

07 October 2014

SAVILLS REPORT ON HCMC REAL ESTATE MARKET

Q3/2014

1. RETAIL

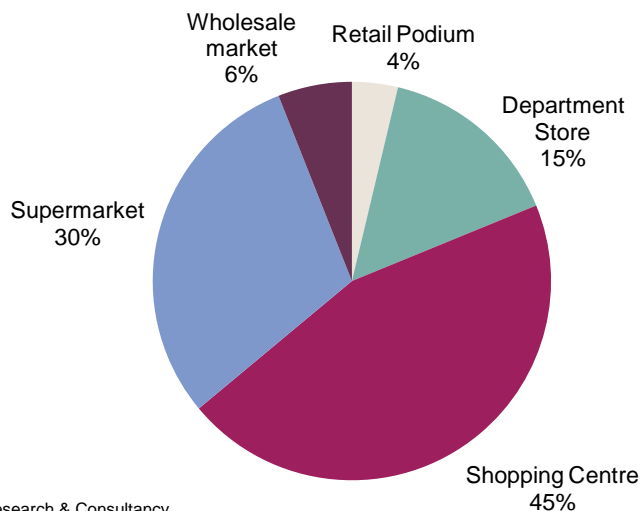
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Supply

The total retail stock was approximately 851,000 m²; down 2% quarter-on-quarter (QoQ) due to temporary renovations in the Satra Pham Hung and Pico Plaza shopping centres.

Current supply



Source: Savills Research & Consultancy

Performance

The retail market performed better this quarter with a 4 ppt QoQ increase in average occupancy and 2% QoQ increase in the average rent.

The average occupancy rose by 9 ppts QoQ in retail podiums, 5 ppts in shopping centres and remained stable in department stores.

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The average rent increased by 2% QoQ in department stores, 3% in shopping centres and decreased by -3% in retail podiums.

Market Performance



Source: Savills Research & Consultancy

Note: the average gross rent per m² on the ground level of the shops that have areas equal to or 10m², including service charges but excluding VAT.

Demand

Retail sales in the first nine months of 2014 were approximately VND 476 trillion; without inflation, they increased by 7.4% YoY. The growth was slightly lower compared with 2013 at 8.8% or 2012 at 8.6%; however, it is significantly higher than the national figure of 6.4 percent.

Seventy-percent of HCMC is active in the workforce; there have been steady improvements in middle class living standards.

Outlook

From Q4/2014 onward, there are approximately 1.3 million m² from 59 future projects. However, only 24% are currently under construction or in the later stages of completion.

By 2016, 375,000 m² will enter the retail market; district 7 will account for 68 percent.

In 2015, many international retailers will enter Viet Nam's market due to the WTO commitment.

2. OFFICE

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Supply

In Q3/2014, more than 14,300 m² of office space from one Grade B and one Grade C project in district 1 entered the market.

As of Q3/2014, there was approximately 1,450,000 m² from 220 projects. The total stock was up 1% quarter-on-quarter (QoQ) and 6% year-on-year (YoY).

Performance

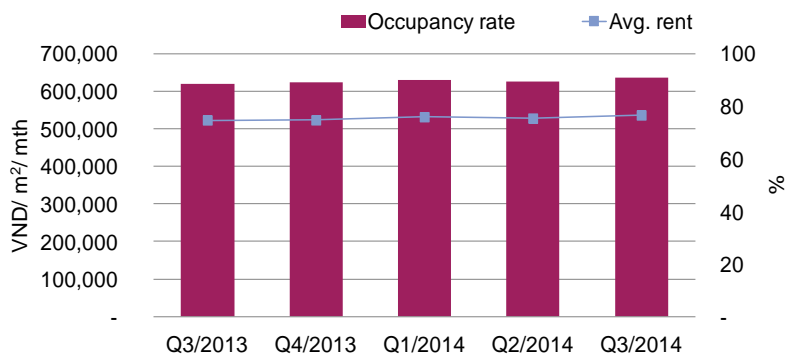
In Q3/2014, HCMC's office market performed better than the previous quarter. The average occupancy was 91%, up 2 ppts QoQ and 3 ppts YoY, the highest rate in the last five years due to notable improvements in all grades.

The average rental rate was VND 536,000/m²/mth (US\$25/m²/mth), up 1% QoQ and 2% YoY.

All three grades achieved a 1 ppt occupancy increase; Grade A performed best at 93 percent.

Grades A and C's average rental rates remained relatively stable QoQ while Grade B's increased by 1 percent.

Market performance

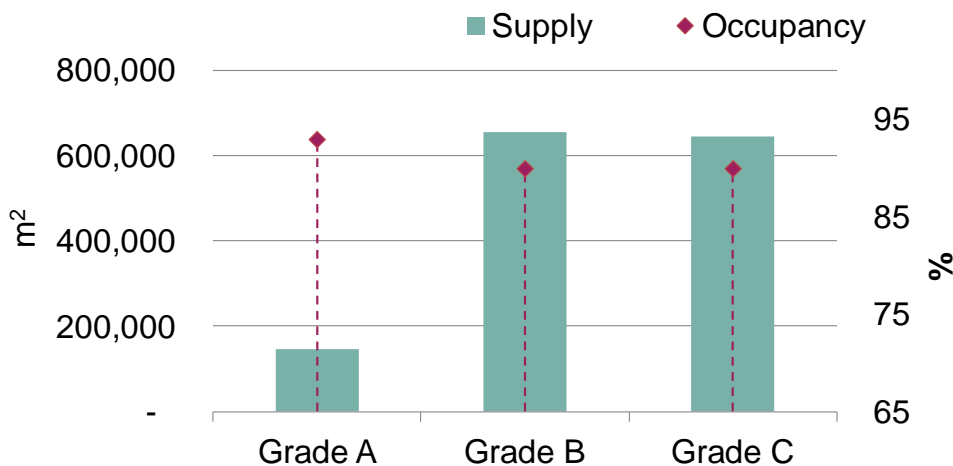


Source: Savills Research & Consultancy

Market performance by grade

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Source: Savills Research & Consultancy

Demand

In Q3/2014, the total office take-up was more than 29,800 m², up 152% from the previous quarter. Grade B and C office demand was high. Grade B had more than a 16,700 m² take-up while Grade C's was 12,000 m².

Tenants favoured new buildings, accounting for 78% of the total take-up this quarter.

The demand for larger offices has also increased. According to Savills office transactions this past quarter, the most common leased areas are from 700 m² to greater than 1,000 m².

Outlook

More than 426,300 m² from 26 projects is expected to come online by the end of 2016.

Next quarter, three new Grade C projects and one Grade B project are expected to come online. They will supply approximately 29,300 m² to the market.

3. HOTEL

Supply

In Q3/2014, a 3-star hotel in district 1, the Sapphire, closed for renovations. There were more than 12,600 rooms from 92 three to 5-star hotels, down slightly -1% quarter-on-quarter (QoQ) but up 4% year-on-year (YoY).

Performance

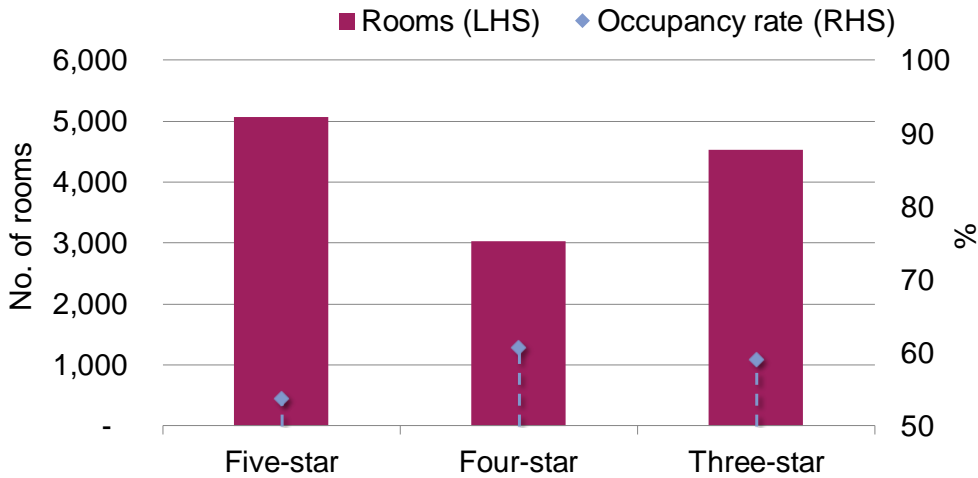
HCMC's three to 5-star hotel performance was soft at 57% occupancy, down -4 pts QoQ and -2 pts YoY due to a -7 pts YoY decrease in the 5-star segment's occupancy. The 3-star segment had better performance with a 2 ppt YoY occupancy increase, while the 4-star segment remained stable YoY.

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The ARR was VND 1.7 million/room/night(US\$81/ room/night), relatively stable QoQ but down -2% YoY.

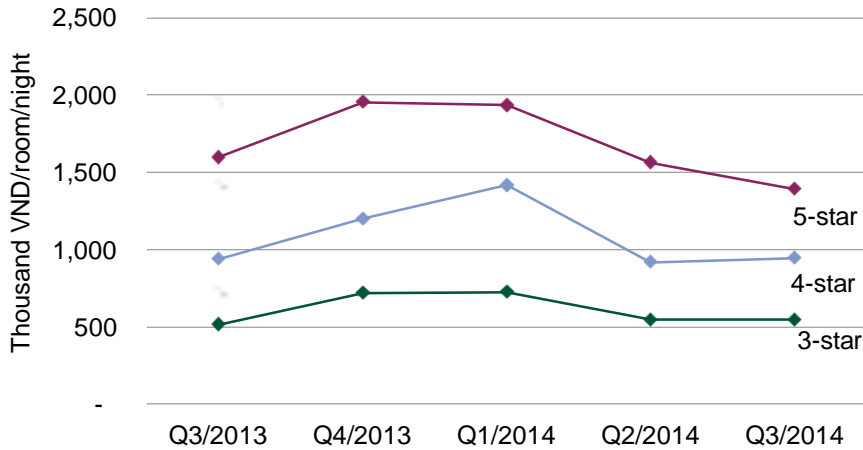
Hotel performance, Q3/2014



Source: Savills Research & Consultancy

The RevPAR in the CBD was 54% higher than the non-CBD at VND 1.1 million/room/night, down -5% YoY. The RevPAR in the non-CBD decreased significantly by -7% YoY.

RevPAR, Q3/2013 – Q3/2014



Source: Savills Research & Consultancy

Demand

During the last two years, hotel revenue structure has shifted. The proportion from room sales has decreased by up to 20% in many major 5-star hotels, whilst the proportion of other sales such as F&B and conventions has increased.

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Room promotions continued to be offered to attract guests, especially through hotel websites. Other means of attracting revenue including promotions for weddings, conferences packages, F&B, etc increased.

Outlook

As of Q3/2014, HCMC has 23 future projects with more than 5,200 rooms.

In the next three years, ten projects with more than 1,810 hotel rooms are expected to enter the market; most will be four to 5-stars. In Q4/2014, only one 4-star project in district 1 will come online, supplying approximately 172 units.

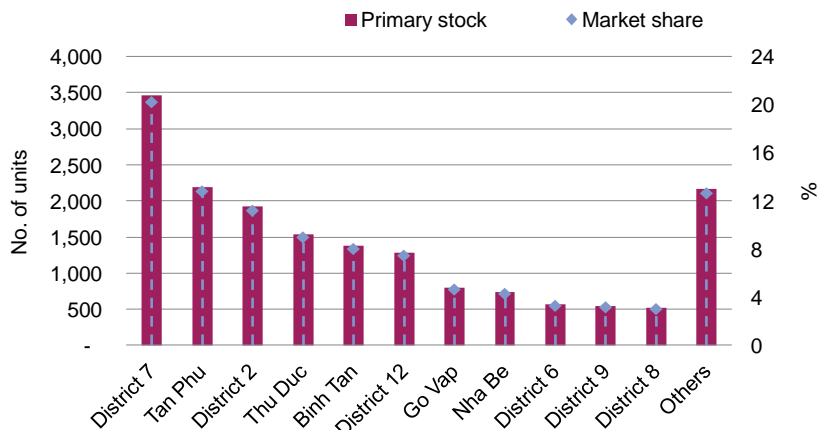
4. APARTMENT FOR SALE

Supply

Ten new projects and new phases in four active projects launched in Q3/2014, adding over 4,600 units, up significantly 19% quarter-on-quarter (QoQ) and 103% year-on-year (YoY). This was the highest newly launched supply in one quarter since Q2/2011.

As of Q3/2014, there were approximately 17,100 units in the primary market, up 13% QoQ and 14% YoY.

Primary stock, Q3/2014



Source: Savills Research & Consultancy

Performance

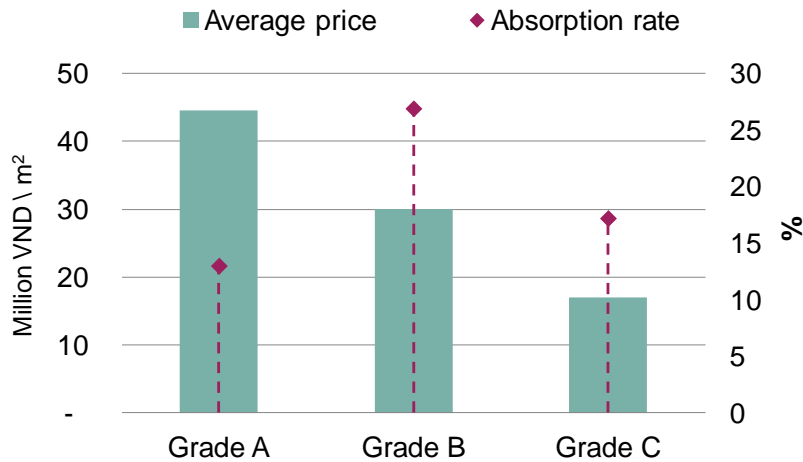
The overall absorption rate was 19%, up 2 ppts QoQ and 7 ppts YoY. In Q3/2014, approximately 3,280 units were sold, up 29% QoQ and 85% YoY, the highest transaction volume since Q4/2010.

This quarter, districts 2 and 7 continued to have the most sales at 40%, followed by Tan Phu, Thu Duc, district 12 and Binh Tan with 30% share.

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Market performanc



Source: Savills Research & Consultancy

Demand

Low and competitive mortgage rates, flexible payment terms and eased restrictions on the disbursement of the US\$1,440 million stimulus package helped buyer confidence.

Bank deposits as an investment are now less attractive due to their low interest rate. The rental yield for the apartment market was stable at 4% to 6% in recent quarters; investors may find more incentive there.

Outlook

From 2015 to 2017, approximately 70,100 units from 95 existing or future projects will enter the market; 29% will come from the eastern districts. Approximately 19% of the future supply is expected to reach completion in 2015; the remaining 81% may be pushed to 2016 or later.

By the first half of 2015, more than 2,300 units are expected to enter HCMC's apartment market.

5. SERVICED APARTMENT

Supply

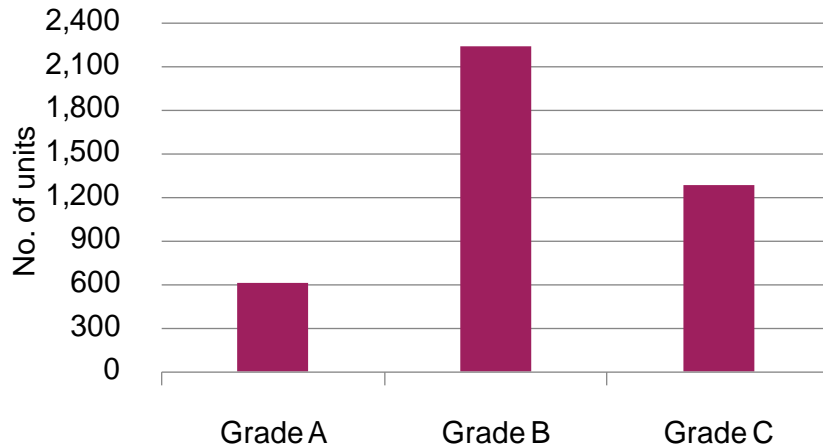
In Q3/2014, three new Grade C projects with 64 units entered the market in districts 1 and 2.

The total supply for HCMC's serviced apartment market was 4,140 units, increasing 2% quarter-to-quarter (QoQ) and 8% year-on-year (YoY).

Current stock

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Source: Savills Research & Consultancy

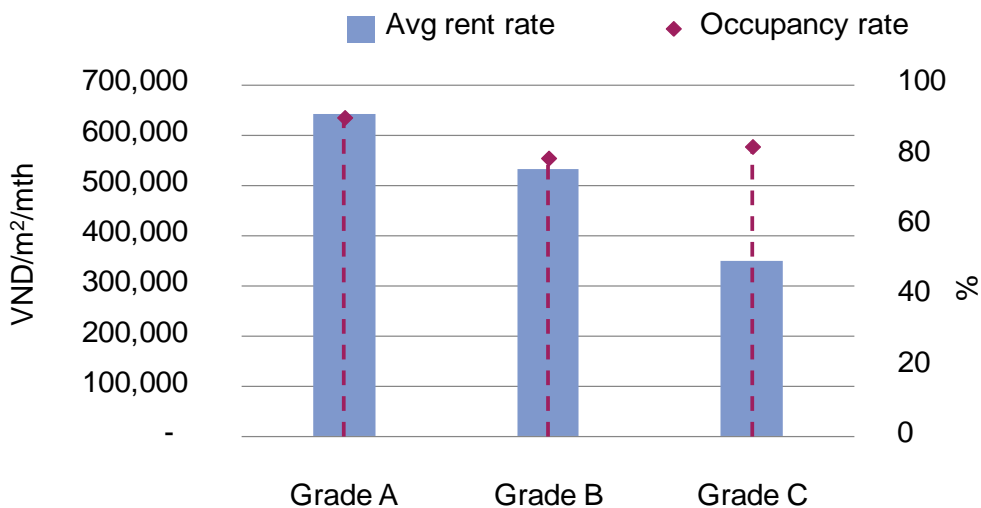
Performance

The serviced apartment market was relatively stable this year; the average occupancy stayed at 82% over the last three quarters but fell -1 ppt YoY.

Amongst the three grades, only Grade C performed better with a 1 ppt QoQ increase in occupancy to 83 percent. The other grades remained stable with Grade B at 79% and Grade A at 91 percent.

The average rent has been in a downward trend; in Q3/2014, it was VND 492,000/m²/mth (US\$23/m²/mth), stable QoQ and down -5% YoY.

Market performance



Source: Savills Research & Consultancy

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Note: Estimated average rent inclusive of service charge, “exclusive of VAT”, on a net area basis

Demand

As the city with the highest economic growth in Viet Nam, HCMC’s serviced apartments are in high demand from expatriates and business travellers. The total take-up has increased by 7% pa from 2010 to 2013.

In the first nine months of 2014, the total FDI capital to the city was more than US\$1.3 billion, up 7% YoY. The total newly registered FDI increased significantly by 67% YoY to US\$1.098 million from 277 projects.

Long-term tenants that sign at least six-month contracts are the main demand for the serviced apartment market, at up to 90% share.

Outlook

Approximately 690 units from seven future projects are expected to enter the market from Q4/2014 to 2016.

In the next two quarters, the market will welcome three projects with 240 units in districts 1 and 3.

6. VILLA/TOWNHOUSE

Supply

Three new villa/townhouse projects in districts 2, Nha Be and Go Vap entered the market this quarter. The primary market had approximately 690 dwellings, increasing substantially by 91% quarter-on-quarter (QoQ), and 91% year-on-year (YoY).

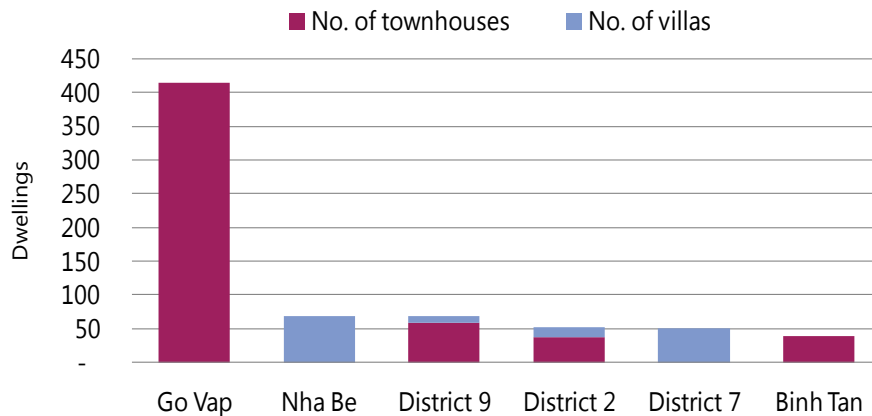
Six new land plot projects in the outskirt districts entered the market, adding 739 plots. The primary land plot market had approximately 1,540 plots, increasing by 35% QoQ and up significantly 151% YoY.

Go Vap became the largest contributor for the villa/townhouse segment, whilst Binh Chanh contributed the most stock for the land plot segment.

Current stock

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Source: Savills Research & Consultancy

Performance

The villa/townhouse market performed well due to significant increases in supply. Approximately 72% of the total transaction volume in this segment was in newly launched projects.

The total villa/townhouse transactions increased significantly by 223% YoY whilst the absorption rate decreased by 13 ppts QoQ due mainly to the strong growth in stock.

The transaction volume of the land plot segment continued to increase by 9% QoQ. Binh Tan had the strongest performance, accounting for approximately 40% of the total transaction volume.

Demand

Projects with completed internal facilities, strategic locations, smaller sizes, affordable prices and developer credibility are attractive to buyers.

The excellent performance in the land plot segment continues to indicate a trend in buying land plots and self-constructing for better quality control and lower construction costs.

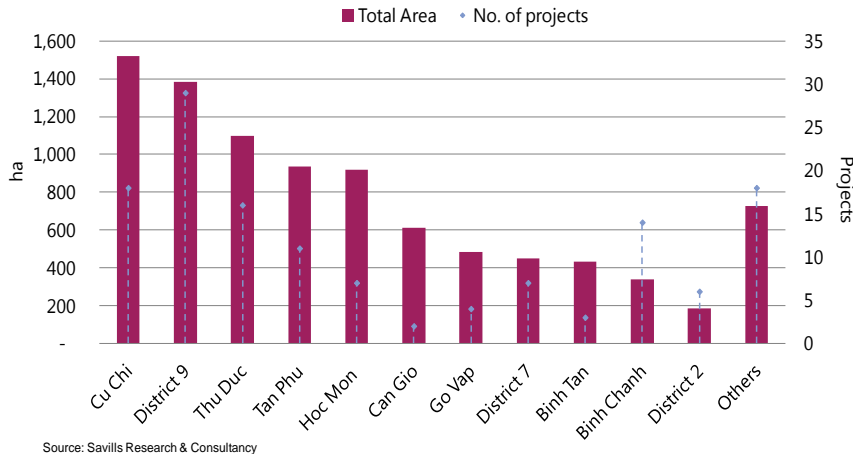
Outlook

The future supply will be approximately 52,890 dwellings from 135 projects in the next eight years. Approximately 1,000 dwellings from ten projects are expected to enter the market in the next two quarters

Estimated future supply

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