RETAIL REAL ESTATE MARKET UPDATE
OUTLOOK FOR 2015
CONTENT

- Vietnam Market Overview
- Market Trends
- Other Indochina Markets Updates
- Retailer Analytics
- Legal updates on Retail Real Estate
VIETNAM MARKET OVERVIEW
VIETNAM GDP GROWTH – REGION’S 2ND BEST
APAC Real GDP Growth (2014-2015) vs Long Term Average

**IMPROVING**
- Improvement in geopolitical pressure
- Recovery in export on the back of stronger global demand

**SLOWING**
- China slow down - knock-on effect
- Election in 2016
- Oil price drops

The chart does not tell this Group markets in:
- Export driven
- Improvement in geopolitical tension
- China slowdown – knock-on effect on commodity export markets like Australia and New Zealand
- Japan growth is minimal
- Recovery in export on the back of stronger global demand

Oil had been getting stronger since 2009, 2010; but then declined significantly since mid-2014

**Good consequences:**

- *Stronger consumptions* due to lower industrial input and logistics costs (-3% approx.)
- Lower construction cost
- Lower building operating cost (service charge)

**Bad consequences:**

- *Weakening VND/USD.*
- Falling oil world prices would slash Vietnam’s state budget by around US$3 billion
- **But** just a minimal impacts against VND (Sufficient USD reserves, surplus trade balance, robust FDI, low inflation)
FUNDING GETTING CHEAPER

Interest Rates and Inflation

Lending rate for the first 12 months:
- Techcombank: 9.49%
- Vietcombank: 7.99%
- ACB: 8.9%

Source: Vietnamese General Statistical Office.
RETAILS & SERVICES TURNOVER

Turnover continues to increase whilst growth continues to slow
RETAIL MARKET UPDATE

Strong supply from Hanoi market

Retail supply by city (NLA, ‘000 sqm)

Source: CBRE Vietnam, Q2 2014.
RETAIL MARKET UPDATE
APAC Development Pipeline

Source: CBRE Research Q4 2014.
Softer rents but vacancy still up

**AVERAGE ASKING RENT**
(US$/sm/month)

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**VACANCY RATE** (%)

- **2014 Q4**: 21%
- **2014 Q3**: 15%
- **2014 Q2**: 9%
- **2014 Q1**: 3%
- **2013 Q4**: -3%
- **2013 Q3**: 3%
- **2013 Q2**: 9%
- **2013 Q1**: 15%
- **2012 Q4**: 21%
- **2012 Q3**: 15%
- **2012 Q2**: 9%
- **2012 Q1**: 3%
- **2011 Q4**: -3%
- **2011 Q3**: 3%
- **2011 Q2**: 9%
- **2011 Q1**: 15%

**Net Absorption (sm)**

- **2014 Q4**: 160,000
- **2014 Q3**: 120,000
- **2014 Q2**: 80,000
- **2014 Q1**: 40,000
- **2013 Q4**: 0
- **2013 Q3**: 40,000
- **2013 Q2**: 80,000
- **2013 Q1**: 120,000
- **2012 Q4**: 160,000
- **2012 Q3**: 120,000
- **2012 Q2**: 80,000
- **2012 Q1**: 40,000
- **2011 Q4**: 0
- **2011 Q3**: 40,000
- **2011 Q2**: 80,000
- **2011 Q1**: 120,000

Source: CBRE Vietnam, Q4 2014.
HOCHIMINH CITY PERFORMANCE 2014
Consistent performance for the last eight quarters

AVERAGE ASKING RENT
(US$/sm/month)

<table>
<thead>
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<th>Year</th>
<th>Quarter</th>
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<tr>
<td>2011</td>
<td>Q1</td>
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</tbody>
</table>

VACANCY RATE (%)

Source: CBRE Vietnam, Q4 2014.
NEW SUPPLY IN 2014
HANOI

Shopping Centre & Department Store

LOTTE MART
(Mipec Tower)
Dong Da District
GFA: 27,000 sm

Opened: Q1/2014

LOTTE
DEPARTMENT STORE
Ba Dinh District
GFA: 21,480 sm

Opened: Q3/2014

ALMAZ  by Vingroup
Convention – F&B – Retail & Entertainment Center
Long Bien District
GFA: 2,5 ha

Opened: Q4/2014

Trang Tien Plaza reopening

More affordable brands

Add more F&B
NEW SUPPLY IN 2014
HoChinhMinh City

Shopping Centre & Department Store

**AEON MALL**
**TAN PHU CELADON**
Tan Phu District
GFA: 42,100 sm
Anchor: Aeon Mart, Aeon department store, CGV, Dream Games

**Opened: Q1/2014**

**AEON MALL**
**BINH DUONG CANARY**
Binh Duong
GFA: 62,100 sm
Anchor: Aeon Mart, Aeon department store, CGV, Play Time

**Opened: Q4/2014**

**LOTTE MART CONG HOA**
Tan Binh District
GFA: 10,000 sm
Anchor: Lotte mart, Lotte Cinema, Wall Street English, California Fitness

**Opened: Q4/2014**
UPCOMING RETAIL DEVELOPMENT

Hanoi

Expect to open in 2015

HOA BINH GREEN CITY
- Hai Ba Trung District
- GFA: 25,000 sm
- 4 floors
- Opened on Jan 31st
- Offering free rentals in perpetuity

AEON MALL HANOI
- Long Bien district
- GFA: 108,000 sm
- 4 floors
- Under construction
- Expected to open: Q4, 2015

HO GUOM PLAZA
- Ha Dong District
- GFA: 23,400 sm
- 5 floors
- Completed. Open for lease
- Anchor tenants: Tran Anh, CGV
- Expected to open (fully): Q2, 2015

VINCOM NGUYEN CHI THANH
- Dong Da District
- GFA: 44,500 sm
- Under construction
- Expected to open: Nov 2015
UPCOMING RETAIL DEVELOPMENT
Ho Chi Minh City

Expect to open in 2015

**VINCOM THU DUC**
Thu Duc District
GFA: 27,860 sm

*Expected to open: Feb 8, 2015*

**SC VIVOCITY**
District 7
GFA: 62,000 sm

*Expected to open: April 2015*

**THAO DIEN PEARL**
District 2
GFA: 20,000 sm

*Expected to open: July 2015*

**PEARL PLAZA**
Binh Thanh District
GFA: 20,000 sm

*Expected to open: July 2015*
METRO LINE NO. 1 AND RETAIL PROJECTS

Taken in front of Rex Hotel on Jan 7, 2015
RETAIL MARKET UPDATE

Retailing hotspots across APAC – strong activities in Hanoi

Source: Retail Hotspots in Asia Pacific, CBRE Research, 2014.
NEW RETAIL ENTRIES IN 2014
Hanoi & HCMC Markets

Hanoi

Ho Chi Minh City

MORE TO COME…
LOCAL PLAYERS EXPAND
Vingroup’s movements in retail sector

M&A activity by Vingroup

To open 100 supermarkets and 1,000 convenience stores in the next 3 years

To invest US$166 million

13 supermarkets and convenience stores with ~ 40,000 sm retail area

25 Shopping Centers in 2015 - HCMC, HANOI, BAC NINH, VIET TRI, DA NANG, CAN THO, BIEN HOA, AN GIANG, HAI PHONG, …

VINCOM MEGAMALL THAO DIEN
GFA: 100,000 sm
Expected completion: 2015

VINCOM MEGAMALL TRUONG CHINH - HCMC
GFA: 100,000 sqm

VINCOM NGUYEN CHI THANH
GFA: 44,500 sm

VINCOM DA NANG
GFA: 31,000 sm

VINCOM CAN THO 2
GFA: 14,500 sm

VINCOM RETAIL MARKET
AND FOREIGNERS TOO!

Mostly Asian retailers: Korea, Japan…

2008
Opened first store in HCMC

2012
Expanded to Dong Nai and Da Nang

2013
Opened Lotte Mart Binh Duong and Phan Thiet

• Bought Pico
• Opened Lotte Department Store in Hanoi

2014

2020
To open 60 supermarkets in Vietnam

To open 60 supermarkets in Vietnam

Ministop Trung Nguyen (25% share) 2011

Aeon Mall HCMC 1/ 2014

Aeon Mall Binh Duong 11/ 2014

Aeon Mall Hanoi 2015

2020
20 hypermarkets

Already successfully acquired a 30% stake in Fivimart (operates 20 stores in Hanoi) & a 49% stake in Citimart (runs 27 stores, mainly in HCMC)
AND FOREIGNERS TOO!
…and Thailand!

**BJC** acquires Metro Vietnam for US$879 million, incl. 19 distribution centers and related real estate.

Central Group’s Robins Department Store in Hanoi and HCMC

Central Group buys 49% stake in Nguyen Kim

Target: > 50 stores in 2019

BJC’s B’s Mart
→ bought 94 Family marts in Vietnam
→ aim to expand to 300 stores by 2018
DEPARTMENT STORE

1999
Diamond Plaza

2005
Parkson Department Store

2013 - 2014
Robins Department Store

2015 - 2016
Vingroup Department Store
Takashimaya

Lotte Department Store

Source: Google Images
AFFORDABLE RETAIL

More Bazaar emerged

SAIGON SQUARE 3
District 3, HCMC
GFA: 3,100 sm
Opened: 1 Jan. 2015

HUNG VUONG SQUARE
District 5, HCMC
GFA: 9,500 sm
Opened: 31 Dec. 2014

Rent-free Shopping Center

V+ Shopping Center – Hoa Binh Green City
 Minh Khai Street, Hai Ba Trung District, Hanoi
GFA: 25,000 sqm
Open: 31st Jan 2015
Lower number of SKU’s
Rental free for all store selling “Made-in-Vietnam” products

Supermarket

AEON CITIMART
Go Vap District, HCMC
Opened: Jan. 2015
FOOD & BEVERAGE
Steady demand – New Entries - Expansion

Tenants enquiries by preferences, 2014

- Shopping center: 24%
- High Street: 76%

High Street stores are still highly preferred by retailers

Tenants enquiries by categories 2014

- F&B: 47%
- Fashion
- Accessories
- Education
- Cosmetics
- Furniture
- Others

F&B is increasingly dominant with 47%
High-end restaurants moving out
More casual F&B moving in

Source: CBRE Vietnam, Q4 2014.
FOOD & BEVERAGE DESTINATIONS

Crescent Lake – D7, HCMC

Almaz – Long Bien Dist., Hanoi

West Lake, Hanoi

Source: Google Images
ESTABLISHED & EMERGING RETAIL NODES IN HANOI

West Lake

Korean Town – Trung Hoa Nhan Chinh

Old Quarter

Source: Google Images
UNCONVENTIONAL RETAIL IN HCMC

- CBD Location
- Cheaper rent
- New concept, young, cool
- Word of Mouth

Cinema in 4-star Hotel

Roof-top beer Club

Upstairs Café/ Fashion store – In small ally’s

Source: Google Images
ONLINE SHOPPING

There’s enough of the pie for everyone

- Foreigner Players keep investing: Rocket Internet (Lazada.vn, Zalora.vn, Lamido.vn); 701Search (ChoTot.vn)

- More Big Local Players to join market: VinEcom (Vingroup), Sendo (FPT), VCCorp, 24h

- Contribution from services providers: online payment, shipping

- Support from Government: Vietnam E-commerce and Information Technology Agency – Ministry of Industry and Trade

- Individual sellers: mostly through Facebook, Instagram
COMPETITION WILL INTENSIFY…
Shopping center landlords must understand the needs thoroughly

Source: The New Age of the Asia Pacific Retail Market, CBRE Research, 2014
STRATEGIES FOR SUCCESS
CBRE recommends shopping centre landlords four strategies

Collaborate with Tenants
Incorporate tenants’ business objectives into their shopping centres overall development strategy.

Embrace ‘Retail-tainment’
Be more proactive in refreshing their offering to consumers and incorporating more ‘experiential’ elements.

Leverage Big Data
Utilise data from various social media platforms to measure and track levels of consumer engagement.

Understand the Consumer
Create retail venues that match consumers’ wants and needs.

Source: The New Age of the Asia Pacific Retail Market, CBRE Research, 2014
WHAT SHOULD LANDLORDS DO TO CATCH THE TREND?
CBRE recommends retailers adapt their online strategy

**Big data is here to help**
Use existing data provided by customers to formulate a more tailored strategies to enhance overall shopping experience

**Build your brand**
Holding special events at shopping centers may not generating additional sales; however, they are the key to crafting a mall’s brand and image

**Create simple and useful apps**
35% of survey respondents admitted to have never been using mobile applications designed specifically for shopping centers. For most app users, simplicity and ease of use is critical
LAOS MARKET UPDATE - VIENTIANE

Current projects

Future projects

San Jiang market
Vanthong Plaza
450 Vanthong Plaza
Home Ideal
Talat Sao Mall 1
Vientiane Complex (BIM)
Lane Xang Arcade
Vientiane New World
TTTM Nakhone Sup
World Trade Centre
Vientiane Centre
D Mart
Talat Sao Mall 2
ASEAN Mall
View Mall
That Luang Plaza

Future projects

Current projects

San Jiang market
Vanthong Plaza
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D Mart
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ASEAN Mall
View Mall
That Luang Plaza
VIETNAM RETAIL MARKET UPDATE – FUTURE SUPPLY

VIENITIANE CENTER
Vientiane, Laos

Complex of Office, Shopping center & Service Apartments

Developer: North Nong Chan Development & Commercial Center Company Co., Ltd
Retail GFA: 53,333 sqm
Completion: 2015

WORLD TRADE CENTER
Vientiane, Laos

Complex of Office, Shopping center, Residential & Hotel

Developer: Lao International Development Co., Ltd
Retail GFA: 200,000 sqm
Completion: 2016
THAT LUANG PLAZA  
Vientiane, Laos

Shopping center

Developer: Chitchareune That Luang Plaza Sole Co., Ltd

Retail GFA: 26,880 sqm  
Completion: Q2/2016

VIENITIANE NEW WORLD  
Vientiane, Laos

Complex of Business Center, Shopping center & Residential

Developer: CAMCE

Retail GFA: 80,000 sqm  
Completion: Q2/2016
CAMBODIA MARKET UPDATES – EXISTING SUPPLY
## CAMBODIA MARKET UPDATES – EXISTING SUPPLY

<table>
<thead>
<tr>
<th></th>
<th>AEON PHNOM PENH</th>
<th>SORYA SHOPPING CENTER</th>
<th>PARAGON</th>
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<tr>
<td></td>
<td>Developer:</td>
<td>Aeon</td>
<td>Canadia</td>
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<td></td>
<td>GFA:</td>
<td>104,000 sq m</td>
<td>40,000 sq m</td>
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<td>Opening Date:</td>
<td>2014</td>
<td>2003</td>
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<td>Developer:</td>
<td>TK Avenue Co</td>
<td>Paragon</td>
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<tr>
<td></td>
<td>GFA:</td>
<td>11,000 sq m</td>
<td>10,000 sq m</td>
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<td>Opening Date:</td>
<td>2011</td>
<td>1995</td>
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## CAMBODIA MARKET UPDATES – EXISTING SUPPLY

### VATTANAC TOWER
- **Developer:** Vattanac
- **GFA:** 7,000 sq m
- **Opening Date:** 2014

### NAGAWORLD
- **Developer:** NagaCorp
- **GFA:** 1,055 sq m
- **Opening Date:** 1995

### SOVANNA
- **Developer:** Canadia
- **GFA:** 25,000 sq m
- **Opening Date:** 2008

### YOUNG
- **Developer:** Young Co.
- **GFA:** 28,000 sq m
- **Opening Date:** 2013
CAMBODIA MARKET UPDATE – FUTURE SUPPLY

LANDMARK
Developer: HK Land
GFA: 13,000 sq m
Opening Date: 2017

PARKSON PCC
Developer: Hassan
GFA: 70,000 sq m
Opening Date: 2016
## CAMBODIA MARKET UPDATE – FUTURE SUPPLY

<table>
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<tr>
<th>Parkson Lion City</th>
<th>Developer: Lion Group</th>
<th>GFA: 80,000 sq m</th>
<th>Opening Date: 2017</th>
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<td>Olympia City</td>
<td>Developer: Canadia</td>
<td>GFA: TBC sq m</td>
<td>Opening Date: 2018</td>
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<td>The Bridge</td>
<td>Developer: Oxley</td>
<td>GFA: 30,000 sq m</td>
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<td>BPH Towncenter</td>
<td>Developer: Peng Huoth</td>
<td>GFA: 143,000 sq m</td>
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<td>Aeon Phnom Penh 2</td>
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<td>Opening Date: TBC</td>
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<td>Nagacity Walk</td>
<td>Developer: NagaCorp</td>
<td>GFA: 15,800 sq m</td>
<td>Opening Date: 2017</td>
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MYANMAR RETAIL MARKET OVERVIEW

Approximately 40 retail developments in Yangon
EXISTING PROJECTS IN YANGON, MYANMAR

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Description</th>
<th>Developer</th>
<th>Retail GFA</th>
<th>Completion</th>
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<tr>
<td>DAGON shopping CENTER</td>
<td>Mixed-use development</td>
<td>Dagon International</td>
<td>15,000 sqm</td>
<td>2011</td>
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<tr>
<td>Junction Square</td>
<td>Shopping center</td>
<td>STD</td>
<td>30,000 sqm</td>
<td>2012</td>
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<tr>
<td>TAW WIN CENTER</td>
<td>Shopping center</td>
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<td>45,000 sqm</td>
<td>2011</td>
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</table>
PIPEDLINE PROJECTS IN YANGON, MYANMAR

Myanmar Center

Mixed-use development

Developer: Hoang Anh Gia Lai (Vietnam)
Retail GFA: 54,000 sqm
Completion: Q2/2015 (Retail)

Junction City

Hotel, Shopping mall, Offices

Developer: Shwe Taung Group
Retail GFA: 53,333 sqm
Completion: 2016

Landmark

Mixed-used development
Developer: SPA / Yoma Group
Retail GFA: 38,000 sqm
Completion: 2016
CBRE’s Retailer Analytics platform allows clients to:

**ASSESS AND SELECT THE MOST PROFITABLE TRADING LOCATIONS**
We are the only real estate advisor who can bring together knowledge and data on consumer demographics, market size, retailer activity, turnover potential and real estate affordability. This combination allows us to provide you with the most accurate assessment of profitability and viability at country, city and store level.

**IDENTIFY LATENT OPPORTUNITIES ACROSS A BROAD GEOGRAPHY**
Our ability to model and review the largest number of retail destinations across Asia means that we can identify unexpected locations and opportunities for you. We also use local knowledge of future retail developments to spot locations which will become attractive in the longer term.

**DELIVER THE MOST PROFITABLE STORE**
Because our Retailer Representation team works hand-in-hand with our agency teams throughout Asia, we can ensure our country, city and street level recommendations are truly deliverable. Once decisions have been made on the target destinations, our Asia Retailer Representation team will work with our market leading agents to negotiate and deliver the best stores on the best terms.
BENEFITS TO YOU

WHY RETAILER ANALYTICS?

- Where and who are my customers?
- How many stores can a market hold and how much demand exists?
- What’s the best process for market entry, expansion and network optimization?
- What kind of location should I pursue? Mall, Street, Department Store or Factory Outlet?
- How much revenue will I generate? Do the economics stack up?
- What will the impact be on my existing stores (cannibalization)?

To answer those question, CBRE combines geography, statistics, economics and real estate data in a unique analytical framework to support retail network planning.
CBRE can provide clients a comprehensive strategy solution for market entry and expansion, existing store evaluations and site selection. The process is thorough, putting our clients in the best position for success throughout Asia.

Country and city level strategies

Local agent insights, existing network evaluation, impact analysis and new location forecasting

CBRE will recommend executable strategies and achievable locations with the highest turnover potential.
METHODOLOGY
WHY RETAILER ANALYTICS?

MARKET OVERVIEW + RETAIL LANDSCAPE

MARKET ANALYTICS

CATCHMENT MODELING + SALES DRIVERS + DEMAND AND SALES FORECASTING + COMPETITOR BENCHMARKING

CBRE RECOMMENDATIONS

ACQUISITION AND STRATEGY MANAGEMENT
PART I: Market Overview and Retail Landscape
RETAILER ANALYTICS – PART I
MARKET OVERVIEW

MACRO ANALYSIS

DEMOGRAPHIC

TRANSPORT AND INFRASTRUCTURE

UNIQUE CITY FEATURES
RETAILER ANALYTICS – PART I

RETAIL LANDSCAPE

REAL ESTATE ANALYSIS
(rents, landlords, supply, pipeline, sales densities)

COMPETITOR & ADJACENCY
(count per retail centre)

GAP ANALYSIS
(identify market gaps for further investigation)

COMPETITOR MAPPING

GAP ANALYSIS

<table>
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<th>Competitors</th>
<th>Adjacencies</th>
<th>Existing stores</th>
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<td>VivoCity</td>
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<td>Jem</td>
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<td>12</td>
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<tr>
<td>Suntec City Mall</td>
<td>8</td>
<td>10</td>
<td>3</td>
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<tr>
<td>Marina Bay Sands Shoppes</td>
<td>8</td>
<td>9</td>
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<td>Jurong Point Shopping Centre</td>
<td>8</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Paragon</td>
<td>8</td>
<td>2</td>
<td>5</td>
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</table>
CBRE will model the catchments of every retail centre to better understand the market potential for your brand. This allows retail centres to be ranked both within and between markets.

**Demand**
Model current and future national demand to census zones and correlate to demographic socio-economic characteristics

**Supply**
Assemble data to measure the size and profile of every Retail Centre and the fit with the client brand

**Gravity model**
Calibrate CBRE’s Gravity Model to replicate real world interactions between Demand and Supply
CBRE will model consumer demand to city, district and commune administrative boundaries to better understand where demand exists throughout Vietnam.

**Market Potential and Market Share**

1. By combining data from a range of industry & market sources, CBRE can quantify the national market size in each target country now and over the next 2-5 years (e.g. $110 Billion USD).

2. National market size is then disaggregated to city, district and commune level using:
   - The most recent demographic data
   - Other data sources, e.g. property price data
   - Supply-side sources, e.g. density of retail and high-end hotels for example

3. Calculate at city, district and Commune level:
   - Brand Market Share
   - Affluence measures
   - Spend per head (comparable among cities)
CBRE will model the catchments of every retail centre to better understand the market potential for your brand. This allows retail centres to be ranked both within and between markets.

Retail Centre Scorecard and Catchment Modelling

CBRE will model the catchments of every retail centre to better understand the market potential for your brand. This allows retail centres to be ranked both within and between markets.
CBRE works with international clients to understand what drives sales in existing locations, to aid future expansion.

**CASE STUDIES**

- For **luxury retailers** we have worked with in Asia, drivers often relate to purchasing power, and complimentary/competing adjacencies rather than market size or sheer volume of people.

- For a **mid-market fashion brand** in Malaysia, the presence of those aged 10-19 was important as this was the target market for the brand. In this case, footfall was also essential because of the high volume of sales required for what was an inexpensive product.

- For an **upper-mid market watch retailer** in the Taiwan, we found that sales were driven by those aged 25-44 years of age. Additionally, affluence was a factor, as well as market size and the presence of key footfall drivers.
Understanding the factors driving sales of your existing portfolios allows CBRE to analyse for network optimizations and evaluate sites for trading potential.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Percentage Impact</th>
<th>Direction of Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skincare Competitors</td>
<td>18%</td>
<td>+</td>
</tr>
<tr>
<td>Single</td>
<td>17%</td>
<td>+</td>
</tr>
<tr>
<td>Aged 20-24</td>
<td>15%</td>
<td>+</td>
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<tr>
<td>Adjacencies</td>
<td>14%</td>
<td>+</td>
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<tr>
<td>Health &amp; Beauty Spend</td>
<td>13%</td>
<td>+</td>
</tr>
<tr>
<td>Aged 0-4</td>
<td>9%</td>
<td>+</td>
</tr>
<tr>
<td>Catchment Population</td>
<td>9%</td>
<td>+</td>
</tr>
<tr>
<td>Department Store Sales</td>
<td>5%</td>
<td>+</td>
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</tbody>
</table>

What is driving my sales in Hanoi?

CBRE use multiple regression analysis to test market variables for their contribution towards store sales. Regression analysis is a statistical technique used to understand the level of impact on sales that each particular variable has; such as complementary retailers, competition, market size and consumer demographics.

How are my stores and sites performing compared to the model?

$R^2 = 0.74$
CBRE uses cost modelling to show retailers what operating costs will apply, and how this impacts upon margin.

### COSTS ASSESSED

- Rent
- Business rates
- Service charge
- Employment costs
- Cost of goods
- Shipping
- Head office costs
- Advertising/marketing costs

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>TOWN</th>
<th>Retailer X: Store Profitability Models</th>
<th>COUNTRY</th>
<th>TOWN</th>
<th>Retailer X: Store Profitability Models</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
<td>Annual Turnover</td>
<td>X</td>
<td>Y</td>
<td>Annual Turnover</td>
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<tr>
<td></td>
<td></td>
<td>$750,257</td>
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<td>$849,958</td>
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<td>Gross Profit</td>
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<td>Gross Profit</td>
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<td>$430,493</td>
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<td>$491,915</td>
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<tr>
<td></td>
<td></td>
<td>Annual Rent + Rates</td>
<td></td>
<td></td>
<td>Annual Rent + Rates</td>
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<tr>
<td></td>
<td></td>
<td>$87,037</td>
<td></td>
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<td>$269,266</td>
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<td></td>
<td></td>
<td>Payroll</td>
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<td></td>
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<td>$85,875</td>
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<td>$128,798</td>
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<td>Other Costs</td>
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<td>Other Costs</td>
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<td></td>
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<td>$49,659</td>
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<td>$54,283</td>
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<td>Total Costs</td>
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<td>Total Costs</td>
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<tr>
<td></td>
<td></td>
<td>$222,571</td>
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<td>$452,348</td>
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<td></td>
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<td>Contribution</td>
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<td></td>
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<td>$207,922</td>
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<td>$39,567</td>
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<td></td>
<td></td>
<td>Contribution as % Turnover</td>
<td></td>
<td></td>
<td>Contribution as % Turnover</td>
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<tr>
<td></td>
<td></td>
<td>28%</td>
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<td></td>
<td>5%</td>
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</tbody>
</table>

**SALES FORECASTING: THE IMPACT OF RENT ON MARGIN**
CBRE will quantify impacts and identify action that should be taken by the client as a result of network optimizations and the expected changes in revenue due to pipeline developments coming to fruition over the next 3 to 5 years (to 2020). This has taken into account:

- Target market retail centre pipeline developments.
- Retail spend growth (2020 forecast - Oxford Economics)*.
- Changes in the flow of retail spend.

On this basis, CBRE’s recommendations have been split into four categories:
Based on the results of store profitability and demand modelling, locations are prioritised at sub-market, city and country levels. These recommendations are then fed to our local agency teams to validate and finalize the recommendations.

- Our local agency teams are part of an integrated holistic process.
- The analytic rigour of our Retailer Analytics team and the experience of our agency teams combine together to create the strategy for our clients.
CBRE will provide competitor benchmarking in the recommended centres as an additional quantifier of performance.
PART III: CBRE RECOMMENDATIONS
The recommendation will assess the strongest retail markets evaluating existing, and future real estate. The projects will be prioritized by country, city and submarket.

3 to 5 year growth or optimization strategy; Recommendations by submarket

Mapping of target projects with relevant location and positioning
PART IV: SOLUTIONS FOR EVERY RETAILER
RETAILER ANALYTICS
SOLUTIONS FOR...

Market Entry
- Market Overview
- Retail Landscape
- Market and Catchment Modeling
- Demand Analysis and Sales Drivers
- Market Potential
- Competitor Benchmarking

Benefits
- Understanding of the target market macro-economy
- Understanding of rents, landlords, supply, pipeline and sales densities
- Understanding of the competitive landscape and competitor penetration
- Understanding of market demand for brands and categories
- Achievable recommendations; and locations with the highest revenue potential
- Achievable 3 to 5 year growth strategy

Market Expansion & Optimization
- Market Overview
- Retail Landscape
- Competitor and Adjacency Impact Analysis
- Market and Catchment Modeling
- Sales Impact Analysis
- Existing Store Assessment
- Network Optimization
- Sales Forecasting
- Pipeline Impact Analysis
- Competitor Benchmarking

Benefits
- Understanding of the target market macro-economy
- Understanding of rents, landlords, supply, pipeline and sales densities
- Understanding of the competitive landscape and competitor penetration
- Understanding of available demand for brands and categories
- Impact Analysis – Competitor, Sales and Pipeline
- Sales Forecasting based on a sound, statistical approach
- Achievable 3 to 5 year growth strategy
VIETNAM RETAIL MARKET

VIETNAM, CAMBODIA AND LAO PDR

5 FEBRUARY 2015
“We are pioneers in emerging markets”

Our Strategy
Not “Go Where our Clients Go”, BUT “Go BEFORE you Go”.
Part 1

Key Legal Regulations
Key **news laws** are expecting to boost the retail industry in Vietnam.

- Law on Investment
- Law on Enterprises
- Law on Real Estate Business and Law on Housing

The new laws will enter into force on 1\textsuperscript{st} July 2015.

- Decree 23 of the Government dated 12 February 2007
- Circular 08 of the Ministry of Industry and Trade ("MOIT") on trading activities (including retail business)
Circular 34 of the MOIT entered into force in February 2014, it:

– announces the schedule for implementation of foreign companies’ trading activities.
– replaces Decision 10 on the same subject, which was issued in 2007.

As of 1 January 2015, pursuant to the ASEAN Trade in Goods Agreement (ATIGA), 10,000 merchandise items coming from ASEAN member countries are free of custom barriers (import tax reduced to 0%).
CAMBODIA

- The Civil Code of 2007
- The 2011 Law on implementation of certain provisions of Civil Code
- Law on Commercial Enterprises dated 19 June 2005
- The 2001 Land Law
- Investment Promotion Law № 02/NA dated 08 July 2009
- Decree on the Implementation of the Investment Promotion Law № 119/PM dated 20 April 2011
- Decision regarding Businesses on Retail and Wholesale Trade № 0977/MOIC. ITD dated 18 May 2012
- Enterprise Law (№ 46/NA, 26 December 2013)
- Decree on Document Registration № 52/PM, dated 13 March 1993
- Notification № 1489 regarding Categories of Goods and Investment ratio open to foreign investors for investment in the Establishment of import business units for wholesales in the Lao PDR, dated 20 July 2012
Part 2

Selected key issues in retail
VIETNAM-MARKET ACCESS TO TRADERS

- Direct investment (100% foreign owned or joint venture) or Indirect investment (franchise/ nominee-proxies Structure).

- Definition of “retailing”: the activity of selling [purchased] goods directly to final customers

- Definition of “outlet”: a unit owned by an enterprise for the purpose of conducting retailing activities

- Permitted goods: retail of all legally imported and domestically produced products (except tobacco, pharmaceuticals, crude oil, processed oil, books, newspapers, magazines, precious stones, etc.)
Direct investment: 100% foreign owned or JV - initial license for first outlet (investment certificate)
  - Application to local authority / approval MOIT required (lengthy)
  - Criteria: (i) Government’s policies, (ii) amount of investment capital and contributed capital, (iii) capacity and experience of the investor, (iv) business plan and operation results of investor’s existing enterprises, (v) master plan of the relevant province/city
  - Economic Need Test (ENT) for second outlet and having an area of more than 500m2

ENT: permission considered on a case by case basis, depending on number of retail outlets, market stability, population density in the province/city of proposed additional retail outlet, and consistency with the master plan of such province/city

Indirect investment - Franchising: commonly used in Vietnam; Need to register with MOIT/DOIT and

Indirect investment - Nominee/proxy structures: also used in Vietnam but this structure presents uncertain legal validity and risk of misappropriation
Adopt and implement a strategy

Protect trademarks, domain names, designs, sensitive information

Obtain from your local partners to protect your and their IP

Practical issues – protect your brand: consumers rights, understand and anticipate rumors; know and work with local authorities and restrictions on advertisement
- Lease land from the State or infrastructure developer
- Necessity to undertake a land due diligence to make sure the land location is appropriate
- Approval in principle on the project location
- Conditions to develop a real estate project such as master plan, architecture design compliance
- Land Use Right granted in compliance with the Investment Certificate
CAMBODIA
Cambodia - Sectoral Overview

- No specific sectorial legal framework
- Freehold or leasing
- No specific land use type with respect to certificates of title/zoning classification.
- Several draft laws: draft law/amendments to the Law on Investment; Draft Sub-Decree on Urbanization of the capital city, towns and urban areas; Draft Law on Construction; Draft Law on Environment Impact Assessment; Draft Consumer Protection Law and Draft E-Commerce Law
• Trading of goods: 100% foreign owned entity possible

• Food and beverage – restaurants, cafes, bakeries, etc.: 100% foreign owned entity possible

• Franchising – possible (and common) but no specific franchise law yet in. Franchising is governed mainly by the provisions of the Civil Code.

• Registration of trademark possible (including exclusive trademark licensing right) under the Law on Marks, Trade Names and Acts of Unfair Competition
• Trademark law is the most developed intellectual property system, but enforcement remains problematic due to nascent (but developing) legal infrastructure and government authority resources.

• Protection of patents, industrial designs and models are less developed but government authority understanding and international interest grows year on year.

• Risk: local company registers marks although it is not the rightful owner.

• Strategy: first register trademark in Cambodia, regardless of any presence in Cambodia. Proactive vigilance by IP proprietor of infringement is key.
Joint Venture with no more than 49% foreign capital can own land

Landholding structuring possible (different classes of shares + protection documents + mortgage)

Alternative: long term lease up to 50 year-term. It is required to be registered with Cadastral authorities to be enforceable against third parties
“Retail Sale Business” means the final stage of the business of goods distribution to individuals or households for consumption.

“Wholesale Business” means a goods distribution business to people or legal entities for the purpose of further production, wholesale or retail.

The 2012 Retail Decision states that Retail Sales Business is reserved only for Lao citizens.
For Retail Sales Business, foreign individuals and legal entities are only permitted to:

- conduct the distribution of goods within the Lao PDR through distributors or franchisees of Lao nationality, residing in Lao PDR; or

- Invest or enter into a joint venture for the construction of new forms of modern sales establishments for business units which are to be reserved for trading, such as hypermarkets, supermarkets, shopping centers or malls, in accordance with the Investment Promotion Law and related laws and regulations.
LAOS-PROTECTION OF IP

- Registration of industrial property at Ministry of Science and Technology

- IP includes patents, petty patents, industrial designs, trademarks, trade names, trade secrets etc.

- Owner of IP enjoys the benefits derived from the IP; transfer all or part of their IP rights to other person by sale, exchange, lease or assignment; permit other persons to seek benefits over all or part of the IP; bequeath and assign the rights in the IP to other person; and protect the IP from violation by other parties.

- Strategy: first register trademark in the Lao PDR, regardless of any presence in the Lao PDR
LAOS-MARKET ACCESS TO DEVELOPERS

- Land ownership is not an option
- Land lease possible
  - ✓ 30 years from private owners
  - ✓ 50 years from the Government (concessions)
  - ✓ 75 years in specific economic zones and special economic zones

*Under 2009 Investment Promotion Law, foreign-invested entities with a minimum of USD 500,000 equity investment may hold “land use rights”, but not fully implemented*
Supply Chain Management Contract. Under this structure, a foreign owned entity provides supply chain management services to a locally owned entity. These may include, the lease or sub-lease of retail or wholesale premises, contractual licensing of intellectual property, licensed rights to IT systems and marketing methodologies, warehousing, accounting and administrative services. The fees payable to the supply chain management services may be structured so that they mirror what the foreign entity might have earned by way of dividends had it been entitled to enjoy equity participation in the locally owned entity.

Investing in SEZ: The foreign owned supply chain if incorporated in a Special Economic Zone (“SEZ”) in the Lao PDR, will be eligible for significant tax benefits and may also obtain an exemption from the wholesale and retail restrictions described above.
Excellence  ·  Creativity  ·  Trust
Since 1994