



# Q4/2011 REAL ESTATE HIGHLIGHTS

HANOI  
Knight Frank

## HIGHLIGHTS

- 2011 was a continuing year of the down turn of the real estate market. Most of sectors were doing slow with an exception of retail. Prices/Rents have decreased in 2011.
- The market in 2011 saw remarkable new supply of office and retail spaces from large scale projects. Eastern area along with Western area are two attractive development hubs.
- Despite the continued credit crunch and quietness of the market, a few residential projects were launched and opened their show units in the second half of the year.

# ECONOMIC & LEGAL UPDATE

## Economic Overview

### GDP

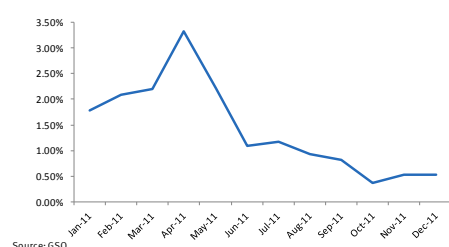
According to the General Statistics Office, for the entire 2011, GDP was estimated to have grown approximately 5.89% compared to the previous year. This number is lower than 6.78% in 2010. The Hanoi GDP growth rate reached 10.1% in 2011, 1% lower than last year (11%).

### CPI

Year on year inflation stood at 18.13% for 2011, just exceeding the target of 18% set by the government. Although CPI figures in Q4/2011 showed the lowest quarter on quarter price increase of 2011.

CPI of Hanoi in 2011 saw an increase in all 12 months in the range of 0.13-3.28%.

Movements of CPI in 2011



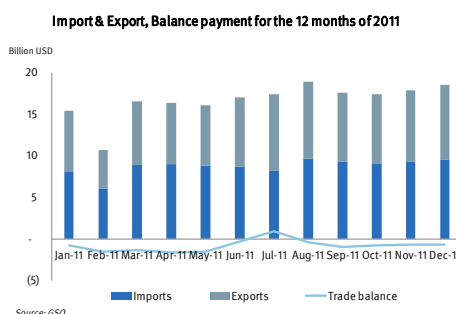
### Lending Rates

With inflation coming under control, the State Bank of Vietnam has capped deposit rates at 14% in order to try and improve liquidity. Lending rates have slowly followed, currently ranging from 18% to 21% decreasing slightly compared with the last quarter, however the access to credit in the real estate sector is still severely limited due to ongoing lending restrictions.

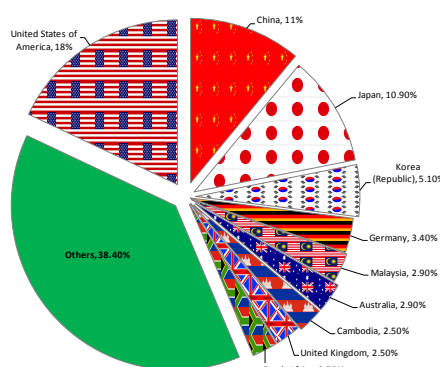
### Balance of Payments

According to the General Statistics Office, the trade deficit of 2011 stood at US\$9.5 billion, equal to 9.9% of total export turnover.

The deficit of 2011 is lowest in the last five years. Total export turnover is estimated at US\$96.3 billion for the entire 2011, an increase of 33.3% compared with the same period of 2010, exceeding the target of 2011 which was 10%. The overall balance of payments surplus over US\$3 billion compared with a deficit of US\$3,07 billion last year.



According to Custom's Vietnam, top 10 major exporting market of Vietnam in the 9 months of 2011.



### Foreign Direct Investment

For whole year 2011, Vietnam attracted approximately US\$14.696 billion of FDI, equaling 74% of the same period of last year. Of which, the registered capital of 1,091 newly licensed projects was

US\$11.56 billion, equaling 65% of the same period of last year.

According to the General Statistics Office, within the twelve months of 2011, the disbursement capital was approximately US\$11 billion, this number is the same with last year.

## Legal Update

### Directive No.2196/CT-TTg

Directive No. 2196/CT-TTg dated on 6 December 2011 requires actions by several relevant ministries, specifically, Construction, Finance, Environment & Natural Resources, Investment & Planning, to formulate a master plan and legal framework in order for the industry and its players to operate more effectively in the future.

### Decision No.2093/QĐ-TTg

Decision No.2093/QĐ-TTg issued and taking effect on 23 November 2011 by The Prime Minister on the reduction of land rental in 2011 and 2012 with regard to some economic organisations.

### Document No. 8844/NHNN-CSTT

Document No 8844/NHNN-CSTT issued by The State Bank of Vietnam and taking effect on 14 November 2011, easing credit restrictions on non-productive industries to allow commercial banks to grant financing for social housing projects and housing projects that will be completed and available for use before 2012.

**Draft Decree No. ... /2011/NĐ-CP** on Development and Management of Urban Area, in which the unit structure of condominium buildings are regulated. At least 30% of the total unit should be in the small scale of 45-70 sqm, 40% in the average range of 70-90 sqm.



# RETAIL

## Market Performance

Over 2011, the Hanoi retail market has seen supply increase by almost 380,000 sqm of leasable area, with the official opening of two shopping centres: Savico Megamall and Vincom Centre Long Bien, and one department store, Parkson at the retail podium of Keangnam Hanoi Landmark Tower. It is an increase of over 38% year-on-year.

The two latest shopping centres are both located in Long Bien district where there was no modern shopping centre before. This shows the significant movement to the Eastside of the city to meet the demand. The department store is located in the biggest complex so far to the west of the city. The new supply has changed the supply structure by district of the market. Long Bien is now the top district in terms of modern retail area.

Although new, those projects have gradually achieved high occupancy rates since officially opening. This new supply however has made the average vacancy rate of the market slightly increase to 6.23%, an increase of 0.6% quarter-on-quarter. Com-

pared to the same period last year, the market vacancy rate has almost no change. This shows the stability of the occupancy rate, which means the Hanoi retail market is still in robust demand.

Average asking rent of Hanoi retail market was approximately 1,115,000 VND/sqm/month (incl.SC, excl VAT), slightly decreased almost 2% quarter-on-quarter. The decrease in rents is due to the opening of new shopping centres and department stores which are located far away from the CBD.



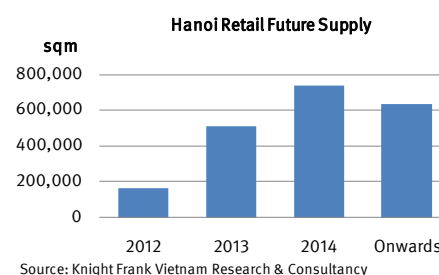
Vincom Centre Long Bien

Talking about demand, there are some new brands have joined the Vietnam market such as Gap, Tommy Hilfiger, Christian Louboutin although they have not yet in Hanoi. The Body Shop has just opened

their first stores in Hanoi with a shop house on Ba Trieu street and in Parkson at Keangnam.

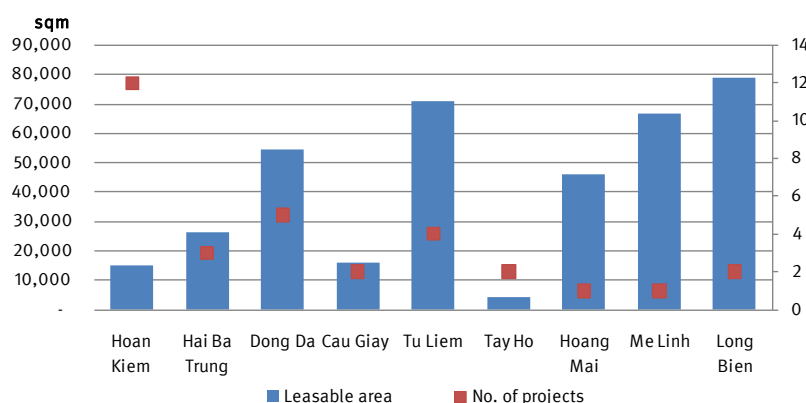
## Outlook

There will be about 2 million square metres of retail space enter the Hanoi market in the coming years. Although the timeline of projects may change, it is expected to welcome 160,000 sqm in 2012.



Further in the coming years, there will be a few large-scaled projects of about 200,000 sqm GFA, namely: Vincom Megamall—Times City, Ciputra Mall, and Vincom Megamall—Royal City, contributing significant supply to the market.

**Hanoi Retail Supply by District**



Source: Knight Frank Vietnam Research & Consultancy

## KNIGHT FRANK COMMENTS

The retail market has been the bright spot of the Hanoi real estate market with a good performance throughout 2011.

Major modern retail spaces in non-CBD area are welcomed by the residents but need attractive lease terms to entice tenants in the beginning.

New supply will ease the lack of retail space for the market and also increase the competitiveness of the market.



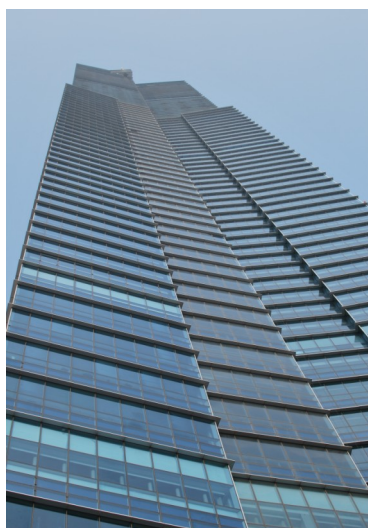
# OFFICE

## Market Performance

A very notable news of Q4/2011 of the Hanoi office market was the sale of Tower B—Vincom City Towers. Along with Tower A, tower B will not be for lease but purely for internal use of a bank. About 14,000 sqm of grade B office will be taken out of the market from Q1/2012. This will accordingly lead to higher occupancy in other buildings within the next three months when the current tenants of Vincom City Towers have to move out.

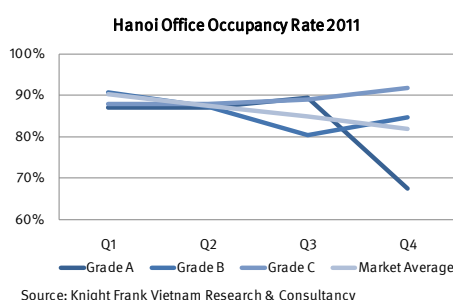
As at end of 2011, market supply has reached over 1 million square metre, increased 11% quarter-on-quarter. This increase was made mainly by a Grade A building, Keangnam Hanoi Landmark Tower as it has officially welcomed the first tenants.

With Keangnam Hanoi Landmark Tower, the supply of Grade A office has increased 56%, which accounts for 28% of the market. Grade B and Grade C office building respectively account for 43% and 29%.



Keangnam Hanoi Landmark Tower

The average vacancy rate of the market in Q4/2011 was approximately 17.3%, increased from 15% in the last quarter. Grade A office has experienced the highest vacancy rate ever of 32.6% due to the large new supply. In the meantime, average vacancy rates of Grade B and C office went down by 4.4% and 2.6% respectively.



Average rents of the market have been fairly stable in 2011, around 545,000 VND/sqm/month. In this quarter, average rent of Grade A office decreased almost 6% quarter-on-quarter to 755,000 VND/sqm/month while Grade B office saw only 10,000 VND/sqm/month lower in the average monthly rent, stood at 520,000 VND/sqm/month. Average monthly rent of Grade C office had a little move up to 377,000 VND/sqm.

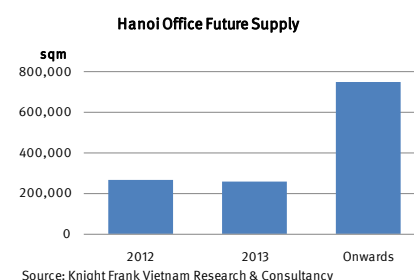
With the termination of leases in Vincom City Towers, tenants are moving to other buildings of same or higher standards in the CBD, taking up some minor vacancies left in these buildings. Other tenants chose to move further towards the west into new Grade A buildings offer better rents, namely: Charm Vit Tower, Keangnam Hanoi Landmark Tower.

## Outlook

Despite the slow market, a new 28-storey commercial project with the GFA of approximately 47,000 sqm, Western Bank Tower, started its commencement in Q4/2011 on Lang Ha street.

Within the next quarter, it is expected that about 70,000 sqm out of 270,000 sqm office space of 2012 from 5 projects will come online.

However, the new supply of 2012 may change due to the recent delay of some



projects.

## KNIGHT FRANK COMMENTS

Competitiveness of the office market keeps pushing pressure onto landlords, particularly landlords of new buildings.

Some major tenants of office buildings in the CBD tend to move towards new buildings in the west as availability in the CBD is limited for their expansion.

There will be a good source of new office supply in the CBD within the next two years, providing more options for tenants who want to stay in the city centre.

Coming expirations will keep the market dynamic from now to Q1 2012.

# RESEARCH



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