



News Release

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HANOI REAL ESTATE MARKET UPDATE - QUARTER 3/2011

The real estate market in Hanoi during Q3/2011 continued to be quiet due to a lack of credit and continuing difficult economic conditions. The government has been resolute in continuing to implement “Resolution 11”, restricting loans to the sector, with the aim of reducing the risk of an overheating property sector.

Liquidity in the residential sector has especially been low in Q3/2011. Many potential buyers are hesitating or adopting a “wait and see” approach, firstly due to difficulties accessing finance, and secondly due to alternative investment mediums offering better returns over the quarter, notably gold. In the apartment for sale market, we have seen one notable project, Hoa Binh Green City which started selling in Q3/2011, while a number of projects were put on hold and delayed due to a lack of capital. Sales rates have been sluggish although we have seen some projects continue to sell, for example Green Park and Skyview in Cau Giay District.

Going forward, the performance of the residential market will be linked to factors such as the inflation rate, the government’s monetary policy and the performance of alternative investment mediums such as gold price and the domestic stock market. It must be noted however that the main drivers of “end user” demand for apartments; population growth, urbanisation, increasing incomes and a substandard aging existing stock, continue to provide a bright medium term future for the residential market.

In the serviced apartment market, there were no new projects that entered the market during the quarter. Total stock therefore remained at 2,500 units in 55 projects. Occupancy rates for Grade A, B and C stood at 85%, 90% and 90% respectively. We note that a lot of enquiries come from the diplomatic community of Hanoi who saw the beginning of new missions at the end of the quarter. Increasingly the sector is coming under competition from high end apartment and villas for lease, notably from villas in the Tay Ho area. The next quarter will notably welcome 378 units in Keangnam Hanoi Landmark Tower.

The office market welcomed one project onto the market in Q3/2011, Viet A Building in Cau Giay District which added 17,000 m2 to total supply. In general, there was downward pressure on rents across the

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city, although this varied significantly according to the area and building. In the CBD, rents remained relatively stable and have not come down except for new buildings ,(which saw drops of up to 10% over the quarter) or existing buildings with some major vacant space , (with drops of 7-9%). To the west of the city, rents have decreased more with some buildings experienced 12% to 15% drops. Major competition comes from Charm Vit Tower and Keangnam Hanoi Landmark Tower.

The retail market has proved to be fairly robust during the last quarter, with rents generally remaining flat and a number of new openings increasing modern retail provision in the city. We are seeing numerous international brands considering further outlying areas from city centre, with the west of the city increasingly seen as a future retail destination. The latest shopping mall which came online in Q2/2011, PicoMall, has been successfully leasing up, yet the proposed cinema for the mall has not opened as announced earlier. In the next quarter the market will see a lot more activity, with the expected opening of Parkson in Keangnam Hanoi Landmark Tower.

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