

08 July 2015

SAVILLS VIETNAM REPORT ON HCMC REAL ESTATE MARKET

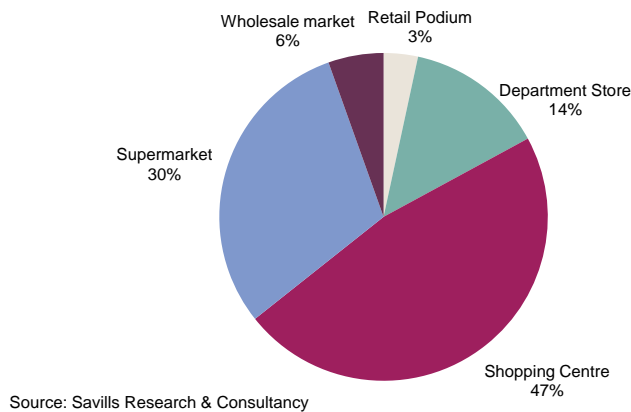
Q2/2015

1. RETAIL

Supply

In Q2/2015, two new shopping centres and one new supermarket entered the market, increasing total retail stock 5% quarter-on-quarter (QoQ) to approximately 940,000 m².

Current supply



Performance

The average occupancy was 92%; stable QoQ and increased 7 pts year on year (YoY). The average rent decreased by 1% QoQ at 1.3 million VND/m²/ mth.

In a QoQ comparison, shopping centres' occupancy was stable at 92% and department stores were unchanged at 97 percent. Retail podium's occupancy was 82%, decreasing by -2pts QoQ; this decrease had no impact to the market's overall occupancy.

The average rent of department stores' increased by 1% QoQ, whilst shopping centres' rent decreased by -2 percent. Rent in retail podiums was unchanged.

In YoY comparison, the rent of department stores increased by 3% while shopping centres and retail podiums decreased by -2 percent.

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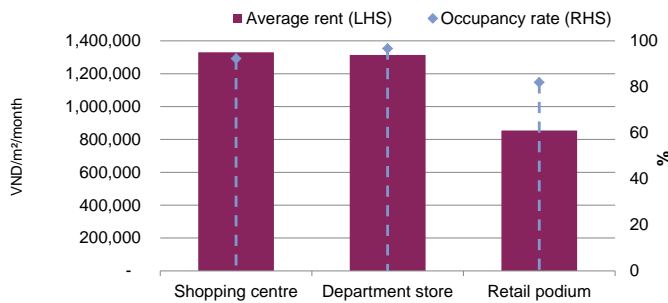
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Press Release

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 1H/2015, HCMC retail sales were approximately VND256 trillion, increasing by 11.8% YoY. Without inflation, real retail growth was 14.3% YoY, significantly higher than in 1H/2014 at 7.7% and higher than the national figure of 10.2 percent.

The increasing population and rising middle class in HCMC are driving the growth in retail demand.

Outlook

The retail market is expected to expand to the secondary and suburban areas faster than the CBD due to upgrades in public infrastructure and new residential projects. In the next six months of 2015, total future supply of the secondary area accounts for 66%, followed by the suburban area with 27% and the CBD with 7 percent.

By the end 2015, the future supply will increase by 40% compared with 2014. ■

2. OFFICE

Supply

In Q2/2015, one new Grade C project in district 3 providing 3,200 m² entered the market.

As of Q2/2015, there was approximately 1,472,000 m² from 224 projects. The total stock was relatively stable quarter-on-quarter (QoQ) and increased 3% year-on-year (YoY).

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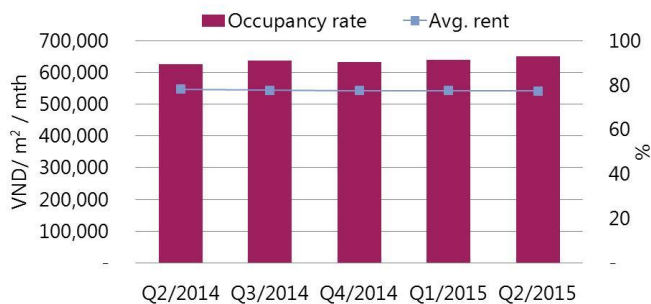
Performance

In Q2/2015, the average occupancy was 93%, up 2 ppts QoQ and YoY. This was the highest occupancy in the last seven years. The average rent was VND 541,000/m²/mth (US\$25/m²/mth), stable QoQ and YoY.

Grades A and C had QoQ occupancy increase by 3 ppts and 2 ppts respectively.

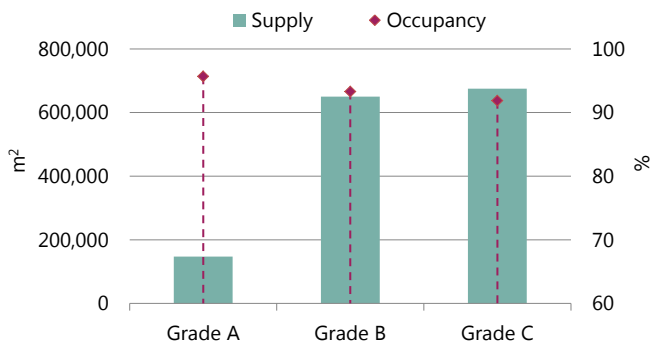
There was a wide gap in rental between Grade B buildings in the CBD and non-CBD at 60%. Grade C CBD rent was 13% higher than non-CBD.

Market performance



Source: Savills Research & Consultancy

Market performance by grade



Source: Savills Research & Consultancy

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

Demand

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In Q2/2015, the total office take-up was more than 25,500 m², up 6% from the previous quarter. The demand for Grade C offices was high, accounting for more than 68% of total take-up this quarter.

Factors influencing demand such as economic growth, foreign direct investment and newly registered enterprises have increased YoY. These elements provide positive prospects for office demand.

Outlook

By the end of 2015, one new Grade A project, three new Grade B and five new Grade C projects are expected to enter the market, supplying approximately 178,000 m².

By 2017, the market will welcome approximately 504,000 m² of new supply, increasing by 36% compared with 2014.

3. HOTEL

Supply

In Q2/2015, the 3-star segment welcomed 540 rooms from six new and one refurbished hotel. The 5-star segment had 446 additional rooms from an existing hotel and an upgraded hotel. Another 3-star hotel closed 20 rooms for internal use.

As of Q2/2015, HCMC had 106 hotels supplying approximately 13,800 rooms, increasing 6% quarter-on-quarter (QoQ) and 10% year-on-year (YoY).

Performance

The average occupancy in Q2/2015 was 64%, down 6 ppts QoQ due to the low tourism season; YoY the figure increased by 3ppts.

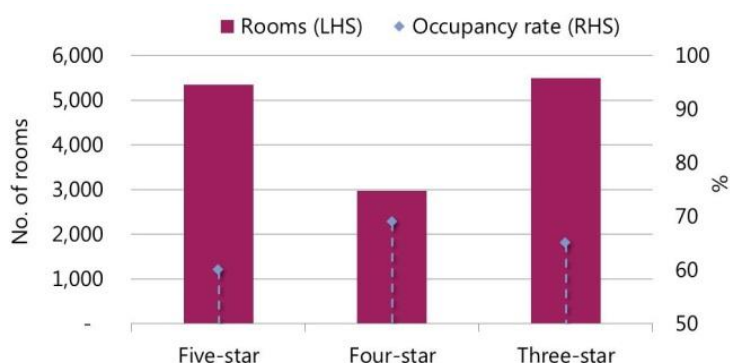
The 4-star average occupancy was higher than that of the 3-star and 5-star segment by 4ppts to 9ppts.

The ARR dropped -5% QoQ and -3% YoY to VND1.6 million/room/night (US\$78/room/night). This was the lowest ARR in the last five years due to a continuous increase in supply and fierce competition in the market.

Hotel performance, Q2/2015

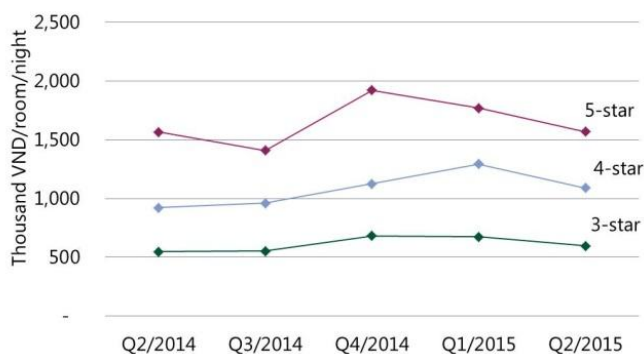
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Source: Savills Research & Consultancy

RevPAR, Q2/2014 – Q2/2015



Source: Savills Research & Consultancy

Demand

International arrivals to HCMC increased in the first six months of 2015 to approximately 2.2 million visitors. The yearly growth rate was positive at 3% YoY, compared with the negative figure nationwide of -11% YoY.

Visitors from the US, Japan, Korea and China were the main arrivals to HCMC.

Outlook

As of Q2/2015, there were 27 three to 5-star hotel projects recorded in the future list, supplying approximately 5,600 rooms. Thirteen projects are being completed or are under construction.

In the second half of 2015, nine hotels with more than 1,100 rooms are expected to come online. They include three 5-star hotels and six 3-star hotels.

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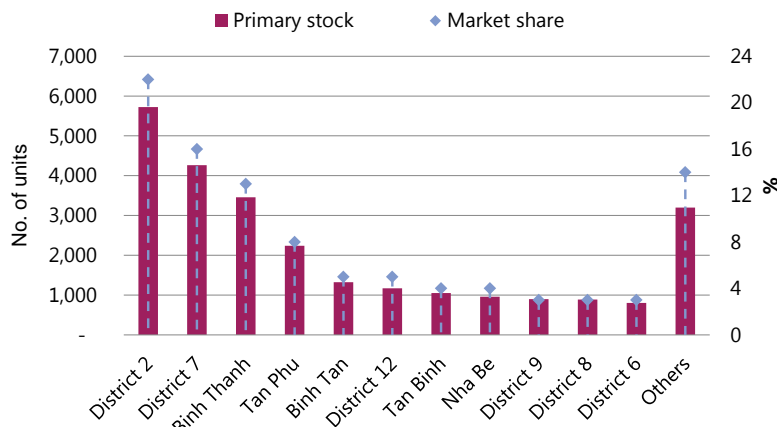
4. APARTMENT FOR SALE

Supply

In Q2/2015, eleven new projects and new phases of eight active projects were launched, providing more than 9,700 units. This is an increase of 47% quarter-on-quarter (QoQ) and 138% year-on-year (YoY). This quarter had the highest amount of newly launched supply in the last five years.

As of Q2/2015, there were approximately 26,000 available units in the primary market, a significant increase of 27% QoQ and 72% YoY.

Primary stock, Q2/2015



Source: Savills Research & Consultancy

Performance

The overall absorption rate was 19%, a decrease of -2 pts QoQ but an increase of 2 pts YoY. In Q2/2015, approximately 5,000 units were sold, up 17% QoQ and 96% YoY, the highest transaction volume since Q4/2010.

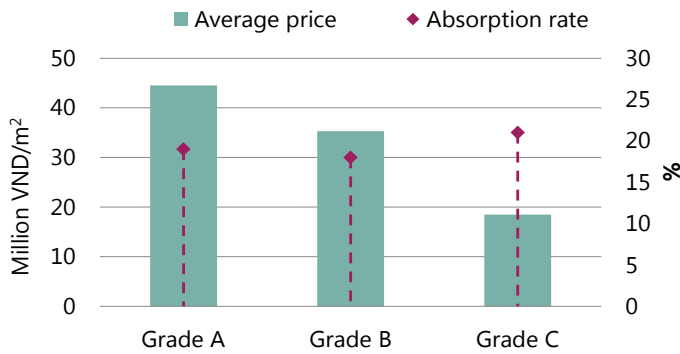
In Q2/2015, district 2 achieved the most sales with 28% of the total transaction volume, followed by Binh Thanh with a 15% share.

Grade B sales volume had a strong increase of 44% QoQ while Grade C maintained stable performance QoQ.

Market performance

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Source: Savills Research & Consultancy

Demand

In recently launched projects there has been a wide range of products such as options in terms of size, bedrooms and uses.

Projects with good standards, sufficient facilities and infrastructure have been popular.

End-users are strongly encouraged by competitive mortgage rates and good payment schemes, while small investors are confident in the good rental yield in HCMC.

Outlook

From 2H/2015 to 2017, approximately 59,200 new units from 90 existing and future projects are expected enter the market. District 9 is a major future supplier.

Recent legal reforms such as real estate law, housing law and developer guarantees to the residential market are expected to have positive impact on the performance of the apartment sector.

5. SERVICED APARTMENT

Supply

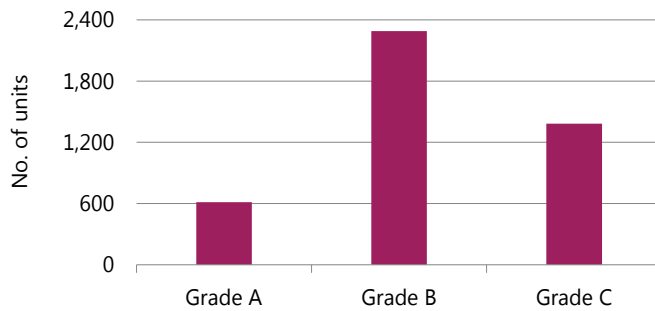
One Grade C project in district 2 came online this quarter, adding 14 new units to the market.

As of Q2/2015, the total supply for HCMC's serviced apartment market was approximately 4,280 units from 82 projects, relatively stable quarter-on-quarter (QoQ) and increasing 5% year-on-year (YoY).

Current stock

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Source: Savills Research & Consultancy

Performance

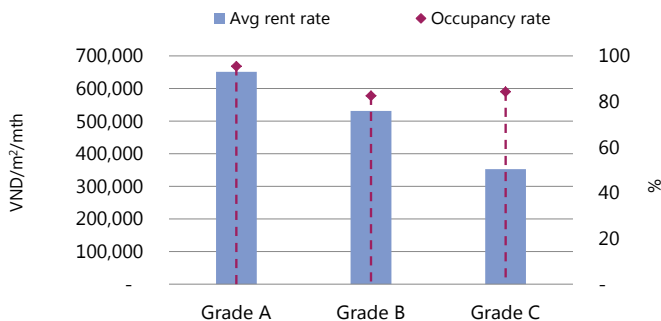
In Q2/2015, the overall occupancy was 85%, up 3 ppts QoQ and YoY.

All three grades had improved occupancies compared with the previous quarter. Grade B achieved a QoQ increase of 3 ppts, followed by Grade C with 2 ppts and Grade A with 1 ppt.

The CBD continued to lead the market, with occupancy at 88%, 4 ppts higher than that of the non-CBD and 5 ppts than that of the new urban areas (NUA).

The average rental rate continued to decrease -1% QoQ and -3% YoY to VND 490,000/m²/mth.

Market performance



Source: Savills Research & Consultancy

As of 1H/2015, HCMC has attracted US\$1.2 billion in foreign direct investment (FDI), up 33% YoY. The increased amount of FDI inflow to HCMC has had a positive impact on the serviced apartment market. In Q2/2015, take-up increased by 400% QoQ.

Serviced apartments have become an attractive alternative to the standard hotel product as they are a cost-effective option for a long-term stay.

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Prime locations, international management and premium facilities from the Grade A segment and certain Grade B projects are crucial elements contributing to the appeal of serviced apartment market from prospective tenants.

Outlook

From 2H/2015 to 2017, eleven projects providing approximately 2,200 units are expected to enter the market. ■

6. Villa & Townhouse

Supply

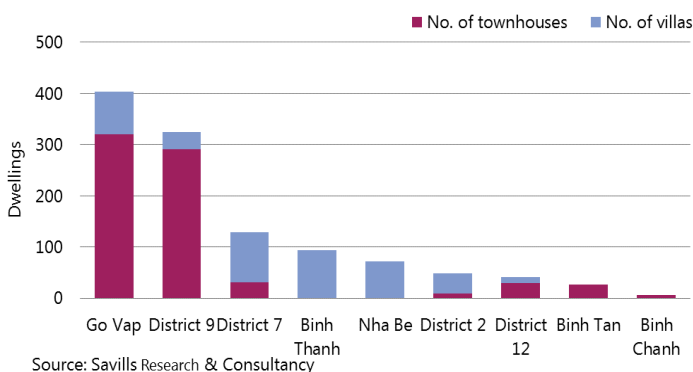
Three new villa/townhouse projects and the next phase of an existing project provided more than 470 dwellings to the primary market.

As of Q2/2015, the primary stock of the villa/townhouse segment was approximately 1,140 dwellings, an increase of 3% quarter-on-quarter (QoQ) and 216% year-on-year (YoY).

In the land plot segment, one new project and the next phase of an existing land plot project entered the market, adding more than 60 plots. The primary land plot market had approximately 760 plots, down -43% QoQ and -32% YoY.

Go Vap continued to be the largest supplier for the villa/townhouse market, district 9 contributed the most stock for the land plot segment.

Current stock



Performance

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The villa/ townhouse market performed well due to the good performance of newly launched projects. The transaction volume of the villa/townhouse segment increased by 12% QoQ and 116% YoY. Townhouses dominated sales with 82% of transactions.

The absorption rate of this segment was 35%, up 3 ppts QoQ but down sharply -16 ppts YoY.

In the land plot segment, the transaction volume decreased by -36% QoQ and -21% YoY. District 9 and Thu Duc had the best performance, accounting for approximately 70% of sales.

Demand

Purchasers are attracted to projects with premium products, a prime location and a wide range of facilities.

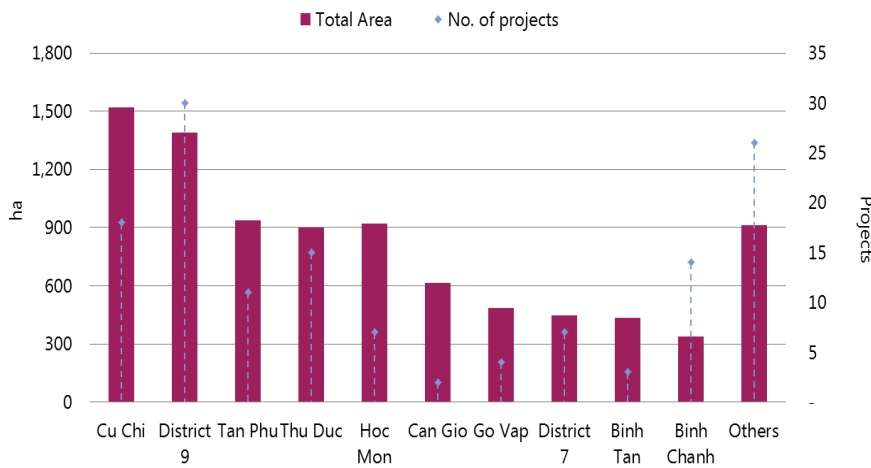
End-users are highly attracted to landed properties with moderate pricing and good connectivity to the city centre.

Outlook

Future stock from 2H/2015 onwards is approximately 52,500 dwellings from 137 projects.

In 2H/2015, nine projects with 1,250 dwellings are expected to enter the market. District 9 is the largest supplier, accounting for 31% market share.■

Estimated future supply



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