



M&A Landscape in Real Estate

October 2017



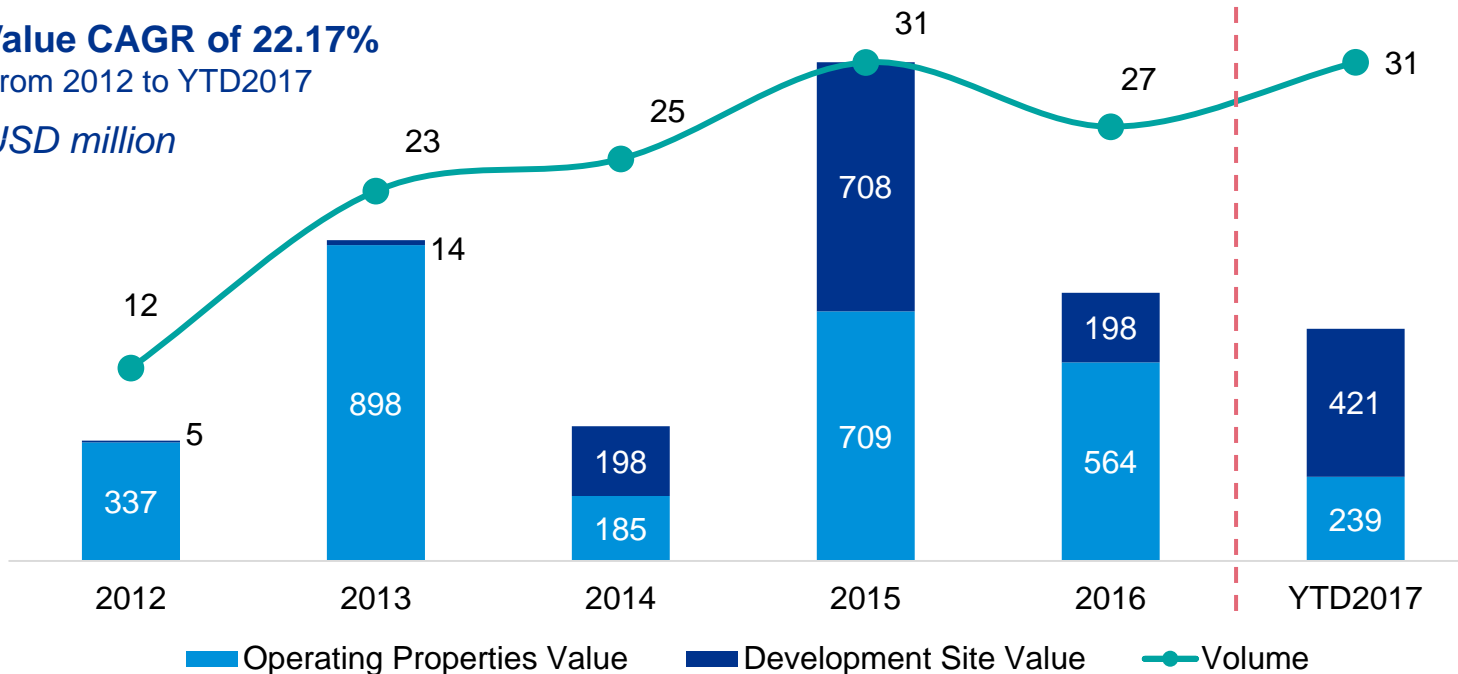
M&A landscape overview

M&A transaction value and volume in real estate market for the past 5 years

Value CAGR of 22.17%

From 2012 to YTD2017

USD million



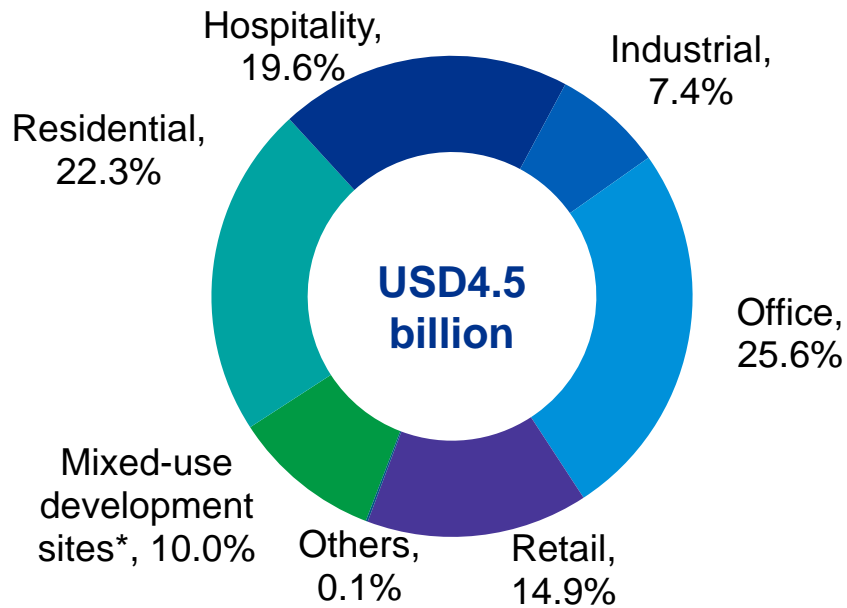
Note: There are transactions that do not disclose value

Data is collected as at September 2017

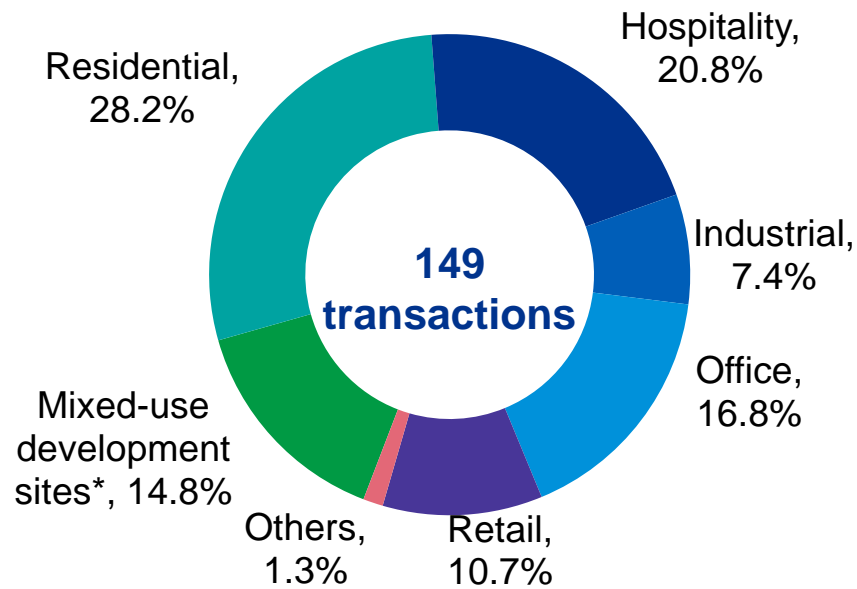
Source: Real Capital Analytics

Transaction breakdown

Value from 2012 – YTD2017



Volume from 2012 – YTD2017



Note: (*) Mixed-use development sites include developing multi-function projects (e.g. office, retail, residential, hotel, etc)

The other categories (except mixed-use development site) include developing and operating projects and properties, respectively

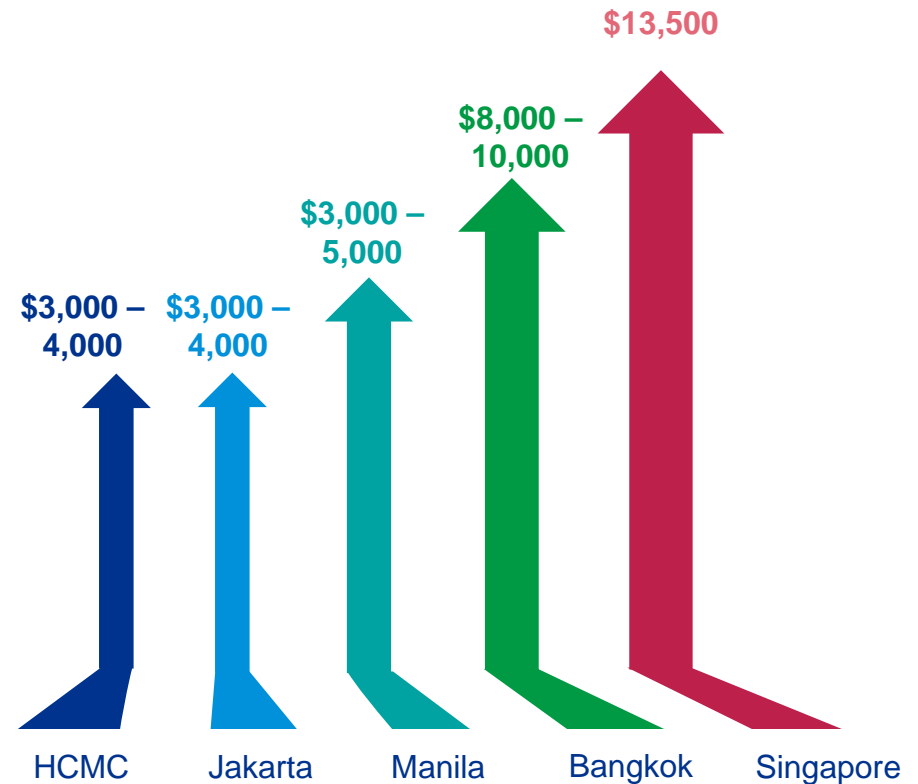
Source: Real Capital Analytics

Vietnamese property market in comparison

Apartment rental yield p.a.	2016
Tokyo	3.4% - 5.4%
Singapore	2.5%
Hong Kong	2% - 3%
Ho Chi Minh City	7% - 8%
Jakarta	8.6% - 9.6%
Manila	6% - 7%
Bangkok	4% - 5%

Source: Global Property Guide, Trade Press

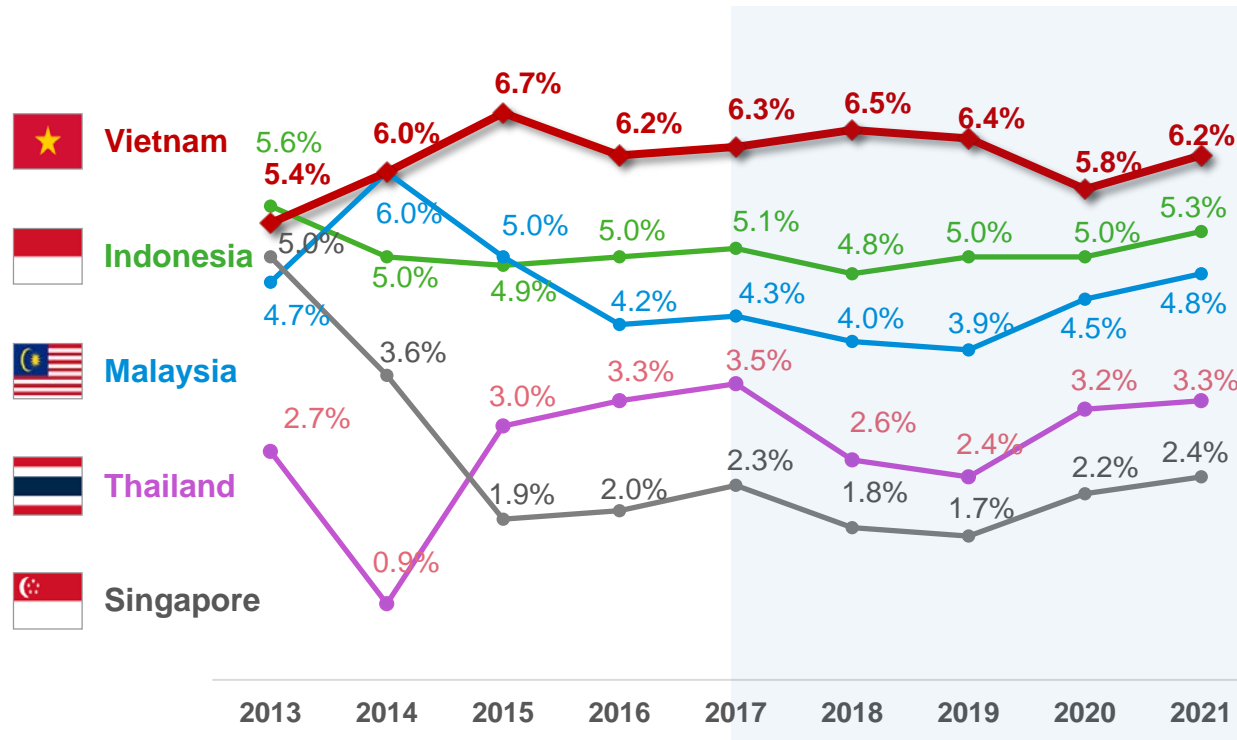
Premium apartment price per sqm 2016



Source: Global Property Guide, Trade Press

What makes Vietnam appealing

An outperformer amidst the Asia Pacific nations with impressive GDP growth rate exceeding 6%, underpinned by progressive indicators and accelerating FDI levels



8M2017

8.5 million **↑30% YoY**

International visits

85,357 **↑16.3% YoY**

Newly established enterprises

6.5% - 8%

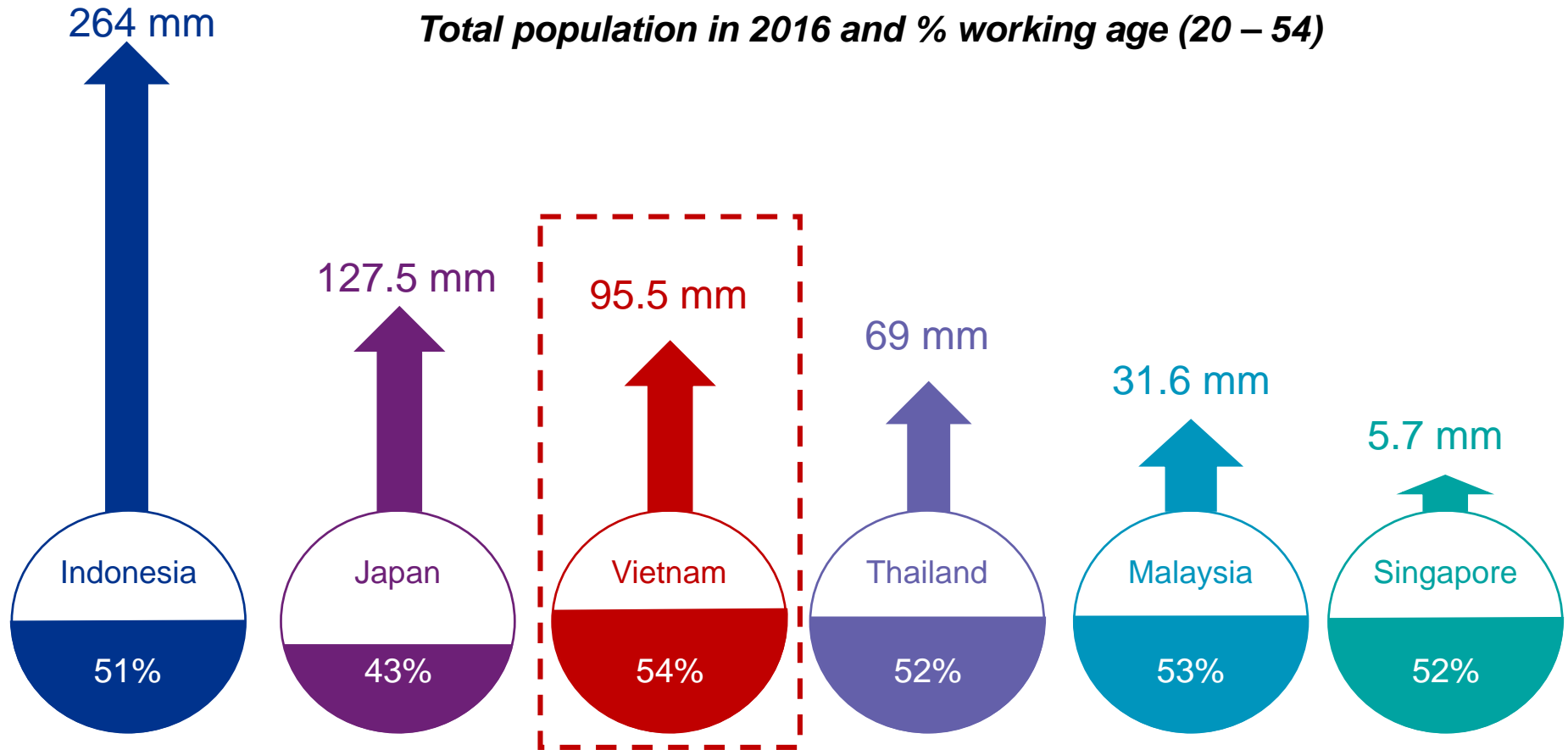
Mortgage rate (for 1st year, depending on collateral and principal amount)

\$1.16 billion

FDI inflows to Real estate

Source: Economist Intelligence Unit, accessed on 2 September 2017

What makes Vietnam appealing



Source: Business Monitor International

What makes Vietnam appealing

Top infrastructure spender in South East Asia with 5.7% GDP

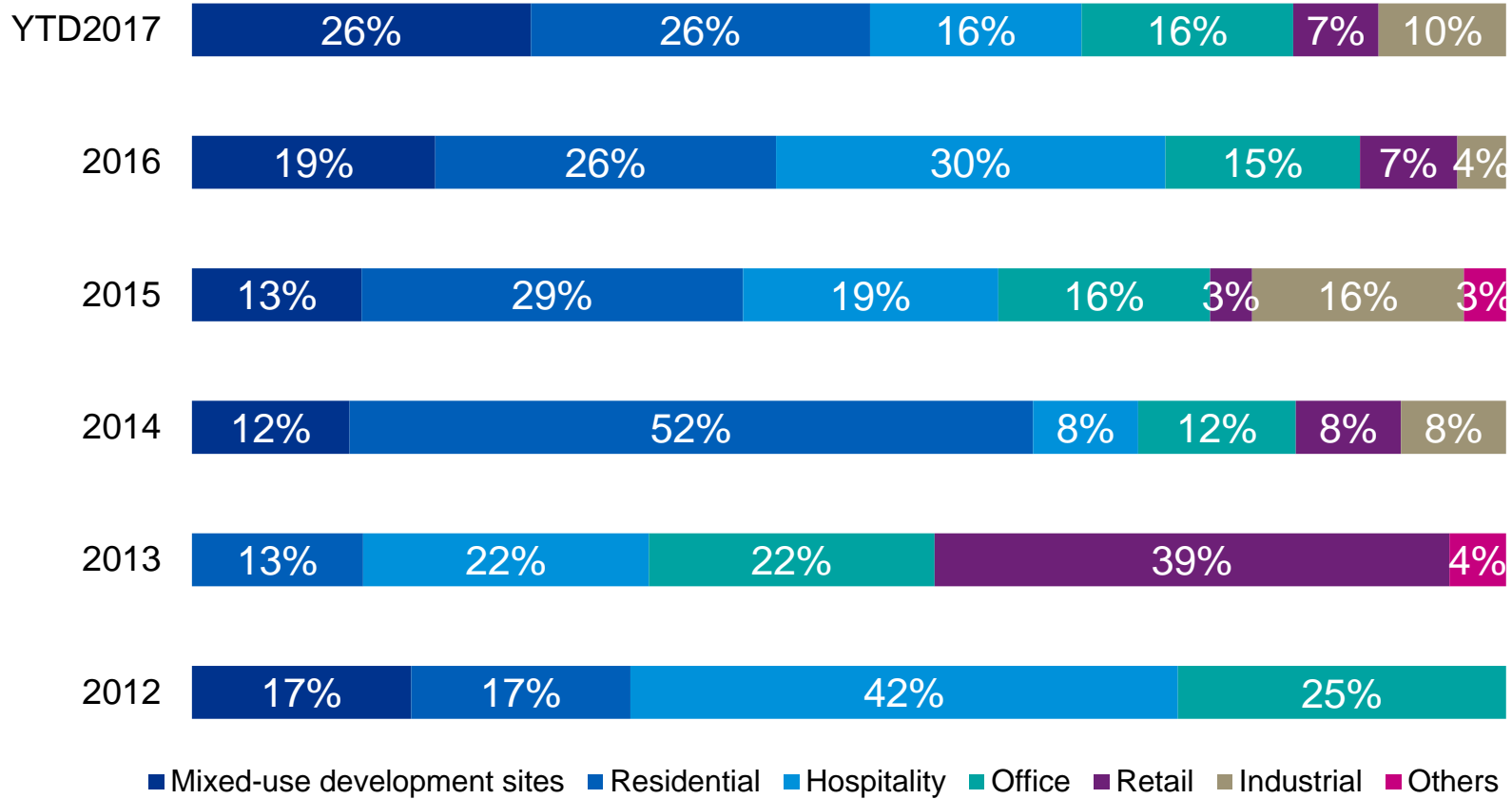
Value proposition

- Better connections within the nation
- Rise in tourist numbers
- Office and retail expansion in central area
- Leveraged value of commercial and residential properties along new transportation lines

Source: Trade Press



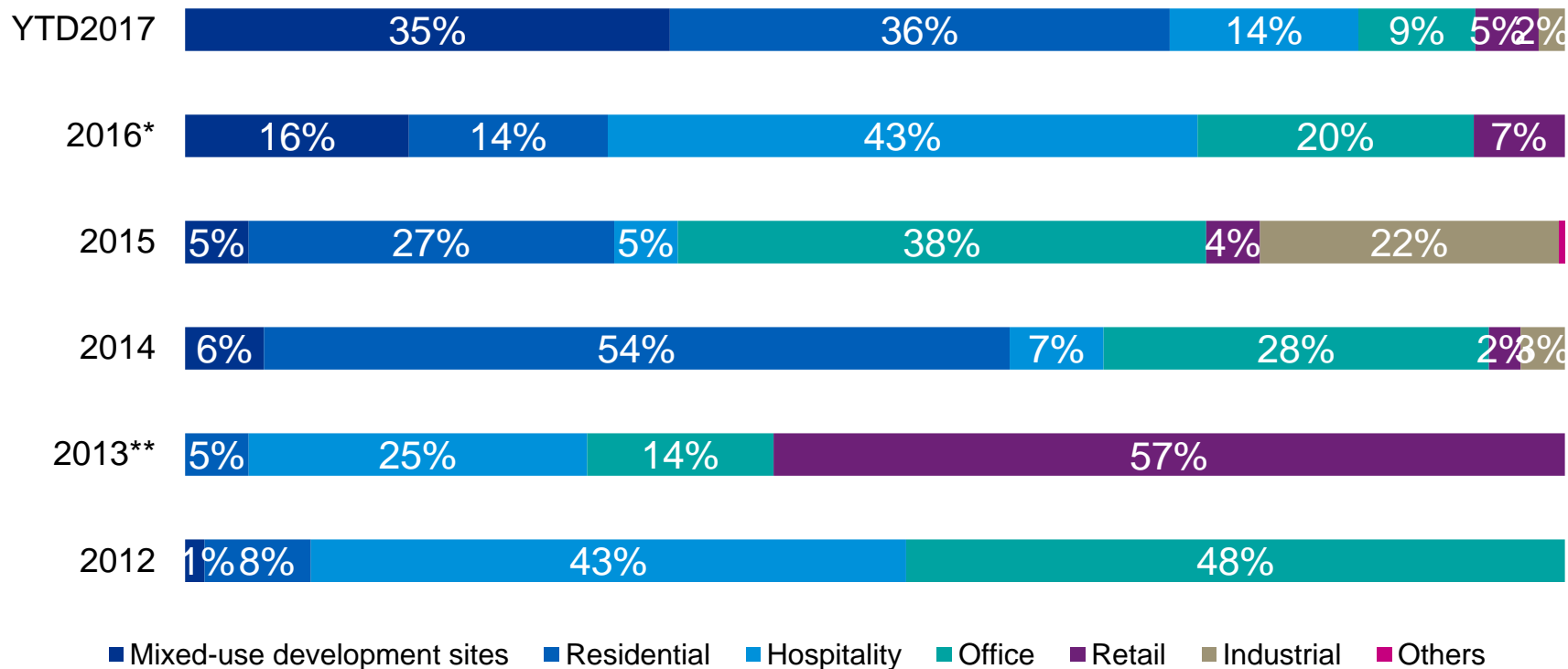
Deal volume by sectors



Source: Real Capital Analytics

Residential, hospitality and office are the most active sectors for M&A transactions since 2012

Deal value by sectors



Note: (*) The transaction in Industrial sector does not disclose value in 2016

(**) The transaction in Others sector does not disclose value in 2013

Source: Real Capital Analytics

Office has the highest deal value, followed by residential and hospitality for the period 2012 – YTD2017

Top 10 deals by value

Targets	Buyers	Sellers	Year	Value (\$m)	% sought
Vincom Center A and Vinpearl Luxury Ho Chi Minh	Vietnam Infrastructure and Property Development Group Corporation (VIPD Group)	Vingroup Joint Stock Company	2013	469	100%
Landmark 72	Mirae Asset Financial Group and AON Plc	Keangnam Enterprises, Ltd	2015	374	100%
Amata City Long Thanh	Amata Corporation Public Company Limited	Dong Nai Province	2015	279	100%
Kumho Asiana Plaza and Intercontinental Asiana Saigon	Mapletree Investments Pte Ltd	Kumho Industrial Co., Ltd. and Asiana Airlines, Inc.	2016	215	100%
Vincom Megamall Royal and Times City; Vincom Center Long Bien, A, Ha Long, Ba Trieu Tower A, B and C	Warburg Pincus LLC	Vingroup Joint Stock Company	2013	198	20%
TNR Tower	TNR Holdings Vietnam Joint Stock Company	Vingroup Joint Stock Company	2015	110	100%
Indochina Plaza Hanoi Shopping Center and Offices; Riverside Serviced Apartments; Montgomerie Links Vietnam	Gaw Capital Partners	Indochina Capital Corporation	2015	106	100%
Thu Thiem New Urban Area Project	Hongkong Land Holdings Limited	Ho Chi Minh City Infrastructure Investment JSC (CII)	2017	95	64%
Empire City	Keppel Land Limited	Gaw Capital Partners; Tran Thai Lands Company Limited and Tien Phuoc Real Estate JSC	2016	94	40%
Corner Stone Building	Daibiru Corporation	Vietnam International Commercial Joint Stock Bank	2014	94	N/A

Note: (*) Mixed-use sectors include multiple sectors (such as a combination of residential, hospitality, office, etc)

Source: Real Capital Analytics, Trade Press

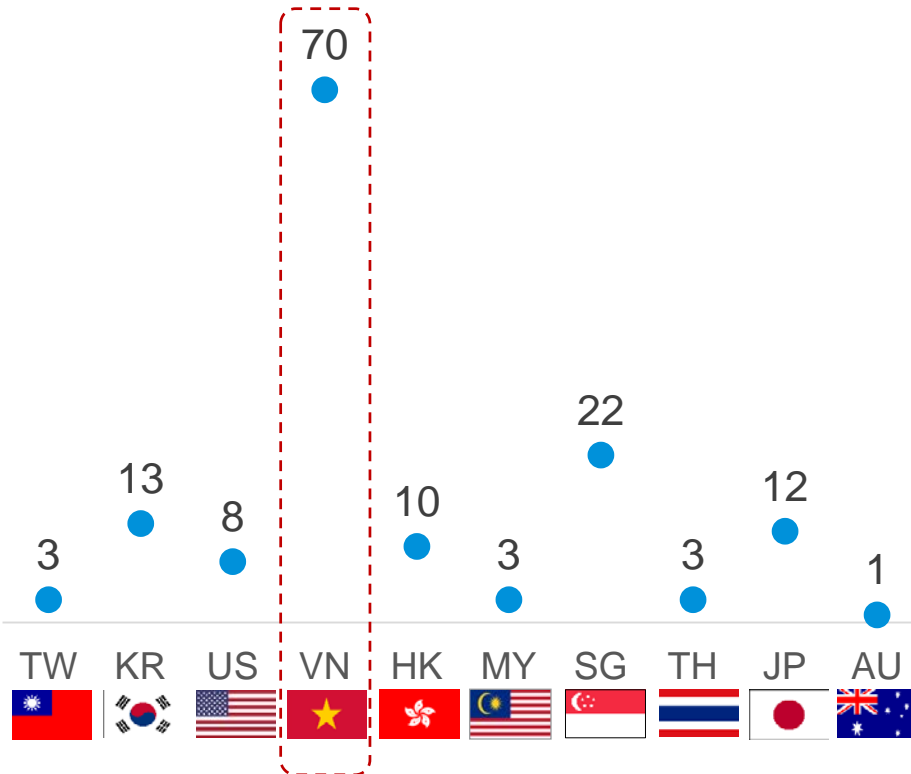
Highlighted deals by sectors

Sectors	Buyers	Sellers	Targets	% sought	Value (\$m)	Year
Office	Mirae Asset Financial Group AON Plc	Keangnam Enterprises Ltd	Landmark 72	100%	374	2015
	TNR Holdings Vietnam JSC	Vingroup	TNR Tower	100%	110	2015
Residential	Keppel Land Limited Tan Truong Company Limited.	N/A	Ca Cam River Development Site	N/A	146	2015
	N/A	Phat Dat Real Estate Development Corp	The Everrich 3	100%	121	2017
Hospitality	Vietnam Infrastructure and Property Development Group Corporation	Vingroup JSc	Vinpearl Luxury Ho Chi Minh	100%	155	2013
	Hanel Company Limited	Daewoo E&C	Hanoi Daewoo Hotel	70%	80	2012
Retail	Vietnam Infrastructure and Property Development Group Corporation	Vingroup JSC	Vincom Center A	100%	314	2013
	Warburg Pincus LLC	Vingroup	Vincom Mega Mall Royal City, Vincom Mega Mall Times City, Vincom Center Long Bien, Vincom Center A, Vincom Center Ha Long, Vincom Center Ba Trieu A, B, C	20%	198	2013
Mixed-use development sites	Hongkong Land Holdings Limited	HCMC Infrastructure Investment (CI)	Thu Thiem New Urban Area Project	64%	95	2017
	Keppel Land Limited	Gaw Capital Partners; Tran Thai Lands and Tien Phuoc Real Estate	Empire City	40%	94	2016
Industrial	Amata Corporation Public Co., Ltd. (Thailand)	Dong Nai Province	Amata City Long Thanh	100%	279	2015
	SIFLEX Co., Ltd.(South Korea)	Panasonic	Sanyo Bac Giang	N/A	10	2014

Source: Real Capital Analytics, Trade Press

Top 10 investor countries

Volume from 2012 – YTD2017



Source: Real Capital Analytics

Foreign countries comprise 54% in volume and 67% in value

Value from 2012 – YTD2017

Country	Value (USDm)
Vietnam	1,468
Singapore	836
South Korea	461
Japan	324
Thailand	295
Hong Kong	217
United States	198
United Kingdom	94
Malaysia	83
United Arab Emirates	65

Challenges versus opportunities

Be well-prepared for certain difficulties



“Complicated” regulations



Hurdles in land clearance process



Inconsistent planning and quality of surrounding infrastructure



Limited access to efficient operating assets

Be ready to capitalize on plenty of opportunities



Relaxed regulations on housing ownership of foreigners



Sustained urbanization and rapid industrialization



Expanding middle class base, rising income and large proportion of labour force

Market outlook



Residential



6.6% value growth rate
from 2017 to 2021



Office



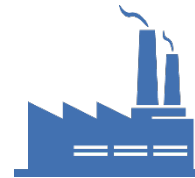
7.2% net-yield growth
rate from 2017 to 2021



Retail



8.0% net-yield growth
rate from 2017 to 2021



Industrial



6.8% net-yield growth
rate from 2017 to 2021

Source: Business Monitor International, Trade Press

Vietnam will continue to gain traction in the real estate sector.

M&A transactions will continue to increase due to the demand from international investors and domestic property developers

KPMG insights - Getting the deal done (1/2)

Key considerations from Financial Due Diligence perspective

- Low quality of financial numbers i.e. inadequate records / controls / governance or multiple accounting records
- Robustness of financial performance drivers e.g. occupancy rates and lease rates (if retail), analysis of presales, recognized revenues, collection progress and remaining unsold units (if sales of apartments)
- The capitalization of cost structure and its qualification to tax deduction
- Funding – cost and availability of debt and its impacts to the business
- CAPEX and maintenance plan and the stability of revenue
- Potential commitments and contingent liabilities of existing projects
- Related-party transactions and relevant implications
- Selling progress and identified cash trap

KPMG insights - Getting the deal done (2/2)

Key considerations from Valuation perspective

- For development projects: estimation of reasonable cost and time to fulfill unfinished legal requirement of the project land
- For operating assets: equity value consideration, eliminating items not contributing and including items not contributing to future value for the projects
- Validity and terms of needed operating licenses
- Working capital required post acquisition.



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