

08 October 2014

## SAVILLS REPORT ON HA NOI REAL ESTATE MARKET Q3/2014

### 1. APARTMENT FOR SALE

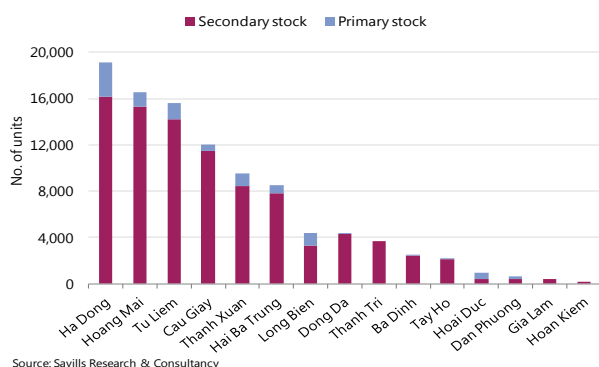
#### Supply

In Q3/2014, Ha Noi's total apartment supply included approximately 100,700 units from 171 sold projects and 67 active projects.

The total primary stock decreased approximately -7% quarter-on-quarter (QoQ) while the total secondary stock increased by approximately 7% QoQ.

Seven new projects launched after two consecutive quarters of decline.

#### Current stock, Q3/2014



#### Performance

In Q3/2014, strong numbers for Grades B and C projects increased apartment sales market-wide by 58% QoQ. The absorption rate was 38%, up 15 pts QoQ.

The average primary price decreased -0.8% QoQ. Seven districts increased an average of 2.7% QoQ, while five others decreased an average of -1.5% QoQ.

The average secondary asking price decreased approximately -1% QoQ, with some districts showing price increases of up to 4.7% QoQ.

#### Market performance, Q3/2014

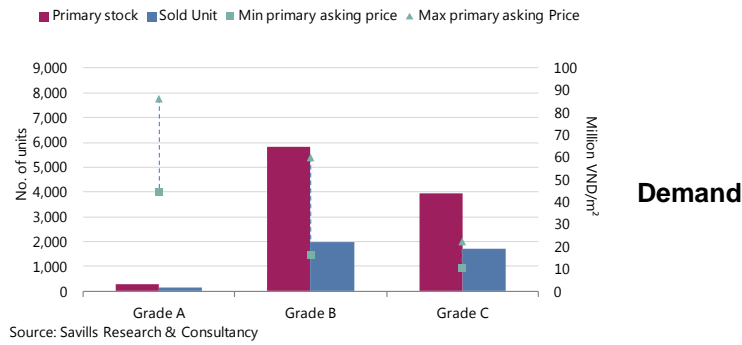
#### Savills Vietnam

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Press Release



Projects with consistent construction progress, convenient accessibility and strong developer reputation continued to generate good sales.

Investors and speculators returned to the market alongside end-users.

### Outlook

By the end of 2015, approximately 12,700 apartments from 19 projects will launch.

From 2016 onward, 72 future projects with more than 58,000 apartments will come online; approximately 60% of these projects are in planning.

Prices and absorption rates will improve further in Q4/2014.

## 2. HOTEL

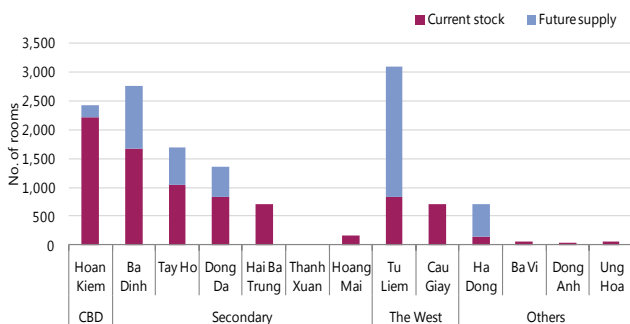
### Supply

In Q3/2014, the Ha Noi hotel market was unchanged in size quarter-on-quarter (QoQ) and rose 10% year-on-year (YoY).

One previously operating hotel contributed to the quarterly rise after receiving ranking whilst two hotels closed for renovation.

Lotte Hotel Hanoi entered the market in early September with nearly 320 rooms. It remains unranked, and will not be counted in Q3/2014.

### Current and future supply, Q3/2014



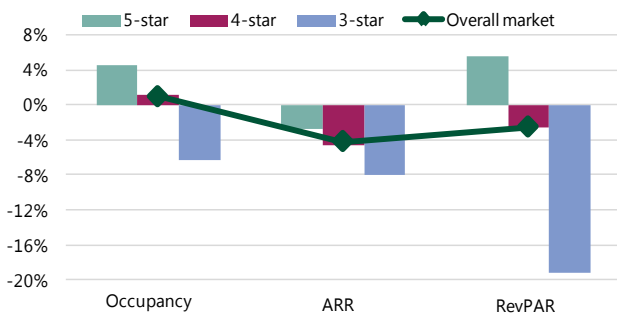
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## Performance

Occupancy rate was remained YoY whilst the market ARR fell -4% YoY and the average RevPAR fell -3% YoY.

The five-star segment recorded the highest performance with occupancy and RevPAR increasing by 5 ppts and 6% YoY. In the four-star segment, occupancy was stable and RevPAR decreased -3% YoY. Three-star hotels showed the weakest performance with both occupancy and RevPAR down -6 ppts and -19.2% YoY.

### Market performance, Q3/2014



Source: Savills Research & Consultancy

## Demand

According to the General Statistics Office of Ha Noi, the number of international visitors in the first nine months of 2014 increased by 17.1% YoY to reach 1.5 million whilst domestic arrivals fell -0.6% YoY. Korea had the highest growth rate at 48%, followed by England (+42%), France (+37%), America (+23%) and Thailand (+21%).

In Q3/2014, the occupied room rose 17% YoY. Five-star hotels accounted for 52% of these and four-star hotels contributed the least.

## Outlook

Total future hotel supply is unclear since there has been no significant construction progress compared to previous quarters. Of 31 future hotels announced, about half have confirmed supplies of 5,000 rooms; meanwhile only five projects are fitted out or under construction, and the rest are pending or in the planning stage.

Despite uncertainties, two fitted out projects in Hoan Kiem district will come online in Q4/2014, providing approximately 220 rooms.

## Savills Vietnam

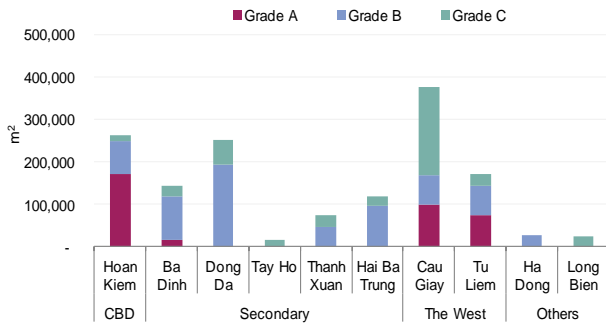
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### 3. OFFICE FOR LEASE

#### Supply

Ha Noi's office supply increased 3% quarter-on-quarter (QoQ) and 20% year-on-year (YoY) after the 45,000m<sup>2</sup> Lotte Center Hanoi in Ba Dinh district came online.

#### Current stock, Q3/2014



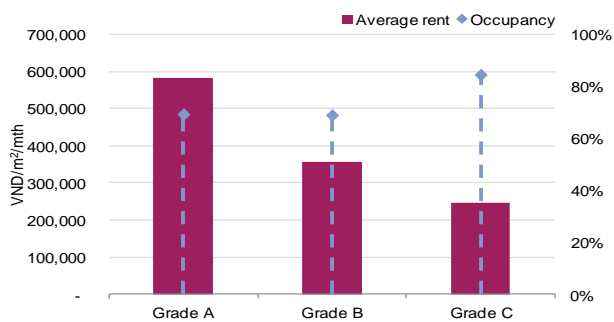
Source: Savills Research & Consultancy

#### Performance

The average rent increased 1.9% QoQ after 12 consecutive quarters of decrease. Grade A average rent showed an improvement of 2.0% QoQ, while Grade B decreased by -0.8% QoQ and Grade C by -1.2% QoQ.

Occupancy decreased to 74%, falling -1.5 ppts QoQ and -0.7 ppt YoY. Grades A showed decreases of -6 ppts while Grade C and B remained stable 69% and 84% respectively.

#### Market performance, Q3/2014



Source: Savills Research & Consultancy

#### Demand

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Total take up was approximately 6,800 m<sup>2</sup>, decreasing -90% QoQ. Take up in the secondary area was highest at 17,000 m<sup>2</sup> due to the entrance of Lotte Center Hanoi. The CBD and other areas had negative take up.

### Outlook

In Q4/2014, the market will receive approximately 38,000 m<sup>2</sup> from four projects. Two other projects have been completed for several quarters but not yet opened, and uncertainty remains regarding these dates.

Until 2016, 31 projects supplying more than 615,000 m<sup>2</sup> will enter the market. All are under construction or fitting out.

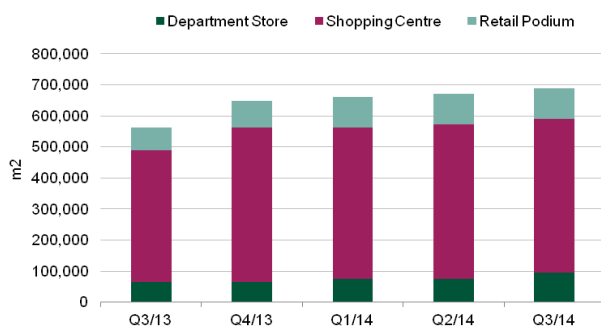
## 4. RETAIL

### Supply

In Q3/2014, Ha Noi's total retail space supply increased 2.2% quarter-on-quarter (QoQ) and 22% year-on-year (YoY).

Two projects entered the market in Hoan Kiem and Ba Dinh district.

### Current stock, Q3/2014



### Performance

The average rent decreased -6.2% QoQ and -15.2% YoY. Department stores had the softest rate at -10% QoQ.

Occupancy increased 6 pts QoQ but decreased -2 pts YoY to 83 percent.

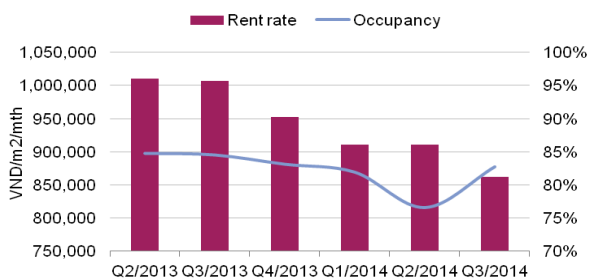
The CBD had occupancy rate at 99% by filling up most of retail podiums.

### Market performance, Q3/2014

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Source: Savills Research & Consultancy

### Demand

In Q3/2014, total take up was approximately 53,000 m². The department store sector had the highest share with 43%, followed by shopping centres with 39 percent.

The CBD showed negative take up due to two floors of Trang Tien Plaza closing for restructuring.

### Outlook

In Q4/2014, eight projects will launch with more than 60,000 m² of retail space.

Fourteen more projects will enter the market. The most notable is from Vingroup in Dong Da district, providing more than 60,000 m².

Rents will decrease due to greater competition.

## 5. SERVICED APARTMENT

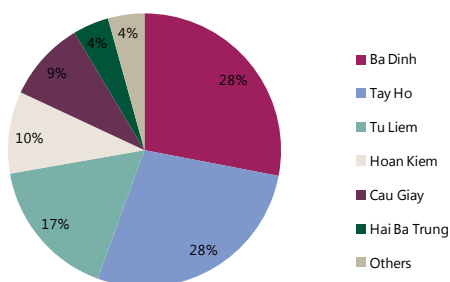
### Supply

In Q3/2014, Lotte Center Hanoi entered the market, supplying approximately 260 units.

This increased the total supply to 3,430 units from 42 projects, resulting in a gain of 8% quarter-on-quarter (QoQ) and 19% year-on-year (YoY).

Tay Ho and Ba Dinh districts accounted for 56% of units.

### Current stock, Q3/2014



Source: Savills Research & Consultancy

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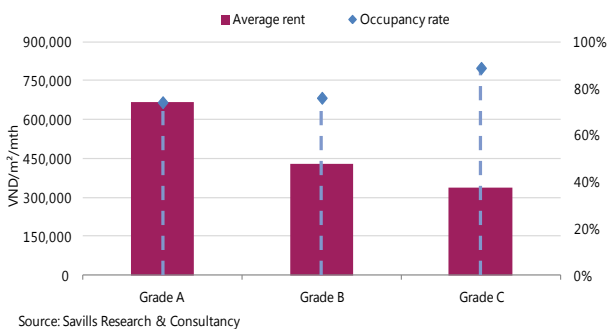
## Performance

Average rent was up 3% QoQ but down -2% YoY to VND549,000/m<sup>2</sup>/mth. Occupancy was down -4 pts QoQ to 75% and RevPAR decreased -4% QoQ to VND 42.7 million/unit/mth. Both Grades B and C saw decreases in average rent of -3% QoQ. Grade A's rent rose 2 percent.

## Market performance, Q3/2014

### Demand

The total take up in Q3/2014 was approximately



### Demand

The total take up in Q3/2014 was approximately 50 units, up 77% QoQ. Due to large supply, Grade A continued to lead with more than 56% of leased units.

By September 2014, the total FDI to Ha Noi was US\$23.4 million, increasing 6% YoY. Fifty-three percent of FDI flow to Viet Nam came from Asian countries, meaning market demand from Asian tenants continued to be significant.

### Outlook

In Q4/2014, one project supplying approximately 30 units will enter the market.

From Q4/2014 onward, there will be 17 new projects, five with confirmed supply that will provide approximately 1,140 units. More than 80% of these projects are in planning.

## 6. VILLA/TOWNHOUSE

### Supply

In Q3/2014, 55 new townhouses came online from The Premier in Cau Giay district.

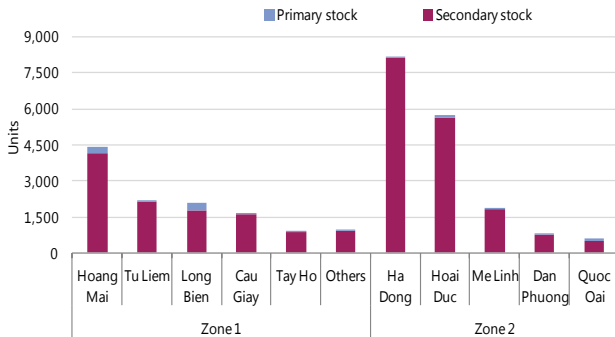
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The total villa and townhouse stock consisted of 1,130 units from 17 projects in the primary market and 28,300 units in the secondary market.

### Current stock, Q3/2014



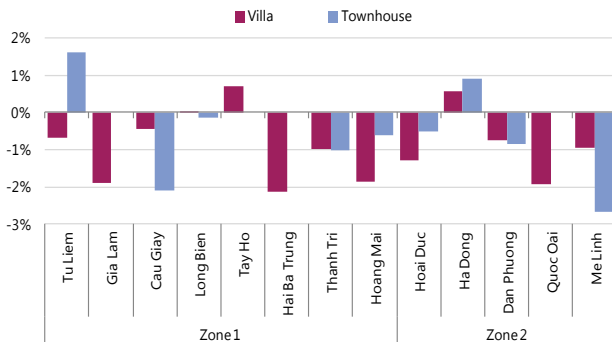
Source: Savills Research & Consultancy

### Performance

The average primary price was approximately VND 55 million/m<sup>2</sup> for villas and VND 56 million/m<sup>2</sup> for townhouses. The highest price was approximately VND 106 million/m<sup>2</sup> in Tay Ho district.

The average secondary asking price decreased slightly -0.6% QoQ due to the 1% QoQ exchange rate increase.

### Changes in secondary price, QoQ



Source: Savills Research & Consultancy

### Demand

Promotions and incentives such as altered payment terms, discount prices and free furniture packages continued to attract buyers. The recent Circular increasing construction quality control will improve the quality for newly-made villas/townhouses.

### Outlook

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There will be 85 future villa/townhouse projects in 16 districts, 12% of which are in the infrastructure phase. The remaining projects are in planning and site clearance. In Q4/2014, one project is expected to enter the market, supplying approximately 20 villas and 120 townhouses.

Prices are expected to stabilize overall.

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