JUNE

24

WEDNESDAY

ADVISORY DIARY

- **A close-up to HCMC real estate market**
- **SKG – Growing alongside the pearl island**

A close-up to HCMC real estate market

The Department of Housing and Real estate market Administration of the Construction Ministry said Hanoi would see 1,750 real property transactions and HCMC 1,700 transactions completed in June. For the six months ended June 2015, there will probably be 7,500 transactions in Hanoi and 7,050 transactions in HCMC, up 250% and 280% from a year earlier. To get a hands-on experience of the hustle in the market, our real estate analyst had last weekend a tour to property projects across the city. It seemed even though market conditions have improved a lot, not everything rosy.

East Saigon: A vibrant market for high-end apartment

Along Hanoi Highway, the neighborhoods of Thao Dien, An Phu, An Khanh of District 2 see a high concentration of high-end and luxury apartment projects, i.e. The Masteri (Thao Dien Investment), Lexingtion, Sun Avenue (Novaland), Estella Heights (Keppel Land), Vista Verde (CapitalLand), etc., which strive to capture buyers' attention with special care to details in the design of model houses, sale offices and even leaflets and brochures. But luxury comes with a cost. These projects sell as high as VND35-45 million (USD1,500-2,000) per square meter. 5-star facilities and conveniences, A-class contractor (Hoa Binh, Coteccon, Cofico), prime location and the development of the metro line are common explanations for the higher prices

The construction progress of Lexington has reached floor 22

"A close-up to HCMC real estate market"

Tai Nguyen

+ 84 8 6299 2006 | Ext: 319

tai.ntp@vdsc.com.vn

From what we witnessed, it seemed that most of the buyers here were investors. At the sale offices of The Masteri and Novaland projects, our analyst spoke to a few visitors, many of whom intended to buy apartment then resell when the developers raise the prices in subsequent offerings (new blocks). For the apartments valuing from VND1.5-4.0 billion (USD75k-200k) per unit, a profit margin between 5% and 7% is much attractive, especially when the banks are more than willing to leverage, sometimes up to 80% of the purchase price.

Given the concentration of the foreigner population in Thao Dien, An Phu, An Khanh, buy-to-let is also a fast-rising trend. Hopes are that when the New Land Law takes effect this July, foreigners, who are commonly perceived as more generous people than the local, will be les reluctant to buy or lease a house in Vietnam. In case the resale strategy doesn't work, buyers can hold the property and lease it long-term to cover loan interests. Some developers even promise to help find willing lessees and a lease rate from USD600 to USD1,000 a month. And if buyers still can't make up their minds, there are always some helpful, eye-candy and sweet-talking salespeople there to persuade them into a contract.

Western and South Western: the warmth is just not there

At the other end of the city, the market seems much less lively with the absence of large, sparkling projects and robust transactions. One of the most notable project, City Gate Towers (NBB) lies on the side of East-West Boulevard. A reasonable price and promises of hand-over timeline and construction quality by a Japanese developer (Creed Group) add to the project's attraction. As compared to the nearby Ehome 3 (NLG), City Gate Towers offers a competitive price (starting VND16.8 million (USD800)/m^2) but a better location. From our analyst's quick survey, most of the buyers came for a house of themselves rather than an investment. At a rate of 10-15 units a week, City Gate had sold about 200 units the time we visited.

The basement of City Gate Towers will have been completed by the end of 3Q2015

Further into the heart of suburban districts of Binh Chanh, Nha Be, we could hardly feel of the heat of an emerging real estate market. Phong Phu 4 Residential Area, a land-plot-for-sale project developed by BCI posed a grass-filled landscape with scattered townhouses and thinly stretched population despite ready infrastructures. Though nearing National Route 50, Phong Phu 4 lacks thriving neighborhoods in the nearby and thus the vibrancy of BCI's previous projects such as Ten Lua and Phong Phu 5.

Phong Phu 4 Residential Area has ready infrastructure but few residents

Unlike Phong Phu 4, VPH's Nhon Duc RA and ITC's Long Thoi project have only begun with the construction of basic infrastructures. Despite decent traffic wiring, the mass surroundings of grass fields and house farms make it hard to believe these projects are just a little more than 15 minutes away from Phu My Hung New Urban Area by motorbike. This confirms that the price is but one determinant of a real estate project's marketability. The development of the Ben Luc – Long Thanh Expressway is expected to breathe new life to the land plot market in this area.

Long Thoi – Nhon Duc RA (ITC) is in the clearance and infrastructure construction process

Yet, there are still places where prices make the difference. Whereas SCR's Jamona City has sold over 1,000 apartment units and its entire 48 villa plots in matter of months, PDR's luxury project on the other side of the street, i.e. The Everich 2, managed to liquidate just more than 100 units of the first apartment block (block A). The time he came here, our analyst saw 4-5 villas in construction within Jamona City. Meanwhile, the construction site of block B of The Everich 2 hardly reached higher since PDR's AGM in April. At a price as high as VND23 million (over USD1,000)/m^2, it seemed PDR's guarantee of a fixed leasing income is not enough lure house buyers to The Everich 2. Recently the firm announced it would transfer the ownership of The Everich 2 to a subsidiary (Hiep Phat). This move is generally seen as a measure taken by PDR to attract outside investors or even liquidate the entire project.

Construction of villas in Jamona City has already started

The construction of block B of The Everich 2 has hardly made progress

From all those projects, the recovery of the property market seems uneven where a good-selling project is the result of a formula combining factors such as good location, ready infrastructures and reasonable pricing. Contrary to many experts' view, however, we don't see speculation as serious concern right now. Instead, home buyers' risk appetite has changed and they are more willing to accept reasonable profit or steady income flows. We believe this is the factor that has helped keeping liquidity from variation the entire time.

Despite much expectation, the performance of real estate stocks has been anything but extraordinary since the beginning of the year. In mid of May, real estate stocks plummeted in number and have gone sideways ever since. Today, along with a decline of 0.5 % of VN Index and 0.3 % of HNX Index, real estate stocks traded relatively weakly with most tickers fell slightly or closed unchanged. VPH, HDG and DXG were among the few remaining on the upside. Noticeably, SCR attracted much market attention, picking up VND600/share with nearly 7.5 million shares traded at rumors that the company will issue additional shares for strategic and foreign investors. HQC also exhibited high volatility with good volume and net foreigner purchases of over 2,2 million shares.

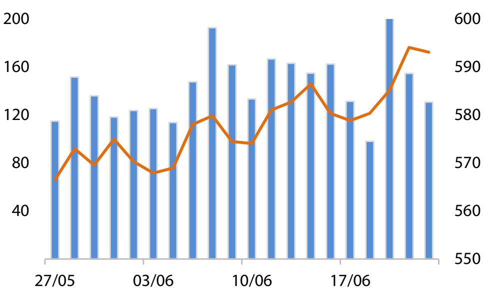
SKG – Growing alongside the pearl island

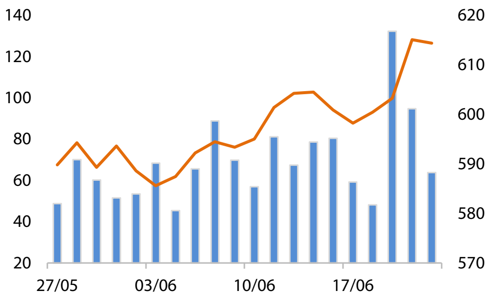
SKG could be considered as a rare high growth story on Vietnam stock market. In 2015, advantages from lower oil price and added capacity from Superdong VIII are expected to sustain SKG's positive business performance. Moreover, commitment in market share expansion and effective boat deployment are other pluses. In the long-term, we expect rapid development of Phu Quoc Island and new speedboat investments would keep the company business on good track of high growth.

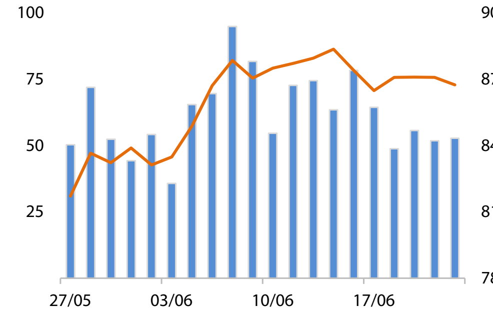
Being a services provider requires the company to continuously make investment in new boats to sustain pace of growth, we use the expected growth rate next year to assess the company's upcoming growth. Assuming SKG maintaining similar reinvestment rate (RIR of 49.2%) and return on capital (ROC of 42%) in the 2012-2014 period, the company could achieve expected average growth rate of 24.3% in 2015-2019 period. Combing the two valuation methods being (1) Discounted cash flow and (2) Relative valuation (P/E and P/B), we think the appropriate price for SKG share to be **VND64,300/share** and recommend investors to **BUY** in the **LONG TERM**.

Last but not least, we would like to raise the remote risk of sea accident and new entrants which could impact SKG's business negatively. At the moment, SKG's concentrated ownership structure leads to the dry-up in trading liquidity of the share. Hence, expectation on changes in ownership structure to improve liquidity is certainly on the horizon.

VNINDEX	-0.51%	590.02	VN30	-0.60%	610.73	HNXINDEX	-0.33%	86.46

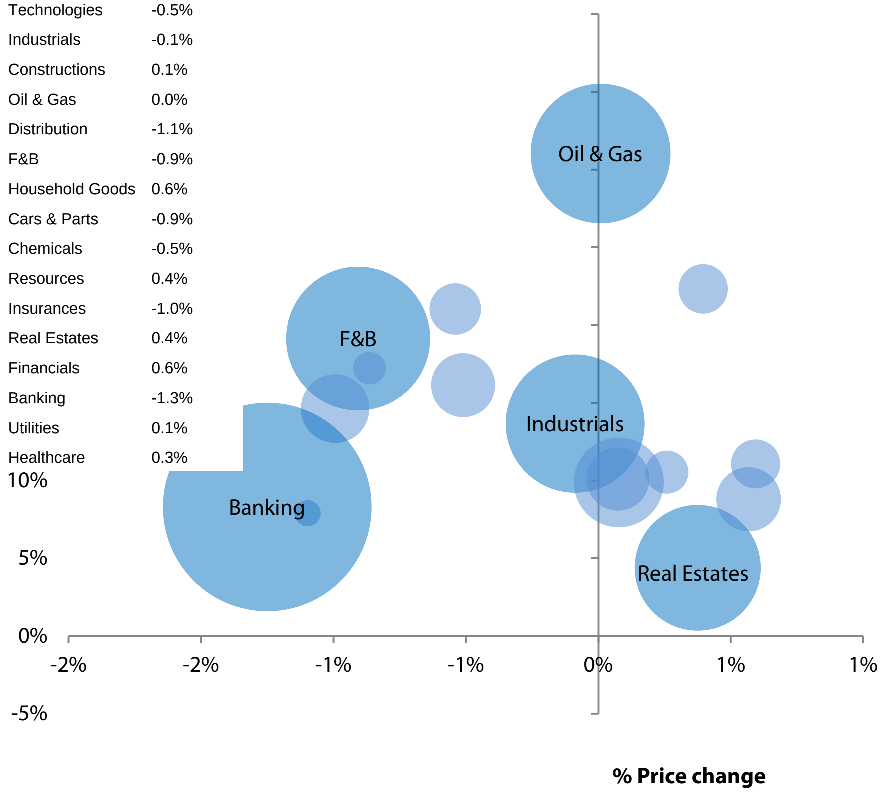




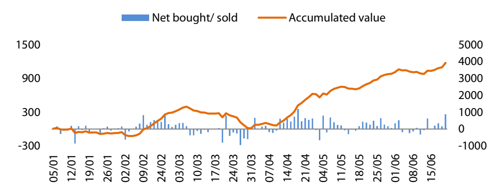


Industry Movement

Industry	% change
Technologies	-0.5%
Industrials	-0.1%
Constructions	0.1%
Oil & Gas	0.0%
Distribution	-1.1%
F&B	-0.9%
Household Goods	0.6%
Cars & Parts	-0.9%
Chemicals	-0.5%
Resources	0.4%
Insurances	-1.0%
Real Estates	0.4%
Financials	0.6%
Banking	-1.3%
Utilities	0.1%
Healthcare	0.3%



Foreign Investors Trading



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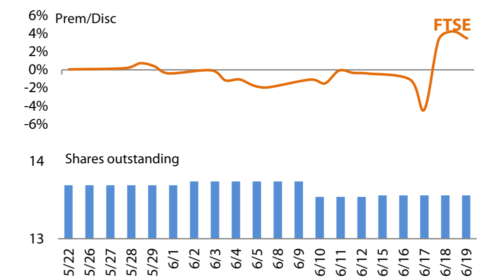
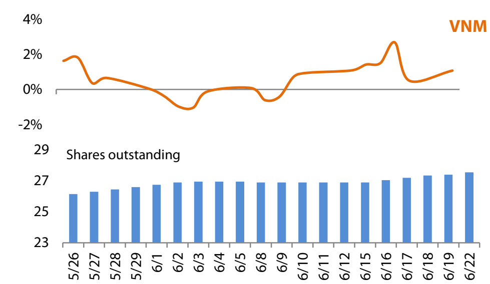
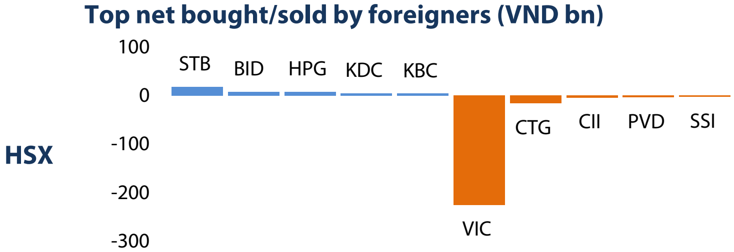
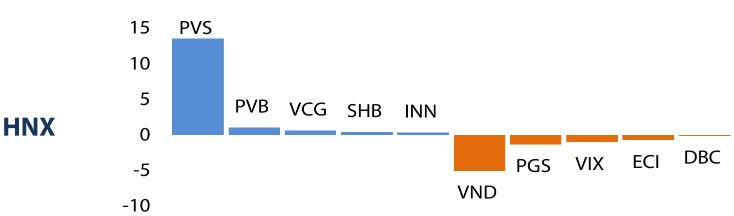




Top net bought/sold by foreigners (VND bn)





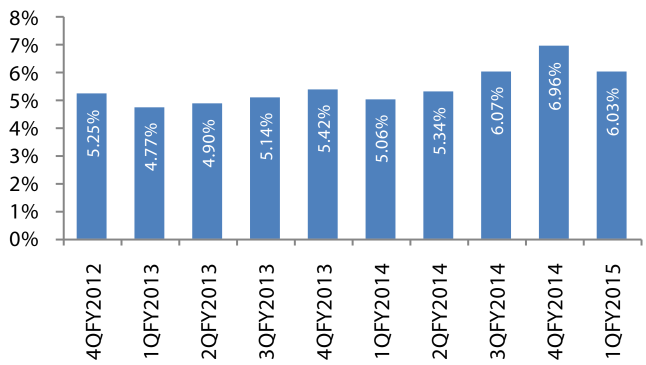
Top Active

Ticker	Price	Volume	% price change
FLC	8.9	18.75	1.1%
OGC	2.7	10.03	-3.6%
HAG	18.4	6.69	2.2%
VHG	10.6	5.94	3.9%
CTG	20.3	3.59	-1.5%

Ticker	Price	Volume	% price change
SCR	8.7	8.24	7.4%
FIT	13.0	3.36	-2.3%
KLF	7.1	3.22	0.0%
VIX	11.0	2.87	-3.5%
VND	13.7	2.06	2.2%

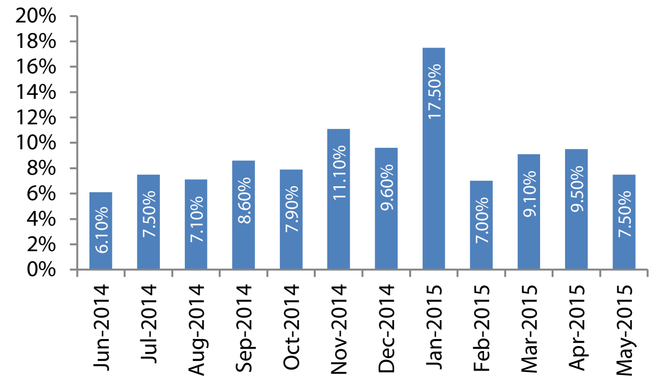
MACRO WATCH

Graph 1: GDP Growth



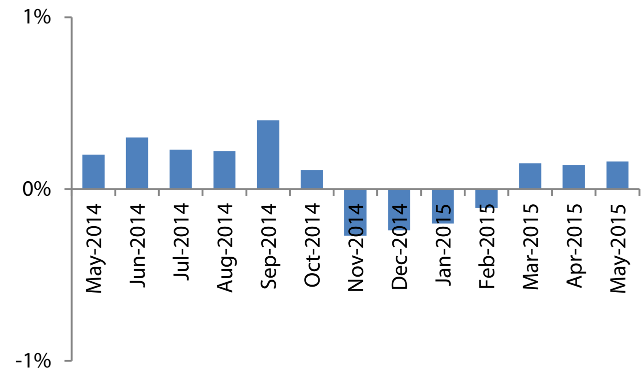
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



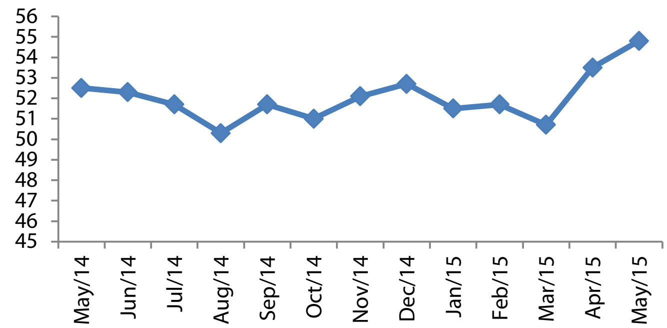
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



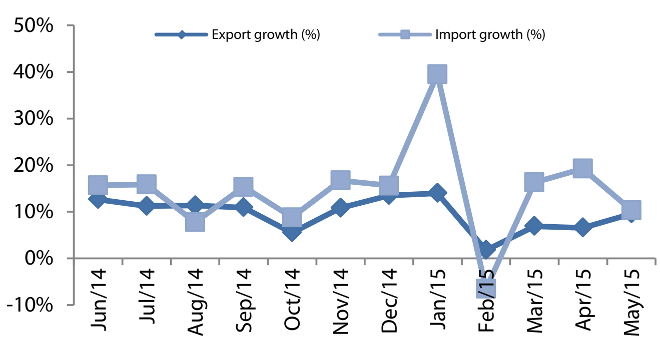
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



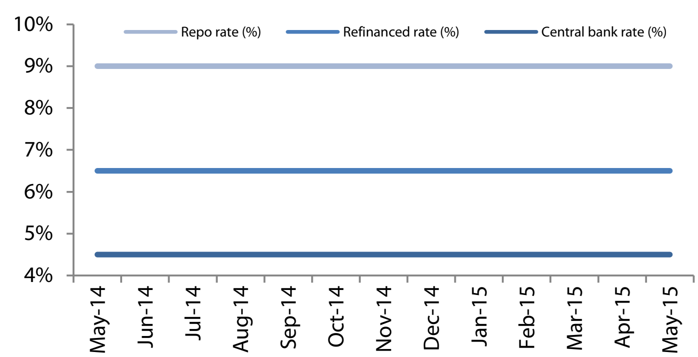
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth



Sources: GSO. Rongviet Securities database

Graph 6: Interest



Sources: SBV. Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
MWG - Optimistic business outlook in 2015	May 25th, 2015	Buy – Intermediate term	101,000
FPT - Positive recovery in the technology business	May 12th, 2015	Accumulate – Long term	60,900
GSP- Heading for a new growth period	May 11th, 2015	Accumulate – Long term	16,600
STK - Running on all cylinders	May 7th, 2015		30,800
VPH - Emerging from its lowest	May 5th, 2015	Buy – Intermediate term	15,300

Please find more information at http://vdsc.com.vn/tabid/149/language/vi-VN/default.aspx

FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	16/06/2015	0% - 0.75%	0% - 2.5%	11,620	11,627	-0.06%
VEOF	16/06/2015	0% - 0.75%	0% - 2.5%	9,740	9,463	2.93%
VF1	19/06/2015	0.2% - 1%	0.5%-1.5%	21,904	21,861	0.20%
VF4	17/06/2015	0.2% - 1%	0%-1.5%	9,736	9,678	0.59%
VFA	19/06/2015	0.2% - 1%	0%-1.5%	7,289	7,312	-0.32%
VFB	19/06/2015	0.3% - 0.6%	0%-1%	12,167	12,170	-0.02%
ENF	12/06/2015	0% - 3%	0%	11,156	11,006	1.36%
MBVF	18/06/2015	1%	0%-1%	10,551	10,541	0.09%
MBBF	17/06/2015	0%-0.5%	0%-1%	12,120	12,139	-0.16%

ANALYSTS

Truc Doan – Head of Research

+ 84 8 6299 2006 | Ext: 355

truc.dtt@vdsc.com.vn

Hoang Nguyen

+ 84 8 6299 2006 | Ext: 328

Hoang.nh@vdsc.com.vn

Lam Nguyen

+ 84 8 6299 2006 | Ext: 323

lam.ntp@vdsc.com.vn

Tuan Huynh

+ 84 8 6299 2006 | Ext: 326

Tuan.hm@vdsc.com.vn

Kien Nguyen

+ 84 8 6299 2006 | Ext: 326

Kien.nt@vdsc.com.vn

Ha My Tran

+ 84 8 6299 2006 | Ext: 319

my.tth@vdsc.com.vn

Tai Nguyen

+ 84 8 6299 2006 | Ext: 319

tai.ntp@vdsc.com.vn

Diem My Tran

+ 84 8 6299 2006 | Ext: 321

my.ttd@vdsc.com.vn

Van Banh

+ 84 8 6299 2006 | Ext: 324

Van.btt@vdsc.com.vn

Thien Bui

+ 84 8 6299 2006 | Ext: 325

Thien.bv@vdsc.com.vn

Trien Le

+ 84 8 6299 2006 | Ext: 325

trien.lh@vdsc.com.vn

Tam Bui

+ 84 8 6299 2006 | Ext: 324

tam.bt@vdsc.com.vn

Huong Pham

+ 84 8 6299 2006 | Ext: 323

huong.pt@vdsc.com.vn

Nam Huynh

+ 84 8 6299 2006 | Ext: 321

Nam.hk@vdsc.com.vn

HỘI SỞ TẠI TP.HCM
Tầng 1-2-3-4, tòa nhà Viet Dragon
141 Nguyễn Du, P.Bến Thành, Q.1, TP.HCM
- T +84 8 6299 2006
- F +84 8 6291 7986
- E info@vdsc.com.vn
- W www.vdsc.com.vn

CHI NHÁNH HÀ NỘI
2C Thái Phiên, Q.Hai Bà Trưng, Hà Nội
- T +84 4 6288 2006
- F +84 4 6288 2008
- E info@vdsc.com.vn
- W www.vdsc.com.vn

CHI NHÁNH NHA TRANG
50 Bis Yersin, TP.Nha Trang, Khánh Hòa
- T +84 058 3820 006
- F +84 058 3820 008
- E info@vdsc.com.vn
- W www.vdsc.com.vn

CHI NHÁNH CẦN THƠ
08 Phan Đình Phùng, Q.Ninh Kiều, TP.Cần Thơ
- T +84 0710 381 7578
- F +84 0710 381 7789
- E info@vdsc.com.vn
- W www.vdsc.com.vn

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