

Ho Chi Minh City



Economy

- In 2005, Ho Chi Minh City (HCMC) had an estimated GDP of US\$11.6 billion, an increased of 12.2% since 2004; the city accounts for approximately 20% of Vietnam's GDP.
- Vietnam is currently working on its final stage in becoming a member of the World Trade Organization.
- In recent years, high levels of inflation have prompted Vietnamese authorities to tighten monetary and fiscal policies.
- Robust economic growth is created by the growing middle class with higher consumer spending power, predominantly young population, a growing business sector, and a stable political climate.
- Many foreign investors utilize HCMC as a gateway to approach larger Asian markets like China and India.



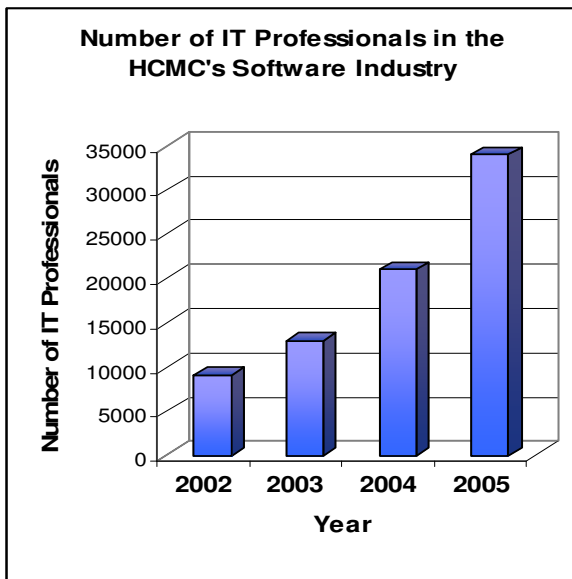
Day view of HCMC



Tan Son Nhat International Airport

Infrastructure

- Traveling by bus is the only public means of passenger carrier; however, the city is seeking financing sources for implementing a metro system (subway) and elevated train projects.
- Trains run through the city connecting passengers from nearby cities and all the way to the Chinese border.
- Numerous ports in HCMC such as Saigon Port, Newport, and Ben Nghe Port are responsible for 40% of the export-import cargo output of Vietnam.
- Tan Son Nhat Airport is not only an international airport in HCMC, it is also the gateway to major economic regions of Vietnam and other parts of Southeast Asia. The airport has a total of 22 international airlines operating nearly 100 flights per day.



Source: HCMC Computer Association

CBD Office Market

- High occupancy rate in the CBD market was demonstrated in 2006. Class A occupancy was recorded between 95% and 98% in the 4th quarter of 2005.
- There is a strong demand for quality CBD office facilities, at the same time, there is a limited quantity of supply for office accommodation.
- Some of most recent and current constructions in the area are the Capital Place, Indochina Park Tower, and Ms. Ao Dai office buildings.



HCMC's Industrial District

Labor Force

- In 2005, Vietnam had a labor force of approximately 44.4 million people, of which, 56.8% was working in agriculture, 37% in industry, and 6.2% in services.
- Vietnam's unemployment rate in 2005 was approximately 5.5%.
- Literacy rate in 2006 is over 90%.
- There are about 100 software companies with at least 50 employees in HCMC.
- Vietnam's emerging software industry currently employs about 32,000 workers.

Office Rental Rate		
(US\$/Sq.ft/Month)	Avg.	Vacancy
CBD		
New Construction	\$2.18	N/A
Class A	\$2.42	3%
Class B	\$1.86	5%
Suburban Office		
New Construction	\$1.44	N/A
Class A	\$1.53	5%
Class B	\$1.49	8%

Industrial Market

- Limited amount of industrial buildings have been constructed in the city, therefore, there is a small number of options in terms of size, specification and lease-structure to choose from.
- Most industrial tenants prefer to purchase land and construct purpose built facilities on 40 plus year long-term, non-assignable, non-transferable, non-mortgageable leases, which is why most foreign investment is by large multinational corporations.

Industrial Rental Rate		
(US \$/Sq.ft/Month)	Avg.	Vacancy
Bulk Warehouse	\$0.67	1%
High Tech/R&D	\$0.74	10%

Retail Market

- The city has about 10 shopping centers with a rentable area of approximately 968,800 square feet.
- About 20 supermarkets and 35 shopping malls are under construction.
- HCMC is facing a chronic shortage of retail space, but there are several projects now underway, these buildings will take 2 to 3 years to construct, so space shortages and high rental rates will continue in the short run.
- Many shopping centers are associated with apartments or office developments, and they are often built in the same building, where shopping centers would be located on the ground floor beneath the offices and apartments.



A duty-free shopping center in downtown HCMC

Retail Rental Rate		
(US \$/Sq.ft/Month)	Avg.	Vacancy
Downtown	\$4.65	2%
Neighborhood Service Centers	\$1.07	5%

Education

- HCMC is the educational center of Vietnam, concentrating about 50 universities and colleges with over 300,000 students.
- Vietnam National University (VNU) is the largest and most prestigious institution in HCMC.
- Currently VNU has about 1,812 faculties, 57,000 undergraduate students, and over 3,300 post graduate students.



Vietnam National University

Foreign Direct Investment

- In 2006, HCMC granted licenses to 70 foreign-invested projects capitalized at US \$667 million.
- Among the investors, US Intel Group was licensed to invest US \$605 million.
- The city now has 1,976 operational foreign-invested projects capitalized at just over US \$13 trillion.
- HCMC's industrial and processing zones attracted over US \$49 million in foreign direct investment in the 1st quarter of 2006, which is an increase of 11.5% from the 1st quarter in the 2005.
- The State Bank of Vietnam increased the maximum share held by foreign investors in local banks from 10% to 20%; which helps lure strong investors, encourages foreign investors to participate in the financial markets of Vietnam and seek business opportunities in the future.
- For businesses that want to locate in more established and popular areas, corporate income tax exemption would be granted for 2 to 4 years after the business makes its first profit.
- The software industry is emerging in Vietnam, attracting foreign direct investments from many tech companies.

OUTLOOK 2006

In the coming years, the Vietnamese government will continue to improve the investment environment and create more favorable conditions for foreign investors in HCMC.

Office

- The expected new supply in 2007 will be not able to satisfy the current level of demand.
- Rental rates are expected to trend upward until 2008.
- A large amount of Class A offices are scheduled for completion in 2008.

Industrial




- HCMC's provincial People's Committees had been offering industrial foreign direct investors value added tax concessions, cheaper credit and lower rental rates to increase foreign direct investment activities.
- However, most of these incentives are so great that provincial authorities often have to use the local budget to fund them.

Retail

- The city will under go heavy development in retail, changes and growth in the size of stock in order to keep up with the rapid increase in population.
- Numerous projects are either being developed or planned, which will double the size of the stock to approximately 250,000 sq. ft. by 2009.
- Currently 90% of retail sales take place in the outdoor markets. However, 50% to 90% of retail sales are expected to take place in malls and supermarkets in the next 10 years.

Short Term Outlook

Rental Rates

Office	
Industrial	
Retail	

Incentives

- Depending on the type of business and the location, an exemption from corporate income tax may be granted for up to 4 years from when a profit is first recorded, and then a further 50% reduction obtained for up to an additional 9 years.
- HCMC has recently reduced telephone charges by 10% to 40% and significantly reduced internet charges that it would only cost about US\$0.25 per hundred minutes.
- In 2005, about 52.8 million sq. ft. of industrial park were released in HCMC to meet investor's demands.
- Development of the East-West highway, the Thu Thiem Tunnel, and 2 metro system lines are planned in the upcoming years to improve the city's local communication and transport network.