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Merger and acquisition (M&A) in Vietnam's real estate markets seemed to bounce back in the first half of the year and is expected to show more signs of recovery in terms of transactions and capital volume.

A sharp rise in M&A property deals

Statistics from the Ministry of Planning and Investment indicated that the country attracted US\$5.7 billion in disbursed FDI in the first half of the year, showing a 1% increase year-on-year. The FDI which poured into the property sector accounted for approximately 10% of the total, mainly through M&A activities. For instance, in January, the Hong Kong based Tung Shing Group has acquired a 53% shareholding in the Mövenpick Saigon Hotel. Later, Lotte Mart – Korea's leading retailer – has expanded its operations by acquiring Pico Plaza. Sun Wah Vietnam Real Estate has made a commitment to the Bay Water project which was owned by domestic enterprises, according to the HCMC Department of Planning and Investment. In Khanh Hoa province, an Israeli investor has committed US\$300 million to the Bai Rong Resort and renamed it to Alma Resort.

Domestic M&A transactions have also caught the attention of the local market. In May, Hoang Anh Gia Lai announced the divestment of their Dong Nam Project in Ho Chi Minh City to Him Lam Corporation. Other major residential focused deals include the sale of the Water Garden project from PPI to Dat Xanh Group and the acquisition of a 95% interest in the Sky Park Residence by Thanh Hoa Construction Corporation.

The revival of the property market and the liquidity improvement can be seen as a result of the government's efforts to stimulate the market. In addition, some property developers have been eager to sell their projects to ease financial burdens; while other enterprises with strong financial resources desire to acquire such projects to take advantage of the improving market. Several M&A deals have been closed consequently. The gradual completion of infrastructure and road connectivity among major metropolitan areas and satellite cities has also made the property sector more attractive.

Future Outlook

M&A activities in Vietnam's real estate sector are expected to continue surging, given the perception that Vietnam remains one of the most promising growth markets. The Trans Pacific Partnership Agreement should be signed soon and will support the growth of the national economy and increase FDI flows into Vietnam. The New Land Law, effective 1 July 2014, allows foreign invested enterprises to be allocated land for investing in residential housing projects for sale. This regulation amendment is expected to ensure transparency and offer equal opportunities for local and foreign investors, making the Vietnam real estate market more attractive in the eyes of investors.

Dr. Su Ngoc Khuong, Associate Director of Investment, Savills Vietnam said: "The market continues to see residential development projects changing hands, including not only the apartment sector but also the landed property sector and township projects. Investors

Savills Vietnam

Savills Vietnam is the largest and most experienced real estate practice with offices in Hanoi and Ho Chi Minh City. The company provides comprehensive property services such as: Residential Sales, Commercial Leasing, Residential Leasing, Research & Consultancy, Valuation & Feasibility Study, Banking & Corporate Services, Investment Brokerage & Advisory, Retail Consultancy & Leasing, Property & Asset Management, Tenant Advisory & Representation, Industrial Consultancy & Leasing, Marketing & Creative services. Savills Vietnam has won the Asia Pacific Property Awards 2014 for "Best Real Estate Agency in Vietnam", "Best Lettings Agency in Vietnam" and "Best Property Consultancy in Vietnam". Moreover, in International Property Awards scope, Savills has been awarded "Best Lettings Agency in Asia Pacific" and "Best Real Estate Agency in Asia Pacific". The company consists of over 940 experienced and professional staff nationwide.

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Press Release

also have a strong appetite for operating assets with stable yields and lower risks. Within the hotel sector, the rapidly growing tourist numbers, both domestic and international, is the rationale for investment in city centre hotels as well as resorts in beach locations. This is further supported by the rapid growth in the number of direct international flights to multiple Vietnamese provincial airports.

Interests from Japanese and Korean investors, who have accounted for the majority of M&A activities in the last two years, are expected to stay strong. Besides, there is growing demand from Singaporean and Taiwanese groups for both residential and commercial office buildings. There will be continued activity in these sectors over the coming months and into 2015.”

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