VIETNAM COUNTRY REPORT

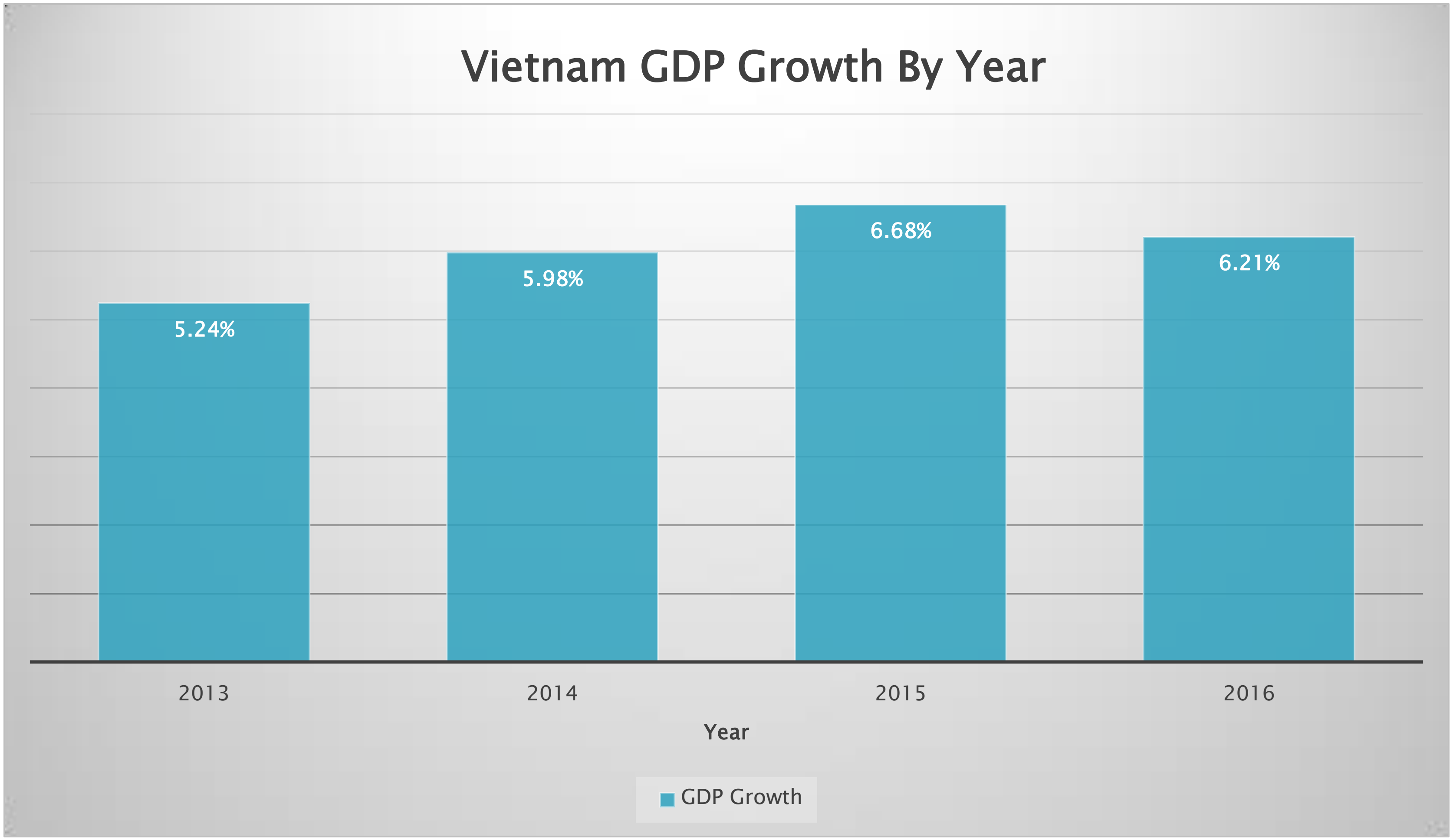
43rd ACF COUNCIL MEETING

JAKARTA, APRIL 21st 2017

CONTENT

1. Latest stats on Vietnam's economy;
2. Overview of construction industry current condition;
3. Materials and Labor Costs in construction sector;
4. Some changes in policy and legislation related to Construction sector.
5. Upcoming and On-going Mega Projects

1. UPDATED ECONOMIC SITUATION IN VIETNAM IN 2016



1. UPDATED ECONOMIC SITUATION IN VIETNAM IN 2016

Major Economic Sectors	Economic contribution	
	12.2016	12.2015
Agriculture, forestry, and fishery	16.32%	17.00%
Industry and Construction	32.72%	33.25%
Service	40.92%	39.73%
Product taxes less subsidies on production	10.04%	10.02%
Total	**100%**	**100%**

Source: General Statistics Office of Vietnam

1. UPDATED ECONOMIC SITUATION IN VIETNAM IN 2016

- Inflation increased by 4.74% in 2016 (stayed below the 5% target)
- Key influences to Inflation growth:
  - Rising medical costs
  - Rising wages for education sector
  - Rising food prices due to bad weather conditions
  - Decrease fuel prices
  - Price stabilization measures from the government

CURRENCY CHART (VND/USD)

1.2. TARGET BASIC ECONOMIC INDICATORS IN 2017

- GDP growth: 6.8%
- Increasing export turnovers of good 8-10%
- The Trade Deficit ratio is less than 5% compared to Export turnovers
- Consumer Prices Index (CPI) increase below 5%
- Unemployment rate: Less than 4%
- Health insurance coverage: increase to 77% of total population (from 50%)

2. OVERVIEW OF THE CONSTRUCTION INDUSTRY

- Construction Industry Value in 2017: 47.98 Billion USD
- Growth in 2016: 10.4% (104% of growth target)
- Total urbanization ratio: 36.6% (0.9% increase from 2015)
- Floor area per capita: 22,8 sqm (0.8 sqm increase from 2015)

2.1. THE POTENTIAL OF CIVIL CONSTRUCTION

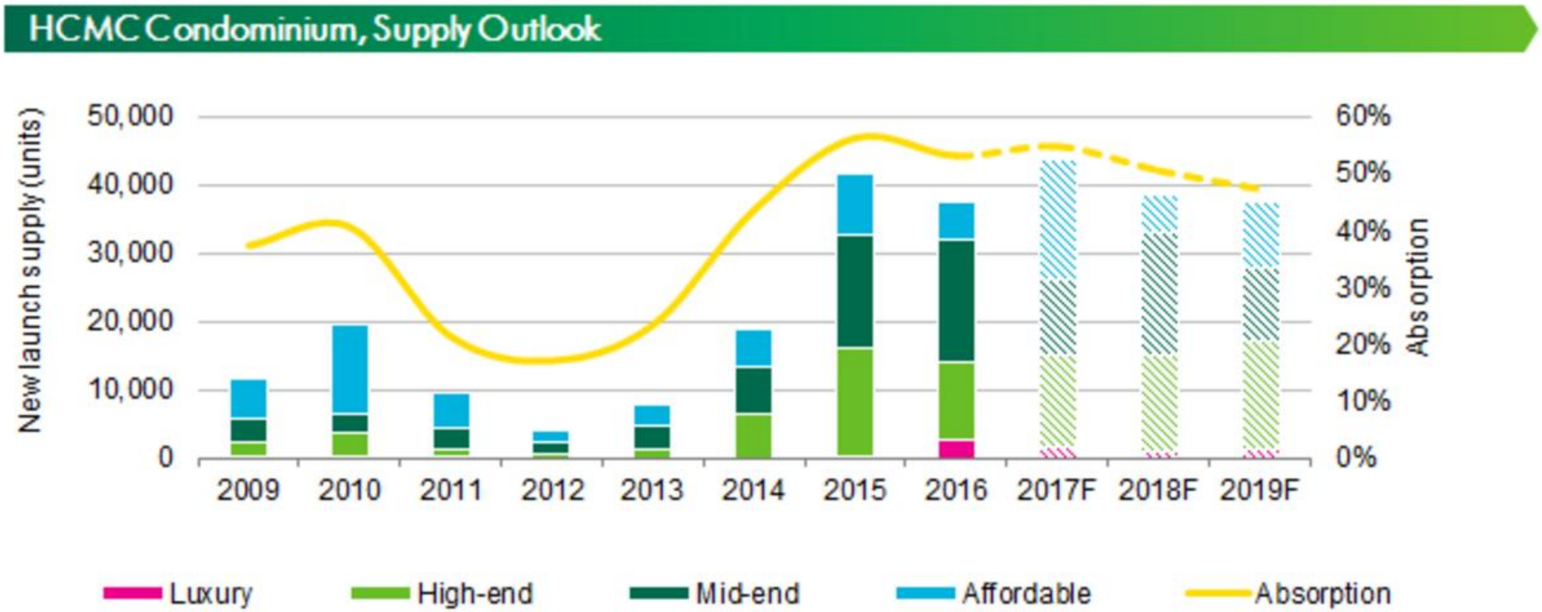
- The speed of urbanization is increasingly improving fundamentals to develop civil construction sector.
- Average floor area per person and housing rate continue to rise.

The National Program on Urban Development 2012 – 2020

	2013	2015	2020
Urbanization Rate	33,5%	38%	45%
Avg Dwelling-House Floor Area	23,1 m2/person	26 m2/person	29 m2/person
Permanent Houses Rate	60%	65%	75%

Source: Ministry of Construction

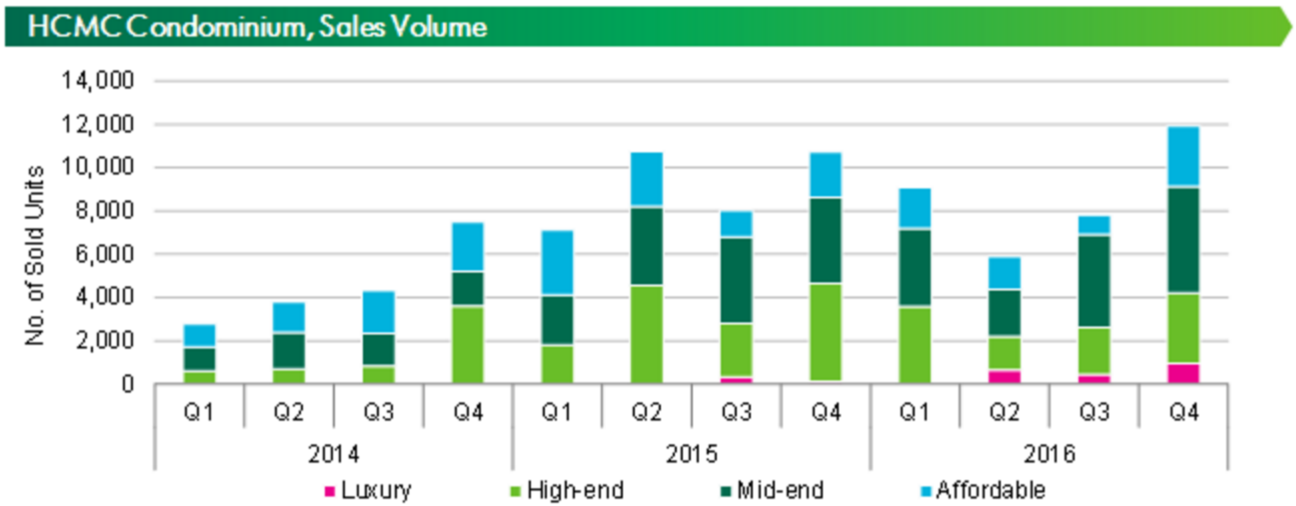
HOUSING SUPPLY TRANSACTIONS BY SEGMENT IN HCMC



Source: CBRE Vietnam, Q4 2016.

- Supply : 37,419 units (decreased by 10% y-o-y)
- Mid-end segment : 48% of total market (40% in 2015)
- High-end segment : 30% of total market (38% in 2015)
- Absorption rate expected to increase for mid-end to affordable segment (from 40% to 60%) but decrease for high-end segment

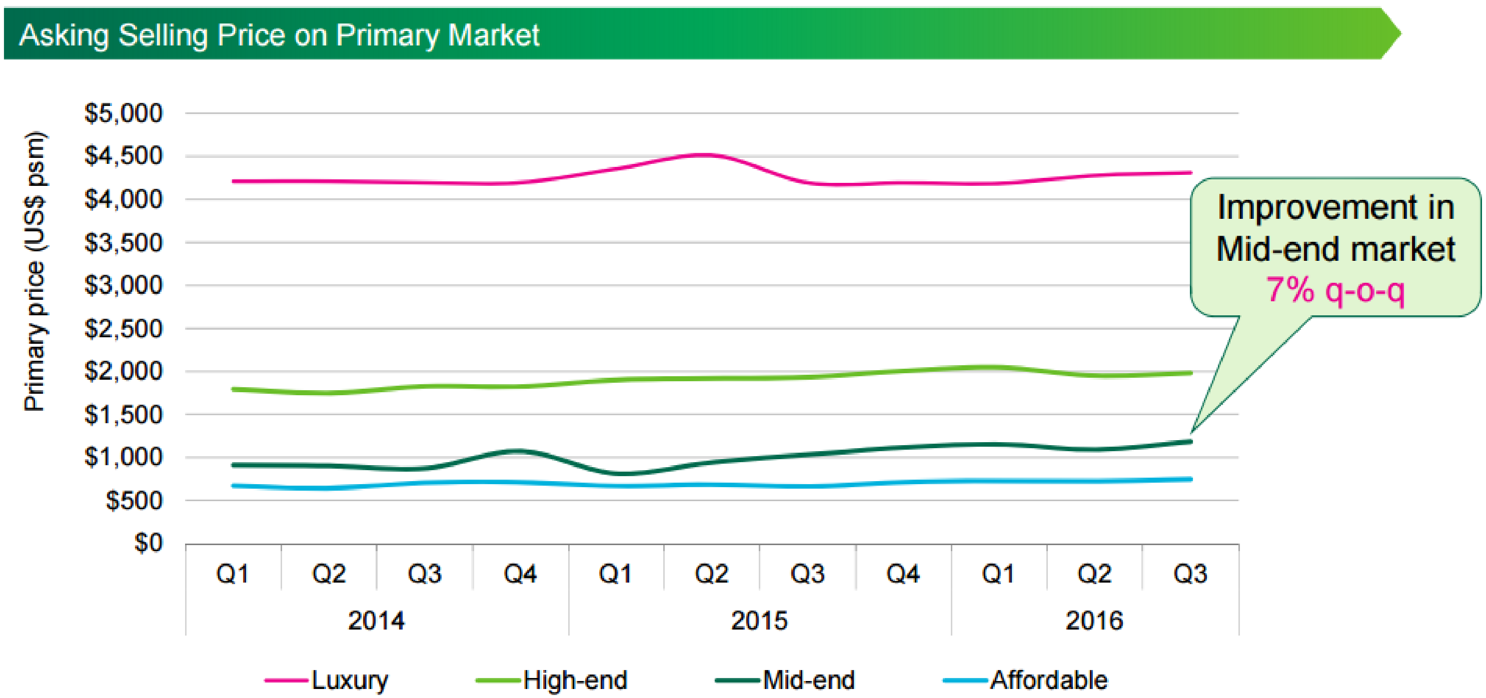
HOUSING SALE TRANSACTIONS BY SEGMENT IN HCMC



Source: CBRE Vietnam, Q4 2016.

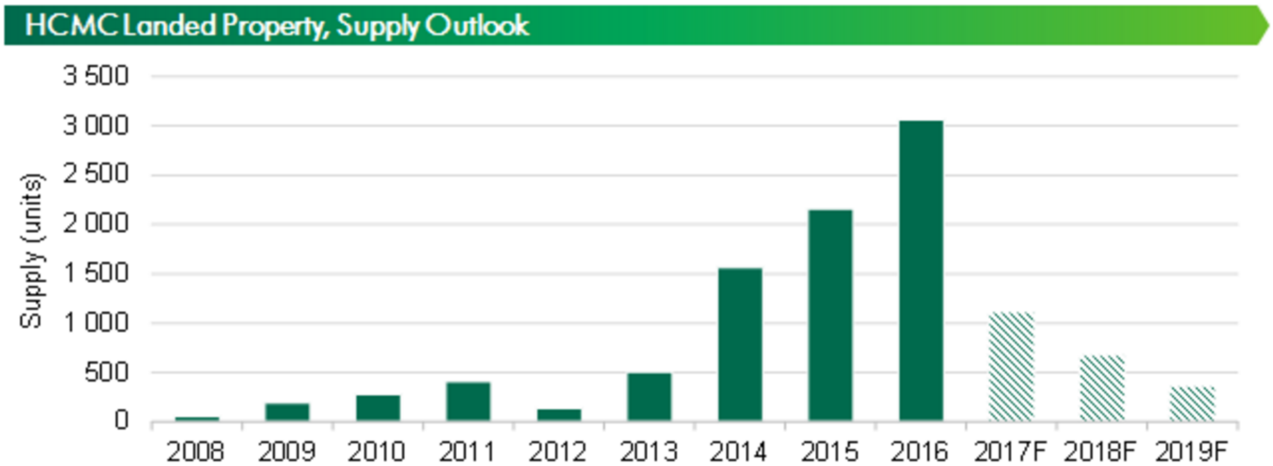
- Sales 2016 : 35,008 units (decrease 4% y-o-y)
- Mid-end segment : 15,270 units (40% of total units sold)
- Average Sales price : $ 2,104 psm (increase 4.6% y-o-y)

HOUSING PRICE BY SEGMENT IN HCMC



Source: CBRE Vietnam Q3 2016

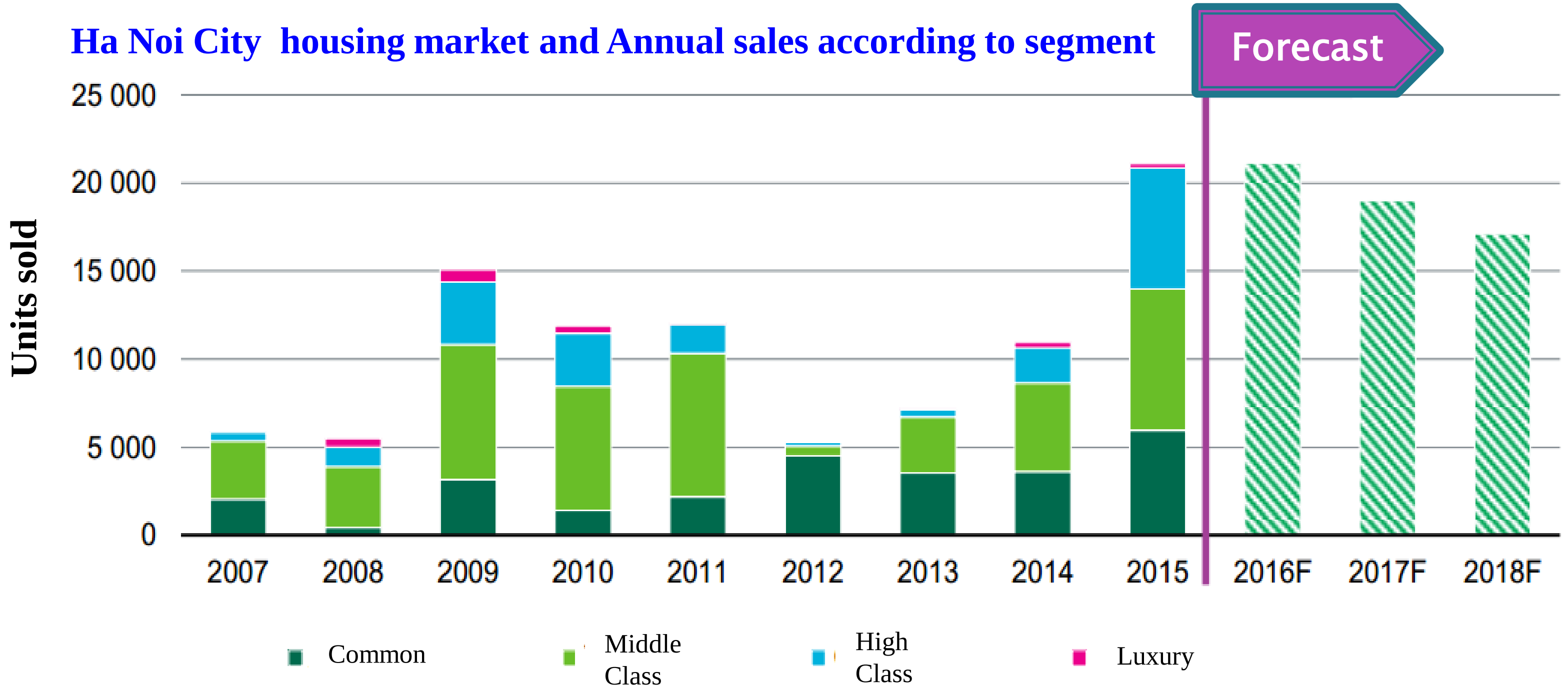
Landed Property Supply Forecast



Source: CBRE Vietnam, Q4 2016.

- Supply 2016 : 3,062 units (increase 40% y-o-y)
- Sales 2016 : 2,304 units (similar to 2015)
- Mid-end segment : ready-built villa/townhouse
- Average Sales price : increase 10%-15% y-o-y depending on district
- Supply expected to drop due to diluted market and developer looking in untapped land locations for affordable housing development

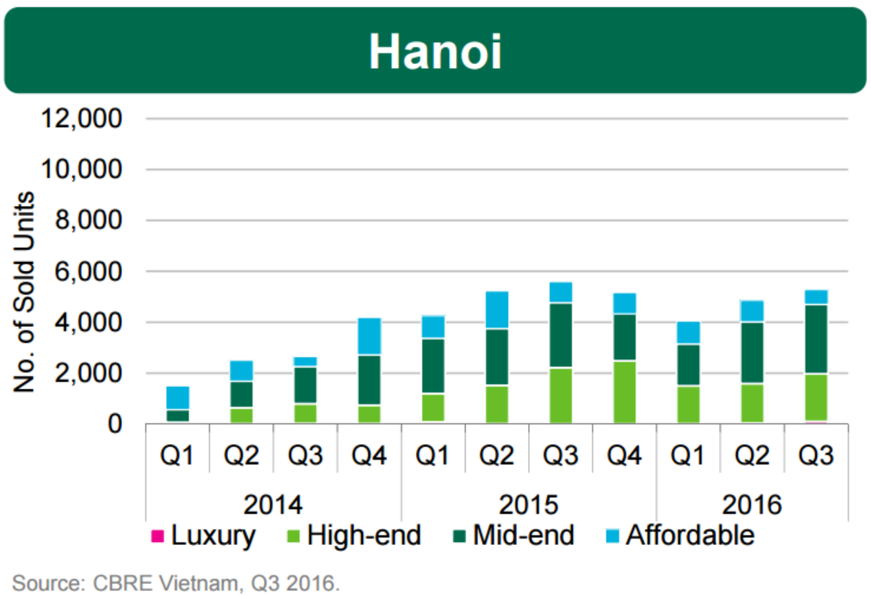
HOUSING SALE TRANSACTIONS BY SEGMENT IN HANOI

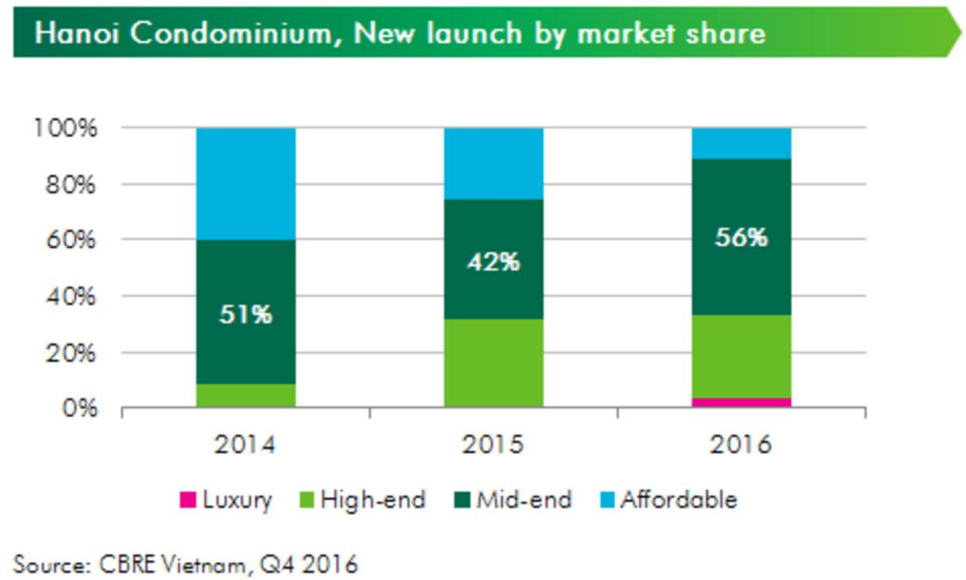


Source: CBRE, Q4/2015

- Sales 2016 : 21,188 units (as forecasted)
- Mid-end segment : 10,100 units (47% of total units sold)
- Average selling price slightly decreased from 0.7% to 2.9% for mid-end and high-end in the secondary market, but increased by 1.9% for affordable housing market

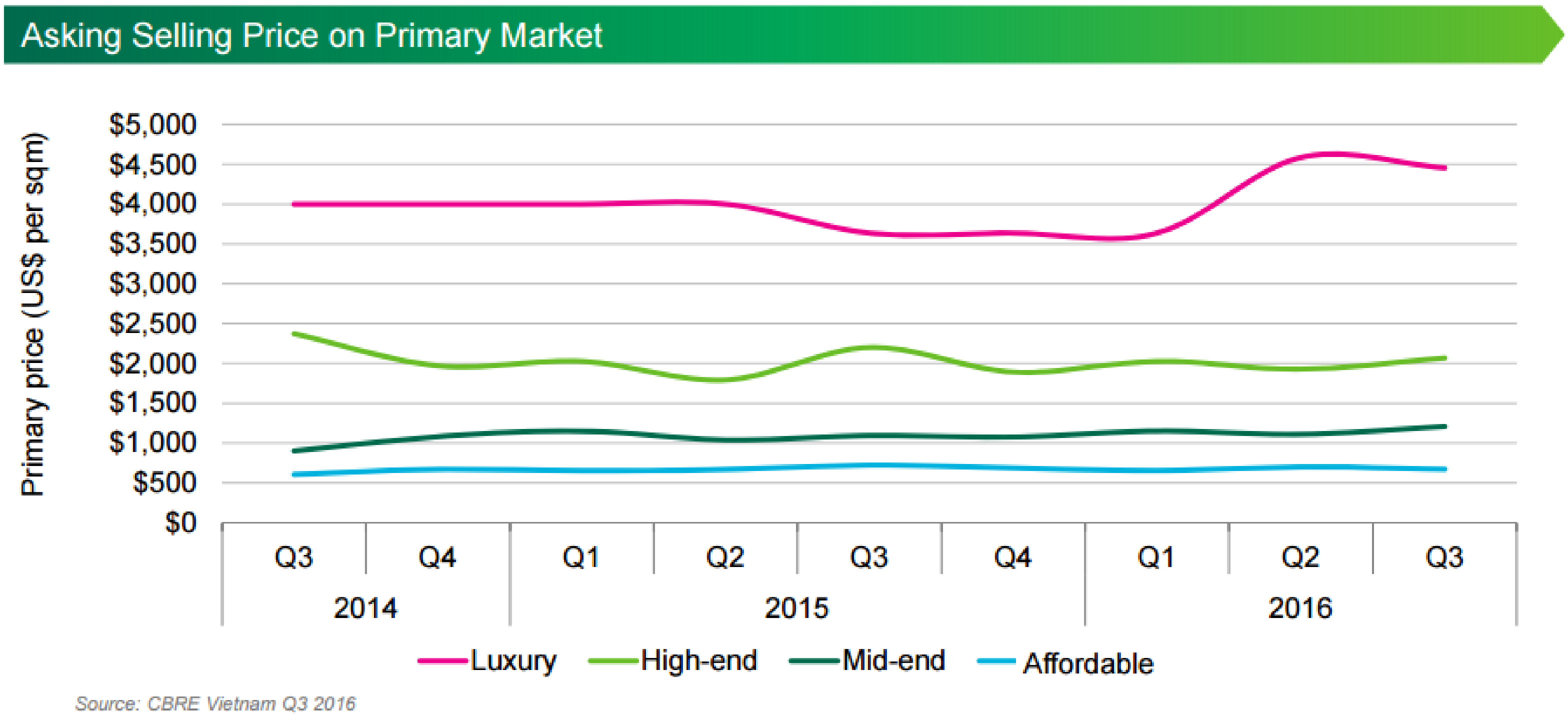
HOUSING SALE TRANSACTIONS BY SEGMENT IN HANOI





- Supply decreased 13% y-o-y
- 56% of new launches from mid-end segment
- 30% of new launches from high-end segment
- 2 luxury projects launched

HOUSING PRICE BY SEGMENT IN HANOI

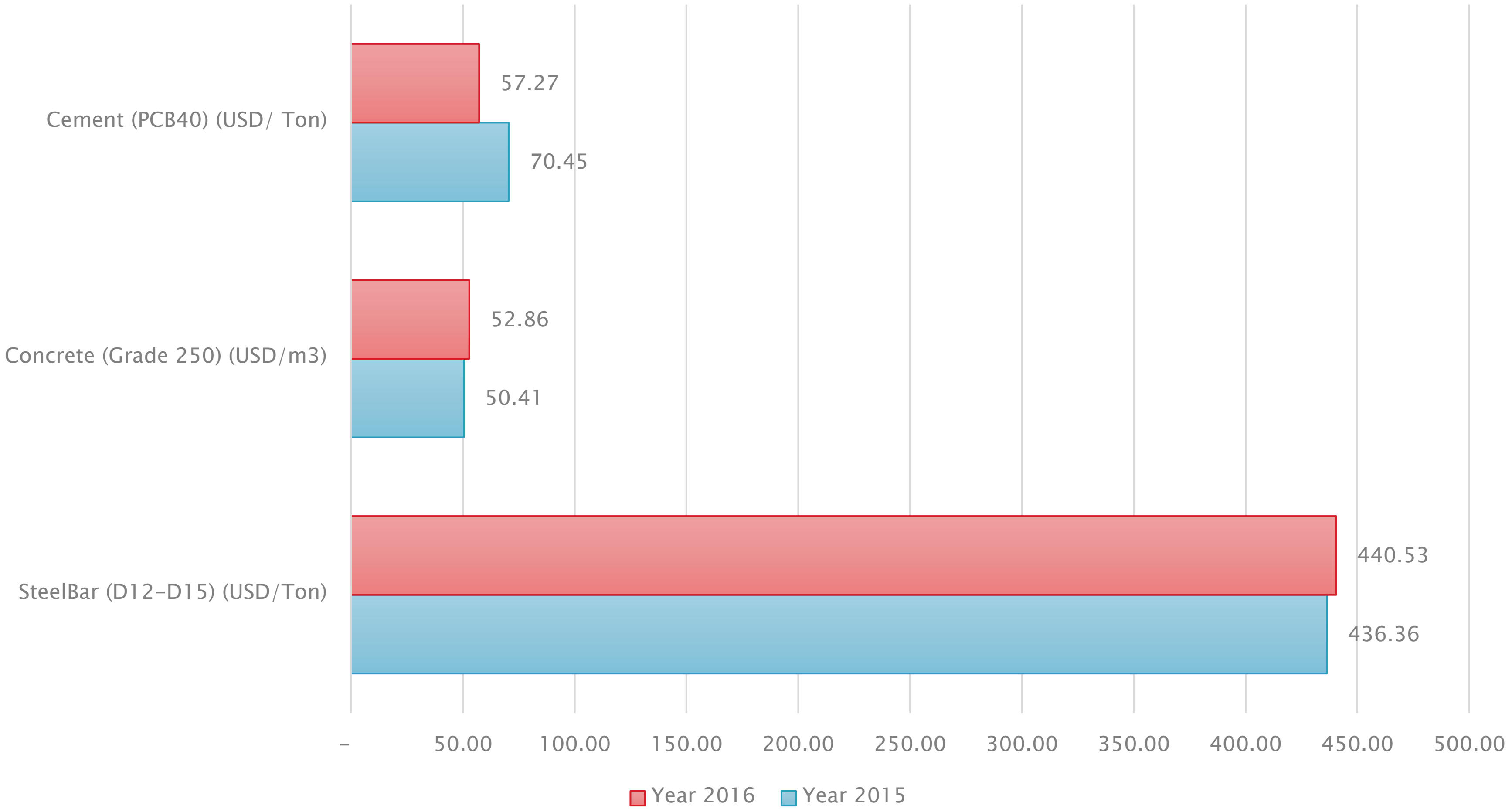


3. CONSTRUCTION COST REVIEW

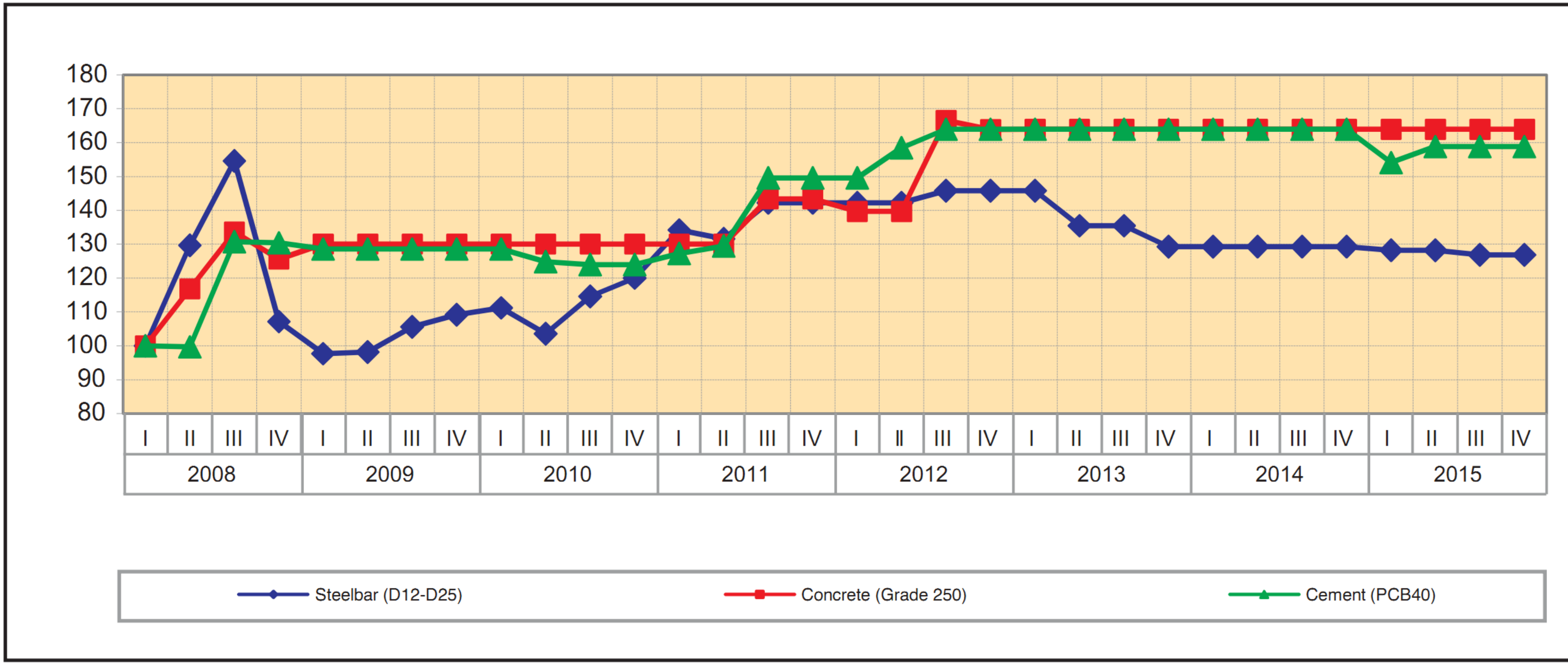
DESCRIPTION	US\$/m²				
	HO CHI MINH##	KUALA LUMPUR	BANGKOK#	BRUNEI	JAKARTA###
DOMESTIC					
Apartments, high rise, average standard	605 - 755	305 - 460	604 - 730	813 - 1,116	636 - 722
Apartments, high rise, high end	765 - 885	735 - 880	899 - 1,067	1,004 - 1,307	879 - 998
Terraced houses, average standard	405 - 475	210 - 305	421 - 505	526 - 829	342 - 442
Detached houses, high end	465 - 565	715 - 880	730 - 885	800 - 1,103	922 - 1,112
OFFICE/COMMERCIAL					
Medium/high rise offices, average standard	710 - 825	575 - 665	590 - 730	813 - 1,116	627 - 698
High rise offices, prestige quality	815 - 1,110	835 - 1,130	772 - 983	1,149 - 1,453	926 - 1,045
Out-of-town shopping centre, average standard	N/A	515 - 615	576 - 744	789 - 1,092	542 - 599
Retail malls, high end	655 - 860	635 - 825	772 - 800	1,040 - 1,343	599 - 646
HOTELS					
Budget hotels - 3-star, mid market	1,305 - 1,590	965 - 1,350	1,053 - 1,165	1,537 - 1,840	1,093 - 1,292
Business hotels - 4/5-star	N/A	1,675 - 1,960	1,348 - 1,544	2,167 - 2,471	1,492 - 1,663
Luxury hotels - 5-star	1,690 - 1,960	1,855 - 2,175	1,573 - 1,685	2,225 - 2,528	1,596 - 1,805
INDUSTRIAL					
Industrial units, shell only (Conventional single storey framed units)	305 - 380	305 - 385	449 - 562	375 - 678	287 - 310
Owner operated factories, low rise, light weight industry	360 - 475	415 - 465	N/A	511 - 814	310 - 343
OTHERS					
Underground/basement car parks (<3 levels)	605 - 725	345 - 475	505 - 660	N/A	442 - 541
Multi storey car parks, above ground (<4 levels)	385 - 425	200 - 255	168 - 270	416 - 720	287 - 310
Schools (primary and secondary)	505 - 555	210 - 235	N/A	610 - 913	N/A
Students' residences	505 - 655	265 - 295	N/A	713 - 1,016	N/A
Sports clubs, multi purpose sports/leisure centres (dry sports)	755 - 805	560 - 610	N/A	1,640 - 1,943	998 - 1,496
General hospitals - public sector	N/A	835 - 1,040	N/A	1,843 - 2,146	N/A
Exchange Rate Used : US\$1 =	VND 22,410	RM 4.33	BAHT 35.61	B\$ 1.37	IDR 13,750

Source: Langdon & Seah, Q4 2015

Average Construction Material Prices by Year

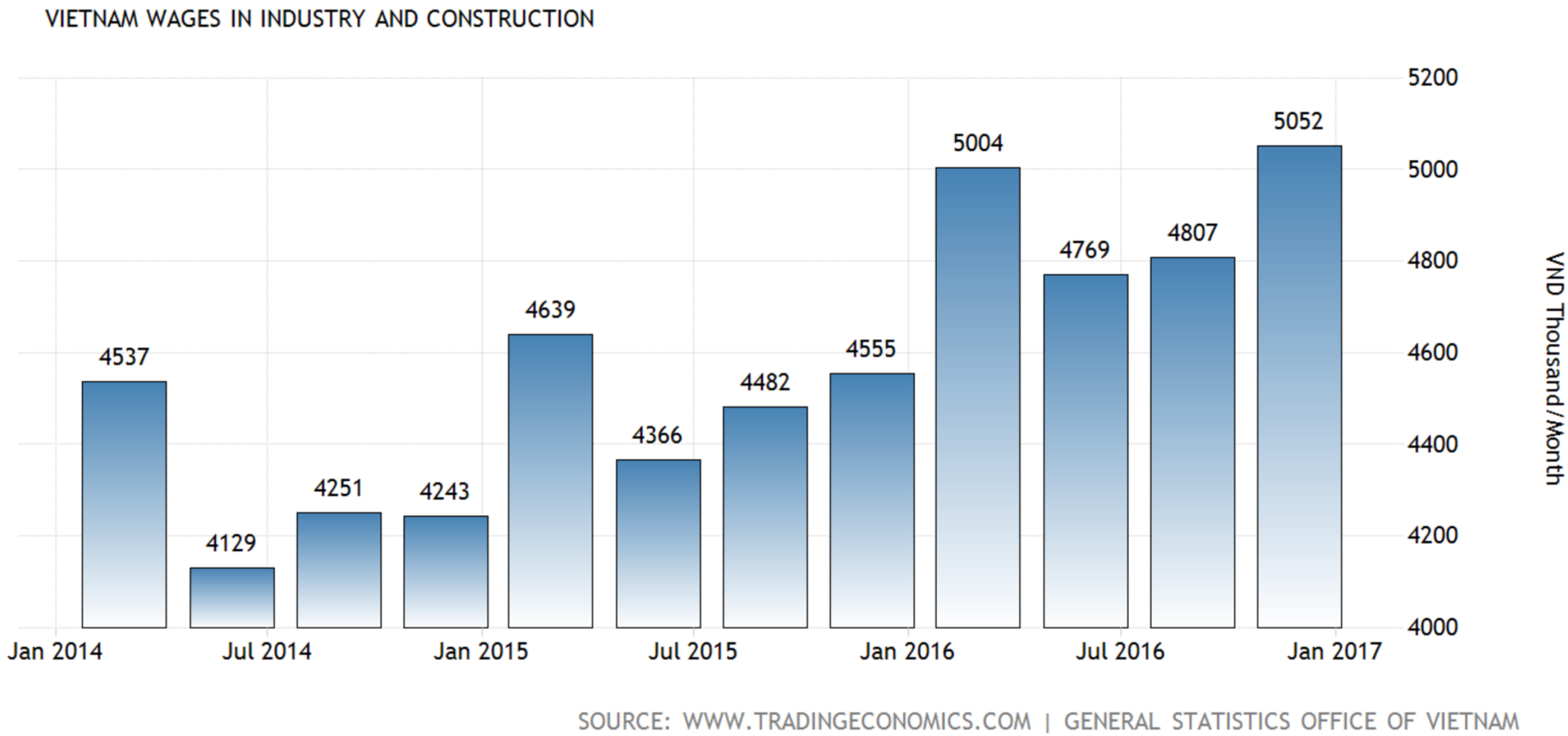


Construction Material Cost price trend



(Source: Ho Chi Minh City Departments of Construction and Departments of Finance Year 2008-2015)

AVERAGE MONTHLY LABOUR COST



Wages will increase due to government determination, that is the reason pressuring down contractor profits.

4. SOME CHANGES TO A POLICY & RELATED LEGISLATION.

- July 01st 2015, foreign individuals house ownership allowed

- But, No further guidelines in implementing this law

  → Ownership rights practically unavailable to foreigners

- Many complaints received from developers and investors

4. SOME CHANGES TO A POLICY & RELATED LEGISLATION.

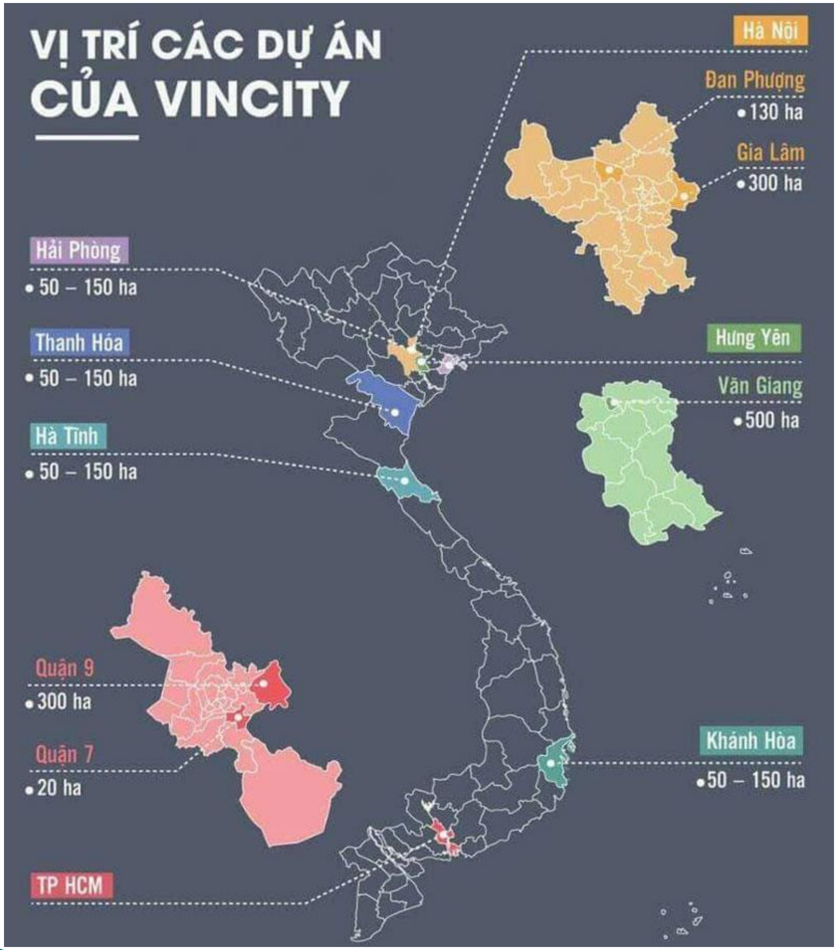
- Prior to Feb 2015, Public-Private Partnership (PPP) models (BT, BOT, BTO, BOO) are governed under two different legal documents Decision No. 71/2010/QD-TTG and Decree by the Government No.108/2009/ND-CP

  → Inconsistencies in legal framework of PPP.

- Decree 15/2015/NĐ-CP unified one legal framework for models of PPP

  → Increase in transparency and foreign investment incentives

5. UPCOMING AND ON-GOING MEGA PROJECTS

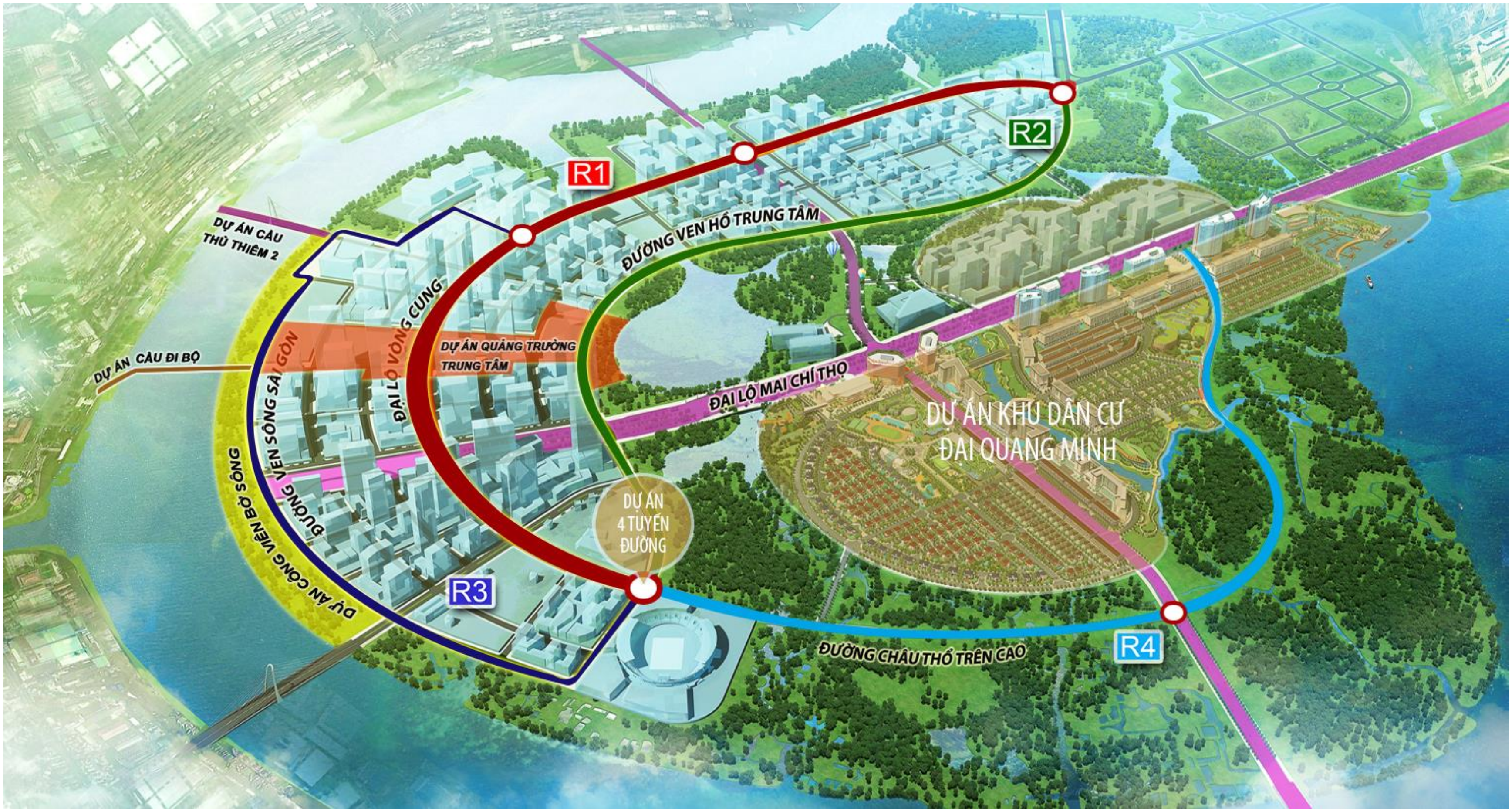


Project name: Vincity
Size: 200,000 – 300,000 apartments
9 Locations over 5 years
Investor: Vingroup

5. UPCOMING AND ON-GOING MEGA PROJECTS

Thu Thiem - Four major roads are taking shape

5. UPCOMING AND ON-GOING MEGA PROJECTS



Project name: Sala Apartment and Villa Residence
Developer: Dai Quang Minh Real Estate Company

5. UPCOMING AND ON-GOING MEGA PROJECTS

Total distance: 107 Kilometers
Time of Completion: Year 2020

5. UPCOMING AND ON-GOING MEGA PROJECTS

HANOI INFRASTRUCTURE

Metro lines: step by step progress

Line No. 2A - Ha Dong- Cat Linh: 80% completed (Q2/16: 74%). Expected operation: Q3/2017

Depot on La Khe (Ha Dong)

Depot on Thanh Xuan 3

Depot on Cat Linh

Line No. 3 – Nhon - Hanoi Railway station: 45% completed. Expected operation: 2020

Cau Giay Road

Cau Giay – Pham Hung Intersection

Depot on Cau Dien Road

Source: Retrieve on internet, CBRE Vietnam

5. UPCOMING AND ON-GOING MEGA PROJECTS

HCMC INFRASTRUCTURE

VN EXPRESS INTERNATIONAL August 29, 2016

Vietnam to launch international bus routes to Thailand

Connecting Vietnam, Laos, Thailand
3 routes

1. Bangkok – Nakhon Phanom (Thailand) – Thakhek (Laos) – National Highway (NH) No. 12A – Ho Chi Minh Highway – NH No.15 – **Ha Tinh Province (Vietnam).**
2. Bangkok – Nakhon Phanom (Thailand) – Thakhek (Laos) – NH No.13 – NH No.18 – NH No.1 – **Ha Tinh Province (Vietnam).**
3. Mukdahan (Thailand) – Savannakhet (Laos) – NH No.9 – Dong Ha – NH No.1 – **Hue – Da Nang (Vietnam).**

Vietnam+ WEDNESDAY, AUGUST 24, 2016

RoK group eyes larger involvement in HCM City's infrastructure

Tan Son Nhat-Binh Loi Ring Road (Photo: VNA)

HCM City (VNA) – The Republic of Korea's GS Engineering & Construction (GS E&C) is eyeing bigger role in infrastructure development in Ho Chi Minh City.

The announcement came after a meeting between city officials and Vice Chairman of GS E&C Huh Myung Soo in the locality on August 23

THANKS FOR YOUR ATTENTION!