

May 7th, 2015

SAVILLS REPORT ON DANANG REAL ESTATE MARKET Q1/2014

OFFICE FOR LEASE SECTOR

Supply

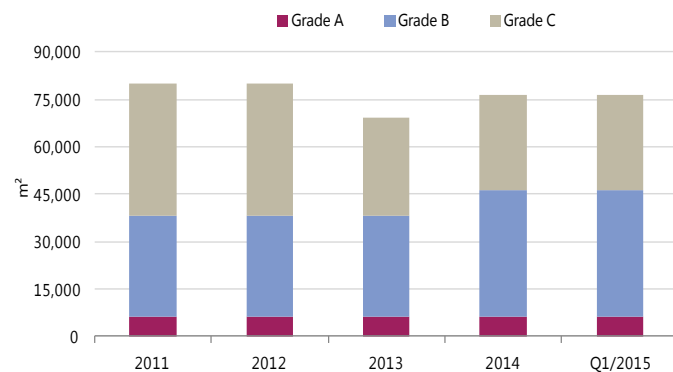
In Q1/2015, the total office stock in Da Nang was approximately 76,300 m² from 21 buildings, unchanged QoQ (quarter-on-quarter) but up 12% YoY (year-on-year).

Hai Chau district continues to be the main supplier, with approximately 55,700 m² from 17 projects, accounting for 73% market share. Thanh Khe district provided 20,600 m² from four projects.

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Current stock, Q1/2015



Source: Savills Research & Consultancy

Performance

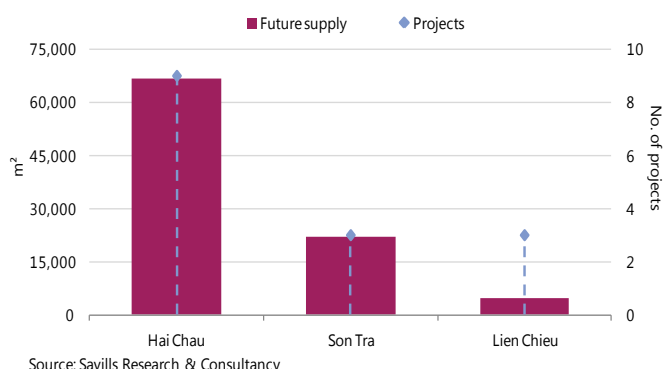
In Q1/2015, the average occupancy was 86%, up 3 ppts QoQ but down -1 ppt YoY. Grade A's occupancy was 97%, unchanged QoQ but increasing 3 ppts YoY. Grade B occupancy was at 84%, up 5 ppts QoQ while Grade C was 85%, up 1 ppt QoQ.

The average rent was down -1% QoQ to VND220,900/m²/mth. Grade A average rent was stable QoQ at VND364,000/m²/mth, while Grade B saw a -5% decrease QoQ to VND235,000/m²/mth and Grade C average rent was VND172,000/m²/mth, up 5% QoQ.

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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". 2015 is a milestone for Savills Vietnam when the company celebrates its 20 years of operations and growth with the Vietnam market. Currently, Savills Vietnam consists of over 1,000 experienced and professional staff nationwide.

Future supply, Q2/2015 onward



Demand

The total leased area was approximately 65,400 m², up 4% compared with 2014. Da Nang's office demand was focussed in Hai Chau at 75 percent.

According to Vietnam's Chamber of Commerce and Industry (VCCI), Da Nang was continuously ranked first in the Provincial Competitiveness Index (PCI) in 2014, reflecting its attractive investment location.

Outlook

From Q2/2015 onward, the total future office supply is approximately 93,600 m² from 15 projects. A number of these projects have slow construction progress; therefore, their launch dates are unclear.

In 2015, one new project is expected to enter Da Nang's office market, supplying approximately 20,400 m²

RESIDENTIAL SECTOR

Supply

In Q1/2015, there were no new villa or apartment projects.

The villa stock was stable at 927 dwellings from 16 projects, unchanged since 2012. Compared with 2H/2014, the primary market had 11 projects with 395 dwellings, down -5% and the secondary market had 16 projects with 532 dwellings, up approximately 4 percent.

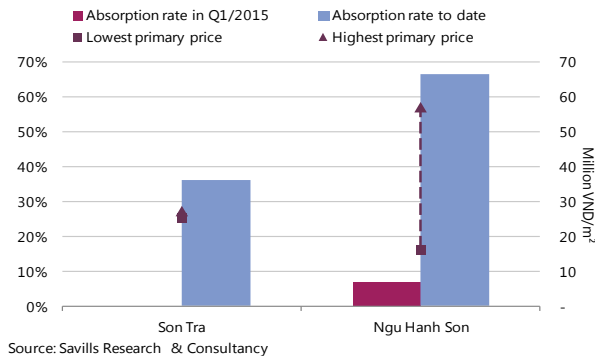
There were approximately 3,100 apartments in 14 projects. There were approximately 678 units from 12 projects in the primary market, down -14% against 2H/2014, the

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secondary stock consisted of 2,431 units from 14 projects, up approximately 49% against 2H/2014.

Villa performance, Q1/2015

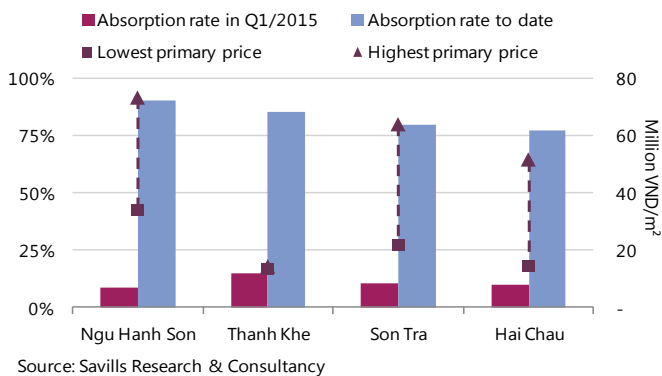


Performance

Despite some good performance, villa absorption was soft at 4% due to low market sentiment. The average villa price was approximately VND25 million/m², up 11% against 2H/2014.

The apartment absorption was 11% in Q1/2015 due to transactions in central and affordable projects with prices below VND20 million/m². The average price was up 17% against 2H/2014. Prices of apartments in and near the city centre were from VND13 – 51 million/m² while beachside were VND21 - 73 million/m².

Apartment performance, Q1/2015



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Demand

The key factors that may affect buying decisions include the reputation of the developer, construction status, price and location. Recently several purchases were foreign or buy-to-let investors.

Outlook

From 2015 onward, 1,300 dwellings from 12 villa projects and 16,870 units from 15 apartment projects will enter Da Nang's market. While Son Tra district continues to have the largest future villa supply, Hai Chau district remains the top future apartment supplier. Most future villa and apartment projects are in planning and do not have clear construction schedules; it is difficult to forecast launch dates.

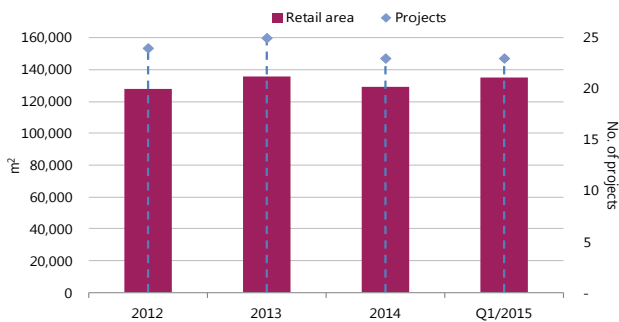
RETAIL

Supply

In Q1/2015, the total retail stock was approximately 136,000 m², up 5% QoQ and stable year-on-year (YoY) due to the entrance of Parkson Vinh Trung Plaza.

Modern retail centres exist in only three districts including Thanh Khe at 41% share Hai Chau with 35% share, and Cam Le with 24% share.

Current stock, Q1/2015



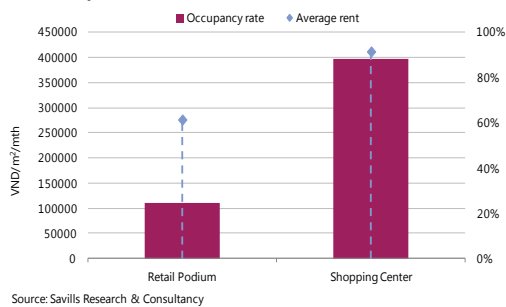
Performance

In Q1/2015 both occupancy and average showed an improvement QoQ but down YoY. Occupancy was up 5 pts QoQ thanks to the good performance of Parkson Vinh Trung Plaza, but down -1 ppt YoY. The average rent increased 6% QoQ and -7% YoY.

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Market performance, Q1/2015



Demand

Food & Beverage or game zones are still favoured; while the foot traffic in other areas such as fashion, cosmetic is low.

In Q1/2015, Da Nang total retail sales were approximately VND18,220 billion, down 0.84% year on year.

Outlook

From Q2/2015 onward, future supply will come from 17 projects with approximately 164,800 m². Most projects are under planning stage.

Up to 2016, two new projects are expected to come online, providing approximately 37,000 m²

HOTEL

Supply

In Q1/2015, there were 56 three to 5-star hotels supplying approximately 6,450 rooms, up 7% against 2014.

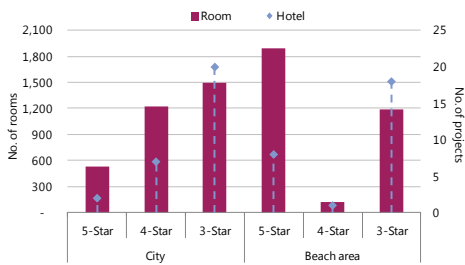
The additional supply came from the official ranking of three hotels: one 5-star hotel with 285 rooms and two, 3-star hotels with 140 rooms. Three-star hotels continue to account for the largest market share at 41%, followed by 5-star hotels at 38% and 4 -star hotels at 21 percent.

Half of stock is located in the city and half in the beach area.

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Current stock, Q1/2015



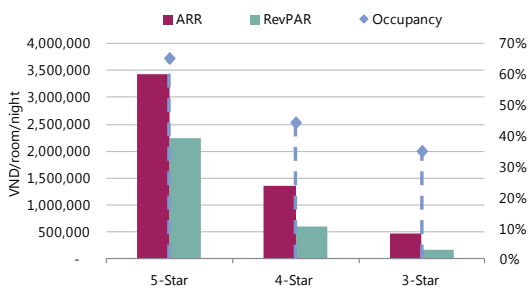
Source: Savills Research & Consultancy

Performance

The ARR dropped -5% against 2014 to VND 1.75 million/room/night, whilst the RevPAR showed a -12% decrease. The overall occupancy decreased -4 pts against 2014 to 48 percent.

The RevPAR of the three and 4-star segments decreased up to -45% against 2014. By contrast, the 5-star segment's RevPAR rose by 8% due to an 8 ppt occupancy increase.

Market performance, Q1/2015



Source: Savills Research & Consultancy

Demand

According to Da Nang's Department of Culture, Sports and Tourism, during Q1/2015, total visitors reached approximately 878,076, up 17.3% YoY. International visitor arrivals were approximately 313,096, increasing by 14.7% YoY. Domestic visitors were 564,980, up 18.9% YoY.

Currently, there are 21 direct flights to Da Nang and 8 of these are regular. The number of visitors to Da Nang by air achieved 125,755, increasing 30.5% YoY.

Outlook

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From Q2/2015 onward, Da Nang's hotel market will receive 37 more projects. These will provide approximately 6,370 rooms, at approximately 99% of the current stock, which may pressure the market.

Up to 2016, three projects are expected to launch supplying approximately 1,156 hotel rooms, all are expected to be 5-star.

Ms Do Thu Hang, Head of Research, Savills Hanoi comments: "Though still in its adjusting process, Danang's real estate market is considered to be potential because it now owns a competitive advantage. Danang now has an international airport with many direct flights, plus golf courses, casino and a lot of large scale entertainment center in addition to its beautiful coastlines and being next to a lot of heritage sites in the central of Vietnam. With the Amended Housing Law effective from July 2015, it is expected that there will be new demand upcoming."

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