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Được sự đồng ý và bảo vệ bản quyền bởi DTZ

Property Times
Ho Chi Minh City Q1 2014
Improvement in residential market

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Contents

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- Economic growth in Vietnam reached about 5.0% in Q1 while inflation came in at only 4.8%, the lowest in the past 10 years. The trade balance also continued to improve with a USD1.0bn surplus for Q1. Lending and borrowing rates declined further by 0.5 percentage-point resulting in higher purchasing power. Foreign direct investments (FDI) however dropped significantly by nearly 50% in Q1, compared to the same period last year.

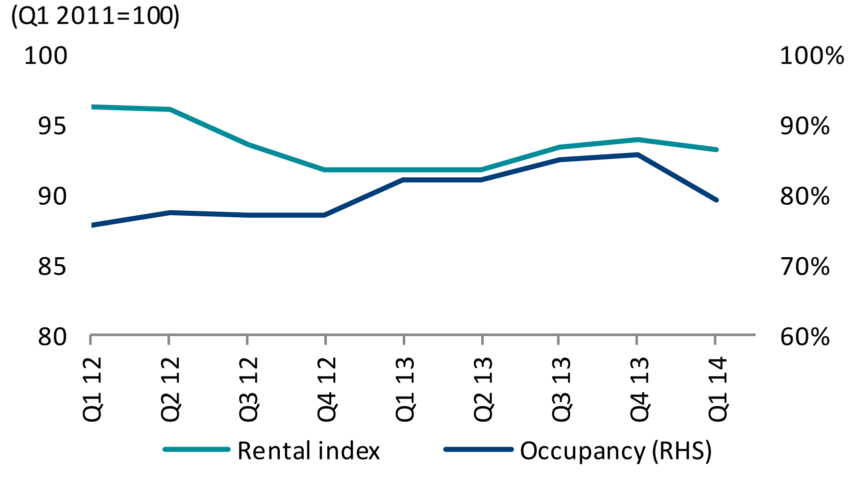
- With an additional 33,370 sq m (NLA) of office space completed in Q1, average office occupancy rates showed some declines, particularly in the Grade A segment (Figure 1). Improvement in office demand was not strong enough for a significant change as negotiation power remained with tenants. Future demand is however expected to increase in the coming quarters on the back of an economic improvement.

- There was no new ground breaking for retail developments in Q1. Demand for retail space did not improve and both retail rents and occupancy rates declined slightly due to the closure of some small retail shops. As at Q1, total retail supply in Ho Chi Minh City (HCMC) remained unchanged quarter-on-quarter (q-o-q) at 425,000 sq m (NLA), with nearly 100,000 sq m of NLA yet to be fully open. Retail sales of consumer goods and services have also not shown any significant improvement.

- High take-up rates for new residential launches in Q1 were reported, while close to 3,000 apartment units were completed. The residential market showed further improvement as interest rates and inflation were kept low. The pipeline supply is however considered extensive for the near future and will exert further supply-side pressure on the residential market.

Figure 1

Grade A office rental index and office occupancy rate



Source: DTZ Research

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Economic overview

High level of economic growth in Q1

According to the Vietnam General Statistics Office (GSO), Vietnam's GDP grew by about 5.0% year-on-year (y-o-y) in Q1 2014, marking the highest growth for the first quarter in the past three years (Figure 2). GDP growth was 4.8% in Q1 2013 and 4.0% in Q1 2012. For the whole of 2014, Vietnam has targeted GDP growth of 5.8%.

Lower inflation

In Q1, the Vietnam Consumer Price Index (CPI) increased with y-o-y growth of 5.5%, 4.7% and 4.4% in January, February and March respectively (Figure 3). For Q1 as a whole, inflation stood at 4.8%, the lowest in the past 10 years in Vietnam. In particular, prices fell by 0.4% month-on-month (m-o-m) in March, which was a rare situation in Vietnam. For 2014, Vietnam has targeted an inflation rate of 7.0% compared to the 6.6% recorded in 2013.

Strong trade surplus

Vietnam had a trade surplus of USD1.0bn in Q1, according to GSO. Exports reached USD33.3bn, a 14.1% increase against Q1 2013, while imports totalled USD32.3bn, registering y-o-y growth of 12.4%. The trade surplus in Q1 2014 is already higher than the total trade surplus of USD863m and USD284 respectively in 2013 and 2012.

Significant decline in FDI

In Q1, 252 new FDI projects totalling USD2.1bn were registered, a y-o-y decrease of 38.6%, while there were 82 existing projects with additional capital registration of USD1.3bn. The total new capital registration in Q1 fell significantly by close to 50% y-o-y to only USD3.3bn. Realised FDI in Vietnam for Q1 reached USD2.9bn, a y-o-y increase of 5.6%. Close to 70% of the realised FDI in Q1 was distributed to the manufacturing sector, 8.6% to the property sector and 21.5% to other sectors.

In Q1, Korea was the largest investor in Vietnam with registered capital of USD534.2m (26.1%), followed by Hong Kong (12.9%), British Virgin Islands (11.7%), Singapore (11.3%) and Canada (11.0%). HCMC attracted the highest FDI with USD687.7m (33.6%), followed by Hai Duong Province (12.1%), Binh Duong Province (10.9%), Dong Nai Province (5.4%) and Bac Giang Province (5.3%).

Improvement in international arrivals

The number of international visitors to Vietnam in Q1 was 2.3 million, increasing by 29.3% against the same period in 2013. This was the highest number of international visitors in the past three years. The majority, or 61.0%, of these international arrivals were visiting Vietnam for leisure and holiday purposes.

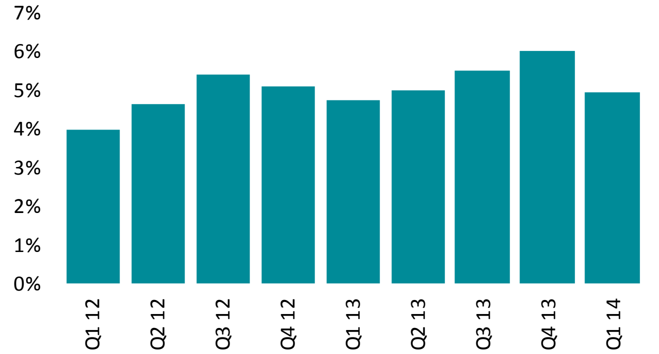
Lending and borrowing rates stable in Q1

The Vietnam benchmark interest rate was recorded at 6.5% as at the end of Q1 compared to 7.0% as at the end of Q4 2013 and 10.0% as at the end of Q4 2012.

In Q1, lending and borrowing rates declined further by approximately 0.5 percentage-point from the previous quarter. With inflation also low and stable, purchasing power improved, resulting in improvements in the mid-end and affordable residential market.

Figure 2

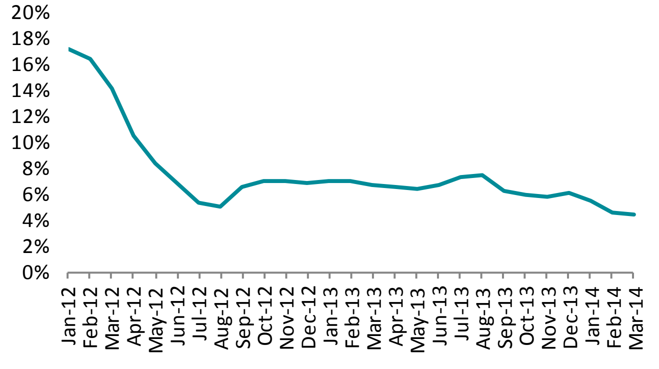
GDP growth (y-o-y)



Source: General Statistics Office of Vietnam, DTZ Research

Figure 3

CPI change (y-o-y)



Source: General Statistics Office of Vietnam, DTZ Research

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Office

More supply to the market

At the end of Q1, office stock in HCMC was estimated at approximately 1.6 million sq m (NLA) (Figure 4). During the quarter, two major office developments were completed, adding 33,370 sq m (NLA) of office space. This comprised Union Square in the centre of the Central Business District (CBD) with 17,370 sq m (NLA) of Grade A office space and MB Sunny Tower on Tran Hung Dao Street in District 1 with 16,000 sq m NLA of Grade B office space. While Union Square was still in the early stages of leasing, MB Sunny Tower was reportedly 75% committed.

Demand for office space in Q1 was approximately 24,000 sq m (NLA). This was relatively high compared to the total net absorption of 42,000 sq m and 70,000 sq m respectively for the whole of 2013 and 2012. However, this was still relatively low compared to the net absorption of 182,000 sq m (NLA) in 2011.

Taking new supply into account, the average occupancy rate across all office grades in Q1 2014 declined to 79.0% from 81.3% in Q4 2013. There is about 330,000 sq m of office space currently available for lease across the city.

Due to the completion of Union Square, the occupancy of Grade A offices dropped to 79.5% in Q1 2014 from 85.8% in Q4 2013 (Figure 5). In contrast, the occupancy of Grade B offices increased to 81.7% in Q1 2014 from 80.7% in Q4 2013. Some tenants moved from Grade A offices to Grade B offices due to the lower rents. Occupancy of grade C offices remained almost the same at 80.0% in Q1 2014, compared to 80.4% in Q4 2013.

Slight decline in rents across all grades

During Q1, office rents for all grades declined slightly due to the introduction of new offices. Average Grade A rents decreased to USD31.50 per sq m per month in Q1 2014 from USD31.72 per sq m per month in Q4 2013. Similarly, Grade B rents fell to USD19.62 per sq m per month in Q1 2014 from USD19.69 per sq m per month in Q4 2013. Grade C rents also declined to USD14.51 per sq m per month in Q1 from USD14.89 per sq m per month last quarter.

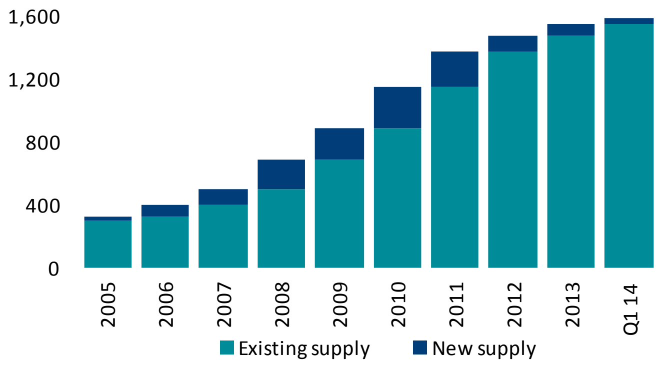
The overall office market did not show any significant improvement where demand was still limited and the market continued to move in favour of the tenants who had stronger negotiating power. Leasing incentives continued to be applied in various forms, lowering effective rents.

Based on the construction progress of upcoming office projects, we estimate that there will be approximately 30,000 sq m (NLA) of office space added in Q2. In addition, according to adjusted development schedules in HCMC, nearly 300,000 sq m (NLA) of office space is expected to be completed by 2015 (Table 1).

The extensive pipeline supply will create more market competition in the office sector. However, the actual supply could be lower as it is projected that some delays may occur as some developers may not have the financial resources to complete construction. The supply-side pressure could also be mitigated by an expected increase in demand in the coming quarters on the back of economic improvement.

Figure 4

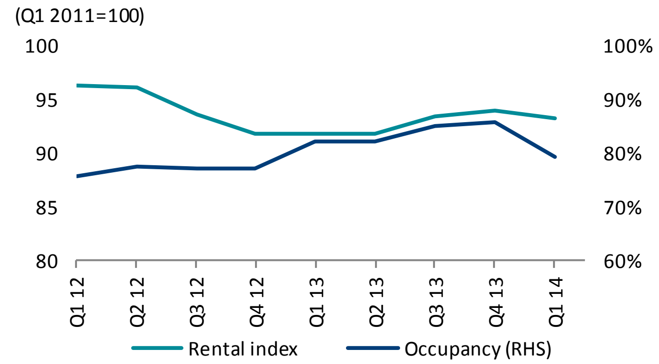
Existing and new office supply (NLA), sq m (000s)



Source: DTZ Research

Figure 5

Grade A office rental index and occupancy rate



Source: DTZ Research

Table 1

Major upcoming office developments

Name of development	District	Est area (GFA, sq m)	Type
Vietcombank Tower	1	77,000	Grade A
The One HCMC	1	58,000	Grade A
Saigon Center Phase 2	1	40,000	Grade A
FOM Tower	1	19,000	Grade A
Vietin Bank Tower	1	29,000	Grade B

Source: DTZ Research

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Retail

Further decline in occupancy and rents

No new ground breaking or completion of retail projects took place in Q1. The total supply of operating department stores and shopping centres, considered as retail stock, remained the same in Q1 2014 as at the end of 2013 at approximately 425,000 sq m (NLA) (Figure 6).

As mentioned in our previous report, other than the operating retail stock, there is still nearly 100,000 sq m (NLA) of retail space at different stages of completion but not yet operational. This includes Times Square in District 1, Sunrise City in District 7, and Vista in District 2. These developments are yet to be fully open for operations even though some small shops have opened.

The average retail occupancy rate in HCMC further declined to 76.2% in Q1 2014 from 77.4% in Q4 2013. Besides the lack of an improvement in retail demand, some small retail shops were closed during the quarter, leading to the minor decrease in the occupancy rate (Figure 7).

Department stores in CBD locations were 89.2% occupied and shopping centres were 73.8% occupied in Q1, compared to the occupancy rates of 90.1% and 74.2% respectively in the previous quarter. Similar to previous quarters, retail occupancy remained lower in non-CBD locations compared to CBD locations.

Retail rents in HCMC also declined during the quarter. Rental rates of department stores and shopping centres in the CBD fell in Q1 2014 to USD83-100 per sq m per month (from USD85-USD110 per sq m per month in Q4 2013). In non-CBD areas, retail rents for department stores and shopping centres fell to USD38-50 per sq m per month in Q1 2014 from USD40-53 per sq m per month in Q4 2013.

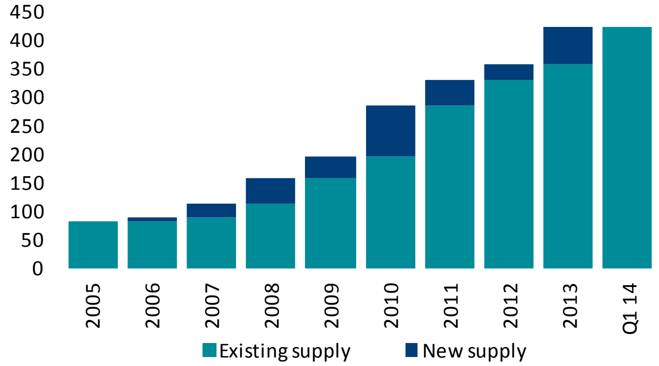
Large pipeline supply

In the near term, a large pipeline supply of retail space is expected to be completed. More than 600,000 sq m of retail space will be added to the market by 2016 if all current developments are completed as scheduled (Table 2). This supply-side pressure will affect occupancy and rental rates, especially in the non-CBD areas. Our study indicates that the new supply of retail space in the non-CBD areas accounts for 70% of the pipeline supply.

According to the GSO, total retail sales of consumer goods and services in Q1 rose by 12.1% in HCMC and 10.2% in the whole of Vietnam compared to the same period in 2013. While these growth rates were higher than the y-o-y growth in Q1 2013, they were still considered low compared to the growth of 21.8%, 22.6% and 24.1% respectively in retail sales of consumer goods and services in Vietnam in Q1 2012, Q1 2011 and in Q1 2010. The lack of a major improvement in retail sales of consumer goods and services will exacerbate the supply-side pressures. Activity in the retail sector is likely to remain static going forward.

Figure 6

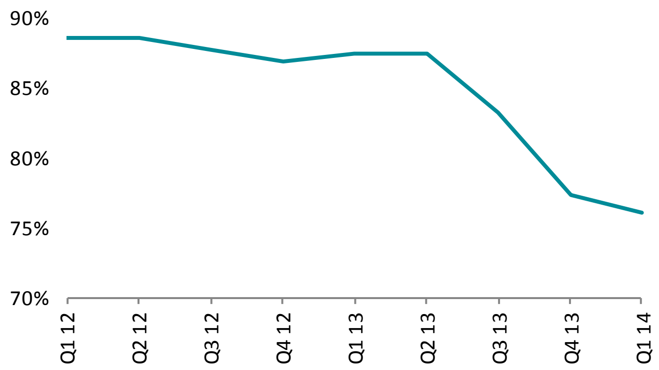
Existing and new retail supply (NLA), sq m (000s)



Source: DTZ Research

Figure 7

Average retail occupancy rate



Source: DTZ Research

Table 2

Major upcoming retail developments

Name of development	District	Est area (GFA, sq m)	Type
Saigon Centre Phase 2	1	50,000	Retail Podium
Times Square	1	10,667	Shopping Centre
Saigon One Tower	1	10,000	Retail Podium
Thao Dien Pearl	2	20,000	Retail Podium
SC Vivocity	7	72,000	Shopping Centre

Source: DTZ Research

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Ho Chi Minh City Q1 2014

Residential

Close to 3,000 units completed in Q1

The total stock of condominiums in HCMC as at the end of Q1 was approximately 77,400 units from 261 completed projects (Figure 8).

While no new ground breaking for residential projects was reported, four projects with 2,880 new units were completed. This comprised SCREC II in District 2 by SCREC (104 units), The Era Town - Section A in District 7 by Duc Khai (1,768 units), Green Building in District 9 by IC 8 (471 units) and The Harmona in Tan Binh District by Thanh Nien Tamexim JSC (537 units).

After a few major launches in Q4 2013, launch momentum remained strong in Q1 2014, with a total of 547 units launched from four projects. These comprised high-end and mid-end projects as well as affordable apartments.

The high-end launch was Icon 56 in District 4, which offered 312 units of sizes ranging from 47 sq m to 112 sq m at prices between USD1,760 and USD2,000 per sq m.

Mid-end launches included Galaxy in District 4 and Green Valley in Phu My Hung Town, offering a total of 676 units of sizes 48-225 sq m with prices in the range of USD1,430–1,700 per sq m.

Within the affordable apartment segment, CBD Premium Home in District 2 was launched, offering 120 units of sizes 63-127 sq m, at prices of USD750-850 per sq m.

Improvement in transaction volumes

According to our research, as at the end of Q1, nearly half of the apartment units offered from these four launches were sold within one or two months of being launched. The buyers comprised mainly end-users and fewer investors.

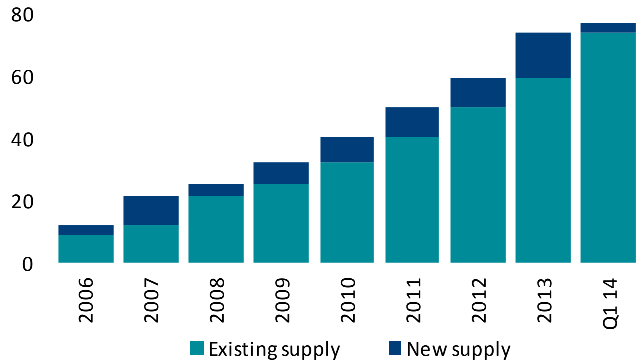
Residential prices in HCMC in Q1 remained relatively stable compared to the previous quarter. In general, asking prices for affordable apartments ranged from USD500 to USD950 per sq m and from USD950 to USD1,700 per sq m for mid-end units. High-end condominium prices ranged upwards of USD1,700 per sq m.

Our findings show that the take-up rates for residential projects which are close to completion or at the hand-over stages are usually higher than those in the early stages of construction. This could be explained by the consumers' confidence upon the project's construction progress. Along with the low and stable inflation and interest rates, the residential market in HCMC is projected to have further improvement in the coming quarters as economic growth picks up.

This is in spite of the large pipeline supply of residential apartments. An additional 50,000 new units may be brought into the market by 2016 if all future projects at the planning stage or under construction are completed as scheduled (Table 3). Nevertheless, delays in construction are likely to occur as the market is yet to recover fully.

Figure 8

Existing and new condominium supply, units (000s)



Source: DTZ Research

Table 3

Major upcoming condominium developments

Name of development	District	Units
Lexington Residence	2	1,310
Tropic Garden	2	1,000
Estella Phase 2	2	725
Vina Square	5	1,186
Everich II	7	3,125
Riviera Point	7	2,099
Sunrise City Phase 2 & 3	7	1,300
Celadon City	Tan Phu	8,577
The Park Residence	Nha Be	1,172
Happy Valley	Phu My Hung	818
Green Valley	Phu My Hung	564

Source: DTZ Research

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Definitions

Development pipeline/potential supply:	Comprises two elements: 1. Floorspace in the course of development, defined as buildings being constructed or comprehensively refurbished. 2. Schemes with the potential to be built in the future, having secured planning permission/development certification.
Net absorption:	The change in the total occupied or let floorspace over a specified period of time, either positive or negative.
Net supply:	The change in the total floorspace over a specified period of time, either positive or negative. It excludes floorspace that are not available for occupation due to refurbishment or redevelopment, but includes new supply. New supply refers to total floorspace/units which are ready for occupation. Ready for occupation means practical completion, where either the building has been issued with a Temporary Occupation Permit or Certificate of Statutory Completion (CSC).
Prelet/pre-commit:	A development leased or sold prior to completion.
Prime rent:	The highest rent that could be achieved for a typical building/unit of the highest quality and specification in the best location to a tenant with a good (i.e. secure) covenant. (NB. This is a gross rent, including service charge or tax, and is based on a standard lease, excluding exceptional deals for that particular market).
Stock:	Total accommodation in the private sector both occupied and vacant.
Take-up:	Floorspace acquired for occupation or investment, including the following: 1. Offices let to an eventual occupier. 2. Developments pre-let or sold. (NB. This includes subleases.) Take-up also refers to units transacted in the residential market.
Occupancy rate:	Total space currently occupied or not available to let as a percentage of the total stock of floorspace. (NB. This excludes shadow space which is space made available for sub-leasing).