



SAVILLS PROPERTY PRICE INDEX (SPPI)- Q2/2013

HANOI PROPERTY PRICE INDEX

Residential Index

In Q2/2013, Ha Noi SPPI was at 104.7, dropping -3.6 pts quarter-on-quarter (QoQ) and -17.7 pts year-on-year (YoY). The index, which has decreased for eight consecutive quarters by approximately -25% since its peak at 138.7 in Q2/2011, is approximately equal to the base index.

After increasing continuously during 2012, the inventory ratio decreased in the first two quarters of 2013. This quarter, the ratio decreased by -2 percentage points, reaching 93% due to an increase in absorption. It is a good sign for the overall improvement of the market's performance.

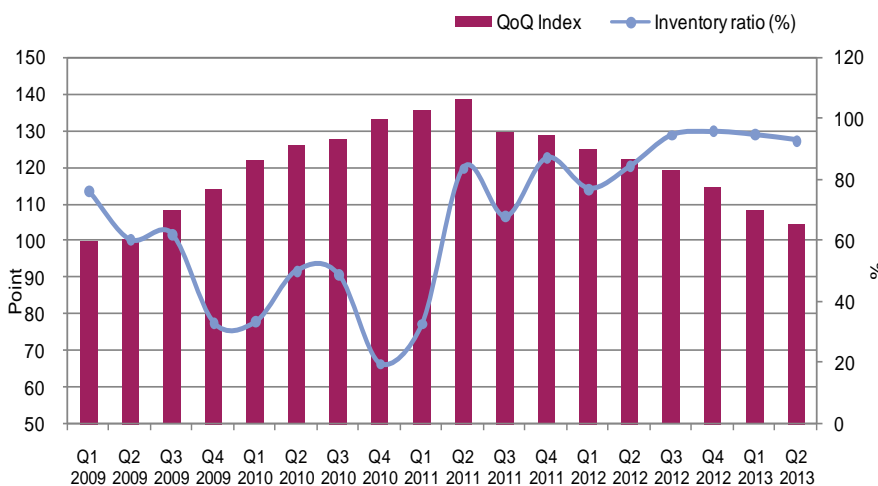
Meanwhile, the market's average price, including new projects, has decreased -30% since Q2/2011, due to the entrance of new projects and the price reduction of existing projects.

The quarter-on-base (QoB) index matches the movement of the QoQ index. After reaching its highest rate in Q2/2011, it decreased continuously each quarter due to the absence of speculation, which may be an indication of market adjustment toward end users. In Q2/2013, it stood at 91, dropping 35% compared to Q2/2011.

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Figure 1: Residential QoQ index vs inventory ratio



Note: Base Index in Q1 2009 = 100
 Source: Savills Research & Consultancy

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Office Index

The index for the whole market was 56 pts, decreasing -3 pts QoQ and -12 pts YoY in Q2/2013. A decrease in the average market rent of -1% QoQ and -9% YoY and the average occupancy rate of -3 ppts QoQ and -7 ppts YoY resulted in a drop in the index.

The Ha Noi QoQ office index increased from 2006 and peaked in mid 2008, due in part to the small market size and the limited number of new projects. Since Q2/2008, the index has steadily decreased, demonstrating the market's sensitivity to new projects.

In Q2/2013, six new buildings with 104,600 sq m had an average occupancy rate of 35%, negatively affecting the index for the whole market. However, all grades had positive office take-up this quarter. Office take-up, which only was 702 sq m in the previous quarter, increased significantly in Q2/2013 to approximately 40,900 sq m. Softer rent across all grades makes office space more attractive to tenants, resulting in a gradual increase in leased area.

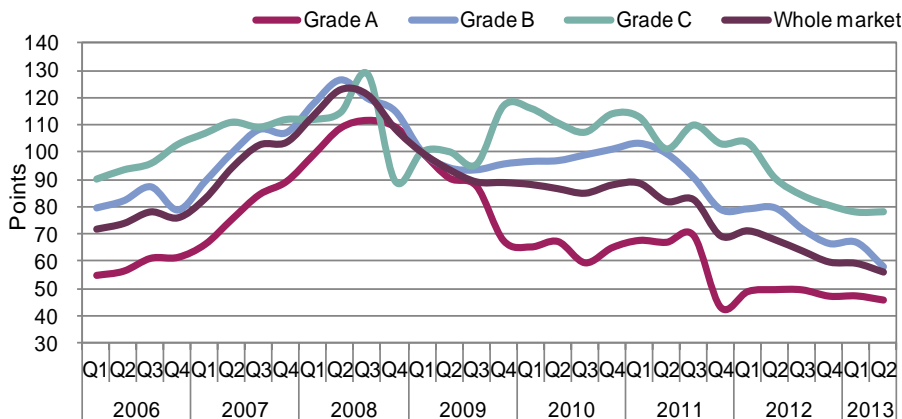
Grade C had the only increase, with 0.12 pts QoQ. The average occupancy increased 1.6% QoQ, positively affecting the index, despite the slight decrease in average rent, -1.4% QoQ.

The Grade A index is plateauing, with a range of 45 pts to 50 pts since Q1/2012. In Q2/2013, it was 45 pts, a slight decrease of 1.5 pts due to the reduction in the occupancy rate of -3% QoQ and an unchanged average rental rate QoQ. The average rent for Grade A decreased -3.4% QoQ, excluding new buildings, which have a higher rent rate than the average level of the segment.

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Figure 2: Dynamic QoQ office index



Source: Savills Research & Consultancy
 Note: Base index in Q1/2009 = 100

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HCMC PROPERTY PRICE INDEX

Residential Index

The Q2/2013 residential index stood at 89.4, with a slight increase of 0.2 index points quarter-on-quarter (QoQ), but decreased by -3 index points year-on-year (YoY).

The absorption rate this quarter increased one percentage point (ppt) to 8% QoQ and 2 ppts YoY, due to an increase in the number of absorbed units. The number of transacted units increased an impressive 59% YoY. 'Sold' volume has now been trending upwards for four consecutive quarters.

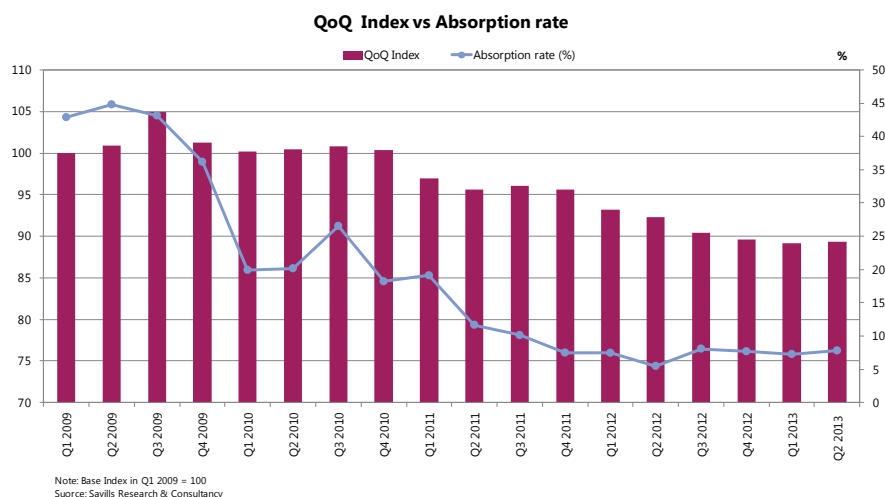
The increase of newly launched Grade C apartments with lower selling prices led to a decrease in the average market price, down -21% compared to that of base period Q1/2009 while the index, which is calculated on the constant project basket, only decreased by -13 index points.

Since the bottom of Q2/2012, the residential price index has gradually increased. Thanks to flexible prices, better product mix and government policies such as lowered interest rates, homebuyer confidence increased indirectly. The substantial YoY increase in transaction volume is a sign that the market is recovering.

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Figure 1: Residential QoQ Index vs Absorption rate



Office Index

The office index in Q2/2013 stood at 71, a slight decrease of -0.8 index points QoQ and -4.2 index points YoY.

Although occupancy remained stable, the decrease in the average market rent this quarter brought down the index. The decrease in both occupancy and rent of the non-CBD was the main factor that affected market rent.

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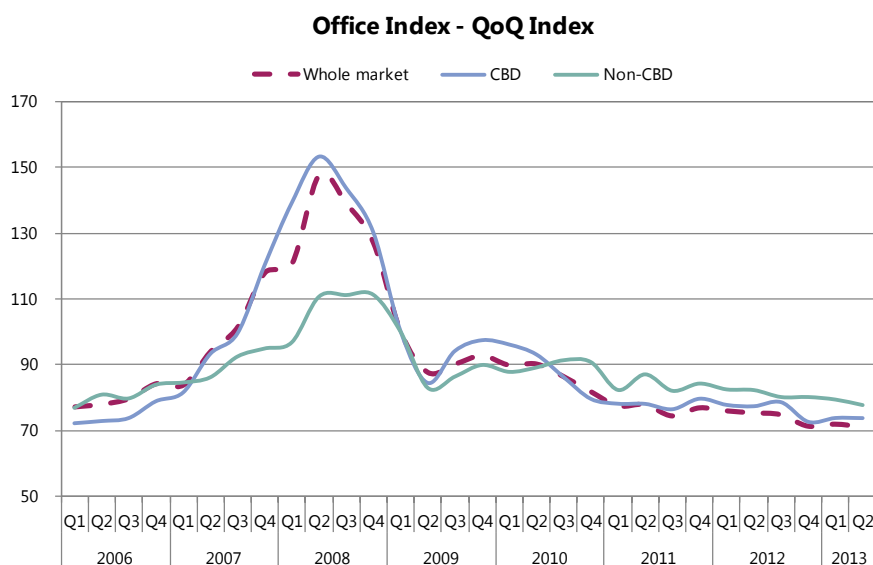
After four years of rent softening, the average rent of the CBD has become more attractive to tenants, resulting in a gradual increase in occupancy. As of Q2/2013, the CBD index remained stable while that of the non-CBD was down by approximately 2 index points QoQ. The occupancy of the CBD was five percentage points higher than that of the non-CBD even though average rent was approximately 65% higher than the non-CBD. It is expected that the average rent of the non-CBD will decrease further in the coming quarters.

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In the first half of 2013, the total office take-up was more than 58,000 sq m, increasing by 16% YoY. This was due to an increase in total take-up of both Grades A and C. The take-up of Grade A was strong, up by 128% and Grade C was up 39% YoY. The total take-up of the CBD was more than 360% higher than that of the non-CBD.

Figure 2: Office QoQ Index



Note: Base Index in Q1 2009 = 100
Source: Savills Research & Consultancy

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