

08 April 2015

SAVILLS REPORT ON HCMC REAL ESTATE MARKET

Q1/2015

1. RETAIL

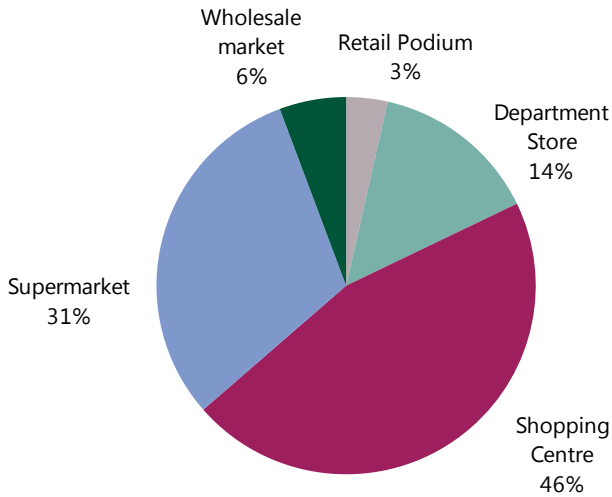
Supply

In Q1/2015, two new shopping centres entered the market, increasing total retail stock 3% quarter-on-quarter (QoQ) to approximately 896,000 m².

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Current supply



Source: Savills Research & Consultancy

Performance

The average occupancy was 92%, stable QoQ and increased 7 pts YoY. The average rent was stable QoQ at 1.3 million VND/m²/mth.

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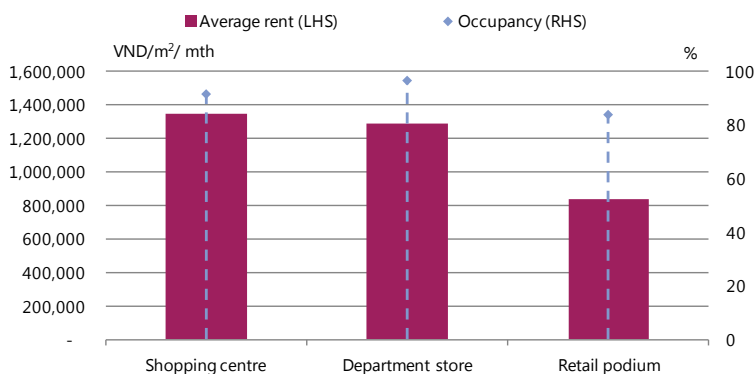
Press Release

The three main segments had unchanged occupancy QoQ. The department stores' occupancy was highest at 97%, followed by shopping centres' at 92% and retail podium's at 84 percent.

Rent was stable in the retail podium and the department store segment. The shopping centre segment rent decreased by -2% QoQ.

In YoY comparison, the rent of department stores and shopping centres increased slightly 2% whilst the retail podium sharply decreased by -15%.

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

In Q1/2015, HCMC retail sales were approximately VND125 trillion, increasing by 11.7% YoY. Without inflation, real retail growth was 14.4% YoY, significantly higher than in Q1/2014 at 6.8% and higher than the national figure of 10.6 percent.

Outlook

The retail market is expected to expand to the secondary and suburban areas faster than the CBD due to increasing goods demand from a large and growing population. From 2015 onwards, total future supply in the secondary area accounts for 57%, followed by the suburban area with 27% and the CBD, 16 percent.

Performance will be affected in 2015 when retail supply will increase by 32% compared with 2014.■

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2. OFFICE

Supply

In Q1/2015, more than 17,500 m² of office space from one Grade B and three Grade C projects in the CBD entered the market.

As of Q1/2015, there was approximately 1,470,000 m² from 223 projects. The total stock increased 1% quarter-on-quarter (QoQ) and 4% year-on-year (YoY).

Performance

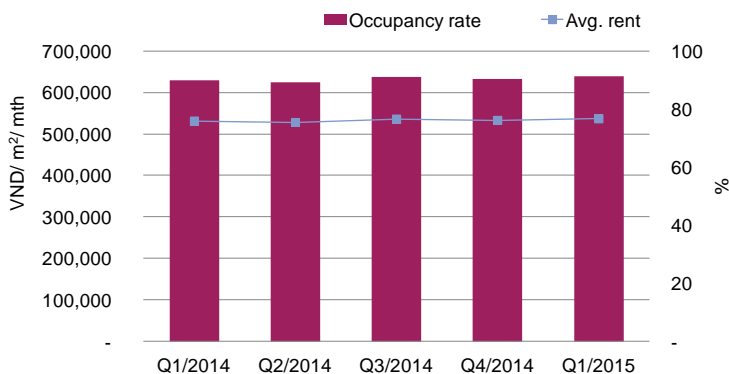
In Q1/2015, HCMC's office market performed better than the previous quarter.

The average occupancy was 91%, up 1 ppt QoQ and YoY. This was the highest occupancy in the last seven years.

The average rental was VND 536,000/m²/mth (US\$25/m²/mth), stable QoQ and YoY.

Grades B and C performed well with a QoQ increase in their occupancies. Grade A's performance remained unchanged QoQ.

Market performance

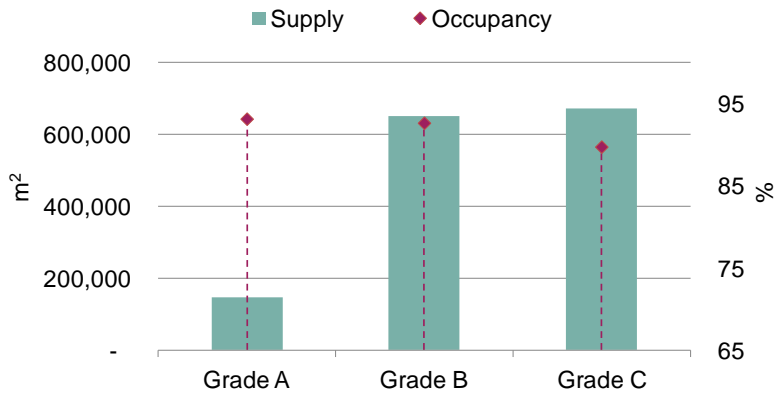


Source: Savills Research & Consultancy

Market performance by grade

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Source: Savills Research & Consultancy

Note: the average gross rent was calculated based on net leasable area, including service charges but excluding VAT

Demand

In Q1/2015, the total office take-up was more than 24,100 m², up 46% from the previous quarter. The demand for Grade B offices was high, accounting for more than 70% of total take-up this quarter.

The demand for offices in the CBD area remained high. In Q1/2015, the total office take-up in the CBD strongly increased 343% QoQ and 91% YoY.

Outlook

Approximately 448,000 m² from 24 projects is expected to come online by the end of 2016.

With large future supply in 2015, the performance of Grade A and B may be under pressure.

During the next quarter, two new Grade C projects in the CBD area are expected to enter the market, supplying approximately 11,000 m² office space.■

3. HOTEL

Supply

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In Q1/2015, HCMC's hotel market welcomed a total of 200 new rooms. The rooms came from a new 5-star hotel, additional stock from an existing 4-star hotel and a reopened 3-star hotel. A 5-star and a 3-star hotel with approximately 310 rooms were temporarily closed for renovation.

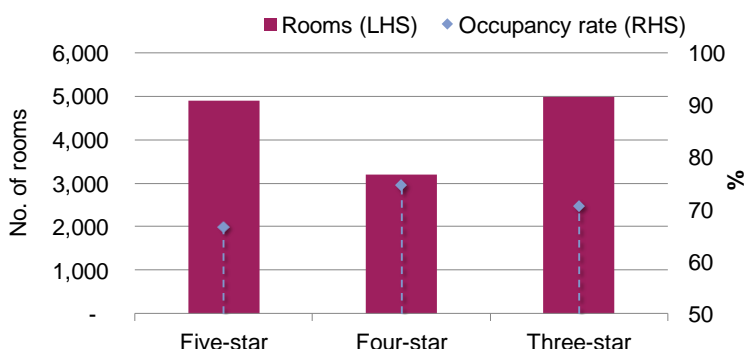
As of Q1/2015, HCMC had 99 hotels supplying approximately 13,100 rooms, decreasing -1% quarter-on-quarter (QoQ) but increasing 4% year-on-year (YoY).

Performance

HCMC's 3- to 5-star hotels continued to have a soft performance YoY. The average occupancy was 70%, up 2 pts QoQ but down -4 pts YoY. All three grades incurred a YoY decrease in occupancy. The 4-star segment had the highest occupancy drop of -6 pts YoY. The 3-star and 5-star segment decreased by -4 pts YoY each.

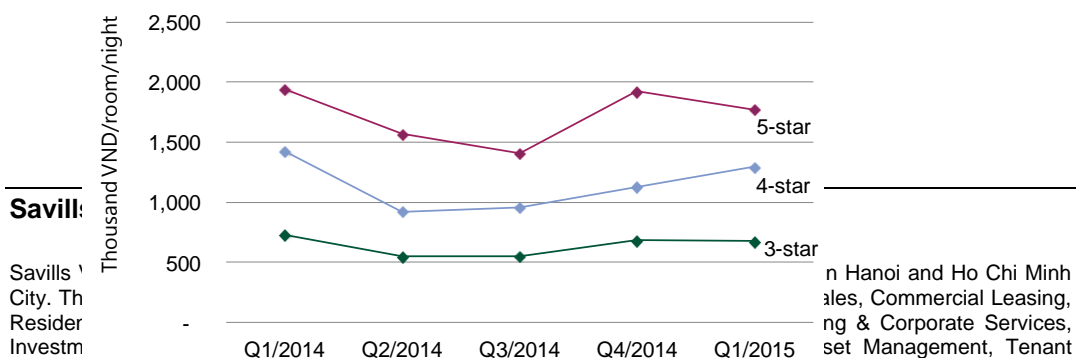
The ARR was VND1.8 million/room/night (US\$82/room/night), down -5% QoQ and -7% YoY.

Hotel performance, Q1/2015



Source: Savills Research & Consultancy

RevPAR, Q1/2014 – Q1/2015



Source: Savills Research & Consultancy

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Demand

In the first two months of 2015 there were more than 836,300 international arrivals to HCMC, up 7.5% YoY. This growth rate was lower compared with 2014 at 11% and 2013 at 9 percent.

HCMC continues to face competition with other tourist locations with international airports such as Ha Noi, Da Nang, Nha Trang and Phu Quoc.

Outlook

As of Q1/2015, there were 22 three to 5-star hotels in the future list, supplying approximately 5,300 rooms to the market. Ten projects with more than 2,300 units are expected to come online in the next three years.

In 2015, the HCMC hotel market is expecting a large amount of new supply from four new 5-star projects, increasing total stock of this segment by 22% YoY. This will directly pressure performance of the five-star segment as well as partly affect the performance of the overall market in 2015. ■

4. APARTMENT FOR SALE

Supply

In Q1/2015, seven new projects and new phases in thirteen active projects were launched and provided approximately 6,600 units. This is an increase of 40% quarter-on-quarter (QoQ) and 137% year-on-year (YoY). This quarter had the highest amount of newly launched supply since Q2/2011.

As of Q1/2015, there were approximately 20,500 available units in the primary market, a sharp increase of 11% QoQ and 32% YoY.

Primary stock, Q1/2015



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Source: Savills Research & Consultancy

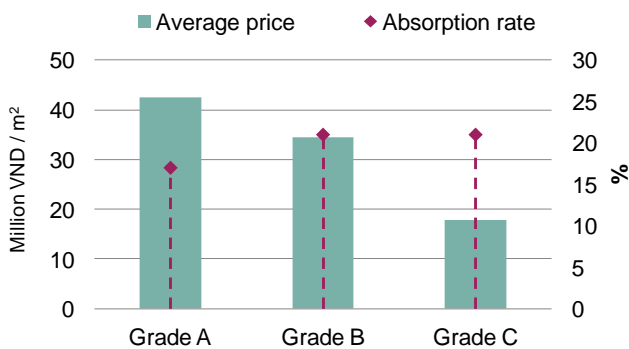
Performance

The overall absorption rate was 21%, a decrease of -1 ppt QoQ but increased 11 ppts YoY. In Q1/2015, over 4,200 units were sold, up 3% QoQ and 167% YoY, the highest transaction volume since Q4/2010.

In Q1/2015, districts 2 and 7 maintained the most sales with 38% of the total transaction volume, followed by Binh Thanh, Tan Phu and Binh Tan with a 31% share.

Grades B and C continued to have strong performances, accounting for 98% of the total sales this quarter.

Market performance



Demand

Purchasers can benefit from various forms of financial support, including flexible payment terms, competitive home loan interest rates, and a stimulus package.

A major factor affecting buyers confidence is the developer's reputation and credibility.

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The product mix has become more diverse with various layouts. In all types of apartments, the size of units have decreased, lowering the total unit price and targeting a wider purchaser pool.

Outlook

Supporting policies in law and finance for the residential market are expected to have positive impact on the performance of the apartment sector.

In the next three years, approximately 70,100 units from 102 existing and future projects are expected enter the market. Approximately 29% of the total future supply is expected to be completed in 2015 and 2016.

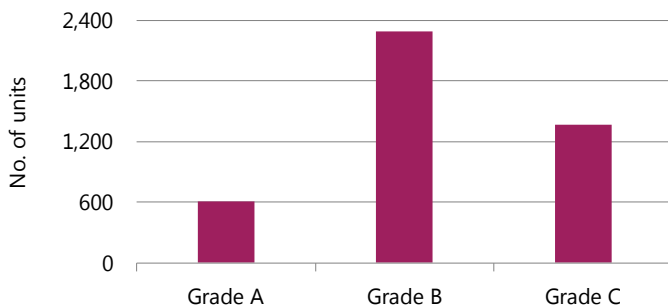
5. SERVICED APARTMENT

Supply

Two new Grade C projects in district's 3 and 11 came online this quarter, adding 83 units to the market.

As of Q1/2015, the total supply for HCMC's serviced apartment market was approximately 4,270 units from 81 projects, up 2% quarter-on-quarter (QoQ) and 6% year-on-year (YoY).

Current stock



Source: Savills Research & Consultancy

Performance

The overall occupancy was 82%, slightly down -1 ppt QoQ but stable YoY.

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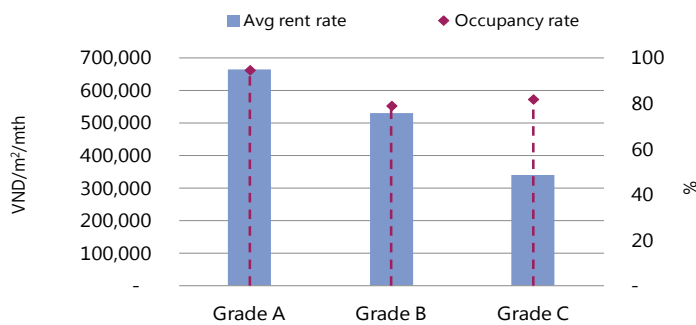
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Amongst the three grades, only Grade A's occupancy remained stable QoQ at 95 percent. Grade B occupancy decreased slightly -1 ppt QoQ and Grade C occupancy decreased -2 ppts QoQ.

The CBD continued to lead the market, with occupancy at 86%, 9 ppts higher than that of the non-CBD.

The average rent was VND 488,000/m²/mth (US\$23/m²/mth), a decrease of -2% QoQ and -3% YoY as a result of the decline in rental rates of Grades B and C.

Market performance



Source: Savills Research & Consultancy

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

Demand

In Q1/2015, the total FDI capital in HCMC amounted to US\$556 million, down -26% YoY. The decreased FDI inflow to HCMC has had a negative impact on the demand for serviced apartments.

Grade A and B's major tenants are high-income expatriates who look for high-standard living environment with good management. Grade C's tenants are young professionals who want cost-effective options.

Buy-to-let apartments are the main competitor for serviced apartments. Serviced apartments are superior in providing professional services and good security.

Outlook

From 9M/2015 to 2017, nine projects providing approximately 1,000 units are expected to enter the market.

A better macro-economy is forecast, along with improved growth for demand.■

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6. VILLA & TOWNHOUSE

Supply

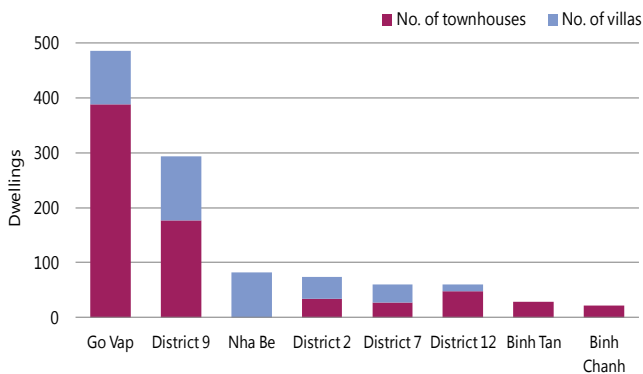
Four new villa/townhouse projects and the next phase of an existing project provided more than 480 dwellings to the primary market.

As of Q1/2015, the primary stock of the villa/townhouse segment was approximately 1,100 dwellings, a significant increase of 12% quarter-on-quarter (QoQ) and 319% year-on-year (YoY).

In the land plot segment, one new project and the next phase of an existing project entered the market, adding more than 200 plots. The primary land plot market had approximately 1,350 plots, down -25% QoQ but up 5% YoY.

Go Vap became the largest supplier for the villa/townhouse market. District 9 contributed the most stock for the land plot segment.

Current stock



Source: Savills Research & Consultancy

Performance

The transaction volume of villa/townhouse segment increased by 580% YoY. Townhouses dominated sales with 84% of the transactions.

The absorption rate of this segment was 32%, down -5 pts QoQ but up sharply 18 pts YoY.

In the land plot segment, the total sales volume decreased by -18% QoQ but increased 167% YoY. The absorption rate increased 4 pts QoQ due to the sharp decrease in supply.

Demand

Projects with completed facilities, good locations, affordable selling prices and developer credibility are attractive to buyers.

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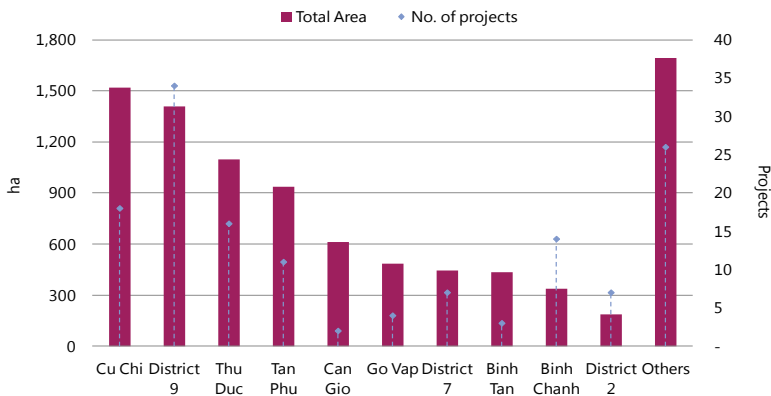
There is higher demand for small to medium-size landed properties with appropriate pricing.

Outlook

Future stock from 2015 onwards is approximately 53,700 dwellings from 142 projects.

In the later quarters of 2015, nine projects with 1,400 units are expected to enter the market. District 9 is the largest supplier, accounting for 60% market share.■

Estimated future supply



Source: Savills Research & Consultancy

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