to positively think of buying a house.

If 2013 did be the year of tension between one side expecting price to drop further and another side perceiving that market was at the bottom, market performance in 2014 gave clearer answer. At the time being, buyers have to acknowledge that the price is at the reasonable level and cannot be further reduced. Only two kinds of fixed costs (of an affordable project) including land price and

construction expense have raised the cost of an apartment up to VND7.4 million per m<sup>2</sup>. The amount has not included the followings:

- Interest expense, a critical factor that always occupies great proportion in the cost structure of real estate projects in Vietnam.
- The land cost is low based on the underlying assumption that the land has been acquired long time ago. The cost in the example does not reflect the market price. The Decree 44/2014 and 104/2014 have proposed a reference framework for land cost, which is close to market price. Therefore, it is anticipated that the land price will climb up in future projects.
- Other costs namely: sales, project management, legal procedure expenses, etc.

**Example: an affordable apartment project**


(Source: FPTs Research)

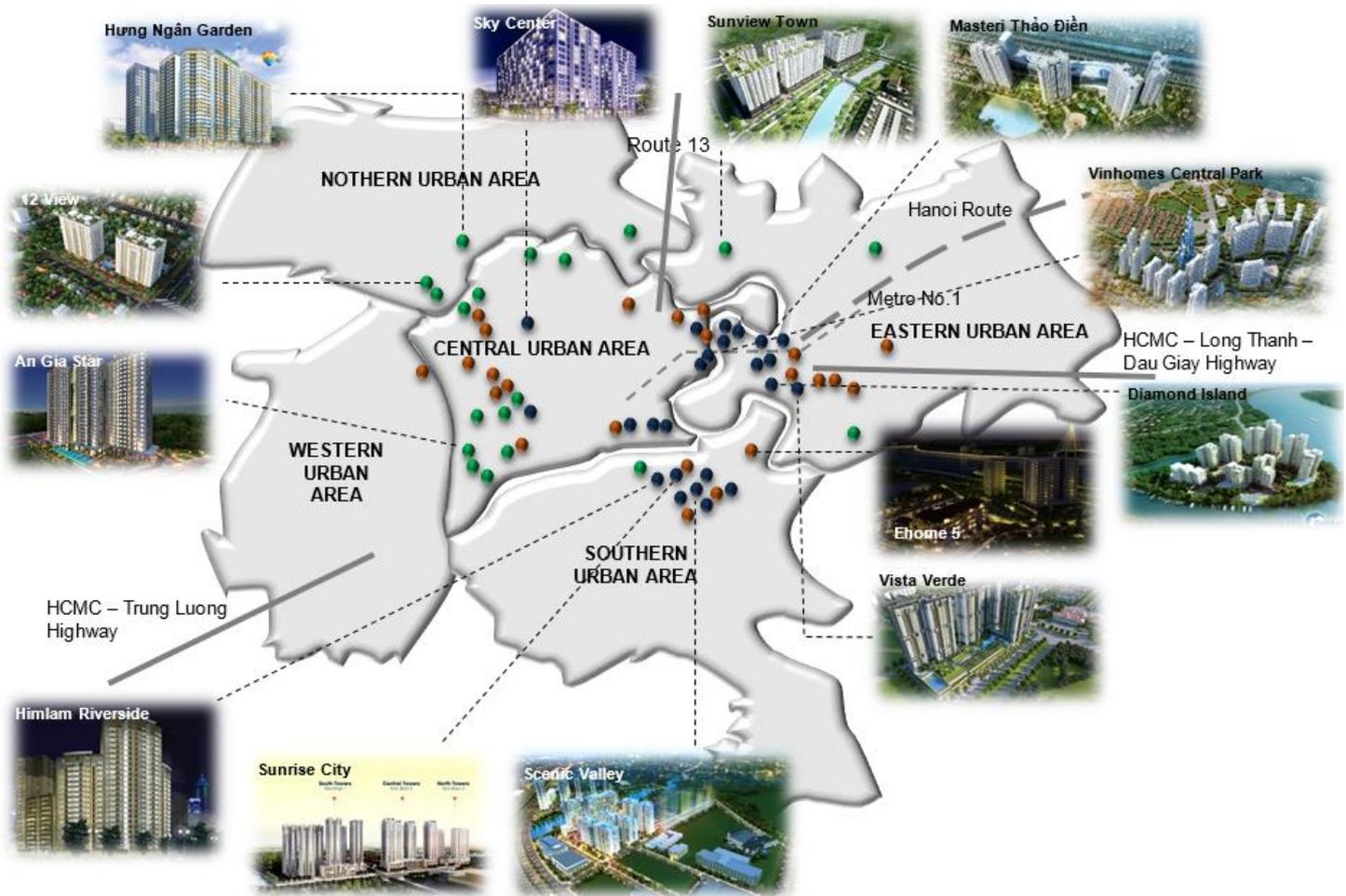
Therefore, although doubts remain on the market recovery, inventory is on large volume, and many buyers have mixed sentiment of buying and waiting, some developers are able to record positive sales and profits. *They are developers who gained good prestige by strong commitment to keep the project on the right timing track, offering competitive price and focusing on adding value for buyers via investment in the inner and exterior amenities.*

- **In 2015, the market still belongs to the buyers. Transactions in medium and high-end apartments will gradually step up, whereas the investment wave in affordable ones stimulates intensive competition.**

Price is expected to remain flat. However, projects within favorable locations developed by reputable developers could observe a slight increase in price.

Majority of projects, offered to the market since beginning of 2014, are the affordable apartments. Medium and high-end apartments involves old projects, however the quantity of units available for sales is insignificant which enables the stability for this segment. Many developers begin to step up new projects in medium and high-end segments upon the expectation that the market is about to enter the recovery cycle. However, today investments would take several years to have products available for sales. Therefore, the projects under construction hold more advantages as the buyers have become more demanding than previously. Buyers tend to prefer projects, which are nearly finished, or the progress is on track for a certain period.

According to Savills, approximately 65,600 apartments from 102 projects will enter HCMC market from 2015 to 2017 while around 14,200 apartments from 25 projects will be open for sales in Hanoi until end of 2016. New apartments supplied to the market tend to be located in suburban areas, particularly the neighborhood of the CBD where the land reserve has been quite limited.

**Highlighted apartment projects in HCMC**

**Notes**

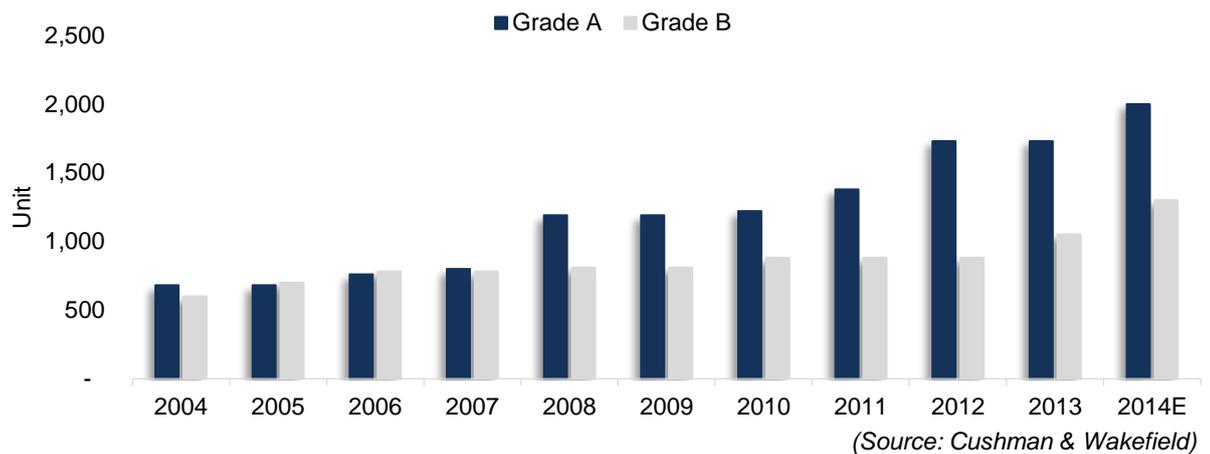
Classify	Symbol	GFA (m2/unit)	Price (mn VND/m2)	Internal facilities (inside project)	External facilities (1 km far away)
High-end		over 90	over 30	Yes	Yes
Mid-range		75 – 90	15 – 30	Yes	Optional
Affordable		48 – 75	under 15	Optional	Optional

(Source: FPTS Research, November 2014)

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**3.1.3. Serviced apartments**
**Market status**
**➤ Supply of serviced apartments is limited**

Total supply is around 2,900 units from 29 projects in which there are 700 grade-A and 2,200 grade-B products. District 1 remains the focus of serviced apartment supplied (accounting for 44%). However, District 2 and District 7 have greater number of tenants that are families with good budget as these areas offer a great number of public amenities such as international schools, modern infrastructure, and other professional living facilities.

**Serviced apartment accumulated supply in Hanoi 2004 - 2014**


In Hanoi, the supply continues the upward trend quarter by quarter, reaching 3,500 units. Three areas accounts for the majority shares include Ba Dinh (28%), Tay Ho (25%), and Tu Liem (17%).

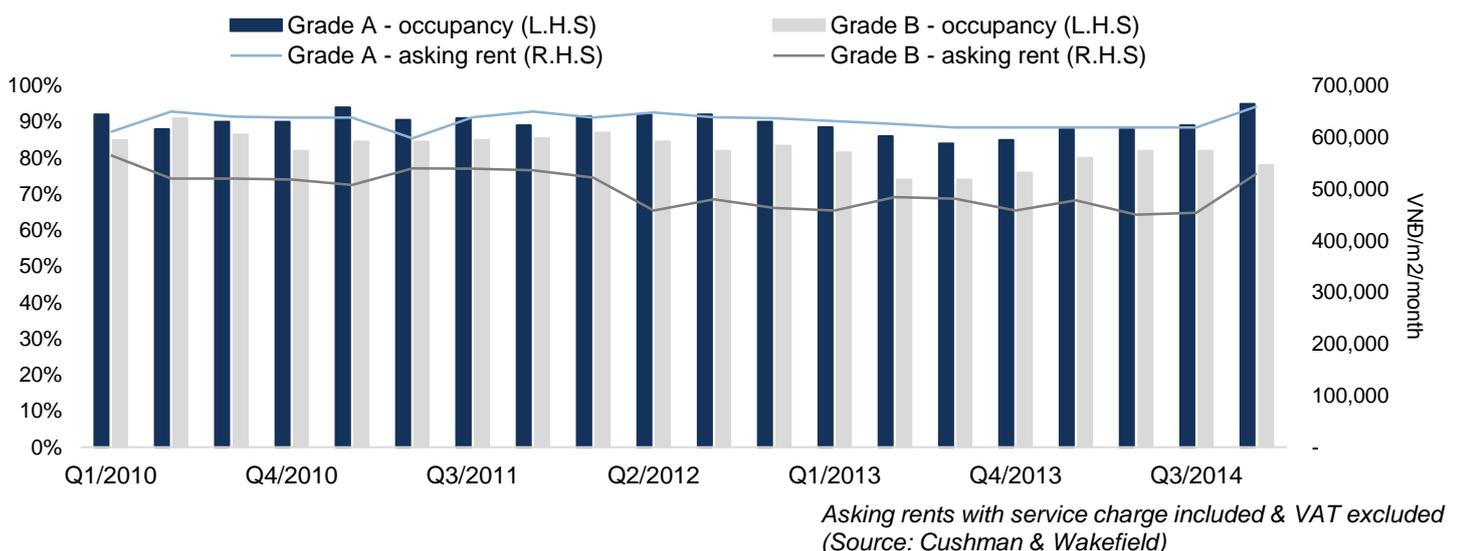
➤ **Temporary trend from selling to leasing out**

Since 2013, when the real estate market was in the recession, luxury apartments showed sharp decline in liquidity. A number of developers decided to amend its sales plan to offering their products for lease in order to maintain the price. *To gain success from this strategy, it highly depends on the project location and financial capacity of the developers since it requires additional investment in furniture and the payback period will be longer.*

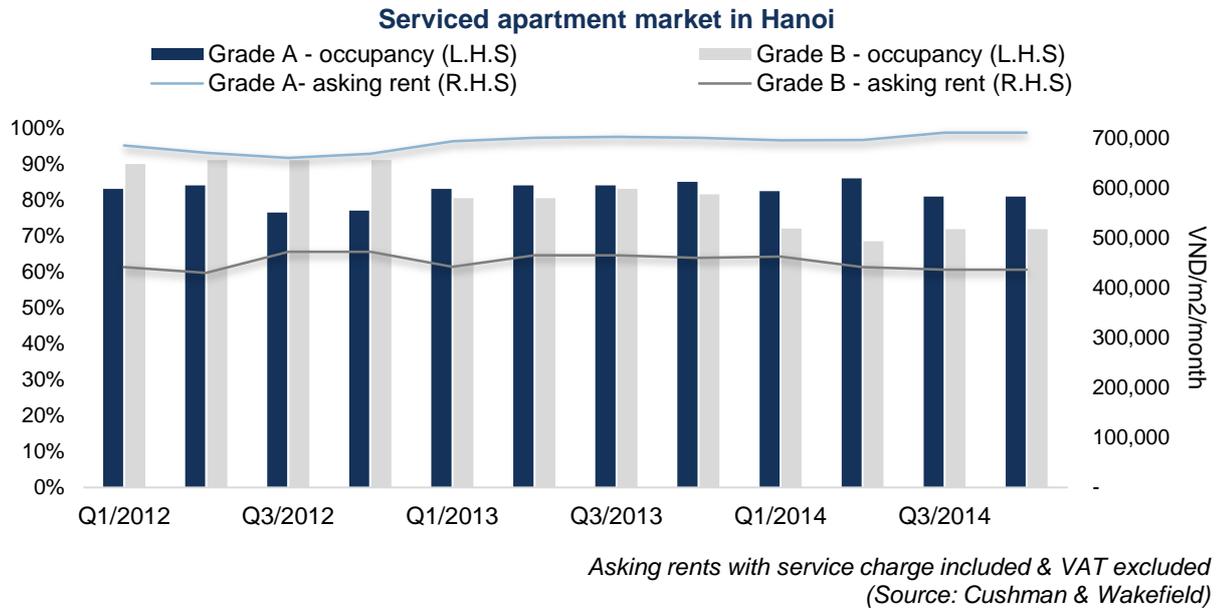
However, *this trend is just temporary because selling apartments is more lucrative and the payback period is lessen than leasing.* Due to the similarity in technical design of two kinds of properties, functional shift is rather easy and the developers could quickly convert back to the “apartments for sales” whenever the market turns better.

➤ **Unclear market recovery**

HCMC market showed improvement in terms of rent and occupancy (particularly in grade-A), which reflects the increasing demand for serviced apartments from foreign experts and business visitors in the CBD. In 2014, the registered FDI capital into HCMC reached USD3.2 billion (+94% YoY).

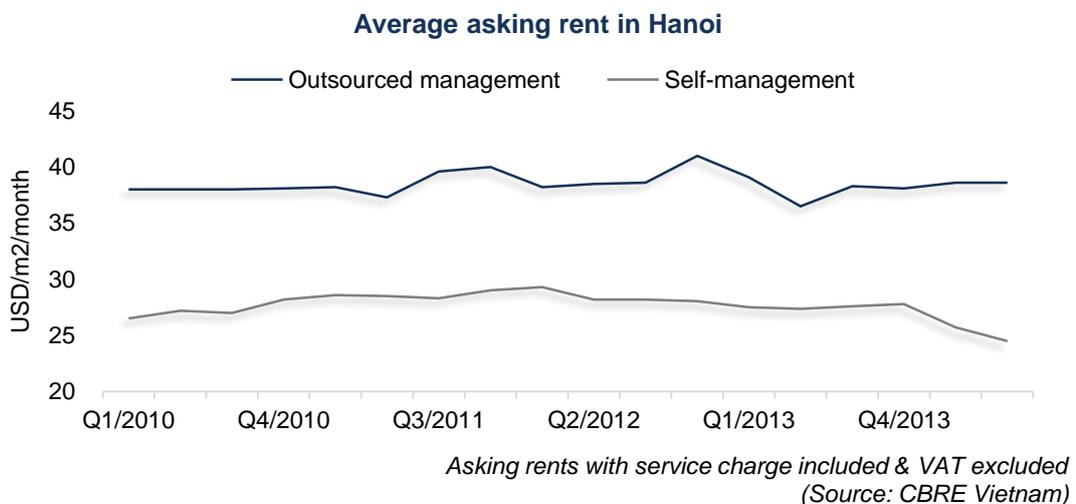
**Serviced apartment market in HCMC**


To the end of 2014, the average asking rent in Hanoi remained stable. Occupancy rate in grade-A and grade-B serviced apartments did not much change. Those rates were, in turn, 81% and 72% (lower than the average level in period 2012-2013, at 82% and 86% respectively) due to significant rise in supply and increasing competing pressure from function-shifted apartments.



➤ **International management service providers dominate the market**

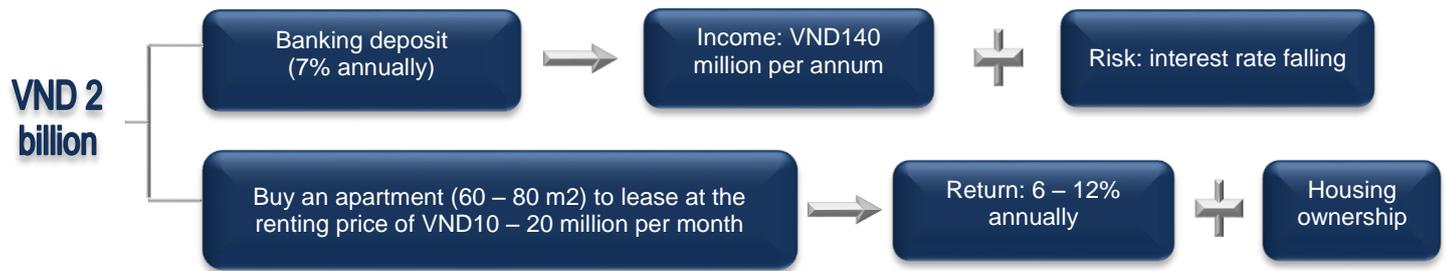
Vietnamese serviced apartments market is dominated by foreign investors since it requires huge capital investment, high standard, and professional services but the payback period takes long time. Serviced apartments developed by local investors tend to have smaller scale (under 100 units) or is self - managed. In practice, the market does not have local professional serviced apartment management agent. Professional services and higher asking rent (usually 30 - 40%) are two typical points in building run by foreign company as opposed to local agents.



According to CBRE Vietnam, there are 6 international brands offering professional management service in Hanoi and HCMC including: The Ascott Limited (market share: 34.8%); InterContinental Hotels Group (15.9%), Frasers Hospitality (15%), Keangnam Vina, Windsor Property Management Group Corporation and Sedona Hotels International. Buildings operated by those companies often have high rental fee and remarkable occupancy rate thanks to their global business network that helps them connect with potential customers.

➤ **Fierce competition between serviced apartments and buy-to-lease apartments**

**Example: Individual investor's selection**



(Source: FPTS Research)

Buy-to-lease apartments tend to have asking rent, which is a half or one third of the rent of serviced apartments. Besides, because the stock of luxury apartment remains high, buy-to-lease apartments emerge as an attractive option for many individual investors who prefer to get a better yield than banking deposit and help them maintain the asset value. In next three years, the number of new apartment buildings will surge, leading to more competition in this segment.

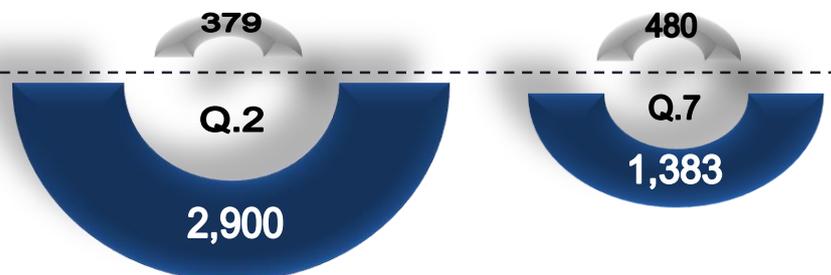
**Serviced apartments supply until 2017 in HCMC**

**Future serviced apartments:**

*Somerset Vista; the Gateway Marriot; Diamond Island; Saigon South Complex*

**Future bought-units and lease back:**

*The Prince; Regency Park; Mapletree; Metropolis Thao Dien; The Gateway Marriot; Lexington Residence-block C; Khang Thong; Green Valley-block D*



(Source: CBRE Vietnam)

➤ **Affordable apartments for lease – an open gap**

In developed nations, this property type is quite common but the investments, in Vietnam, tend to be unprompted. The number of well-planned well-invested projects is small. In Hanoi, there are only 3 social housing projects for lease (utilizing 20% land reserve) so far. In HCMC, there are also a few apartment-for-lease projects such as Le Thanh Twin Towers and Le Thanh Tan Tao....

Stable leased apartments within reasonable rents and long lease terms are always dream of low-incomers. However, these projects would face rapid deterioration, water leaking, and lack of infrastructure. The Government has offered many attractive incentives to encourage investments in social housing-for-lease but it is not enough to have investors interested. Until July 2014, there is solely one state-invested social housing project comprising of 512 apartments in Viet Hung, Hanoi.

**Outlook 2015**

**Outstanding unit of serviced apartments in 2013**

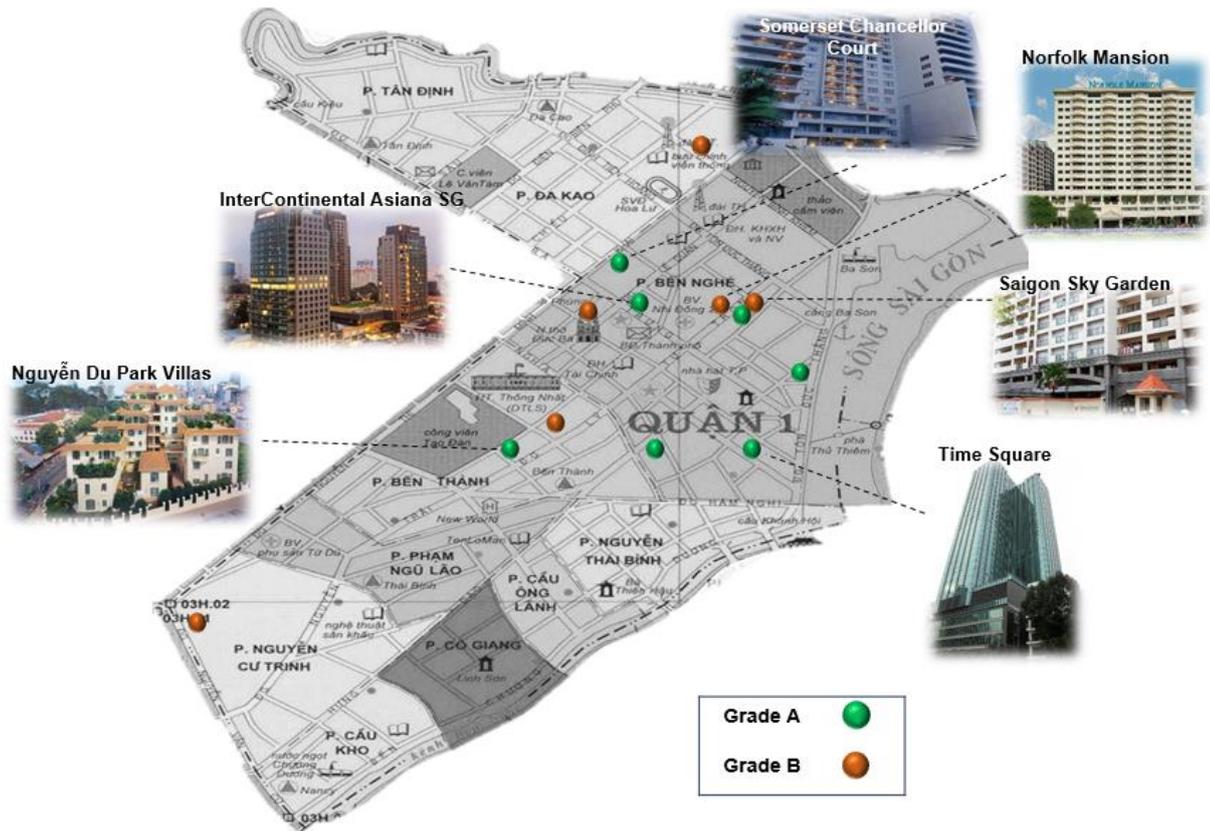
	HCMC	Hanoi	Bangkok	Hong Kong	Indonesia	Singapore
Units	2,800	3,000	18,000	17,000	8,200	4,000

(Source: FPTS Research)

Housing-for-lease has its own attraction, but the Vietnamese market is small compared with cities in the region. Serviced apartments segment in HCMC expects to welcome 3,000 units in next 2 - 3 years, the CBD remains favorable option of the clients. In Hanoi, Tay Ho District with luxury apartment building projects such as Indochina Plaza, Dolphin Plaza, Mandarin Gardens still draw much attention. Strong demand typically comes from Asia Pacific such as Korea, Japan, Hong Kong... as 80% FDI is sourced from these countries.

1-2 year-term serviced apartments with rents ranging from USD1,000 to USD2,000 are most preferred by clients. However, the asking rent would be under more pressure driven by: (1) Increasing supply from new projects competing with existing ones; those in suburban and neighboring areas competing with those in the CBD thanks to the support from infrastructure improvement; (2) Competition from buy-to-lease apartments.

**The concentration of serviced apartments in District 1 (CBD of HCMC)**



(Source: FPTS Research, November 2014)

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**II**

**3.2. COMMERCIAL REAL ESTATE**

**3.2.1. Office**

Office segment strongly correlates with the economy. When the economy recovers and develops, the segment could generate remarkable revenues and vice versa as gloomy market will have negative impacts as companies attempt to cut cost as a priority.

**HCMC market**

➤ **Supply is limited, most projects remain in District 1**

In 2014, 3 grade-B buildings were accomplished including MB Sunny Tower (District 1), Lottery Tower (District 5), and Le Meridien (District 1). The city has around 55 office building projects offering approximately 816,700 m<sup>2</sup> of floor area.

**Office supply in HCMC**

Area	Grade A (m <sup>2</sup> )	Grade A (number of projects)	Grade B (m <sup>2</sup> )	Grade B (number of projects)
District 1	156,700	9	422,400	N/A
<i>Proportion</i>	<i>100%</i>	<i>100%</i>	<i>64%</i>	<i>N/A</i>
<b>Total</b>	<b>156,700</b>	<b>9</b>	<b>660,000</b>	<b>46</b>

(Source: Cushman & Wakefield)

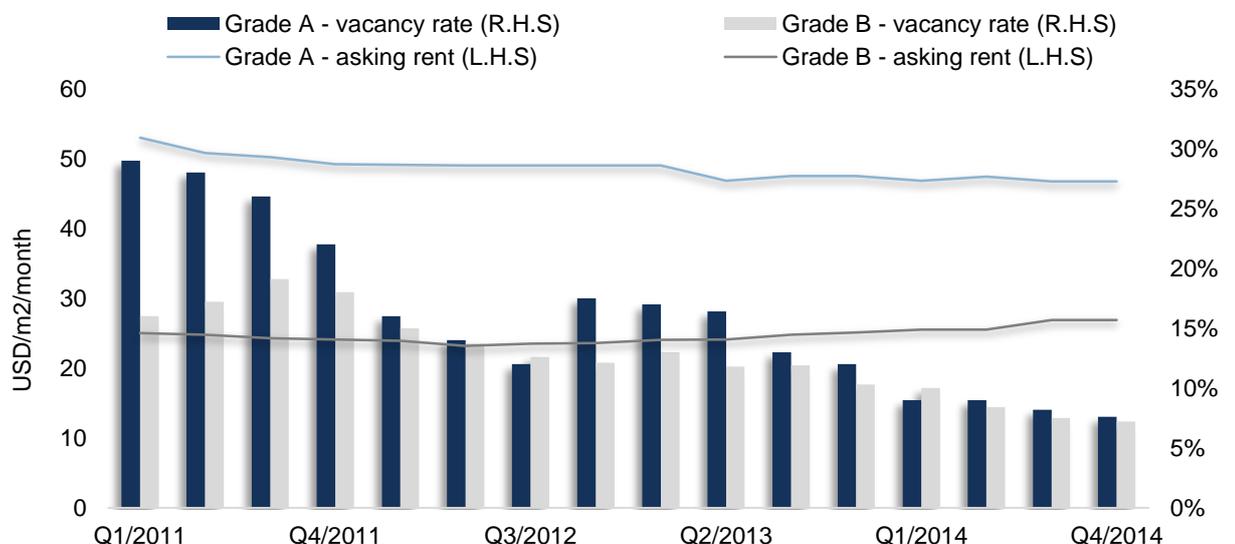
➤ **Recovery rallied with reduced vacancy rate**

The office segment has shown improvement since 2013 driven by the economic recovery and developers' flexible policies in order to attract tenants. The building owners have been opener by offering long-term lease with flexible terms (up to 50 years and clients have right to lease to another entity).

As the demand for the office buildings is on the surge, domestic companies are most active customers. 60% of tenants are new business or those within expansion plan (majority of them are financial service providers accounting for 26%) which implies improved confidence of future business outlook.

By the end of 2014, the vacancy rate has been declining over quarters, grade-A & grade-B buildings stayed at 8% & 7%, respectively. Both grade-A & grade-B asking rents remained stable.

**Office market in HCMC**



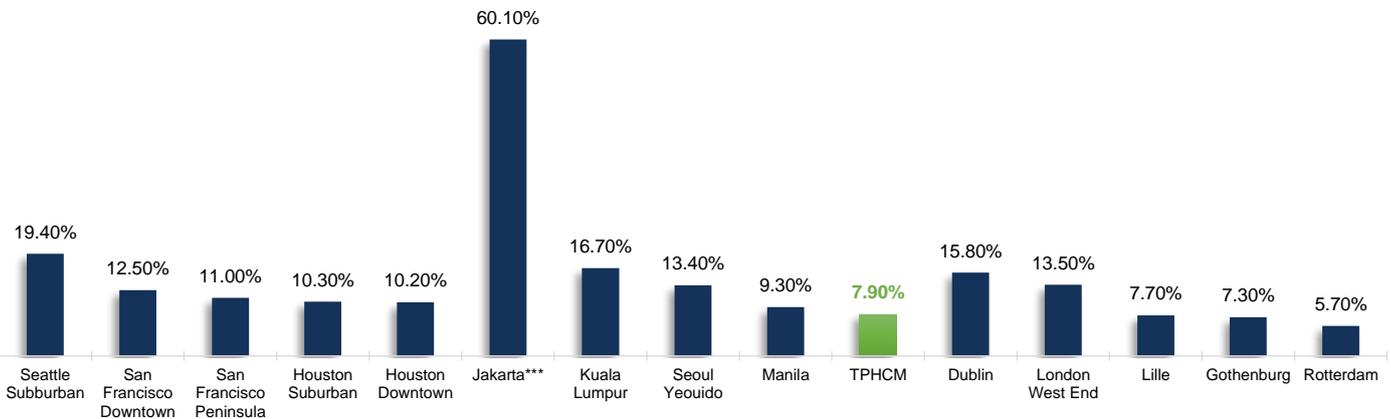
Asking rent with service charge included & VAT excluded  
(Source: Cushman & Wakefield, FPTS update)

➤ **Double drivers for growth but the competition weighs on rental price**

Among fastest developing markets, HCMC only grows at 7.90%, which is not corresponding with its true potential.

**HCMC office market in comparison with other regions**

America	Asia Pacific	EMEA**
YoY change in prime rent*		
+3.3%	+2.9%	-0.1%
Top 5 growth markets		



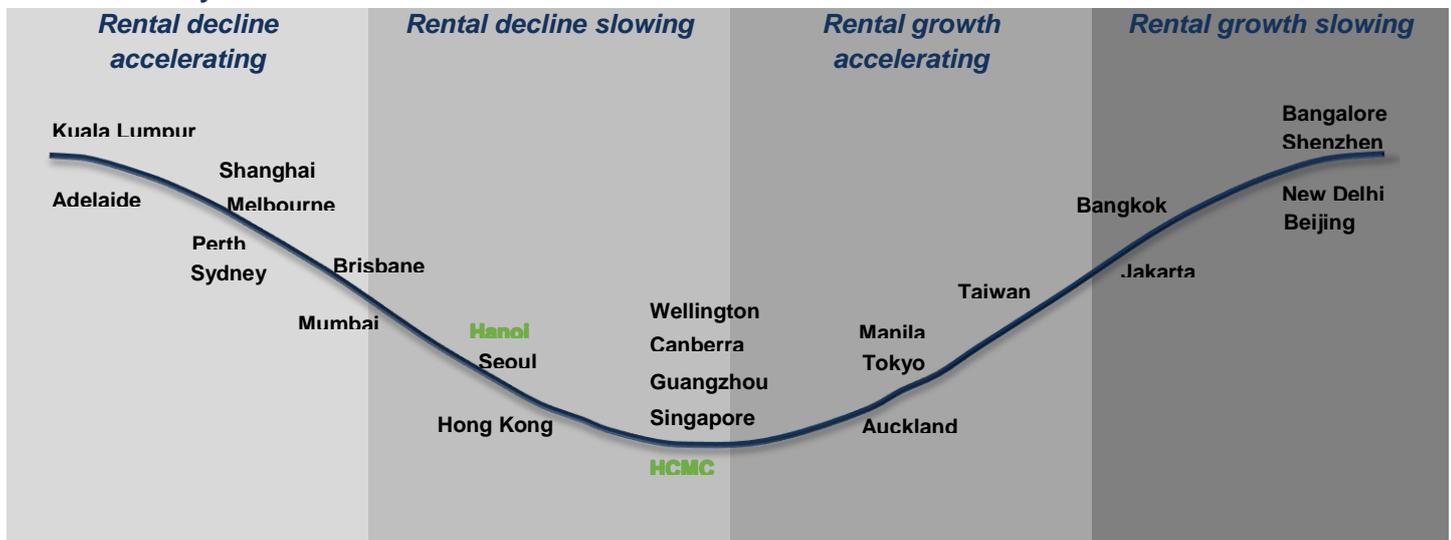
\*: average-asking rent at top three office buildings in the market. In HCMC, top three buildings include Saigon Tower, Kumho Asiana Plaza and Sunwah Tower

\*\* : Europe, Middle East and Africa

\*\*\*: Leases in Jakarta are typically written in U.S. dollars, but paid in rupiah, which means the occupancy cost increase is greatly affected by currency depreciation in Indonesia.

(Source: CBRE, Q1/2014)

At the end of 2013, rents in HCMC reached the bottom and were ready for the next growth cycle. Rents are likely to remain unchanged as building owners keep offering promotion in service as well as discount in rents in order to attract new clients and retain the existing ones.

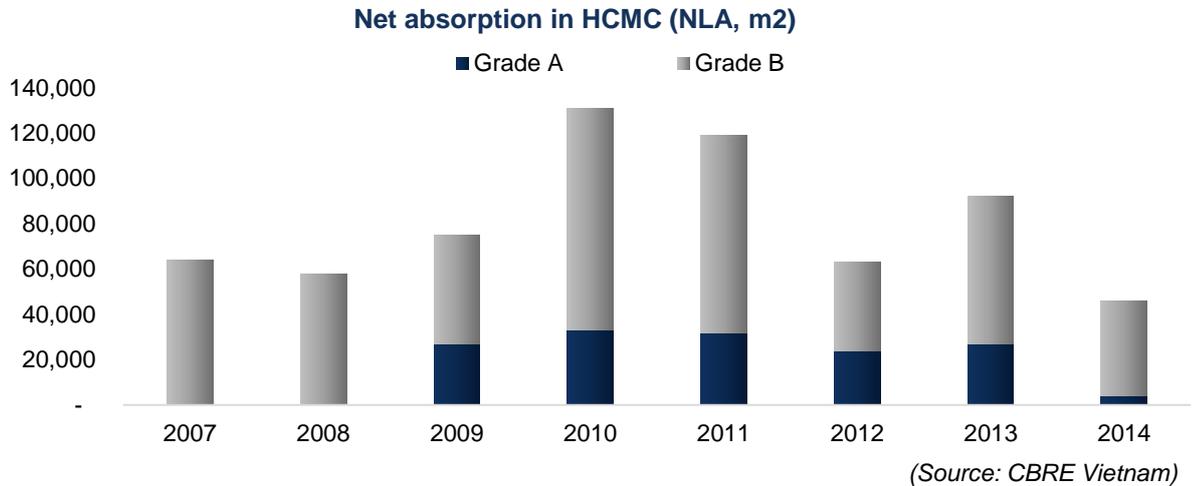
**Office rental cycle in APAC market**


(Source: CBRE, Q4/2013)

However, the market will just grows at moderate pace as (1) Production activities still face many difficulties and there is not much support in capital; (2) Many new projects to be completed in 2015 intensifying competition which result in more pressure to drag down the rent.

➤ **Moving out of CBD is the rising trend**

The net absorption in 2014 was only 46,000 m<sup>2</sup> (lowest in the last 8 years). The main reason was less and less option for clients who are in need of appropriate place in grade-A building in the CBD. According to the survey of Cushman and Wakefield, the demand of 800-m<sup>2</sup> floor area in this area has not been fulfilled yet which implies more opportunities for projects in surrounding areas such as District 2, 3 and 7 with competitive price and good service attached.



Since 2015, more options will be available due to new and emerging corners of the city where high-quality buildings come on-stream. Especially in District 2 where it already is planned to be another center of HCMC with new infrastructure connecting with District 1 and surrounding areas.

### Office supply outside District 1 (CBD of HCMC)

**Lim 2 Tower District 3**  
 - GFA: 12,700m<sup>2</sup>  
 - Completion: Q1/2015



**SSG Tower Binh Thanh District**  
 - GFA: 37,000m<sup>2</sup>  
 - Completion: Q2/2015



**District 1**  
 Number of projects: 39  
 Total GFA: 579,100 m<sup>2</sup>  
 Average vacancy rate: 10%  
 High vacancy: Vincom B, Time Square, Indochina Park Tower

**Viettel Complex Building District 10**  
 - GFA: 66,000m<sup>2</sup>  
 - Completion: Q1/2015



**Saigon South Place Complex District 7**  
 - GFA: 135,000m<sup>2</sup>  
 - Completion: 2016



(Source: FPTS Research, November 2014)

**Hanoi market**

- **Continuously increasing supply despite macro-economy and property market are yet out of recession**

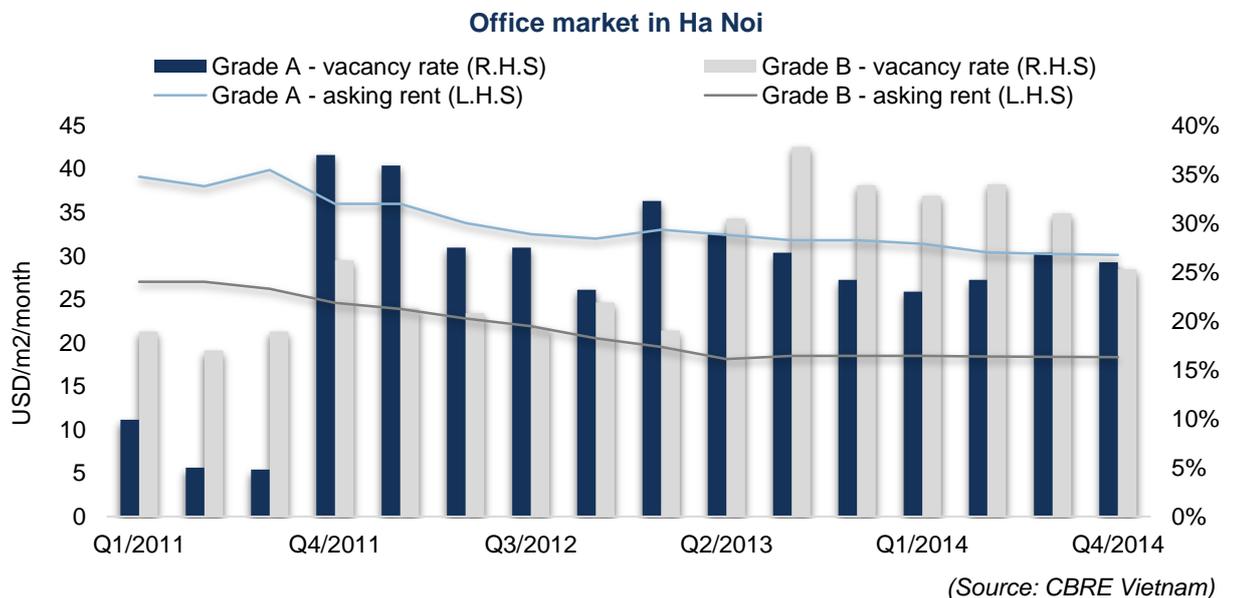
Office supply in Hanoi has been rising since 2010 with average growth rate of 5.64% QoQ. In 2014, the market welcomed a grade-A building (Lotte Center Ha Noi) and 5 grade-B buildings. Total office supply are now around 1,117,000 m<sup>2</sup> in which grade-B takes up 69%.

According to CBRE, tenants in Hanoi are mainly from technology, financial service industry and majority are local companies. Floor area of under 300 m<sup>2</sup> is most demanded. In addition, reasonable rents associated with promotions from developers have encouraged those who are running office in leased villas and townhouses to move to professional and standard buildings.

- **Strong cut in rents but the vacancy rate has not dropped much**

Till end of Q4/2014, the average asking rent in grade-A and grade-B buildings were USD30.10 and USD18.35 per m<sup>2</sup> (remarkably lower than the average level in 2011 – 2013, which were USD34.69 and USD22.38 per m<sup>2</sup>, respectively).

The vacancy rate in grade-A buildings reduced to 26% while those in grade-B declined to 25%, which were still higher than the average level in period 2011 – 2013 (24%).



- **In 2015, tenants are in favor due to abundance of existing and future supply**

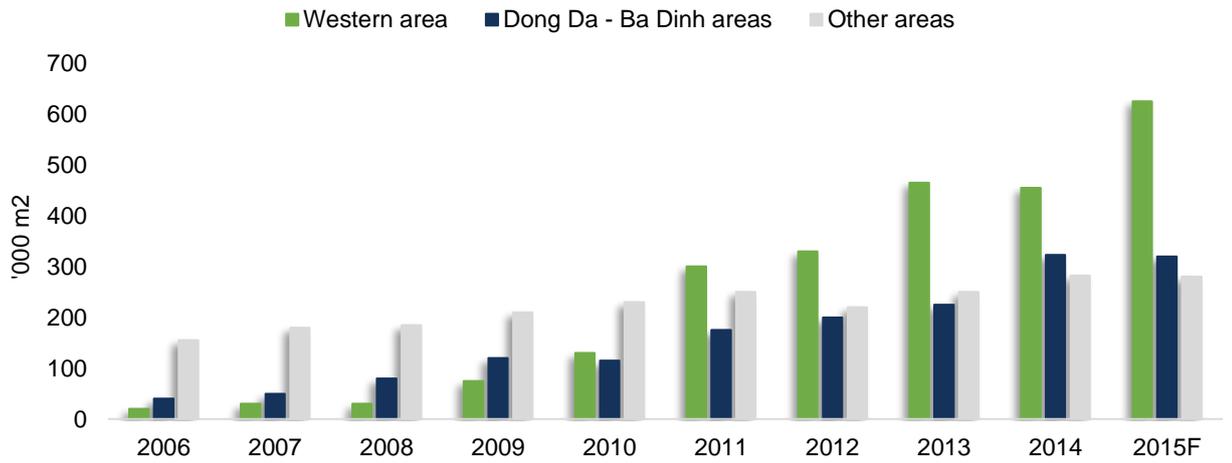
In 2015, it is forecasted to have no more supply in grade-A office, but 12 grade-B buildings will be completed and offer market with more than 1.2 million m<sup>2</sup> floor area. Buildings within competitive rents coupled with big promotion and unique marketing campaign will continue to have interest of potential tenants. Tenants could take advantage to improve the quality of the workplace without significant impact on the cost. Moreover, building owners are willing to lower the rents to maintain the high occupancy rate. Under the increasingly fierce competition, average asking rents are likely to be reduced, particularly in grade-B and the vacancy rate may re-bounce.

- **Huge pressure on the West area**

68% of new supply in 2015 is concentrated in the West, causing competition heat on the rents and vacancy rate. Such buildings located in the West as well as in Dong Da, Ba Dinh areas are those

could offer tenants diverse options in terms of floor area, meeting the customers' need to enlarge and upgrade the workplace.

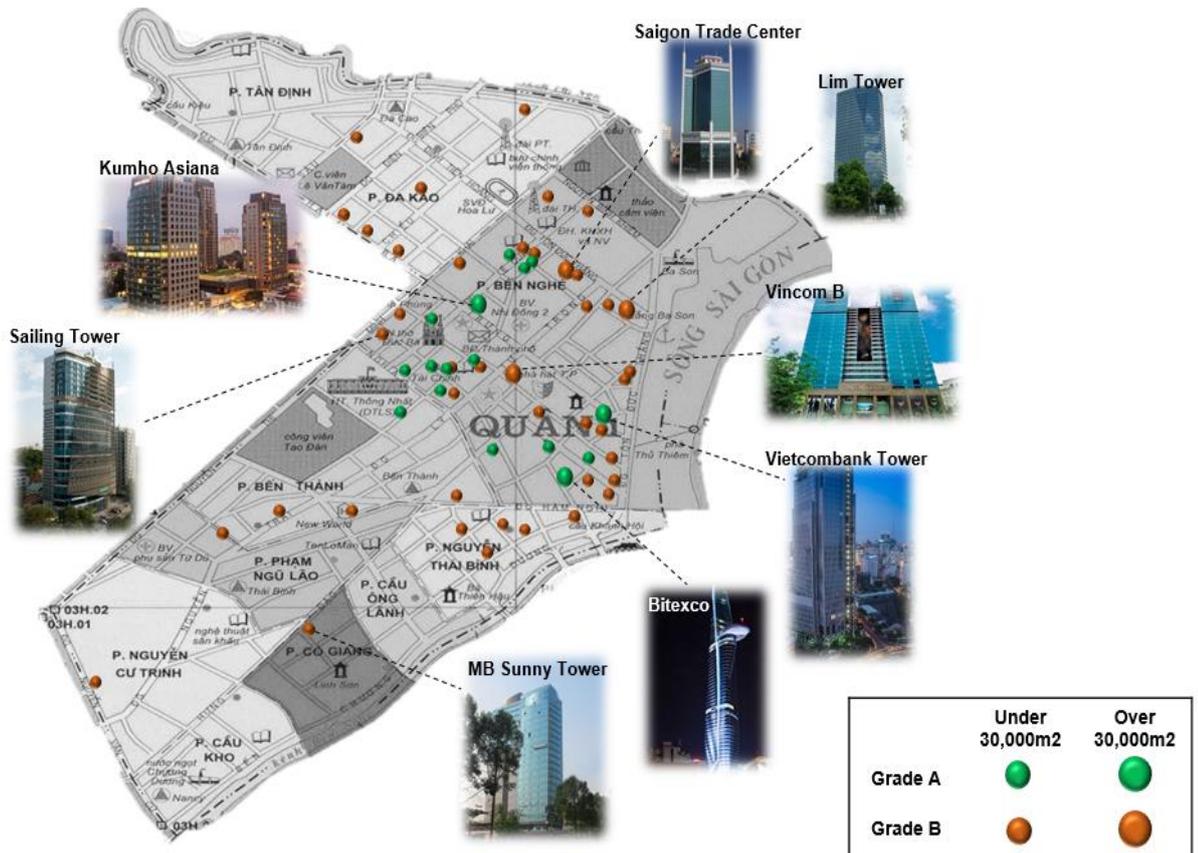
Office supply in Hanoi



(Source: CBRE Vietnam)

It is a trend to move out of the CBD. However, grade-A buildings located in the CBD still retain certain advantages. Despite high price, such buildings are always in great demand as there are limited alternations in the areas. However, it is advised that those building owners need to upgrade and improve the building to strengthen their competitiveness with coming projects.

The concentration of office supply in District 1 (CBD of HCMC)



(Source: FPTS Research, November 2014)

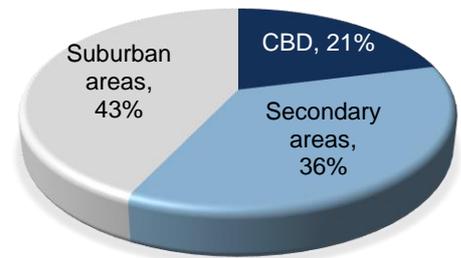
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**3.2.2. Retail space**
**Market status**

Total retail space supply in HCMC, as of 31/12/2014, is around 817,000 m<sup>2</sup>. District 1 accounts for the smallest proportion of 21% but it is still the most active retail market.

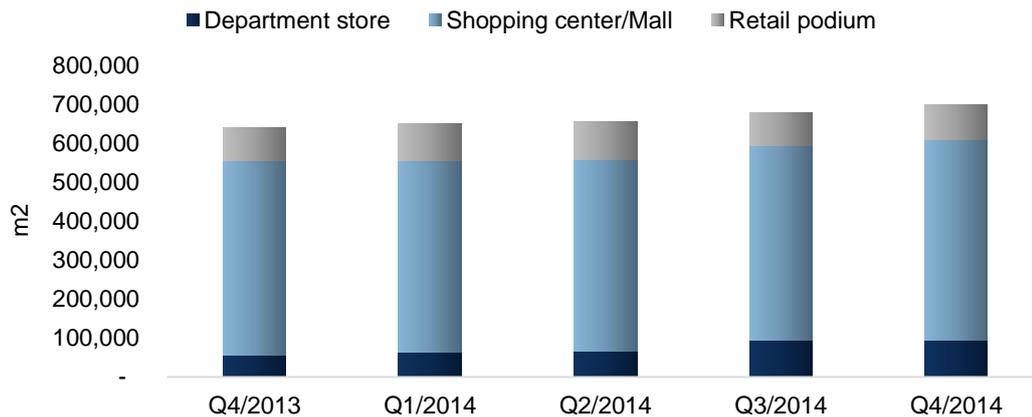
**Retail space supply in HCMC as of Q4/2014**

Item	Retail podium	Department store	Shopping center/Mall	Super market	Wholesale center	Total
Space (m <sup>2</sup> )	34,840	130,650	383,240	270,010	52,260	<b>871,000</b>
Units	8	8	23	69	3	<b>111</b>

**RETAIL SPACE SUPPLY BY REGIONS IN HCMC**


(Source: Savills Vietnam, Cushman & Wakefield, FPTs Research)

The retail space supply in Hanoi is 700,000 m<sup>2</sup> (+3% QoQ and +9% YoY). Some most prominent projects entering the market include Lotte Mart Dong Da, CTM Cau Giay, and Ho Guom Plaza. The central area still take up the majority of 45% supply.

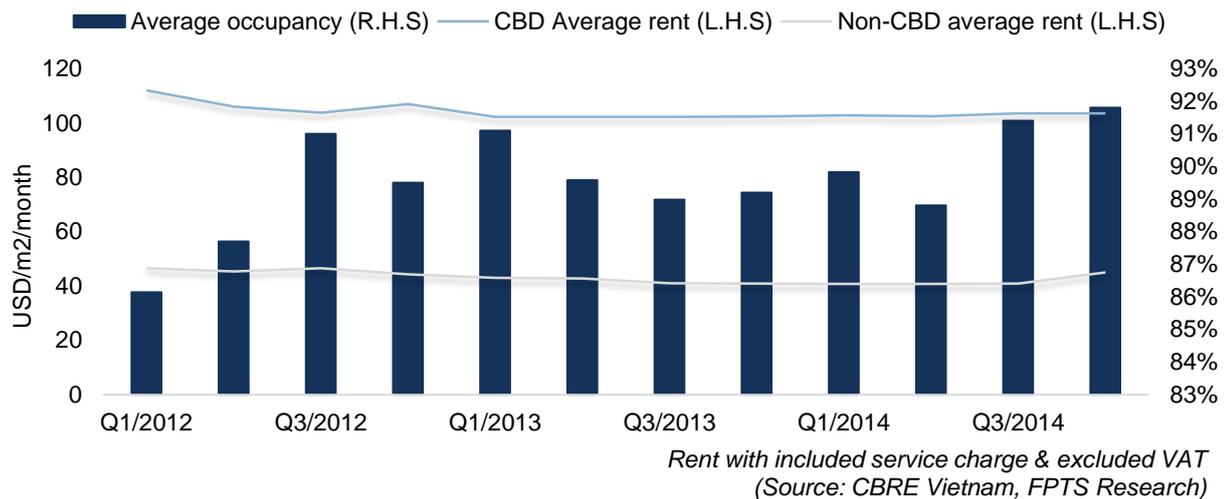
**Retail space supply in Hanoi as of Q4/2014**


(Source: Savills Vietnam)

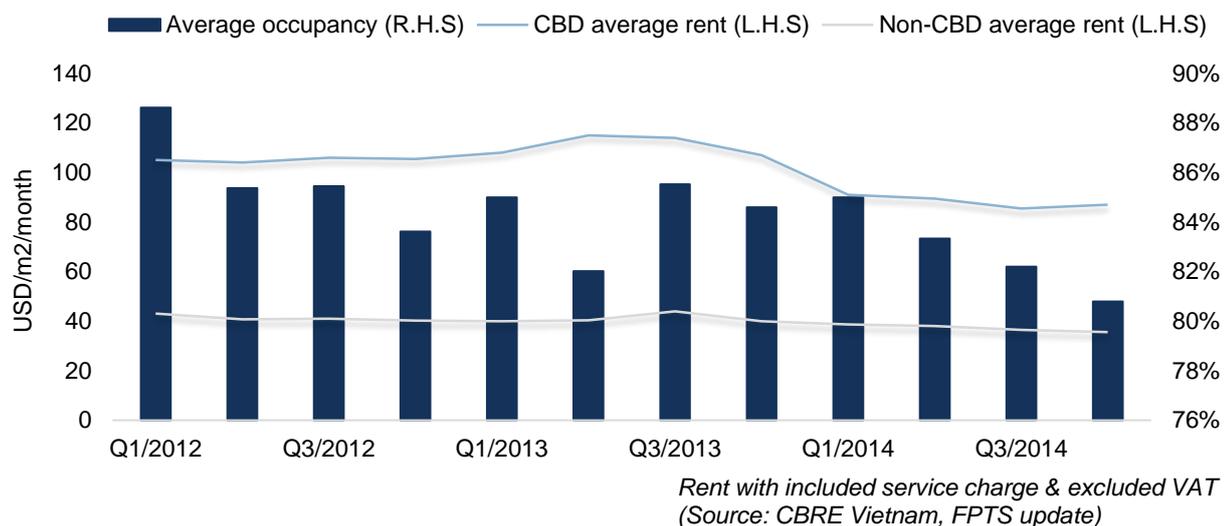
**➤ Opposition of performance in 2 regions**

Later half of 2014, retail market was on the downward trend even though the trend has slowed down. Big shopping malls within many years of operation such as Parkson, Union Spare still have vacant spaces. Similarly, complex buildings such as The Vista (District 2), Carina Plaza (District 8), and Index Living Mall (District 4) have not attracted many clients yet. Pico Plaza, after one challenging year, leased out the whole building to Lotte.

The performance of retail space segment in HCMC became positive in the last two quarters. Till Q4/2014, average rent offered at CBD and non-CBD areas were USD103.50 per m<sup>2</sup> a month (+0% QoQ & +1.07% YoY) and USD45.00 per m<sup>2</sup> a month (+10.20% QoQ and +10.20% YoY). The occupancy rate was significantly improved, reaching 92%.

**Retail space market performance in HCMC**


In Hanoi, the retail market is still in difficulty. Projects to upgrade traditional markets into shopping centers such as Cho Mo, Hang Da, and Cua Nam have not achieved expected result. People do not go shopping in the upgraded markets so that spaces had to be leased out for meeting and even wedding venues. The average rents in CBD & non-CBD stayed at lowest level since Q1/2012. However, the occupancy rate was only 81%, which is 300 basis point lower than the average level over the period 2012 – 2013.

**Retail space market performance in Hanoi**

**➤ International Food & Beverage brands keep expanding business**

The prolonged stagnancy in demand has propelled tenants (especially domestic companies) to re-assess their business efficiency and a great number of companies have been forced to close down the business in shopping malls in urban and surrounding areas even though the owners have adjusted the price. In contrast, international brands (mostly Food & Beverage) take the opportunity to embrace the prime location to consolidate market share in an effort to catch up with the growing purchasing power of the market.

In HCMC, while some famous Food & Beverage brands continue expanding their business such as McDonald's, Starbucks, Baskin Robbins. Some brands are first launched to the market (Cafee Bene, for example), or increase the presence in Vietnam (Robins department store - member of the Central Group from Thailand, and CT Group & IMS - supermarket franchise owned by Groupe

Auchan). In Hanoi, many international brands are penetrating the market such as Robins department store, Baskin Robbins, Lotte Mart, Mc Donalds, Starbucks, Aeon...

➤ **Townhouses within 150 – 200 m2 of floor area are of interest**

Rent in shopping centers are still high whereas the demand has not really improved. Many enterprises has shut down business because revenues is not sufficient to cover expenses. Overall, the shopping malls are crowded by appearance but majority are not actually shopping. Many shops have to offer 50% discount but still loaded with high inventory.

Since early 2013, while the real estate market is still sluggish, the space for Food & Beverage business in buildings, shopping malls in the CBD of HCMC (Distric1) or at least in surrounding area such as District 3 are in high demand, which lead to quite high and stable rent. *Running cuisine business in commercial building is very popular over the world and in the context that many international Food & Beverage brands expanding into Viet Nam recently, spaces for lease to run restaurants in shopping malls in the CBD will continue to be the most attractive.* Spaces within 150 - 200 m2 of floor are are the most demanded. In big shopping centers such as Vincom, Diamond, Parkson, Tax, Zen Plaza are almost filled with famous international and domestic Food & Beverage brands and it is not easy to find a good place there. In the meantime, townhouses have lower rent price compared to shopping malls. For example, according to a survey by Cushman & Wakefield, rents in Dong Khoi street (District 1) stay around USD103.14 per m2 a month (service charge included but VAT excluded), much lower than rents in Union Spare (USD164.09 per m2 a month) and Diamond Plaza (USD126.58 per m2 a month). Therefore, looking for townhouses offering suitable spaces will be an approach that are already established and applied in the coming time.

**Outlook**

➤ **The Vietnamese retail market is potential**

For the whole of 2014, total retail sales of goods and services reached VND2,945 trillion (+10,60% YoY). Vietnam retail sales have increased quarter by quarter since 2010 so that it has attracted many domestic and foreign enterprises to positively enter the market, thereby pulling potential real estate investors to this promising segment. According to a report by Grant Thornton, retail sector has returned to be the most attractive investment sector in Vietnam in Q2/2014.



(Source: Bloomberg)

Despite this is a greatly potential segment, the number of existing stores has not kept pace with the increasing visitors. According to the planning of the MoIT, targeting to 2020, Vietnam will develop 1,200 – 1,300 supermarkets, 180 commercial centers and 157 shopping malls. HCMC alone will develop additional 43 supermarkets and 92 shopping malls from now to 2020, District 1 will continue to be home to many supermarkets and shopping places. Citizens in suburban areas also enjoy more convenient shopping when the authority has policy to encourage enterprises to open supermarkets and convenience stores in these areas.

#### Average number of persons per retail shop

Country	Vietnam	Indonesia	Philippines
People	170	93	91

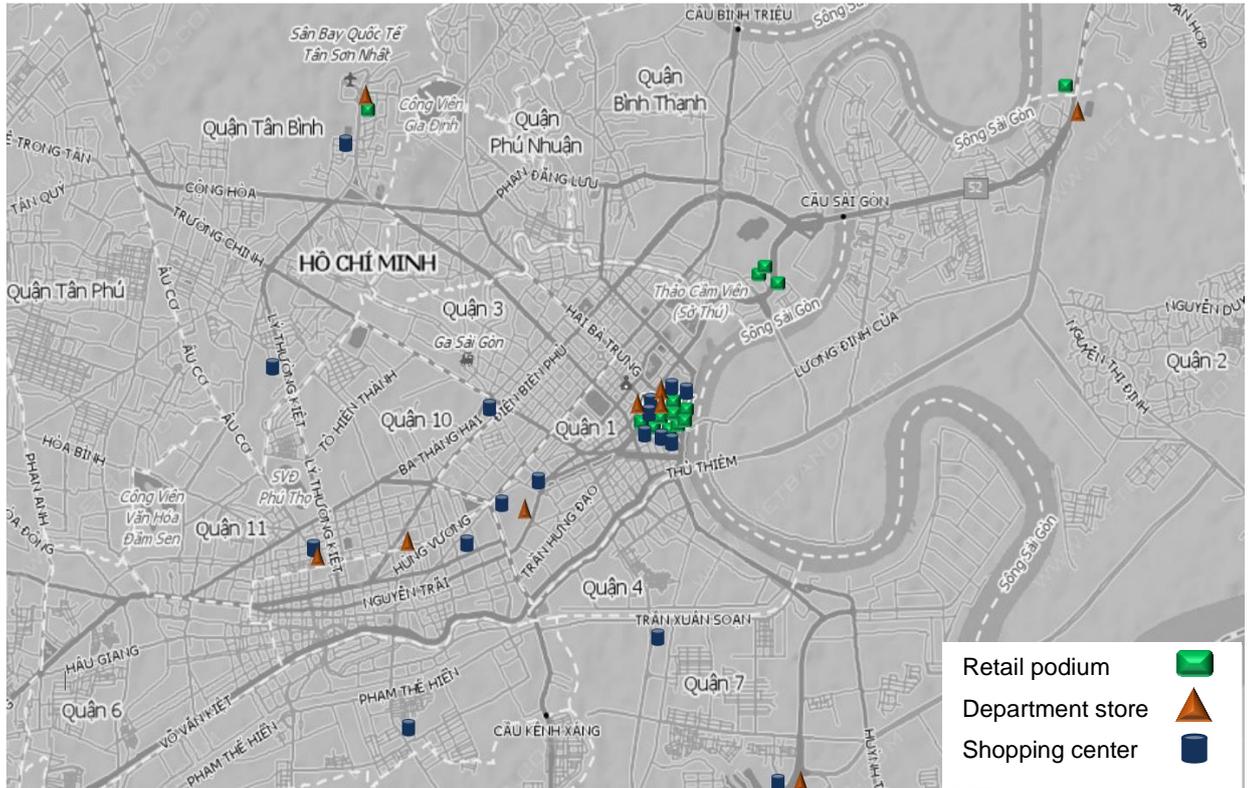
(Source: Nielsen Q2/2014)

According to recent survey by CBRE regarding the confidence of retailers in Asia Pacific region in 2014, Vietnam market including HCMC and Hanoi is the top destination that is eyed by international retailers (typical deals recently are: Pico Ha Noi's acquisition by Lotte and Aeon Mall acquired the retail business zone in Binh Tan). *Most of international retailers are seeking for emerging markets to expand their business and they prefer leasing space in shopping centers that have favorable location and are well managed.* Moreover, under the commitment to WTO, Vietnam would completely open the retail sector in 2015 and the import tariff of up to 10,000 goods will be reduced to 0% according to the ASEAN Trade Agreement. This is an important push for international retailers to invest in Viet Nam; therefore, the retail sector is expected to be more active in 2015.

*Supply of retail space has great motivation to increase in the time ahead.* According to Savills forecast, around 362,000 m<sup>2</sup> of retail floor area will be offered to market in HCMC in next 2 years (District 7 accounting for 65%). *The demand of retail space in the CBD remains high in short and medium term.* However, considering insufficient supply and high rents, majority of future incremental retail space will be concentrated in suburban areas. In Hanoi, there will be 19 new projects in 2015, supplying approximately 397,000 m<sup>2</sup> of floor area to the market.

#### ➤ Rising supply pulls up competition

Vietnamese economy has shown signs of recovery, the confidence index of Vietnamese consumers reached 98 points (1 point down after increasing in 4 consecutive quarters since Q2/2013). It remains a question whether the market could absorb the coming enormous supply while the current vacancy rate is still high. *For instance, in HCMC, the competition will be intense, especially in 2015 when a number of projects are nearly accomplished such as SC Vivocity (District 7), Viettel Complex (District 10), Lim 2 Tower (District 3), SSG Tower (Binh Thanh District).* Some grounds have been revealed weaknesses as floor layout and design do not satisfy with tenants' demand while consumer trend changes constantly, requiring developers to adjust and be more creative in designing and setting.

**Retail space distribution in HCMC**


(Source: FPTs Research, November 2014)

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**3.2.3. Tourism properties (villa, bungalow, hotel, resort...)**
**Market status**

- **The market gradually revives with large projects being implemented**

After a long time when local and international investors scrambled for hundreds of tourism property projects but the result was that a coastal strip in the Central, beautiful islands were chopped disorderly by unfinished projects and empty pieces of land. However, to date, this segment is gradually revived with the projects that are being developed and implemented by ambitious developers such as CEO Group, Vingroup, Bitexco Group, and BIM Group.

- **This segment is so potential but many barriers still exist**

In 2013, the World Tourism Organization ranked Vietnam 8<sup>th</sup> (out of 185 countries) regarding the potential of tourism development, but only ranked 89<sup>th</sup> regarding the current development status.

According to a survey by Vietnam Tourism and Property Association (VnTPA), it will take 167 months for an idea to a finished project. *Therefore, administrative procedure is the most concern.* Moreover, among 44 steps involving developing a tourism property, up to 22 steps rely on approval from local authorities and relevant legislators. In addition, 7 laws and 1,000 legal documents, decrees, circulars, regulate a property project. This reality has been discouraging local and foreign investors.

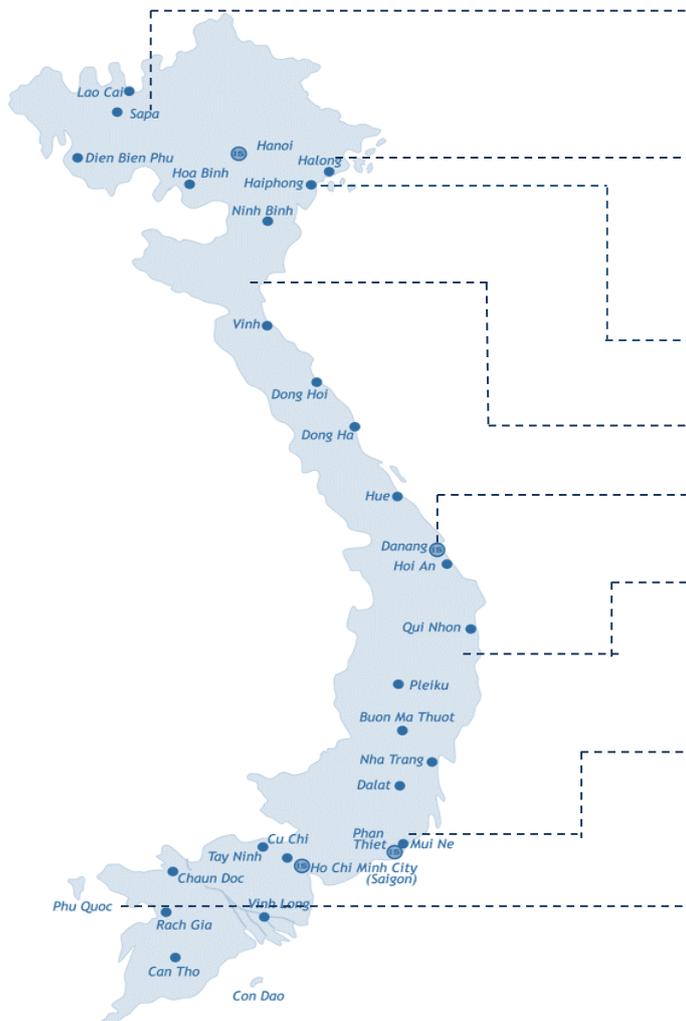
Vietnamese tourism property market remains messy. Each real estate enterprises goes with their own strategy and *there is lack of an integration in order to develop a consistent plan as a whole.*

*Infrastructure around tourism property projects has not been much developed;* especially those in tourism areas far away from airport will face more challenges to attract visitors. Many experts suggest that it should be consistent in infrastructure development and foreigners should be allowed to own tourism properties in Vietnam, so they could return with their family.

*Foreign investors might be discouraged because of the non-transparent information and complicated policies.* Vietnam also has a number of policies to inspire foreigners to work and settle in Vietnam; however, it is often difficult for investors to find out relevant information.

*Land pricing is among most complicated and interested issues.* Any projects even though well operated also take significant time to get profitable.

### Highlighted tourism property projects

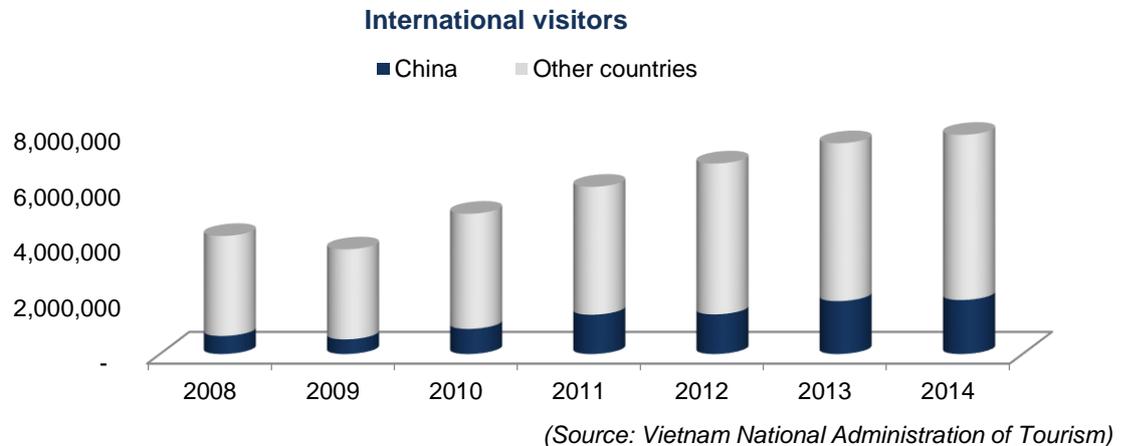


Area	Owner	Project	Investment (mn USD)
Sapa	Sun Group	Fansipan slings; Entertainment & hotels complex	206.00
	Nakheel sovico holdings	Township – tourism complex	550.00
Quang Ninh	Vingroup	Integrated resort	45.00
	ISC Group & Tuan Chau Corporation	Entertainment & casino complex	7,000.00
Hai Phong	VLC	200 hotel rooms; 24 serviced apartments	N/A
Thanh Hoa	FLC Group	FLC Samson Golf Links & Resort	258.00
Da Nang	Dat Xanh Mien Trung & Dat Quang Group	Green City Da Nang	N/A
Phu Yen	Vung Ro Petroleum	Integrate resort	2,500.00
Khanh Hoa	Hung Thinh Corporation	Golden Bay Township	N/A
Binh Thuan	Nha Be Binh Thuan Tourism Company & Viet An Hoa Property Investment Company	Ocean View Villa & Resort	N/A
	Vingroup	Vinpearl Phu Quoc	796.00
Phu Quoc	CEO group	Sonasea Villas & Resort	210.70
	BIM group	Integrated resort; 5-Star Crowne Plaza Hotel	70.20
	FLC group	Bai Vong project	1,313.00

(Source: CBRE Vietnam, FPTS Research, November 2014)

**Outlook**
**➤ The Vietnamese tourism sector always fascinates local & foreign investors**

Vietnam has advantages of a 3,260 km long of coast line, hundreds of large and small beaches, great number of natural landscapes and cultural monuments which are favorable conditions to develop residential areas, hotels and resorts, forming a world -class tourism property market.



Amount of international visitors to Viet Nam has increased year by year since 2009 (CAGR: 12%), reaching 7.8 million visitors in 2014. Revenues from tourism in 2013 was recorded at VND200,000 billion with CAGR over 13 years being at 20.66%.

At the end of Q3/2014, Vietnam opened new flight paths Narita - Da Nang, Kuala Lumpur - Da Nang besides direct international routes from Russia (Vladivostok, Khabarovsk and Chelyabinsk) to Nha Trang. The Government's and local authorities' tourism development policies have created favorable way to expand and develop tourism property market. A great number of hotels, resorts with huge capital investment are being implemented in Quang Ninh, Da Nang, Phu Quoc and Khanh Hoa.


**➤ Boosted demand for hotels in the coastal cities**

Tourists from China, Russia, Korea and Japan account for majority (about 50%) of international visitors to Vietnam. Especially, Chinese visitors take up 23% on average in period 2011 - 2013. In the coming time, coastal cities such as Nha Trang and Da Nang will receive a wave of more visitors from Russia, Korea and Japan thanks for new projects in progress, more connecting flights in the

region and particularly policy from local authority encouraging infrastructure development and tourist attraction, thereby boosting demand for specialized properties in these destinations.

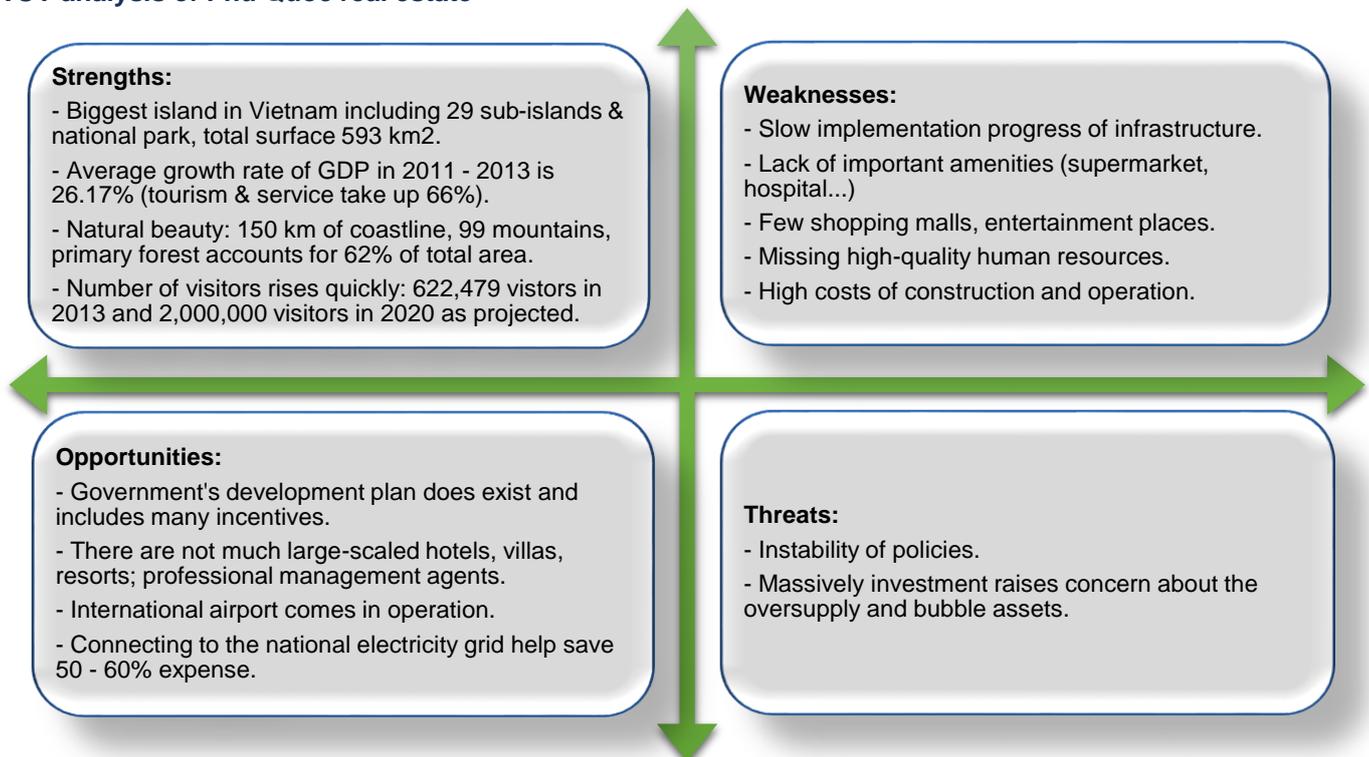
### 3 – 5 star hotels supply in cities

City/Province	3 star units		4 star units		5 star units		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
HCMC	67	4,968	20	2,927	15	4,611	102	12,506
Ha Noi	39	2,525	11	1,728	13	4,288	63	8,541
Da Nang	31	2,092	7	1,252	5	1,235	43	4,579
Nha Trang - Khanh Hoa	35	2,490	8	1,613	8	1,724	51	5,827
Phu Quoc	2	132	4	373			6	505
<b>TOTAL</b>	<b>174</b>	<b>12,207</b>	<b>50</b>	<b>7,893</b>	<b>41</b>	<b>11,858</b>	<b>265</b>	<b>31,958</b>

(Source: Vietnam National Administration of Tourism, FPTs Research, November 2014)

### ➤ Phu Quoc pearl island – future special administrative and economic region

#### SWOT analysis of Phu Quoc real estate



(Source: CBRE Vietnam, FPTs Research)

Phu Quoc is planned to become one of the three special economic regions in Vietnam following a model of dynamic governance mechanism, which are applied with special incentive policy encouraging infrastructure, economic, tourism and education development. Targeting to 2020, Phu Quoc will develop approximately 2,400 ha of urban land and total population of 300,000.

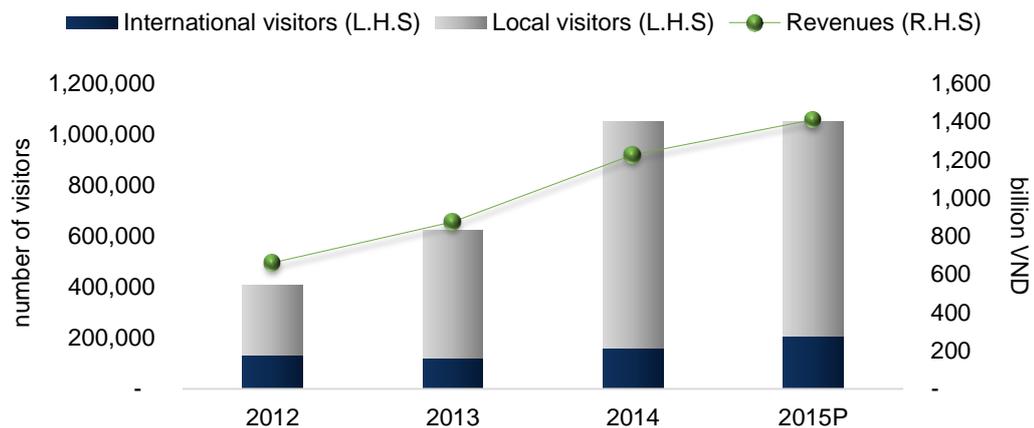
Phu Quoc has inherited huge potential to become a tourist attraction. However, the island remains undeveloped. Many large-scaled property projects had been registered for long to reserve land. Nevertheless, only in recent two years, Phu Quoc has been renewing its face and the transactions of projects in the market have become more exciting. According to the management board of Phu Quoc projects, the island presently has 194 projects with registered capital of over 101,000 billion VND taking up to 4,100 ha of land in which majority are hotel and resort projects.

**Phu Quoc airport capacity**

Old capacity	New capacity
100 flights/week	115 flights/week
Maximum 90 passengers/flight	Maximum 187 passengers/flight
Maximum 450,000 passengers/year	Maximum 760,000 passengers/year → in 2020: maximum 2,700,000 passengers/year

(Source: CBRE Viet Nam)

Besides having natural beauty to become one of the most tourist attraction in Vietnam, Phu Quoc has offered investors favorable conditions thanks to economic and tourism incentive policy from the Government. This critical factor draws thousands of billion VND for international-scaled projects from big developers.

**Phu Quoc tourism statistics**


(Source: Kien Giang Department of Culture, Sports and Tourism)

***In overall, it is not a far future that Vietnam will improve investment environment and become an attractive investment destination enabling the development of the tourism property market to deserve its potential.***

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**Market status**

Vietnam now has nearly 300 industrial parks and economic zones. In the first 6 months of 2014, these industrial parks have accounted for more than 50% FDI capital into Vietnam, contributing over 40% of total exports and creating jobs for 2.5 million workers.

HCMC currently has 13 Industrial Parks (IPs) and 3 Export Processing Zones (EPZs) with total area of nearly 3,700 ha. Majority of IPs are in suburban areas and mostly concentrated in the West of the city. Cu Chi and Hoc Mon are considered as two new Districts potential for industrial park development due to relatively large land reserve. According to Cushman and Wakefield, the remaining useful time of land in IPs is around 27 - 44 years.

**Market supply in HCMC**

District	Area (ha)	IPs	EPZs
District 2	124	1	
District 7	300		1
District 12	28	1	
Binh Tan	639	2	
Tan Phu	129	1	
Thu Duc	151	1	2
Nha Be	908	1	
Binh Chanh	224	2	
Cu Chi	1,149	4	
<b>Total</b>	<b>3,653</b>	<b>13</b>	<b>3</b>

**Market supply in Hanoi**

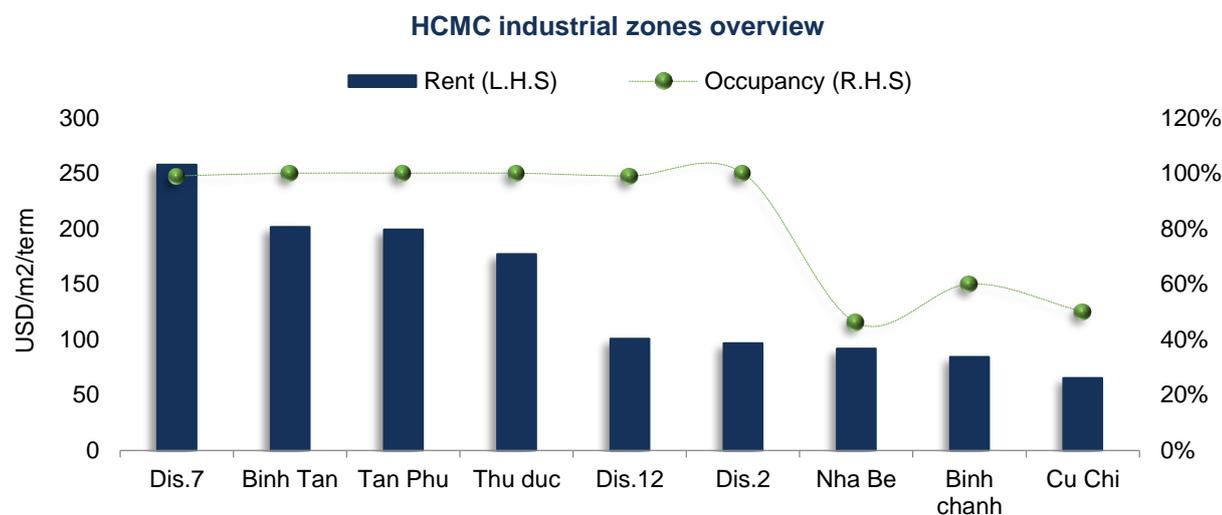
District	Area (ha)	IPs	EPZs
Gia Lam	500	1	
Long Bien	113	2	
Soc Son	100	1	
Me Linh	344	1	
Tu Liem	261	1	
Chuong My	170	1	
Dong Anh	302	1	
Thach That & Quoc Oai	150	1	
Phu Xuyen	72	1	
<b>Tổng</b>	<b>2,012</b>	<b>10</b>	

(Source: Hepza, Hiza, FPTs Research, November 2014)

In Q2/2014, Hanoi South Industrial Park - phase 1 (HANSSIP 1) officially came operational, which raised the number of operating IPs in Hanoi up to 10 with total covered area of 2,000 ha.

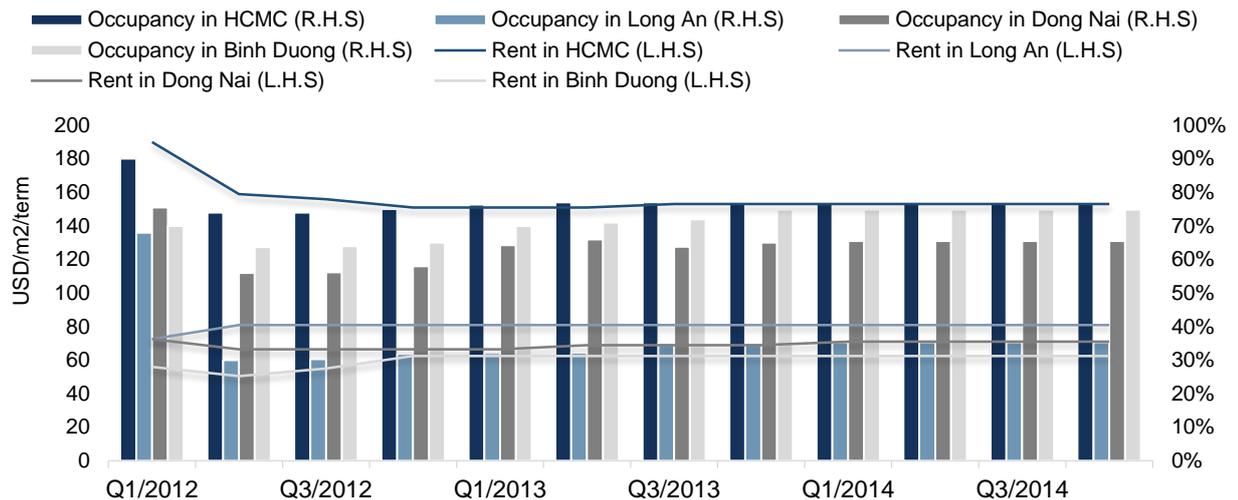
➤ **Rent & occupancy rate remain stable**

Most of IPs in HCMC has high occupancy rate of over 90% thanks to years of establishment and operation. However, some IPs (in Nha Be & Cu Chi) have come into operation recently so that they have relatively low occupancy rate of under 50%.



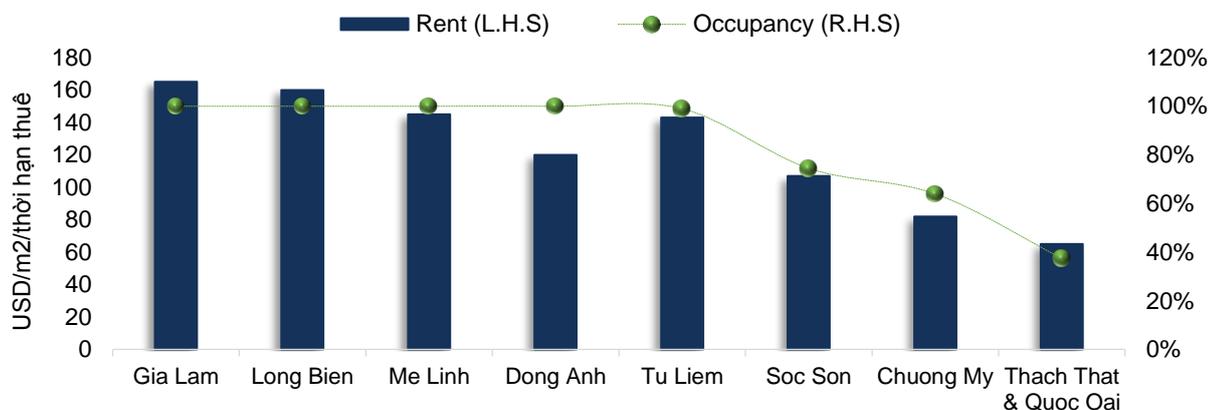
*Rent without VAT  
(Source: Cushman & Wakefield)*

By the end of Q4/2014, the average rent in IPs in HCMC stay around 153 USD/m<sup>2</sup>/term which is 1.9; 2.2 and 2.4 times higher than in Long An, Dong Nai and Binh Duong respectively. Rents in four provinces remain relatively stable since Q4/2012 to assist the tenants, thereby improving occupancy rates. The occupancy rate has risen again since Q4/2012 and has been quite stable in recent quarters.

**Overview of the Southern industrial parks**


(Source: CBRE Vietnam)

In Hanoi, tenants are mainly companies from Japan, China, and Taiwan. The average occupancy rate is not high, only 68% due to the lack of tax incentives after the Corporate Income Tax Act 2009 was revised. Moreover, enterprises are concerned about rental fees, infrastructure investment and other related costs.

**Ha Noi industrial zones overview**


Rent without VAT  
(Source: Cushman & Wakefield)

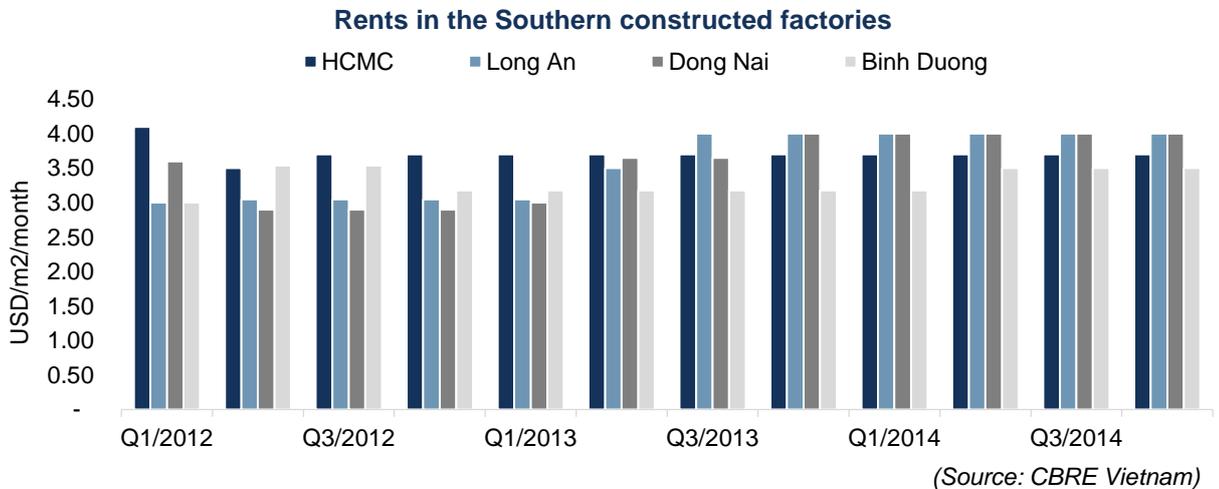
Rents in IPs are following a downward trend with cheapest level offered by HANSIP industrial park. The management fee varies in a range from 0.2 to 1.0 USD/m2/month. IPs in the East of the city including Gia Lam, Long Bien have highest offering rent of over USD160 per m2 and maximum occupancy rate while IPs in Ha Tay (an old province but is currently referred as a part of Hanoi) such as Chuong My, Thach That, Quoc Oai has low occupancy rate of 50% on average.

➤ **High demand for constructed factories and warehouses with area of 1,000 – 3,000 m2**

Industrial property market is being vibrant due to high demand for constructed factories by local and foreign enterprises. These products would enable enterprises to start production immediately without waiting time. However, the number of completed factories & warehouses that meet the industrial standard is relatively limited. With enormous land reserved for industrial manufacturing, Hanoi is estimated to have nearly 6,000 m2 (Thang Long 2 industrial park alone has area of 325.2 ha, in which 80% is intended to construct factories for lease). In Binh Duong, HCMC, and Ba Ria – Vung Tau, land reserve for constructing manufacturing factories & warehouses is around 5,500 – 10,000 ha. Nonetheless, when a business needs to rent those, they must reserve and constructing

period would prolong 3 – 6 months. Such constructed factories & warehouses that meet industrial standards, developed infrastructure, stable power supply, and good waste treatment system are usually preferred by enterprises.

Therefore, constructed factories & warehouses with area of 1,000 to 3,000 m<sup>2</sup> will be focused for development in order to attract SMEs, especially those from Japan that only demand small area for start-up businesses.



➤ **International textile and footwear business shift to Vietnam**

Garment businesses around the world increasingly regard Vietnam as a top choice for production, in anticipation of TPP that would eliminate tariffs on clothes. According to CBRE, Chinese Textile Group (Jiansu Yulun) has invested in the North of Nam Dinh province with total capital of USD680 million, Forever Glorious invested in Dong Nam industrial park with USD500 million. In addition, HCMC has received a total investment of USD140 million from Gian Lucky - subsidiary of Shenzou International, which is specialized in supplying luxury products all over the world with famous brands like Nike, Puma.

Beside large footwear manufacturers such as Nike and Adidas, many high-end bags producing companies such as Lancaster, Sequoia Paris showed interest to direct business into Vietnam. It is not a temporary trend because international companies realize that Chinese investment environment is no longer optimum. Furthermore, this shifting trend to Vietnam is originated from economic policy of Vietnamese Government and opportunities from FTAs.

**Outlook**

Vietnam is always an attractive emerging market in foreign investment perspective. In contrast to China where business environment is facing many challenges related to increasing labor cost, high land rents, and rising inflation, Vietnam has relatively low industrial property rents, stable political environment, and economic development on the way, young labor force together with geo-strategic location of international transportation and trade. Moreover, the Government has been focusing on developing the infrastructure in IPs and EPZs complying industrial standard in order to create favorable condition for enterprises to invest in Vietnam.

Specially, Vietnam’s participation in TPPs negotiation and FTAs with EU, ASEAN... will be great opportunity for domestic textile and garment industry, following the wave of international firms entering into Vietnam. Therefore, **demand for IPs will significantly increase in the future**. Good quality constructed factories & warehouses with rents ranging 3-4 USD/m<sup>2</sup>/month, in particular, will continue to receive great interest from local and foreign investors.

According to the plan within vision to 2020, HCMC will have up to 22 IPs with total area of 7,000 ha including new and expansion projects. From now to 2020, the incremental supply, hence, will be 3,000 ha (+81% over the current level). Northern and Western areas of the city are planned to be home of industrial production thanks to connecting advantage of the East-West highway & the ring road. In the South, Hiep Phuoc industrial park project will become a typical example of center for warehouses and logistic management due to concentration of port system in the region.

In Hanoi, the supply is expected to continuously increase and reach 6,000 ha from 13 approved projects until 2020. Sectors attracting investments include supporting industries, high-tech industries and those require more brainpower and those are environmentally friendly.

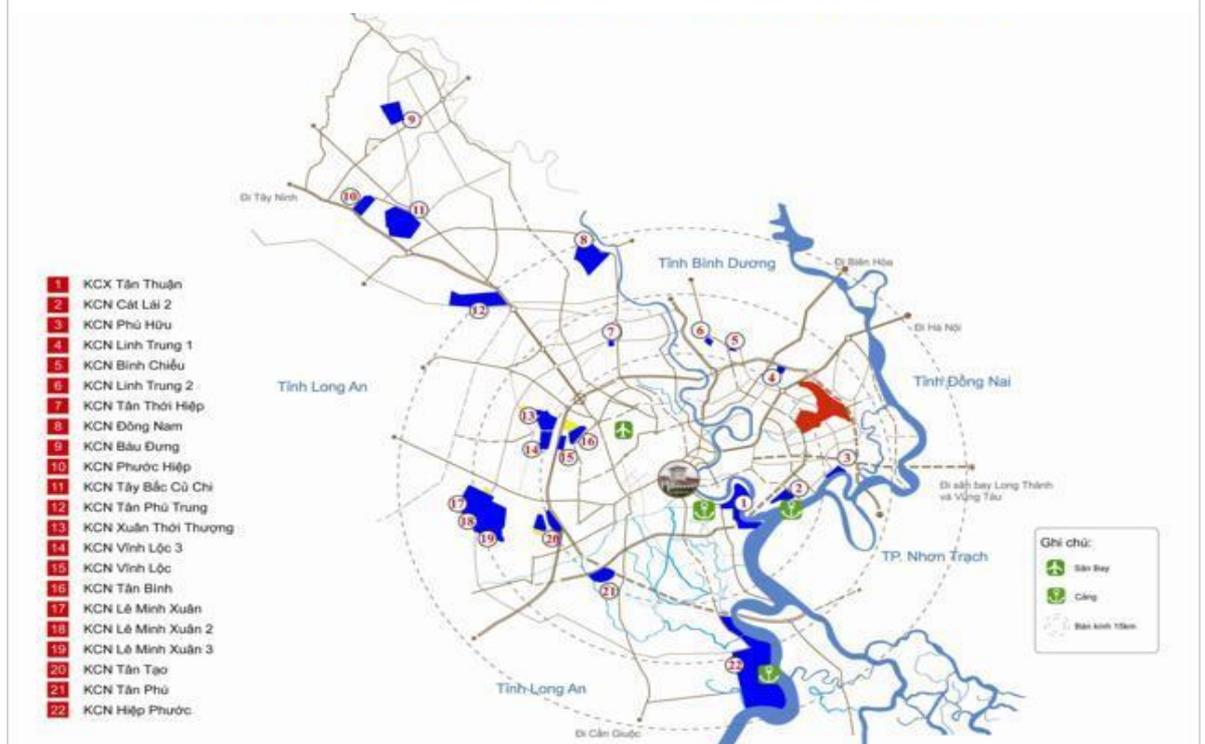
### Future industrial parks

Project	Location	Area (ha)	Status
KCN cơ khí ôtô Củ Chi	Củ Chi, HCMC	99	Constructing
KCN Lê Minh Xuân 2	Bình Chánh, HCMC	320	Constructing
KCN Phong Phú	Bình Chánh, HCMC	134	Constructing
KCN Phụng Hiệp	Chuông My, Hà Nội	200	Compensating
KCN Bắc Thường Tín	Thường Tín, Hà Nội	430	Compensating
KCN Quang Minh 2	Mê Linh, Hà Nội	266	Compensating
KCN Sạch Sóc Sơn	Sóc Sơn, Hà Nội	340	Compensating

(Source: Cushman & Wakefield, FPTS Research, 2014)

In the coming time, to promote the development of industrial property market in a professional manner, developers have to pay attention to construct the factories in accordance with industrial standards with heat-resistant, fire alarming and waste treatment system. Besides, a green campus, improved environment, and planned residences for workers are most important factors in order to attract investors.

### Development planning of the IPs & EPZs in HCMC until 2020



(Source: Hepza)

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**Appendix 04 Legislation in the real estate industry**

Group	Document	Main content	Effective	Note
<b>Land</b>	Land Law 2013	Land Law	01/07/2014	
	Decree 43/2014/ND-CP	Guide more about Land Law 2013	01/07/2014	Developer must deposit
	Decree 44/2014/ND-CP	Regulate land price	01/07/2014	Land price in the published list get closer to its market value
	TT 35/2014/TT-BTNMT	Land valuation approach	13/08/2014	
	Circular 36/2014/TT-BTNMT	Land assessment regularly	13/08/2014	
	Decree 104/2014/ND-CP	Regulate land price table	29/12/2014	
	Decree 102/2014/ND-CP	Administrative sanctions related to land use	25/12/2014	Up to 1 billion VND of fine
<b>Land use fee</b>	Decree 45/2014/ND-CP	Regulations on collection of land use fees	01/07/2014	03 prices: State-issued price, factor rate-followed price, and appraised price
	Circular 76/2014/TT-BTC	Guide Decree 45/2014 on some articles related to collection of land use fees	01/08/2014	
	Circular 48/2014/TT-BTC	Extend the payment period of land use fees and money used to buy State-owned houses	10/06/2014	Maximum 24 months
<b>Land or water surface rental</b>	Decree 46/2014/ND-CP	Regulations on collection of land or water surface rental	01/07/2014	
	Circular 77/2014/TT-BTC	Guide Decree 46/2014 on collection of land or water surface rental	01/08/2014	
<b>Land recovery, compensation, relocation support</b>	Decree 47/2014/ND-CP	Compensation, relocation support in case of land recovery by the State	01/07/2014	
<b>Real estate business</b>	Real Estate Business Law 2006		01/01/2007	Real Estate Business Law (revised) 2014 approved and come into force on 01/07/2015
	Decree 121/2013/ND-CP	Provisions of administrative sanctions in construction activities, real estate business	30/11/2013	
	Circular 02/2014/TT-BXD	Guide Decree 121/2013	02/04/2014	"Penalty but keep existence" for wrong building projects
	Circular 18/2014/TT-BXD	Amend Circular 02/2013 in term of guiding the adjustment of apartment size	31/12/2014	Effectiveness up to 31/12/2015
<b>Housing</b>	Housing Law 2005		01/07/2006	Housing Law (revised) 2014 approved and come into force on 01/07/2015
	Decree 71/2010/ND-CP	Guide Housing Law 2005	08/08/2010	
	TT 16/2010/Circular-BXD	More details of Decree 71/2010	15/10/2010	

	Circular 03/2014/TT-BXH	Amend and supplement Circular 16/2010	08/04/2014	Real usage floor area is official apartment size used to infer the price and related fees
	Circular 10/2014/TT-BXD	Manage the quality of constructing separate houses	01/09/2014	
	Joint Circular 01/2014/TTLT-NHNN-BXD-BTP-BTNMT	Guide procedure of mortgage collateralized by future-formed houses	16/06/2014	
	Decision 08/2008/QD-BXD	Governance of apartments using	25/06/2014	
	Circular 05/2014/TT-BXD	Amend and supplement Decision 08/2008	25/06/2014	
<b>Social housing</b>	Decree 188/2013/ND-CP	Development & management of social housing	10/01/2014	
	Circular 08/2014/TT-BXD	Guide Decree 188/2013	08/07/2014	
	Circular 07/2013/TT-BXD	Regulations on social housing buyers	01/06/2013	
	Circular 18/2013/TT-BXD	Suppletment Circular 07/2013	15/11/2013	
	Urban Planning Law 2009		01/01/2010	
	Decree 11/2013/ND-CP	Manage urban area	01/03/2013	
<b>Urban development</b>	Joint Circular 20/2013/TTLT-BXD-BNV	Guide some articles of Decree 11/2013	05/01/2014	Approve "land subdivision & sales"
	Decision 445/QD-TTg	Adjustment approval orients the master plan for development of Vietnam's urban system until 2025 with vision to 2050.	07/04/2009	
	Decision 1659/QD-TTg	Approve the development program of national urban areas during 2012 – 2020	07/11/2012	
<b>Construction</b>	Construction Law 2003		01/07/2004	Construction Law 2014 approved and come into force on 01/01/2015
	Decree 64/2012/ND-CP	Construction approval	20/10/2012	
	Decree 12/2009/ND-CP	Management of investment and construction	02/04/2009	
	Decree 112/2009/ND-CP	Management of investment and construction expenses	01/02/2010	
	Circular 04/2010/TT-BXD	Instruction of planning and managing investment and construction expenses	15/07/2010	
	Decision 957/2009/QD-BXD	The norms of management cost of investment and construction	29/09/2009	
	Decree 08/2005/ND-CP	Construction plan	09/02/2005	
	Circular 07/2008/TT-BXD	Approve construction plan	22/04/2008	
<b>Support of real estate market</b>	Resolution 02/NQ-CP	Some solutions to remove difficulties for production and business activities, resolve bad debt	07/01/2013	Also support real estate market

Resolution 61/NQ-CP	Amend and supplement a number of provisions on credit policy supporting house buying	21/08/2014	
Circular 11/2013/TT-NHNN	Credit support for house buying	01/06/2013	
Circular 32/2014/TT-NHNN	Amend and supplement Circular 11/2013/TT-NHNN	25/11/2014	Expand objects who can borrow from 30,000 billion VND package

(Source: FPTS Research)

In November 2014, **the real estate market welcomed 3 positive thrusts (3 important legal documents)** consolidating real estate developers' and investment community's expectation of faster market recovery.

**Circular 32/2014/TT-NHNN** helps homebuyers more easily access to the VND30,000 billion credit package thanks to easing articles such as expanding objects who can borrow (total value of less than VND1.05 billion, demand for improving or repairing houses...); extending the loan term up to 15 years; granting more commercial banks to lend on this package.

**The Real Estate Business Law (revised) 2014** is expected to make the market healthier and more efficiently thanks to important articles such as: Expanding the scope of real estate business of overseas Vietnamese and foreign investment enterprises; Allowing to sell, rent, lease to purchase houses or constructions formed in the future; Developers can transfer wholly or partially real estate projects; Not requiring real estate transaction to be taken place via real estate trading floors; Tighter regulations on handling violations.

**The Housing Law (revised) 2014** enhances the rights of homebuyers, thereby tightening operation, duties and responsibilities of developers (developers only receive maximum 70% of customers advances prior to handing over houses; register housing ownership within 50 days, calculate apartment size based on real floor area of usage, remove regulation of condominium useful life of 70 years...). The most notable point is that this new law allow overseas Vietnamese, foreign individuals and organizations to own Vietnamese properties (in accordance with certain conditions). As a result, more foreign capital is anticipated to flow into the real estate market.

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## Appendix 05 Prominent M&A deals in the real estate market during 2013 – 2014

Time	Project	Seller	Acquirer	Feature	Value (million USD)	%
2013	Vincom Center A	Vingroup	VIPD	Transferring	463	100%
2013	KS Legend Saigon	Kotobuki	Lotte	Transferring	62	70%
2013	Centre Point Building	Japan Asia Vietnam	Maple Tree	Equity acquiring	54	N/A
2013	Dong Nam project (HCMC)	HAGL	Him Lam	Equity acquiring	49	N/A
2013	Gemadep Tower	Gemandep	CJ Group	Equity acquiring	45	85%
2013	Sheraton Nha TRang	Vinaland	N/A	Equity acquiring	42	53%
2013	Son Kim Land	Son Kim Land	EXS Capital	Separate issue	37	N/A
2013	Movenpick	Vinaland	Tungsing	Equity acquiring	16	53%
2013	Ninh Van Bay	Ninh Van Bay	ReCapital	Separate issue	N/A	48%
2014	Corner Stone Building	VIBank	Dairibu	Equity acquiring	60	N/A

2014	The Tresor	QCG	Novaland	Transferring	39	100%
2014	City Gate Tower	NBB	Creed Group	Transferring	28	80%
2014	The Estella	Tien Phuoc	Keppel Land	Equity acquiring	27	100%
2014	Ocean Mart	Ocean Group	VIC	Equity acquiring	26	70%
2014	Intresco Tower	ITC	Novaland	Transferring	14	100%
2014	Skypark Residence	Licogi 16	Thanh Hoa Construction Corporation	Transferring	13	100%
2014	36 Pham Hung (Ha Noi)	ION Complex	FLC	Equity acquiring	9	99%
2014	Water Garden	PPI	DXG	Transferring	4	100%
2014	The EverRich	PDR	Duc Khai Corporation	Transferring	N/A	100%
2014	Diamond Plaza	Posco	Lotte	Transferring	N/A	50%
2014	NNB Garden II & III	NBB	Creed Group	Cooperation	N/A	50%

(Source: FPTS Research)

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## Appendix 06 Details of the value chain of Vietnamese real estate industry

### Ownership & Development

#### ➤ Developers

Developers are multifaceted business, encompassing and coordinating activities in a real estate project lifecycle that ranges from an idea to formed real assets (purchase of raw land, land improvement, building design, construction, sales, leasing, etc.). Developers' mission is to optimize the value of each project by controlling costs and improving operating efficiency of all stakeholders in the value chain.

While a big Developer can take over most activities and services, smaller ones should focus on core operation and collaborate with other professionals to sign the full inclusive contract with project owner. Developers assume 100% of risk of the project in case of being landowner.

In the commercial property sector, Developers play a critical role in the success of each project by connecting owners with customers. The best Developer meets well future demand of enterprises and consumers thanks to development of future buildings, industrial park, or even a city, an urban area based on its vision to many years.

#### ➤ REITs – Real Estate Investment Trusts

REITs are companies that own, operate, and, in some cases, develop real estate, making their money by renting out property. *REITs assemble large real estate holdings, make available chance for small investors to invest in large real estate, and are very popular over the world.* In 2007, there were 152 REITs controlling an estimated USD312 billion.

Since REITs are an investment vehicle, they could occupy a box in the Finance segment of the value chain; however, they are included in the Ownership & Development segment because they are also large real estate entities that have an advantage over developers and homebuilders in that they typically operate and manage their own properties.

The emerging of REITs will be a new financing source for Vietnamese real estate market, diversify and professionalize invested real estate products. But in reality, there is no domestic REITs in Vietnam, such current operating models are foreign investment enterprises/funds. It is hard to know when REITs affect positively on the Vietnamese real estate market because the development procedure of REITs is still on the way. Both local organizations and individuals also access to REITs at low level. Besides, tax advantage, one the most attractive element of REITs, has not been revealed in local legislation.

➤ **Homebuilders**

Homebuilders have relatively simple operation in comparison with Developers. Based on available land, they invest in, complete residential properties and, then, sell on the market. Homebuilders usually undertake the construction instead of outsourcing from a professional construction company.

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**Finance**

➤ **Equity financing** include the participation of financial institutions such as bank, pension fund, insurance company, venture capital, mutual fund, hedge fund, trust fund... hereafter referred to the institutional investors.

Real estate institutional investors' activities are still limited. Most of domestic institutional investors are spontaneous, their size are small & medium as well. *Meanwhile, the large institutional investors on the financial market in general and the real estate market in particular are almost foreign-owned.* However, the regulation on maximum foreign ownership of 49% is their biggest constraint in case of investing in equity. Regarding direct investment in real estate, they also find difficulties in terms of administrative procedures, complicated legislation, etc. Hence, their capital flows have not been efficient and those constraints limit them from increasing investment when the real estate market offers future opportunities.

**Typical real estate investment funds**

Name	Size (mn USD)	Portfolio
Vietnam Property Holdings	17	Listed companies: NBB, C21, D2D, DRH.
VinaLand (Vinacapital)	429	Projects: Century 21, Da Nang Beach Resort, Dai Phuoc Lotus, VinaSquare, Aqua City, World Trade Center Da Nang...
Vietnam Property Fund (Dragon Capital)	68	Listed companies: BCI, CTD.
Indochina Land Holdings	42	Projects: Nam Hai, Indochina Riverside Towers, River Garden, Six Senses Hidayay Resort Con Dao.
Indochina Land Holdings 2	265	Projects: Indochina Plaza Hanoi, Hyatt Regency Danang Resort and Spa, The Montgomerie Links & Estates, Riverside Serviced Apartments.
Indochina Land Holdings 3	180	Projects: Central Park Hanoi (Pham Hung), Saigon South Residences, Eden Villas, E-Home Binh Tan.
Mapletree Investments (Temasek Holdings)	300 – 500	Focus on serviced apartments, offices, retail in big cities.

(Source: FPTS Research)

With respect to derivatives, *Vietnam has not deployed real estate-underlied derivatives*. Lacking of such useful tool, real estate enterprises have not mobilized more capital source for large-scale projects yet.

Therefore, institutional investors have not promoted their role in providing capital to the real estate market, help real estate enterprises balance financial position instead of depending too much on banking loan.

Another source of equity financing on the real estate market come from individual investors through buying issued shares, contributing capital to company, projects. Individual investors also lend money to real estate enterprises or buy their corporate bonds. *However, the contribution rate of individual investors is very small so that they have no impact on the investment decision.*

- **Debt financing** are mortgages collateralized by residential and/or commercial properties. In Vietnam, developers typically use ownership of land as collateral to raise banking fund.

The Banking industry has closely relationship with the Real Estate industry because almost collateralized assets in the banking system are real estate. **The commercial banks play an important role in providing capital to the real estate market.** Recently, in the context of better Vietnamese real estate market status and more opened policies, commercial banks (both local and foreign) have boosted credit growth in the real estate market instead of focusing on manufacturing business, which even now is in difficulties.

**Mortgage brokers** are intermediates between developers, investors, owners, and banks.

**The secondary market** for real estate-underlied loans has not been existed in Vietnam. However, in developed economies, activities on this market are very exciting with great value so far. For example, the CMBS issuance value is estimated at USD100 billion in 2014 and is forecasted to grow up to USD140 billion by 2016. In Japan, the progress of the securitization of real estate has built a tight connection between the real estate investment market and the financial market, with the trends in the two markets influencing each other. In 2010, the value of Japanese securitized real estate was around USD278 billion, accounted for 1.4% of the total real estate assets and 0.6% of the total financial assets.

- *Regarding the home mortgage*, the secondary market is the place providing liquidity to direct lenders so that they have capital to continue making future loans. In USA, Fannie Mae and Freddie Mac (2 Government sponsored enterprises) play a leading role in this market. They provide liquidity through their secondary market function, buying mortgage loans from the direct lenders who originated them, then bundle and securitize the loans, and sell them to investors.
- *Regarding the commercial mortgage*, Investment Banks play a similar role in the commercial mortgage market.

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## Exploitation

- **Property Management Firm**

A property management firm operates a property on behalf of the owner, including renting, collecting rent, performing maintenance, and so on. Many property management companies also serve as real estate brokers, thus acting as agents who perform the transactions to buy, sell, and lease properties.

By far the most dominant and professional property management firms are **full-service real estate firms** which have footprint in nearly every box of the real estate value chain, including development, mortgage brokerage, investment management, real estate brokerage, property management, and construction management. In spite of being outsourced, these full-service firms serve corporate clients that occupy large amounts of building space, takes care of the operation and tenant use of the building, it is in a position to affect decision making by the owner.

Below are 3 famous property management brand in Vietnam:



**CBRE Group, Inc. (NYSE:CBG)**, a Fortune 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services and investment firm (in terms of 2014 revenue).

The Company has more than 52,000 employees (excluding affiliates), and serves real estate owners, investors and occupiers through more than 370 offices (excluding affiliates) worldwide. CBRE offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting.

By 2014, CBRE celebrates its 11<sup>th</sup> year in Vietnam. The company has seen the intense demand of buyers queuing to purchase property, and the subsequent test of the global financial crisis. Through it all CBRE have relied on three things to succeed: its client focus, its people, and the institutional intelligence of the CBRE global network.

While keeping consolidating operations in 2 main areas (HCMC & Hanoi), CBRE Vietnam officially launched property management service in Da Nang in July 2014. *Currently, CBRE Vietnam directly manages 23 projects out of 50 projects to which the company provided services with total floor area of 2.6 million m2.* CBRE Vietnam's noticeable large projects are in Hanoi (Hanoi Tower, Lotte Center Hanoi, Intercontinental Hanoi, Vinaconex Centre, PV Oil Phu Tho, Roya Centre, Savico Megamall...) and in HCMC (Lim Tower 2, A&B Tower, Vietbank Tower, Vinhomes Central Park, Vista Verde, Lotus villas, Bitexco Financial Tower, Thao Dien township, Saigon Dragon 2...).



**Savills** is a global real estate services provider listed on the London Stock Exchange. Savills has an international network of over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world.

Savills is one of the largest and experienced real estate service providers in Vietnam. The company has continuously updated data since 1995 including almost real estate segments in 10 cities/provinces of Vietnam. The company now has more than 900 employees nationwide, *be awarded as "the Best Consultancy Company in Vietnam for 4 consecutive years (2010 - 2013)".* The total value of real estate under Savills annual valuation increased from USD1 billion (2009) to USD7 billion (2012). Regarding property management, *Savills now manage more than 65 million m2 in Asia Pacific, in which there are 500,000 m2 of floor area for high-end retail and 600,000 m2 of floor area for luxury apartments, and over 40 other properties in Vietnam.*

#### Savills Vietnam's typical projects

Housing distribution	<b>Hanoi:</b> Watermark, Tay Ho Residence, Keangnam Hanoi Landmark Tower...
	<b>HCMC:</b> Diamond Island, Xi Riverview Palace, Masteri Thao Dien, Docklands Sai Gon, Riviera Point, Riviera Cove, City Garden...

	<b>Others:</b> Little Vietnam (Ha Long), Laguna Lang Co (Hue), Harmony (Da Nang), Cham Oasis (Nha Trang), Furama Villas (Da Nang)...
Office leasing	<b>Hanoi:</b> PVI Tower (proprietary), Indochina Plaza Hanoi, Lotte Centre Hanoi... <b>HCMC:</b> Le Meridien, Sagri Tower, Bitexco Financial Tower, President Place (proprietary), Crescent Plaza (proprietary), Empress Tower (proprietary)...
House leasing	<b>Hanoi:</b> Intercontinental Hanoi Westlake, Hanoi Lake View... <b>HCMC:</b> Diamond Plaza, The Waterfront, Crescent Residences...
Retail leasing	<b>Hanoi:</b> Ho Guom Plaza, Golden Land, Hapulico Complex... <b>HCMC:</b> The Crescent

(Source: Savills Vietnam, FPTS Research, 2014)



**Cushman & Wakefield** was incorporated in New York in 1917 and is now one of the largest private real estate service firms over the world with USD5.5 billion of total assets (2011). The company provides almost full services to clients. Until now, the company has nearly 250 offices in 60 countries with more than 16,000 experienced employees.

Cushman & Wakefield established the first branch in Vietnam since 2008 and was awarded “*the prestigious real estate consultant and the best real estate agent in 2010*” thanks to strong brand, deep knowledge of the market, international experience and global network with 2,300 brokers.

Some recent prominent deals are: supporting Maersk in moving the office with 2,800 m2 floor area to Zen Plaza; studying the feasibility, performing market analysis and making proposal for the 6.6 ha of land of VIFON; strategic consulting for KPMG to save USD3 million for a term lease of 10 years by moving office to Keangnam Landmark (Hanoi); helping DKSH save USD250,000 by negotiating successfully the extending of flexible lease contract.

*In addition to 3 large brands mentioned above, there are other foreign services providers such as Jones Lang LaSalle, Colliers International, Knight Frank. Previously, investors and customers had always preferred foreign service firms due to their transparency and professional qualification. Over the past one year, the market has witnessed many changes with respect to residential brokerage activities.*

*The real estate brokerage activities through real estate trading floors are so exciting during 2014. Notably, most of successful transactions came from few big domestic distribution units. This performance demonstrated that domestic service firms is overwhelming foreign ones in the competition of residential brokerage. In Hanoi, for instance, the STDA system and the G5 alliance accounted for 50% of 2014 market share. It can be seen that almost foreign firms seemed to be quiet except that Savills was trying to maintain brokerage activity, restructure list of distributed projects and focus on high-demanded projects.*

#### Typical local real estate business agencies and brokerage firms

<b>Hanoi</b>	G5 alliance (DTJ, Dat Xanh Mien Bac, Asiareal, and Maxland); STDA system; Ez Vietnam, Info Trading Floor, R9+ alliance...
<b>HCMC</b>	Dat Xanh group, Hoang Anh Sai Gon, Danh Khoi, Hung Thinh Land, Novaland, Kim Oanh Real...

(Source: FPTS Research)

#### ➤ ESCOs – Energy Services Companies

ESCOs are established to provide optimal solution in term of using energy in real estate projects. *From now on, the quality of life, green environment, and energy saving, other than price and location, are more and more important.* Those concepts are quite new in Vietnam but are very popular in USA. Buildings granting LEED or Energy Star certification have showed their superiority and have been priority selection of the community. That is the encouragement for famous ESCOs such as Siemens, Johnson Controls to be established to ensure this great integration.

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### Construction

In Vietnam, the majority of construction companies involved in residential projects are the developers' subsidiaries or associates. Only in large-scale project, urban/township development, complex and/or mix-used project with high value of investment, developers need to hire independent construction firms. Such outsourcing of construction to outside firms costs a lot of money but presents the professionalism and specialisation in investment process. This action also provide optimal efficiency of business management, cost controlling and ensure the quality of the whole project.

**“Build to suit/Lease back”** is a type of service in which a corporation hires a construction management firm to build a building to suit its particular needs, but upon completion, the corporation sells the building immediately to a new owner and leases it back.

Here are some typical companies operating in the construction sector. They has got their reputation in the market thanks to much successful completed large projects. These brands totally specialize in their core business which is the constructing activity, and they are not subsidiary or associate under the holding of any particular real estate owners and developers.

Company	Strength	Typical project
Vietnam National Construction Consultant Corporation – VNCC (Vietnam)	Construction consultancy	<ul style="list-style-type: none"> <li>Bac Ninh Gymnasium (Bac Ninh); The One (HCMC); BIDV Head Office (Hanoi); Ciputra Villas &amp; Golf (Hanoi); Vietnam – Laos Friendship Culture House KAYSONE PHOMVIHAN (Laos)</li> </ul>
Langdon & Seah (UK)	Construction consultancy (specialize in management of cost, procurement, risk)	<ul style="list-style-type: none"> <li><b>HCMC:</b> Bitexco Financial Tower; The Vista; RMIT gymnasium &amp; student residences; The Estella; Saigon Center Phase 2 &amp; 3; The One; L'avenue Crown...</li> <li><b>Hanoi:</b> Garden Shopping Mall; MIPEC Riverside Residence; Hanoi JW Marriott Hotel; The Mulberry Lane...</li> <li><b>Binh Duong:</b> Singapore Ascendas - Protrade Tech Park</li> </ul>
FECON Foundation Engineering and Underground Construction JSC - FCN (Vietnam)	Foundation engineering and underground construction.	<ul style="list-style-type: none"> <li><b>Geotechnical investigation &amp; foundation testing:</b> The Golden Nam An Khanh (Hanoi), New Office of Ministry of Foreign Affairs of Vietnam Office, Keangnam Hanoi Landmark Tower, Nokia Plant (Bac Ninh).</li> <li><b>Pile supply and piling works:</b> Dang Xa New Urban in Gia Lam, Big C Shopping Center in Viet Tri, Phu Tho province, Van Quan Middle International School, Gamuda Gardens Project (Hanoi); Nghi Son Refinery and Petrochemical project; Our City – Hai Phong project; Samsung – Thai Nguyen Factory Project; Thai Binh 2 Thermal Power Plant (Coal Storage); Formosa Ha Tinh Project.</li> <li><b>Soil improvement works:</b> Nhon Trach 2 Power Plant (Dong Nai); Bridgestone Vietnam Factory (Hai Phong); Da Nang–Quang Ngai Expressway Project.</li> </ul>

Bachy Soletanche Vietnam (France)	Foundation engineering and piling works	<ul style="list-style-type: none"> <li>• <b>High-rise building:</b> Harbour View, SunWah Tower, Saigon Centre, Fideco, Centec, The EverRich, Vincom, Sunrise City block V, An Phu Plaza, Le Meridien Saigon, Vietcombank Tower, Fosco Tower... (HCMC); EVN Twin Tower, VNPT Tower... (Hanoi); Golden Square Complex (Da Nang).</li> <li>• <b>Plant:</b> Kinh Do Factory (HCMC), Bourbon Sugar Mill (Tay Ninh), Dung Quat Oil Refinery (Quang Ngai), Vifon II (Long An).</li> <li>• <b>Others:</b> Dau Tieng Reservoir (Binh Duong), Am Chua Reservoir (Khanh Hoa), Can Tho Bridge; Thu Thiem Tunnel (HCMC).</li> </ul>
Hoa Binh Construction & Real Estate Corporation – HBC (Vietnam)	Structure & completion	<ul style="list-style-type: none"> <li>• <b>Main contractor:</b> Icon 56, Galaxy 9, Saigon Centre phase 2&amp;3, SSG Tower... (HCMC); Vietinbank Tower, Discovery Complex, Mipec Riverside... (Hanoi)</li> <li>• <b>Sub-contractor:</b> Formosa Ha Tinh</li> <li>• <b>Project management:</b> GEMS Complex (Myanmar), Desa Green &amp; Sri Petaling Residences (Malaysia)</li> </ul>
Cotec Construction JSC - CTD (Vietnam)	Structure & completion	<ul style="list-style-type: none"> <li>• <b>In the South:</b> Lexington Residence, Tainan Spinning Vietnam Factory, Masteri Thao Dien, Novotel Phu Quoc Resorts...</li> <li>• <b>In the North:</b> Hanosimex Factory, Noi Bai International Airport – Terminal 2, Aeon Mall Long Bien, Trung Kinh Complex...</li> <li>• <b>In the Central:</b> Nam Hai Resort (Hoi An), Marble Mountain Beach Resort, Ocean Villas, Formosa Ha Tinh Consumption Production Information Office...</li> <li>• <b>Overseas:</b> Essilor Factory (Laos)</li> </ul>
Construction JSC No.1 – COFICO (Vietnam)	Structure & completion	<ul style="list-style-type: none"> <li>• <b>Completed:</b> Caravelle Hotel, PARCSpring, Saigon Airport Plaza, Ophthalmology Hospital... (HCMC); Nissin Foods Factory (Dong Nai); Kinh Do Factory (Binh Duong)</li> <li>• <b>In progress:</b> Mia Resort (Khanh Hoa); SaigonBank Head Office (Hai Phong); Vietcombank Tower (HCMC); Apartment CT17 Viet Hung - Hanoi Residences...</li> </ul>
REE Corporation – REE (Vietnam)	M&E	<ul style="list-style-type: none"> <li>• National projects: National Assembly House (Hanoi), Integrated Administration Center Binh Duong...</li> <li>• Can Tho Airport, Tan Son Nhat International Airport...</li> <li>• Hotels: Pullman Saigon, Crown Plaza Nha Trang, Novotel Saigon Centre...</li> <li>• Apartment building: Sora Garden 1 (Binh Duong); Thao Dien Pearl, Saigon Pearl, The Manor... (HCMC); Vincom Twin Tower (Hanoi)</li> <li>• Saigon Center Complex phase 2&amp;3, Delta Saigon Tower... (HCMC); Vietinbank Tower, Savico Shopping Mall... (Hanoi); Big C Hai Duong...</li> <li>• FV Hospital, Eastern International General Hospital, ACE Sanofi Vietnam Factory, Ben Thanh Beverage Factory, Nhon Trach 2 Combined Cycle Power Plant...</li> </ul>

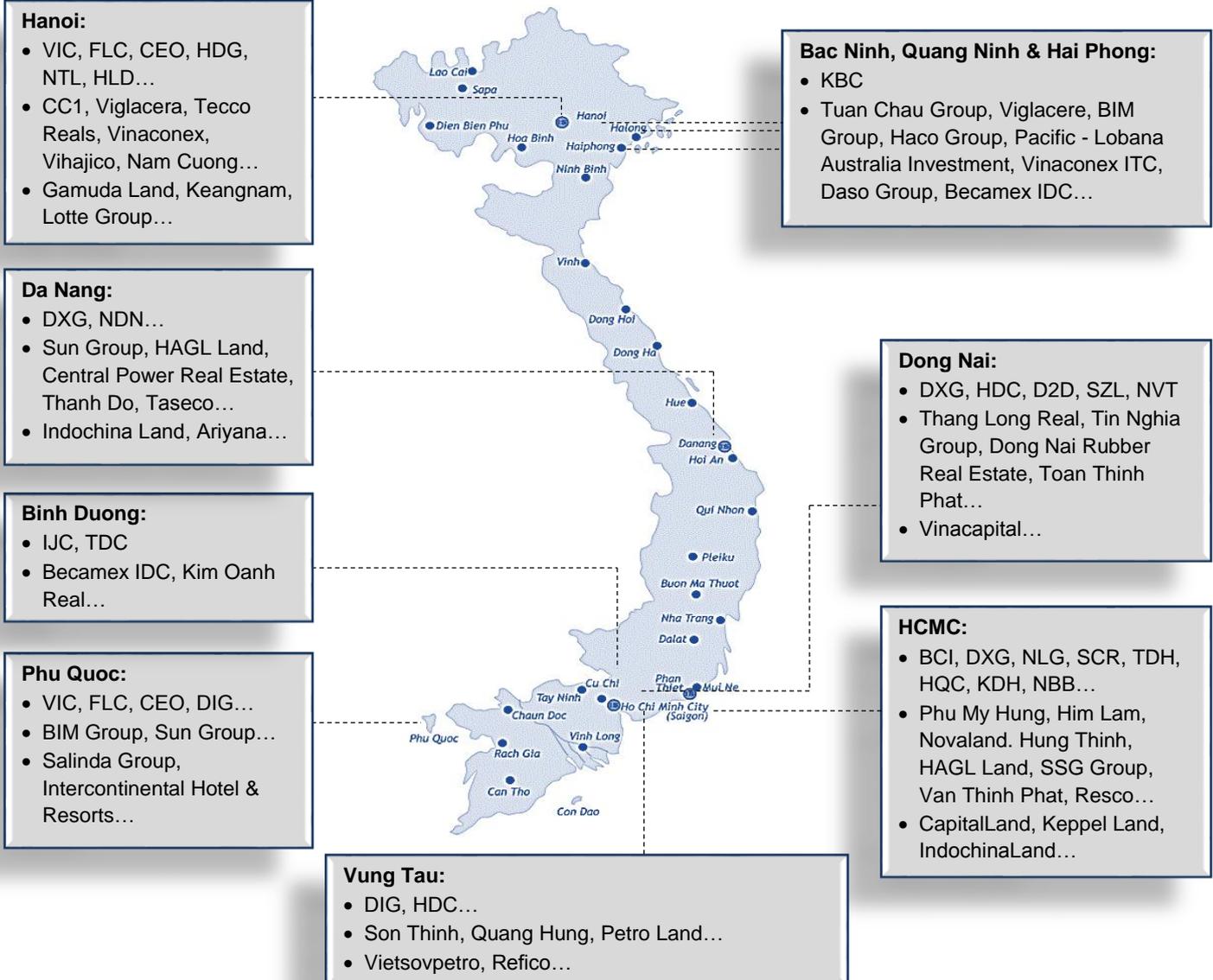
(Source: FPTS Research)

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### Use

To launch products to customers and conduct transactions, real estate investors usually establish their own real estate trading floors or partner with real estate brokerage firms (who also own similar trading floors). *Based on the Real Estate Business Law (revised) 2014, it is no longer compulsory to make real estate transactions happen via trading floors.* However, the law still encourage all parties to have real estate transactions done through these traditional vehicles in order to protect their benefits and enhance the transparency of data statistic in the real estate market.

The figure below represents the typical real estate enterprises (listed, unlisted and foreign names) in large urban cities and provinces where transactions take place excitingly.

**Typical real estate enterprises in large urban areas**


(Source: FPTS Research)

The table below represents the typical real estate enterprises in each segment together with their highlighted projects.

**Typical real estate enterprises in each segments**

Segment	Listed company	Unlisted company	Foreign company
Apartments for sale	<ul style="list-style-type: none"> <li>• HDG (CC1, Parkview N10)</li> <li>• HQC (HQC Plaza, HQC Hoc Mon)</li> <li>• NBB (City Gate, NBB II &amp; III)</li> <li>• NLG (Ehomes series)</li> <li>• PDR (The Everich)</li> <li>• SCR (Carillon, Belleza, Celadon City)</li> <li>• TDH (Cantavil, TDH – Truong Tho, TDH – Phuoc Binh)</li> <li>• VIC (Times City, Vinhomes Central Park)</li> </ul>	<ul style="list-style-type: none"> <li>• Bitexco Group (The Manor)</li> <li>• Binh Thien An (Diamond Island)</li> <li>• C.T Group (Léman, C.T Plaza)</li> <li>• Duc Khai (Era Town, Useful Apartment)</li> <li>• HAGL Land (HAGL, Phu Hoang Anh, Hoan Anh Thanh Binh)</li> <li>• Him Lam (Him Lam Riverside, Him Lam Cho Lon)</li> <li>• Hung Thinh (8x series, 12 view)</li> <li>• Dat Lanh (Thai An series)</li> <li>• Novaland (Sunrise City, The Prince, Icon 56)</li> <li>• Phu My Hung (Happy Valley, Scenic Valley)</li> </ul>	<ul style="list-style-type: none"> <li>• CapitalLand (The Vista, PARCSpring, Vista Verde, Mulberry Lane)</li> <li>• KeppelLand (Riviera Point, The Estella)</li> </ul>

		<ul style="list-style-type: none"> <li>• SSG Group (Saigon Pearl, Thao Dien Pearl)</li> <li>• Vinaconex (Golden Silk, Linh Dam...)</li> </ul>	
<b>Serviced apartment</b>	<ul style="list-style-type: none"> <li>• VIC (Times City, Royal City)</li> <li>• HAR (Glenwood Residences)</li> </ul>	<ul style="list-style-type: none"> <li>• C.T Group (Bee Home)</li> <li>• Quang Truong Thoi Dai JSC (Time Square)</li> </ul>	<ul style="list-style-type: none"> <li>• CapitalLand (Somerset Chancellor &amp; Somerset Grand)</li> <li>• International Hotels &amp; Resorts (International Asiana)</li> <li>• Keppelland (Sedona Suites)</li> <li>• MoriKiyoko Co, Ltd (Saigon Sky Garden)</li> <li>• RSC Mansion (Norfolk Mansion)</li> </ul>
<b>Villa – Townhouse – Land lot</b>	<ul style="list-style-type: none"> <li>• BCI (Phong Phu &amp; An Lac Residences)</li> <li>• CEO (River Silk City, Sunny Garden City)</li> <li>• DIG (Chi Linh, Dai Phuoc, Nam Vinh Yen)</li> <li>• HAR (Mid Point Villas Thao Dien)</li> <li>• IJC (Prince Town, Sunflower, IJC@VSIP)</li> <li>• KDH (Villa Park, Mega Residence, Mega Ruby)</li> <li>• SCR (Arista Villa, Jamona City)</li> <li>• TDH (Phuoc Long Spring Town, Binh Chieu Residences)</li> <li>• VPH (Phu My, Nhon Duc, Lacasa)</li> </ul>	<ul style="list-style-type: none"> <li>• City Land (Green Villas)</li> <li>• Dai Quang Minh (Sala Township)</li> <li>• Phu My Hung (Nam Vien, Chateau, My Van 2)</li> <li>• HAGL Land (Minh Tuan District 9)</li> <li>• Him Lam (Him Lam Township)</li> <li>• Phu Long (Dragon Parc)</li> <li>• SaigonInvest (PhoDong Village)</li> <li>• Sun Group (Ecoland Da Nang, SunCity Riverside)</li> </ul>	<ul style="list-style-type: none"> <li>• Indochina Land (Eden Villas)</li> <li>• Keppelland (Riviera Cove)</li> </ul>
<b>Office</b>	<ul style="list-style-type: none"> <li>• CEO (CEO Tower)</li> <li>• FDC (Fideco Tower)</li> <li>• VIC (Vincom series)</li> </ul>	<ul style="list-style-type: none"> <li>• Bitexco Group (Bitexco Tower, The One)</li> <li>• CC1 (Sailing Tower)</li> <li>• Hai Van Nam (Havana Tower)</li> <li>• Quang Truong Thoi Dai JSC (Time Square)</li> <li>• Trung Thuy Group (The Landcaster)</li> </ul>	<ul style="list-style-type: none"> <li>• International Hotels &amp; Resorts (Kumho Asiana)</li> <li>• Keppelland (Saigon Centre, Petro Vietnam, Vietcombank Tower Hanoi)</li> <li>• Lotte (Diamond Plaza, Lotte Centre)</li> <li>• Saigon Metropolitan Tower Ltd (The Metropolitan Tower)</li> <li>• Sun Wah Properties (Sunwah Tower)</li> </ul>
<b>Industrial property</b>	<ul style="list-style-type: none"> <li>• BCI (Le Minh Xuan)</li> <li>• D2D (Nhon Trach 2)</li> <li>• ITA (Tan Tao, Tan Duc)</li> <li>• KBC (Trang Due, Que Vo)</li> <li>• LHG (Long Hau)</li> <li>• SZL (Long Thanh)</li> <li>• UIC (Loc An, Son My II)</li> </ul>	<ul style="list-style-type: none"> <li>• Becamex IDC (VSIP, My Phuoc)</li> <li>• Tin Nghia (Tam Phuoc)</li> </ul>	
<b>Retail space</b>	<ul style="list-style-type: none"> <li>• VIC (Vincom series)</li> </ul>	<ul style="list-style-type: none"> <li>• Bitexco Group (Bitexco Tower, The One, The Garden)</li> <li>• Quang Truong Thoi Dai JSC (Time Square)</li> <li>• SATRA (Tax Center)</li> </ul>	<ul style="list-style-type: none"> <li>• FEI YUEH Vietnam (Now Zone)</li> <li>• International Hotels &amp; Resorts (Kumho Asiana)</li> <li>• Keppelland (Saigon Centre)</li> <li>• Lotte (Diamond Plaza, Lotte Centre)</li> <li>• The Lion Group – Parkson (Parkson series)</li> <li>• Zen Plaza Co., Ltd (Zen Plaza)</li> </ul>

**Tourism property**

- CEO Group (Sonasea Villas and Resorts)
- FLC (Samson Beach & Golf Resort)
- VIC (Vinpearl series)
- BIM Group (Crowne Plaza)
- Muong Thanh Group (Muong Thanh hotels)
- Ocean Group (Sunrise, StarCity)
- Saigon Tourist (Saigon Tourist Hotels, Saigon – Cam Ranh)
- Sun Group (Ba Na Hill, Intercontinental Da Nang)
- Tuan Chau Group (Tuan Chau Island)
- Berjaya Corporation Berhad (Sheraton Hanoi)
- CapitalLand (Sofitel Plaza Saigon)
- Daewoo E&C (Daewoo Hotels)
- FEI YUEH Vietnam (Nikko Saigon)
- International Hotels & Resorts (International Asiana)
- Salinda Group (Salinda Premium Resort & Spa)

(Source: FPTS Research)

The actual performance of Vietnamese real estate industry, in recent years, demonstrated **the trend that foreign firms have been superior to domestic firms**. This trend has existed for a long time and is probably supposed to occur in upcoming years. Many contracts related to management service, consultancy, design, marketing... for high-end resort & hotel, office building, shopping mall, high-class apartment are almost assumed by foreign brands.

In general, foreign firms are dominating the development, consultancy and property management activities. The first reason is the **Vietnamese's subjective sentiment to prefer foreign products than local ones**. Investors assume that foreign contractors should take on all building activities due to their better performance despite domestic contractors could carry out a certain part of construction. The management and running of buildings also have happened as the same way. Anyway, **the short development history of Vietnamese real estate market compared to Europe or America** is supposed to be the most important reason. Domestic firms have competition disadvantage in comparison with international brands because of lacking of empirical experience. Most of Vietnamese real estate enterprises have focused on high-profitable segments such as sales of houses, rental of office building, shopping malls without much attention to management, consultancy, property exploitation (which provide considerable cash flows).

*Nevertheless, the arrival of international brands will give domestic enterprises opportunities to experience new business model and review the local real estate market on a comprehensive basis. Waiting for the time when the Vietnam real estate market achieves a sustainable balance, foreign firms may keep superior position in the market to domestic firms. In the near future, domestic enterprises will have enough time of gaining experience and will start regaining the market share.*

*Back to value chain*

*Back to real estate companies*

**Appendix 07 Dominant unlisted real estate enterprises**

**Novaland Group**

Novaland Group was officially established in 2007 and has got its reputation thanks to Sunrise City, a well-known and successful project. The Group is now one of the most credible companies in real estate investment and development with the total chartered capital of VND2,300 billion and the total assets of VND10,000 billion.

While the Vietnam real estate market was in slow recovery period, Novaland surprisingly continuously announced the acquisition of many projects such as Lucky Palace, River Gate, Intresco Tower, Galaxy 9, Icon56, Lexington... *By the way, Novaland took an advantage of saving a lot of time because those projects were in construction progress or at least were fulfilled in relation to legal procedure of investment approval, master plan accepted...* Furthermore, the company also showed the amazing performance with more than 1,000 apartment units sold out in the first 6 months of 2014.

By acquiring such projects, Novaland is representing its strong financial strength resulted from good cash flows management and project development capacity. Novaland, a prestigious brand into which customers put their belief, launched products at the right time when the interest rate has been falling and customers' confidence has returned. In addition, there are not much supply in the areas, where Novaland launched projects. The final point is that Novaland has offered reasonable price along with many attractive payment schedules.

No.	Project	Location	Land (m <sup>2</sup> )	Planning	Price* (Mn VND/m <sup>2</sup> )	Note
1	Sunrise City	District 7, HCMC	51,000	2,200 apartments	30 – 50	Cooperate with Him Lam; Currently launch the North Towers.
2	The Prince Residence	Phu Nhuan, HCMC	4,647	280 apartments	40 – 60	Sold out; Area 1: constructing floor 4; Area 2: constructing foundation, tunnel.
3	Tropic Garden	District 2, HCMC	23,143	1,008 apartments	25	Completed block C1; Currently launching block A1, A2.
4	Lexington Residence	District 2, HCMC	21,356	1,310 apartments	26	Acquired from Dai Hung Phu; Sold out 90%.
5	Icon 56	District 4, HCMC	2,994	312 apartments	37 – 46	Acquired from KHA; Constructing floor 22.
6	Galaxy 9	District 4, HCMC	6,227	500 apartments	33 – 35	Acquired from CSM; Constructing floor 4; Sold out 200 units in 3 months.
7	Lucky Dragon	District 9, HCMC	9,024	38 townhouses 120 apartments	19 – 21	Novaland is the owner and developer; Sold out 70%.
8	Golf Park	District 9, HCMC	25,329	90 townhouses 5 villas		
9	Lucky Palace	District 6, HCMC	5,421	356 apartments	26 – 32	Acquired from HAGL Land; Constructing foundation.
10	River Gate	District 4, HCMC	9,600	Apartment, retail, office	45 – 50	Acquired from Thanh Nien Communication Group; Prepare for constructing foundation.
11	Orchard Garden	Phu Nhuan, HCMC	4,300	Apartment & Office-tel	31 – 33	Plan to finish foundation constructing in December 2015.
12	Garden Gate	Phu Nhuan, HCMC	4,600	272 apartments	35 – 42	Plan to finish foundation constructing in January 2016.
13	The Tresor	District 4, HCMC	6,201	Apartment, retail, office		Acquired from QCG; Prepare for constructing foundation, pile.

\*: selling price of apartments, only for reference  
(Source: FPTS Research, 2014)



### Him Lam Corporation

With 20 years of experience, Him Lam has got a tremendous advantage of understanding the real estate industry and Vietnamese economy profoundly. Up to now, Him Lam has invested in more than 70 housing projects, new urban areas that are almost located near the city centre. Thanks to convenient traffic and improved infrastructure, Him Lam has showed its competitive advantage that leads the company to be one of biggest private real estate enterprises in Vietnam with VND6,500 billion of chartered capital.

By constantly expanding in size and business activities, Him Lam has grown up from a small real estate business to a big corporation holding many affiliates and associates. In particular, one of the most noticeable affiliates is the LienVietPostBank. As of 30/06/2013, Him Lam, related individuals, and related organizations owned more than 70 million shares of the bank, equivalent to 10.86% of ownership. Being co-founders of the bank, Him Lam has received a strong support regarding cheap large financing source, so the company confidently implement the strategic plan in not only real estate industry but also other business through multiple financial investment indirectly.

No.	Project	Location	Land (m <sup>2</sup> )	Planning	Price* (Mn VND/m <sup>2</sup> )	Note
1	Him Lam Riverside	District 7, HCMC	13,170	314 apartments	28 – 30	Located in the Him Lam Tan Hung township; Stage 2 is ongoing (sales opening with 142 units sized 59 – 77m <sup>2</sup> ).
2	The Hyco4 Tower	Binh Thanh, HCMC	6,250	330 apartments	24 – 27	Completed.
3	Him Lam Tan Hung Township	District 7, HCMC	583,000	840 adjacent townhouses; 321 villas; 2,938 apartments		Completed and came in use; Crowded inhabitants; Unsold units are ongoing to be traded.
4	Him Lam Cho Lon	District 6, HCMC	40,810	1,488 apartments	19 – 21	Completing block B1,B2,B3,B4; Topped out block C1,C2,C3,C4; Sales opening with block B1 & B2.
5	Hanoi Information Technology Park	Long Bien, Hanoi	124,000	Complex		
6	Bac Rach Chiec Residences	District 9, HCMC	21,605	34 villas		Selling land lots with the price ranging 12 – 17 Mn VND/m <sup>2</sup> .
7	Him Lam Residences (zone B)	Binh Chanh, HCMC	240,537	495 adjacent townhouses; 960 apartments; 347 adjacent townhouse lots		Next to Him Lam 6A with the price ranging 42 – 46 Mn VND/m <sup>2</sup> .

\*: selling price of apartments, only for reference  
(Source: FPTS Research, 2014)



### Phu My Hung Development Corporation

The company was established on May 19<sup>th</sup> 1993 as a joint-venture between the HCMC People's Committee (represented by the Tan Thuan Industrial Promotion Company) and the Central Trading & Development Group, headquartered in Taiwan. Phu My Hung has 3 main missions: (1) Build the 17.8km long, 120m wide, 10-lane Nguyen Van Linh Parkway (six high-speed and four mixed lanes);

(2) Develop five modern urban complexes (named site A, B, C, D & E) along Nguyen Van Linh Parkway. This massive project has been considered the first step in the expansion plan of HCMC towards the East Sea; (3) Build the infrastructure of 150 ha of land for community uses, and hands it over to HCMC People's Committee.

After over 15 years of development, Phu My Hung within 5 modern urban complexes (750 ha) has taken into shape with modern architectures in harmony with the well-built infrastructure and has set a new living standard in HCMC. On 26/06/2008, The Minister of Construction Nguyen Hong Quan and HCMC People's Committee Chairman Le Hoang Quan presented Phu My Hung the Certificate to recognize Phu My Hung "**A new model city**" as stated in the Decision 860/QD-BXD. Phu My Hung's highlighted successful projects are My Van 2, Riverside Residence, Sky Garden 3, Canh Vien Luxury Apartment, The Panorama, etc.

No.	Project	Location	Land (m <sup>2</sup> )	Planning	Price* (Mn VND/m <sup>2</sup> )	Note
1	Chateau Villa	District 7, HCMC	116,500	103 castle mansion		Sales opening in February 2015 with 28 mansions (61 – 75 Mn VND/m <sup>2</sup> ).
2	Scenic Valley	District 7, HCMC	32,548	1,202 apartments	29 – 33	Sold out stage 1 (251 units) & 2 (109 units); Sales opening of stage 3 in January 2015 with block C & H.
3	Green Valley	District 7, HCMC	14,500	546 apartments	33 – 35	Sold out 95%; Plan to come in use at the end of Q3/2016.
4	Nam Viên Villa	District 7, HCMC	28,920	96 villas		1 <sup>st</sup> sales opening from Q1/2014 and sold out 44/48 units (47 – 60 Mn VND/m <sup>2</sup> ).
5	Happy Valley	District 7, HCMC	34,000	818 apartments	30 – 40	Sold 100%.
6	Star Hill	District 7, HCMC	21,560	60 shops; 375 apartments	40 – 46	Sold 100%.

\*: selling price of apartments & only for reference  
(Source: FPTS Research, 2014)

### Dai Quang Minh Corporation



Dai Quang Minh was established in 2011 within VND4,200 billion of chartered capital. The company operates in 2 main fields including investment infrastructure in Thu Thiem new urban area (under BT contract) and investment in SaLa township.

Dai Quang Minh is now one of the emerging names in the HCMC real estate market thanks to support from Thaco (a big auto company), experienced individuals and organizations such as Mai Linh Investment JSC, Mr. Tran Dang Khoa and Invecon Trading and Investment Company.

Dai Quang Minh is assigned to be the investor of 4 main roads in Thu Thiem new urban area within total value of VND8,265 billion (exclude VND3,917 billion for provision). At present, the company has spent VND7,000 billion on this project which is projected to be completed in 2017. *In return, Dai Quang Minh is granted to own the project within up to 80 ha of total area located at Mai Chi Tho Avenue.*

No.	Project	Location	Land (m <sup>2</sup> )	Planning	Note
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1	Sala Township – Thu Thiem	District 2, HCMC	1,080,500	234 villas & palaces;	
				395 shophouses;	
				2,800 luxury apartments; shopping malls – services – offices;	
				High-end utilities: marina, 5-star hotel, school, 5,000 m2 park, health care center...	
Stage 1 (2013 – 2015)			370,000	116 shop houses (176 – 200m2/lot)	Basically finished infrastructure and is building samples of 10 villas, apartments, townhouses; Plan to open sales in January 2015; Plan to complete all stage 1 in the end of 2015.
				standard villas (280 – 320m2/lot)	
				128 high-end villas (350 – 420m2/lot)	
				47 luxury villas (500 – 600m2/lot)	
				759 luxury apartments (83 – 134m2)	
Stage 2 (2015 – 2018)				General utilities	
Stage 3 (2018 – 2020)					
2	BT contracts				
	4 main roads around Thu Thiem			<ul style="list-style-type: none"> <li>• U-turn Boulevard (R1 line)</li> <li>• Central Lakeside Boulevard (R2 line)</li> <li>• Saigon Riverside Boulevard (R3 line)</li> <li>• North – South Main Line (R4 line)</li> </ul>	Total investment is about 12,000 billion VND.
	Thu Thiem Bridge 2				Plan to start in April 2015.

(Source: FPTS Research, 2014)



### Hung Thinh Corporation

After 10 years of development, with the right strategic and management mindset and solidarity, efforts of the entire company, Hung Thinh Brand is step by step affirmed as a prestige real estate company on Vietnam market. Affordable housing segment is very potential because it meets the real demand of majority of people. *And Hung Thinh is one of the dominant companies in this segment based on successful series of 8x projects. At the beginning of 2014, Hung Thinh has launched 4 affordable housing projects (each unit valued around VND1 billion), that are 8x Dam Sen, 8x Thai An, 8x Plus, and 12 View.*

Hung Thinh always orients its core business towards customers' real demand. Therefore, the company has likely focused on affordable housing with not only small & medium floor area and lower price than VND15 million per m2 but also good location, convenient transportation, and many facilities. *As well, Hung Thinh will offer more choices to customers through medium and high-end apartments in upcoming time.*

No.	Project	Location	Land (m <sup>2</sup> )	Planning	Price* (Mn VND/m <sup>2</sup> )	Note
1	12 View	District 12, HCMC	8,769	408 apartments	11 – 13	Sold out block B; Selling block A; Completed 80%.
2	8x Plus	District 12, HCMC	6,892	578 apartments; 30 shophouses	12 – 16	Constructing floor 5; Almost sold out.
3	8x Thai An	Go Vap, HCMC	3,606	200 apartments	13 – 17	Cooperation with Dat Lanh Real; Constructing floor 8; Sold out.

4	8x Dam Sen	Tan Phu, HCMC	6,188	594 apartments	13 – 15	Sold out.
5	Apartment 91 Pham Van Hai	Tan Binh, HCMC	2,581	168 apartments	29 – 35	Cooperation with Tamexim; Completed 4 months ahead of schedule.
6	Golden Bay Township	Cam Ranh, Khanh Hoa	790,000	Villa, apartment, 4-star hotel		Completing basic sections.
7	Hung Thinh Residences	Quy Nhon City	105,307	30 twin villas ; 394 adjacent townhouses		Be approved master plan 1/500.
8	Apartment 27 – Truong Chinh	District 12, HCMC	3,141	168 apartments	12 – 15	Completed.
9	Hung Thinh Villa	Da Lat	3,205	11 villas		Be approved master plan 1/500; Be granted Certification of land use right.
10	Sentosa Villa	Phan Thiet, Binh Thuan	160,000	250 villas; High-end apartments		Cooperation with Saigon Investment Ltd.
11	Thien Nam Apartment	District 10, HCMC	1,204	50 apartments	23 – 30	Completed.

\*: selling price of apartments, only for reference  
(Source: FPTs Research, 2014)

## SSG Group

SSG was founded in 2003 and affirmed its brand thanks to the successful project “Saigon Pearl”. Saigon Pearl is a high-class and complex project, locates along the Saigon River and is developed by the cooperation of SSG and Vietnam Land Ltd (Hong Kong). In addition, SSG invested in high-end projects such as Thao Dien Pearl, Saigon Airport Plaza.

After 9 years of formation, SSG had VND1,000 billion of chartered capital and expected to become one of the leading real estate enterprises in Vietnam. *Moreover, SSG officially opened an office in Hanoi and continued expanding the scope of business to education field via the project “Wellspring Bilingual School (Cambridge standard for 3 levels).*

At the annual general meeting 2014, SSG announced its 2013 business results that earning was VND168.65 billion, 36% dividends (15% cash & 21% stock), and approved 2014 business plan that net income will be VND300 billion, 12% dividend.

No.	Project	Location	Land (m <sup>2</sup> )	Planning	Price* (Mn VND/m <sup>2</sup> )	Note
1	Pearl Plaza	Binh Thanh, HCMC	5,983	Retail – Office - Service; 120 apartments	30 – 40	Old name: “SSG Tower”; Topped out on 09/12/2014; Come in use in Q2/2015.
2	Saigon Airport Plaza	Tan Binh, HCMC	16,000	4-star hotel; Retail – Service – Office; 242 apartments	33 – 41	Completed construction of stage 1; Doing business in stage 1.
3	Thao Dien Pearl	District 2, HCMC	12,855	450 apartments & 16 Duplex	30 – 40	Completed construction in Q4/2013.
4	My Dinh Pearl	Tu Liem, Hanoi	38,000	668 apartments;		Old name: “Thang Long Pearl”;

				1 5-star hotel; 1 grade-A office building.	Finished pile & wall enclosing.
5	Wellspring Hanoi	Long Bien, Hanoi	43,789 (stage 1)		Started the first school year in 2011.
6	Wellspring Saigon	Binh Thanh, HCMC	11,959		Started the first school year in September 2014.
7	Cape Pearl	Binh Thanh, HCMC	19,592	20 villas; 2 apartment buildings (39 floors)	Old name: "Petrosetco Tower"; Finished designation.
8	District 12 Complex	District 12, HCMC	21,152	766 apartments	
9	Thanh Đa Pearl	Binh Thanh, HCMC	2,776	76 apartments	
10	Tan Binh District Commercial & Apartment Building	Tan Binh, HCMC	7,017	280 apartments	Preparation.

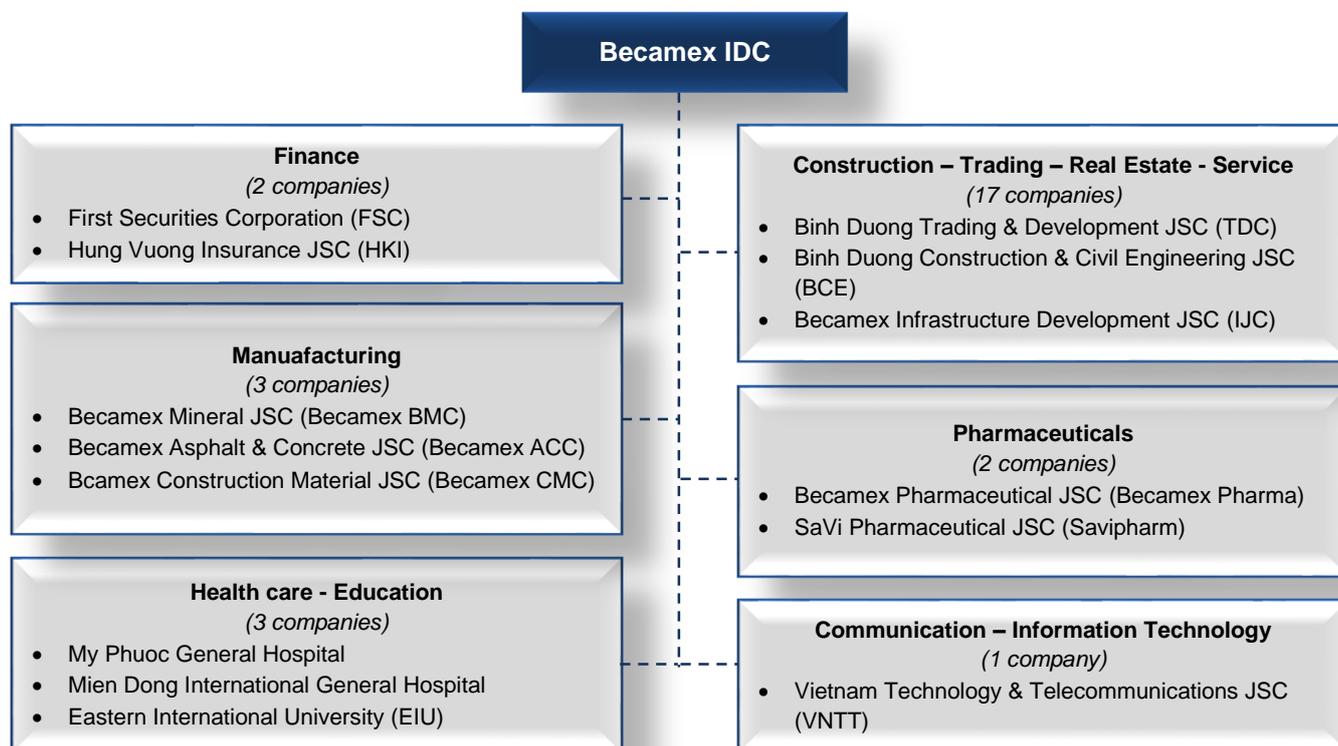
\*: selling price of apartments, only for reference  
(Source: FPTs Research, 2014)



### Investment And Industrial Development Corporation (Becamex IDC)

Becamex IDC was established in 1976. Over 38 years of construction and development, Becamex IDC has now become a prestigious brand name in the field of investment and development of industrial, residential, urban and transportation infrastructure.

#### Becamex IDC's affiliates



(Source: Becamex IDC)

Becamex IDC's objective is to operate and develop in a multi-industry. By the way, the company mainly concentrates on the development of industrial Infrastructure - transportation - urban area which will, then, promote the development of other businesses. *Becamex IDC, thereby, has become a multi-business corporation holding 28 affiliates with VND8,500 billion of chartered capital and VND100,000 billion of total assets.*

*Becamex IDC's development associated with the development and innovation of Binh Duong's economy. In the development history, Becamex IDC achieved significant accomplishments including: successfully invest in large industrial parks; develop Highway 13 (BOT project); My Phuoc - Tan Van road; urban development (Binh Duong New City, EcoLakes My Phuoc...); education and health care development (the Eastern International University, My Phuoc General Hospital, Mien Dong International General Hospital...)*

No.	Project	Location	Land	Planning	Note
<b>1</b>	<b>Vietnam – Singapore Industrial Park (VSIP)</b>				<b>Becamex IDC cooperate with Sembcorp Development (Singapore), Mitsubishi Corporation Development Asia and KMP Vietnam.</b>
1.1	VSIP I	Binh Duong	500 ha	Industrial: 494 ha; Commercial – Residential: 6 ha	Leased out 100% area with totally 238 projects; Attracted USD2.6 billion, 96,367 workers; Lease term until 2046.
	<i>VSIP I Complex</i>		<i>6 ha</i>		<i>Stage 1 (Gateway 4, 1ha) is developed with 1,380 apartments.</i>
1.2	VSIP II	Binh Duong	2.045 ha		Located in Binh Duong Industrial – Service – Urban Area Complex.
	<i>Period 1</i>		<i>345 ha</i>	<i>Industrial: 345 ha</i>	<i>Leased out 100%, attract USD1.5 billion; Lease term until 2055.</i>
	<i>Period 2</i>		<i>1.700 ha</i>	<i>Industrial: 1.000 ha; Commercial – Residential: 700 ha</i>	<i>Total investment attracted up to USD2 billion; Lease term until 2058.</i>
	<i>VSIP Hoa Loi</i>		<i>110 ha</i>	<i>Villa, mall, school, hospital...</i>	<i>Connect VSIP II to Binh Duong New City.</i>
1.3	VSIP Bac Ninh	Bac Ninh	700 ha	Industrial: 500 ha; Commercial – Residential: 200 ha	Total investment attracted up to USD2 billion; Lease term until 2057.
1.4	VSIP Urban Area	Bac Ninh	200 ha	Medium residences: 60 ha; High-end complex area: 140 ha	Implementing Asia Wholesale Center (shopping mall area).
1.5	VSIP Hai Phong	Hai Phong	1,600 ha	Industrial: 1.100 ha; Commercial – Residential: 500 ha	Locate in Dinh Vu – Cat Hai Economic Zone with preferred taxes, free tax for agricultural land using; Lease term until 2058; Develop VSIP Hai Phong (500 ha).
1.6	VSIP Quang Ngai	Quang Ngai	600 ha		Locate in Dung Quat Economic Zone; Starting since September 2013.

<i>Period 1</i>	260 ha	<i>Industrial: 160 ha; Commercial – Residential: 100 ha</i>
<b>2 My Phuoc Industrial and Urban Area – Binh Duong</b>		
My Phuoc 1,2,3	3,429 ha	
My Phuoc 4 – Thoi Hoa	956 ha	
My Phuoc 5 – Bau Bang	2,200 ha	
<b>3 Binh Duong Industrial – Service – Urban Area Complex, Binh Duong (4,196 ha; 2005 – 2020)</b>		
Industrial Park	1,800 ha	Vietnam – Singapore Industrial Park 2: 344 ha Song Than Industrial Park 3: 533 ha Dai Dang Industrial Park: 274 ha Phu Gia Industrial Park: 133 ha Dong An Industrial Park 2: 158 ha Kim Huy Industrial Park: 237 ha
Service zone	613 ha	Twin Dove Golf: 302 ha Studios: 10 ha General services
Urban area	1,662 ha	
<b>4 Infrastructure</b>		
BOT Binh Duong Boulevard		Length: 62km; Investment: VND683 billion; Equitized since 2007 with VND337 billion of chartered capital (Becamex IDC holds 75%); Becamex IDC manage 2 toll stations.
BOT My Phuoc – Tan Van Expressway		Investment: VND3,500 billion; Starting from 2009, time for toll collecting is 46-years right after project inspection.
BOT Highway No.13 (above street)		Length 25.7km (above-street line: 20.6km)
BOT 3 roads in Tan Uyen		Length 57km, total investment VND4,000 billion; Starting toll collection from 2014 with terms of 50 years (excluding construction period).

(Source: Becamex IDC, FPTS Research, 2014)

*In 2014, the real estate market made many impressions with respect to liquidity and M&A activities. After years of purification, new players are emerging and some of them have proved their strength based on the acquisition of feasible projects. That are Dai Quang Minh, CEO Group, VID Group, N.H.O, Syrena Vietnam - BIM Group, Kim Oanh Real, FLC Group, etc. Consequently, the competition on Vietnamese real estate market will be more and more interesting when these prospective emerging players accelerate the race with existing rivals.*

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**RECOMMENDATION AND EXPLANATION**

Recommendation system is based on the difference between target price and market price of each stock in order to provide appropriate information for investors in 12-month investment period from recommended day.

The expected rate of return at 18% is estimated based on 12-month Government bond rate in addition to market risk premium in Vietnam.

Recommendation	Explanation
<b>12-months period</b>	
<b>Buy</b>	If target price is <b>higher</b> than market price by 18%
<b>Add</b>	If target price is <b>higher</b> than market price from 7% to 18%
<b>Neutral</b>	If target price compared to market price is <b>within</b> -7% to 7%
<b>Reduce</b>	If target price is <b>lower</b> than market price from -7% to -18%
<b>Sell</b>	If target price is <b>lower</b> than market price by -18%

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**FPT Securities**
**Head quarter**

Floor 2nd, 71 Nguyen Chi Thanh, Dong Da District, Hanoi, Vietnam.

Tel: (84.4) 3 773 7070 / 271 7171

Fax: (84.4) 3 773 9058

**HCM Branch**

Floor 3rd, Ben Thanh Times Square Building, 136-138 Le Thi Hong Gam, District 1, HCMC, Vietnam.

Tel: (84.8) 6 290 8686

Fax: (84.8) 6 291 0607

**Da Nang Branch**

100 Quang Trung, Thach Thang, Hai Chau District, Da Nang, Vietnam.

Tel: (84.511) 3553 666

Fax: (84.511) 3553 888