

PROPERTY REPORT: VIETNAM

Turning remote beach into high-rollers' paradise

Casino developers hope for approval of Xuyen Moc resort

By ALEX FRANGOS

An international group of developers hopes to make a remote stretch of beach in Vietnam into the next Asian gambling hotspot.

Asian Coast Development Ltd. of Toronto, with partners Fontainebleau Resorts, a U.S. resort developer; and Paul Steelman, a Las Vegas-based casino architect, are slated to take part in the planned resort, which awaits approval by the Vietnamese government. The group is proposing a \$4 billion resort and casino in a country that tends to attract more backpackers than high-rollers. It would encompass an undeveloped stretch of beach and forest in Xuyen Moc, Ba Ria Vung Tau province. The project, dubbed Ho Tram, would be situated on the South China Sea, a two-hour drive east of Ho Chi Minh City.

"We want to bring the best of America to Vietnam," says Michael Aymong, chairman of Asian Coast. Plans for the project's first phase feature 10 restaurants, a Greg Norman-designed golf course, an eight-acre swimming pool, 1,200 hotel rooms and a 7,200-square-meter Las Vegas-style table games casino. The resort's theme would be a "lost city of Vietnam," he says.

During the Vietnam War, the area was mostly unaffected by the fighting and served as a seaside recreation area for American and Australian troops. Later, the capital of the region, Vung Tau, was a launching place for the Vietnamese "boat people" who fled the communist regime in the 1970s and 1980s for places such as Hong Kong.

The project has been in the works for three years. Developers say they have a 50-year lease from the government on the 3.5 kilometer long beachfront site. (All land in Vietnam is officially owned by the "people" and administered by the government.) The government will generate money through the land lease and from a cut of the gam-

bling revenues.

Asian Coast's development could still fail to get off the ground. The company is waiting for a final green light from the prime minister's office in Hanoi, expected in the next 30 to 90 days. Asian Coast would begin construction on the \$500 million first phase within three or four months after approval and would open two years after that.

There are a few small casinos in northern Vietnam, but gambling is still a nascent industry in the country. Vietnam's lack of a legalized and regulated gambling system has discouraged major U.S. operators like Harrah's Entertainment Inc., MGM Mirage, Wynn Resorts Ltd. and Las Vegas Sands Corp. from moving into the country. To teach Vietnamese government officials about the industry, Asian Coast organized a tour of gambling sites in London, the Bahamas and the U.S.

In other parts of Asia, casino construction is on a roll. In the Chinese enclave of Macau, gambling revenues surpassed those of the Las Vegas Strip last year. Two mega-resort-casino projects are just getting under way in Singapore. There is speculation about casinos popping up in Japan, and eventually in mainland China.

While Asian nations—including Vietnam—are exploring casinos as a way to generate new revenue, American casino companies remain wary of new markets because of regulatory issues back home. U.S. state casino regulatory agencies must approve foreign casino projects if American companies operate gambling halls in their jurisdictions.

Despite hurdles on the home front, all four major U.S. operators have for years jockeyed to get into one of Asia's most promising gambling markets: Macau. When the former Portuguese colony reverted



Rendering of a proposed casino-resort in Vietnam.

Asian Coast Development

to Chinese control in 1999, the Chinese kept the lucrative gambling industry there and decreed that it would be the only place in China gambling was legal. In 2002, the Chinese government broke a long-standing monopoly held by tycoon Stanley Ho and opened Macau to foreign competition.

Currently, Las Vegas-based Sands and Wynn are the only two U.S. casino firms with casinos up and running in Macau. MGM Mirage is planning two gambling resorts in a joint-venture with a Hong Kong-based partner. (On Tuesday, MGM Mirage and its partner attended a Gaming Control Board hearing in Las Vegas as part of the process to win approval of the partnership.) Harrah's, for now, is locked out of Macau since it didn't receive a casino license to operate there.

Macau's growth in the past few years has been stunning, thanks in

part to visitors from mainland China. In the 12 months that ended January, the territory saw 22.4 million visitors, up 18% from the year earlier period, according to the Macau government. And while that number is still dwarfed by Las Vegas's nearly 39 million visitors last year, Macau's 2006 gambling revenue of \$6.95 billion, for the first time, topped gambling revenues on the Las Vegas Strip.

Beyond Macau, the gambling industry's next big Asian target is likely Japan, whose parliament could vote next year to build casinos in two or three initial locations.

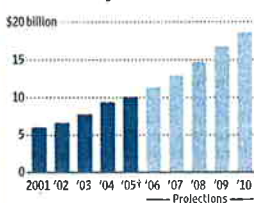
Larry Klatzkin, casino analyst at Jefferies & Co. in New York says companies are poised to act on any real opportunity. "Whatever is legalized next, they'll be there," he says.

—Peter Sanders and Thu Nguyen contributed to this article



Asian ante

Casino gambling revenue* in the Asian-Pacific region



*At average 2005 exchange rate. †Preliminary. Sources: PricewaterhouseCoopers; Wilkaty Green Assoc.

Ho Chi Minh City is hot, but transparency issues pose risk

Vietnam's Ho Chi Minh City offers both tantalizing prospects and daunting challenges for real-estate investors.

Two recent reports on Vietnam underscore the conflict faced by investors hoping to tap a market that only recently put out the welcome mat for foreign investors. Ho Chi Minh City received the highest ratings in prospects for development out of 19 Asian-Pacific cities based on a survey last year of real-estate experts that included lenders, investors and developers by the Urban Land Institute and accounting firm PricewaterhouseCoopers. At the same time, the transparency of Vietnam's real-estate market ranked last out of 56 countries surveyed by Jones Lang LaSalle in 2006, according to Andrew Brown, the country head for the real-estate services company.

Known as Saigon before 1975 and South Vietnam's unification with communist North Vietnam, the city was the South Vietnamese stronghold during the Vietnam War. More than three decades later, Ho Chi Minh City is home to about seven million people and the commercial capital of one of the world's fastest growing economies, according to Moody's Economy.com. Vietnam shares a northern border with China and has benefited from its central location in the booming Asian region. The country's gross domestic product is expected to

grow about 8% this year, second only to China's forecast 9.3% growth out of the 45 major countries followed by Moody's.

Vietnam is also expected to benefit from improved international stature since joining the World Trade Organization in January—just as Shanghai's real-estate market took off after China joined the WTO in 2001. "It basically puts Vietnam on the map for more foreign direct investment and more demand for its real estate," says Don Lam, managing partner of VinaCapital, a Ho Chi Minh City-based fund that has about \$865 million in investments in Vietnam, some in real estate.

Ho Chi Minh City's growing and young consumer class makes mixed-use projects with larger apartments and modern retail a good bet, Mr. Lam says. The fund's Hung Vuong Plaza in Ho Chi Minh's China Town will contain 276 condominiums and about 30,000 square meters of enclosed mall space on multiple levels. Billed as Vietnam's first enclosed shopping mall, Hung Vuong, when it opens in June, will have such standard Western mall amenities as a department store, a food court, a bowling alley and an eight-screen movie theater. It will also contain restaurants for wedding receptions as the country's relatively young population makes nuptials a big business, Mr. Lam says.

Despite early attempts at mak-

By the Numbers

Office rents in some key Asian cities	Third quarter	
	2006	2005
Singapore (Raffles Place)	U.S. \$52.94	U.S. \$35.67
Ho Chi Minh City (CBD)	U.S. \$35.50	U.S. \$31.00
Hanoi (CBD)	U.S. \$30.00	U.S. \$25.50
Kuala Lumpur	U.S. \$14.62	U.S. \$13.45

Note: All rents are the monthly gross price per square meter. Source: Jones Lang LaSalle

Singapore-based CapitaLand took a stake in a 1,100-home project in Ho Chi Minh City.



ing the market more transparent, the legacy of communist rule and the Asian financial crisis of the late 1990s made foreign investors leery. However, recent changes in land-use laws have allowed non-Vietnamese companies to take full title to their developments on a 50-year lease basis rather than only through joint ventures, Mr. Lam says. The change opened the door wider to much-needed foreign capital and has led to an increase in office, retail and residential projects in Ho Chi Minh City as developers race to meet the needs

of the modernizing economy.

Six high-end office buildings are under construction or planned this year in Ho Chi Minh City's central business district, according to a December report by Jones Lang LaSalle. Already underway is the 68-story Bitexco Financial Tower, with a shape inspired by a lotus flower. It is slated to be one of the tallest buildings in Vietnam when completed in 2009. Vietnam also has approved plans to build a \$33 billion high-speed railway system that will link Ho Chi Minh City with Ha-

noi, Vietnam's capital to the north.

Many of the investors are Hong Kong or Singapore companies such as CapitaLand Ltd. The Singapore-based developer is involved with two projects in Ho Chi Minh City that are slated to construct a total of about 1,700 homes.

"The problem in Vietnam is not the laws, which are pretty good, but how they are enforced," says David Dapice, an economist at both Tufts University and Harvard University.

—Maura Webber Sadovi and Thu Nguyen