

Vientiane (Laos) Property Market

Year end 2011



Highlights

- Surge in office supply in 2010/2011 but from very low base
- Retail market makes first steps to compete with Udon Thani
- Apartments for lease show strong demand
- Landed housing remains strong magnet for office and residence

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VIENTIANE MAKES STRIDES

Vientiane, the capital of Laos, resembles more of a sleepy South American town than the commercial hub of another emerging tiger and this reflects the intention of a more moderate trajectory of growth in the city. The name is translated as 'City of Sandalwood', a tree known for its fragrance, and it became the capital of Laos as far back as 1563. It was not until 1986 with the "New Economic Mechanism" that began the slow process of market orientated reforms to a centrally planned economy that the emergence of Vientiane as both the political and commercial capital of the country took place. However, being landlocked and having a small population as well as being cautious in its growth strategy has meant that the city has only recently taken on the characteristics of modern city life and there is still some way to go. But that remains the charm of Vientiane for those who have been fortunate enough to experience the city.

A significant amount of real estate activity is undertaken by diplomatic missions and Non Governmental Organizations (NGOs) in the form of villas and leased apartments for their own operations as well as residences for their expat employees. Over the past ten years Laos has undertaken a significant amount of hydropower development and is serving the energy needs of its neighbours as well as becoming an important mining destination and logistical hub for regional trade. Many companies involved in these sectors, especially from Vietnam, China and Thailand, have now located their head office in Vientiane. A plethora of banks have sprung up in the capital to serve the needs of these investors.

Vientiane is also increasingly on the tourist itinerary that also includes Luang Prabang - A UNESCO World Heritage site, Vang Vieng - a popular destination for backpackers and the less visited areas in the south of the country including Tad Lo waterfalls and Si Phan Don (Four Thousand Islands). Many like to spend a few days in the capital before moving on and hotels of all grades are accommodating these tourists and also business travelers.

Although no international hospital exists, the first private clinic has recently begun operation and a first class accredited international school is growing apace. The jigsaw pieces of an international city are fitting into place for the city although the retail component is still mostly in the form of traditional shopping centres but Big C will open its doors next year and more modern retail centres are due to come online over the next few years but the shopping scene in Udon Thani is still likely to keep the city quiet at weekends for some time. In 2011 the first ever stock exchange started operation in Vientiane with two companies listing although the number is set to increase over the next few years.

The abundance of land in the capital and foreign ownership restrictions mean that no condominiums or apartments for sale can be found in Vientiane. Height restrictions will maintain the unique character of the city and while the riverfront area is being rejuvenated with eclectic designs that add to the city's character, other projects are less appealing. The real estate market in Vientiane is awakening but the relaxed charm of this city will remain for some time to come.

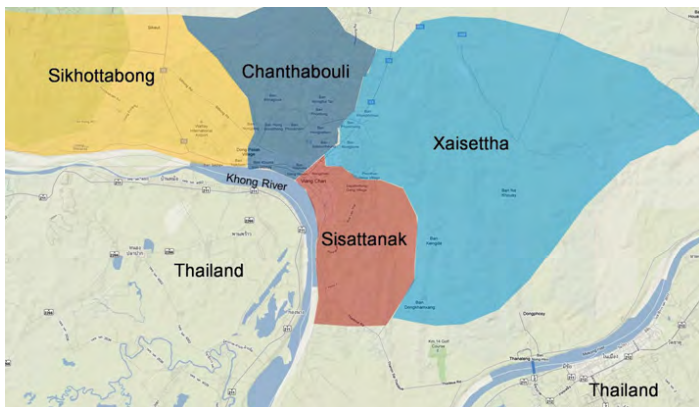
Tony Picon & Surachet Kongcheep
Colliers International Thailand Research



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VIENTIANE | INTRODUCTION AND ZONING

Vientiane is the capital and largest city of Laos as serving as the main commercial centre. Vientiane is located on the east bank of the Khong River opposite Nong Khai province in Thailand, but people in Laos can cross the river by Friendship bridge in Hadxayfong district to Nong Khai province. The report covers four districts in Vientiane.



Sikhottabong District : Sikhottabong district is the new area for business and residential properties. A number of new office buildings and shopping malls have been launched in this area and some of them are already under construction, especially in the area around Wattay International Airport.

Chanthabury District : Most of the government offices, hotels and guesthouses are located in this district which encompasses most of the downtown area. This location is very popular with tourists and also contains many restaurants and bars.

Sisattanak District : This district is very popular for foreigners who work in Vientiane city, due to it being closer to their own work place, because many Embassy and NGO offices are located in the district as well as international schools. The district is also popular with wealthy Laotians.

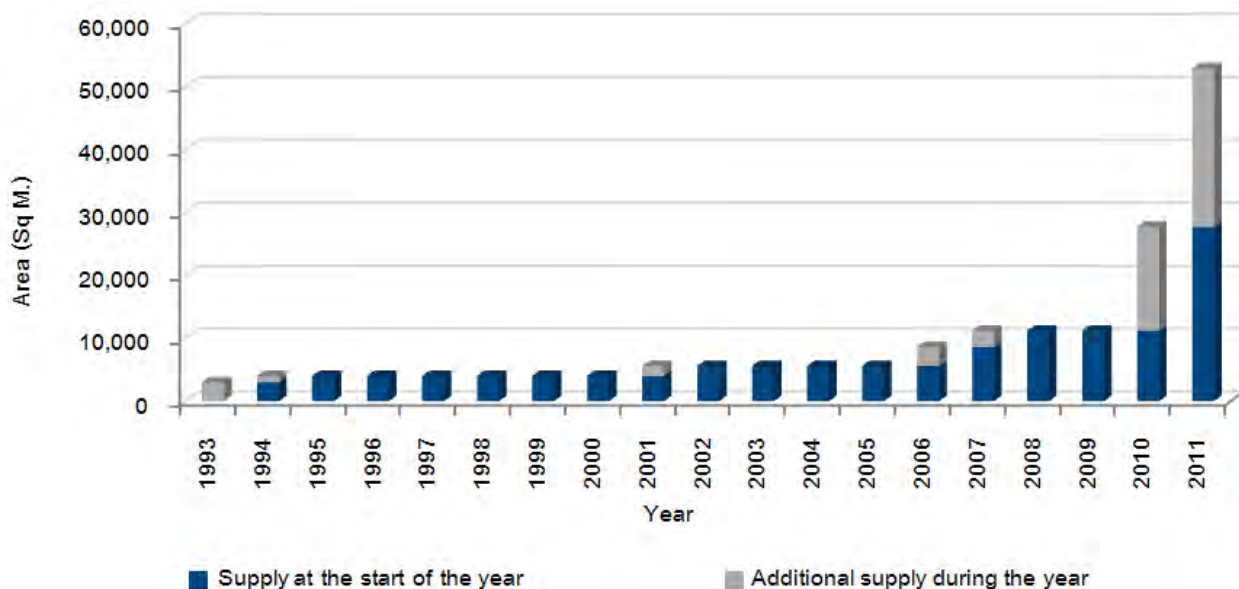
Xaysettha District : In addition to Chanthabury district, some government offices are also located in this district, including some embassies and office buildings. It is also where the new stock exchange is situated.



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OFFICE MARKET

HISTORICAL SUPPLY



Source : Colliers International Thailand Research

OFFICE SUPPLY

The total area of office space in Vientiane is almost 53,000 sq m and nearly 80% of total supply was added to the market during 2010 – 2011. The average size of office buildings recently completed has risen dramatically. Office buildings completed before 2010 had an average space of only 2,240 sq m per one building, but new offices that were completed during the years 2010 – 2011 were almost 6,000 sq m per building.

RENTAL RATES

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SINGLE OCCUPIER OFFICES

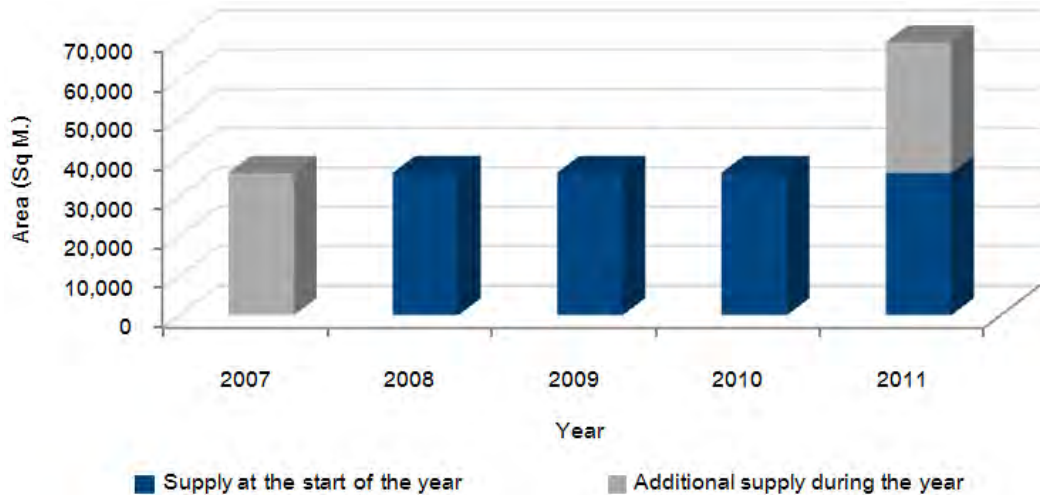
Laos has a liberalized financial sector and many foreign banks actively operate in Vientiane. Most occupy their own dedicated office building and are not considered in this report.



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RETAIL MARKET

HISTORICAL SUPPLY



Source : Colliers International Thailand Research

SHADOW OF THAILAND

During the weekend Laotians will cross the border to Thailand to visit shopping malls and hypermarkets in Udon Thani which is only two hours drive from Vientiane. Also popular is a hypermarket in Nong Khai just across the river. Thailand features significantly in the retail market in Laos and is partly responsible for the limited number of modern retail centres in the capital. Thai brands are popular in Laos due to the popularity of Thai television.



RETAIL CONDO

Most of the retail centers in Vientiane are freehold or long term lease of usually 40 years. This leaves less control over tenant mix.



DEARTH OF SUPERMARKETS

Only two supermarkets exist in Vientiane, but many larger minimarts can be found in the city which often cater to the growing numbers of tourists.

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HOTEL MARKET

CUMULATIVE FUTURE SUPPLY



Source : Colliers International Thailand Research

MARKET SHARE

Tourists from Asia are the main target of the Vientiane tourism market with approximately 81% from a total of around 1,611,000 tourists with around 9% coming from East Asia. Approximately 79% of the Asian market is Thai and most foreign tourists who came to

Laos first depart from Thailand, as there are no direct flights from Europe, America and only limited flights from Kunming to Vientiane.



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APARTMENT FOR LEASE

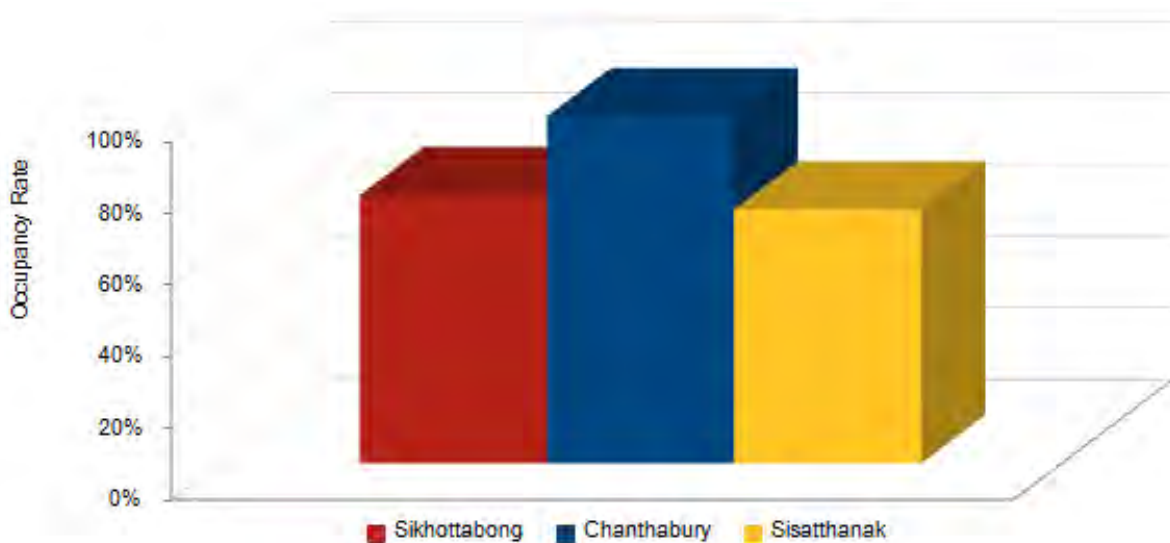
NATURE OF APARTMENTS FOR LEASE

Apartments for lease are buildings that lease out residential space usually for long term contracts but sometimes for short stays. The levels of service and facilities provided in such apartments varies. Only some apartments could be considered serviced apartments where cleaning would be provided on a daily basis and a small



restaurant serving residents. In many cases cleaning takes place two or three times a week with minimal communal facilities. Most do not contain swimming pools and gyms.

OCCUPANCY RATE BY LOCATION



Source : Colliers International Thailand Research

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THE HOUSING MARKET IN VIENTIANE

Houmphans Salyalath

Houses for rent are popular with expats living in Vientiane. These can be from NGOs, embassy or consular staff or from companies doing business in Laos although some prefer the convenience and lower rates of an apartment for lease.

Most houses are stand alone rather than in estates although there is a growing trend for estates due to the higher level of security. Otherwise the tenant is responsible for this and some embassies even resort to providing private security for their staff. The highest demand for houses is around the 500-800 USD per month mark, while there is a reasonable level of demand for the 1,000 to 1500 USD rental category especially from diplomatic staff.

It is usually the custom for tenants to pay at least 6 months in advance but mostly with no security deposit, although a few landlords require this. The lease term is usually in the form of a one year contract while the tenant is responsible for paying their own bills. Some tenants prefer a longer term lease if they are comfortable with the house and surroundings but most accept the greater flexibility of a shorter lease

Whether the rental covers items such as furniture and electronic equipment depends on the landlord and prospective tenants need to make sure what is included and what is excluded. If equipment is included it is usually for basic items such as fridge, microwave or washing machine. Most houses do not come with an internet connection although it is usually better for the tenant to choose their package to suit their needs and this can be easily be arranged through a provider. It is easy to arrange a fixed line telephone but many prefer only a mobile. Due to connection problems it is advisable to use more than one sim card from different carriers and many cheap phones can be purchased that allow four sim cards to be installed.

Popular locations for expat renters are in diplomatic areas or near Vientiane International School and other schools that provide English language instruction. These locations are mostly in

Sisattanak district along many small roads. It is common not to use the name of the road as an address. Chanthabuly district is the location of many offices and can be considered as a main business district so many prefer this location which is also close to the entertainment areas.

There is also some demand for house rentals in Luang Prabang in the north of Laos for those working in the hospitality industry and in Sukannaket and Pakse in the central and south of the country where many industries are located.

Houmphans Salyalath (Tony) is Managing Director of Rentsbuy Co., Ltd.



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LEGAL ASPECTS

LAND FREEHOLD

The government owns all land in Laos. The equivalent of ownership is based on the concept of land use rights. However the government may take back the land anytime for a symbolic rather than market value. Foreigners are not allowed to own land.

LAND LEASEHOLD

Lao citizens are authorized to lease land from the state for a maximum of thirty years and can be extended depending on the case. Foreigners may lease from the state. Foreigners wishing to lease developed land from Lao citizens must get approval from national land management authority based on local administration recommendations. The maximum lease period is 20 years but may be extended on a case by case basis. For foreigners who come to invest the lease period for state land is 50 years but may be extended and for Lao citizens this period is 30 years. The period for embassies and international organisations is 99 years. Land

can be sub-leased with approval from state and can also be inherited.

BUILDING

Foreigners have right to buy and sell property based on the contract of land lease but state has priority in buying property.

APARTMENT FREEHOLD

Foreigners are not allowed to buy apartments.

ECONOMIC ZONES

Specific economic zones and special economic zones the maximum period for land lease is 75 years, but may be extended with approval from the National Assembly.

TAXATION/CHARGES

15% tax arising from property, including leasing

SUPPORTING THE REAL ESTATE MARKET IN VIENTIANE

LAOS SECURITIES EXCHANGE

The Laos exchange lists two companies, Electricite du Laos Generation company and Banque Pour Le Commerce Exterieur Lao, with more expected to follow. Korea Exchange has invested \$9.8m, or 49% of the capital in the exchange with The Bank of Laos, the country's central bank, investing the rest. A new office building was completed to accommodate the exchange and securities companies.



INTERNATIONAL SCHOOLS IN VIENTIANE

Vientiane International School (VIS) is an accredited International Baccalaureate World School in Vientiane, Laos, established in 1991. VIS moved to a new purpose built facility in August 2008. It teaches from 3-18 years of age. Kiattisack International School (KIS) follows the IGCSE Secondary syllabus. On February 24, 2010 KIS has met all the standards required to be a Cambridge International Centre. Other schools that offer English medium education include A.I.S. International School, Panyathip International School (PIS), Vientiane Pattana School and Sharon English School.

MEDICAL SERVICES

Alliance International Medical Centre begun operations in 2011 and is the first international full service clinic in Laos. It is operated by The Wattana Hospital Group which has a hospital in Nong Khai, on the border in Thailand. Centre Medical de l'Ambassade de France was the first international private clinic in Vientiane. There are three well known public hospitals called Mohosot, Mittapheb and Sethathirath (Japanese) hospitals, although most wealthy Laotians and expats choose to go to Nong Khai or Udon Thani in Thailand for operations.



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Spotlight – Vientiane Property Market Year end 2011

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