

18 August 2014

SAVILLS REPORT ON DANANG PROPERTY MARKET

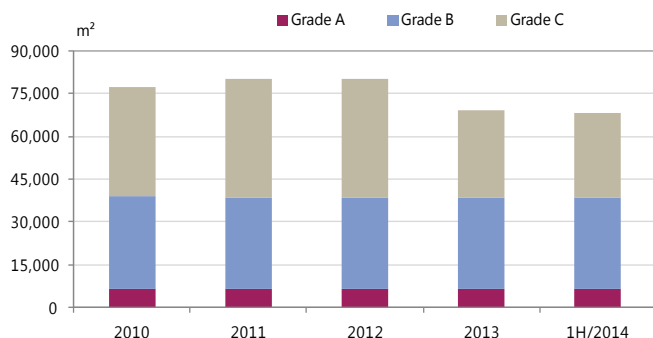
1. OFFICE FOR LEASE SECTOR

Supply

In 1H/2014, Da Nang's total office stock was approximately 68,300 m² from 20 buildings, decreasing slightly by -1% compared with 2013 when two small buildings were converted to internal use and removed from the market.

Hai Chau district continues to be the main supplier, with approximately 55,700 m² from 17 projects, accounting for 81% market share. The remaining 12,600 m² from three projects are located in Thanh Khe district.

Current stock, 1H/2014



Source: Savills Research & Consultancy

Performance

Occupancy decreased -1 ppt compared with last year to 86%, whilst the average rent was down -4% to VND218,000/m²/mth.

In 1H/2014, Grade A's occupancy was 94%, increasing slightly 1 ppt against 2013, while Grade B was stable at 86%. Grade C occupancy was 84%, -1 ppt lower than in 2013.

All grades saw a decrease in average rent. Grade A average rent was VND358,000/m²/mth, -6% lower than last year. Grade B saw a -5% decrease to VND243,000/m²/mth, while Grade C was down slightly -2% against 2013 to VND162,000/m²/mth.

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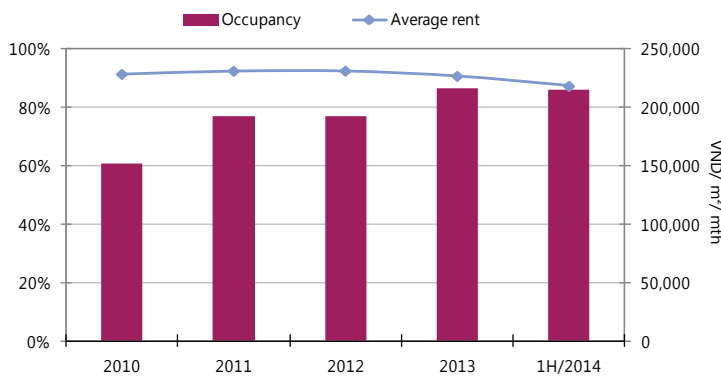
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Press Release

Market performance, 1H/2014



Source: Savills Research & Consultancy

Demand

In 1H/2014, the total leased area was 58,700 m², down -2% compared with 2013. Da Nang's office demand came mainly from Hai Chau with 82 percent.

The accumulated FDI from Asian countries accounted for approximately 50% of the total FDI in Da Nang.

According to Vietnam's Chamber of Commerce and Industry (VCCI), Da Nang was ranked first in the Provincial Competitiveness Index (PCI) and was one of the most attractive investment locations in Vietnam for 2013.

Outlook

Two new projects supplying approximately 31,000 m² are expected to enter Da Nang's office market by 2015.

The total future office supply from 2H/2014 onward is approximately 104,000 m² from 16 projects. A number of these projects have slow construction progress; therefore, their launch dates are unclear.

2. RESIDENTIAL SECTOR

Supply

In 1H/2014, there were no villa and apartment projects.

The villa stock was stable at 927 dwellings from 16 projects, unchanged since 2012. Compared with 2013, the primary market had 11 projects with 404 dwellings, down approximately -2% and the secondary market had 16 projects with 523 dwellings, up 2 percent.

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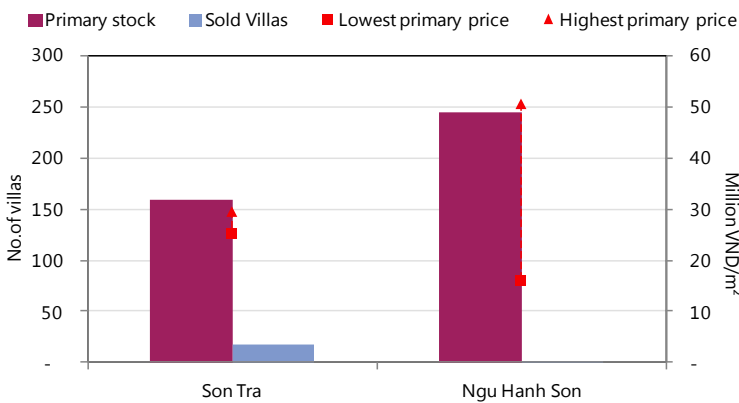
There were approximately 2,400 apartment units in 13 projects. There were approximately 869 units from 12 projects in the primary market, down -8% against 2013 and the secondary stock consisted of 1,555 units from 13 projects, up 3% against 2013.

Performance

In 1H/2014, villa absorption was soft at 5%, down -4 pts compared with last year due to low market sentiment amongst buyers. The average villa price was VND 23.1 million/m², down -8% against 2013, due to temporary sales holds in high-priced projects early this year.

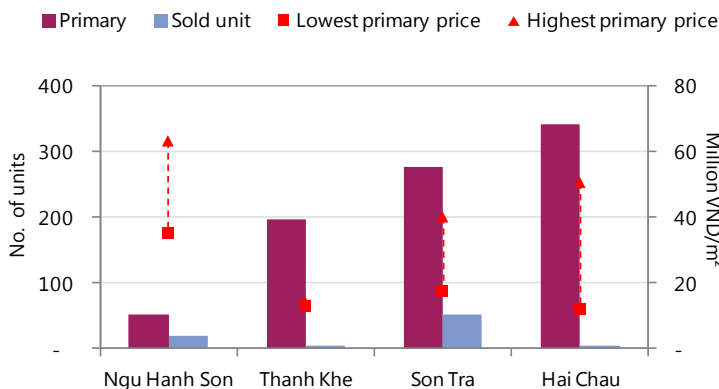
In contrast, the apartment market had positive movement with a 9% absorption rate during 1H/2014, up 4 pts compared with 2013 due to transactions in affordable projects from VND 23.1 to VND 27.3 million/m². The average price was approximately VND 26.1 million/m²

Villa performance, 1H/2014



Source: Savills Research & Consultancy

Apartment performance, 1H/2014



Source: Savills Research & Consultancy

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Demand

The key factors that may affect buying decisions include the reputation of the developer, construction status, price and location. From 2013 to the present, per Savills observation, several purchases were from foreign and buy-to-let investors.

Outlook

From 2H/2014 onward, 1,300 dwellings from 12 villa projects and 13,400 units from 12 apartment projects will enter Da Nang's market. Son Tra and Hai Chau district have the largest future villa and apartment supply.

3. RETAIL SECTOR

Supply

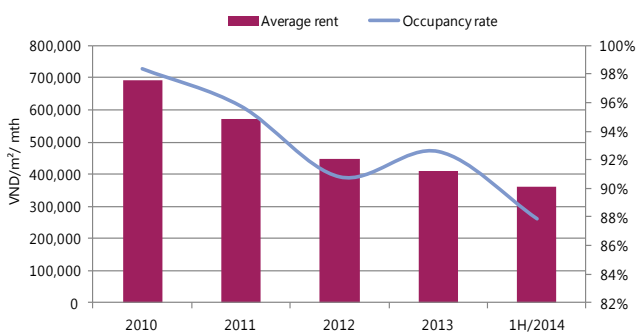
The total retail stock as of 1H/2014 was approximately 129,000 m², down -5% compared with 2013, due to the closure of the Dragon Vinh Trung shopping centre in Thanh Khe district for renovations.

In 1H/2014, modern retail centres existed in only three districts including Hai Chau with 39% share, Thanh Khe at 36% share and Cam Le with 25% share.

Performance

Both the average rent and occupancy have trended downward since 2010. In 1H/2014, the occupancy rate was 88%, -5 pts lower than 2013. Only Cam Le district achieved 100% occupancy. Due to poor performance, the average rent has decreased by -12% compared with 2013.

Market performance, 1H/2014



Source: Savills Research & Consultancy

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Demand

The foot traffic in most of Da Nang's retail centres is low due to a lack of entertainment facilities to attract customers. Da Nang's consumers favour traditional shopping outlets over modern centres.

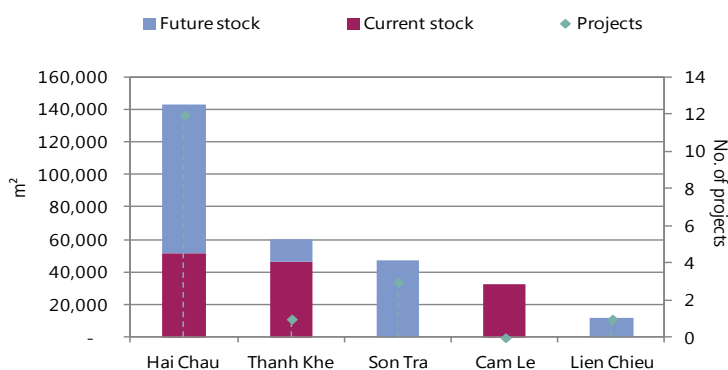
Da Nang's CPI increased 3.66% YoY in the first five months of 2014, much lower than the growth rate of the same period last year at 8.87 percent. The low CPI indicates soft demand for purchasing, which will weaken the retail segment's performance.

Outlook

From 2H/2014 onward, 17 retail projects are expected to enter Da Nang's market, supplying approximately 165,000 m² at 128% of the current stock.

In the next two years, approximately 25,000 m² from two projects will enter the market. However, one of the two projects has been on hold for a few quarters; the schedule for the project is uncertain.

Future supply by district, 2H/2014 onward



Source: Savills Research & Consultancy

4. HOTEL SECTOR

Supply

In 1H/2014, there were 49 officially ranked three to 5-star hotels supplying approximately 5,360 rooms, up 12% against 2013.

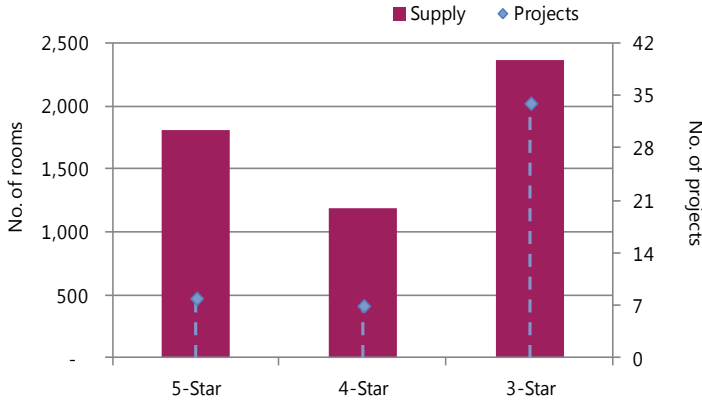
The additional supply came from the official ranking of four hotels: one 4-star hotel with 370 rooms and three, 3-star hotels with 186 rooms. Three-star hotels continue to account for the largest market share at 44%, followed by 5-star hotels at 34% and 4 -star hotels at 22 percent.

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There were approximately 2,820 rooms from 28 projects in the city, accounting for 52% market share. There are 21 projects in the beach area with approximately 2,550 rooms, accounting for 48% market share.

Current stock, 1H/2014



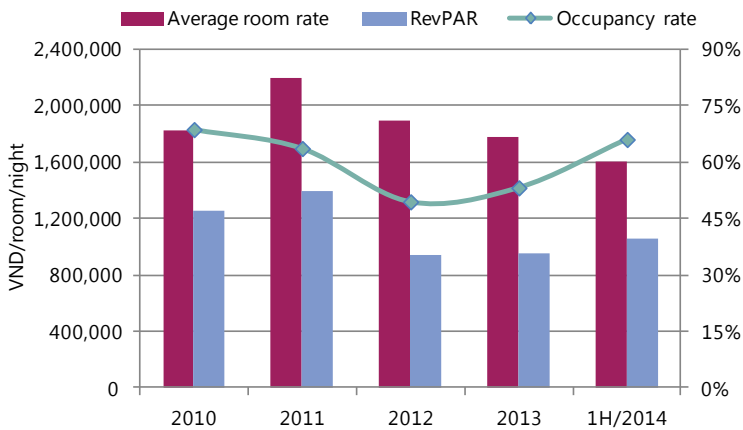
Source: Savills Research & Consultancy

Performance

Though the market's ARR dropped -9% against 2013 to VND 1.62 million/room/night, the RevPAR in 1H/2014 showed a 12% improvement compared with 2013. The overall occupancy increased 13 ppts against 2013 to 66 percent.

The RevPAR of the three and 4-star segments increased up to 43% against 2013. The 5-star segment's RevPAR fell significantly -17% against 2013 due to a -9 ppts occupancy decline.

Market performance, 1H/2014



Source: Savills Reseach & Consultancy

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Demand

According to Da Nang's Department of Culture, Sports and Tourism, during 1H/2014, visitors reached approximately 1.78 million. International visitor arrivals were approximately 450,000 increasing by 15.7% YoY. Domestic visitors were 1.3 million, up 15.9% YoY.

New flight routes from Da Nang to Japan, Malaysia and Can Tho are expected to begin operating in 2H/2014; this may increase the demand from these regions.

Outlook

Up to 2016, Da Nang's hotel market will receive 12 more projects, providing approximately 2,300 rooms, at approximately 43% of the current stock.

In 2H/2014, nine projects are expected to launch supplying approximately 1,140 hotel rooms; approximately 330 are expected to be 5-star and 400 are expected to be 4-star.

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