



HIGHLIGHTS

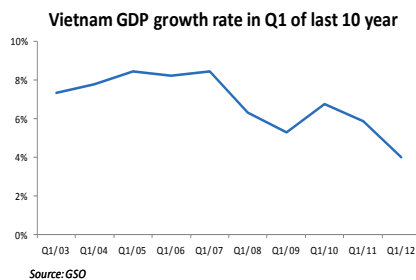
- The early indications of 2012 show that inflation is stabilising and this should culminate in further decreases in interest rates. These could help to increase the market liquidity and breathe some activity into the current stagnant market.
- The foreign direct investment (FDI) inflow into the local property sector has regained the top position in terms of newly registered capital in the Q1/2012 after a long period of sharp decline due to market conditions.
- Knight Frank remains conservatively optimistic about the real estate market in 2012 and it will be interesting to monitor whether the recent positive news for Vietnam's economy translates into growth in the property sector.

ECONOMIC & LEGAL UPDATE

Economic Overview

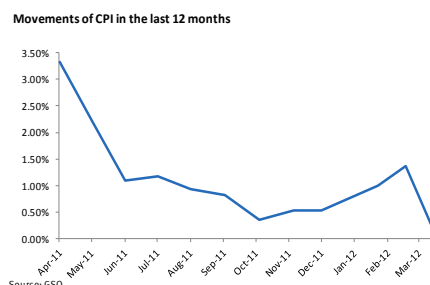
GDP

Within the first three (3) months of 2012, Vietnam's GDP growth was approximately 4% compared with the previous quarter's growth of 6.1%. The relatively weak first quarter figure was the lowest rate of growth in the last ten (10) years. In Q1/2011 and Q1/2010, the country had seen a growth of 5.57% and 5.84%, respectively. However, HCMC's GDP in the first quarter of 2012 is estimated to have reached 99.384 trillion dong (according to the real prices), rising 7% over the same period last year.



CPI

Vietnam's consumer price index (CPI) in the first quarter of 2012 saw the lowest quarterly CPI rise in the last two (2) years with the recent 0.16% rise in March.



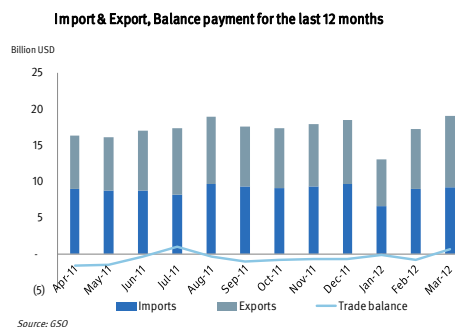
Lending Rates

With inflation coming under control, the State Bank of Vietnam has capped deposit rates at 13% (please refer Circular No.05/2012/TT-NHNN) in order to try and

improve liquidity. Lending rates have decreased 1% compared with the last quarter, currently ranging from 17% to 20%, however the access to credit in the real estate sector is still severely limited due to ongoing lending restrictions.

Balance of Payments

According to the General Statistics Office, the trade deficit of Q1/2012 stood at US\$251 million, equal to 1% of total export turnover. Total export turnover is estimated at US\$24.5 billion, an increase of 23.6% compared with the same period of 2011.



Foreign Direct Investment

According to the Foreign Investment Agency (FIA), in the first three (3) months of 2012, Vietnam attracted approximately US\$2.63 billion, equal to 63.6% of the same period of last year. Of which, the newly licensed capital of US\$2.26 billion (120 projects) equal to 77.2% of the same period of last year and there are 29 projects that have increased their capital contribution a further US\$368 million, equal to 30.4% of the same period of last year.

Within first three (3) months of 2012, disbursement capital was approximately US\$2.52 billion, equal to 99.2% of the same period of last year. Specifically, the real estate industry attracted the highest capital, equal to 45.5% of the total registered capital, which is positive news.



In the first three (3) months of 2012, HCMC's FDI attracted 59 newly licensed projects, with total capital approximately US\$39 million, a decrease of 96.5% compared with the same period last year. Also, there are 19 projects that have increased their capital contribution a further US\$20.4 million, equal to 62.2% of the same period of 2011.

Legal Update

Circular No. 05/2012/TT-NHNN

Circular No.05/2012/TT-NHNN dated on 12 March 2012 amending and supplementing a number of articles of Circular 30/2011/TT-NHNN dated on 29 September 2011 stating the maximum interest rate applicable to deposits in Vietnamese Dong of organizations, individuals at credit institutions and foreign bank's branches. According to this Circular, the maximum interest rate applicable to monetary deposits and deposits with a term of less than one month is 5% per annum, whilst the maximum interest rate applicable to deposits with a term of one month and more is 13% per annum. Regarding Vietnamese citizen's credit funds alone, they are able to fix their maximum interest rate applicable to deposits with a term of one month and more at 13.5% per annum. This information is expected to reduce the lending rate in near future.



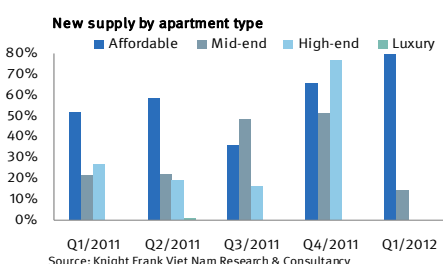
APARTMENT FOR SALE

Market Performance

After the Tet Holiday period, the apartment for sale market in HCMC continued to witness low transaction rates. The affordable segment still is the best performer in Q1/2012.

Many developers have decreased their selling prices in the primary market to urge the selling rate. More developers are also seeing the benefits of introducing different promotion and incentive programs. For example, we have seen the developer– Thu Duc House of the Truong Tho project in Thu Duc District handover the apartment to the buyer even though only 50% of payments have been completed and then offer a further 5% discount on the sale price. Another case is the Quang Thai Apartment project in Tan Phu District where once the buyers make the 95% payment of the total apartment value, the developer will make then give a 12% discount directly on the selling price. Besides the direct discount, some developers still offer flexible payment schedules, bank loan support, interest incentives, etc. This indicates that at the current time this maybe an opportune time for buyers in the affordable bracket with real demand.

The selling price for new projects launched in this quarter ranges from VND13.9 million (US\$665) to - VND24.5 million (US\$1,170) per square metre.



The secondary market continues to be slow and is under further pressure due to the incentives being offered in the primary market.

Supply

Approximately 2,300 apartment units were launched in HCMC in Q1/2012. The affordable sector constituted the majority of new supply with 86% of total stock.

Two (2) large projects have launched to the market including Khai Hoan Paradise, Nha Be District (838 units) and The Easter, District 9 (648 units). Both of them are in affordable segment and have significantly increased supply. The only mid-end project launched in this quarter is Hyco 4 Tower, Binh Thanh District.



The majority of new supply offered to the market in Q1/2012 came on line in suburban districts such as Binh Tan, Nha Be, Tan Binh and District 9.

Demand

The affordable apartment segment ranging from VND11 million (US\$526) to VND20 million (US\$957) was still favoured by the buyers with real demand during this period.

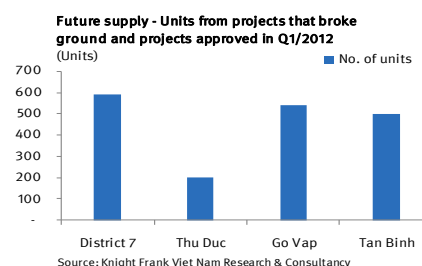
From the end of February until now, many

local and international commercial banks have slightly decreased the lending rates and widely offer loans for home buying with the interest rate at 17% - 20%. This is expected to be the good sign for the real estate market.

Outlook

In Q1/2012, there are four (4) new future projects contributing approximately 1,800 apartment units to the future supply. This figure is less than half of the number of new future projects announced in the last quarter.

Overall, 53 projects bringing 23,500 units are planned over the next 3 years in HCMC. In which the majority is located in Districts 2, 7, 9, Tan Binh, Tan Phu and Thu Duc.



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There is a trend of changing architecture designs or even changing the development uses of the projects. It is considered as temporary solutions of developers in the difficult time of the property market.

The affordable and mid-end segment continue to be planned in the business strategies of many international developers such as Capitaland, Indochina Land.

VILLA, TOWNHOUSE, AND LAND PLOT FOR SALE

Market Performance

The landed property market in the previous quarter was highlighted by positive sales of the Chateau villa in Phu My Hung. Whereas the majority of the villa and townhouse market remained stagnant due to the Tet Holidays and market conditions. The affordable land plot segment continued leading the market with new supplies and reasonable levels of awareness from the buyers.

There were no new projects launched during the quarter. The demand witnessed a bright point in Phu My Hung Urban Town. Their newly launched project, The Chateau, generated high interest with multi-million dollar luxury riverside villas complete with fully established amenities area. They achieved a reported sale rate at 50% of the total launch within 2 months. This is considered a desirable rate during this stagnant period.

The market performance during the last quarter partly reflected the character of the current demand. The cash rich people and owner occupiers are the two main drivers of real demand in the market. They are more cautious regarding location, existing community, infrastructure and



The Chateau, Phu My Hung

service amenities in the immediate area, and the capability of the developers to fulfill their commitment.

The land plot market in HCMC has seen some interest generated mainly from District 9 and Nha Be District projects notably Nature Land and Anh Tuan. The common rate of transaction is below VND11,000,000/m² (US\$500/m²) with land plots below 150m² in size the most preferred.

The surrounding provinces of HCMC including Long An, Dong Nai and Binh Duong, continued experiencing relatively high transaction rates compared to HCMC. Dong Nai achieved the highest sales volume with new launches including Dragon City II and Gold Hill. These projects offered affordable prices at under VND5,000,000/m² (US\$250/m²). The expectation of improvements in facilities in the future is the most likely main driver of the buyers. The Binh Duong area continued to enhance its reputation by confirmation of the new investment memorandum of understanding from Japan Investors which would dramatically facilitate the ambition of Binh Duong.

Outlook

We are aware that new supply in the following period is about 500 units. However, the demand is expected to remain relatively weak and buyers are likely to be cautious in any purchasing determination.

We witnessed some positive factors regarding to the macro economy and key sectors that may seed some confidence in the following period. Firstly, the action of lowering the deposit rate to 13% by the SBV that may diverse slightly the free cash to other assets. The slight improvement of the stock market should also enhance the investor confidence. The minor inflation increase during the quarter is a positive sign compared to 2011.

Our outlook regarding the land plot and villa market remains conservatively optimistic. However, it is yet to be seen whether the positive recent signs in the economy translate into growth into the residential sector.

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We are witnessing that many buyers are now adopting a 'wait and see' approach, whereby they want to see the developer fulfill their obligations to provide infrastructure and amenities etc before purchase.

The neighbouring provinces of HCMC that offer affordable land lots are expected to continue to achieve relatively good sales volumes.

Average Price Rate for Land Plot in Major Area

Location	Price rate (US\$/m ²)
District 2, Binh An Ward	1,500 - 2,900
District 2, East of Thanh My Loi	770 - 1,300
District 2, West of Thanh My Loi	1,800 - 3,000
District 2, Binh Trung Tay Ward	2,500 - 3,000
District 2, Cat Lai Ward	550 - 1,000
District 9, Western Wards	550 - 950
District 7, Phu My Ward	950 - 1,500
District 7, Tan Phong Ward	1,400 - 3,800
District 7, Tan Phu Ward	2,500 - 4,000
Nha Be, Phuoc Kieng Ward	550 - 1,400
Binh Chanh, Trung Son Area	700 - 2,700
Binh Chanh, Binh Hung Ward	600 - 1,000
Binh Chanh, Phong Phu Ward	500 - 850

Sources: Knight Frank Research & Consultancy



SERVICED APARTMENT

Market performance

There is no major new supply to enter the market in Q1/2012. Xi-Riverview Palace project located in District 2 has released 40 units of serviced apartments. This is a high-end apartment for sale building comprising 270 units and other amenities such as gym, mini golf course, restaurant, swimming pool and tennis court. Facing a difficult market for selling high-end condominium's units, the developer has changed the function of 40 units to serviced apartments.

The market performance in Q1/2012 has seen no major changes compared to Q4/2011, albeit for a marginal decrease in rental rates this quarter. The average rental rate is around VND620,000 - VND735,000/m²/month (equal US\$29.5 - US\$35)/m²/month) for Grade A stock and VND410,000-VND525,000 m²/month (equal US\$19.5-US\$25/m²/month) for Grade B.

For example, Ha Do Compound located in District 10 has decreased the rental rate approximately 10% to 20% for all the unit types.

The occupancy rates of established buildings remain high at over 90% for Grade A and 82% for Grade B. Buildings that have entered market in recent quarters have also seen positive signs. For example, Saigon Pavillion has

reported over 25% occupancy after only two (2) months of operation.

Having an international operator is very important to serviced apartment complexes as these buildings can benefit from their global client network and brand image. Most Grade A serviced apartment buildings are managed by international operators or real estate agencies. However, the majority of Grade B buildings are operated with in-house management.

Frasers Hospitality has signed an operating contract with a building located in the Saigon South New Urban Area, District 7. This building comprises 8,000m² for serviced apartments and 2,500m² for retail and plans to open in September 2012.

Ascott Limited has signed an operating contract with Binh Thien An Real Estate to manage the serviced apartment component of the Diamond Island project.

Competitors

Buy - to - let apartments and villas are the main competitors of serviced apartment buildings, particularly placing pressure on the Grade B serviced apartment market.

Outlook

Throughout 2012, there are many Grade A serviced apartments planned to enter the market, which will culminate in a large future supply. Thus, these new supplies will give more options to tenants and put pressure on rents as the Grade A stock in the prime area are nearing full occupancy at present.



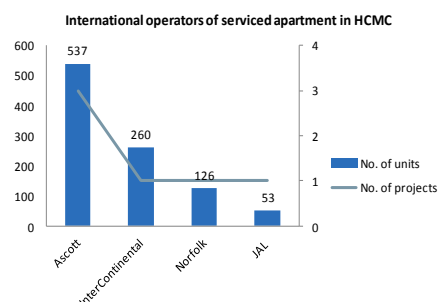
Xi - Riverview Palace

We are also witnessing more small boutique serviced apartment buildings of around 10 units enter the market in the CBD which have been formed from large townhouses.

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The continuous demand trend is for smaller units due to changing work force dynamics regarding single employees and short term contracts.

We are seeing a trend whereby developers of Grade A future stock are seeking the services of international management companies before launch. This was not always the case in Vietnam.



RETAIL

Demand

Despite tough economic conditions forecasted by economists this year, demand for goods and services of consumers still remains at a high level which has been keeping heat in the market.

According to Research and Markets (2012), Vietnam is amongst the five most profitable retail markets in the world. The Ministry of Industry and Trade just announced an impressive figure for retail revenue growth of 29.3% in 2011 in comparison to the number for 2010. The Ministry Predicts goods and services sales will escalate by on average 20% in the next five years.

Notably, the Vietnam retail market appears to be remarkably attractive to foreign investors. In Q1/2012, Takashimaya—a Japanese retail group signed an agreement with Keppel Land Watco on a long term lease for approximately 15,000m² of retail space at Saigon Centre (Phase 2) - equivalent to approximately 30% of the total retail space for lease of the project.

Another retailer from Japan—AEON group, who announced AEON—Tan Phu Celadon Shopping Mall last quarter, inaugurated a convenience shop chain—Ministop in HCMC. Co-operating with Trung Nguyen, the company plans to open 30 shops in

2012 and forecasts to reach 500 shops throughout Vietnam in five (5) years time.

The two (2) announcements above has brought renewed optimism to the market.

Supply

With thousands of metres of retail space entering the market in previous quarters not being occupied, supply for retail space continues to increase in the first quarter of 2012.

Centre Mall inaugurated in early January became the first services complex in Binh Chanh District and injected approximately 11,528m² into the market including Satramart Supermarket and 70 cosmetic, fashion, pharmacy, food and café kiosks.

Moreover, there are three projects that have commenced construction during the quarter. Details of the projects are as follows:

- SC VivoCity Shopping Mall developed by Saigon Co-op and Mapletree. SC VivoCity is phase 1 of Saigon South Place Complex located on a 4.4ha development site in District 7. Saigon Co-op will co-operate with NTUC FairPrice to develop an 8,000m² supermarket—Co-op Xtra at the basement of the project.



- Lega Fashion House, District 10 with a total GFA of 60,000m², developed by Ocean Group, Gia Dinh Investment and

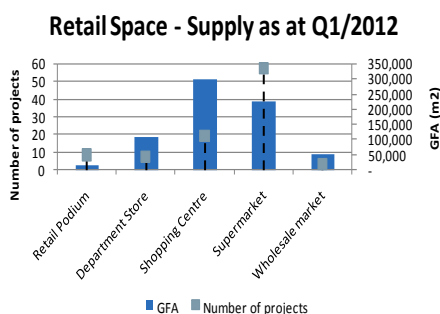
Legamex. The project is a complex comprising fashion mall, fashion catwalk, cinema, conference centre, food court and office for lease.

- Cong Hoa Garden in Tan Binh District with 3 floors of retail space. Developed by Kinh Do Real Estate, the project also has an apartment and office component.

Bitexco Group has commenced the Ben Thanh Towers project this April. It is expected that the project will provide a total GFA of 138,000m² for serviced apartment, office and retail for lease component by 2015.

Outlook

With a significant increase in supply for retail space in future, it is natural to assume that there will be pressure on rental rates.



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There is no question that the announcement of the arrival of Takashimaya will raise the level of retailing in HCMC. This is great news for the future retail market in Vietnam.

In general, occupancy levels remain high and more international retailers are looking to enter the country, however disposable income remains an issue for many shoppers, which could lead to some retailers reducing their profit margins.



OFFICE

Market Performance

London, UK – Newly-released figures from Knight Frank show that HCMC and Vietnam is sliding in the world ranking global index for prime office rents from 19th (Q1/2011) to 29th (Q1/2012) with average Grade A rents at VND668,800/m²/month(US\$32/m²/month) exclusive of management and VAT. Interestingly, our Asia-Pacific neighbours are trending in the opposite direction with notable improvements being Perth, Sydney, Mumbai, Beijing and Shanghai.

Demand for offices still remains as many occupiers seek an upgrade in premises and/or some cost savings, all be it many companies are consolidating rather than expanding at the moment and requirements are being driven by tighter fiscal budgets dictated by their overseas headquarters. The supply provided by Bitexco Financial Tower (BFT) and Vincom Center has set a precedence for companies such as Ernst & Young to upgrade premises from Grade B (Saigon Riverside) to Grade A (BFT) and a prominent international bank to relocate back to District 1 (Green Power Building) from District 3 as the respective companies sought either better grade premises and better locations for their businesses in relatively cash neutral situations.

More developers are looking for additional methods to recoup their capital in a stagnant market to offset debts. This paves the way for cash rich occupiers or foreign companies looking to diversify liquidity away from their respective countries and consider the mid to long term benefits of Vietnam. Over Q1/2011

this is evidenced at Petroland Tower in Phu My Hung which has reported 80% long term lease sales which is the equivalent of 16,000m². This technique of long term lease (known as strata sale) is very common in Australia sometimes when the office market is flooded with supply and the office rental market is struggling.

Outlook

Prime rents have remained relatively stagnant for the last 6-9 months, excepting for a couple of anomalies and therefore have we found a market rent which will now stabilise and be impacted by more macro factors rather than micro factors in-line with our Asia-Pacific counterparts?

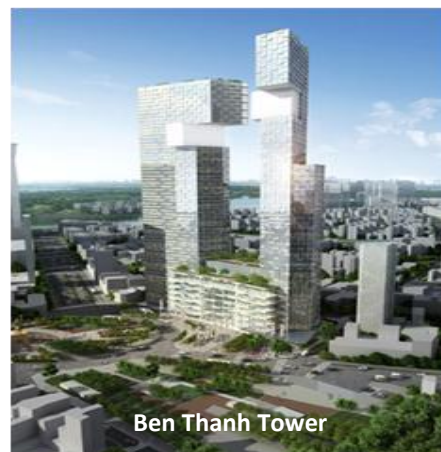
In a developing market we are still largely influenced by supply, more than a developed market due to the % increase one development will impact on the market. With Saigon One Tower, Times Square, Le Meridien and Presidents Place all due for completion this year this would indicate there could be a further reduction in the market rent. We believe the market rent for prime offices is unlikely to come under significant downwards pressure all be it the incentives that are expected to be available for those Tenants looking at moves over the next 12-18 months.

Important recent announcements in the office market:

- Bitexco's Ben Thanh Tower to commence in April. The construction is expected to be completed by 2015. Known as Ben Thanh Towers, the developments will comprise a GFA of 138,256m² and 55 floors, including 18%

for office component.

- Pico Plaza in Tan Binh District announced to commence in Q2/2012 with 10,000m² for office space for lease. The project is developed by Pico Corp.



Ben Thanh Tower

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We do not expect a further drop in prime market rent, however when analysed over the lease term the effective rent will be lower and there will be variances between buildings if the tenant is preferred to take professional advice and shop around. Bigger variances will tend to be the developments with higher vacancy rates.



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